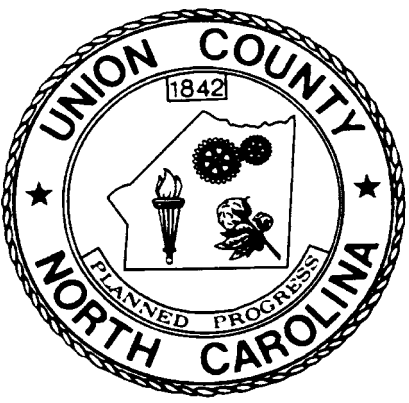




**UNION COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2007**



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# Union County, North Carolina

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## Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2007

Prepared by  
**Finance Department**



Union County, North Carolina  
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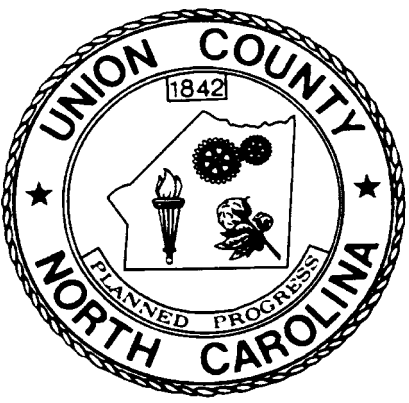
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# Introductory Section

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## UNION COUNTY FINANCE DEPARTMENT

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

November 2, 2007

The Board of County Commissioners  
Richard Black, Interim 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, 2007.

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 Potter and Company, P.A., 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, 2007, 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 the County's position as the State's fastest growing county as measured by percentage of population increase.

The County's economy continues to perform well as measured by unemployment rates, labor force growth and median family income. The County continues to maintain lower unemployment rates than the State and the United States. The County's diverse economic base and the interdependence of the Charlotte-Gastonia-Concord MSA are major factors in the County's economic strength. According to the U.S. Census, the County's median household income of \$56,218 places it second among North Carolina's 100 counties, with only Wake County at \$57,846 having a higher median household income. Neighboring Mecklenburg County ranks third at \$49,683. New housing construction and residential permits in fiscal year 2007 declined over fiscal year 2006's record levels, but remained above prior years' levels.

**Long-term financial planning.** Union County's population grew by 47% from 1990-2000, reaching 123,677 in 2000. From 2000 to 2006, the population increased by 37% to 172,087. The North Carolina State Demographics Unit expects the County's population to grow another 19% or 33,166 between 2006 and 2010, reaching 205,253 by the year 2010. Public school enrollment, currently at 34,564, is projected to increase to 43,500, or 25.85% by 2010. The County's utility system has been adding an average of approximately 3,000 new water connections over the past several years and added almost 3,700 new water connections in fiscal year 2007. Residential building permits and new construction values reached record high levels in fiscal year 2006, declined in fiscal year 2007, are expected to reflect further reductions in 2008 and trend to levels experienced in the 2001 to 2003 period.

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, 2004 and 2006 aggregating \$501.7 million. At June 30, 2007, the County's remaining authorization from these five referendums totaled \$201.7 million. The school system anticipates using the balance of the bond proceeds at June 30, 2007 and additional authorizations totaling \$152.5 million to construct four elementary schools, two middle schools, two high schools, several school renovation and expansion projects, and a transportation facility by the 2010-2011 academic year. Utility system improvements to accommodate the County's residential and commercial growth and system quality 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 \$311 million through 2012 and are expected to be funded through the issuance of \$208 million in debt with the balance from operations and capital contributions. Finally, the County anticipates completing needed improvements and expansions to its parks and recreational, library and community college facilities.

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

**Cash and investment management policies and practices.** The investment policy of the County is guided in a large part by State statute. The County believes strongly in making the best possible use of idle cash resources and as a result, investments have been made in securities that insure that ample funds are available as needed to meet disbursement requirements as well as to take advantage of market fluctuations. The approach allows the County to maximize financial return with the parameters of acceptable risk. For the fiscal year ended June 30, 2007, the County earned an equivalent of 3.8 cents on its ad valorem tax rate in investment earnings.

**Debt administration.** The County's general obligation bond rating of Aa2/AA/AA was affirmed by the three national rating agencies of Moody's Investors Service, Standard & Poors and Fitch respectively during fiscal year 2007. The County's key financial ratios relating to debt are summarized in the following table.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Assessed Value	\$ 16,065,515,920	\$ 14,495,811,643	\$ 13,472,966,225	\$ 10,808,933,701	\$ 10,245,798,518
Net Tax Supported Debt	\$ 337,319,676	\$ 270,398,650	\$ 284,072,400	\$ 174,171,686	\$ 161,186,650
Net Tax Supported Debt as a Percentage of Assessed Value	2.10%	1.87%	2.11%	1.61%	1.57%
Debt Service as a Percent of Expenditures	15.0%	14.1%	11.3%	12.3%	13.3%
Population	172,094	161,260	151,862	144,747	138,883
Debt per Capita	\$ 1,960.09	\$ 1,676.79	\$ 1,870.60	\$ 1,203.28	\$ 1,160.59
Available Fund Balance as a Percent of General Fund Expenditures	18.8%	21.6%	35.5%	38.1%	39.4%

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.

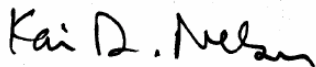
There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

**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 Interim County Manager Richard Black 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, 2007

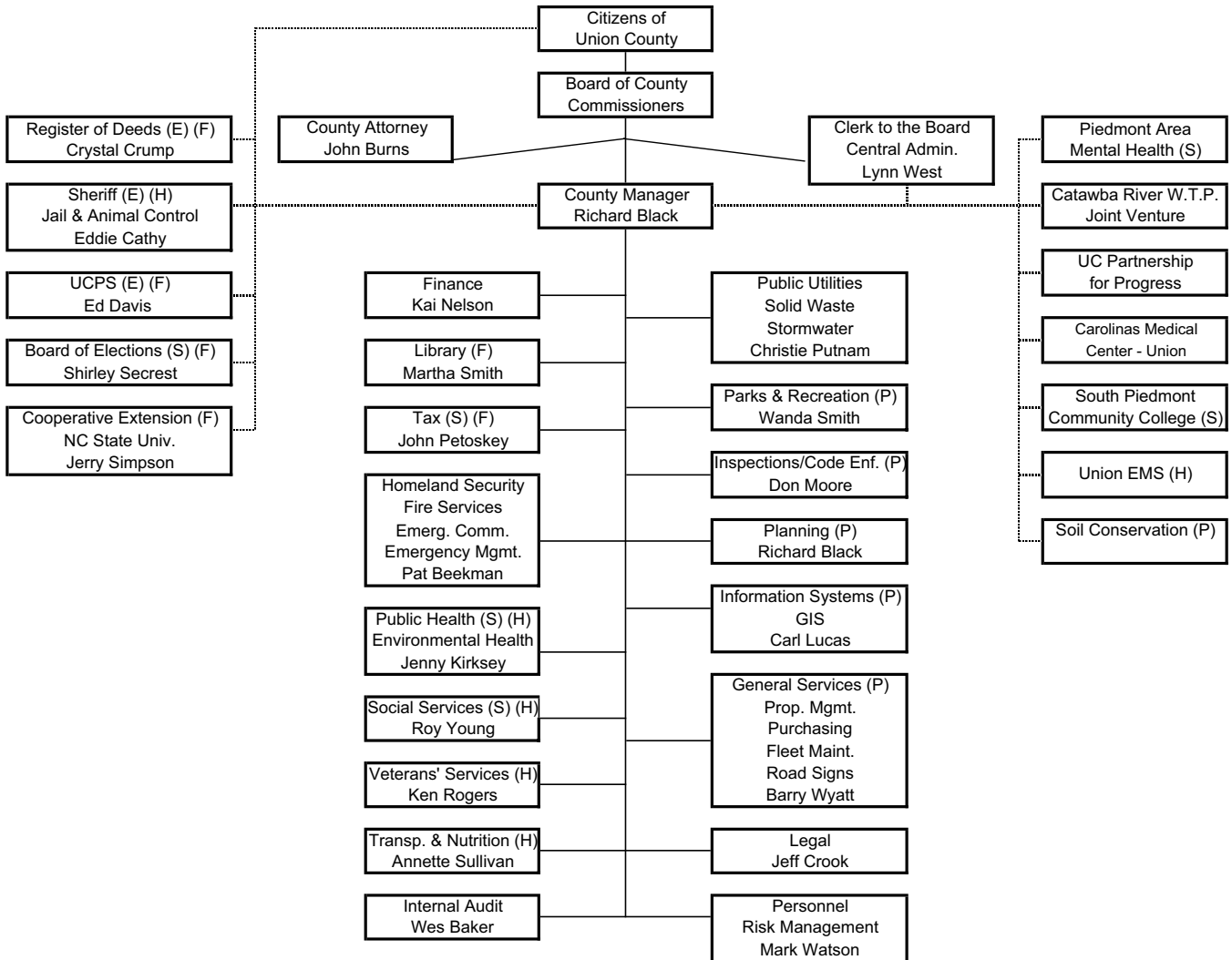
Board of County Commissioners

Kevin Pressley - Chairman  
Allan Baucom - Vice Chairman  
Roger Lane  
Parker Mills  
Lanny Openshaw

County Officials

Richard Black	Interim County Manager
Kai D. Nelson	Finance Director
Lynn G. West	Clerk to the Board
Jerry Simpson	Cooperative Extension Service Director
John Burns	County Attorney
Shirley Secrest	Elections Director
Patrick Beekman	Homeland Security Director
Barry Wyatt	General Services 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
Jenny Kirksey	Health Director
Christie Putnam	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
- (F) Liaison provided by Finance
- (P) Liaison provided by Public Works
- (H) Liaison provided by Homeland Security

Updated: Nov. 02, 2007

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# Financial Section

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The Board of Commissioners  
**Union County, North Carolina**  
Monroe, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union County, North Carolina**, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 financial statements. An audit also includes assessing the accounting principles used and 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 opinions.

In our opinion, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

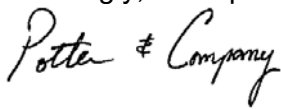
In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 on our consideration of **Union County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other 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.

Management's Discussion and Analysis and the Special Separation Allowance Schedules of Funding Progress and Employer Contributions 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 on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of **Union County, North Carolina**. The combining and individual nonmajor fund financial statements and schedules, as well as the

accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the June 30, 2006 data.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures in our audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Potts & Company".

November 2, 2007  
Monroe, North Carolina

## 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, 2007. 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 liabilities of Union County exceeded its assets at the close of the fiscal year by \$45,559,540 (*net assets*), a decline of \$92,883,476 from the prior fiscal year.
- The total net assets of governmental activities was a deficit \$260,185,691 an increase of \$124,102,956 from the prior year's deficit amount of \$136,082,735 (as restated), 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 the issuance of 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 \$10,821,125, a decrease of \$65,417,184 in comparison with the prior year. The decrease is mainly attributable to the spending of general obligation bond anticipation note proceeds in the amount of \$70.0 million relating to school construction. These note proceeds are reflected as a part of the current portion of long-term obligations on the statement of net assets and will be reflected as other financing sources upon the discharge of the notes in fiscal year 2008. Approximately \$28.7 million is available for spending at the government's discretion (*unreserved and undesignated fund balance*) in the General Fund with a negative \$85.1 million in the remaining Governmental Funds. This negative fund balance is attributable to the issuance of the general obligation bond anticipation notes.
- At the end of the current fiscal year, the unreserved and undesignated portion of fund balance for the General Fund was \$28,690,718, or 15.2 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt increased by \$145,896,294 (42.2%) during the current fiscal year with the net increase attributable to the issuance of general obligation bond anticipation notes and certificates of participation net of the current year's debt principal payments.
- Union County's general obligation bond rating of Aa2/AA/AA was affirmed by Moody's, Standard & Poor's and Fitch during fiscal year 2007.

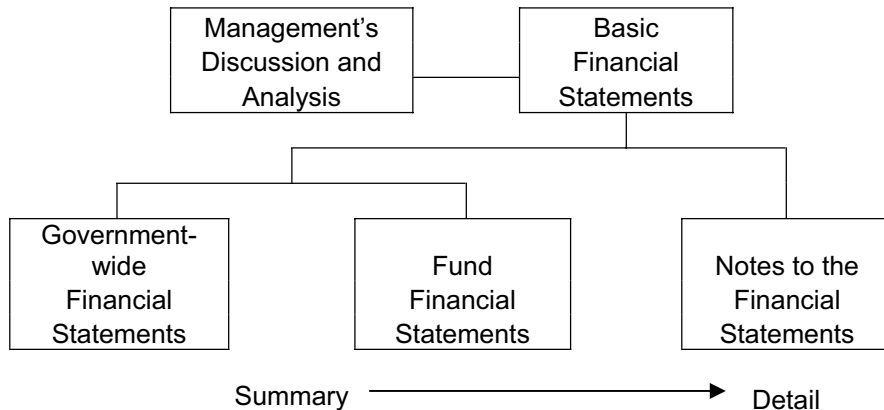
### Overview of the Financial Statements

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 nine fiduciary funds, one of which is a pension trust fund and eight 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 76 of this report.

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

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The figure below depicts the County's net assets for fiscal year 2007 and provides comparative data, including the percentage change, from fiscal year 2006.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2006 (as restated)	2007	2006	2007	2006 (as restated)	
Current and other assets	\$ 121,846,069	\$ 119,262,906	\$ 85,247,530	\$ 71,565,468	\$ 207,093,599	\$ 190,828,374	8.52%
Capital assets	64,017,783	57,065,566	206,872,895	181,046,330	270,890,678	238,111,896	13.77%
<b>Total assets</b>	<b>185,863,852</b>	<b>176,328,472</b>	<b>292,120,425</b>	<b>252,611,798</b>	<b>477,984,277</b>	<b>428,940,270</b>	11.43%
Long-term debt outstanding	420,814,676	283,893,650	70,939,508	61,964,240	491,754,184	345,857,890	42.18%
Other liabilities	25,234,867	28,517,557	6,656,151	7,240,887	31,891,018	35,758,444	-10.82%
<b>Total liabilities</b>	<b>446,049,543</b>	<b>312,411,207</b>	<b>77,595,659</b>	<b>69,205,127</b>	<b>523,645,202</b>	<b>381,616,334</b>	37.22%
Net assets							
Invested in capital assets, net of related debt	38,919,642	31,857,056	144,908,774	128,539,817	183,828,416	160,396,873	14.61%
Restricted	11,514,884	9,948,350	2,842,695	2,767,983	14,357,579	12,716,333	12.91%
Unrestricted	(310,620,217)	(177,888,141)	66,874,682	52,098,871	(243,745,535)	(125,789,270)	93.77%
<b>Total net assets</b>	<b>\$ (260,185,691)</b>	<b>\$ (136,082,735)</b>	<b>\$ 214,626,151</b>	<b>\$ 183,406,671</b>	<b>\$ (45,559,540)</b>	<b>\$ 47,323,936</b>	-196.27%

The liabilities of Union County exceeded assets by \$45,559,540 as of June 30, 2007. The County's net assets decreased by \$92,883,476 for the fiscal year ended June 30, 2007. 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 \$14,357,579 of Union County's net assets represents resources principally consisting of public safety, education and debt service that are subject to external restrictions on how they may be used. The remaining deficit balance of \$243,745,535 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets in the amount of \$310,620,217 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, 2007, \$396,226,095 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 \$1,114,034 of unspent bond proceeds, \$2,109,893 of accounts receivable and \$8,350,991 of liabilities payable from bond proceeds at June 30, 2007 for school and community college systems' capital projects. The outstanding amount of this debt of \$396.2 million and the liabilities payable of \$8.4 million have been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$310,620,217 for this category of net assets. The outstanding amount of this debt of \$396.2 million and liabilities payable of \$8.4 million net of unspent bond proceeds of \$1.1 million and the receivable of \$2.1 million represent a portion of the amount reported as a net reduction of net assets for governmental activities, resulting in a deficit balance of \$260,185,691 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 a positive \$91,846,976 and total net assets would be a positive \$141,167,468.

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 2006-2007
	2007	2006 (as restated)	2007	2006	2007	2006 (as restated)	
	<b>Revenues:</b>						
Program revenues:							
Charges for services	\$ 17,601,471	\$ 18,248,040	\$ 30,332,905	\$ 26,347,941	\$ 47,934,376	\$ 44,595,981	7.49%
Operating grants and contributions	24,669,535	19,923,496	236,132	218,447	24,905,667	20,141,943	23.65%
Capital grants and contributions	336,940	246,468	26,878,466	37,738,174	27,215,406	37,984,642	-28.35%
General revenues:							
Property taxes	105,339,399	84,444,843	-	-	105,339,399	84,444,843	24.74%
Other taxes	41,633,056	32,976,371	-	-	41,633,056	32,976,371	26.25%
Grants and contributions not restricted to specific programs	93,312	56,129	-	-	93,312	56,129	66.25%
Other	7,008,285	(251,215)	2,976,257	1,846,511	9,984,542	1,595,296	525.87%
<b>Total revenues</b>	<b>196,681,998</b>	<b>155,644,132</b>	<b>60,423,760</b>	<b>66,151,073</b>	<b>257,105,758</b>	<b>221,795,205</b>	<b>15.92%</b>
<b>Expenses:</b>							
General government	12,086,962	13,575,128	-	-	12,086,962	13,575,128	-10.96%
Public safety	31,462,968	28,007,624	-	-	31,462,968	28,007,624	12.34%
Economic and physical development	1,872,376	1,329,057	-	-	1,872,376	1,329,057	40.88%
Human services	37,498,643	33,834,557	-	-	37,498,643	33,834,557	10.83%
Cultural and recreational	6,548,274	6,086,733	-	-	6,548,274	6,086,733	7.58%
Education	216,024,115	101,687,523	-	-	216,024,115	101,687,523	112.44%
Interest and fees on long term debt	14,991,616	9,566,434	-	-	14,991,616	9,566,434	56.71%
Water and sewer	-	-	25,381,231	23,455,824	25,381,231	23,455,824	8.21%
Solid waste	-	-	4,084,887	3,239,497	4,084,887	3,239,497	26.10%
Stormwater	-	-	38,162	115,546	38,162	115,546	n/a
<b>Total expenses</b>	<b>320,484,954</b>	<b>194,087,056</b>	<b>29,504,280</b>	<b>26,810,867</b>	<b>349,989,234</b>	<b>220,897,923</b>	<b>58.44%</b>
<b>Increase (decrease) in net assets before transfers</b>							
	(123,802,956)	(38,442,924)	30,919,480	39,340,206	(92,883,476)	897,282	-10451.65%
<b>Transfers</b>							
	(300,000)	(323,304)	300,000	323,304	-	-	-
<b>Increase (decrease) in net assets</b>							
	(124,102,956)	(38,766,228)	31,219,480	39,663,510	(92,883,476)	897,282	-10451.65%
<b>Net assets, July 1, as restated</b>							
	(136,082,735)	(97,316,507)	183,406,671	143,743,161	47,323,936	46,426,654	1.93%
<b>Net assets, June 30</b>							
	\$ (260,185,691)	\$ (136,082,735)	\$ 214,626,151	\$ 183,406,671	\$ (45,559,540)	\$ 47,323,936	-196.27%

**Governmental activities:** Governmental activities decreased the County's net assets by \$124,102,956 compared with the prior year's decrease of \$38,766,228 (restated). Key elements of this decrease when compared to the prior year are as follows:

- Increased Education (\$114.3 million – school facilities and current expense, a portion of the current expense increase representing the elimination and consolidation in fiscal year 2007 of a supplemental education tax agency fund), Debt Service (\$5.4 million – interest and debt related expenses primarily attributable to schools), Human Services (\$3.7 million – personnel, public assistance and depreciation of assets) and Public Safety (\$3.5 million – personnel 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 \$20.9 million due to a tax rate increase from 56.00 to 63.67 cents (a 7.0 cents

supplemental education tax was previously reported in an education tax agency fund and was consolidated into the Governmental Activities in fiscal year 2007), new construction and increased local option sales tax revenue (\$8.7 million, a portion of the local option sales tax was previously reported in an education tax agency fund and was consolidated into the Governmental Activities in fiscal year 2007). The "other" category of revenues increased in the amount of \$7.3 million due in part to unrestricted investment earnings increase of \$2.3 million during the year due to an overall higher rate of return on investments and by \$4.4 million loss (restated) in sale of capital assets in fiscal year 2006. Also, operating grants and contributions increased by approximately \$4.7 million with a majority of the increase occurring in health and human services (\$1.8 million) and restricted State intergovernmental revenues for school capital construction and debt service (\$2.8 million).

**Business-type activities:** Net assets in the Business-type activities totaled \$214,626,151 at year end representing an increase of \$31,219,480 or 17.0 percent over fiscal year 2006's \$183,406,671. Solid Waste services had an increase in net assets of \$818,500, Stormwater services had an increase of \$15,524 and Water and Sewer services had an increase in net assets of \$30,385,456. 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 and capacity payments combined with an increase in charges for services revenue due to the imposition of a water conservation rate structure.

### **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 \$28,690,718, while total fund balance was \$51,292,271. 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 15.2 percent of total General Fund expenditures and other financing uses (excluding the refunded bonds), while total fund balance represents 27.2 percent of that same amount.

At June 30, 2007, the governmental funds of the County reported a combined fund balance of \$10,821,125, an 85.8 percent decrease or \$65.4 million from last year. The primary reason for this decline is due to the spending of general obligation bond anticipation note proceeds in the amount of \$70.0 million relating to school construction. These note proceeds are reflected as a part of the current portion of long-term obligations on the balance sheet and will be reflected as other financing sources upon the discharge of the notes in fiscal year 2008. Approximately \$28.7 million is available for spending at the government's discretion (*unreserved and undesignated fund balance*) in the General Fund with a negative \$85.1 million in the remaining Governmental Funds. This negative fund balance is attributable to the issuance of the general obligation bond anticipation notes.

**General Fund Budgetary Highlights:** County ad valorem revenues continue to reflect robust growth due to the local housing construction market attributable to the proximity of the County to the Charlotte MSA. Fiscal year 2007 revenues and other financing sources reflect continued improvement over fiscal year 2006 while fiscal year 2007 expenditures and other financing uses reflect significant increases when compared to fiscal year 2006.

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 \$9,738,238 or 5.3%. The majority of this increase was due to budgeting of reservations of fund balance relating to encumbrances and designations for special purposes reflected in the General Fund balance sheet at fiscal year end 2006.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$5,810,459 with the majority of net favorable balance resulting from a combination of favorable local option sales tax (\$1.8 million), investment earnings (\$2.5 million) and miscellaneous revenue (\$1.6 million). Actual expenditures were under the final budget by \$6,107,098 with the majority of the positive variances occurring in General Government, Public Safety, Human Services and Cultural and Recreational. Actual fund balance increased by \$1.7 million compared to the final budgeted use of \$10.8 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 \$5,907,450, the Stormwater Fund totaled \$77,091 and those for the Water and Sewer Fund totaled \$61,208,964. The total increase in net assets for these funds was \$826,500, \$15,490 and \$30,436,031, 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 and capacity payments combined with the imposition of the water conservation rate.

### **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, 2007, totaled \$270,890,678 (net of accumulated depreciation), an increase of \$28,386,137 over the prior year's amount of \$242,504,541. These assets include land, buildings, equipment, plants and utility infrastructure.

Major capital asset transactions during the year include:

- Purchase and replacement of information technology data storage hard drives, servers, SAN's and related equipment and software
- Purchase and replacement of public safety vehicles and related mobile data equipment
- Continued purchase and replacement of parks and recreation facilities and various park land improvements
- Completion of construction of the Animal Shelter
- Continuation of design costs associated with Jail Expansion

- Continuation of construction related to various Government Facility renovations
- Construction and demolition cell closure at the Union County Landfill
- Construction of 19,000 linear feet of water mains in connection with Secret Short Cut Road project
- Continuation of construction of the Twelve Mile Creek Wastewater Treatment Plant expansion project from 2.5 million gallons per day (MGD) to 6.0 MGD
- Receipt of contributed capital consisting of approximately \$13.6 million for water and sewer distribution and collection systems
- Continuation of automated meter reading project

### Union County's Capital Assets Figure 4

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2007
	2007	2006 (as restated)	2007	2006	2007	2006 (as restated)	
	Land	\$ 4,131,922	\$ 4,131,922	\$ 1,474,616	\$ 1,474,616	\$ 5,606,538	
Construction in progress	5,833,118	2,394,451	25,318,421	10,968,195	31,151,539	13,362,646	133.12%
Other improvements	2,629,647	1,847,393	796,390	63,456	3,426,037	1,910,849	79.29%
Buildings	43,678,385	42,018,625	-	-	43,678,385	42,018,625	3.95%
Furniture and equipment	5,506,682	4,482,684	914,392	888,579	6,421,074	5,371,263	19.54%
Vehicles	2,238,029	2,190,491	800,540	801,392	3,038,569	2,991,883	1.56%
Plant and collection systems	-	-	95,389,656	91,111,552	95,389,656	91,111,552	4.70%
Plant and distribution systems	-	-	82,178,880	75,738,540	82,178,880	75,738,540	8.50%
	<u>\$ 64,017,783</u>	<u>\$ 61,458,211</u>	<u>\$ 206,872,895</u>	<u>\$ 181,046,330</u>	<u>\$ 270,890,678</u>	<u>\$ 238,111,896</u>	13.77%

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

**Long-term Debt:** As of June 30, 2007, the County had total debt outstanding of \$491,754,184. General obligation debt, both long and short term, secured by the full faith and credit of the County, totaled \$312,975,472, an increase of \$56,117,863 million from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$178,778,712, an increase of \$89,778,431. 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 2006-2007
	2007	2006	2007	2006	2007	2006	
	General obligation bonds	\$ 220,523,231	\$ 231,960,190	\$ 8,957,241	\$ 11,402,419	\$ 229,480,472	
G.O. C.P. bond anticipation notes	83,495,000	13,495,000	-	-	83,495,000	13,495,000	n/a
Certificates of participation	116,677,090	38,256,834	-	-	116,677,090	38,256,834	204.98%
Installment financing	119,355	181,626	-	-	119,355	181,626	-34.29%
Revenue bonds	-	-	46,145,300	47,991,158	46,145,300	47,991,158	-3.85%
Other	-	-	15,836,967	2,570,663	15,836,967	2,570,663	516.07%
	<u>\$ 420,814,676</u>	<u>\$ 283,893,650</u>	<u>\$ 70,939,508</u>	<u>\$ 61,964,240</u>	<u>\$ 491,754,184</u>	<u>\$ 345,857,890</u>	42.18%

The County's total net debt increased by \$145,896,294 or 42.2 percent during the past fiscal year.

The County's most recent long term general obligation bond ratings, affirmed in connection with the County's Certificates of Participation, Series 2006, are shown below:

Moody's Investor Services	Aa2
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 \$668,134,167 The County has \$201,735,000 in bonds authorized but unissued at June 30, 2007.

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

### **Economic Factors and Next Year's Budgets and Rates**

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

<b>Indicator</b>	<b>Union County</b>	<b>North Carolina</b>
Population Increase 1990-2000	46.9%	21.4%
Population Increase 2000-2006	37.2%	9.7%
Projected Population Increase 2006-2010	19.3%	7.1%
Unemployment Rate (2006)	4.0%	4.8%
Unemployment Rate (07/2007)	4.4%	5.0%
Per Capita Personal Income (2005)	\$29,018	\$31,041
Median Household Income (2004)	\$56,218	\$40,863

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, 2008**

**Governmental Activities:** The General Fund budget for the fiscal year ending June 30, 2008 totals \$217.7 million, which is an increase of \$23.2 million or 12% over the final amended budget for the fiscal year ended June 30, 2007 in the amount of \$194.5 million.

The single largest amount of the increase is attributable to education expenditures which total \$72.0 million in 2008 compared to 2007's \$58.2 million; an increase of \$13.8 million or 24%. A majority of the increase in education expenditures relates to current expenses of the County public school system which is expected to set enrollment records with the opening of the 2007-08 academic year when 4,300 additional students are projected for enrollment. Total student enrollment is anticipated to be 38,885, representing an increase of 12.5% over the previous year.

Debt service expenditures total \$43.1 million for fiscal year 2008, representing an increase of \$14.8 million or 52% over fiscal year's final budget amount of \$28.3 million. The increase in debt service for fiscal year 2008 is attributable to the commencement of principal amortization in connection



with the \$77,640,000 Certificates of Participation, Series 2006, principal and interest amortization associated with the \$130,730,000 Variable Rate General Obligation Bonds, Series 2007A-C, and interest costs associated with the \$90,000,000 General Obligation School Bonds, Series 2007D.

These two increases, current expenses for education and debt service costs, totaling \$28.6 million are the major factors contributing to the overall increase in the County's 2008 budget as compared to the 2007 budget.

Operating revenues contained in the budget for fiscal year 2008 are \$209.6 million as compared to 2007's final budget amount of \$183.4 million; an increase of \$26.2 million. About \$25.1 million of the increase occurs in the ad valorem and local option sales tax revenue category. The increase in ad valorem taxes is attributable to construction growth in the property assessment of 8% and a tax rate increase of 7.44 cents per \$100 (fiscal years 2008 tax rate is 71.11 cents compared to 2007's 63.67 cents) principally attributable to school current expense and debt service. The majority of the increase in intergovernmental revenues is attributable to lottery proceeds for school capital construction and debt service.

The fiscal year 2008 budget appropriates \$5.8 million from fund balance as compared to the 2007's original fund balance appropriation of \$6.9 million.

The County maintains a five-year Capital Improvement Plan ("CIP") and financial feasibility forecast for tax-supported and enterprise fund activities. The tax-supported CIP contains projected capital expenditures for the Union County Public Schools ("UCPS"), South Piedmont Community College ("SPCC") and County programs and functions such as law enforcement, parks and recreation and general government. The CIP is funded through current revenues, capital contributions and long-term debt. The CIP and financial forecast is periodically updated to reflect changing priorities and circumstances.

The County is currently updating the 2007 UCPS CIP for the period 2008-2012 and does not anticipate formally acting on the plan until fall 2007. The 2007-2012 UCPS CIP is the County's most current adopted CIP for its public schools. The County CIP for its public schools totals \$568 million for the period 2007-2011. The UCPS CIP is anticipated to be funded with approximately \$73.5 million from current revenues, contributed capital and reserves with the balance of \$494.5 million funded through the issuance of debt or installment financings. Of the \$494.5 million, \$342 million is comprised of general obligation debt capacity including the November 7, 2006 school general obligation authorization of \$174.5 million and the previously executed and delivered \$77,640,000 Certificates of Participation, Series 2006. The remaining \$152.5 million (representing the difference between the \$494.5 million and \$342 million) of anticipated debt issuance contained in the 2006 UCPS CIP is projected to be secured through a 2008 referendum.

The proceeds from the \$90,000,000 General Obligation School Bonds, Series 2007D and a portion (\$20,000,000) of the County's Variable Rate General Obligation Bonds, Series 2007A, 2007B and 2007C are projected to provide sufficient resources to meet the UCPS capital improvement program for the majority of fiscal year 2008. The County anticipates issuing the balance of the November 7, 2006 authorization in the amount of \$64,500,000 in the summer of 2008 and will likely be seeking additional debt authorization described in the previous paragraph during the same period.

The County's 2007 CIP for SPCC and its other programs and functions totals \$111.2 million for the period 2008-2012. This portion of the County's CIP is anticipated to be funded with approximately \$40.9 million from current revenues, contributed capital and reserves, with the balance of \$70.3 million issued through currently unauthorized installment financing agreements (\$28.6 million) and general obligation debt (\$41.7 million). The largest capital expenditure is the deployment of a

countywide emergency communication system estimated at \$18.4 million to be financed with the proceeds of an installment financing agreement. The issuance of general obligation debt for parks and recreation, community college and library improvements is contingent on a successful passage of an anticipated November 2008 bond referendum.

The County's prior year CIP contained the construction of a jail detention facility in the amount of \$73 million for which the County anticipated entering into an installment financing contract in late calendar year 2007. During the project program development phase of the jail detention facility in 2005 and early 2006, the average daily inmate population regularly exceeded the current jail detention capacity of 264. Several criminal process changes were instituted in 2006 and 2007 that resulted in the lowering of the average daily inmate population to the low 200's. The County is continuing with the design development phase of the project but has deferred the construction component of the project until inmate population levels at the current jail approach levels that necessitate proceeding with the expansion.

**Business – type Activities:** The County has also approved a \$38.9 million Water and Sewer budget for fiscal year 2008 which represents a \$4.0 million decrease from fiscal year 2007's final budget of \$42.95 million. A significant portion of the decrease is attributable to a decreased transfer to the enterprise capital fund (\$7.3M), with the transferred resources used to finance a portion of the utility system improvements. A large 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, by mid-fiscal year 2008. The feasibility study will identify the necessary revenues and rate structures, to support future operations, maintenance, debt service costs and the capital improvement program. The County anticipates issuing Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2008 in an aggregate amount of at least \$20 million during the last quarter of fiscal year 2008 to finance a portion of the capital improvement program. The County previously executed a forward swap agreement (subsequently amended and restated on May 3, 2007) to effectively change the County's interest rate on the Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2008 to a synthetic fixed rate of 3.6133%, excluding liquidity, remarketing, and other fees. 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 also approved a \$4.98 million Solid Waste budget for fiscal year 2008 which represents a slight increase of \$0.03 million from fiscal year 2007's final budget of \$4.95 million. The fiscal year 2008 budget contains a construction and demolition tipping fee rate increase from \$24 per ton to \$34 per ton. The purpose of this rate adjustment is to fund anticipated closure and post-closure costs in connection with landfill cells.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Union County, 500 N. Main Street, Suite 901, Monroe, NC 28112.

