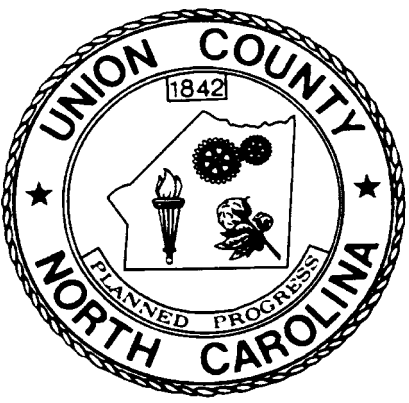




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008**



Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2008

Prepared by
Finance Department



Union County, North Carolina
Table of Contents

| | <u>Exhibit</u> | <u>Page No.</u> |
|---|----------------|-----------------|
| INTRODUCTORY SECTION | | |
| Letter of Transmittal | | 3 |
| List of Principal Officials | | 8 |
| Organizational Chart | | 9 |
| FINANCIAL SECTION | | |
| INDEPENDENT AUDITORS' REPORT | | 13 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | | 15 |
| BASIC FINANCIAL STATEMENTS: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets | A | 28 |
| Statement of Activities | B | 29 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | C | 30 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | D | 31 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | E | 32 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | F | 33 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | G | 34 |
| Statement of Net Assets - Proprietary Funds | H | 35 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds | I | 36 |
| Statement of Cash Flows - Proprietary Funds | J | 37 |
| Statement of Fiduciary Net Assets - Fiduciary Funds | K | 38 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Fund - Pension Trust Fund - Special Separation Allowance Fund | L | 39 |
| Notes to the Financial Statements | | 41 |
| REQUIRED SUPPLEMENTARY INFORMATION: | | |
| Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress | M | 80 |
| Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions | N | 81 |
| Other Postemployment Healthcare and Dental Benefits - Required Supplementary Information - Schedule of Funding Progress | O | 82 |
| Other Postemployment Healthcare and Dental Benefits - Required Supplementary Information - Schedule of Employer Contributions | P | 83 |

Union County, North Carolina
Table of Contents

| | <u>Schedule</u> | <u>Page No.</u> |
|--|-----------------|-----------------|
| FINANCIAL SECTION (CONTINUED) | | |
| COMBINING AND INDIVIDUAL FUND STATEMENTS: | | |
| Combining Balance Sheet - Nonmajor Governmental Funds | 1 | 86 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 2 | 87 |
| Combining Balance Sheet - Nonmajor Special Revenue Funds | 3 | 88 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds | 4 | 90 |
| Combining Balance Sheet - Nonmajor Capital Project Funds | 5 | 92 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds | 6 | 93 |
| Combining Statement of Net Assets - Internal Service Funds | 7 | 94 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds | 8 | 95 |
| Combining Statement of Cash Flows - Internal Service Funds | 9 | 97 |
| Combining Statement of Fiduciary Assets and Liabilities - Agency Funds | 10 | 98 |
| GENERAL FUND | | |
| Comparative Balance Sheets | 11 | 103 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 12 | 104 |
| SPECIAL REVENUE FUNDS | | |
| Springs Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 13 | 109 |
| Waxhaw Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 14 | 110 |
| Hemby Bridge Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 15 | 111 |
| Stallings Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 16 | 112 |
| Wesley Chapel Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 17 | 113 |
| Fee Supported Fire Districts Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 18 | 114 |
| Emergency Telephone System Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 19 | 115 |
| General Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 20 | 116 |