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# Basic Financial Statements

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**Statement of Net Assets**

June 30, 2007

	Governmental Activities	Business Type Activities	Total Primary Government
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 68,409,728	\$ 46,967,097	\$ 115,376,825
Property taxes receivable (net)	3,013,722	-	3,013,722
Accounts receivable (net)	17,541,471	5,469,844	23,011,315
Inventories	30,098	1,106,612	1,136,710
Internal balances	318,823	(318,823)	-
Cash and investments, restricted	7,132,285	2,842,695	9,974,980
Total current assets	<u>96,446,127</u>	<u>56,067,425</u>	<u>152,513,552</u>
Noncurrent assets:			
Cash and investments	21,951,686	14,474,182	36,425,868
Net pension obligation	784,060	101,385	885,445
Unamortized bond issuance cost	2,664,196	1,218,404	3,882,600
Investment in joint venture	-	13,487,519	13,487,519
Capital assets:			
Land and other assets not being depreciated	9,965,040	26,793,037	36,758,077
Buildings, equipment and infrastructure, net of depreciation	54,052,743	180,079,858	234,132,601
Total noncurrent assets	<u>89,417,725</u>	<u>236,154,385</u>	<u>325,572,110</u>
Total assets	<u>185,863,852</u>	<u>292,221,810</u>	<u>478,085,662</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	8,904,201	3,353,099	12,257,300
Unearned revenue	315,838	-	315,838
Deposits	2,093,921	254,041	2,347,962
Current portion of long-term obligations	100,329,533	4,551,935	104,881,468
Liabilities payable from restricted assets	10,383,186	-	10,383,186
Workers' compensation claims	195,956	-	195,956
Health care benefits	522,700	-	522,700
Total current liabilities	<u>122,745,335</u>	<u>8,159,075</u>	<u>130,904,410</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	2,619,592	2,619,592
Compensated absences	2,819,065	429,419	3,248,484
Noncurrent portion of long-term obligations	320,485,143	66,387,573	386,872,716
Total noncurrent liabilities	<u>323,304,208</u>	<u>69,436,584</u>	<u>392,740,792</u>
Total liabilities	<u>446,049,543</u>	<u>77,595,659</u>	<u>523,645,202</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	38,919,642	144,908,774	183,828,416
Restricted for:			
Public safety	4,332,365	-	4,332,365
Cultural and recreational	149,592	-	149,592
Education	6,248,867	-	6,248,867
Debt service	-	2,842,695	2,842,695
Pension benefits	784,060	-	784,060
Unrestricted	(310,620,217)	66,874,682	(243,745,535)
Total net assets	<u>\$ (260,185,691)</u>	<u>\$ 214,626,151</u>	<u>\$ (45,559,540)</u>

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

## Statement of Activities

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 12,086,962	\$ 1,822,062	\$ 468,332	\$ -	\$ (9,796,568)	\$ -	\$ (9,796,568)
Public safety	31,462,968	8,915,705	2,210,481	-	(20,336,782)	-	(20,336,782)
Economic and physical development	1,872,376	111,599	41,274	-	(1,719,503)	-	(1,719,503)
Human services	37,498,643	6,065,107	16,882,631	145,896	(14,405,009)	-	(14,405,009)
Cultural and recreational	6,548,274	686,998	323,318	191,044	(5,346,914)	-	(5,346,914)
Education	216,024,115	-	4,743,499	-	(211,280,616)	-	(211,280,616)
Interest and fees on long term debt	14,991,616	-	-	-	(14,991,616)	-	(14,991,616)
Total governmental activities	320,484,954	17,601,471	24,669,535	336,940	(277,877,008)	-	(277,877,008)
Business-type activities:							
Water and sewer	25,381,231	26,051,826	-	26,878,466	-	27,549,061	27,549,061
Solid waste	4,084,887	4,281,079	236,132	-	-	432,324	432,324
Stormwater	38,162	-	-	-	-	(38,162)	(38,162)
Total business-type activities	29,504,280	30,332,905	236,132	26,878,466	-	27,943,223	27,943,223
<b>Total primary government</b>	<b>\$ 349,989,234</b>	<b>\$ 47,934,376</b>	<b>\$ 24,905,667</b>	<b>\$ 27,215,406</b>	<b>(277,877,008)</b>	<b>27,943,223</b>	<b>(249,933,785)</b>
General revenues:							
Property taxes levied for general purposes					105,339,399	-	105,339,399
Local option sales tax					37,542,683	-	37,542,683
Other taxes and licenses					4,090,373	-	4,090,373
Grants and contributions not restricted to specific programs					93,312	-	93,312
Investment earnings, unrestricted					6,337,613	2,935,092	9,272,705
Miscellaneous, unrestricted					647,091	-	647,091
Transfers					(300,000)	300,000	-
Gain (loss) on sale of capital assets					23,581	41,165	64,746
Total general revenues and transfers					153,774,052	3,276,257	157,050,309
Change in net assets					(124,102,956)	31,219,480	(92,883,476)
Net assets - beginning, as restated					(136,082,735)	183,406,671	47,323,936
Net assets - ending					<u>\$(260,185,691)</u>	<u>\$ 214,626,151</u>	<u>\$ (45,559,540)</u>

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

**Balance Sheet**  
**Governmental Funds**  
 June 30, 2007

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 43,422,184	\$ 20,953,899	\$ -	\$ 23,425,850	\$ 87,801,933
Property taxes receivable (net)	3,115,392	-	-	57,670	3,173,062
Accounts receivable (net)	14,660,325	206,975	2,109,893	384,790	17,361,983
Inventories	30,098	-	-	-	30,098
Cash and investments, restricted	8,006	5,677,561	1,106,024	340,694	7,132,285
<b>Total assets</b>	<b>\$ 61,236,005</b>	<b>\$ 26,838,435</b>	<b>\$ 3,215,917</b>	<b>\$ 24,209,004</b>	<b>\$ 115,499,361</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 4,275,652	\$ 756,264	\$ -	\$ 35,720	\$ 5,067,636
Deferred revenue	3,115,392	-	-	57,671	3,173,063
Unearned revenue	458,769	-	-	6,661	465,430
Deposits	2,093,921	-	-	-	2,093,921
Liabilities payable from restricted assets	-	2,030,903	8,350,991	1,292	10,383,186
Commercial paper bond anticipation notes payable	-	4,495,000	79,000,000	-	83,495,000
<b>Total liabilities</b>	<b>9,943,734</b>	<b>7,282,167</b>	<b>87,350,991</b>	<b>101,344</b>	<b>104,678,236</b>
<b>FUND BALANCES</b>					
Reserved for encumbrances	1,103,258	2,034,626	-	330,928	3,468,812
Reserved by State statute	14,690,423	206,975	2,109,893	384,790	17,392,081
Reserved for drug enforcement	-	-	-	316,492	316,492
Reserved for grant programs	-	-	-	22,910	22,910
Unreserved					
Designated for subsequent years' expenditures	5,828,255	17,314,667	-	-	23,142,922
Designated for subsequent years' expenditures, reported in nonmajor:					
Special revenue	-	-	-	347,050	347,050
Debt service	-	-	-	16,261,525	16,261,525
Capital projects	-	-	-	3,567,396	3,567,396
Designated for special purpose	979,617	-	-	-	979,617
Designated for special purpose, reported in nonmajor:					
Special revenue	-	-	-	1,750,642	1,750,642
Undesignated	28,690,718	-	(86,244,967)	-	(57,554,249)
Undesignated, reported in nonmajor:					
Special revenue	-	-	-	1,125,927	1,125,927
<b>Total fund balances</b>	<b>51,292,271</b>	<b>19,556,268</b>	<b>(84,135,074)</b>	<b>24,107,660</b>	<b>10,821,125</b>
<b>Total liabilities and fund balances</b>	<b>\$ 61,236,005</b>	<b>\$ 26,838,435</b>	<b>\$ 3,215,917</b>	<b>\$ 24,209,004</b>	<b>\$ 115,499,361</b>

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, 2007

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

Ending fund balance - governmental funds	\$ 10,821,125
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,017,783
Other long-term assets, related to the net pension obligation, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	784,060
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,163,315
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.	(126,577)
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.	1,634,334
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.	392,471
Internal balance due from Business Type Activities to Governmental Activities.	318,823
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,819,065)
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 \$420,814,676, less commercial paper bond anticipation notes proceeds recorded as current liabilities in the fund financial statements in the amount of \$83,495,000, as well as accrued interest payable of \$3,716,480 net of unamortized bond issuance costs of \$2,664,196).	<u>(338,371,960)</u>
Net assets of governmental activities	<u>\$ (260,185,691)</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, 2007

	Major			Nonmajor	Total Governmental Funds
	General	General	School	Other	
	Fund	Capital Project Fund	Bond Fund 55	Governmental Funds	
<b>REVENUES</b>					
Ad valorem taxes	\$ 102,202,832	\$ -	\$ -	\$ 2,499,767	\$ 104,702,599
Local option sales tax	36,862,578	-	-	680,105	37,542,683
Other taxes and licenses	3,149,046	-	-	1,244,465	4,393,511
Intergovernmental	23,810,422	191,044	-	445,437	24,446,903
Permits and fees	8,810,238	-	-	1,165,281	9,975,519
Sales and services	4,258,091	-	-	10,000	4,268,091
Investment earnings	5,785,209	88,139	165,641	169,479	6,208,468
Miscellaneous	4,396,934	-	-	28,134	4,425,068
Total revenues	<u>189,275,350</u>	<u>279,183</u>	<u>165,641</u>	<u>6,242,668</u>	<u>195,962,842</u>
<b>EXPENDITURES</b>					
Current:					
General government	12,005,860	-	-	-	12,005,860
Public safety	25,749,081	-	-	5,292,191	31,041,272
Economic and physical development	1,706,148	-	-	-	1,706,148
Human services	37,535,192	-	-	-	37,535,192
Cultural and recreational	6,237,585	-	-	30,371	6,267,956
Intergovernmental:					
Education	58,126,552	-	-	-	58,126,552
Capital outlay:					
General government	-	3,561,545	-	-	3,561,545
Public safety	-	1,905,521	-	-	1,905,521
Economic and physical development	-	33,477	-	-	33,477
Cultural and recreational	-	2,559,639	-	150,240	2,709,879
Education	-	9,661,089	148,237,153	-	157,898,242
Debt service:					
Principal retirement	14,030,661	-	-	-	14,030,661
Interest and fees	14,265,502	-	914,730	-	15,180,232
Total expenditures	<u>169,656,581</u>	<u>17,721,271</u>	<u>149,151,883</u>	<u>5,472,802</u>	<u>342,002,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,618,769</u>	<u>(17,442,088)</u>	<u>(148,986,242)</u>	<u>769,866</u>	<u>(146,039,695)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	753,216	17,214,795	-	8,849,939	26,817,950
Transfers to other funds	(18,687,633)	(4,233,831)	-	(4,196,486)	(27,117,950)
Proceeds from installment financing debt	-	-	80,922,511	-	80,922,511
Total other financing sources (uses)	<u>(17,934,417)</u>	<u>12,980,964</u>	<u>80,922,511</u>	<u>4,653,453</u>	<u>80,622,511</u>
Net change in fund balances	1,684,352	(4,461,124)	(68,063,731)	5,423,319	(65,417,184)
<b>FUND BALANCES</b>					
Beginning	49,607,919	24,017,392	(16,071,343)	18,684,341	76,238,309
Ending	<u>\$ 51,292,271</u>	<u>\$ 19,556,268</u>	<u>\$ (84,135,074)</u>	<u>\$ 24,107,660</u>	<u>\$ 10,821,125</u>

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



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

For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds	\$ (65,417,184)
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.	6,999,006
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.	(46,789)
Governmental funds report certain transactions as expenditures and deferred revenue. However, in the Statement of Activities these transactions are eliminated and reflected as receivables and will be amortized until their maturity.	149,592
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	765,945
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.	(66,703,234)
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.	633,016
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.	(308,592)
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.	(266,611)
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.	91,895
Change in net assets of governmental activities	<u>\$ (124,102,956)</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, 2007

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 100,668,439	\$ 101,813,192	\$ 102,202,832	\$ 389,640
Local option sales tax	34,639,409	35,091,009	36,862,578	1,771,569
Other taxes and licenses	3,716,000	3,716,000	3,149,046	(566,954)
Intergovernmental	20,069,557	23,949,236	23,810,422	(138,814)
Permits and fees	8,583,600	8,583,600	8,810,238	226,638
Sales and services	4,232,487	4,263,343	4,258,091	(5,252)
Investment earnings	3,300,000	3,300,000	5,785,209	2,485,209
Miscellaneous	2,624,937	2,748,511	4,396,934	1,648,423
Total revenues	<u>177,834,429</u>	<u>183,464,891</u>	<u>189,275,350</u>	<u>5,810,459</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,046,690	13,917,059	12,005,860	1,911,199
Public safety	24,828,932	26,932,702	25,749,081	1,183,621
Economic and physical development	1,881,837	2,328,400	1,706,148	622,252
Human services	35,062,751	38,697,916	37,535,192	1,162,724
Cultural and recreational	6,078,248	7,353,921	6,237,585	1,116,336
Intergovernmental:				
Education	57,987,364	58,220,325	58,126,552	93,773
Debt service:				
Principal retirement	14,030,665	14,030,665	14,030,661	4
Interest and fees	12,172,110	14,281,683	14,265,502	16,181
Contingency	500,000	-	-	-
Nondepartmental	1,816,920	1,008	-	1,008
Total expenditures	<u>167,405,517</u>	<u>175,763,679</u>	<u>169,656,581</u>	<u>6,107,098</u>
Revenues over expenditures	<u>10,428,912</u>	<u>7,701,212</u>	<u>19,618,769</u>	<u>11,917,557</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	263,178	753,216	490,038
Transfers to other funds	(17,363,779)	(18,743,855)	(18,687,633)	56,222
Appropriated fund balance	6,934,867	10,779,465	-	(10,779,465)
Total other financing sources (uses)	<u>(10,428,912)</u>	<u>(7,701,212)</u>	<u>(17,934,417)</u>	<u>(10,233,205)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	1,684,352	<u>\$ 1,684,352</u>
<b>FUND BALANCES</b>				
Beginning			<u>49,607,919</u>	
Ending			<u>\$ 51,292,271</u>	

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

## Statement of Net Assets

## Proprietary Funds

June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 40,718,041	\$ 6,176,001	\$ 73,055	\$ 46,967,097	\$ 2,559,481
Accounts receivable (net)	4,725,148	744,696	-	5,469,844	179,488
Inventories	1,098,776	7,836	-	1,106,612	-
Cash and investments, restricted	2,842,695	-	-	2,842,695	-
Total current assets	49,384,660	6,928,533	73,055	56,386,248	2,738,969
Noncurrent assets:					
Cash and investments	12,658,275	1,794,679	21,228	14,474,182	-
Net pension obligation	84,470	16,124	791	101,385	-
Unamortized bond issuance costs	1,218,404	-	-	1,218,404	-
Investment in joint venture	13,487,519	-	-	13,487,519	-
Land and other assets not being depreciated	26,482,332	310,705	-	26,793,037	-
Buildings, equipment and infrastructure, net of depreciation	178,293,991	1,764,582	21,285	180,079,858	-
Total noncurrent assets	232,224,991	3,886,090	43,304	236,154,385	-
Total assets	281,609,651	10,814,623	116,359	292,540,633	2,738,969
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	3,189,847	155,365	7,887	3,353,099	120,085
Deposits	250,161	3,880	-	254,041	-
Long-term liabilities, due within one year:					
General obligation bonds payable	2,444,642	-	-	2,444,642	-
Revenue bonds payable	1,873,596	-	-	1,873,596	-
State sanitary sewer loan payable	233,697	-	-	233,697	-
Workers' compensation claims payable	-	-	-	-	195,956
Health care benefits payable	-	-	-	-	522,700
Total current liabilities	7,991,943	159,245	7,887	8,159,075	838,741
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	2,619,592	-	2,619,592	-
Compensated absences	366,274	53,049	10,096	429,419	-
Long-term liabilities, due in more than one year:					
General obligation bonds	6,512,599	-	-	6,512,599	-
Revenue bonds	44,271,704	-	-	44,271,704	-
State sanitary sewer loan	15,603,270	-	-	15,603,270	-
Total noncurrent liabilities	66,753,847	2,672,641	10,096	69,436,584	-
Total liabilities	74,745,790	2,831,886	17,983	77,595,659	838,741
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	142,812,202	2,075,287	21,285	144,908,774	-
Restricted for debt service	2,842,695	-	-	2,842,695	-
Unrestricted	61,208,964	5,907,450	77,091	67,193,505	1,900,228
Total net assets	\$ 206,863,861	\$ 7,982,737	\$ 98,376	214,944,974	\$ 1,900,228
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(318,823)	
Net assets of business-type activities				\$ 214,626,151	

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, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 25,310,516	\$ 4,248,415	\$ -	\$ 29,558,931	\$ 8,178,813
Disposal fees	-	236,132	-	236,132	-
Other operating revenue	741,310	32,664	-	773,974	-
Total operating revenues	<u>26,051,826</u>	<u>4,517,211</u>	<u>-</u>	<u>30,569,037</u>	<u>8,178,813</u>
<b>OPERATING EXPENSES</b>					
Personnel	4,980,025	848,186	11,024	5,839,235	-
Operating expenses	10,358,265	3,025,696	26,052	13,410,013	862,293
Depreciation	7,714,705	129,178	1,120	7,845,003	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	73,827	-	73,827	-
Workers' compensation claims	-	-	-	-	208,616
Health benefit claims and premiums	-	-	-	-	6,862,596
Property and casualty claims and premiums	-	-	-	-	787,156
Total operating expenses	<u>23,217,148</u>	<u>4,076,887</u>	<u>38,196</u>	<u>27,332,231</u>	<u>8,720,661</u>
Operating income (loss)	<u>2,834,678</u>	<u>440,324</u>	<u>(38,196)</u>	<u>3,236,806</u>	<u>(541,848)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	2,548,916	386,176	-	2,935,092	129,145
Gain (loss) on sale of capital assets	47,479	-	(6,314)	41,165	-
Interest and fees on long term debt	(1,930,372)	-	-	(1,930,372)	-
Loss on investment in joint venture	(183,136)	-	-	(183,136)	-
Total nonoperating revenue (expenses)	<u>482,887</u>	<u>386,176</u>	<u>(6,314)</u>	<u>862,749</u>	<u>129,145</u>
Income (loss) before contributions and transfers	<u>3,317,565</u>	<u>826,500</u>	<u>(44,510)</u>	<u>4,099,555</u>	<u>(412,703)</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Transfers from other funds	300,000	-	-	300,000	-
Transfers from other enterprise funds	-	-	60,000	60,000	-
Transfers to other enterprise funds	(60,000)	-	-	(60,000)	-
Capital contributions - cash	13,274,753	-	-	13,274,753	-
Capital contributions - non-cash	13,603,713	-	-	13,603,713	-
Change in net assets	<u>30,436,031</u>	<u>826,500</u>	<u>15,490</u>	<u>31,278,021</u>	<u>(412,703)</u>
<b>NET ASSETS</b>					
Beginning	176,427,830	7,156,237	82,886	183,666,953	2,312,931
Ending	<u>\$ 206,863,861</u>	<u>\$ 7,982,737</u>	<u>\$ 98,376</u>	<u>214,944,974</u>	<u>\$ 1,900,228</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(318,823)</u>	
Change in net assets of business-type activities				<u>\$ 214,626,151</u>	

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

**Statement of Cash Flows**

**Proprietary Funds**

For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund		
<b>OPERATING ACTIVITIES</b>					
Cash received from customers for services	\$ 24,966,564	\$ 4,053,737	\$ -	\$ 29,020,301	\$ 8,168,578
Other operating revenue	741,310	268,796	-	1,010,106	-
Cash paid to employees	(4,954,409)	(851,770)	(5,917)	(5,812,096)	-
Cash paid for goods and services	(11,392,858)	(3,130,159)	(23,102)	(14,546,119)	(8,838,538)
Net cash provided (used) by operating activities	9,360,607	340,604	(29,019)	9,672,192	(669,960)
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	300,000	-	-	300,000	-
Transfers from other enterprise funds	-	-	60,000	60,000	-
Transfers to other enterprise funds	(60,000)	-	-	(60,000)	-
Net cash provided (used) by noncapital financing activities	240,000	-	60,000	300,000	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from State sanitary sewer loan	13,500,000	-	-	13,500,000	-
Proceeds from sale of capital assets	62,592	-	-	62,592	-
Proceeds from capacity fees	13,274,753	-	-	13,274,753	-
Proceeds from state capital grant	8,566	-	-	8,566	-
Payments on general obligation bond debt	(2,504,211)	-	-	(2,504,211)	-
Payments on revenue bond debt	(2,055,000)	-	-	(2,055,000)	-
Payments on state sanitary loan	(233,697)	-	-	(233,697)	-
Issuance costs paid for State sanitary sewer loan	(294,118)	-	-	(294,118)	-
Interest paid on bonds and other debt	(2,366,210)	-	-	(2,366,210)	-
Acquisition and construction of capital assets	(18,531,252)	(776,900)	(22,405)	(19,330,557)	-
Net cash provided (used) by capital and related financing activities	861,423	(776,900)	(22,405)	62,118	-
<b>INVESTING ACTIVITIES</b>					
Investment earnings	2,548,916	386,176	-	2,935,092	129,145
Net increase (decrease) in cash and investments	13,010,946	(50,120)	8,576	12,969,402	(540,815)
<b>CASH AND INVESTMENTS</b>					
Beginning of year	43,208,065	8,020,800	85,707	51,314,572	3,100,296
End of year	\$ 56,219,011	\$ 7,970,680	\$ 94,283	\$ 64,283,974	\$ 2,559,481
<b>Reconciliation of cash and investments to the Statement of Net Assets:</b>					
Cash and investments	\$ 40,718,041	\$ 6,176,001	\$ 73,055	\$ 46,967,097	\$ 2,559,481
Cash and investments, noncurrent	12,658,275	1,794,679	21,228	14,474,182	-
Cash and investments, restricted assets	2,842,695	-	-	2,842,695	-
Total Statement of Net Assets cash and cash equivalents	\$ 56,219,011	\$ 7,970,680	\$ 94,283	\$ 64,283,974	\$ 2,559,481
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 2,834,678	\$ 440,324	\$ (38,196)	\$ 3,236,806	\$ (541,848)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	7,714,705	129,178	1,120	7,845,003	-
Provision for uncollectible accounts	34,108	(36,373)	-	(2,265)	-
Landfill closure and post closure care costs	-	73,827	-	73,827	-
Changes in assets and liabilities					
Increase in accounts receivable (net)	(439,285)	(155,805)	-	(595,090)	(10,235)
Increase in inventories	(118,305)	(7,836)	-	(126,141)	-
Increase in net pension obligation (asset)	(84,470)	(16,124)	(791)	(101,385)	-
Increase (decrease) in accounts payable and accrued liabilities	(691,038)	(85,412)	4,145	(772,305)	(117,877)
Increase (decrease) in deposits	61,225	(2,500)	-	58,725	-
Increase in compensated absences payable	48,989	1,325	4,703	55,017	-
Total adjustments	6,525,929	(99,720)	9,177	6,435,386	(128,112)
Net cash provided (used) by operating activities	\$ 9,360,607	\$ 340,604	\$ (29,019)	\$ 9,672,192	\$ (669,960)
<b>Noncash investing, capital, and financing activities:</b>					
Loss on investment in joint venture	\$ (183,136)	\$ -	\$ -	\$ (183,136)	\$ -
Contribution of capital infrastructure	\$ 13,595,147	\$ -	\$ -	\$ 13,595,147	\$ -

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

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2007

	Special Separation Allowance Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 1,406,209	\$ 307,217
Property taxes receivable (net)	-	142,010
Accounts receivable (net)	31,736	70,836
Total assets	<u>1,437,945</u>	<u>\$ 520,063</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	\$ 442,762
Due to program participants	-	77,301
Total liabilities	<u>-</u>	<u>\$ 520,063</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Employees' pension benefits	1,437,945	
Total net assets	<u>\$ 1,437,945</u>	

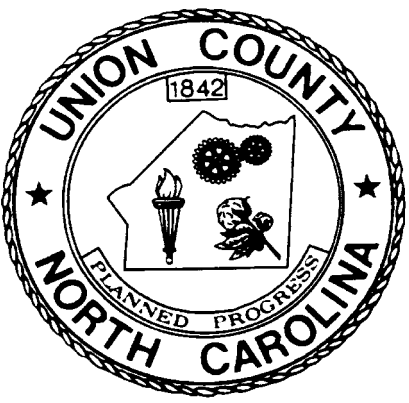
The notes to the financial statements are an integral part of this statement.

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund - Pension Trust Fund -**  
**Special Separation Allowance Fund**  
 For the Year Ended June 30, 2007

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	Special Separation Allowance Pension Trust Fund
<b>ADDITIONS</b>	
Employer contributions	\$ 816,048
Net investment income	67,050
Total additions	<u>883,098</u>
<b>DEDUCTIONS</b>	
Benefits	<u>776,499</u>
Change in net assets	106,599
<b>NET ASSETS</b>	
Beginning	1,331,346
Ending	<u><u>\$ 1,437,945</u></u>

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





Union County, North Carolina

**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2007

**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.

**General Capital Project Fund** – The sources of this fund are primarily transfers from the General Fund, proceeds from installment financing and general obligation bonds which are expended for capital asset acquisition, improvement and construction of various governmental projects and funds for recurring capital contributions for educational purposes and facilities.

**School Bond Fund 55** - The sources of this fund are primarily proceeds from general obligation bonds and installment financing 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 eight Special Revenue Funds: the Springs Fire District Fund, the Waxhaw Fire District Fund, 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 governmental resources for for debt service and capital outlay related to education. The County maintains one Debt Service Fund:

the Debt Service Fund. This Fund was established by an appropriation approved by the Board of County Commissioners.

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

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

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

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

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

**Agency Funds** - Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains eight 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; 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; 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, and the Department of State Treasurer Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit monthly to the North Carolina Department of Motor Vehicles, pursuant to G.S. 105-330.4, for technology improvements within the Division of Motor Vehicles.

### **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 Water and Sewer 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.

*Fiduciary Fund – N.C. Department of State Treasurer Motor Vehicle Tax Fund.* During fiscal year ending June 30, 2006, the North Carolina General Assembly enacted House Bill 1779 which provides for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month's interest on uncollected property taxes on registered motor vehicles. This applied to all property taxes levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. Amounts collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2007 were \$76,864 and \$75,035.

*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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st

each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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; Springs Fire District, Waxhaw Fire District, Hemby Bridge Fire District, Stallings Fire District, Wesley Chapel Fire District, Fee Supported Fire Districts, and Emergency Telephone System 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 resolution 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 the amount approved by the Board of County Commissioners in the original budget ordinance for the fiscal year, 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 identified as reservations of 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, 2007. 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, 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 programs and other multi-year grant programs.

## **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, 2006.

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

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

### **Fund Balances**

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

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as 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 2007-2008 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 2007-2008 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 \$338,371,960 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	\$ (337,319,676)
Accrued interest payable, net of unamortized bond issuance costs	(1,052,284)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (338,371,960)</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 \$58,685,772 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 10,896,384
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements.	(3,897,378)
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	14,030,661
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	(80,922,511)
Debt issuance premium amortization	299,985
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	865,255
Defeasance amortization over remaining life of debt	(329,160)
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)	(647,464)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(151,044)
Net pension obligation	784,060
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 7/1/06	(2,376,923)
Recording of tax receipts deferred in the fund statements as of 6/30/07	3,173,063
Decrease in accrued taxes receivable for year ended 6/30/07	(159,340)
Adjustment for deferral of loan to outside agency	149,592
Loss on disposal of capital asset	(46,789)
Health and dental insurance costs, net of investment earnings	(284,476)
Workers' compensation costs, net of investment earnings	(177,300)
Property and casualty costs, net of investment earnings	107,613
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ (58,685,772)</u>

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

### **A. Deficit Fund Balance or Retained Earnings of Individual Funds**

The School Bond Fund 55 had a deficit fund balance position of \$84,135,074. The deficit fund balance position is principally due to the recording of general obligation bond anticipation notes on the balance sheet in accordance with generally accepted accounting principals. The deficit fund balance position will be eliminated in fiscal year 2008 in connection with the issuance of long term general obligation bonds that will discharge the notes. Those long term general obligation bonds as other financing sources thereby eliminating the deficit fund balance position.

The Health Benefits Fund had a deficit net asset position of \$126,577, due to higher than anticipated health benefit claims, premiums and membership levels. The deficit net asset position represents approximately 1.7% of total operating expenses. The Health Benefits Fund is self-insured and the County will take appropriate actions to fund the deficit in the subsequent year.

### **B. Excess of Expenditures over Appropriations**

Expenditures relating to occupancy costs reflected in the General Fund Court Facilities and Mental Health program areas exceeded budget appropriations, by \$12,382 and \$15,373 respectively. Occupancy costs are initially budgeted in the General Fund General Services program area and then reallocated to the benefiting program area. While expenditures exceeded appropriations for occupancy costs in the Court Facilities and Mental Health program areas, there was sufficient budget in the General Services program area to accommodate these occupancy costs.

Expenditures relating to the General Fund Council on Aging program area exceeded budget appropriations by \$11,433; however restricted intergovernmental revenue was available to support the program expenditures.

Expenditures relating to the Stallings Fire District Fund exceeded budget appropriations by \$272; however restricted fire ad valorem taxes and local option sales tax revenue was available to support the program expenditures.

## **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of

high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2007, the County's deposits had a carrying amount of \$4,941,283 and a bank balance of \$6,183,757. Of the bank balance, \$288,619 was covered by federal depository insurance and \$5,895,138 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30 2007, the County had \$7,850 cash on hand.

As of June 30, 2007, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		6 Months	6-12 Months	1 - 3 Years	3 - 5 Years
US Government Agencies	\$ 129,000,101	\$ 44,379,860	\$ 48,194,372	\$ 33,818,800	\$ 2,607,069
Commercial Paper	2,762,823	2,762,823	-	-	-
NC Cash Management Trust - Cash Portfolio	23,471,297	n/a	n/a	n/a	n/a
NC State Education Assistance Authority	3,300,000	3,300,000	-	-	-
Money Market/Municipal Bonds	7,745	7,745	-	-	-
Total:	<u>\$ 158,541,966</u>	<u>\$ 50,450,428</u>	<u>\$ 48,194,372</u>	<u>\$ 33,818,800</u>	<u>\$ 2,607,069</u>

*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, 2007, 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 AAA by Standard & Poor's as of June 30, 2007. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association) 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 Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and North Carolina Capital Management Trust securities. These investments are 35.6%, 26.2%, 19.5 and 14.8% respectively of the County's total investments.