Union County, North Carolina
Table of Contents

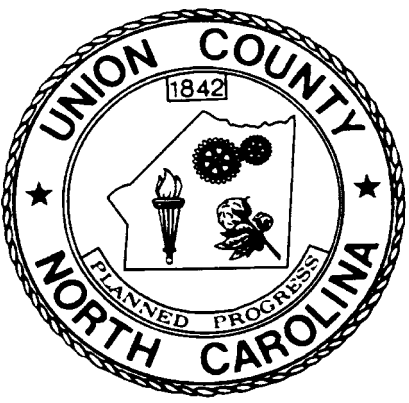
| | <u>Schedule</u> | <u>Page No.</u> |
|--|-----------------|-----------------|
| FINANCIAL SECTION (CONTINUED) | | |
| COMBINING AND INDIVIDUAL FUND STATEMENTS (CONTINUED): | | |
| DEBT SERVICE FUND | | |
| Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance | 21 | 119 |
| CAPITAL PROJECT FUNDS | | |
| General Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 22 | 122 |
| Library Capital Reserve Fund - Schedule of Revenues and Changes in Fund Balance | 23 | 124 |
| Library Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 24 | 125 |
| School Bond Fund-55 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 25 | 126 |
| ENTERPRISE FUNDS | | |
| Water and Sewer Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 26 | 130 |
| Water and Sewer Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP) | 27 | 131 |
| Water and Sewer Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis | 28 | 134 |
| Solid Waste Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 29 | 135 |
| Solid Waste Capital Reserve Fund - Schedule of Revenues (Non-GAAP) | 30 | 136 |
| Solid Waste Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis | 31 | 137 |
| Stormwater Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 32 | 138 |
| INTERNAL SERVICE FUNDS | | |
| Health Benefits Fund - Schedule of Revenues and Expenditures (Non-GAAP) | 33 | 140 |
| Workers' Compensation Fund - Schedule of Revenues and Expenditures (Non-GAAP) | 34 | 141 |
| Property and Casualty Fund - Schedule of Revenues and Expenditures (Non-GAAP) | 35 | 142 |
| FIDUCIARY FUNDS | | |
| Special Separation Allowance Fund - Schedule of Revenues, Expenses and Changes in Fiduciary Net Assets - Pension Trust Fund | 36 | 145 |
| Agency Funds - Combining Statement of Changes in Assets and Liabilities | 37 | 146 |

Union County, North Carolina
Table of Contents

| | Schedule/ Table | Page No. |
|---|--------------------|----------|
| FINANCIAL SECTION (CONTINUED) | | |
| ADDITIONAL FINANCIAL DATA | | |
| Schedule of Ad Valorem Taxes Receivable - General Fund | 38 | 150 |
| Analysis of Current Tax Levy - County-wide Levy | 39 | 151 |
| STATISTICAL SECTION | | |
| Net Assets by Component | 1 | 154 |
| Changes in Net Assets | 2 | 155 |
| Fund Balances of Governmental Funds | 3 | 156 |
| Changes in Fund Balances of Governmental Funds | 4 | 156 |
| Assessed Value of Taxable Property | 5 | 158 |
| Estimated Actual Value of Taxable Property | 6 | 158 |
| Property Tax Rates - Direct and Overlapping Governments (Per \$100 of Assessed Value) | 7 | 159 |
| Construction Information | 8 | 159 |
| Principal Property Taxpayers | 9 | 160 |
| Property Tax Levies and Collections | 10 | 160 |
| Ratios of Outstanding Debt by Type | 11 | 161 |
| Legal Debt Margin Information | 12 | 162 |
| Pledged Revenue Coverage per Revenue Bond Indenture - Water and Sewer Bonds | 13 | 164 |
| Pledged Revenue Coverage - Water and Sewer Bonds | 14 | 164 |
| Demographic and Economic Statistics | 15 | 166 |
| Principal Employers | 16 | 166 |
| Full-time Equivalent Governmental Employees by Function/Program | 17 | 167 |
| Operating Indicators by Function/Program | 18 | 168 |
| Capital Asset Statistics by Function/Program | 19 | 169 |
| COMPLIANCE SECTION | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | | 173 |
| 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 | | 175 |
| 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 | | 177 |

Union County, North Carolina
Table of Contents

| | <u>Schedule</u> | <u>Page No.</u> |
|--|-----------------|-----------------|
| COMPLIANCE SECTION (CONTINUED) | | |
| Schedule of Findings, Questioned Costs and Corrective Action Plans | 40 | 179 |
| Summary Schedule for Prior Year's Audit Findings | 41 | 185 |
| Schedule of Expenditures of Federal and State Awards | 42 | 186 |



Introductory Section





UNION COUNTY FINANCE DEPARTMENT

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

November 20, 2008

The Board of County Commissioners
Al Greene, 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, 2008.

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, 2008, 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 at the fund level for the special revenue, debt service, 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. In most cases, 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 substantial completion of Interstate 485 which surrounds 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, during the fiscal period ending June 30, 2008, continues to perform well as measured by unemployment rates, labor force growth and median family income. However, the County's economy during the second half of fiscal year 2008 reflects a deterioration of a number of economic measures including a slowing construction housing industry, lower retail sales growth, and increasing unemployment rates. The County's diverse economic base and the interdependence of the Charlotte-Gastonia-Concord MSA are major factors that mitigate the severity of the economic downturn that the County began to experience during the second half of fiscal year 2008.

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 2008 declined over fiscal year 2007's levels, but reflect sustainable long-term growth levels.

Long-term financial planning. Union County's population grew by 47% from 1990-2000, reaching 123,677 in 2000. From 2000 to 2007, the population increased by 47% to 182,380. The North Carolina State Demographics Unit expects the County's population to grow another 14% or 25,358 between 2007 and 2010, reaching 207,738 by the year 2010. Public school enrollment, currently at approximately 37,900, is projected to increase to approximately 41,200, or 8.7% by 2010. The County's utility system has been adding an average of approximately 3,000 new water connections over the past several years. However, in fiscal year 2008, reflecting a decline in new housing starts, the utility system added about 1,900 new water connections. Residential building permits and new construction values reached record high levels in fiscal year 2006, declined in fiscal year 2007 and 2008, and are expected to reflect further reductions in 2009 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 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 completed the annual update to its tax-supported CIP in September 2008 for the fiscal period 2009-2013. The County CIP totals \$505.9 million with \$353.7 for its public schools and \$152.2 for County programs including SPCC.

The UCPS CIP is anticipated to be funded with approximately \$84.3 million from current revenues, contributed capital and reserves with the balance of \$269.4 million funded through the issuance of general obligation debt or installment financings. Of the \$269.4 million, \$64.5 million is comprised of authorized general obligation debt capacity with the balance of \$204.9 million in unauthorized debt. It is expected that a portion of the unauthorized debt will come from both future voter authorizations and the issuance of installment financing debt. The County anticipates issuing its \$64.5 million general obligation school bonds December 2008 and deferring additional financing decisions regarding the \$204.9 million in unauthorized debt to the Spring of 2009.

The CIP component related to County programs totals \$152.2 million. The projects and amount are anticipated to be funded through issuance of installment financings. Projects include a public safety radio communications system (\$11.7 million), SPCC instructional facilities (\$26 million), libraries (\$10 million), detention and other public safety facilities (\$76.5 million) and parks and recreation (\$23.3 million). The County anticipates the issuance of an installment financing for the radio communications project in the Spring of 2009 and will evaluate at that time the potential for issuing debt to finance the SPCC instructional facilities and libraries.

The County anticipates updating the utility financial feasibility study, to include the capital improvement program, by the end of fiscal year 2009. 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 2009 in an aggregate amount of at least \$20 million during the last quarter of fiscal year 2009 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 and June 26, 2008) to effectively change the County's interest rate on the Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 to a synthetic fixed rate of 3.82%, 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 implemented water conservation rate structures, in effective during periods of water use restrictions, that are designed to curtail irrigation use.

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, 2008, the County earned an equivalent of 5.4 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 2008. The County's key financial ratios relating to debt are summarized in the following table.

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Value | \$ 17,475,253,325 | \$ 16,065,515,920 | \$ 14,495,811,643 | \$ 13,472,966,225 | \$ 10,808,933,701 |
| Net Tax Supported Debt | \$ 539,952,268 | \$ 337,319,676 | \$ 270,398,650 | \$ 284,072,400 | \$ 174,171,686 |
| Net Tax Supported Debt as a Percentage of Assessed Value | 3.09% | 2.10% | 1.87% | 2.11% | 1.61% |
| Debt Service as a Percent of Expenditures | 19.8% | 15.0% | 14.1% | 11.3% | 12.3% |
| Population | 182,380 | 170,685 | 160,048 | 150,896 | 143,948 |
| Debt per Capita | \$ 2,960.59 | \$ 1,976.27 | \$ 1,689.48 | \$ 1,882.57 | \$ 1,209.96 |
| Available Fund Balance as a Percent of General Fund Expenditures | 16.5% | 18.8% | 21.6% | 35.5% | 38.1% |

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.

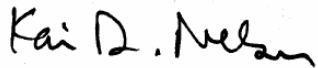
Pension plans. County employees are required to participate in one of several multiple-employer, defined benefit pension plans administered by the State of North Carolina. In addition to the pension plan administered by the State, the County administers a single-employer defined benefit plan, a supplemental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

Each County department's strong commitment to the goals, vision and mission statements of the County are reflected in their provision of services to the residents of Union County. We appreciate the

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

We also wish to express appreciation to the Board of County Commissioners and County Manager Al Greene 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, 2008