**NOTE 5 - RECEIVABLES**

**A. Receivables and Allowances for Doubtful Accounts**

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2007, were as follows:

	Accounts	Taxes	Internal balances	Total
<b>Governmental Activities:</b>				
General	\$ 14,660,325	\$ 3,706,471	\$ 318,823	\$ 18,685,619
Special Revenue	383,756	57,651	-	441,407
Capital Projects	2,317,902	-	-	2,317,902
Internal Service	179,488	-	-	179,488
Total Receivables	17,541,471	3,764,122	318,823	21,624,416
Allowance for doubtful accounts	-	(750,400)	-	(750,400)
Total-governmental activities	<u>\$ 17,541,471</u>	<u>\$ 3,013,722</u>	<u>\$ 318,823</u>	<u>\$ 20,874,016</u>
<b>Business-type Activities:</b>				
Water and Sewer	\$ 5,923,732	\$ -	\$ (272,755)	\$ 5,650,977
Solid Waste	764,525	-	(43,593)	720,932
Stormwater	-	-	(2,475)	(2,475)
Total Receivables	6,688,257	-	(318,823)	6,369,434
Allowance for doubtful accounts	(1,218,413)	-	-	(1,218,413)
Total-business-type activities	<u>\$ 5,469,844</u>	<u>\$ -</u>	<u>\$ (318,823)</u>	<u>\$ 5,151,021</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
2003	\$ 1,450,434	\$ 344,478	\$ 1,794,912
2004	4,153,647	612,663	4,766,310
2005	4,661,934	268,061	4,929,995
2006	5,338,106	306,941	5,645,047
	<u>\$ 15,604,121</u>	<u>\$ 1,532,143</u>	<u>\$ 17,136,264</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2007, was as follows:

	Beginning Balances	Prior Period Adjustment	Adjusted Beginning Balances	Additions	Retirements	Transfers	Ending Balances
<b>Governmental activities:</b>							
Capital assets not being depreciated:							
Land	\$ 8,524,567	\$ (4,392,645)	\$ 4,131,922	\$ -	\$ -	\$ -	\$ 4,131,922
Construction in progress	2,394,451	-	2,394,451	8,583,425	16,479	(5,128,279)	5,833,118
Total capital assets not being depreciated	<u>10,919,018</u>	<u>(4,392,645)</u>	<u>6,526,373</u>	<u>8,583,425</u>	<u>16,479</u>	<u>(5,128,279)</u>	<u>9,965,040</u>
Capital assets being depreciated:							
Other improvements	3,760,070	-	3,760,070	-	-	893,341	4,653,411
Buildings	56,176,988	-	56,176,988	454,465	-	3,124,701	59,756,154
Furniture and equipment	10,491,778	-	10,491,778	1,015,607	11,722	1,110,237	12,605,900
Vehicles	6,312,918	-	6,312,918	842,887	471,377	-	6,684,428
Total capital assets being depreciated	<u>76,741,754</u>	<u>-</u>	<u>76,741,754</u>	<u>2,312,959</u>	<u>483,099</u>	<u>5,128,279</u>	<u>83,699,893</u>
Less accumulated depreciation for:							
Other improvements	1,912,677	-	1,912,677	111,087	-	-	2,023,764
Buildings	14,158,363	-	14,158,363	1,919,406	-	-	16,077,769
Furniture and equipment	6,009,094	-	6,009,094	1,101,846	11,722	-	7,099,218
Vehicles	4,122,427	-	4,122,427	765,039	441,067	-	4,446,399
Total accumulated depreciation	<u>26,202,561</u>	<u>-</u>	<u>26,202,561</u>	<u>3,897,378</u>	<u>452,789</u>	<u>-</u>	<u>29,647,150</u>
Total capital assets being depreciated, net	<u>50,539,193</u>	<u>-</u>	<u>50,539,193</u>	<u>(1,584,419)</u>	<u>30,310</u>	<u>5,128,279</u>	<u>54,052,743</u>
Governmental activities capital assets, net	<u>\$ 61,458,211</u>	<u>\$ (4,392,645)</u>	<u>\$ 57,065,566</u>	<u>\$ 6,999,006</u>	<u>\$ 46,789</u>	<u>\$ -</u>	<u>\$ 64,017,783</u>

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

General government	\$ 1,512,266
Public safety	1,541,746
Economic and physical development	174,828
Human services	183,959
Cultural and recreational	484,579
Total depreciation expense	<u>\$ 3,897,378</u>

Capital asset activity for the business-type activities for the year ended June 30, 2007, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
<b>Water and Sewer</b>					
Capital assets not being depreciated:					
Land	\$ 1,164,561	\$ -	\$ -	\$ -	\$ 1,164,561
Construction in progress	10,961,231	18,911,212	13,121	(4,541,551)	25,317,771
Total capital assets not being depreciated	<u>12,125,792</u>	<u>18,911,212</u>	<u>13,121</u>	<u>(4,541,551)</u>	<u>26,482,332</u>
Capital assets being depreciated:					
Plant and collection systems	112,231,312	7,736,649	-	482,544	120,450,505
Plant and distribution systems	93,926,604	5,812,830	-	4,059,007	103,798,441
Equipment	2,633,073	200,609	-	-	2,833,682
Vehicles	2,727,625	232,389	29,898	-	2,930,116
Total capital assets being depreciated	<u>211,518,614</u>	<u>13,982,477</u>	<u>29,898</u>	<u>4,541,551</u>	<u>230,012,744</u>
Less accumulated depreciation for:					
Plant and collection systems	22,072,826	3,859,132	-	-	25,931,958
Plant and distribution systems	18,188,064	3,431,497	-	-	21,619,561
Equipment	1,775,014	172,792	-	-	1,947,806
Vehicles	1,996,051	251,283	27,906	-	2,219,428
Total accumulated depreciation	<u>44,031,955</u>	<u>7,714,704</u>	<u>27,906</u>	<u>-</u>	<u>51,718,753</u>
Total capital assets being depreciated, net	<u>167,486,659</u>	<u>6,267,773</u>	<u>1,992</u>	<u>4,541,551</u>	<u>178,293,991</u>
Water and Sewer capital assets, net	<u>179,612,451</u>	<u>25,178,985</u>	<u>15,113</u>	<u>-</u>	<u>204,776,323</u>
<b>Solid Waste</b>					
Capital assets not being depreciated:					
Land	310,055	-	-	-	310,055
Construction in progress	650	-	-	-	650
Total capital assets not being depreciated	<u>310,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,705</u>
Capital assets being depreciated:					
Other improvements	80,074	754,067	-	-	834,141
Plant and collection systems	1,931,983	-	-	-	1,931,983
Equipment	1,394,597	-	-	-	1,394,597
Vehicles	949,877	22,834	12,750	-	959,961
Total capital assets being depreciated	<u>4,356,531</u>	<u>776,901</u>	<u>12,750</u>	<u>-</u>	<u>5,120,682</u>
Less accumulated depreciation for:					
Other improvements	16,618	21,133	-	-	37,751
Plant and collection systems	978,917	81,957	-	-	1,060,874
Equipment	1,364,077	2,004	-	-	1,366,081
Vehicles	880,059	24,085	12,750	-	891,394
Total accumulated depreciation	<u>3,239,671</u>	<u>129,179</u>	<u>12,750</u>	<u>-</u>	<u>3,356,100</u>
Total capital assets being depreciated, net	<u>1,116,860</u>	<u>647,722</u>	<u>-</u>	<u>-</u>	<u>1,764,582</u>
Solid Waste capital assets, net	<u>1,427,565</u>	<u>647,722</u>	<u>-</u>	<u>-</u>	<u>2,075,287</u>
<b>Storm Water</b>					
Capital assets not being depreciated:					
Construction in progress	6,314	-	6,314	-	-
Total capital assets not being depreciated	<u>6,314</u>	<u>-</u>	<u>6,314</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Vehicles	10,792	22,405	-	-	33,197
Total capital assets being depreciated	<u>10,792</u>	<u>22,405</u>	<u>-</u>	<u>-</u>	<u>33,197</u>
Less accumulated depreciation for:					
Vehicles	10,792	1,120	-	-	11,912
Total accumulated depreciation	<u>10,792</u>	<u>1,120</u>	<u>-</u>	<u>-</u>	<u>11,912</u>
Total capital assets being depreciated, net	<u>-</u>	<u>21,285</u>	<u>-</u>	<u>-</u>	<u>21,285</u>
Storm Water capital assets, net	<u>6,314</u>	<u>21,285</u>	<u>6,314</u>	<u>-</u>	<u>21,285</u>
Business-type activities capital assets, net	<u>\$ 181,046,330</u>	<u>\$ 25,847,992</u>	<u>\$ 21,427</u>	<u>\$ -</u>	<u>\$ 206,872,895</u>

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2006 consisted of the following:

Capitalized interest	\$ 767,290
Other interest and fees	1,930,372
Total interest and fees costs	<u>\$ 2,697,662</u>

**NOTE 7 - LIABILITIES**

Payables at the government-wide level at June 30, 2007, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 14,388,111	\$ 2,955,926	\$ 17,344,037
Salaries and benefits	1,182,796	158,872	1,341,668
Accrued Interest	3,716,480	238,301	3,954,781
Total	\$ 19,287,387	\$ 3,353,099	\$ 22,640,486

**NOTE 8 - PENSION PLAN OBLIGATIONS**

**A. Local Governmental Employees’ Retirement System**

**Description**

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

**Funding Policy**

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 5.27% 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, 2007, 2006, and 2005 were \$1,698,868, \$1,556,527, and \$1,481,253, 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, 2006, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	60
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>918</u>
Total	<u><u>978</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 \$816,048 or 2.34% 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, 2007 was determined as part of the December 31, 2005 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 4.5% to 12.3% per year for law enforcement officers and ranging from 4.5% to 14.3% per year for general employees. The inflation component was 3.75%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. 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, 2005 was 25 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	\$ 450,003
Interest on net pension obligation	(37,186)
Adjustment to annual required contribution	<u>30,694</u>
Annual pension cost	443,511
Contributions made	<u>(816,048)</u>
Increase (decrease) in net pension obligation	(372,537)
Net pension obligation - beginning of year	<u>(512,908)</u>
Net pension obligation - end of year	<u><u>\$ (885,445)</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, 2005	\$ 406,030	106%	\$ (259,178)
June 30, 2006	454,026	156%	(512,908)
June 30, 2007	443,511	184%	(885,445)

## **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, 2007 were \$2,702,394, which consisted of \$1,744,079 from the County and \$958,316 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, 2007, the County's required and actual contributions were \$82,160.

## **NOTE 9 - DEFERRED COMPENSATION PLAN**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation distribution is not available to employees until termination, retirement, death or unforeseeable emergency.

## **NOTE 10 - POST-EMPLOYMENT BENEFITS**

### **A. Health Care Benefits**

Under the terms of a Board of Commissioner's Personnel Resolution, the County has elected to provide post-retirement health care benefits to retirees of the County who participate in the LGERS and have at least ten 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, 107 retirees younger than 65 years of age are receiving post-retirement health and dental benefits. For the fiscal year ended June 30, 2007, the County made contributions of \$603,649 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, 77 retirees older than 65 years of age are receiving post-retirement health benefits. For the fiscal year ended June 30, 2007, the County made payments of \$214,744 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, 2007, the County made contributions to the State for death benefits of \$34,355. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

## **NOTE 11 - CLOSURE AND POST CLOSURE CARE COSTS-LANDFILL FACILITY**

State and federal laws and regulations required the County to place a final cover on its landfill facility when it stopped accepting 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 \$2,619,592 reported as landfill post closure care liability at June 30, 2007 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, 2007 there was an increase of \$73,827 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 \$4,979,035. The County expects that

future inflation costs will be paid from the interest earnings on these remaining funds. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future transfer station users or by future tax revenues.

**NOTE 12 - COMMITMENTS**

**A. Contractual Commitments**

The County had several outstanding projects as of June 30, 2007. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<b><u>Emergency Telephone System Fund:</u></b>		
Spatial Data Orthophotography	\$ 45,281	\$ 289,779
<b><u>General Capital Projects Fund:</u></b>		
Jesse Helms Park	1,569,418	557,165
Government Facility Renovations Phase 2	1,085,839	11,083
Government Facility Renovations Architectural Fees	340,023	523,890
Jail Expansion	1,145,088	395,820
<b><u>Water Capital Projects:</u></b>		
Ridge Road Pump Station & Elevation Tank	79,103	100,677
Countywide Trans Main Phase II	178,266	101,632
Weddington Elevated Storage Tank	11,351	214,561
<b><u>Sewer Capital Projects:</u></b>		
Expand 12 Mile 6MGD	18,591,625	1,651,772
Northern Union County	11,400	102,600
12M Creek Beneficial Re-Use	-	121,735
Sewer Mapping & Hydraulic Model	140,285	109,715
Meadows Mobile Home Park Improvements	-	174,838
Total	<u>\$ 23,197,679</u>	<u>\$ 4,355,267</u>

The fly-over 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 \$3,032,472 to \$4,043,296 and expects the payments to be made over the next ten years.

**NOTE 13 - RISK MANAGEMENT**

The County is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss, with the exception of injuries to employees. The County self-insures workers' compensation, medical and dental claims and purchases stop-loss insurance for workers' compensation and medical claims that exceed certain amounts.

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

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

The County's medical benefits are self-insured for specific claims below a \$125,000 specific stop-loss coverage limit with the exception of two potential high-risk member claims that are underwritten at a higher specific stop loss limit of \$200,000 and \$290,000 respectively. Claims are covered above the specific limit through the purchase of Specific Stop-Loss Insurance. The annual maximum claims cost cap of \$7,212,039 is 125% of the annual expected claims cost of \$5,769,631. Aggregate claims exceeding the annual maximum claims cost are covered through the purchase of aggregate stop-loss insurance. Claims paid through the HRA (health reimbursement accounts) are excluded from specific and aggregate stop-loss coverage. 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, 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.

Unpaid liabilities at year end are as follows:

	Health Benefit Fund		Workers' Compensation Fund		Property & Casualty Fund	
	Year Ended June 30, 2007	Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2006
Unpaid Claims beginning of fiscal year	\$ 717,400	\$ 649,769	\$ 128,037	\$ 39,983	\$ -	\$ -
Incurred claims and premiums	6,667,896	5,927,279	276,535	377,171	787,156	605,877
Claims and premiums paid	(6,862,596)	(5,859,648)	(208,616)	(289,117)	(787,156)	(605,877)
Unpaid Claims end of fiscal year	<u>\$ 522,700</u>	<u>\$ 717,400</u>	<u>\$ 195,956</u>	<u>\$ 128,037</u>	<u>\$ -</u>	<u>\$ -</u>

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. In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax administrator are each individually bonded for \$60,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000. The County, in conjunction with its insurance broker, has researched its existing real property locations. No buildings were found to be located in either the 100 or 500 year old flood plains. Therefore, it is believed that the County has limited exposure to a flood loss and flood insurance has not been purchased.

#### NOTE 14 - CLAIMS AND JUDGEMENTS

The County was a defendant in various matters of litigation as of June 30, 2007. While any litigation contains an element of uncertainty, County officials believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the County's financial condition or operations. In addition, there are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted for which the County could be liable for a material amount. However, since such claims have not been asserted and are not determinable or measurable, no provision for loss has been included in the financial statements. Also, County officials believe the County's insurance is adequate for the actual or pending lawsuits or claims mentioned above.

**NOTE 15 - OPERATING LEASES**

The County has entered into a 20 year agreement with Anson County for the use of a 20-inch water line to the County. The County has agreed to pay 70% of the actual principal and interest due on the installment financing arranged by Anson County. The County has also entered into a 25 year agreement with the City of Charlotte (CMUD) for the treatment of wastewater in the Six Mile Creek drainage basin located within both Union and Mecklenburg Counties. Under the agreement, the County is responsible for one sixteenth of the debt service on debt issued by the City of Charlotte to construct the new outfall lines and plant expansion. In consideration for the debt service payments made by the County, the County receives the exclusive right to convey up to 1 million gallons per day of wastewater into the McAlpine Creek 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 \$1,117,058 for the year ended June 30, 2007.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2008	\$ 164,153	\$ 205,456	\$ 586,897
2009	164,153	205,456	512,602
2010	164,153	205,456	487,079
2011	164,153	205,456	489,015
2012	164,153	205,456	491,754
2013-2017	164,154	1,027,279	1,499,262
2018-2022	-	1,027,279	-
2023-2027	-	714,011	-
	<u>\$ 984,919</u>	<u>\$ 3,795,849</u>	<u>\$ 4,066,609</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, 2015, 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, 2007. During the remaining term of the sublease agreement, rent paid by sublessee shall be increased or decreased based on the rent paid as of the expiration of the preceding one-year period in the same percentage as the percentage change in the cost of living index for the month of June just prior to the preceding one-year term until the month of June just prior to the current term. The cost of living index shall be measured by the Personal Consumption Expenditure (PCE) index as published in The Wall Street Journal.

**NOTE 16 - LONG - TERM OBLIGATIONS**

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

The general obligation bonds, general obligation commercial paper bond anticipation notes, installment financing and certificates of participation (COPs) for school facilities 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 Loans, are described further in Note 16. E.

1. Long-term obligations at June 30, 2007 are comprised of the following individual issues:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2007	Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2007
<b>1. General Obligation Bonds</b>						
1992 Refunding Bonds (Water)	June 01, 1992	June 01, 2008	7.50%	\$ 1,077,000	\$ 161,800	\$ 161,800
1996 Refunding Bonds (School Facility)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	11,340,560	2,373,756	2,373,756
1996 Refunding Bonds (Water)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	11,424,720	2,391,372	2,384,171
1996 Refunding Bonds (Sanitary Sewer)	Nov. 01, 1996	May 01, 2011	4.75% - 5.20%	3,534,720	739,872	736,878
1999 Refunding Bonds (School Facility)	Sept. 01, 1999	March 01, 2011	4.4% - 5.0%	14,673,549	7,142,999	7,142,999
1999 Refunding Bonds (Water)	Sept. 01, 1999	March 01, 2011	4.4% - 5.0%	5,961,452	2,902,001	2,890,086
1999 School Facility - Series A	Sept. 01, 1999	March 01, 2009	5.0% - 5.2%	4,050,000	400,000	400,000
1999 School Facility - Series B	Sept. 01, 1999	March 01, 2009	5.0% - 5.2%	26,000,000	1,750,000	1,750,000
2001 School Facility Bonds (d)	March 01, 2001	March 01, 2020	4.00% - 4.75%	56,700,000	45,900,000	45,900,000
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	2.50% - 4.125%	14,976,804	12,801,563	12,636,826
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	2.50% - 4.125%	3,303,196	2,823,437	2,784,306
2004 School Facility - Series A (c, h)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	45,996,545	45,996,545
2004 Law Enf. Facility - Series A (c, h)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,653,455	1,653,455
2004 Refunding Bonds (School Facility) (a, c, h)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	21,260,000	19,869,650
2005 School Facility - Series A (h)	June 13, 2005	March 01, 2030	Variable	50,000,000	46,000,000	46,000,000
2005 School Facility - Series B (h)	June 13, 2005	March 01, 2030	Variable	20,000,000	18,400,000	18,400,000
2005 School Facility - Series C (h)	June 13, 2005	March 01, 2030	Variable	20,000,000	18,400,000	18,400,000
					<u>231,096,800</u>	<u>229,480,472</u>
<b>2. General Obligation Commercial Paper Bond Anticipation Notes</b>						
2006 Commercial Paper BAN's	Feb. 13, 2007	July 31, 2007	3.65%	10,000,000	10,000,000	10,000,000
2006 Commercial Paper BAN's	March 12, 2007	July 31, 2007	3.67%	9,000,000	9,000,000	9,000,000
2006 Commercial Paper BAN's	April 05, 2007	July 31, 2007	3.67%	6,000,000	6,000,000	6,000,000
2006 Commercial Paper BAN's	May 09, 2007	Dec. 04, 2007	3.75%	11,495,000	11,495,000	11,495,000
2006 Commercial Paper BAN's	May 17, 2007	Dec. 04, 2007	3.70%	7,500,000	7,500,000	7,500,000
2006 Commercial Paper BAN's	May 18, 2007	Dec. 04, 2007	3.75%	24,000,000	24,000,000	24,000,000
2006 Commercial Paper BAN's	June 20, 2007	Dec. 04, 2007	3.78%	15,500,000	15,500,000	15,500,000
					<u>83,495,000</u>	<u>83,495,000</u>
<b>3. Installment Financing</b>						
2003 Multi-purpose COP's (d)	June 15, 2003	June 01, 2025	2.0% - 5.0%	43,760,000	34,950,000	35,836,724
2006 School COP's	Nov. 09, 2006	June 01, 2032	3.52% - 4.26%	77,640,000	77,640,000	80,840,366
2004 Installment Financing (Law Enforcement)	June 15, 2004	May 15, 2009	Variable	306,170	119,355	119,355
					<u>112,709,355</u>	<u>116,796,445</u>
<b>4. Revenue Bonds</b>						
2003 Enterprise System - Series A	June 12, 2003	June 01, 2029	2.0% - 5.0%	33,130,000	29,985,000	30,616,527
2003 Refunding Enterprise System - Series B (b, h)	June 12, 2003	June 01, 2021	Variable	20,935,000	17,330,000	15,528,773
					<u>47,315,000</u>	<u>46,145,300</u>
<b>5. Other Long-term Obligations (Note 16. E.)</b>						
North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	5.30%	4,673,933	2,336,967	2,336,967
North Carolina Clean Water Revolving Loan	TBD	TBD	2.265%	13,500,000	13,500,000	13,500,000
					<u>15,836,967</u>	<u>15,836,967</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 490,453,122</u>	<u>\$ 491,754,184</u>

- (a) 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 \$21,014,304.
- (b) Derivative Disclosure - Pay-Fixed, Receive-Variable Interest Rate Swap Agreement dated May 14, 2003 and effective June 12, 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 61.5% of USD-LIBOR-BBA plus a fixed spread of 0.36% semi-annually on the notional amount of \$20,935,000. On a semiannual basis, the County of Union pays Citibank interest at the fixed rate of 2.995%. 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 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, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Citibank	Fixed	2.995%
Variable payment from Citibank	61.5% LIBOR + 0.36%	<u>(3.632%)</u>
Net interest rate swap payments		(0.637%)
Variable rate bond coupon payments	Bond Rate	<u>3.730%</u>
Synthetic interest rate on Bonds		<u>3.093%</u>

*Fair Value.* As of June 30, 2007, the agreement had a positive fair value of \$794,626. 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 positive fair value represented the County's credit exposure to Citibank as of June 30, 2007. 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. Citibank, rated "Aaa" by Moody's Investor's Service, "AA+" by Standard and Poor's Ratings Services, and "AA+" by Fitch Ratings as of June 30, 2007, 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 61.5% of USD-LIBOR-BBA plus a fixed spread of 0.36% 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%. In the event of such an occurrence, the County 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, 2007, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2008	\$ 1,235,000	\$ 646,409	\$ (110,357)	\$ 1,771,052
2009	1,230,000	600,344	(102,493)	1,727,851
2010	1,220,000	554,465	(94,660)	1,679,805
2011	1,210,000	508,959	(86,891)	1,632,068
2012	1,195,000	463,826	(79,186)	1,579,640
2013-2017	5,915,000	1,658,545	(283,152)	7,290,393
2018-2021	5,325,000	504,669	(86,159)	5,743,510
Total	<u>\$ 17,330,000</u>	<u>\$ 4,937,215</u>	<u>\$ (842,898)</u>	<u>\$ 21,424,317</u>

\* Computed using (2.995% - 3.632%) x (\$17,330,000 - annual reduction)

- (c) Derivative Disclosure - Multiple 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 multiple 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 2004B (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 Wachovia Bank, National Association (50% of the total notional amount), Citibank, N.A. (25% of the total notional amount) and Bank of America N.A. (25% of the total notional amount) (collectively, the "Counterparties") fixed payments of 3.425% and receives the following floating amounts:

From the agreements' effective dates and ending 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 agreements are subject to yield adjustments in certain circumstances described above. Such yield adjustments 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, 2007, 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>(3.564%)</u>
Net interest rate swap payments		(0.139%)
Variable rate bond coupon payments	Bond Rate	<u>3.720%</u>
Synthetic interest rate on Bonds		<u>3.581%</u>

*Fair Value.* As of June 30, 2007, the swap agreements had a positive fair value of \$1,830,155. 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' positive fair value represented the County's credit exposure to the Counterparties as of June 30, 2007. Should the Counterparties fail to perform according to the terms of the swap agreements, the County would face a possible loss approximately equivalent to the swap agreements' positive fair value, if any, at the time of any failure to perform. The swap Counterparties as of June 30, 2007 are rated as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard &amp;</u>	
		<u>Poor's</u>	<u>Fitch</u>
Bank of America N.A.	Aaa	AA+	AA
Citibank	Aaa	AA+	AA+
Wachovia Bank, N.A.	Aa1	AA	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 lesser of Index I or Index II identified under *Terms*. At June 30, 2007, the rate on the County's 2004 Bonds was higher than the floating rate received from the Counterparties. When 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, 2007, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates as of June 30, 2007 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	Total
	Principal	Interest	Swaps, Net *	
2008	\$ 1,370,000	\$ 2,563,452	\$ (96,061)	\$ 3,837,391
2009	1,375,000	2,512,488	(94,151)	3,793,337
2010	2,535,000	2,461,338	(92,234)	4,904,104
2011	2,525,000	2,367,036	(88,700)	4,803,336
2012	3,360,000	2,273,106	(85,180)	5,547,926
2013-2017	16,385,000	9,510,180	(356,377)	25,538,803
2018-2022	14,415,000	6,569,892	(246,195)	20,738,697
2023-2027	17,545,000	3,927,948	(147,192)	21,325,756
2028-2029	9,400,000	524,520	(19,656)	9,904,864
Total	<u>\$ 68,910,000</u>	<u>\$ 32,709,960</u>	<u>\$ (1,225,746)</u>	<u>\$ 100,394,214</u>

\* Computed using  $(3.425\% - 3.564\%) \times (\$68,910,000 - \text{annual reduction})$

- (d) 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 2005, 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, 2005 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, 2007, rates were as follows:

	Terms	Rates
Average coupon on the Bonds	Fixed	4.640%
Receive Floating Rate	67% LIBOR + 0.532%	(4.096%)
Pay Floating Rate	BMA Swap Index	<u>3.730%</u>
Net interest rate on Bonds		<u>4.274%</u>

*Fair Value.* As of June 30, 2007, the agreement had a positive fair value of \$1,142,814. 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 positive fair value represented the County's credit exposure to Wachovia as of June 30, 2007. Should Wachovia 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, 2007, Wachovia is rated "Aa1" by Moody's Investor's Service, "AA" 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 A3/A-/A-, 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 BMA 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, 2007, 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	Total
	Principal	Interest	Swaps, Net *	
2008	\$ -	\$ 2,825,931	\$ (222,551)	\$ 2,603,380
2009	-	2,825,931	(222,551)	2,603,380
2010	-	2,825,931	(222,551)	2,603,380
2011	-	2,825,931	(222,551)	2,603,380
2012	2,750,000	2,825,931	(222,551)	5,353,380
2013-2017	28,780,000	11,238,144	(884,232)	39,133,912
2018-2022	23,525,000	3,719,926	(306,676)	26,938,250
2023-2025	5,685,000	469,013	(41,660)	6,112,353
Total	<u>\$ 60,740,000</u>	<u>\$ 29,556,738</u>	<u>\$ (2,345,323)</u>	<u>\$ 87,951,415</u>

\* Computed using  $(3.730\% - 4.096\%) \times (\$60,740,000 - \text{annual reduction})$

- (e) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated October 11, 2005 and effective October 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, Union County entered into a fixed spread basis swap agreement for the purpose of generating savings on a portion of its outstanding Water and Sewer Enterprise System Revenue Bonds, Series 2003A. 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 effective October 13, 2005, Citibank, N.A. New York (“Citibank”) pays Union County 70% of USD-LIBOR-BBA plus a fixed spread of 0.40% semi-annually on the notional amount of \$24,655,000. Union County pays Citibank 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 June 1, 2014, and end on June 1, 2029. The agreement matures June 1, 2029. As of June 30, 2007, rates were as follows:

	Terms	Rates
Average coupon on the Bonds	Fixed	4.540%
Receive Floating Rate	70% LIBOR + 0.40%	(4.124%)
Pay Floating Rate	BMA Swap Index	<u>3.730%</u>
Net interest rate on Bonds		<u>4.146%</u>

*Fair Value.* As of June 30, 2007, the agreement had a positive fair value of \$625,782. 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 positive fair value represented the County’s credit exposure to Citibank as of June 30, 2007. 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. Citibank, rated “Aaa” by Moody’s Investor’s Service, “AA+” by Standard and Poor’s Ratings Services, and “AA+” by Fitch Ratings as of June 30, 2007, will collateralize any market value positive to the County over a predetermined threshold that varies depending on Citibank’s ratings. At Citibank’s current ratings, such threshold is \$30,000,000. Collateral would be posted with a third party custodian.

*Basis Risk.* Union County receives from Citibank 70% of USD-LIBOR-BBA plus a fixed spread of 0.40% and pays to Citibank the BMA Municipal Swap Index. Union County is exposed to basis risk when BMA begins to trade at a yield which exceeds 70% of USD-LIBOR-BBA plus 0.40%. 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, 2007, 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	Total
	Principal	Interest	Swaps, Net *	
2008	\$ -	\$ 1,119,689	\$ (97,180)	\$ 1,022,509
2009	-	1,119,689	(97,180)	1,022,509
2010	-	1,119,689	(97,180)	1,022,509
2011	-	1,119,689	(97,180)	1,022,509
2012	-	1,119,689	(97,180)	1,022,509
2013-2017	4,135,000	5,380,495	(462,240)	9,053,255
2018-2022	6,330,000	4,160,575	(356,726)	10,133,849
2023-2027	7,795,000	2,693,295	(220,936)	10,267,359
2028-2029	6,405,000	551,500	(43,459)	6,913,041
Total	\$ 24,665,000	\$ 18,384,310	\$ (1,569,261)	\$ 41,480,049

\* Computed using  $(3.730\% - 4.124\%) \times (\$24,665,000 - \text{annual reduction})$

- (f) Derivative Disclosure – Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreement dated October 11, 2005 (subsequently amended and restated on May 3, 2007) and effective June 16, 2008 – Assumptions

*Objective of the interest rate swap.* In order to protect against the potential of higher future interest rates in connection with its anticipated issuance of Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2008 (“Series 2008 Bonds”), Union County entered into a pay-fixed, receive-variable interest rate swap. The intention of the forward swap agreement will be to effectively change the County’s interest rate on the Series 2008 Bonds to a synthetic fixed rate of 3.6133%, excluding liquidity, remarketing, and other fees associated with the Series 2008 Bonds.

*Terms.* Under the terms of the amended and restated forward swap agreement effective June 16, 2008, Citibank, N.A. New York (“Citibank”) will pay the County an amount semi-annually on the notional amount of \$20,000,000 based on 70% of USD-LIBOR-BBA. On a semi-annual basis, the County will pay Citibank an amount at a fixed rate of 3.6133% on the same notional amount. The notional amount declines with the amortization of the corresponding Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2008 over a period beginning June 1, 2009 and ending June 1, 2034. The agreement matures June 1, 2034.

*Fair Value.* As of June 30, 2007, the agreement had a positive fair value of \$718,751. 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 positive fair value represented the County’s credit exposure to Citibank as of June 30, 2007. 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. Citibank, rated “Aaa” by Moody’s Investor’s Service, “AA+” by Standard and Poor’s Ratings Services, and “AA+” by Fitch Ratings as of June 30, 2007, will collateralize any market value positive to the County over a predetermined threshold that varies depending on Citibank’s ratings. At Citibank’s current ratings, such threshold is \$30,000,000. Collateral would be posted with a third party custodian.

*Basis Risk.* Union County will receive from Citibank 70% of USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The County will be exposed to basis risk when its Series

2008 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. Should the relationship of the 2008 Series Bonds trade higher than 70% of USD-LIBOR-BBA, the County will experience an increase in debt service above the fixed rate on the forward swap agreement.

*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.

- (g) Derivative Disclosure – Multiple Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreements dated December 12, 2005 and effective September 6, 2007 – Assumptions

*Objective of the interest rate swap.* In order to protect against the potential of higher future interest rates in connection with its anticipated issuance of Variable Rate General Obligation Bonds, Series 2007 (“2007 Series Bonds”), Union County entered into multiple pay-fixed, receive-variable interest rate swaps. The intention of the forward swap agreements will be to effectively change the County’s interest rate on the 2007 Series Bonds to a synthetic fixed rate of 3.673%, excluding liquidity, remarketing, and other fees associated with the 2007 Series Bonds.

*Terms.* Under the terms of the forward swap agreements effective September 6, 2007, the County will pay semi-annually Wachovia Bank, National Association (“Wachovia”), Citibank, N.A. New York (“Citibank”) and UBS AG (“UBS”) (collectively, the “Counterparties”) fixed payments of 3.673% and will receive semi-annually from the Counterparties 70% of USD-LIBOR-BBA. The aggregate notional amount of \$110,730,000 (with Wachovia receiving approximately 64% of the total notional amount and Citibank and UBS each receiving 18%) declines with the amortization of the corresponding Variable Rate General Obligation Bonds, Series 2007 over a period beginning March 1, 2008 and ending March 1, 2031. The agreement matures March 1, 2031.

*Fair Value.* As of June 30, 2007, the agreement had a positive fair value of \$1,979,791. 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 interest rate swap agreements’ positive fair value represented the County’s credit exposure to the Counterparties as of June 30, 2007. Should the Counterparties fail to perform according to the terms of the swap agreements, the County would face a possible loss approximately equivalent to the swap agreements’ positive fair value, if any, at the time of any failure to perform. The swap Counterparties as of June 30, 2007 are rated as follows:

Counterparty	Moody’s	Standard &	
		Poor’s	Fitch
Wachovia	Aa1	AA	AA-
Citibank	Aaa	AA+	AA+
UBS	Aaa	AA+	AA+

To mitigate the potential for credit risk, if the Counterparties’ credit quality falls below A3/A-/A-, 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.* Union County will receive from the Counterparties 70% of USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The County will be exposed to basis risk when its Series 2007 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. Should the relationship of the 2007 Series Bonds trade higher than 70% of USD-LIBOR-BBA, the County will experience an increase in debt service above the fixed rate on the forward 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. Termination could result in the County being required to make an unanticipated termination payment. Any amount payable by the County to Wachovia (original notional amount of \$70,730,000) on termination of the transaction before the termination date may be made in four equal annual installments.

(h) 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 2007 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 decreases in the range of 0.20% to 0.30% 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 \$240,631,800. The general obligation bonds Series 2004A, 2004B and the revenue bonds Series 2003B have been synthetically fixed as described in the previous paragraphs.

Issue	Balance June 30, 2007	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2007	Interest Rate June 30, 2007
<b>General Obligation Bonds</b>				
2004A	\$47,650,000	December 14, 2011	\$96,945	3.72%
2004B	21,260,000	December 14, 2011	42,888	3.72%
2005A	46,000,000	June 13, 2015	95,010	3.72%
2005B	18,400,000	June 13, 2015	37,678	3.67%
2005C	18,400,000	June 13, 2015	37,773	3.73%
<b>Revenue Bonds</b>				
2003B	17,330,000	June 12, 2006	32,354	3.73%

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

	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 220,523,231	\$ 8,957,241	\$ 229,480,472
Bond Anticipation Notes	83,495,000	-	83,495,000
Certificates of Participation	116,677,090	-	116,677,090
Installment Financing	119,355	-	119,355
Revenue Bonds	-	46,145,300	46,145,300
N.C. Clean Water Revolving Loans	-	15,836,967	15,836,967
<b>Total</b>	<b>\$ 420,814,676</b>	<b>\$ 70,939,508</b>	<b>\$ 491,754,184</b>

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

	Unamortized Deferred Loss on Defeasance	Unamortized Gain	Unamortized Premium / (Discount)	Total
<b>General Obligation Bonds</b>				
1996 Refunding Bonds (Water)	\$ 30,093	\$ (21,487)	\$ (1,405)	\$ 7,201
1996 Refunding Bonds (Sanitary Sewer)	9,261	(5,853)	(414)	2,994
1999 Refunding Bonds (Water)	18,386	(6,471)	-	11,915
2004 Refunding Bonds (School Facilities) (b)	374,865	-	(210,128)	164,737
2004 Refunding Bonds (Sanitary Sewer) (b)	85,473	-	(46,342)	39,131
2004 Refunding Bonds (School Facilities) (c,e)	1,390,350	-	-	1,390,350
<b>Installment Financing</b>				
2003 Multi-purpose COP's	48,576	-	(935,300)	(886,724)
2006 School COP's	-	-	(3,200,366)	(3,200,366)
<b>Revenue Bonds</b>				
2003 Enterprise System - Series A	-	-	(631,527)	(631,527)
2003 Refunding Enterprise System - Series B (a,d)	1,644,152	-	157,075	1,801,227
<b>Total</b>	<b>\$ 3,601,156</b>	<b>\$ (33,811)</b>	<b>\$ (4,868,407)</b>	<b>(1,301,062)</b>
Long-term Obligations (per Note 16, A)				<u>491,754,184</u>
Future Maturities of Long-term Obligations (per Note 16, B)				<u>\$ 490,453,122</u>

## B. Future Maturities of Long-Term Obligations

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

	General Obligation		General Obligation Commercial Paper Bond Anticipation Notes		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental Activities</b>								
2008	\$ 11,676,743	\$ 8,945,190	\$ 83,495,000	\$ 1,527,043	\$ 5,212,272	\$ 5,248,483	\$ 100,384,015	\$ 15,720,716
2009	12,023,033	8,439,288	-	-	5,217,083	5,017,219	17,240,116	13,456,507
2010	12,162,014	7,915,596	-	-	5,170,000	4,812,000	17,332,014	12,727,596
2011	12,271,830	7,404,853	-	-	5,180,000	4,569,413	17,451,830	11,974,266
2012	12,196,575	6,895,654	-	-	5,195,000	4,324,650	17,391,575	11,220,304
2013-2017	59,538,123	27,151,017	-	-	25,000,000	18,221,213	84,538,123	45,372,230
2018-2022	46,465,000	15,244,267	-	-	25,000,000	12,313,112	71,465,000	27,557,379
2023-2027	35,545,000	7,936,458	-	-	21,210,000	6,487,512	56,755,000	14,423,970
2028-2032	20,200,000	1,346,925	-	-	15,525,000	2,172,150	35,725,000	3,519,075
	<u>\$ 222,078,318</u>	<u>\$ 91,279,248</u>	<u>\$ 83,495,000</u>	<u>\$ 1,527,043</u>	<u>\$ 112,709,355</u>	<u>\$ 63,165,752</u>	<u>\$ 418,282,673</u>	<u>\$ 155,972,043</u>
	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Business-type Activities</b>								
2008	\$ 2,485,057	\$ 429,137	\$ 2,070,000	\$ 1,785,708	\$ 908,697	\$ 259,015	\$ 5,463,754	\$ 2,473,860
2009	1,886,967	303,159	2,080,000	1,729,814	908,697	362,629	4,875,664	2,395,602
2010	1,857,986	212,115	2,090,000	1,673,235	908,697	339,324	4,856,683	2,224,674
2011	1,368,170	121,975	2,105,000	1,613,207	908,697	316,019	4,381,867	2,051,201
2012	548,425	57,743	2,115,000	1,550,627	908,697	292,715	3,572,122	1,901,085
2013-2017	871,877	60,102	11,000,000	6,742,208	4,543,482	1,114,006	16,415,359	7,916,316
2018-2022	-	-	11,655,000	4,565,853	3,375,000	611,550	15,030,000	5,177,403
2023-2027	-	-	7,795,000	2,693,295	3,375,000	229,331	11,170,000	2,922,626
2028-2032	-	-	6,405,000	551,500	-	-	6,405,000	551,500
	<u>\$ 9,018,482</u>	<u>\$ 1,184,231</u>	<u>\$ 47,315,000</u>	<u>\$ 22,905,447</u>	<u>\$ 15,836,967</u>	<u>\$ 3,524,589</u>	<u>\$ 72,170,449</u>	<u>\$ 27,614,267</u>
Total Long-term Obligations for Governmental and Business-type Activities							<u>\$ 490,453,122</u>	<u>\$ 183,586,310</u>

As of June 30, 2007, Union County had \$201,735,000 general obligation bonds authorized but unissued, and had a legal debt margin of \$668,134,167.

## C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2007 (and agrees to table in Note 16 part B):

	Balance June 30, 2006	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2007	Current Portion of Balances
<b>Governmental Activities:</b>						
By Type:						
General obligation bonds	\$ 231,960,190	\$ -	\$ 11,723,389	\$ 286,430	\$ 220,523,231	\$ 11,393,145
Bond anticipation notes	13,495,000	70,000,000	-	-	83,495,000	83,495,000
Certificates of participation	38,256,834	77,640,000	2,245,000	3,025,256	116,677,090	5,379,116
Installment financing	181,626	-	62,271	-	119,355	62,272
	<u>283,893,650</u>	<u>147,640,000</u>	<u>14,030,660</u>	<u>3,311,686</u>	<u>420,814,676</u>	<u>100,329,533</u>
Compensated absences	2,668,020	2,698,123	2,547,078	-	2,819,065	-
	<u>\$ 286,561,670</u>	<u>\$ 150,338,123</u>	<u>\$ 16,577,738</u>	<u>\$ 3,311,686</u>	<u>\$ 423,633,741</u>	<u>\$ 100,329,533</u>
By Purpose:						
General government	\$ 14,458,872	\$ -	\$ 422,534	\$ (12,997)	\$ 14,023,341	\$ 689,051
Public safety	6,458,344	-	580,271	(70,428)	5,807,645	681,034
Economic/physical development	3,636,177	-	105,809	(4,068)	3,526,300	173,362
Human services	43,290	-	1,265	(39)	41,986	2,063
Education	256,664,914	147,640,000	12,827,847	3,401,569	394,878,636	98,659,376
Cultural and recreational	2,632,053	-	92,934	(2,351)	2,536,768	124,647
Compensated absences	2,668,020	2,698,123	2,547,078	-	2,819,065	-
	<u>\$ 286,561,670</u>	<u>\$ 150,338,123</u>	<u>\$ 16,577,738</u>	<u>\$ 3,311,686</u>	<u>\$ 423,633,741</u>	<u>\$ 100,329,533</u>
<b>Business-type Activities:</b>						
By Type:						
General obligation bonds	\$ 11,402,419	\$ -	\$ 2,504,211	\$ 59,033	\$ 8,957,241	\$ 2,444,642
Revenue bonds	47,991,158	-	2,055,000	209,142	46,145,300	1,873,596
NC Clean Water Revolving Loan	2,570,663	13,500,000	233,696	-	15,836,967	233,697
	<u>61,964,240</u>	<u>13,500,000</u>	<u>4,792,907</u>	<u>268,175</u>	<u>70,939,508</u>	<u>4,551,935</u>
Compensated absences	343,518	469,118	438,234	-	374,402	-
	<u>\$ 62,307,758</u>	<u>\$ 13,969,118</u>	<u>\$ 5,231,141</u>	<u>\$ 268,175</u>	<u>\$ 71,313,910</u>	<u>\$ 4,551,935</u>
By Purpose:						
Water and sewer systems	\$ 61,964,240	\$ 13,500,000	\$ 4,792,907	\$ 268,175	\$ 70,939,508	\$ 4,551,935
Compensated absences	343,518	469,118	438,234	-	374,402	-
	<u>\$ 62,307,758</u>	<u>\$ 13,969,118</u>	<u>\$ 5,231,141</u>	<u>\$ 268,175</u>	<u>\$ 71,313,910</u>	<u>\$ 4,551,935</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, 2007.

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, 2007 is as follows:

Revenues	\$ 41,922,974
Current Expenses	<u>15,502,443</u>
Net revenues available for debt service	26,420,531
Add: 20% of preceding year's Surplus Fund	<u>4,809,250</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 31,229,781</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 3,745,682
Subordinate debt service:	
Debt service, principal and interest paid	<u>3,380,148</u>
Total debt service:	
Total debt service, principal and interest paid	7,125,830
Add: 20% of senior debt service	<u>749,136</u>
Adjusted debt service requirements	<u>\$ 7,874,966</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	3.97
Coverage Test 2	
Net revenues / total debt service	3.71

**E. Other Long-Term Debt**

**North Carolina Clean Water Revolving Loans** - 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, 2007. The amount outstanding at June 30, 2007 is \$2,336,967. These funds were used for the Crooked Creek sewer project of the County's Water and Sewer Enterprise Fund.

During fiscal year ended June 30, 2007, the County received approval on a loan from the North Carolina Clean Water Revolving Loan and Grant Fund with a maximum limit of \$15,000,000. This loan will be payable over 20 years with interest at 2.265% 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, 2007. The amount drawn down during the fiscal year ending and outstanding at June 30, 2007 is \$13,500,000. The remainder of the loan will be drawn down by June 30, 2008. These funds are being used for the 12 Mile Creek Sewer Plant 6 MGD Expansion 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 these loans.

Year Ending June 30	1998 NC Clean Water Revolving Loan		2007 NC Clean Water Revolving Loan	
	Principal	Interest	Principal	Interest
2008	\$ 233,697	\$ 80,158	\$ 675,000	\$ 178,857
2009	233,697	72,142	675,000	290,487
2010	233,697	64,126	675,000	275,198
2011	233,697	56,111	675,000	259,908
2012	233,697	48,095	675,000	244,620
2013-2017	1,168,482	120,237	3,375,000	993,769
2018-2022	-	-	3,375,000	611,550
2023-2027	-	-	3,375,000	229,331
Total	\$ 2,336,967	\$ 440,869	\$ 13,500,000	\$ 3,083,720

## 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, 2007, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$7,300,000.

## NOTE 17 - INTERFUND BALANCES AND ACTIVITY

### A. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 272,755	Note 1
General Fund	Solid Waste Fund	43,593	Note 1
General Fund	Stormwater Fund	2,475	Note 1
		<u>\$ 318,823</u>	

Note 1: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (as shown on Exhibit A).

### B. INTERFUND ACTIVITY

Transfer Out:	Transfers In:						Purpose
	Governmental Activities:				Business Type Activities		
	General Fund	General Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds	Water & Sewer Fund	Stormwater Fund	
Governmental activities:							
General Fund	\$ -	\$ 13,077,913	\$ 5,309,720	\$ 18,387,633	\$ 300,000	\$ -	Note1
Debt Service Fund	-	4,136,882	-	4,136,882	-	-	Note2
General Capital Project Fund	750,831	-	3,483,000	4,233,831	-	-	Note3,4
Library Capital Reserve Fund	-	-	57,219	57,219	-	-	Note5
School Bond Fund - 58	2,385	-	-	2,385	-	-	Note6
Total governmental activities	<u>753,216</u>	<u>17,214,795</u>	<u>8,849,939</u>	<u>26,817,950</u>	<u>300,000</u>	<u>-</u>	
Business type activities:							
Water & Sewer Fund	-	-	-	-	-	60,000	Note7
Total transfers out	<u>\$ 753,216</u>	<u>\$ 17,214,795</u>	<u>\$ 8,849,939</u>	<u>\$ 26,817,950</u>	<u>\$ 300,000</u>	<u>\$ 60,000</u>	

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

Governmental Activities:	
General Capital Project Fund:	
Government facility renovations	750,831
UCPS Walter Bickett project	88,061
UCPS FY2007 school capital outlay allocation	11,043,050
Parks and recreation Cane Creek Park campground bathhouse renovations	282,872
Parks and recreation Cane Creek Park campground store/check-in station	332,000
Parks and recreation Jesse Helms Park development phase III	9,899
Parks and recreation Jesse Helms Park Flag Branch Creek bridge	499,200
Parks and recreation Jesse Helms Park sewer system planning funds	72,000
Debt Service Fund:	
Funding for the school capital and debt service fund	5,269,720
Library CPO Fund:	
Union West Library parking lot expansion	40,000
Business Type Activities:	
Water & Sewer Fund:	
Water & Sewer community development projects	300,000

Note 2: The transfer from the Debt Service Fund to the General Capital Project Fund was to provide funds for UCPS administrative office renovations in the County government facilities.

Note 3: The transfer from the General Capital Project Fund to the General Fund was to provide funds for the for the debt interest payments on applicable projects.

Note 4: The transfer from the General Capital Project Fund to the Library Capital Project Fund was to provide funds for the South West Union Library project.

Note 5: The transfer from the Library Capital Reserve Fund to the Library Capital Project Fund was to provide funds for the Union West parking lot expansion.

Note 6: The transfer from the Schools Bond Fund - 58 to the General Fund was to close out this fund and its projects.

Note 7: The transfer from the Water & Sewer Fund to the Stormwater Fund to provide for the stormwater planning program.

## NOTE 18 - DEFERRED / UNEARNED REVENUES

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

	Deferred Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned (General)	\$ -	\$ 281,427	\$ 281,427
Prepaid taxes not yet earned (Special Revenue)	-	6,661	6,661
Grant revenue not yet earned (General)	-	27,750	27,750
Taxes receivable, net (General)	3,115,392	-	3,115,392
Taxes receivable, net (Special Revenue)	57,671	-	57,671
	<u>\$ 3,173,063</u>	<u>\$ 315,838</u>	<u>\$ 3,488,901</u>

## NOTE 19 - JOINT VENTURES

### A. Catawba River Treatment Plant

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

The agreement further calls for an annual audit each June 30 to determine actual expenses and gallons used. A final settlement will be made each year based on audited amounts. Operating costs of the facility will be split between the parties based on metered gallons drawn by each. The joint venture serves only the County and district as customers. All purchases of water are considered to be related party transactions. During the year, the County purchased \$1,944,673 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, 2007 was \$13,487,519. This included the County's recognized loss of \$183,136 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, 2007, is as follows:

Cash and investments	\$ 1,874,772
Other assets	25,284,588
Total assets	<u>\$ 27,159,360</u>
Total liabilities	\$ 184,322
Total net assets	26,975,038
Total liabilities and net assets	<u>\$ 27,159,360</u>
Total revenues	\$ 3,265,144
Total expenses	(3,631,416)
Net decrease in net assets	<u>\$ (366,272)</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 Carolinas Medical Center-Union (CMC-Union and formerly known as Union Memorial Regional Medical Center and 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 \$2,832,472. The County does not provide any financial assistance for operating expenses. On January 29, 2007, the County entered into a contract with CMC-Union whereby the County reimburses CMC-Union for 50% of the costs for qualifying physicians providing indigent care services to Union County residents through the emergency department. The County's participation is conditioned upon annual funding and limited to \$250,000 per fiscal year. The amount of funding for the current fiscal year was \$30,758. 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 Carolinas Medical Center-Union 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. currently d/b/a Carolinas Medical Center-Union (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, \$3,962,995 in debt is still outstanding. The County contributed \$880,500 to Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2007. In addition, the County made debt service payments of \$281,250 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, 2007. 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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$538,961 to PAMH to supplement its activities for the year ended June 30, 2007. Complete financial statements for PAMH can be obtained from PAMH's offices at 245 Le Phillip Court, NE, Concord, NC 28025.

## **NOTE 20 - JOINTLY GOVERNED ORGANIZATION**

### **Centralina Council of Governments**

The Centralina Council of Governments is a voluntary association of nine County governments and seventy municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The County paid membership dues of \$42,443 during the fiscal year ended June 30, 2007. The County was the sub-recipient of a grant for \$694,509 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

## **NOTE 21 - BENEFIT PAYMENTS ISSUED BY THE STATE**

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	Federal	State
Work First/TANF	\$ 802,320	\$ (47)
AFDC Payments and Penalties	(120)	(33)
Low Income Energy Assistance	281,808	-
Refugee Assistance Payment	3,439	-
CWS Adoption Subsidy and Vendor	-	245,776
IV-E Adoption Subsidy and Vendor	228,213	63,669
State/County Special Assistance for Adults	-	871,201
Women, Infants and Children	2,298,501	-
Medical Assistance Program	56,165,020	27,561,965
Food Stamp Program-Noncash	11,222,737	-
Food Distribution	66,038	-
Health Choice	3,476,799	1,160,169
	<u>\$ 74,544,755</u>	<u>\$ 29,902,700</u>

## **NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

### **Federal and State Assisted Programs**

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

## **NOTE 23 - PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2007, the County concluded that land purchased in the amount of \$4,392,645 in fiscal year ended June 30, 2006 for the Union County Public Schools should not have been capitalized as part of the County's capital assets. See Note 7 for a more complete discussion of the capital asset relationship between the County and the Union County Public Schools regarding title to school facilities during construction. Had this land purchase not been capitalized in the fiscal year ended June 30, 2006, governmental activities would have reflected capital assets totaling \$57,065,566 and a deficit net asset position of \$136,082,735.

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

On July 2, 2007, the Union County Board of Commissioners ("Board") adopted a resolution approving the issuance by the Union County Industrial Facilities and Pollution Control Financing Authority of its \$10,000,000 Industrial Development Revenue Bonds for the purpose of paying for certain manufacturing facilities to be located in the County.

On July 23, 2007, the Board amended a capital project ordinance in the amount of \$14.5 million which provides construction funding for Elementary School "J". The funding source for this capital project ordinance is bond proceeds.

On August 13, 2007, the Board amended a capital project ordinance in the amount of \$67.5 million which provides construction funding for Middle and High Schools "C". The funding source for this capital project ordinance is bond proceeds.

On August 20, 2007, the Board amended a capital project ordinance in the amount of \$9.8 million which provides construction funding for Monroe High School athletic stadium improvements and Wesley Chapel Elementary School additions and renovations. The funding source for this capital project ordinance is bond proceeds.

On August 20, 2007, the Board adopted a resolution setting a special non-binding advisory referendum for November 6, 2007, at which time qualified voters of the County will consider providing the Board with the authority to impose a property land transfer tax at the rate of up to four-tenths percent (0.4%) of value or consideration.

At June 30, 2007, the County had issued \$83,495,000 of its \$110,730,000 Commercial Paper ("CP") Bond Anticipation Notes, Series 2006, program authorized by the Board on April 3, 2006. From July 1, 2007 through September 6, 2007, the County issued an additional \$18,500,000 in CP Notes for an aggregate amount \$101,995,000 in CP Notes outstanding at September 6, 2007.

On September 6, 2007, the County issued \$130,730,000 Variable Rate General Obligation Bonds, Series 2007A-C ("2007 Variable Rate Bonds"). The proceeds of the 2007 Variable Rate Bonds, combined with funds provided by the County, are being used to discharge the CP Notes outstanding in the amount of \$101,995,000, fund \$28,735,000 in public school facilities and pay the costs of issuing the 2007 Variable Rate Bonds.

On September 6, 2007, the County issued \$90,000,000 General Obligation School Bonds, Series 2007D ("2007 Fixed Rate Bonds"). The proceeds of the 2007 Fixed Rate Bonds, combined with funds provided by the County, are being used to pay the costs of acquiring, constructing, and equipping of public school facilities and the costs of issuing the 2007 Fixed Rate Bonds.

On September 17, 2007, the Board amended a capital project ordinance in the amount of \$9.2 million which provides land acquisition, architectural and engineering funding for Middle and High School "D". The funding source for this capital project ordinance is bond proceeds.

On September 17, 2007, the Board adopted a sewer allocation policy for certain specific areas of the County. The policy is intended to establish guidelines for allocating wastewater treatment capacity in a fair, rational, and lawful manner. Following the adoption of the policy and the completion of a treatment plant expansion project, the State of North Carolina on September 28, 2007 lifted the state-imposed moratorium pursuant to which North Carolina Division of Water Quality had ceased issuing sewer permits effective February 7, 2007.

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# Required Supplementary Information

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

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

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

Notes to the Required Schedules for Special Separation Allowance

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date - Year Ended December 31	Actuarial Value of Assets	Actuarial 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)
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%
2005	1,256,392	5,465,377	4,208,985	22.99%	32,224,179	13.06%
2006	1,336,222	5,859,710	4,523,488	22.80%	34,030,299	13.29%

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

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

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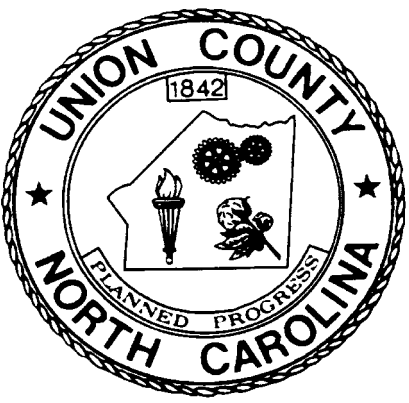
<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 305,659	116%
2003	332,581	110%
2004	359,209	117%
2005	409,880	106%
2006	457,930	156%
2007	450,003	184%

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Notes to the Required Schedules:

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

Valuation date	December 31, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2006	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.25%
Projected salary increases *	4.5% to 14.3% per year
* Includes inflation at	3.75%
Cost-of-living adjustments	Not included





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# Combining and Individual Fund Statements

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

June 30, 2007

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,587,346	\$ 16,261,525	\$ 3,576,979	\$ 23,425,850
Property taxes receivable (net)	57,670	-	-	57,670
Accounts receivable (net)	383,756	-	1,034	384,790
Cash and investments, restricted	340,694	-	-	340,694
Total assets	<u>\$ 4,369,466</u>	<u>\$ 16,261,525</u>	<u>\$ 3,578,013</u>	<u>\$ 24,209,004</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 29,129	\$ -	\$ 6,591	\$ 35,720
Deferred revenue	57,671	-	-	57,671
Unearned revenue	6,661	-	-	6,661
Liabilities payable from restricted assets	1,292	-	-	1,292
Total liabilities	<u>94,753</u>	<u>-</u>	<u>6,591</u>	<u>101,344</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	327,936	-	2,992	330,928
Reserved by State statute	383,756	-	1,034	384,790
Reserved for drug enforcement	316,492	-	-	316,492
Reserved for grant programs	22,910	-	-	22,910
Unreserved				
Designated for subsequent years' expenditures	347,050	16,261,525	3,567,396	20,175,971
Designated for special purpose	1,750,642	-	-	1,750,642
Undesignated	1,125,927	-	-	1,125,927
Total fund balances	<u>4,274,713</u>	<u>16,261,525</u>	<u>3,571,422</u>	<u>24,107,660</u>
Total liabilities and fund balances	<u>\$ 4,369,466</u>	<u>\$ 16,261,525</u>	<u>\$ 3,578,013</u>	<u>\$ 24,209,004</u>

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

**Nonmajor Governmental Funds**

For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,499,767	\$ -	\$ -	\$ 2,499,767
Local option sales tax	680,105	-	-	680,105
Other taxes and licenses	1,244,465	-	-	1,244,465
Intergovernmental	445,437	-	-	445,437
Permits and fees	1,165,281	-	-	1,165,281
Sales and services	10,000	-	-	10,000
Investment earnings	164,889	-	4,590	169,479
Miscellaneous	28,134	-	-	28,134
Total revenues	<u>6,238,078</u>	<u>-</u>	<u>4,590</u>	<u>6,242,668</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	5,292,191	-	-	5,292,191
Cultural and recreational	-	-	30,371	30,371
Capital outlay:				
Cultural and recreational	-	-	150,240	150,240
Total expenditures	<u>5,292,191</u>	<u>-</u>	<u>180,611</u>	<u>5,472,802</u>
Excess (deficiency) of revenues over (under) expenditures	945,887	-	(176,021)	769,866
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	5,269,720	3,580,219	8,849,939
Transfers to other funds	-	(4,136,882)	(59,604)	(4,196,486)
Total other financing sources (uses)	<u>-</u>	<u>1,132,838</u>	<u>3,520,615</u>	<u>4,653,453</u>
Net change in fund balances	945,887	1,132,838	3,344,594	5,423,319
<b>FUND BALANCES</b>				
Beginning	3,328,826	15,128,687	226,828	18,684,341
Ending	<u>\$ 4,274,713</u>	<u>\$ 16,261,525</u>	<u>\$ 3,571,422</u>	<u>\$ 24,107,660</u>

Union County, North Carolina

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

June 30, 2007

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
<b>ASSETS</b>			
Cash and investments	\$ 2,166	\$ 25,936	\$ 100,227
Property taxes receivable (net)	6,041	8,080	18,749
Accounts receivable (net)	12,850	23,267	65,420
Cash and investments, restricted	-	-	-
Total assets	<u>\$ 21,057</u>	<u>\$ 57,283</u>	<u>\$ 184,396</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,652	\$ -	\$ -
Deferred revenue	6,042	8,080	18,749
Unearned revenue	513	970	2,122
Liabilities payable from restricted assets	-	-	-
Total liabilities	<u>8,207</u>	<u>9,050</u>	<u>20,871</u>
<b>FUND BALANCES</b>			
Reserved for encumbrances	-	-	-
Reserved by State statute	12,850	23,267	65,420
Reserved for drug enforcement	-	-	-
Reserved for grant programs	-	-	-
Unreserved			
Designated for subsequent years'			
expenditures	-	17,389	110,856
Designated for special purpose	-	-	-
Undesignated	-	7,577	(12,751)
Total fund balances	<u>12,850</u>	<u>48,233</u>	<u>163,525</u>
Total liabilities and fund balances	<u>\$ 21,057</u>	<u>\$ 57,283</u>	<u>\$ 184,396</u>

### Schedule 3

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
\$ 139,680	\$ 54,130	\$ 47,409	\$ 3,217,798	\$ -	\$ 3,587,346
18,358	6,442	-	-	-	57,670
60,733	48,042	-	158,440	15,004	383,756
-	-	-	-	340,694	340,694
<u>\$ 218,771</u>	<u>\$ 108,614</u>	<u>\$ 47,409</u>	<u>\$ 3,376,238</u>	<u>\$ 355,698</u>	<u>\$ 4,369,466</u>
\$ -	\$ -	\$ 2,663	\$ 24,814	\$ -	\$ 29,129
18,358	6,442	-	-	-	57,671
1,767	1,289	-	-	-	6,661
-	-	-	-	1,292	1,292
<u>20,125</u>	<u>7,731</u>	<u>2,663</u>	<u>24,814</u>	<u>1,292</u>	<u>94,753</u>
-	-	-	327,936	-	327,936
60,733	48,042	-	158,440	15,004	383,756
-	-	-	-	316,492	316,492
-	-	-	-	22,910	22,910
130,022	49,383	39,400	-	-	347,050
-	-	-	1,750,642	-	1,750,642
7,891	3,458	5,346	1,114,406	-	1,125,927
<u>198,646</u>	<u>100,883</u>	<u>44,746</u>	<u>3,351,424</u>	<u>354,406</u>	<u>4,274,713</u>
<u>\$ 218,771</u>	<u>\$ 108,614</u>	<u>\$ 47,409</u>	<u>\$ 3,376,238</u>	<u>\$ 355,698</u>	<u>\$ 4,369,466</u>

Union County, North Carolina

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

For the Year Ended June 30, 2007

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
<b>REVENUES</b>			
Ad valorem taxes	\$ 205,126	\$ 372,021	\$ 719,052
Local option sales tax	12,850	23,267	244,791
Other taxes and licenses	-	-	-
Intergovernmental	-	-	-
Permits and fees	-	-	-
Sales and services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>217,976</u>	<u>395,288</u>	<u>963,843</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>205,126</u>	<u>347,055</u>	<u>925,000</u>
Excess (deficiency) of revenues over (under) expenditures	12,850	48,233	38,843
<b>FUND BALANCES</b>			
Beginning	-	-	124,682
Ending	<u>\$ 12,850</u>	<u>\$ 48,233</u>	<u>\$ 163,525</u>

## Schedule 4

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
\$ 668,096	\$ 535,472	\$ -	\$ -	\$ -	\$ 2,499,767
230,029	169,168	-	-	-	680,105
-	-	-	1,244,465	-	1,244,465
-	-	-	-	445,437	445,437
-	-	1,165,281	-	-	1,165,281
-	-	-	-	10,000	10,000
-	-	-	149,370	15,519	164,889
-	-	-	-	28,134	28,134
<u>898,125</u>	<u>704,640</u>	<u>1,165,281</u>	<u>1,393,835</u>	<u>499,090</u>	<u>6,238,078</u>
<u>854,948</u>	<u>727,113</u>	<u>1,136,018</u>	<u>722,018</u>	<u>374,913</u>	<u>5,292,191</u>
43,177	(22,473)	29,263	671,817	124,177	945,887
155,469	123,356	15,483	2,679,607	230,229	3,328,826
<u>\$ 198,646</u>	<u>\$ 100,883</u>	<u>\$ 44,746</u>	<u>\$ 3,351,424</u>	<u>\$ 354,406</u>	<u>\$ 4,274,713</u>

**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
 June 30, 2007

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
<b>ASSETS</b>				
Cash and investments	\$ 94,474	\$ 3,482,505	\$ -	\$ 3,576,979
Accounts receivable (net)	1,034	-	-	1,034
Total assets	<u>\$ 95,508</u>	<u>\$ 3,482,505</u>	<u>\$ -</u>	<u>\$ 3,578,013</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 6,591	\$ -	\$ 6,591
<b>FUND BALANCES</b>				
Reserved for encumbrances	-	2,992	-	2,992
Reserved by State statute	1,034	-	-	1,034
Unreserved				
Designated for subsequent years' expenditures	94,474	3,472,922	-	3,567,396
Total fund balances	<u>95,508</u>	<u>3,475,914</u>	<u>-</u>	<u>3,571,422</u>
Total liabilities and fund balances	<u>\$ 95,508</u>	<u>\$ 3,482,505</u>	<u>\$ -</u>	<u>\$ 3,578,013</u>



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

For the Year Ended June 30, 2007

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
<b>REVENUES</b>				
Investment earnings	\$ 4,590	\$ -	\$ -	\$ 4,590
<b>EXPENDITURES</b>				
Current:				
Cultural and recreational	-	30,371	-	30,371
Capital outlay:				
Cultural and recreational	-	150,240	-	150,240
Total expenditures	<u>-</u>	<u>180,611</u>	<u>-</u>	<u>180,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,590</u>	<u>(180,611)</u>	<u>-</u>	<u>(176,021)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	3,580,219	-	3,580,219
Transfers to other funds	(57,219)	-	(2,385)	(59,604)
Total other financing sources (uses)	<u>(57,219)</u>	<u>3,580,219</u>	<u>(2,385)</u>	<u>3,520,615</u>
Net change in fund balances	(52,629)	3,399,608	(2,385)	3,344,594
<b>FUND BALANCES</b>				
Beginning	148,137	76,306	2,385	226,828
Ending	<u>\$ 95,508</u>	<u>\$ 3,475,914</u>	<u>\$ -</u>	<u>\$ 3,571,422</u>

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

June 30, 2007

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 346,856	\$ 1,823,743	\$ 388,882	\$ 2,559,481
Accounts receivable (net)	155,605	20,294	3,589	179,488
Total current assets	<u>502,461</u>	<u>1,844,037</u>	<u>392,471</u>	<u>2,738,969</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	106,338	13,747	-	120,085
Workers' compensation claims payable	-	195,956	-	195,956
Health care benefits payable	<u>522,700</u>	<u>-</u>	<u>-</u>	<u>522,700</u>
Total current liabilities	<u>629,038</u>	<u>209,703</u>	<u>-</u>	<u>838,741</u>
<b>NET ASSETS</b>				
Unrestricted	<u>\$ (126,577)</u>	<u>\$ 1,634,334</u>	<u>\$ 392,471</u>	<u>\$ 1,900,228</u>

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

For the Year Ended June 30, 2007

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
<b>OPERATING REVENUES</b>				
Interfund charges and employee contributions	\$ 7,282,885	\$ -	\$ 895,928	\$ 8,178,813
<b>OPERATING EXPENSES</b>				
Operating expenses	768,704	93,589	-	862,293
Workers' compensation claims	-	208,616	-	208,616
Health benefit claims and premiums	6,862,596	-	-	6,862,596
Property and casualty claims and premiums	-	-	787,156	787,156
Total operating expenses	<u>7,631,300</u>	<u>302,205</u>	<u>787,156</u>	<u>8,720,661</u>
Operating income (loss)	(348,415)	(302,205)	108,772	(541,848)
<b>NONOPERATING REVENUES</b>				
Investment earnings	<u>24,116</u>	<u>89,311</u>	<u>15,718</u>	<u>129,145</u>
Change in net assets	(324,299)	(212,894)	124,490	(412,703)
<b>NET ASSETS</b>				
Beginning	197,722	1,847,228	267,981	2,312,931
Ending	<u>\$ (126,577)</u>	<u>\$ 1,634,334</u>	<u>\$ 392,471</u>	<u>\$ 1,900,228</u>



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

For the Year Ended June 30, 2007

	<u>Health Benefits Fund</u>	<u>Workers' Compensation Fund</u>	<u>Property and Casualty Fund</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
Cash received from customers for services	\$ 7,273,934	\$ (428)	\$ 895,072	\$ 8,168,578
Cash paid for goods and services	<u>(7,813,649)</u>	<u>(233,022)</u>	<u>(791,867)</u>	<u>(8,838,538)</u>
Net cash provided (used) by operating activities	(539,715)	(233,450)	103,205	(669,960)
<b>INVESTING ACTIVITIES</b>				
Investment earnings	<u>24,116</u>	<u>89,311</u>	<u>15,718</u>	<u>129,145</u>
Net increase (decrease) in cash and investments	(515,599)	(144,139)	118,923	(540,815)
<b>CASH AND INVESTMENTS</b>				
Beginning of year	862,455	1,967,882	269,959	3,100,296
End of year	<u>\$ 346,856</u>	<u>\$ 1,823,743</u>	<u>\$ 388,882</u>	<u>\$ 2,559,481</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	<u>\$ (348,415)</u>	<u>\$ (302,205)</u>	<u>\$ 108,772</u>	<u>\$ (541,848)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Increase in accounts receivable	(8,951)	(428)	(856)	(10,235)
Increase (decrease) in accounts payable and accrued liabilities	<u>(182,349)</u>	<u>69,183</u>	<u>(4,711)</u>	<u>(117,877)</u>
Total adjustments	<u>(191,300)</u>	<u>68,755</u>	<u>(5,567)</u>	<u>(128,112)</u>
Net cash provided (used) by operating activities	<u>\$ (539,715)</u>	<u>\$ (233,450)</u>	<u>\$ 103,205</u>	<u>\$ (669,960)</u>