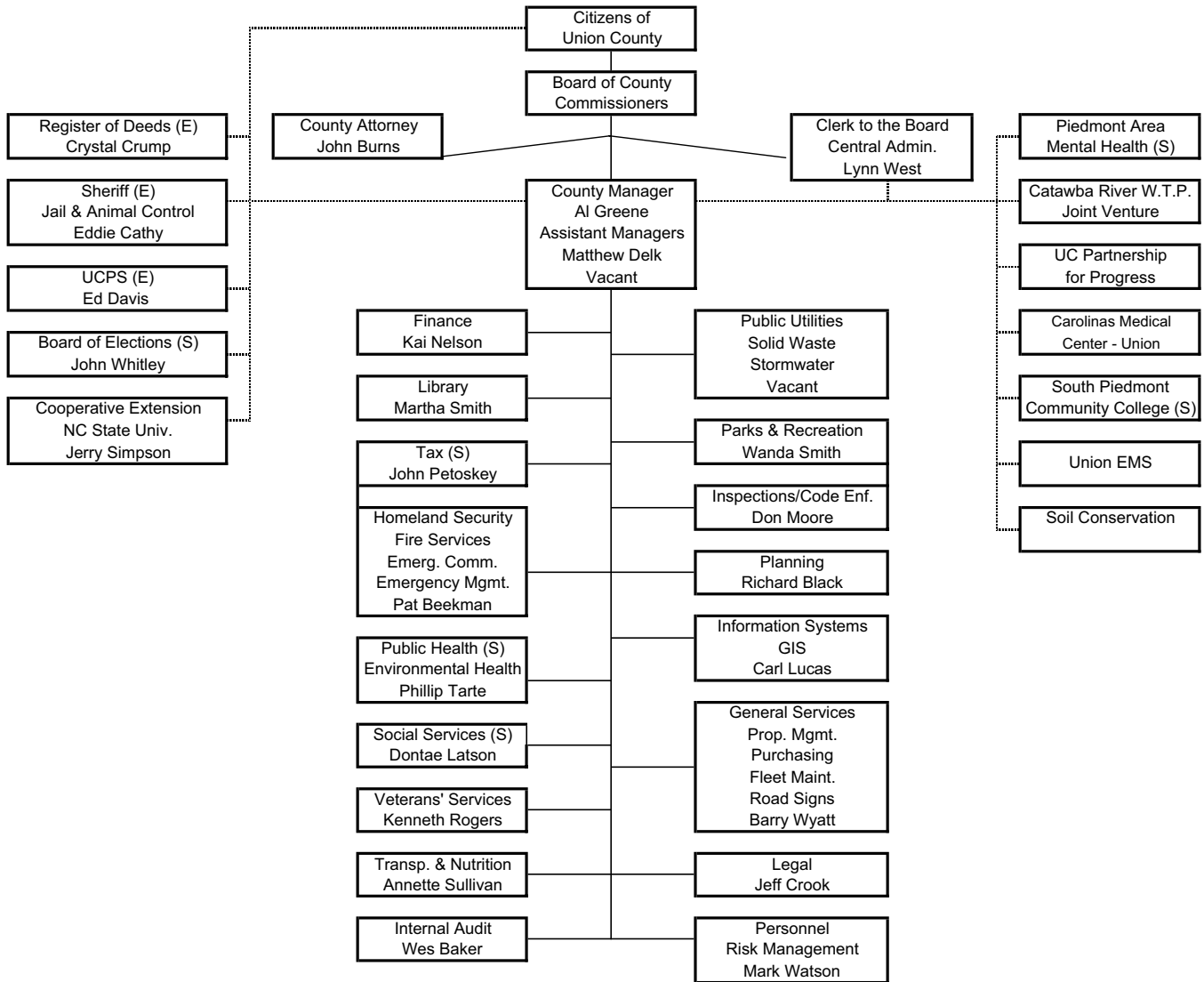
Board of County Commissioners

Allan Baucom - Chairman
Kevin Pressley, Vice-Chairman
Roger Lane
Parker Mills
Alan (Lanny) Openshaw

County Officials

| | |
|------------------|--|
| Al Green | County Manager |
| Matthew Delk | Assistant County Manager |
| Kai Nelson | Finance Director |
| Lynn G. West | Clerk to the Board |
| Gary Thomas | Communications Director |
| Jerry Simpson | Cooperative Extension Service Director |
| John Burns | County Attorney |
| John Whitley | Elections Director |
| David Cunningham | Environmental Health Director |
| Barry Wyatt | General Services Director |
| Patrick Beekman | Homeland Security/Fire 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 |
| Phillip Tarte | Public Health Director |
| Vacant | Public Works Director |
| Crystal Crump | Register of Deeds |
| Eddie Cathey | Sheriff |
| Dontae Latson | Social Services Director |
| Jeff Crook | Staff Attorney |
| John Petoskey | Tax Administrator |
| Annette Sullivan | Transportation/Nutrition Director |
| Kenneth Rogers | Veterans' Service Director |