Union County, North Carolina

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

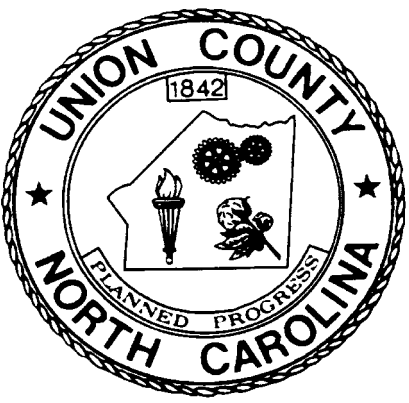
June 30, 2007

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	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 70,824	\$ 7,196	\$ 6,477
Property taxes receivable (net)	-	-	-
Accounts receivable (net)	-	70,836	-
Total assets	<u>\$ 70,824</u>	<u>\$ 78,032</u>	<u>\$ 6,477</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 78,032	\$ -
Due to program participants	70,824	-	6,477
Total liabilities	<u>\$ 70,824</u>	<u>\$ 78,032</u>	<u>\$ 6,477</u>

**Schedule 10**

Monroe School District Fund	Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Dept St. Treas Motor Vehicle Tax Fund	Totals
\$ -	\$ 261	\$ 214,317	\$ 1,054	\$ 7,088	\$ 307,217
43,128	98,882	-	-	-	142,010
-	-	-	-	-	70,836
<u>\$ 43,128</u>	<u>\$ 99,143</u>	<u>\$ 214,317</u>	<u>\$ 1,054</u>	<u>\$ 7,088</u>	<u>\$ 520,063</u>
\$ 43,128	\$ 99,143	\$ 214,317	\$ 1,054	\$ 7,088	\$ 442,762
-	-	-	-	-	77,301
<u>\$ 43,128</u>	<u>\$ 99,143</u>	<u>\$ 214,317</u>	<u>\$ 1,054</u>	<u>\$ 7,088</u>	<u>\$ 520,063</u>



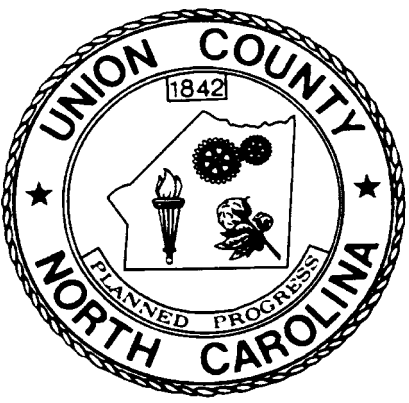


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# General Fund

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



**General Fund**  
**Comparative Balance Sheets**  
 June 30, 2007 and 2006

	June 30, 2007	June 30, 2006
<b>ASSETS</b>		
Cash and investments	\$ 43,422,184	\$ 46,856,908
Property taxes receivable (net)	3,115,392	2,359,493
Accounts receivable (net)	14,660,325	11,946,827
Inventories	30,098	29,368
Cash and investments, restricted	8,006	2,847
Total assets	<u>\$ 61,236,005</u>	<u>\$ 61,195,443</u>
<b>LIABILITES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,275,652	\$ 4,599,828
Deferred revenue	3,115,392	2,359,493
Unearned revenue	458,769	111,812
Deposits	2,093,921	4,516,391
Total liabilities	<u>9,943,734</u>	<u>11,587,524</u>
<b>FUND BALANCE</b>		
Reserved for encumbrances	1,103,258	1,116,621
Reserved by State statute	14,690,423	11,976,195
Unreserved		
Designated for subsequent year's expenditures	5,828,255	6,934,867
Designated for special purpose	979,617	2,428,130
Undesignated	28,690,718	27,152,106
Total fund balance	<u>51,292,271</u>	<u>49,607,919</u>
Total liabilities and fund balance	<u>\$ 61,236,005</u>	<u>\$ 61,195,443</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 99,434,692	\$ 99,572,553	\$ 137,861	\$ 80,484,050
Prior years' levy	1,683,100	2,071,323	388,223	1,598,916
Animal taxes, penalties and interest	695,400	558,956	(136,444)	477,173
Total	101,813,192	102,202,832	389,640	82,560,139
Local option sales tax	35,091,009	36,862,578	1,771,569	28,531,924
Other taxes and licenses	3,716,000	3,149,046	(566,954)	3,058,141
Intergovernmental	23,949,236	23,810,422	(138,814)	19,544,524
Permits and fees	8,583,600	8,810,238	226,638	9,603,600
Sales and services	4,263,343	4,258,091	(5,252)	4,227,737
Investment earnings	3,300,000	5,785,209	2,485,209	2,508,882
Miscellaneous	2,748,511	4,396,934	1,648,423	3,350,505
Total revenues	183,464,891	189,275,350	5,810,459	153,385,452
<b>EXPENDITURES</b>				
General Government				
Board of Commissioners	541,187	427,703	113,484	281,033
Central Administration	732,390	493,802	238,588	510,498
County Dues and Memberships	108,843	108,338	505	103,965
Internal Audit	92,662	88,414	4,248	82,315
Legal	318,102	305,612	12,490	287,706
Personnel	608,002	566,895	41,107	506,712
Finance	897,487	871,288	26,199	752,691
Tax Administration	3,975,790	3,478,899	496,891	3,056,081
Court Facilities	767,589	779,971	(12,382)	2,314,303
Elections	1,416,481	925,864	490,617	1,334,492
Register of Deeds	1,198,138	1,189,521	8,617	1,054,946
Information Systems	2,008,358	1,926,415	81,943	1,463,750
G.I.S. Department	346,087	307,505	38,582	305,745
General Services	905,943	535,633	370,310	649,677
Total General Government	13,917,059	12,005,860	1,911,199	12,703,914
Public Safety				
Law Enforcement	17,496,997	16,810,458	686,539	14,772,506
Communications	2,001,791	1,713,180	288,611	1,465,940
Homeland Security	362,301	305,806	56,495	241,303
Fire Services	958,489	836,021	122,468	1,161,252
Inspection	2,216,154	2,201,902	14,252	2,031,996
Animal Control	-	-	-	76,909
Medical Examiner	70,000	58,900	11,100	40,700
Emergency Medical Services	3,608,071	3,608,071	-	3,714,869
Juvenile Detention	213,899	209,743	4,156	95,088
American Red Cross	5,000	5,000	-	5,000
Total Public Safety	26,932,702	25,749,081	1,183,621	23,605,563

Continued on next page.

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>EXPENDITURES (Continued)</b>				
Economic and Physical Development				
Planning	\$ 738,473	\$ 430,420	\$ 308,053	\$ 405,507
Economic Development Commission	682,165	405,786	276,379	282,789
Cooperative Extension Service	781,890	750,844	31,046	398,364
Soil Conservation	72,265	67,788	4,477	75,990
Forest Management	53,607	51,310	2,297	45,918
<i>Total Economic and Physical Development</i>	<u>2,328,400</u>	<u>1,706,148</u>	<u>622,252</u>	<u>1,208,568</u>
Human Services				
Health	7,635,993	7,333,768	302,225	6,325,762
Mental Health	773,404	788,777	(15,373)	640,848
Social Services	27,287,683	26,824,722	462,961	24,497,083
Other Human Services				
United Family Services	20,000	20,000	-	-
Charlotte Area Transportation	70,712	70,712	-	44,940
JCPC - Programs	299,676	290,541	9,135	269,390
Disproportionate Minority Counselor	102,015	33,975	68,040	33,810
Turning Point	25,000	25,000	-	25,000
Transportation and Nutrition	1,476,090	1,364,446	111,644	1,297,555
Veterans' Service	229,489	223,347	6,142	203,058
UDI (Sheltered Workshop)	28,500	28,500	-	28,500
Community Action	76,338	76,338	-	76,338
Council on Aging	295,094	306,527	(11,433)	261,604
Community Shelter	12,500	6,250	6,250	10,000
Criminal Justice Partnership	113,922	110,031	3,891	59,144
CMC-Union	250,000	30,758	219,242	-
Other Human Services	1,500	1,500	-	-
<i>Total Human Services</i>	<u>38,697,916</u>	<u>37,535,192</u>	<u>1,162,724</u>	<u>33,773,032</u>
Cultural and Recreational				
Library	4,488,891	4,446,416	42,475	3,636,041
Parks and Recreation	2,775,479	1,710,177	1,065,302	1,439,369
Arts Council	55,000	55,000	-	45,000
Historical Properties	29,551	20,992	8,559	5,000
A. J. Historical Foundation	5,000	5,000	-	5,000
<i>Total Cultural and Recreational</i>	<u>7,353,921</u>	<u>6,237,585</u>	<u>1,116,336</u>	<u>5,130,410</u>
Education				
Public Schools - current expense	57,042,554	57,042,554	-	31,219,598
Public Schools - current expense (occupancy cost)	255,360	200,998	54,362	-
Public Schools - capital outlay	39,010	-	39,010	-
Subtotal	<u>57,336,924</u>	<u>57,243,552</u>	<u>93,372</u>	<u>31,219,598</u>
Community College	401	-	401	-
Community College - operations	880,500	880,500	-	920,500
Literacy Efforts	2,500	2,500	-	2,000
<i>Total Education</i>	<u>58,220,325</u>	<u>58,126,552</u>	<u>93,773</u>	<u>32,142,098</u>

Continued on next page.

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>EXPENDITURES (Continued)</b>				
Debt Service				
School Debt Service				
Principal retirement	\$ 12,706,415	\$ 12,706,413	\$ 2	\$ 12,415,632
Interest and fees	13,121,653	13,114,953	6,700	8,807,509
Total	<u>25,828,068</u>	<u>25,821,366</u>	<u>6,702</u>	<u>21,223,141</u>
General Debt Service				
Principal retirement	1,324,250	1,324,248	2	1,315,247
Interest and fees	1,160,030	1,150,549	9,481	1,213,130
Total	<u>2,484,280</u>	<u>2,474,797</u>	<u>9,483</u>	<u>2,528,377</u>
<i>Total Debt Service</i>	<u>28,312,348</u>	<u>28,296,163</u>	<u>16,185</u>	<u>23,751,518</u>
Nondepartmental	<u>1,008</u>	<u>-</u>	<u>1,008</u>	<u>-</u>
Total expenditures	<u>175,763,679</u>	<u>169,656,581</u>	<u>6,107,098</u>	<u>132,315,103</u>
Revenues over expenditures	<u>7,701,212</u>	<u>19,618,769</u>	<u>11,917,557</u>	<u>21,070,349</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds:				
General Capital Project Fund	263,178	750,831	487,653	772,981
School Bond Fund - 58	-	2,385	2,385	-
Transfers to other funds:				
Debt Service Fund	(5,325,941)	(5,269,720)	56,221	(5,875,733)
General Special Revenue Fund	-	-	-	(26,806)
General Capital Project Fund	(13,077,914)	(13,077,913)	1	(30,407,054)
Library Capital Project Fund	(40,000)	(40,000)	-	-
Water and Sewer Capital Project Fund	(300,000)	(300,000)	-	(200,000)
Stormwater Operating Fund	-	-	-	(123,304)
Total other financing sources (uses)	<u>(18,480,677)</u>	<u>(17,934,417)</u>	<u>546,260</u>	<u>(35,859,916)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(10,779,465)</u>	<u>1,684,352</u>	<u>12,463,817</u>	<u>(14,789,567)</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>10,779,465</u>	<u>-</u>	<u>(10,779,465)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,684,352</u>	<u>\$ 1,684,352</u>	<u>(14,789,567)</u>
<b>FUND BALANCE</b>				
Beginning		49,607,919		64,397,486
Ending		<u>\$ 51,292,271</u>		<u>\$ 49,607,919</u>

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# Special Revenue Funds

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

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

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

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

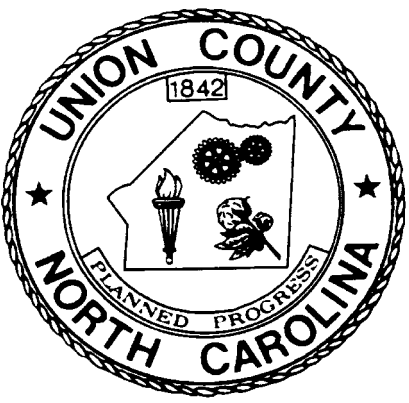
**Stallings Fire District Fund** - This fund accounts for the ad valorem tax levies of this fire district in Union County.

**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.





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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 212,110	\$ 204,647	\$ (7,463)	\$ -
Penalties and interest	-	479	479	-
Total	<u>212,110</u>	<u>205,126</u>	<u>(6,984)</u>	<u>-</u>
Local option sales tax	-	12,850	12,850	-
Total revenues	<u>212,110</u>	<u>217,976</u>	<u>5,866</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>212,110</u>	<u>205,126</u>	<u>6,984</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>12,850</u>	<u>\$ 12,850</u>	<u>-</u>
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ 12,850</u>		<u>\$ -</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 347,055	\$ 371,210	\$ 24,155	\$ -
Penalties and interest	-	811	811	-
Total	<u>347,055</u>	<u>372,021</u>	<u>24,966</u>	<u>-</u>
Local option sales tax	-	23,267	23,267	-
Total revenues	<u>347,055</u>	<u>395,288</u>	<u>48,233</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>347,055</u>	<u>347,055</u>	-	-
Revenues over expenditures	<u>\$ -</u>	48,233	<u>\$ 48,233</u>	-
<b>FUND BALANCE</b>				
Beginning of year - July 1		-		-
End of year - June 30		<u>\$ 48,233</u>		<u>\$ -</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 659,900	\$ 708,213	\$ 48,313	\$ 579,162
Prior years' levy	-	8,582	8,582	9,152
Penalties and interest	-	2,257	2,257	2,197
Total	659,900	719,052	59,152	590,511
Local option sales tax	207,662	244,791	37,129	220,106
Total revenues	867,562	963,843	96,281	810,617
<b>EXPENDITURES</b>				
Current				
Public Safety	925,000	925,000	-	778,400
Revenues over (under) expenditures	(57,438)	38,843	96,281	32,217
<b>APPROPRIATED FUND BALANCE</b>				
	57,438	-	(57,438)	-
Revenues and appropriated fund balance over expenditures	\$ -	38,843	\$ 38,843	32,217
<b>FUND BALANCE</b>				
Beginning of year - July 1		124,682		92,465
End of year - June 30		\$ 163,525		\$ 124,682

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance	2006
	Final Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 587,342	\$ 656,869	\$ 69,527	\$ 530,084
Prior years' levy	-	8,887	8,887	9,234
Penalties and interest	-	2,340	2,340	1,993
Total	<u>587,342</u>	<u>668,096</u>	<u>80,754</u>	<u>541,311</u>
Local option sales tax	<u>171,232</u>	<u>230,029</u>	<u>58,797</u>	<u>222,272</u>
Total revenues	<u>758,574</u>	<u>898,125</u>	<u>139,551</u>	<u>763,583</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>854,676</u>	<u>854,948</u>	<u>(272)</u>	<u>768,614</u>
Revenues over (under) expenditures	(96,102)	43,177	139,279	(5,031)
<b>APPROPRIATED FUND BALANCE</b>	<u>96,102</u>	<u>-</u>	<u>(96,102)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>43,177</u>	<u>\$ 43,177</u>	<u>(5,031)</u>
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>155,469</u>		<u>160,500</u>
End of year - June 30		<u>\$ 198,646</u>		<u>\$ 155,469</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 440,161	\$ 525,657	\$ 85,496	\$ 430,885
Prior years' levy	-	7,865	7,865	4,185
Penalties and interest	-	1,950	1,950	1,381
Total	440,161	535,472	95,311	436,451
Local option sales tax	217,795	169,168	(48,627)	153,828
Total revenues	657,956	704,640	46,684	590,279
<b>EXPENDITURES</b>				
Current				
Public Safety	727,113	727,113	-	517,213
Revenues over (under) expenditures	(69,157)	(22,473)	46,684	73,066
<b>APPROPRIATED FUND BALANCE</b>	69,157	-	(69,157)	-
Revenues and appropriated fund balance under expenditures	\$ -	(22,473)	\$ (22,473)	-
<b>FUND BALANCE</b>				
Beginning of year - July 1		123,356		50,290
End of year - June 30		\$ 100,883		\$ 123,356

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Permits and fees	\$ 1,164,850	\$ 1,165,281	\$ 431	\$ 1,410,211
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>1,164,850</u>	<u>1,136,018</u>	<u>28,832</u>	<u>1,444,564</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>29,263</u>	<u>\$ 29,263</u>	<u>(34,353)</u>
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>15,483</u>		<u>49,836</u>
End of year - June 30		<u>\$ 44,746</u>		<u>\$ 15,483</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance	2006
	Final Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Other taxes and licenses				
911 system subscriber fees	\$ 1,047,354	\$ 1,244,465	\$ 197,111	\$ 1,053,638
Intergovernmental	31,840	-	(31,840)	-
Investment earnings	59,300	149,370	90,070	80,052
Total revenues	<u>1,138,494</u>	<u>1,393,835</u>	<u>255,341</u>	<u>1,133,690</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>3,182,200</u>	<u>722,018</u>	<u>2,460,182</u>	<u>674,286</u>
Revenues over (under) expenditures	(2,043,706)	671,817	2,715,523	459,404
<b>APPROPRIATED FUND BALANCE</b>	<u>2,043,706</u>	<u>-</u>	<u>(2,043,706)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>671,817</u>	<u>\$ 671,817</u>	<u>459,404</u>
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>2,679,607</u>		<u>2,220,203</u>
End of year - June 30		<u>\$ 3,351,424</u>		<u>\$ 2,679,607</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, 2007

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Intergovernmental	\$ 890,316	\$ 549,448	\$ 445,437	\$ 994,885	\$ 104,569
Sales and services	10,000	10,000	10,000	20,000	10,000
Investment earnings	1,066	27,374	28,134	55,508	54,442
Miscellaneous	5,350	24,256	15,519	39,775	34,425
Total revenues	<u>906,732</u>	<u>611,078</u>	<u>499,090</u>	<u>1,110,168</u>	<u>203,436</u>
<b>EXPENDITURES</b>					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	102,553	23,276	853	24,129	78,424
Law Enforcement-controlled sub. tax	111,988	65,452	6,017	71,469	40,519
Law Enforcement-domestic violence	192,000	173,048	-	173,048	18,952
Law Enforcement-2003 LLEBG	-	17,910	-	17,910	(17,910)
Homeland Security-Catawba Nuclear	25,575	5,869	5,874	11,743	13,832
Homeland Security-FY03 U.S. grant	380,683	252,763	127,457	380,220	463
Homeland Security-FY04 U.S. grant	247,326	19,598	227,728	247,326	-
Homeland Security-urban area initiative	-	-	-	-	-
Homeland Security-FY05 CERT grant	12,500	57	6,984	7,041	5,459
Total expenditures	<u>1,072,625</u>	<u>557,973</u>	<u>374,913</u>	<u>932,886</u>	<u>139,739</u>
Revenues over (under) expenditures	(165,893)	53,105	124,177	177,282	343,175
<b>OTHER FINANCING SOURCES</b>					
Transfers in					
General Fund	165,893	177,124	-	177,124	11,231
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 230,229</u>	124,177	<u>\$ 354,406</u>	<u>\$ 354,406</u>
<b>FUND BALANCE</b>					
Beginning of year - July 1			<u>230,229</u>		
End of year - June 30			<u>\$ 354,406</u>		

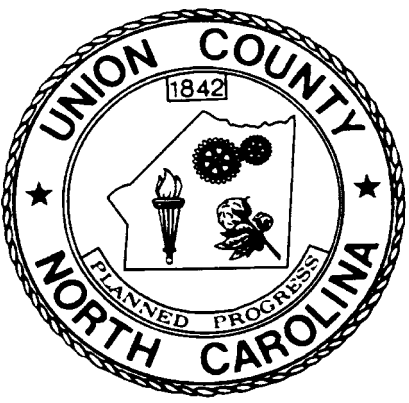


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# Debt Service Fund

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The Debt Service Fund accounts for the accumulation of governmental resources for debt service and capital outlay expenditures related to education.



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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
General Fund	\$ -	\$ 5,269,720	5,269,720	\$ 5,875,733
Transfers out				
General Capital Project Fund	<u>(4,136,882)</u>	<u>(4,136,882)</u>	-	-
Total other financing sources (uses)	(4,136,882)	1,132,838	5,269,720	5,875,733
<b>APPROPRIATED FUND BALANCE</b>	<u>4,136,882</u>	<u>-</u>	<u>(4,136,882)</u>	<u>-</u>
Other financing sources and appropriated fund balance over other financing uses	<u>\$ -</u>	1,132,838	<u>\$ 1,132,838</u>	5,875,733
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>15,128,687</u>		<u>9,252,954</u>
End of year - June 30		<u>\$ 16,261,525</u>		<u>\$ 15,128,687</u>



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# Capital Project Funds

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

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

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

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

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

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

**General Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
 From Inception and for the Year Ended June 30, 2007

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	
<b>REVENUES</b>						
Intergovernmental	\$ 1,200,000	\$ 353,251	\$ 191,044	\$ -	\$ 544,295	\$ (655,705)
Investment earnings	807,500	865,977	88,139	-	954,116	146,616
Miscellaneous	120,000	120,000	-	-	120,000	-
Total revenues	<u>2,127,500</u>	<u>1,339,228</u>	<u>279,183</u>	<u>-</u>	<u>1,618,411</u>	<u>(509,089)</u>
<b>EXPENDITURES</b>						
Capital outlay						
General Government						
Judicial Center	15,126,496	15,105,630	17,469	-	15,123,099	3,397
Government Facility Renovations	14,839,179	201,391	3,544,076	-	3,745,467	11,093,712
Public Safety						
Law Enforcement-Jail Software	164,518	159,618	-	-	159,618	4,900
Law Enforcement-Animal Shelter	1,742,794	994,466	736,423	-	1,730,889	11,905
Law Enforcement-Jail Expansion	4,882,900	339,873	1,149,598	-	1,489,471	3,393,429
Law Enforcement-Firearms Range	1,855,665	-	19,500	-	19,500	1,836,165
Communications-EOC/E911/Fire Srv Reloc.	593,500	-	-	-	-	593,500
Communications-E911 CAD/RMS	369,771	-	-	-	-	369,771
Communications-Radio Project	59,110	-	-	-	-	59,110
Economic and Physical Development						
Agricultural Center	6,172,035	6,119,207	33,477	-	6,152,684	19,351
Cultural and Recreation						
Parks & Recreation-2004 PARTF Grant	491,417	491,417	-	-	491,417	-
Parks & Recreation-Potential Grant	42,304	42,304	-	-	42,304	-
Parks & Recreation-C.C.Park-Festival Area	59,594	59,594	-	-	59,594	-
Parks & Recreation-J. Helms Park Ph.1	700,881	60,540	416,977	-	477,517	223,364
Parks & Recreation-FY2005	782,872	92,434	700,150	-	792,584	(9,712)
Parks & Recreation-J. Helms Park Ph.2	509,468	57,427	405,485	-	462,912	46,556
Parks & Recreation-J. Helms Park Ph.3	1,365,205	-	1,037,027	-	1,037,027	328,178
Parks & Recreation-North District Park	100,000	-	-	-	-	100,000
Parks & Recreation-West District/Comm	100,000	-	-	-	-	100,000
Education						
School Capital Outlay-FY2002 Roll	-	764,300	-	(764,300)	-	-
School Capital Outlay-FY2003 Allocation	-	2,800,000	-	(2,800,000)	-	-
School Capital Outlay-Fairview Elem	74,943	48,837	-	-	48,837	26,106
School Capital Outlay-W. Bickett Elem	8,445,407	8,016,976	202,323	-	8,219,299	226,108
School Capital Outlay-FY2004 Allocation	4,027,314	3,999,424	27,890	-	4,027,314	-
School Capital Outlay-Brewer Renov/Expan	2,012,000	2,012,000	-	-	2,012,000	-
School Capital Outlay-FY2005 Allocation	7,459,825	7,459,825	-	-	7,459,825	-
School Capital Outlay-FY2006 Allocation	6,167,924	5,016,286	1,151,638	-	6,167,924	-
School Capital Outlay-FY2007 Allocation	11,043,050	-	8,243,700	-	8,243,700	2,799,350
School Capital Outlay-FY07-08 CIP	202,396	-	-	-	-	202,396
School Capital Outlay-Classroom Additions	49,971	-	-	-	-	49,971
SPCC-Old Charlotte Hwy	2,299,264	2,299,260	-	-	2,299,260	4
SPCC-West Continuing Education Center	2,291,430	2,291,430	-	-	2,291,430	-
SPCC-Manufacturing/Tech. Educ. Center	350,000	-	35,538	-	35,538	314,462
SPCC-Student Center	200,000	-	-	-	-	200,000
Debt Service						
Debt Issuance	805,224	789,009	-	-	789,009	16,215
Total expenditures	<u>95,386,457</u>	<u>59,221,248</u>	<u>17,721,271</u>	<u>(3,564,300)</u>	<u>73,378,219</u>	<u>22,008,238</u>
Revenues under expenditures	<u>(93,258,957)</u>	<u>(57,882,020)</u>	<u>(17,442,088)</u>	<u>3,564,300</u>	<u>(71,759,808)</u>	<u>21,499,149</u>

Continued on next page.

**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, 2007

	Project Authorization	Actual			Total To Date	Variance Positive (Negative)
		Prior Years	Current Year	Project Closure		
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
General Fund	\$ 48,771,934	\$ 46,765,080	\$ 13,077,913	\$ (3,564,300)	\$ 56,278,693	\$ 7,506,759
Emergency Telephone System Fund	66,000	66,000	-	-	66,000	-
Debt Service Fund	4,136,882	-	4,136,882	-	4,136,882	-
Transfers out						
General Fund	(1,831,000)	(1,567,822)	(750,831)	-	(2,318,653)	(487,653)
Library Capital Project Fund	(3,483,000)	-	(3,483,000)	-	(3,483,000)	-
Proceeds from general obligation bonds	1,735,000	1,735,000	-	-	1,735,000	-
Proceeds from installment financing debt	39,368,141	34,901,154	-	-	34,901,154	(4,466,987)
Proceeds from bond anticipation notes	4,495,000	-	-	-	-	(4,495,000)
Total other financing sources (uses)	<u>93,258,957</u>	<u>81,899,412</u>	<u>12,980,964</u>	<u>(3,564,300)</u>	<u>91,316,076</u>	<u>(1,942,881)</u>
Revenues and other financing sources over (under) expenditures and other financing uses						
	<u>\$ -</u>	<u>\$ 24,017,392</u>	<u>(4,461,124)</u>	<u>\$ -</u>	<u>\$ 19,556,268</u>	<u>\$ 19,556,268</u>
<b>FUND BALANCE</b>						
Beginning of year - July 1			<u>24,017,392</u>			
End of year - June 30			<u>\$ 19,556,268</u>			

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 4,590	\$ 4,590	\$ 4,709
<b>OTHER FINANCING USES</b>				
Transfers out				
Library Capital Projects Fund	<u>(77,440)</u>	<u>(57,219)</u>	<u>20,221</u>	<u>-</u>
Revenues over (under) other financing uses	(77,440)	(52,629)	24,811	4,709
<b>APPROPRIATED FUND BALANCE</b>	<u>77,440</u>	<u>-</u>	<u>(77,440)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) other financing uses	<u>\$ -</u>	<u>(52,629)</u>	<u>\$ (52,629)</u>	4,709
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>148,137</u>		<u>143,428</u>
End of year - June 30		<u>\$ 95,508</u>		<u>\$ 148,137</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, 2007

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Intergovernmental	\$ 868,040	\$ 868,040	\$ -	\$ 868,040	\$ -
Miscellaneous	721,741	550,741	-	550,741	(171,000)
Total revenues	<u>1,589,781</u>	<u>1,418,781</u>	<u>-</u>	<u>1,418,781</u>	<u>(171,000)</u>
<b>EXPENDITURES</b>					
Capital outlay					
Cultural and Recreation					
Monroe Library	4,581,175	4,573,726	-	4,573,726	7,449
Union West Library	1,919,312	1,766,859	150,576	1,917,435	1,877
Marshville Library	1,539,334	1,509,226	30,035	1,539,261	73
Weddington Library Project	32,965	32,965	-	32,965	-
Waxhaw Library	221,899	221,155	-	221,155	744
South West Union Library Project	3,685,500	28,508	-	28,508	3,656,992
Automation	24,411	24,411	-	24,411	-
Total expenditures	<u>12,004,596</u>	<u>8,156,850</u>	<u>180,611</u>	<u>8,337,461</u>	<u>3,667,135</u>
Revenues under expenditures	<u>(10,414,815)</u>	<u>(6,738,069)</u>	<u>(180,611)</u>	<u>(6,918,680)</u>	<u>3,496,135</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in					
General Fund	3,349,701	3,309,701	40,000	3,349,701	-
General Capital Project Fund	3,483,000	-	3,483,000	3,483,000	-
Library Capital Reserve Fund	757,440	680,000	57,219	737,219	(20,221)
Proceeds from installment financing debt	2,824,674	2,824,674	-	2,824,674	-
Total other financing sources	<u>10,414,815</u>	<u>6,814,375</u>	<u>3,580,219</u>	<u>10,394,594</u>	<u>(20,221)</u>
Revenues and other financing sources over expenditure:	<u>\$ -</u>	<u>\$ 76,306</u>	<u>3,399,608</u>	<u>\$ 3,475,914</u>	<u>\$ 3,475,914</u>
<b>FUND BALANCE</b>					
Beginning of year - July 1			<u>76,306</u>		
End of year - June 30			<u>\$ 3,475,914</u>		

**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, 2007

	Project Authorization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year	Project Closure		
<b>REVENUES</b>						
Investment earnings	\$ 1,363,308	\$ 2,510,561	\$ 165,641	\$ -	\$ 2,676,202	\$ 1,312,894
<b>EXPENDITURES</b>						
Capital outlay						
Education						
Forest Hills Cluster	-	1,772,531	-	(1,772,531)	-	-
Monroe Cluster	-	527,615	-	(527,615)	-	-
Parkwood Cluster	5,056,749	5,029,905	(14)	-	5,029,891	26,858
Piedmont Cluster	924,382	856,717	1,250	-	857,967	66,415
Sun Valley Cluster	-	1,775,164	-	(1,775,164)	-	-
Weddington Cluster	-	132,516	-	(132,516)	-	-
Porter Ridge ES	9,062,267	9,060,250	(484)	-	9,059,766	2,501
Kensington ES	10,956,271	10,780,045	(24,871)	-	10,755,174	201,097
Antioch ES	-	9,214,401	-	(9,214,401)	-	-
Marvin ES	-	7,882,388	-	(7,882,388)	-	-
Sandy Ridge ES (E)	11,383,241	11,177,844	(44,727)	-	11,133,117	250,124
Rock Rest ES (F)	14,380,992	4,931,695	8,365,618	-	13,297,313	1,083,679
Rea View ES (G)	21,338,185	4,834,409	13,019,251	-	17,853,660	3,484,525
New Elementary School (H)	18,902,759	3,035,565	12,470,707	-	15,506,272	3,396,487
Rocky River ES (I)	17,724,874	282,617	12,580,952	-	12,863,569	4,861,305
New Elementary School (J)	2,803,570	-	2,346,250	-	2,346,250	457,320
New Elementary School (K)	14,592,050	-	681,599	-	681,599	13,910,451
New Elementary School (M)	10,000	-	800	-	800	9,200
New Elementary School (N)	3,969,763	-	3,969,763	-	3,969,763	-
Wesley Chapel ES Additions/Renovations	447,653	-	310,371	-	310,371	137,282
Porter Ridge MS (A)	17,305,060	16,512,506	408,674	-	16,921,180	383,880
Porter Ridge HS (A)	33,067,435	32,851,664	68,284	-	32,919,948	147,487
Marvin Ridge MS (B)	29,406,459	9,916,568	15,409,999	-	25,326,567	4,079,892
Marvin Ridge HS (B)	39,184,205	13,505,498	23,334,867	-	36,840,365	2,343,840
New Middle School (C)	18,115,015	1,650	17,793,021	-	17,794,671	320,344
New High School (C)	1,643,272	1,650	1,217,489	-	1,219,139	424,133
New Middle School (D)	-	-	-	-	-	-
New High School (D)	-	-	-	-	-	-
CATA	21,807,547	21,012,874	647,116	-	21,659,990	147,557
Gym Projects-Forest Hills/Piedmont	16,901,887	2,401,031	10,626,124	-	13,027,155	3,874,732
Gym Projects-Monroe/Parkwood/SunValley	24,217,643	2,328,714	16,958,363	-	19,287,077	4,930,566
Athletic Facility-Monroe HS	597,000	-	449,124	-	449,124	147,876
Athletic Facility-Weddington HS	1,661,100	-	88,924	-	88,924	1,572,176
UCPS Matching Grant Program	155,000	25,698	125,126	-	150,824	4,176
Classroom Additions	10,496,966	4,783,302	4,931,041	-	9,714,343	782,623
Classroom Additions-Marvin ES	-	-	-	-	-	-
Mobile Classrooms	2,318,548	1,925,355	393,193	-	2,318,548	-
Land costs	6,600,009	6,600,009	-	-	6,600,009	-
Land banking	804,237	-	298,857	-	298,857	505,380
Brewer Drive Renovation	589,346	593,275	(13,518)	-	579,757	9,589
Wolfe Development Center	7,523,687	33,595	1,034,404	-	1,067,999	6,455,688
Transportation/Maintenance Facility	634,372	-	18,215	-	18,215	616,157
Highway 200 Road Widening	900,000	-	125,341	-	125,341	774,659
Off-site costs	-	-	-	-	-	-
School administrative costs	2,049,218	1,369,785	646,044	-	2,015,829	33,389
Contingency / inflation	1,127,849	-	-	-	-	1,127,849
Debt Service						
Debt Issuance	190,000	333,066	914,730	(237,023)	1,010,773	(820,773)
Total expenditures	368,848,611	185,489,902	149,151,883	(21,541,638)	313,100,147	55,748,464
Revenues under expenditures	(367,485,303)	(182,979,341)	(148,986,242)	21,541,638	(310,423,945)	57,061,358

Continued on next page.

**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, 2007

	Project Authorization	Actual			Total To Date	Variance Positive (Negative)
		Prior Years	Current Year	Project Closure		
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out						
General Fund	\$ (1,363,308)	\$ (1,357,002)	\$ -	\$ -	\$ (1,357,002)	\$ 6,306
Proceeds from general obligation bonds	368,848,611	168,265,000	-	(21,541,638)	146,723,362	(222,125,249)
Proceeds from installment financing debt	-	-	80,922,511	-	80,922,511	80,922,511
Total other financing sources (uses)	<u>367,485,303</u>	<u>166,907,998</u>	<u>80,922,511</u>	<u>(21,541,638)</u>	<u>226,288,871</u>	<u>(141,196,432)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$(16,071,343)</u>	<u>(68,063,731)</u>	<u>\$ -</u>	<u>\$(84,135,074)</u>	<u>\$(84,135,074)</u>
<b>FUND BALANCE</b>						
Beginning of year - July 1			<u>(16,071,343)</u>			
End of year - June 30			<u>\$(84,135,074)</u>			

**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, 2007

	Project Authorization	Actual			Total To Date	Variance Positive (Negative)
		Prior Years	Current Year	Project Closure		
<b>REVENUES</b>						
Investment earnings	\$ 2,385	\$ 2,376,723	\$ -	\$ (2,376,723)	\$ -	\$ (2,385)
<b>EXPENDITURES</b>						
Capital outlay						
Education						
Forest Hills Cluster	-	10,820,404	-	(10,820,404)	-	-
Monroe Cluster	-	7,450,740	-	(7,450,740)	-	-
Parkwood Cluster	-	8,370,516	-	(8,370,516)	-	-
Piedmont Cluster	-	11,826,694	-	(11,826,694)	-	-
Sun Valley Cluster	-	9,360,400	-	(9,360,400)	-	-
Weddington Cluster	-	3,671,317	-	(3,671,317)	-	-
Piedmont / Sun Valley Cluster	-	1,093,778	-	(1,093,778)	-	-
Debt Service						
Debt Issuance	-	106,151	-	(106,151)	-	-
Total expenditures	-	52,700,000	-	(52,700,000)	-	-
Revenues under expenditures	2,385	(50,323,277)	-	50,323,277	-	(2,385)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
General Fund	-	1,184,578	-	(1,184,578)	-	-
Transfers out						
General Fund	(2,385)	(3,558,916)	(2,385)	3,561,301	-	2,385
Proceeds from general obligation bonds	-	52,700,000	-	(52,700,000)	-	-
Total other financing sources (uses)	(2,385)	50,325,662	(2,385)	(50,323,277)	-	2,385
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 2,385	(2,385)	\$ -	\$ -	\$ -
<b>FUND BALANCE</b>						
Beginning of year - July 1			2,385			
End of year - June 30			\$ -			

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# Enterprise Funds

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

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

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

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

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues				
Water sales	\$ 12,920,419	\$ 14,997,317	\$ 2,076,898	\$ 12,869,383
Sewer sales	9,062,060	10,313,199	1,251,139	9,036,623
Other operating revenues	662,353	741,310	78,957	682,609
Total	<u>22,644,832</u>	<u>26,051,826</u>	<u>3,406,994</u>	<u>22,588,615</u>
Nonoperating revenues				
Investment earnings	1,684,000	2,548,916	864,916	1,524,657
Proceeds from sale of fixed assets	29,600	62,592	32,992	68,048
Total	<u>1,713,600</u>	<u>2,611,508</u>	<u>897,908</u>	<u>1,592,705</u>
Total revenues	<u>24,358,432</u>	<u>28,663,334</u>	<u>4,304,902</u>	<u>24,181,320</u>
<b>EXPENDITURES</b>				
Administration	2,418,221	2,296,762	121,459	1,592,614
Water	5,458,137	5,552,311	(94,174)	5,334,674
Sewer-county customers	5,131,069	5,023,652	107,417	4,484,656
Sewer-Marshville/Monroe	1,321,440	1,174,639	146,801	658,167
Nondepartmental	39,144	-	39,144	-
Debt Service				
General obligation bonds - principal	2,504,211	2,504,211	-	2,691,293
Revenue bonds - principal	2,055,000	2,055,000	-	1,610,000
State sanitary loan - principal	233,697	233,697	-	233,697
Interest and fees	2,730,714	2,689,321	41,393	2,756,299
Total expenditures	<u>21,891,633</u>	<u>21,529,593</u>	<u>362,040</u>	<u>19,361,400</u>
Revenues over expenditures	<u>2,466,799</u>	<u>7,133,741</u>	<u>4,666,942</u>	<u>4,819,920</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds:				
Water and Sewer Capital Project Fund	(20,900,000)	(20,900,000)	-	(17,500,000)
Stormwater Operating Fund	(158,367)	(60,000)	98,367	-
Capital contributions - cash	10,994,470	13,274,753	2,280,283	11,992,653
Proceeds from State sanitary sewer loan	294,118	294,118	-	-
Total other financing sources (uses)	<u>(9,769,779)</u>	<u>(7,391,129)</u>	<u>2,378,650</u>	<u>(5,507,347)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(7,302,980)</u>	<u>(257,388)</u>	<u>7,045,592</u>	<u>(687,427)</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>7,302,980</u>	<u>-</u>	<u>(7,302,980)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	<u>\$ (257,388)</u>	<u>\$ (257,388)</u>	<u>\$ (687,427)</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, 2007

	Project Authorization	Actual			Variance Positive (Negative)
		Total To Date	Current Year	Total To Date	
<b>REVENUES</b>					
Nonoperating revenues					
Intergovernmental	\$ 1,996,768	\$ 35,468	\$ 8,566	\$ 44,034	\$ (1,952,734)
Investment earnings	75,122	75,118	-	75,118	(4)
Developer contributions	485	64,547	-	64,547	64,062
Total revenues	2,072,375	175,133	8,566	183,699	(1,888,676)
<b>EXPENDITURES</b>					
Administration capital outlay					
Public Works Renovation	185,334	185,334	-	185,334	-
SCADA System Improvements	800,500	620,167	153,204	773,371	27,129
Master Plan Update	136,840	134,728	2,112	136,840	-
Contributed Capital	25,000	14,801	-	14,801	10,199
Government Facility Renovations	2,138,500	-	-	-	2,138,500
Expand Operations Center	94,000	-	-	-	94,000
Water and Sewer Capital Outlay					
Misc. Water Line Replacement	399,833	-	-	-	399,833
Misc. Water Bickett Ridge	19,565	19,564	-	19,564	1
Misc. Water Lawyers Rd Line Relocation	7,150	7,150	-	7,150	-
Misc. Water Hydraulic Model Indian Trail	4,569	-	4,569	4,569	-
Misc. Water Millbridge Hydraulic Modeling	4,483	-	-	-	4,483
Misc. Water Lee Pierce Road	15,000	-	12,390	12,390	2,610
Misc. Water Love Mill Water Line Ext	27,000	-	-	-	27,000
Misc. Water Hwy 84 24" Line Relocation	150,000	-	29,162	29,162	120,838
Misc. Water WC/Goldmine Rd Line Reloc.	150,000	-	-	-	150,000
Misc. Water Resource Model On-Call Srv	15,000	-	15,000	15,000	-
Misc. Sewer Rehab I & I	40,016	-	-	-	40,016
Misc. Sewer CC Manhole Rehab	96,238	94,000	2,237	96,237	1
Misc. Sewer Right of Way Clearing	25,000	-	21,000	21,000	4,000
Misc. Sewer CC WWTP Barscreen Upgrade	69,059	-	69,059	69,059	-
Misc. Self Help	200,000	-	-	-	200,000
Water capital outlay					
Expand CRWTP 18MGD	7,080,797	7,080,798	-	7,080,798	(1)
Rocky River WTP	102,415	102,415	-	102,415	-
CRWTP Reservoir Expansion	2,702,500	20,750	-	20,750	2,681,750
CRWTP Expansion	2,640,000	-	-	-	2,640,000
Northern Union County Water	150,000	9,456	14,590	24,046	125,954
East Source Treatment-Anson	220,000	-	-	-	220,000
Stallings Tank	455,104	455,104	-	455,104	-
Stallings Area Water Lines	660,715	660,715	-	660,715	-
Water Main to Sims Road	5,381,738	5,381,738	-	5,381,738	-
Sims Tank & Pump Station	1,454,254	1,454,239	15	1,454,254	-
Water Main County Wide	12,434,254	12,293,122	115,175	12,408,297	25,957
North County Tank Farm	888,000	239,076	32,360	271,436	616,564
Anson Water Improvements	1,785	1,785	-	1,785	-
Waxhaw Marvin Improvements	318,290	318,290	-	318,290	-
Waxhaw Marvin Generator	151,875	151,875	-	151,875	-
Auto Meter Read	5,708,957	3,496,434	2,202,128	5,698,562	10,395
Altan South Lines	2,497,943	2,489,072	10,455	2,499,527	(1,584)
Northwest Tank	24,689	15,914	-	15,914	8,775
NC218 Goose Creek Crossing	200,330	5,824	149,516	155,340	44,990
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	-

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, 2007

	Project Authorization	Actual			Variance Positive (Negative)
		Total To Date	Current Year	Total To Date	
<b>EXPENDITURES (continued)</b>					
Water capital outlay (continued)					
Ridge Road Pump Station	\$ 31,050	\$ 31,050	\$ -	\$ 31,050	\$ -
Western Union School Pump Station	14,960	14,960	-	14,960	-
Hillcrest Road Line Extension	104,696	104,696	-	104,696	-
NC218 Water Line	1,777,205	1,777,202	-	1,777,202	3
Indian Trail Water Line Relocation	691	691	-	691	-
J. Frank Moser Rd Self Help Program	27,338	27,338	-	27,338	-
Watkins Rd Pump Station	2,504,328	2,500,958	3,371	2,504,329	(1)
County Wide Phase II	5,432,000	240,833	16,276	257,109	5,174,891
County Wide Phase III	4,268,000	146,654	31,611	178,265	4,089,735
Roanoke Church Rd Self Help Program	5,760	4,920	-	4,920	840
Brett Dr Self Help Program	10,108	10,108	-	10,108	-
Providence Woods Self Help Program	14,417	14,417	-	14,417	-
Mt Pleasant Church Rd Self Help Program	300	15,531	-	15,531	(15,231)
Bulk Water Stations	690,000	19,148	-	19,148	670,852
Madison Ridge Low Pressure Study	616,391	38,769	362,250	401,019	215,372
Secrest SC/IT Rd Water Main	2,650,077	1,214,788	1,059,825	2,274,613	375,464
Cuthbertson Road Water Line	529,375	-	15,777	15,777	513,598
Dodge City Water	251,160	-	-	-	251,160
Elevated Tank Maintenance	345,000	-	22,667	22,667	322,333
Hwy 74/75 Pump Station Generator	345,000	-	-	-	345,000
Weddington Elevated Storage Tank	3,190,000	-	11,351	11,351	3,178,649
Waxhaw / Marvin Rd Connector	529,375	-	12,568	12,568	516,807
Cureton Parkway	481,250	-	11,768	11,768	469,482
Forest Lawn / Potters Transmission Main	2,887,500	-	90,454	90,454	2,797,046
Misc Water Line Infill Projects	385,000	-	-	-	385,000
Stage 2 DBPR Implementation	200,000	-	17,747	17,747	182,253
Waxhaw / Indian Trail Interconnector	22,750	-	3,340	3,340	19,410
Sewer capital outlay					
East Side Improvements	4,406,000	50,000	298,321	348,321	4,057,679
Expand 12 Mile Creek 6MGD	22,674,697	5,622,823	14,733,401	20,356,224	2,318,473
Hunley Creek Off Line	1,554,343	1,443,102	-	1,443,102	111,241
Crooked Creek Lab Expansion and UV	926,741	898,285	-	898,285	28,456
IBT Permitting	131,221	27,579	-	27,579	103,642
Rocky River WWTP-Future	6,823,809	362,689	69,869	432,558	6,391,251
Sheafer Cost Validation	24,709	24,709	-	24,709	-
Tallwood UV Improvements	91,472	91,472	-	91,472	-
Clear Creek Trunk Sewer	3,406,550	10,800	-	10,800	3,395,750
12M Creek Beneficial Re-Use	1,777,650	30,960	11,610	42,570	1,735,080
Future 12M Creek WWTP Expansion	2,450,000	-	85,363	85,363	2,364,637
12M WWTP Phosphorus Removal	1,575,500	-	-	-	1,575,500
12M WWTP Odor Control	511,470	-	152,752	152,752	358,718
Sewer Miscellaneous Projects	1,777	1,777	-	1,777	-
Little 12 Mile Creek Sewer	1,511,634	1,504,951	-	1,504,951	6,683
Blythe Creek Sewer	1,684,471	1,684,472	-	1,684,472	(1)
Parkwood School	419,022	419,022	-	419,022	-
West Union School	441,546	16,698	4,385	21,083	420,463
Marvin Branch	68,005	68,005	-	68,005	-
Crooked Creek I and I	15,000	15,000	-	15,000	-
Waxhaw Server Rehabilitation	1,145,787	1,145,788	-	1,145,788	(1)
Phase 1 Sewer Improvements	171,631	171,630	-	171,630	1
Crooked Creek Interceptor-Contract 4	223,345	223,344	-	223,344	1
Crooked Creek Interceptor-Contract 5	16,434	16,434	-	16,434	-

Continued on next page.



**Water and Sewer Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**

	Project Authorization	Actual			Variance Positive (Negative)
		Total To Date	Current Year	Total To Date	
<b>EXPENDITURES (continued)</b>					
Sewer capital outlay (continued)					
Crooked Creek Interceptor-Contract 6	\$ 76,984	\$ 76,984	\$ -	\$ 76,984	\$ -
Upper Price Mill	593	593	-	593	-
West Fork 12 Mile Creek	7,990	7,990	-	7,990	-
Sewer Mapping and Hydraulic Model	698,946	310,532	200,565	511,097	187,849
I and I Reduction	1,532,912	1,532,912	-	1,532,912	-
Connect Diversion Force Main	73,806	43,281	27,526	70,807	2,999
Meadows Mobile Home Park Improv.	325,650	500	26,040	26,540	299,110
Update Sewer Master Plan	276,952	160,293	4,200	164,493	112,459
Blythe Creek Branch 1 Sewer	538,550	-	-	-	538,550
Wysacky Sewer	110,854	-	-	-	110,854
CC WWTP Influent Pipe Improvements	356,500	-	-	-	356,500
Total expenditures	<u>131,143,893</u>	<u>57,477,917</u>	<u>20,106,009</u>	<u>77,583,926</u>	<u>53,559,967</u>
Revenues under expenditures	<u>(129,071,518)</u>	<u>(57,302,784)</u>	<u>(20,097,443)</u>	<u>(77,400,227)</u>	<u>51,671,291</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds:					
General Fund	271,160	200,000	300,000	500,000	228,840
Debt Service Fund	302,500	-	-	-	(302,500)
School Capital Bond Fund 55	165,336	-	-	-	(165,336)
Water and Sewer Capital Reserve Fund	187,656	187,656	-	187,656	-
Water and Sewer Operating Fund	60,618,168	39,718,168	20,900,000	60,618,168	-
Capital contributions - cash	2,724,875	2,050,000	-	2,050,000	(674,875)
Proceeds from revenue bonds	49,801,823	27,420,980	-	27,420,980	(22,380,843)
Proceeds from State sanitary sewer loan	15,000,000	-	13,205,882	13,205,882	(1,794,118)
Total other financing sources	<u>129,071,518</u>	<u>69,576,804</u>	<u>34,405,882</u>	<u>103,982,686</u>	<u>(25,088,832)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 12,274,020</u>	<u>14,308,439</u>	<u>\$ 26,582,459</u>	<u>\$ 26,582,459</u>
<b>FUND BALANCE</b>					
Beginning of year - July 1			<u>12,274,020</u>		
End of year - June 30			<u>\$ 26,582,459</u>		

**Water and Sewer Fund**

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (257,388)	\$ (687,427)
Water and Sewer Capital Project Fund	14,308,439	(6,119,337)
Total	<u>14,051,051</u>	<u>(6,806,764)</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(299,255)	(338,608)
Amortization of G.O. and Revenue bond issuance costs	(63,277)	(63,277)
Amortization of G.O. and Revenue bond premium	34,310	34,310
Amortization of G.O. bond gain on refunding	7,990	7,990
Amortization of Revenue bond discount	(11,220)	(11,220)
State sanitary sewer loan proceeds	(13,500,000)	-
State sanitary sewer loan issuance costs	294,118	-
Capitalized interest	767,290	486,858
Payment of debt principal	4,792,908	4,534,990
Increase in compensated absences payable	(48,989)	(27,133)
Decrease in interest expense accrual	28,993	30,713
Increase in inventories	118,305	8,943
Increase in allowance for uncollectible accounts	(34,108)	(118,313)
Decrease in net pension obligation	84,470	-
Capital outlay	18,531,252	23,765,352
Loss on investment in joint venture	(183,136)	(153,160)
Net book value of fixed assets disposed of	(15,113)	-
Capital contributions	13,595,147	23,695,521
Depreciation	(7,714,705)	(6,350,660)
Total	<u>16,384,980</u>	<u>45,502,306</u>
Change in net assets	<u>\$ 30,436,031</u>	<u>\$ 38,695,542</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues				
Solid waste charges	\$ 3,919,663	\$ 4,247,191	\$ 327,528	\$ 3,749,202
Disposal fees	214,630	236,132	21,502	218,447
Other operating revenues	8,400	33,888	25,488	10,124
Total	<u>4,142,693</u>	<u>4,517,211</u>	<u>374,518</u>	<u>3,977,773</u>
Nonoperating revenues				
Investment earnings	<u>84,355</u>	<u>145,694</u>	<u>61,339</u>	<u>107,819</u>
Total revenues	<u>4,227,048</u>	<u>4,662,905</u>	<u>435,857</u>	<u>4,085,592</u>
<b>EXPENDITURES</b>				
Administration	227,011	188,638	38,373	158,288
Solid waste landfill	4,192,146	4,521,152	(329,006)	3,187,439
Nondepartmental	<u>2,100</u>	<u>-</u>	<u>2,100</u>	<u>-</u>
Total expenditures	<u>4,421,257</u>	<u>4,709,790</u>	<u>(288,533)</u>	<u>3,345,727</u>
Revenues over (under) expenditures	(194,209)	(46,885)	147,324	739,865
<b>OTHER FINANCING USES</b>				
Transfers out				
Solid Waste Capital Reserve Fund	<u>(528,743)</u>	<u>(200,000)</u>	<u>328,743</u>	<u>-</u>
Revenues over (under) expenditures and other financing uses	(722,952)	(246,885)	476,067	739,865
<b>APPROPRIATED FUND BALANCE</b>				
	<u>722,952</u>	<u>-</u>	<u>(722,952)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (246,885)</u>	<u>\$ (246,885)</u>	<u>\$ 739,865</u>

**Solid Waste Capital Reserve Fund**

**Schedule of Revenues -**

**Non-GAAP**

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Investment earnings	\$ 240,482	\$ 145,987
<b>OTHER FINANCING SOURCES</b>		
Transfers from other funds:		
Solid Waste Operating Fund	<u>200,000</u>	<u>-</u>
Revenues and other financing	<u>\$ 440,482</u>	<u>\$ 145,987</u>

**Solid Waste Fund**

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (246,885)	\$ 739,865
Capital Reserve Fund	440,482	145,987
Total	<u>193,597</u>	<u>885,852</u>
Reconciling items		
(Increase) decrease in compensated absences payable	(1,325)	1,641
Increase in inventories	7,836	-
(Increase) decrease in accrued landfill postclosure care costs	(73,827)	274,527
Increase (decrease) in allowance for uncollectible accounts	36,373	(34,172)
Decrease in net pension obligation	16,124	-
Capital outlay	776,900	-
Depreciation	(129,178)	(132,016)
Total	<u>632,903</u>	<u>109,980</u>
Change in net assets	<u>\$ 826,500</u>	<u>\$ 995,832</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Final Budget	Actual		Actual
<b>EXPENDITURES</b>				
Administration	\$ 241,253	\$ 55,569	\$ 185,684	\$ 115,539
<b>OTHER FINANCING SOURCES</b>				
Transfers in				
General Fund	-	-	-	123,304
Water and Sewer Operating Fund	158,367	60,000	(98,367)	-
Total other financing uses	158,367	60,000	(98,367)	123,304
Other financing sources over (under) expenditures	(82,886)	4,431	87,317	7,765
<b>APPROPRIATED FUND BALANCE</b>	82,886	-	(82,886)	-
Other financing sources and appropriated fund balance over expenditures	\$ -	\$ 4,431	\$ 4,431	\$ 7,765
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>				
Other financing sources over expenditures		\$ 4,431		\$ 7,765
Reconciling items:				
Increase in compensated absences payable		(4,703)		(5,393)
Decrease in net pension obligation		791		-
Capital outlay		22,405		6,314
Depreciation		(1,120)		-
Loss on disposal of capital asset		(6,314)		-
Total		11,059		921
Change in net assets		\$ 15,490		\$ 8,686

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# Internal Service Funds

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

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

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

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

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Operating revenues		
Interfund charges and employee contributions	\$ 7,282,885	\$ 6,403,047
Nonoperating revenues		
Investment earnings	24,116	22,883
Total revenues	<u>7,307,001</u>	<u>6,425,930</u>
<b>EXPENDITURES</b>		
Operating expenditures		
Health benefit claims and premiums	7,057,296	5,693,948
Other operating expenditures	768,704	654,213
Total expenditures	<u>7,826,000</u>	<u>6,348,161</u>
Revenues over (under) expenditures	<u>\$ (518,999)</u>	<u>\$ 77,769</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>		
Revenues over (under) expenditures	\$ (518,999)	\$ 77,769
Reconciling items:		
(Increase) decrease in health benefit claims payable	<u>194,700</u>	<u>(165,700)</u>
Change in net assets	<u>\$ (324,299)</u>	<u>\$ (87,931)</u>



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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Nonoperating revenues		
Investment earnings	\$ 89,311	\$ 64,736
<b>EXPENDITURES</b>		
Operating expenditures		
Workers' compensation claims	140,697	201,063
Other operating expenditures	93,589	84,587
Total expenditures	<u>234,286</u>	<u>285,650</u>
Revenues under expenditures	<u>\$ (144,975)</u>	<u>\$ (220,914)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>		
Revenues under expenditures	\$ (144,975)	\$ (220,914)
Reconciling items:		
Increase in workers' compensation claims payable	<u>(67,919)</u>	<u>(88,054)</u>
Change in net assets	<u>\$ (212,894)</u>	<u>\$ (308,968)</u>

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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Operating revenues		
Interfund charges	\$ 895,928	\$ 744,603
Nonoperating revenues		
Investment earnings	15,718	6,538
Total revenues	<u>911,646</u>	<u>751,141</u>
<b>EXPENDITURES</b>		
Operating expenditures		
Property and casualty claims and premiums	<u>787,156</u>	<u>605,877</u>
Revenues over expenditures	<u>\$ 124,490</u>	<u>\$ 145,264</u>

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# Fiduciary Funds

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

## Pension Trust Fund

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

## Agency Funds

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

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

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

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

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

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

**Department of State Treasury Motor Vehicle Tax Fund** - This fund accounts for interest collected on unpaid registration fees pursuant to G.S. 105-330.4, transferred on a monthly basis to the North Carolina Highway Fund for technology improvements within the Division of Motor Vehicles.



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

For the Year Ended June 30, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Operating revenues		
Employer contributions	\$ 816,048	\$ 707,756
Investment earnings	<u>67,050</u>	<u>41,639</u>
Total revenues	<u>883,098</u>	<u>749,395</u>
<b>EXPENSES</b>		
Operating expenses		
Employee benefits	<u>776,499</u>	<u>675,974</u>
Revenues over (under) expenses	106,599	73,421
<b>NET ASSETS</b>		
Beginning of year-July 1	<u>1,331,346</u>	<u>1,257,925</u>
End of year-June 30	<u><u>\$ 1,437,945</u></u>	<u><u>\$ 1,331,346</u></u>

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

For the Year Ended June 30, 2007

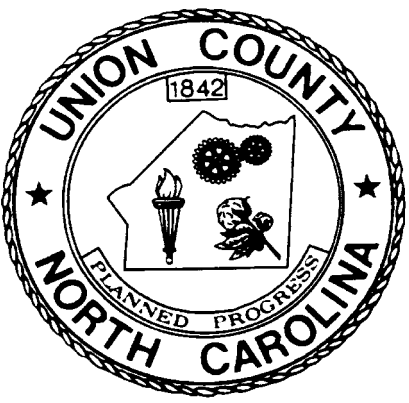
	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>SOCIAL SERVICES</u></b>				
ASSETS				
Cash and investments	\$ 55,038	\$ 298,338	\$ 282,552	\$ 70,824
LIABILITIES				
Due to program participants	\$ 55,038	\$ 298,338	\$ 282,552	\$ 70,824
<b><u>FINES AND FORFEITURES</u></b>				
ASSETS				
Cash and investments	\$ 95,722	\$ 1,163,408	\$ 1,251,934	\$ 7,196
Accounts receivable (net)	103,151	70,836	103,151	70,836
Total assets	\$ 198,873	\$ 1,234,244	\$ 1,355,085	\$ 78,032
LIABILITIES				
Accounts payable and accrued liabilities	\$ 198,873	\$ 1,131,093	\$ 1,251,934	\$ 78,032
<b><u>JAIL INMATE FUND</u></b>				
ASSETS				
Cash and investments	\$ 21,582	\$ 297,881	\$ 312,986	\$ 6,477
LIABILITIES				
Due to program participants	\$ 21,582	\$ 297,881	\$ 312,986	\$ 6,477
<b><u>MONROE SCHOOL DISTRICT</u></b>				
ASSETS				
Cash and investments	\$ 11,328	\$ 186,688	\$ 198,016	\$ -
Property taxes receivable (net)	50,107	76,762	83,741	43,128
Accounts receivable (net)	106,976	-	106,976	-
Total assets	\$ 168,411	\$ 263,450	\$ 388,733	\$ 43,128
LIABILITIES				
Accounts payable and accrued liabilities	\$ 168,411	\$ 156,474	\$ 281,757	\$ 43,128
<b><u>UNION COUNTY SCHOOL DISTRICT</u></b>				
ASSETS				
Cash and investments	\$ 108,661	\$ 1,425,439	\$ 1,533,839	\$ 261
Property taxes receivable (net)	259,598	402,618	563,334	98,882
Accounts receivable (net)	879,488	-	879,488	-
Total assets	\$ 1,247,747	\$ 1,828,057	\$ 2,976,661	\$ 99,143
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,247,747	\$ 948,569	\$ 2,097,173	\$ 99,143
<b><u>MUNICIPAL TAX COLLECTION</u></b>				
ASSETS				
Cash and investments	\$ 190,524	\$ 2,107,256	\$ 2,083,463	\$ 214,317
LIABILITIES				
Accounts payable and accrued liabilities	\$ 190,524	\$ 2,107,256	\$ 2,083,463	\$ 214,317

Continued on next page.

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

For the Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>GROSS RENTAL RECEIPTS TAX FUND</u></b>				
ASSETS				
Cash and investments	\$ 911	\$ 72,085	\$ 71,942	\$ 1,054
LIABILITIES				
Accounts payable and accrued liabilities	\$ 911	\$ 72,085	\$ 71,942	\$ 1,054
<b><u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX</u></b>				
ASSETS				
Cash and investments	\$ 5,259	\$ 76,864	\$ 75,035	\$ 7,088
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,259	\$ 76,864	\$ 75,035	\$ 7,088
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and investments	\$ 489,025	\$ 5,627,959	\$ 5,809,767	\$ 307,217
Property taxes receivable (net)	309,705	479,380	647,075	142,010
Accounts receivable (net)	1,089,615	70,836	1,089,615	70,836
Total assets	<u>\$ 1,888,345</u>	<u>\$ 6,178,175</u>	<u>\$ 7,546,457</u>	<u>\$ 520,063</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,811,725	\$ 4,492,341	\$ 5,861,304	\$ 442,762
Due to program participants	76,620	596,219	595,538	77,301
Total liabilities	<u>\$ 1,888,345</u>	<u>\$ 5,088,560</u>	<u>\$ 6,456,842</u>	<u>\$ 520,063</u>





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# Additional Financial Data

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This section contains additional information on property taxes.

**Schedule of Ad Valorem Taxes Receivable - General Fund**

**Analysis of Current Tax Levy - County-wide Levy**

**Schedule of Ad Valorem Taxes Receivable - General Fund  
June 30, 2007**

Fiscal Year	Uncollected Balance June 30, 2006	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2007
2007-2008	\$ -	\$ 186,548	\$ 16,251	\$ 170,297
2006-2007	16,956	102,074,867	99,609,887	2,481,936
2005-2006	1,914,683	141,912	1,550,699	505,896
2004-2005	432,064	163,780	335,801	260,043
2003-2004	245,419	54,545	104,156	195,808
2002-2003	119,671	585	31,799	88,457
2001-2002	70,054	(489)	10,174	59,391
2000-2001	42,546	(42)	2,624	39,880
1999-2000	37,648	(62)	2,373	35,213
1998-1999	26,073	-	2,016	24,057
1997-1998	16,432	-	642	15,790
1996-1997	12,501	-	12,501	-
	<u>\$ 2,934,047</u>	<u>\$ 102,621,644</u>	<u>\$ 101,678,923</u>	<u>3,876,768</u>
Less: Releases on 2007-2008 registered motor vehicles				(10,976)
Less: Allowance for uncollectible ad valorem taxes receivable				(750,400)
Ad valorem taxes receivable (net)				<u>\$ 3,115,392</u>
Reconcilement with revenues				
Taxes - ad valorem				<u>\$ 102,202,832</u>
Reconciling items				
2007 tax prepayments				16,251
Write-offs per statute of limitations				12,299
Waive Tax Bills less than \$5.00				1,673
Refunds				51,728
Recognition of previously collected 2006-2007 ad valorem taxes on annually registered vehicles				109,443
Collections in advance				(109,443)
Interest and advertising cost recovery				(550,603)
Foreclosure fees and overpayments				(8,222)
Collections on written off motor vehicle amounts				(47,034)
Adjustment				(1)
Total reconciling items				<u>(523,909)</u>
Total collections and credits				<u>\$ 101,678,923</u>

**Analysis of Current Tax Levy**  
**County-wide Levy**  
 For the Year Ended June 30, 2007

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>					
Property taxed at current year's rate	15,545,694,133	.6367	\$ 98,975,795	\$ 92,166,571	\$ 6,809,224
Motor vehicles taxed at prior year's rate	557,594,230	.56	3,112,814	-	3,112,814
Motor vehicles taxed at prior year's rate	915,400	.525	5,780	-	5,780
Motor vehicles taxed at prior year's rate	44,050	.53	233	-	233
Total	<u>16,104,247,813</u>		<u>102,094,622</u>	<u>92,166,571</u>	<u>9,928,051</u>
<b>Discoveries</b>					
Property taxed at current year's rate	151,345,333	.6367	879,245	879,245	-
<b>Abatements</b>					
Property taxed at current year's rate	135,589,941	.6367	843,150	704,308	138,842
Motor vehicles taxed at prior year's rate	18,037,366	.56	89,368	-	89,368
Motor vehicles taxed at prior year's rate	67,655	.525	1,262	-	1,262
Total	<u>153,694,962</u>		<u>933,780</u>	<u>704,308</u>	<u>229,472</u>
Total property valuation	<u>16,101,898,184</u>				
Net levy			102,040,087	92,341,508	9,698,579
Add: Refunds			34,493	34,493	-
Add: Write-off's of small amounts			288	-	288
Total additions and adjustments for 2006-2007			102,074,868	92,376,001	9,698,867
Add: Uncollected taxes at June 30, 2006			16,956	21,463	(4,507)
Less: Uncollected taxes at June 30, 2007			(2,481,936)	(1,565,397)	(916,539)
Total collections and credits for 2006-2007			<u>\$ 99,609,888</u>	<u>\$ 90,832,067</u>	<u>\$ 8,777,821</u>
Percent current year collected			97.59%	98.33%	90.50%

**SECONDARY MARKET DISCLOSURES**

	County-wide		
	Property Valuation	Rate	Amount of Levy
<b>Assessed valuation</b>			
Assessment ratio	100%		
Real property	13,212,137,488		
Personal property	1,028,754,548		
Public service companies	276,145,482		
	<u>14,517,037,518</u>	.6367	\$ 92,341,508
Personal property-motor vehicles	1,044,412,007	.6367	6,670,382
Personal property-motor vehicles	539,556,864	.56	3,023,445
Personal property-motor vehicles	847,745	.525	4,518
Personal property-motor vehicles	44,050	.53	233
	<u>1,584,860,666</u>		<u>9,698,578</u>
Total	<u>16,101,898,184</u>		<u>\$ 102,040,086</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, 2007:

School districts	\$ 417,945
Fire protection districts	2,539,228
Total	<u>\$ 2,957,173</u>



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# Statistical Section

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

**Financial Trends** - These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Net Assets by Component	Table 1
Changes in Net Assets	Table 2
Fund Balances of Governmental Funds	Table 3
Changes in Fund Balances of Governmental Funds	Table 4

**Revenue Capacity** - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Assessed Value of Taxable Property	Table 5
Estimated Actual Value of Taxable Property	Table 6
Property Tax Rates - Direct and Overlapping Governments	Table 7
Construction Information	Table 8
Principal Property Taxpayers	Table 9
Property Tax Levies and Collections	Table 10

**Debt Capacity** - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	Table 11
Legal Debt Margin Information	Table 12
Pledged Revenue Coverage per Revenue Bond Indenture - Water and Sewer Bonds	Table 13
Pledged Revenue Coverage - Water and Sewer Bonds	Table 14

**Demographic and Economic Information** - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Demographic and Economic Statistics	Table 15
Principal Employers	Table 16

**Operating Information** - These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Full-time Equivalent Governmental Employees by Function/Program	Table 17
Operating Indicators by Function/Program	Table 18
Capital Asset Statistics by Function/Program	Table 19

Union County, North Carolina  
**Net Assets by Component**  
 Last Six Fiscal Years  
 (accrual basis of accounting)

**Table 1**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Invested in capital assets, net of related debt	\$ 32,457,899	\$ 31,763,862	\$ 34,098,609	\$ 31,209,271	\$ 31,857,056	\$ 38,919,642
Restricted	3,915,730	33,500,043	7,659,736	55,565,377	9,948,350	11,514,884
Unrestricted	(31,150,415)	(79,263,380)	(86,021,934)	(184,091,155)	(177,888,141)	(310,620,217)
Total governmental activities net assets	<u>\$ 5,223,214</u>	<u>\$ (13,999,475)</u>	<u>\$ (44,263,589)</u>	<u>\$ (97,316,507)</u>	<u>\$ (136,082,735)</u>	<u>\$ (260,185,691)</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 43,593,411	\$ 51,981,910	\$ 68,120,172	\$ 82,495,496	\$ 128,539,817	\$ 144,908,774
Restricted	143,400	2,882,255	2,882,435	2,836,676	2,767,983	2,842,695
Unrestricted	38,201,362	47,069,467	50,157,942	58,410,989	52,098,871	66,874,682
Total business-type activities net assets	<u>\$ 81,938,173</u>	<u>\$ 101,933,632</u>	<u>\$ 121,160,549</u>	<u>\$ 143,743,161</u>	<u>\$ 183,406,671</u>	<u>\$ 214,626,151</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 76,051,310	\$ 83,745,772	\$ 102,218,781	\$ 113,704,767	\$ 160,396,873	\$ 183,828,416
Restricted	4,059,130	36,382,298	10,542,171	58,402,053	12,716,333	14,357,579
Unrestricted	7,050,947	(32,193,913)	(35,863,992)	(125,680,166)	(125,789,270)	(243,745,535)
Total primary government net assets	<u>\$ 87,161,387</u>	<u>\$ 87,934,157</u>	<u>\$ 76,896,960</u>	<u>\$ 46,426,654</u>	<u>\$ 47,323,936</u>	<u>\$ (45,559,540)</u>

Union County, North Carolina  
**Changes in Net Assets**  
 Last Six Fiscal Years  
 (accrual basis of accounting)

**Table 2**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Governmental activities:						
General government	\$ 10,399,708	\$ 10,560,289	\$ 11,459,194	\$ 12,168,603	\$ 13,575,128	\$ 12,086,962
Public safety	19,458,701	21,273,554	24,044,141	26,502,956	28,007,624	31,462,968
Economic and physical development	1,084,390	1,168,550	1,230,445	1,077,860	1,329,057	1,872,376
Human services	27,244,747	27,692,374	29,193,590	31,101,517	33,834,557	37,498,643
Cultural and recreational	2,631,521	4,892,846	5,236,775	5,221,262	6,086,733	6,548,274
Education	44,726,510	46,645,607	68,849,627	103,593,493	101,687,523	216,024,115
Interest and fees on long term debt	7,563,464	6,509,457	7,068,573	9,673,057	9,566,434	14,991,616
Total governmental activities' expenses	<u>113,109,041</u>	<u>118,742,677</u>	<u>147,082,345</u>	<u>189,338,748</u>	<u>194,087,056</u>	<u>320,484,954</u>
Business-type activities:						
Water and sewer	14,828,450	14,765,162	16,964,489	19,402,159	23,455,824	25,381,231
Solid waste	3,073,860	3,150,037	2,669,162	3,060,595	3,239,497	4,084,887
Stormwater	-	-	65,485	101,610	115,546	38,162
Total business-type activities' expenses	<u>17,902,310</u>	<u>17,915,199</u>	<u>19,699,136</u>	<u>22,564,364</u>	<u>26,810,867</u>	<u>29,504,280</u>
Total primary government expenses	<u>\$ 131,011,351</u>	<u>\$ 136,657,876</u>	<u>\$ 166,781,481</u>	<u>\$ 211,903,112</u>	<u>\$ 220,897,923</u>	<u>\$ 349,989,234</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Public safety	\$ 4,164,370	\$ 5,122,180	\$ 7,235,368	\$ 8,840,025	\$ 9,937,362	\$ 8,915,705
Human services	4,540,223	4,198,542	4,726,273	4,884,808	5,810,110	6,065,107
Other activities	1,822,688	2,351,997	2,189,719	2,139,956	2,500,518	2,620,659
Operating grants and contributions:						
Human services	12,734,040	12,643,288	13,166,262	14,484,307	14,919,404	16,882,631
Education	1,331,309	549,522	1,164,474	1,469,609	1,947,466	4,743,499
Other activities	1,580,512	1,554,924	2,050,000	2,579,212	3,056,676	3,043,405
Capital grants and contributions	514,540	898,117	513,875	156,953	246,468	336,940
Total governmental activities' program revenues	<u>26,687,682</u>	<u>27,318,570</u>	<u>31,045,971</u>	<u>34,554,870</u>	<u>38,418,004</u>	<u>42,607,946</u>
Business-type activities:						
Charges for services:						
Water and sewer	16,935,211	13,805,194	15,710,423	17,731,789	22,588,615	26,051,826
Solid waste	2,514,238	2,557,151	2,624,962	2,924,730	3,759,326	4,281,079
Operating grants and contributions	163,467	182,406	298,135	200,383	218,447	236,132
Capital grants and contributions:						
Water and sewer	42,000	13,547,273	19,350,880	22,965,192	37,738,174	26,878,466
Total business-type activities' program revenues	<u>19,654,916</u>	<u>30,092,024</u>	<u>37,984,400</u>	<u>43,822,094</u>	<u>64,304,562</u>	<u>57,447,503</u>
Total primary government program revenues	<u>\$ 46,342,598</u>	<u>\$ 57,410,594</u>	<u>\$ 69,030,371</u>	<u>\$ 78,376,964</u>	<u>\$ 102,722,566</u>	<u>\$ 100,055,449</u>
Net (expense) / revenue						
Governmental activities	\$ (86,421,359)	\$ (91,424,107)	\$ (116,036,374)	\$ (154,783,878)	\$ (155,669,052)	\$ (277,877,008)
Business-type activities	1,752,606	12,176,825	18,285,264	21,257,730	37,493,695	27,943,223
Total primary government net expense	<u>\$ (84,668,753)</u>	<u>\$ (79,247,282)</u>	<u>\$ (97,751,110)</u>	<u>\$ (133,526,148)</u>	<u>\$ (118,175,357)</u>	<u>\$ (249,933,785)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Property taxes levied for general purposes	\$ 46,522,266	\$ 49,606,797	\$ 59,050,897	\$ 73,145,208	\$ 84,444,843	\$ 105,339,399
Local option sales tax	16,547,946	18,384,358	22,112,952	25,331,315	29,128,130	37,542,683
Other taxes and licenses	2,144,281	2,248,330	2,742,045	3,249,325	3,848,241	4,090,373
Unrestricted grants and contributions	1,691,404	60,838	63,719	57,091	56,129	93,312
Unrestricted investment earnings	2,921,632	1,709,041	749,085	2,539,072	4,020,584	6,337,613
Unrestricted miscellaneous	202,274	37,492	42,687	31,929	17,661	647,091
Transfers	46,066	-	(108,406)	(131,307)	(323,304)	(300,000)
Gain / (loss) on sale of capital assets	(3,176)	154,562	(68,993)	(2,491,673)	(4,289,460)	23,581
Total governmental activities	<u>70,072,693</u>	<u>72,201,418</u>	<u>84,583,986</u>	<u>101,730,960</u>	<u>116,902,824</u>	<u>153,774,052</u>
Business-type activities:						
Unrestricted investment earnings	1,007,018	690,069	469,966	1,332,311	1,778,463	2,935,092
Transfers	(46,066)	-	108,406	131,307	323,304	300,000
Gain / (loss) on sale of capital assets	123,244	51,425	(24,393)	(138,738)	68,048	41,165
Special item	(860,220)	7,077,140	-	-	-	-
Total business-type activities	<u>223,976</u>	<u>7,818,634</u>	<u>553,979</u>	<u>1,324,880</u>	<u>2,169,815</u>	<u>3,276,257</u>
Total primary government	<u>\$ 70,296,669</u>	<u>\$ 80,020,052</u>	<u>\$ 85,137,965</u>	<u>\$ 103,055,840</u>	<u>\$ 119,072,639</u>	<u>\$ 157,050,309</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ (16,348,666)	\$ (19,222,689)	\$ (31,452,388)	\$ (53,052,918)	\$ (38,766,228)	\$ (124,102,956)
Business-type activities	1,976,582	19,995,459	18,839,243	22,582,610	39,663,510	31,219,480
Total primary government	<u>\$ (14,372,084)</u>	<u>\$ 772,770</u>	<u>\$ (12,613,145)</u>	<u>\$ (30,470,308)</u>	<u>\$ 897,282</u>	<u>\$ (92,883,476)</u>

Union County, North Carolina  
**Fund Balances of Governmental Funds**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ 8,890,080	\$ 9,067,795	\$ 9,441,722	\$ 7,808,627	\$ 8,246,337
Unreserved	37,149,077	43,491,394	55,980,706	62,729,237	54,689,383
Total general fund	<u>46,039,157</u>	<u>52,559,189</u>	<u>65,422,428</u>	<u>70,537,864</u>	<u>62,935,720</u>
All Other Governmental Funds					
Reserved	1,284,532	899,611	1,214,830	2,226,895	1,133,182
Unreserved, reported in:					
Special revenue funds	2,123,374	2,339,376	2,345,217	2,626,441	1,866,861
Debt service funds	-	-	-	-	-
Capital project funds	3,103,351	1,793,964	20,019,150	51,799,377	30,873,437
Total all other governmental funds	<u>\$ 6,511,257</u>	<u>\$ 5,032,951</u>	<u>\$ 23,579,197</u>	<u>\$ 56,652,713</u>	<u>\$ 33,873,480</u>

Union County, North Carolina  
**Changes in Fund Balances of Governmental Funds**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year				
	1998	1999	2000	2001	2002
<b>Revenues</b>					
Ad valorem taxes	\$ 36,545,731	\$ 39,386,838	\$ 42,848,647	\$ 43,651,066	\$ 46,033,769
Local option sales tax	13,954,380	15,359,160	16,393,522	16,800,460	16,547,946
Other taxes and licenses	667,763	942,292	1,073,380	1,927,506	2,291,166
Intergovernmental revenue	14,528,642	20,859,914	31,682,934	21,212,407	17,609,757
Permits and fees	2,856,070	3,393,996	3,717,036	4,260,379	4,893,937
Sales and services	3,139,469	3,031,042	3,248,002	3,037,064	3,439,979
Investment earnings	3,119,136	2,806,967	4,964,333	5,845,638	2,821,169
Miscellaneous	1,543,686	1,920,352	5,999,661	2,266,954	2,490,802
Total revenues	<u>76,354,877</u>	<u>87,700,561</u>	<u>109,927,515</u>	<u>99,001,474</u>	<u>96,128,525</u>
<b>Expenditures</b>					
General government	9,325,210	9,344,287	9,012,861	9,614,156	10,471,020
Public safety	14,884,010	15,665,088	16,631,015	17,600,958	20,625,497
Economic and physical development	966,213	1,077,371	861,398	984,075	1,066,406
Human services	18,904,436	20,069,465	22,819,880	25,355,378	27,139,488
Cultural and recreational	2,224,535	2,403,585	2,728,187	3,672,141	4,654,097
Education	15,792,197	23,259,821	35,226,789	27,126,251	23,288,195
Capital outlay	7,841,824	2,277,216	12,152,669	22,317,754	24,989,114
Debt service:					
Principal	4,917,987	4,904,691	5,000,462	6,271,311	7,430,864
Interest and fees	3,939,184	3,663,525	4,173,640	4,570,498	6,891,287
Total expenditures	<u>78,795,596</u>	<u>82,665,049</u>	<u>108,606,901</u>	<u>117,512,522</u>	<u>126,555,968</u>
Excess of revenues over (under) expenditures	<u>(2,440,719)</u>	<u>5,035,512</u>	<u>1,320,614</u>	<u>(18,511,048)</u>	<u>(30,427,443)</u>
Other financing sources (uses)					
Transfers from other funds	1,002,512	2,394,614	2,608,051	5,109,412	7,099,793
Transfers to other funds	(1,921,908)	(2,388,400)	(2,619,051)	(5,109,412)	(7,053,727)
Proceeds from borrowing	-	-	30,050,000	56,700,000	-
Proceeds from refunding	-	-	14,730,776	-	-
Payments to escrow agent	-	-	(14,680,905)	-	-
Total other financing sources (uses)	<u>(919,396)</u>	<u>6,214</u>	<u>30,088,871</u>	<u>56,700,000</u>	<u>46,066</u>
Net change in fund balances	<u>\$ (3,360,115)</u>	<u>\$ 5,041,726</u>	<u>\$ 31,409,485</u>	<u>\$ 38,188,952</u>	<u>\$ (30,381,377)</u>
Debt service as a percentage of non-capital expenditures	11.0%	10.1%	8.2%	8.8%	10.7%



**Table 3**

Fiscal Year				
2003	2004	2005	2006	2007
\$ 20,393,554	\$ 10,674,614	\$ 10,485,321	\$ 13,092,816	\$ 15,793,681
41,614,180	49,687,704	53,912,165	36,515,103	35,498,590
62,007,734	60,362,318	64,397,486	49,607,919	51,292,271
913,885	6,018,831	3,259,684	3,384,994	5,406,614
2,091,086	1,494,329	1,890,668	2,595,842	3,223,619
-	916,430	9,252,954	15,128,687	16,261,525
42,034,198	(9,657,426)	52,857,335	5,520,867	(65,362,904)
<u>\$ 45,039,169</u>	<u>\$ (1,227,836)</u>	<u>\$ 67,260,641</u>	<u>\$ 26,630,390</u>	<u>\$ (40,471,146)</u>

**Table 4**

Fiscal Year				
2003	2004	2005	2006	2007
\$ 49,734,498	\$ 58,785,139	\$ 72,807,526	\$ 84,128,412	\$ 104,702,599
19,572,632	22,112,952	25,331,315	29,128,130	37,542,683
2,418,782	2,929,526	3,457,706	4,111,779	4,393,511
15,375,801	16,668,984	18,301,998	19,723,222	24,446,903
6,340,538	8,453,285	9,905,175	11,013,811	9,975,519
3,348,469	3,434,662	3,561,745	4,237,737	4,268,091
1,640,142	726,855	2,470,740	3,926,427	6,208,468
2,398,688	4,303,984	2,794,796	3,372,811	4,425,068
<u>100,829,550</u>	<u>117,415,387</u>	<u>138,631,001</u>	<u>159,642,329</u>	<u>195,962,842</u>
10,332,088	11,249,830	12,205,567	12,724,574	12,005,860
20,219,360	23,850,472	27,029,852	27,910,690	31,041,272
1,136,928	1,183,641	1,073,782	1,208,568	1,706,148
27,374,397	28,845,735	31,293,129	33,773,032	37,535,192
4,152,424	5,137,412	4,870,027	5,130,410	6,267,956
21,196,766	24,963,887	26,440,438	32,142,098	58,126,552
29,383,066	54,325,563	85,714,886	78,097,953	166,108,664
7,390,004	8,497,421	8,727,796	13,730,879	14,030,661
7,454,552	7,627,856	8,620,572	10,020,639	15,180,232
<u>128,639,585</u>	<u>165,681,817</u>	<u>205,976,049</u>	<u>214,738,843</u>	<u>342,002,537</u>
<u>(27,810,035)</u>	<u>(48,266,430)</u>	<u>(67,345,048)</u>	<u>(55,096,514)</u>	<u>(146,039,695)</u>
4,351,341	7,551,549	15,202,837	37,082,574	26,817,950
(4,351,341)	(7,659,955)	(15,334,144)	(37,405,878)	(27,117,950)
38,584,310	306,170	140,000,000	-	80,922,511
7,116,113	15,294,474	21,630,000	-	-
(7,652,685)	(15,138,229)	(21,630,000)	-	-
<u>38,047,738</u>	<u>354,009</u>	<u>139,868,693</u>	<u>(323,304)</u>	<u>80,622,511</u>
<u>\$ 10,237,703</u>	<u>\$ (47,912,421)</u>	<u>\$ 72,523,645</u>	<u>\$ (55,419,818)</u>	<u>\$ (65,417,184)</u>
11.2%	9.3%	7.8%	9.4%	7.9%

Union County, North Carolina  
**Assessed Value of Taxable Property**  
 Last Ten Fiscal Years  
 (in thousands of dollars)

**Table 5**

Fiscal Year Ended June 30	Tax Year	Real Property		Personal Property		Public Service Company Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Commercial	Residential	Motor Vehicles	Other			
		1998	1997	\$ 755,288	\$ 3,202,632			
1999	1998	781,107	3,451,141	839,361	607,073	158,602	5,837,284	.66
2000	1999	821,965	3,713,032	947,023	674,459	151,551	6,308,030	.66
2001	2000	1,315,083	5,584,343	1,011,321	742,553	209,913	8,863,213	.4705
2002	2001	1,240,174	6,181,767	1,029,160	808,812	217,774	9,477,687	.4705
2003	2002	1,273,609	6,716,740	1,084,822	872,219	222,478	10,169,868	.4705
2004	2003	1,322,250	7,241,313	1,130,588	843,687	232,942	10,770,780	.53
2005	2004	1,625,571	9,467,521	1,210,622	855,271	244,639	13,403,624	.525
2006	2005	1,620,411	10,385,207	1,469,931	905,633	254,761	14,635,943	.56
2007	2006	1,717,083	11,495,054	1,584,861	1,028,755	276,145	16,101,898	.6367

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 Board of County Commissioners may accelerate the frequency of revaluations. Prior revaluations were completed for tax years 2000 and 2004.

Union County, North Carolina  
**Estimated Actual Value of Taxable Property**  
 Last Ten Fiscal Years  
 (in thousands of dollars)

**Table 6**

Fiscal Year Ended June 30	Tax Year	Sales Assessment Ratio	Real Property	Personal Property		Public Service Company Property	Total Estimated Value
				Motor Vehicles	Other		
				1998	1997		
1999	1998	74.62%	5,671,734	839,361	607,073	158,602	7,276,770
2000	1999	69.50%	6,525,176	947,023	674,459	151,551	8,298,209
2001	2000	98.14%	7,030,187	1,011,321	742,553	209,913	8,993,974
2002	2001	93.92%	7,902,407	1,029,160	808,812	217,774	9,958,153
2003	2002	94.25%	8,477,824	1,084,822	872,219	222,478	10,657,343
2004	2003	88.73%	9,651,260	1,130,588	843,687	232,942	11,858,477
2005	2004	97.53%	11,374,031	1,210,622	855,271	244,639	13,684,563
2006	2005	93.12%	12,892,631	1,469,931	905,633	254,761	15,522,956

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

**Table 7**

<b>Fiscal Year Ended June 30</b>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax Year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Taxes Levied by Union County</b>										
County-wide rate	.66	.66	.66	.4705	.4705	.4705	.53	.525	.56	.6367
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	.07	.07	.07	.059	.07	.07	.07	.07	.07	-
County Schools District	.07	.07	.07	.059	.07	.07	.07	.07	.07	-
Supplemental Fire Districts										
Hemby VFD	.0211	.0363	.0346	.0211	.0276	.0376	.036	.0427	.0404	.0464
Springs VFD	-	-	-	-	-	-	-	-	-	.0313
Stallings VFD	.0208	.0332	.024	.0063	.0277	.0342	.0392	.0492	.039	.0444
Waxhaw VFD	-	-	-	-	-	-	-	-	-	.0413
Wesley VFD	-	-	-	-	-	-	.017	.014	.015	.0152
Total County Rates										
Maximum	.7511	.7663	.7646	.5506	.5682	.5781	.6392	.6442	.6704	.6831
Minimum	.73	.73	.73	.5295	.5405	.5405	.6	.595	.63	.6367
Average	.7406	.7482	.7473	.5401	.5544	.5593	.6196	.6196	.6502	.6599
<b>Overlapping Taxes Levied by Municipalities</b>										
City of Monroe	.5	.55	.55	.5	.5	.5	.5	.48	.49	.53
Downtown Monroe District	-	.2	.2	.2	.2	.2	.2	.2	.2	.2
Town of Fairview	-	-	-	-	-	.02	.02	.02	.02	.02
Town of Hemby Bridge	-	-	.02	.02	.02	.05	.05	.03	.03	.03
Town of Indian Trail	.1	.1	.1	.08	.08	.08	.08	.08	.08	.1
Town of Marshville	.43	.43	.43	.38	.38	.38	.38	.38	.38	.38
Town of Mineral Sprints	-	-	.04	.03	.03	.03	.03	.03	.027	.27
Town of Mint Hill	-	-	-	-	-	-	.275	.275	.275	.275
Town of Stallings	.09	.11	.12	.1	.1	.14	.16	.25	.25	.25
Town of Unionville	-	-	.02	.02	.02	.02	.02	.02	.02	.02
Town of Waxhaw	.47	.47	.47	.37	.37	.37	.37	.34	.34	.34
Town of Weddington	.02	.02	.02	.02	.02	.05	.04	.04	.03	.03
Town of Wingate	.38	.38	.38	.32	.32	.4	.36	.36	.36	.38
Village of Lake Park	.12	.12	.12	.09	.18	.18	.22	.22	.22	.23
Village of Marvin	.025	.025	.025	.025	.025	.0517	.0517	.052	.0517	.05
Village of Wesley Chapel	-	-	.02	.02	.02	.02	.02	.02	.02	.02

Union County, North Carolina  
**Construction Information**  
 Last Ten Fiscal Years  
 (in thousands of dollars)

**Table 8**

Fiscal Year Ended June 30	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
1998	504	\$ 70,869	2,477	\$ 181,143
1999	526	94,838	3,175	237,888
2000	641	68,244	2,686	280,762
2001	680	95,126	2,997	340,316
2002	480	53,717	2,923	304,456
2003	295	67,040	3,643	398,151
2004	312	130,596	4,060	517,127
2005	498	146,370	4,678	687,386
2006	573	184,705	5,247	837,557
2007	601	162,927	4,432	752,637

Union County, North Carolina  
**Principal Property Taxpayers**  
 Current Year and Nine Years Ago

**Table 9**

Taxpayer	Type of Business	June 30, 2007			June 30, 1998		
		2006 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1997 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Charlotte Pipe & Foundry Co.	Plastics	\$ 118,715,120	1	.74%	\$ 49,429,501	2	.91%
Union Electric Membership Corp.	Utility	75,267,428	2	.47%	25,283,732	8	.46%
Duke Power Company	Utility	66,564,167	3	.41%	37,708,861	3	.69%
ALLVAC	Metals	55,901,166	4	.35%	50,011,895	1	.92%
Piedmont Natural Gas	Gas	42,190,443	5	.26%			
NC Country Club Estates	Home Builder	40,968,461	6	.25%			
Verizon	Utility	35,538,812	7	.22%			
Alltel Carolina	Utility	33,790,444	8	.21%	35,030,374	5	.64%
Tyson Farms/Holly Farms	Poultry	31,201,770	9	.19%	22,187,135	10	.41%
Parkdale America	Yarn Manufacturer	30,156,947	10	.19%	35,043,471	4	.64%
General Telephone Co.	Utility				29,348,907	6	.54%
Wampler-Longacre	Poultry				26,742,481	7	.49%
AEP Industries, Inc.	Plastics				23,272,021	9	.43%
Total assessed valuation of top 10 taxpayers		<u>\$ 530,294,758</u>		<u>3.29%</u>	<u>\$ 334,058,378</u>		<u>6.13%</u>
Total county-wide assessed valuation		<u>\$ 16,101,898,184</u>			<u>\$ 5,445,524,670</u>		

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

**Table 10**

Fiscal Year Ended June 30	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
1998	1997	\$ 36,028,912	\$ 34,891,014	96.8%	\$ 1,171,157	\$ 36,062,171	100.1%
1999	1998	38,569,657	37,364,952	96.9%	1,241,255	38,606,207	100.1%
2000	1999	41,740,441	40,520,889	97.1%	1,248,987	41,769,876	100.1%
2001	2000	42,886,304	41,573,994	96.9%	1,324,564	42,898,558	100.0%
2002	2001	45,128,025	43,614,686	96.6%	1,508,329	45,123,015	100.0%
2003	2002	48,247,063	46,932,728	97.3%	1,281,340	48,214,068	99.9%
2004	2003	57,220,499	55,711,807	97.4%	1,367,091	57,078,898	99.8%
2005	2004	70,790,265	68,927,427	97.4%	1,644,181	70,571,608	99.7%
2006	2005	82,039,648	80,035,351	97.6%	1,557,173	81,592,524	99.5%
2007	2006	102,097,182	99,609,887	97.6%	-	99,609,887	97.6%

Union County, North Carolina  
**Ratios of Outstanding Debt by Type**  
 Last Ten Fiscal Years

**Table 11**

Fiscal Year Ended June 30	Governmental Activities				Debt to Assessed Value	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	C.O.P.'s and Installment Financing	G.O. C.P. B.A.N.'s	Total Governmental Activities			
1998	\$ 54,821,930	\$ 12,140,762	\$ -	\$ 66,962,692	1.23%	2.6%	\$ 610
1999	50,752,763	11,305,238	-	62,058,001	1.06%	2.2%	541
2000	77,103,990	10,427,097	-	87,531,087	1.39%	2.8%	725
2001	128,459,837	9,499,940	-	137,959,777	1.56%	4.0%	1,100
2002	122,001,614	8,527,300	-	130,528,914	1.38%	3.7%	990
2003	115,636,279	43,760,000	-	159,396,279	1.57%	4.3%	1,148
2004	109,950,837	41,906,170	21,230,000	173,087,007	1.61%	4.3%	1,196
2005	245,255,314	39,653,898	-	284,909,212	2.13%	6.5%	1,876
2006	233,801,707	37,376,626	13,495,000	284,673,333	1.95%	n/a	1,765
2007	222,078,318	112,709,355	83,495,000	418,282,673	2.60%	n/a	2,431

Fiscal Year Ended June 30	Business-Type Activities				Total Primary Government		
	General Obligation Bonds	Revenue Bonds	Other Long-term Obligations	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
1998	\$ 32,266,570	\$ 20,560,000	\$ 5,532,544	\$ 58,359,114	\$ 125,321,806	4.9%	\$ 1,141
1999	30,073,937	20,150,000	4,983,086	55,207,023	117,265,024	4.1%	1,022
2000	28,078,510	19,720,000	4,668,651	52,467,161	139,998,248	4.4%	1,160
2001	25,880,364	19,275,000	4,343,165	49,498,529	187,458,306	5.4%	1,495
2002	22,992,386	18,805,000	3,982,892	45,780,278	176,309,192	5.1%	1,337
2003	20,011,722	54,065,000	3,627,714	77,704,436	237,100,715	6.4%	1,707
2004	17,185,963	52,550,000	3,257,689	72,993,652	246,080,659	6.1%	1,700
2005	14,213,986	50,980,000	2,879,159	68,073,145	352,982,357	8.0%	2,324
2006	11,522,693	49,370,000	2,570,663	63,463,356	348,136,689	n/a	2,159
2007	9,018,482	47,315,000	15,836,967	72,170,449	490,453,122	n/a	2,850

Union County, North Carolina  
**Legal Debt Margin Information**  
 Last Ten Fiscal Years

	Fiscal Year			
	1998	1999	2000	2001
Assessed value of taxable property (in 000's)	\$ 5,445,525	\$ 5,837,284	\$ 6,308,030	\$ 8,863,213
	x .08	x .08	x .08	x .08
Debt limit - 8 percent of assessed value	<u>435,641,974</u>	<u>466,982,696</u>	<u>504,642,380</u>	<u>709,057,045</u>
Gross debt				
General obligation debt	87,088,500	80,826,700	105,182,500	154,340,201
Bond anticipation notes	-	-	-	-
Authorized and unissued	-	56,750,000	26,700,000	25,000,000
Certificates of Participation	6,110,000	5,820,000	5,515,000	5,190,000
Installment Financing	6,030,762	5,485,238	4,912,097	4,309,940
NC Clean Water Revolving Loan	4,673,933	4,206,539	3,972,842	3,739,146
	<u>103,903,195</u>	<u>153,088,477</u>	<u>146,282,439</u>	<u>192,579,287</u>
Less: Water bonds issued and outstanding	(21,606,296)	(20,113,312)	(18,888,920)	(17,470,081)
Sewer bonds issued and outstanding	(10,660,274)	(9,960,625)	(9,189,590)	(8,410,283)
NC Clean Water Revolving Loan	(4,673,933)	(4,206,539)	(3,972,842)	(3,739,146)
Amount held in sinking fund	<u>(807,050)</u>	<u>(682,997)</u>	<u>(707,907)</u>	<u>(681,999)</u>
	<u>(37,747,553)</u>	<u>(34,963,473)</u>	<u>(32,759,259)</u>	<u>(30,301,509)</u>
Total amount of debt applicable to debt limit	<u>66,155,642</u>	<u>118,125,004</u>	<u>113,523,180</u>	<u>162,277,778</u>
Legal debt margin	<u>\$ 369,486,332</u>	<u>\$ 348,857,692</u>	<u>\$ 391,119,200</u>	<u>\$ 546,779,267</u>
Legal debt margin as a percentage of the debt limit	84.81%	74.70%	77.50%	77.11%

**Table 12**

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 9,477,687	\$ 10,169,868	\$ 10,770,780	\$ 13,403,624	\$ 14,635,943	\$ 16,101,898
x .08	x .08	x .08	x .08	x .08	x .08
<u>758,214,956</u>	<u>813,589,404</u>	<u>861,662,385</u>	<u>1,072,289,950</u>	<u>1,170,875,447</u>	<u>1,288,151,840</u>
144,994,000	135,648,001	127,136,800	259,469,300	245,324,400	231,096,800
-	-	21,230,000	-	13,495,000	83,495,000
25,000,000	95,000,000	180,000,000	110,730,000	97,235,000	201,735,000
4,850,000	43,760,000	41,600,000	39,410,000	37,195,000	112,590,000
3,677,300	-	306,170	243,898	181,626	119,355
3,505,451	3,271,753	3,038,056	2,804,360	2,570,663	15,836,967
<u>182,026,751</u>	<u>277,679,754</u>	<u>373,311,026</u>	<u>412,657,558</u>	<u>396,001,689</u>	<u>644,873,122</u>
(15,497,634)	(13,435,013)	(11,378,036)	(9,308,774)	(7,332,405)	(5,455,173)
(7,494,752)	(6,576,709)	(5,807,927)	(4,905,212)	(4,190,288)	(3,563,309)
(3,505,451)	(3,271,753)	(3,038,056)	(2,804,360)	(2,570,663)	(15,836,967)
(676,269)	-	-	-	-	-
<u>(27,174,106)</u>	<u>(23,283,475)</u>	<u>(20,224,019)</u>	<u>(17,018,346)</u>	<u>(14,093,356)</u>	<u>(24,855,449)</u>
154,852,645	254,396,279	353,087,007	395,639,212	381,908,333	620,017,673
<u>\$ 603,362,311</u>	<u>\$ 559,193,125</u>	<u>\$ 508,575,378</u>	<u>\$ 676,650,738</u>	<u>\$ 788,967,114</u>	<u>\$ 668,134,167</u>
79.58%	68.73%	59.02%	63.10%	67.38%	51.87%

Union County, North Carolina  
**Pledged Revenue Coverage per Revenue Bond Indenture**  
**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		Senior Debt Service
1998	\$ 15,389,469	\$ 4,800,140	\$ 10,589,329	\$ 10,589,329	\$ -	
1999	17,985,711	5,299,890	12,685,821	12,685,821	-	
2000	19,270,388	6,572,349	12,698,039	12,698,039	1,965,043	
2001	19,838,079	7,501,632	12,336,447	12,336,447	1,948,307	
2002	17,761,343	9,274,368	8,486,975	8,486,975	1,940,229	
				20% Preceding Year's Surplus		
2003	26,044,846	9,414,336	16,630,510	\$ 5,738,188	22,368,698	1,506,033
2004	23,087,628	9,838,861	13,248,767	6,860,065	20,108,832	3,412,226
2005	28,258,770	10,426,862	17,831,908	5,261,847	23,093,755	3,487,927
2006	38,155,925	14,310,599	23,845,326	5,193,627	29,038,953	3,416,213
2007	41,922,974	15,502,443	26,420,531	4,809,250	31,229,781	3,745,682

Notes: FY1998 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.

Union County, North Carolina  
**Pledged Revenue Coverage**  
**Water and Sewer Bonds**  
 Last Ten Fiscal Years

**Table 14**

Fiscal Year Ended June 30	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service		Coverage
				Principal	Interest	
1998	\$ 15,389,469	\$ 4,800,140	\$ 10,589,329	\$ 395,000	\$ 1,112,430	7.02
1999	17,985,711	5,299,890	12,685,821	410,000	1,096,235	8.42
2000	19,270,388	6,572,349	12,698,039	430,000	1,078,400	8.42
2001	19,838,079	7,501,632	12,336,447	445,000	1,059,050	8.20
2002	17,761,343	9,274,368	8,486,975	470,000	1,038,358	5.63
2003	26,044,846	9,414,336	16,630,510	490,000	1,016,033	11.04
2004	23,087,628	9,838,861	13,248,767	1,515,000	1,897,226	3.88
2005	28,258,770	10,426,862	17,831,908	1,570,000	1,917,927	5.11
2006	38,155,925	14,310,599	23,845,326	1,610,000	1,806,213	6.98



**Table 13**

<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>				<u>Coverage of Total Debt Service Requirements</u>
-	\$ 5,995,767				1.77
-	5,849,266				2.17
6.46	5,060,984				2.51
6.33	4,967,972				2.48
4.37	5,239,371				1.62
		<u>Adj. Total Debt Service + 20% Senior Debt</u>	<u>Coverage Tests</u>		
<u>Subordinate Debt Service</u>			<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>	
\$ 4,514,193	6,020,226	\$ 6,321,433	3.54	2.76	
4,320,053	7,732,279	8,414,724	2.39	1.71	
4,136,339	7,624,266	8,306,711	2.78	2.34	
3,704,345	7,120,558	7,803,801	3.72	3.35	
3,380,148	7,125,830	7,874,966	3.97	3.71	

Notes: FY2003 through FY2007

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.

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

**Table 15**

Fiscal Year Ended June 30	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)	Retail Sales (5) (thousands of dollars)
1998	109,787	\$ 2,658,014	\$ 23,486	20,162	2.3%	\$ 1,109,397
1999	114,780	2,945,043	24,827	20,836	2.0%	1,210,670
2000	120,677	3,288,799	26,170	21,967	2.8%	1,304,253
2001	125,405	3,645,748	27,618	22,875	4.1%	1,370,180
2002	131,876	3,683,222	26,420	24,149	5.3%	1,409,840
2003	138,883	3,870,852	26,651	25,680	5.2%	1,425,656
2004	144,747	4,326,010	27,667	27,031	4.8%	1,458,866
2005	151,862	4,743,954	29,018	28,815	4.5%	1,537,435
2006	161,260	n/a	n/a	31,580	4.0%	1,099,352
2007	172,087	n/a	n/a	34,564	4.4%	1,217,491

Sources:

- (1) Source: North Carolina State Demographic Unit
- (2) United States Dept of Commerce, Bureau of Economic Analysis
- (3) Amounts for fiscal years 1998-2006 use final ADM estimates provided by the State Board of Education and DPI. The amount shown for the 2007 year is estimated by the School System.
- (4) North Carolina Employment Security Commission  
 The data for the Fiscal Years 1998-2006 in the table above is the annual average unemployment rate. The data for Fiscal Year 2007 in the table above is the July 2007 unemployment rate.
- (5) North Carolina Department of Revenue  
 The data for the Fiscal Years 1998-2005 in the table above sets forth **gross** retail sales. Beginning July 1, 2005, the North Carolina Department of Revenue began to compile information only for **taxable** retail sales in compliance with the Streamlined Sales

Union County, North Carolina  
**Principal Employers**  
 Current Year

**Table 16**

Employer	Type of Business	June 30, 2007	
		Employees	Rank
Union County Schools	Education and Health Services	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2
Union Memorial Medical Center	Education and Health Services	1,000+	3
McGee Brothers Co Inc	Construction	1,000+	4
County of Union	Public Administration	1,000+	5
TDY Industries Inc	Manufacturing	1,000+	6
City of Monroe	Public Administration	500-999	7
Pilgrims Pride Corporation	Manufacturing	500-999	8
Charlotte Pipe & Foundry Company	Manufacturing	500-999	9
Consolidated Metco Inc	Manufacturing	500-999	10

**Full-time Equivalent Governmental Employees by Function/Program**  
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Governmental activities:</b>										
General government										
Board of Commissioners	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Central Administration	5.0	7.0	7.0	6.0	7.0	7.7	7.2	8.2	8.2	8.2
Internal Audit	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Legal	2.0	2.0	2.0	2.0	2.0	2.8	2.8	2.8	2.8	2.8
Personnel	3.0	4.0	4.0	5.0	6.0	6.1	6.0	6.0	6.0	7.0
Finance	9.0	9.0	9.0	9.0	10.0	10.0	10.2	9.2	9.2	10.2
Tax Administration	39.0	43.0	43.0	44.0	45.0	45.9	46.2	47.8	51.8	51.8
Elections	4.0	4.0	4.0	4.0	4.0	10.4	10.8	10.9	11.6	11.6
Register of Deeds	9.0	9.0	9.0	9.0	10.0	10.3	11.3	11.3	12.5	12.5
Information Systems (and GIS)	10.0	12.0	11.0	12.0	12.0	12.0	12.0	12.0	11.0	11.0
General Services	7.0	9.0	9.0	11.0	12.0	14.4	13.7	12.7	12.0	10.0
Public safety										
Law Enforcement (and AC)	153.0	153.0	165.0	166.0	174.0	176.6	191.2	217.6	218.7	234.6
Communications	23.5	23.5	23.5	23.5	23.5	21.5	30.4	35.6	45.8	44.7
Homeland Security	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	4.0
Fire Services	4.5	4.5	4.5	4.5	5.5	5.5	6.0	6.0	6.0	5.0
Inspection	22.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Economic and physical development										
Planning	6.0	6.0	6.0	6.0	5.0	5.0	4.0	4.0	4.0	5.0
Economic Development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
Cooperative Extension					10.0	10.0	10.0	10.0	12.0	12.0
Soil Conservation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Human services										
Public Health	75.8	75.8	78.8	79.6	84.0	100.8	91.2	93.5	97.5	102.6
Social Services	183.0	184.0	189.0	190.0	177.0	185.3	191.4	191.1	194.1	199.6
Transportation and Nutrition	7.0	7.0	8.0	9.0	11.0	22.2	27.9	28.1	30.0	30.1
Veterans' Services	2.0	2.0	2.0	2.0	2.0	2.5	3.0	3.0	3.0	3.0
Cultural and recreational										
Library	31.0	31.0	32.0	38.0	40.5	55.0	64.2	65.1	64.5	65.9
Parks and Recreation	9.0	12.0	12.0	13.0	14.0	23.6	23.4	23.4	25.4	27.4
Sub-total	<u>616.8</u>	<u>638.8</u>	<u>659.8</u>	<u>674.6</u>	<u>697.5</u>	<u>770.6</u>	<u>805.9</u>	<u>839.3</u>	<u>866.1</u>	<u>896.0</u>
<b>Business-type activities:</b>										
Water and Sewer	54.4	59.9	74.3	77.4	88.4	88.6	89.1	89.1	94.2	99.3
Solid Waste	17.6	17.1	13.8	13.7	13.7	20.4	21.8	21.6	21.6	21.7
Stormwater	-	-	-	-	-	-	1.3	1.3	1.3	1.3
Sub-total	<u>72.0</u>	<u>77.0</u>	<u>88.0</u>	<u>91.0</u>	<u>102.0</u>	<u>109.0</u>	<u>112.2</u>	<u>112.0</u>	<u>117.1</u>	<u>122.3</u>
<b>Total</b>	<u>688.8</u>	<u>715.8</u>	<u>747.8</u>	<u>765.6</u>	<u>799.5</u>	<u>879.6</u>	<u>918.1</u>	<u>951.3</u>	<u>983.2</u>	<u>1,018.3</u>

Union County, North Carolina  
**Operating Indicators by Function/Program**  
 Last Six Fiscal Years

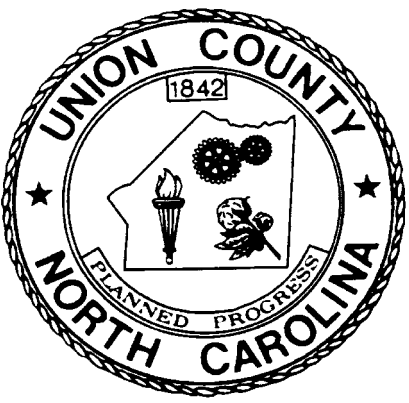
**Table 18**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Governmental activities:</b>						
General government						
Personnel						
Number of full-time employees	747	743	796	825	844	879
Number of part-time employees	165	142	145	151	174	223
Elections						
Number of registered voters	78,643	78,567	82,305	92,313	97,003	102,969
Information Systems (and GIS)						
Number of people in system	488	581	814	1,120	n/a	1,226
General Services						
Number of vehicle service requests	847	883	877	970	643	549
Public safety						
Fire Services						
Number of volunteer fire personnel	n/a	485	500	525	610	640
Inspection						
Number of inspections	3,403	3,529	4,025	4,585	5,100	4,347
Human services						
Public Health						
Number of patients	13,284	14,238	14,592	16,171	13,085	9,371
Number of visits	30,248	32,061	31,920	32,300	29,779	33,507
Social Services						
Number of client visits	n/a	n/a	34,194	34,452	n/a	37,824
Transportation and Nutrition						
Number of trips	47,408	54,475	63,996	68,023	73,345	73,725
Congregate, home delivered and supplemental meals	96,634	96,622	88,716	81,034	92,491	96,359
Veterans' Services						
Number of visitors	2,868	3,363	3,204	3,583	4,096	4,417
Number of phone calls	5,686	5,718	5,996	7,841	8,356	8,329
Cultural and recreational						
Library						
Number of volumes	181,310	194,105	180,193	214,212	200,740	229,812
Education						
Number of licensed employees	1,586	1,543	1,672	2,233	2,455	2,593
Number of students	24,149	25,680	27,031	28,815	31,580	34,564
<b>Business-type activities:</b>						
Water and Sewer						
Average daily consumption in gallons (in 000's)	6,906	6,621	7,272	7,062	8,870	11,840
Number of water service connections	20,844	24,823	26,564	28,922	32,629	36,276
Number of sewer service connections	12,173	15,546	17,028	19,246	22,732	26,113

Union County, North Carolina  
**Capital Asset Statistics by Function/Program**  
 Last Six Fiscal Years

**Table 19**

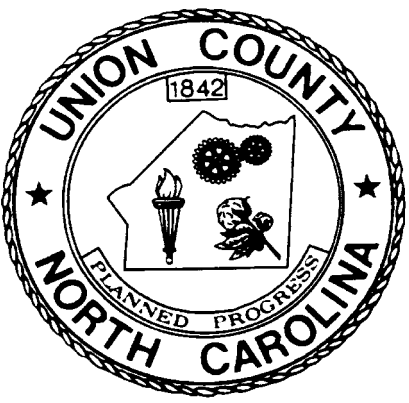
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Governmental activities:</b>						
Tax Administration						
Number of tax parcels	83,173	86,059	85,885	97,078	98,640	102,639
Elections						
Number of precincts	n/a	44	46	49	51	50
Public safety						
Law Enforcement (and AC)						
Number of stations	8	8	8	8	8	8
Number of patrol units	219	219	236	245	267	295
Fire Services						
Number of stations-main	18	18	18	18	18	18
Number of stations-sub	7	7	7	7	7	7
Cultural and recreational						
Library						
Number of libraries	4	5	5	5	5	5
Parks and Recreation						
Number of parks	3	3	3	3	3	3
Number of acres in parks	1,317	1,317	1,317	1,317	1,317	1,290
Number of acres in lakes	350	350	350	350	350	350
Education						
Number of schools	34	34	34	36	40	44
Number of classrooms	1,560	1,070	1,126	1,201	1,316	1,440
<b>Business-type activities:</b>						
Water and Sewer						
Number of fire hydrants	2,415	2,465	2,490	2,530	2,680	3,700
Miles of water mains	543	560	585	610	650	700
Miles of sewer mains	325	330	439	450	465	500



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# Compliance Section

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**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**

To the Board of Commissioners  
**Union County, North Carolina**  
Monroe, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregated remaining fund information of **Union County, North Carolina**, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 2, 2007. 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 **Union County's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

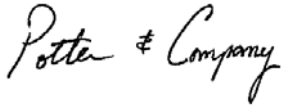
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management of Union County in a separate letter dated November 2, 2007.

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

A handwritten signature in cursive script that reads "Potter & Company".

November 2, 2007  
Monroe, North Carolina



POTTER & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Commissioners  
**Union County, North Carolina**  
Monroe, 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, 2007. **Union County's** major federal programs are identified in the summary of auditors' 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, 2007.

Internal Control Over Compliance

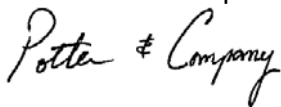
The management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Union County's** internal control 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Potter & Company".

November 2, 2007  
Monroe, North Carolina



POTTER & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Commissioners  
**Union County, North Carolina**  
Monroe, 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, 2007. **Union County's** major State programs are identified in the summary of auditors' 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; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about **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, 2007.

Internal Control Over Compliance

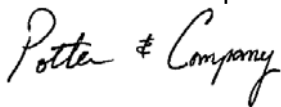
The management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered **Union County's** internal control 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Potter & Company".

November 2, 2007  
Monroe, North Carolina

**Schedule of Findings and Questioned Costs**  
 For the Fiscal Year Ended June 30, 2007

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**Section I. Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                           yes          X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses                           yes          X   none reported

Noncompliance material to financial statements noted                           yes          X   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?                           yes          X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses                           yes          X   none reported

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
93.778	Title XIX – Medicaid
93.658, 93.659	Foster Care and Adoption Cluster
66.458	Clean Water Revolving Loan
93.767	State Children's Insurance Program

Dollar threshold used to distinguish between Type A and Type B Programs                    \$   2,915,894  

Auditee qualified as low-risk auditee?                      X   yes               no

**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2007

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**Section I. Summary of Auditors' Results (continued)**

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State Awards

Internal control over major State programs:

- Material weakness(es) identified?                     yes         no
- Significant deficiency(s) identified that are  
not considered to be material weaknesses             yes         none reported

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

Any audit findings disclosed that are required to  
be reported in accordance with the State Single  
Audit Implementation Act                                     yes         no

Identification of major State programs:

- Name of State Program
- Title XIX – Medicaid
- State Children's Insurance Program

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**Section II - Financial Statement Findings**

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None reported.

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

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None reported.

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

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None reported.



**Summary Schedule of Prior Year's Audit Findings**  
For the Year Ended June 30, 2007

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**Finding: 06 - 1**

Status: Corrected.

**Finding: 06 - 2**

Status: Corrected.

**Finding: 06 - 3**

Status: Corrected.

**Finding: 06 - 4**

Status: Corrected.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2007

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS:	
U.S. DEPARTMENT OF AGRICULTURE	
Passed-through N.C. Department of Agriculture:	
Cooperative Forestry Assistance:	
Division of Forest Resources	10.664
Summer Food Service Program for Children:	
Division of Food and Nutrition Service	10.559
Food Distribution	10.550
Total Passed-through N.C. Department of Agriculture	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Administration:	
Food Stamp Cluster:	
Food Stamp Program-Direct Benefit Payments	10.551
Department of Revenue (DOR) Retention	10.551
Tax Offset Program (TOP) Retention	10.551
FS Cash Incentive Retention	10.551
State Administrative Matching Grants for the Food Stamp Program	10.561
Food Stamps Employment and Training and Dependent Care	10.561
Total Passed-through N.C. Department of Health and Human Services: 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-Client Services	10.557
Women, Infants and Children-Client Services	10.557
Women, Infants and Children-Nutrition Education	10.557
Women, Infants and Children-Nutrition Education	10.557
Women, Infants and Children-Administration	10.557
Women, Infants and Children-Administration	10.557
Women, Infants and Children-Breast Feeding	10.557
Women, Infants and Children-Breast Feeding	10.557
Women, Infants and Children-Breast Feeding Peer Counseling	10.557
Women, Infants and Children-Breast Feeding Peer Counseling	10.557
Direct Benefit Payments:	
Special Supplemental Nutrition Program for	
Women, Infants and Children	10.557
Total Passed-through N.C. Department of Health and Human Services: 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	

**Schedule 43**

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 16,954	\$ -	\$ 1,884	\$ 18,838
1575-5767-S6	118	-	-	118
	66,038	-	-	66,038
	<u>83,110</u>	<u>-</u>	<u>1,884</u>	<u>84,994</u>
	11,222,737	-	-	11,222,737
	214	-	-	214
	5,546	-	-	5,546
	4,032	-	-	4,032
	691,973	-	695,621	1,387,594
	3,850	-	3,850	7,700
	<u>11,928,352</u>	<u>-</u>	<u>699,471</u>	<u>12,627,823</u>
1540-5403-GG	81,599	-	(1,098)	80,501
1540-5403-GH	158,049	-	-	158,049
1540-5404-GG	62,681	-	(2,252)	60,429
1540-5404-GH	123,861	-	-	123,861
1540-5405-GG	15,599	-	48,214	63,813
1540-5405-GH	20,920	-	-	20,920
1540-5409-GG	6,947	-	1,662	8,609
1540-5409-GH	10,425	-	-	10,425
1540-570A-JQ	6,545	-	2,011	8,556
1540-5416-JQ	2,759	-	-	2,759
	<u>2,298,501</u>	<u>-</u>	<u>-</u>	<u>2,298,501</u>
	<u>2,787,886</u>	<u>-</u>	<u>48,537</u>	<u>2,836,423</u>
	5,287	-	-	5,287
	<u>14,804,635</u>	<u>-</u>	<u>749,892</u>	<u>15,554,527</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2007

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
U.S. DIVISION OF ENVIRONMENTAL MANAGEMENT	
Passed-through N.C. Department of Environmental and Natural Resources:	
Division of Water Quality	
Clean Water Revolving Loan	66.458
U.S. DEPARTMENT OF JUSTICE	
Office of Justice Programs:	
Disproportionate Minority Contact Implementation	16.540
Disproportionate Minority Contact Implementation	16.540
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
Homeland Security	16.607
Homeland Security	97.004
Citizens Emergency Response Team (CERT)	97.004
Citizens Emergency Response Team (CERT)	97.004
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:	
USDA Supplement	10.570
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 Administration of Aging: Aging Cluster	

**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
CS370370-09	\$ 13,500,000	\$ -	\$ -	\$ 13,500,000
090-1-06-010-AJ-279	27,768	-	-	27,768
090-1-05-010-AJ-034	6,207	-	-	6,207
	<u>33,975</u>	<u>-</u>	<u>-</u>	<u>33,975</u>
EMPG-2006-37179	18,593	-	-	18,593
HS-TE-03-1090	(3)	-	-	(3)
HS-MU-03-2090	173,581	-	-	173,581
2004-GE-T4-0014-1090	227,728	-	-	227,728
2004-GE-T4-0014-4089	7,107	-	-	7,107
	<u>427,006</u>	<u>-</u>	<u>-</u>	<u>427,006</u>
07-CT-089 Admin	110,744	6,921	20,764	138,429
07-CT-089 Capital	129,685	16,211	16,210	162,106
	<u>240,429</u>	<u>23,132</u>	<u>36,974</u>	<u>300,535</u>
	41,968	-	-	41,968
	27,342	783	-	28,125
	173,641	10,245	-	183,886
	<u>133,901</u>	<u>7,831</u>	<u>-</u>	<u>141,732</u>
	<u>376,852</u>	<u>18,859</u>	<u>-</u>	<u>395,711</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2007

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS (CONTINUED):	
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 Administration Foster Care	93.658
Title IV-E Foster Care Training	93.658
Title IV-E Foster Care Officer Training	93.658
Title IV-E Foster Care	93.658
Title IV-E Foster Care In Excess	93.658
IV-E Child Protective Services	93.658
IV-E Waiver	93.658
IV-E Waiver Foster Care	93.658
Title IV-E Adoption Training	93.659
Title IV-E Optional Adoption Training	93.659
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-Regular	93.645
Permanency Planning-Special	93.645
Adolescent Parenting	93.645
LINKS	93.674
LINKS-Independent Living/Transitional Funds	93.674
Total Division of Social Services	

**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 74,065	\$ -	\$ 16,399	\$ 90,464
	69	-	68	137
	19,661	-	6,554	26,215
	273,464	-	273,464	546,928
	119,990	33,321	33,320	186,631
	35,168	-	19,728	54,896
	211,977	105,989	105,989	423,955
	47,095	15,840	31,255	94,190
	20,011	5,643	5,644	31,298
	569	-	189	758
	57,725	-	57,724	115,449
	228,213	63,669	63,668	355,550
	<u>1,088,007</u>	<u>224,462</u>	<u>614,002</u>	<u>1,926,471</u>
	21,326	-	-	21,326
	280,840	-	181,665	462,505
	1,448,550	-	1,003,017	2,451,567
	802,320	(47)	2,360	804,633
	(120)	(33)	(32)	(185)
	3,439	-	-	3,439
	22,646	-	-	22,646
	281,808	-	48	281,856
	244,403	-	-	244,403
	12,223	-	4,074	16,297
	26,666	8,888	-	35,554
	43,439	15,623	29,127	88,189
	17,806	4,452	-	22,258
	12,987	817	-	13,804
	<u>4,306,340</u>	<u>254,162</u>	<u>1,834,261</u>	<u>6,394,763</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2007

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families (continued):	
Division of Aging and Adult Services:	
Passed-through N.C. Department of Health and Human Services:	
SSBG - In Home Services Fund	93.667
SSBG - In Home Services Over 60	93.667
SSBG - Adult Day Care	93.667
SSBG - Adult Day Care Over 60	93.667
SSBG Other Services and Training	93.667
Total Division of Aging and Adult Services	
Division of Child Development:	
Passed-through N.C. Department of Health and Human Services:	
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-Match	93.596
Child Care Development Fund-Administration	93.596
Child Care - Social Services Block Grant	93.667
Child Care Development Fund-State Match	N/A
Child Care Development -Smart Start	N/A
Child Care Development -Smart Start TANF	N/A
Child Care State Maintenance of Effort	N/A
Total Division of Child Development: Subsidized Child Care Cluster (Note 3)	
Total Administration for Children and Families	
Centers for Medicare and Medicaid Services:	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Administration:	
Adult Care Home Case Management/Special	93.778
Medical Assistance Expansion	93.778
Medical Assistance Administration	93.778
State Children's Insurance Program-N.C. Health Choice	93.767
Direct Benefit Payments:	
State Children's Insurance Program-N.C. Health Choice	93.767
Total Division of Social Services	
Division of Medical Assistance:	
Medical Assistance Program	93.778
Direct Benefit Payments:	
Medical Assistance Program	93.778
Medical Assistance Program	93.778
Total Centers for Medicare and Medicaid Services	



**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 144,778	\$ -	\$ 20,682	\$ 165,460
	4,299	-	614	4,913
	20,949	21,340	6,041	48,330
	28,365	23,654	7,431	59,450
	231,754	24,463	85,406	341,623
	<u>430,145</u>	<u>69,457</u>	<u>120,174</u>	<u>619,776</u>
	763,241	-	-	763,241
	2,069,740	-	-	2,069,740
	832,709	-	-	832,709
	715,475	396,872	-	1,112,347
	224,824	-	-	224,824
	16,548	-	-	16,548
	-	617,086	-	617,086
	-	434,318	-	434,318
	-	398,215	-	398,215
	-	554,582	-	554,582
	<u>4,622,537</u>	<u>2,401,073</u>	<u>-</u>	<u>7,023,610</u>
	<u>9,359,022</u>	<u>2,724,692</u>	<u>1,954,435</u>	<u>14,038,149</u>
	64,920	29,045	35,874	129,839
	16,384	16,384	-	32,768
	1,424,663	-	1,424,663	2,849,326
	71,902	5,952	17,948	95,802
	<u>2,545,188</u>	<u>849,302</u>	<u>-</u>	<u>3,394,490</u>
	<u>4,123,057</u>	<u>900,683</u>	<u>1,478,485</u>	<u>6,502,225</u>
	98,774	46,750	8,249	153,773
	-	64,382	-	64,382
	<u>56,165,020</u>	<u>27,561,965</u>	<u>4,947,612</u>	<u>88,674,597</u>
	<u>60,386,851</u>	<u>28,573,780</u>	<u>6,434,346</u>	<u>95,394,977</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2007

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
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:	
Preventive Health and Health Services Block Grant	93.991
Breast & Cervical Cancer	93.283
Breast & Cervical Wise Woman Project	93.919
Breast & Cervical Wise Woman Project	93.919
Child Service Coordination-MCH Services Block Grant	93.994
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Immunization Action	93.268
Immunization Action	93.268
Total Centers for Disease Control	
Health Resources and Services Administration:	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Family Planning Services Title X	93.217
Family Planning Services Title X	93.217
TANF-Family Planning	93.558
Women's Preventive Health-MCH Services Block Grant	93.994
Maternal Health	93.994
Child Health-MCH Services Block Grant	93.994
Child Health-MCH Block Grant	93.994
Total Health Resources and Services Administration	
Total U. S. Department of Health and Human Services	
U.S. ELECTION ASSISTANCE COMMISSION	
Help America Vote Act	
Passed-through N.C. State Board of Elections:	
Help America Vote Act of 2002	90.401
U.S. DEPARTMENT OF EDUCATION	
Passed-through State Department of Cultural Resources:	
State Library Program	45.310
U.S. DEPARTMENT OF THE INTERIOR	
Passed-through N.C. Department of Environment and Natural Resources:	
Parks and Recreation Trust Fund (PARTF)	15.916
Total federal awards	

**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
1551-5503-PH	\$ 2,932	\$ -	\$ 139,753	\$ 142,685
1551-310E-EK	10,888	-	58,754	69,642
1551-360C-JV	3,924	-	9,689	13,613
1551-360D-JV	20,576	-	-	20,576
1531-5318-AP	36,715	27,539	126,202	190,456
1561-2680-EQ	43,954	-	3,487	47,441
1561-2681-EW	15,706	-	-	15,706
1564-661B-EV	20,000	-	-	20,000
1570-631D-EJ	21,721	-	209,722	231,443
1570-631E-EJ	15,515	-	-	15,515
	<u>191,931</u>	<u>27,539</u>	<u>547,607</u>	<u>767,077</u>
1511-592A-FP	73,503	-	613,375	686,878
1511-592C-FP	3,413	-	-	3,413
1511-5151-TA	12,115	-	-	12,115
1505-5735-AP	37,448	28,089	-	65,537
1505-5740-AP	26,384	19,790	1,168,013	1,214,187
1505-5745-AP	21,277	15,960	915,936	953,173
1535-5351-AP	844	633	-	1,477
	<u>174,984</u>	<u>64,472</u>	<u>2,697,324</u>	<u>2,936,780</u>
	<u>70,489,640</u>	<u>31,409,342</u>	<u>11,633,712</u>	<u>113,532,694</u>
Title II	<u>129,562</u>	<u>-</u>	<u>125,092</u>	<u>254,654</u>
	<u>23,893</u>	<u>-</u>	<u>10,389</u>	<u>34,282</u>
LWCF 37-01005	<u>(6,064)</u>	<u>-</u>	<u>-</u>	<u>(6,064)</u>
	<u>99,643,076</u>	<u>31,432,474</u>	<u>12,556,059</u>	<u>143,631,609</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2007

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
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	
Health	N/A
Library	N/A
Total Passed-through North Carolina Partnership for Children, Incorporated	
Division of Aging and Adult Services:	
Aging Cluster:	
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
Total Division of Aging and Adult Services: Aging Cluster	
Division of Social Services Programs:	
AFDC Incentives	N/A
TANF Incentives	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
Work First Non-Reimbursable	N/A
Foster Care At Risk Maximization	N/A
State Foster Home	N/A
AFDC Payments and Penalties	N/A
CWS Adoption Subsidy and Vendor Payments	N/A
State/County Special Assistance For Adults	N/A
State/County Special Assistance For Adults-Direct Benefit Payments	N/A
Total Division of Social Services	

**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ -	\$ 202,020	\$ 4,351,561	\$ 4,553,581
	-	110,031	-	110,031
	-	231,276	48,471	279,747
	-	71,538	-	71,538
	-	302,814	48,471	351,285
	-	69,626	-	69,626
	-	163,853	-	163,853
	-	31,974	-	31,974
	-	33,345	-	33,345
	-	298,798	-	298,798
	-	17	-	17
	-	98	-	98
	-	181,059	-	181,059
	-	13,241	-	13,241
	-	28,623	-	28,623
	-	79,236	-	79,236
	-	-	2,380,006	2,380,006
	-	-	1,203,242	1,203,242
	-	5,714	3,211	8,925
	-	23,461	23,460	46,921
	-	33	-	33
	-	245,776	32,208	277,984
	-	-	100,500	100,500
	-	871,201	871,202	1,742,403
	-	1,448,459	4,613,829	6,062,288

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2007

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
STATE AWARDS (CONTINUED)	
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Division of Public Health:	
Aid to Counties-Health Administration	N/A
Cancer Cytology	N/A
Cardiovascular Health	N/A
Child Hood Lead Poisoning	N/A
Communicable Disease	N/A
Communicable Disease-Aids	N/A
Communicable Disease-Tuberculosis	N/A
Environmental Health	N/A
Environmental Health	N/A
Environmental Health	N/A
Interpreter Services	N/A
Women's Preventive Health	N/A
High Risk Maternity Clinics	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-ADM Fund	N/A
Public School Building Capital Fund-Lottery Fund	N/A
Total N.C. Department of Public Instruction	
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	
Rural Operating Assistance Program (ROAP)	
ROAP Elderly and Disabled Transportation Assistance	
ROAP Rural General Public Program	
ROAP Work First Transitional - Employment	
Moving Ahead Agreement	
Moving Ahead Agreement	N/A
Total N.C. Department of Transportation	

**Schedule 43**  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
1410-4110-00	\$ -	\$ 91,681	\$ 539,379	\$ 631,060
1551-5610-00	-	11,662	-	11,662
1430-4301-00	-	1,600	-	1,600
4760-1496	-	400	2,014	2,414
1451-4510-00	-	7,416	414,680	422,096
1461-4536-BN	-	12,500	11,239	23,739
1451-4551-00	-	3,810	84,831	88,641
4751-1048	-	500	1,422,084	1,422,584
4751-1327	-	6,000	-	6,000
4752-1413	-	17,636	-	17,636
1410-4181-00	-	20,000	-	20,000
1511-6017-FR	-	6,354	-	6,354
1505-5746-00	-	60,293	-	60,293
1551-5503-00	-	8,263	-	8,263
1451-4554-00	-	1,033	278	1,311
	-	<u>249,148</u>	<u>2,474,505</u>	<u>2,723,653</u>
	-	<u>2,299,219</u>	<u>7,136,805</u>	<u>9,436,024</u>
	-	3,112,131	-	3,112,131
	-	<u>1,631,368</u>	-	<u>1,631,368</u>
	-	<u>4,743,499</u>	-	<u>4,743,499</u>
290000	-	7,727	-	7,727
290001	-	199,939	-	199,939
290018	-	31,971	-	31,971
290011	-	25,884	520	26,404
290016	-	32,312	(7,812)	24,500
	-	<u>297,833</u>	<u>(7,292)</u>	<u>290,541</u>
DOT-16CL	-	90,231	-	90,231
DOT-16CL	-	149,276	-	149,276
DOT-16CL	-	18,040	-	18,040
WBS # 37854	-	8,566	-	8,566
	-	<u>266,113</u>	-	<u>266,113</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2007

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
STATE AWARDS (CONTINUED)	
N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Division of Soil and Water Conservation:	
Soil and Water Conservation	N/A
Division of Parks and Recreation:	
Parks and Recreation Trust Fund (PARTF)	N/A
Parks and Recreation Trust Fund (PARTF)	N/A
Total N.C. Department of Environment and Natural Resources	
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
	\$ -	\$ 24,320	\$ 42,470	\$ 66,790
PARTF-2004-382	-	(6,125)	-	(6,125)
PARTF-2004-383	-	203,233	-	203,233
	<u>-</u>	<u>221,428</u>	<u>42,470</u>	<u>263,898</u>
	-	2,000	221,347	223,347
	<u>-</u>	<u>8,142,143</u>	<u>11,744,891</u>	<u>19,887,034</u>
	<u>\$ 99,643,076</u>	<u>\$ 39,574,617</u>	<u>\$ 24,300,950</u>	<u>\$ 163,518,643</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2007

**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 and State awards to the county and are included on the schedule.

2. Sub-recipients:

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

Grantor/Pass Through Grantor/Program Title	Pass- Through Grantor's Number	State Expen- ditures
<b>N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION</b>		
Juvenile Crime Prevention Council	290000	\$ 7,727
Positive Impact	290001	199,939
United Family Services	290018	31,971
Shelter Care	290011	25,884
Community Support Services	290016	32,312
		<u>\$ 297,833</u>
<b>N.C. DEPARTMENT OF CORRECTIONS</b>		
Division of Community Corrections:		
Criminal Justice Partnership Program	n/a	\$ 100,031

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

- Food Stamp
- Subsidized Child Care
- Foster Care and Adoption

4. Inception to date information:

Grant	Project	Federal CFDA Number	Pass- Through Grantor's Number	Total Grant Commitment	Expenditures			
					Federal	State	Local	Total
SRF	12M Creek WWTP Expansion to 6MGD	66.458	CS370370-09	\$ 15,000,000	\$ 13,500,000	\$ -	\$ 7,150,341	\$ 20,650,341