Union County, North Carolina Organizational Chart

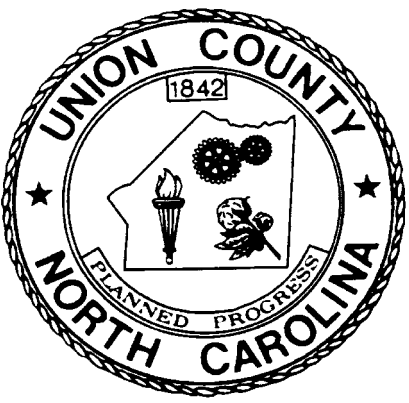


(S) Statutory Appt. Board
(E) Elected Agency

Updated: Sept. 18, 2008



Financial Section





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, 2008, 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.

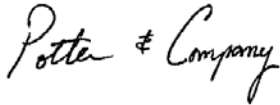
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union County, North Carolina** as of June 30, 2008, 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 20, 2008 on our consideration of **Union County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the Law Enforcement Special Separation Allowance and Other Postemployment Benefits (OPEB) - Health Care and Dental Benefits 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.

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 applied in our audit of the basic financial statements, and, accordingly, we express no opinion on them.

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

November 20, 2008
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, 2008. 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 3-7 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 \$117,664,361 (net assets), a decline of \$72,104,821 from the prior fiscal year.
- The total net assets of governmental activities was a deficit \$352,513,653 an increase of \$92,327,962 from the prior year's deficit amount of \$260,185,691, 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 \$122,126,503, an increase of \$111,305,378 in comparison with the prior year. The increase is mainly attributable to the discharge of general obligation bond anticipation notes that were reflected as a part of the current portion of governmental funds' long-term obligations on the statement of net assets in the prior year in the amount of \$83.5 million relating to school debt for school facilities' construction. When the notes were discharged with general obligation bonds in fiscal year 2008, they were reflected as other financing sources and long-term obligations in the statement of net assets. Approximately \$29.0 million is available for spending at the government's discretion (unreserved and undesignated fund balance) in the General Fund.
- At the end of the current fiscal year, the unreserved and undesignated portion of fund balance for the General Fund was \$28,960,040, or 13.5 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt increased by \$114,585,657 (23.3%) during the current fiscal year with the net increase attributable to the issuance of general obligation bonds and general obligation bond anticipation notes net of the current year's discharge of general obligation bond anticipation notes and 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 2008.

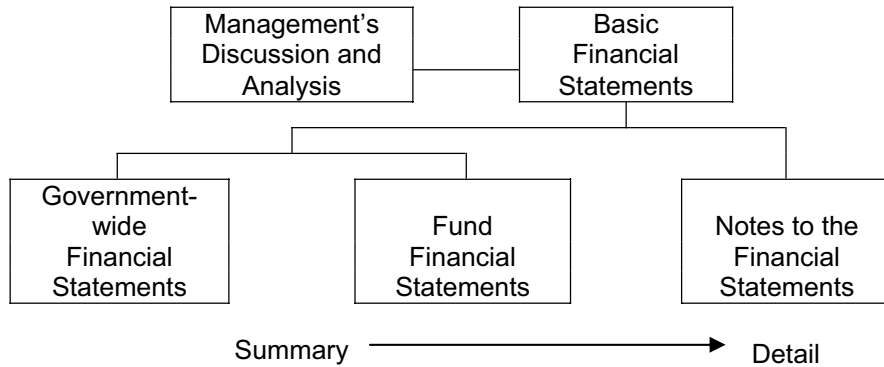
Overview of the Financial Statements

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 and postemployment healthcare and dental benefits 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 41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Union County's progress in funding its obligation to provide pension benefits to its employees and postemployment healthcare and dental benefits to its retired employees. Required supplementary information can be found beginning on page 80 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 86-147 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 following figure depicts the County's net assets for fiscal year 2008 and provides comparative data, including the percentage change, from fiscal year 2007.

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

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--|-------------------------|-------------------------|--------------------------|-----------------------|-------------------------|------------------------|-------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-2008 |
| | | | | | | | |
| Current and other assets | \$ 154,799,563 | \$ 121,846,068 | \$ 93,528,554 | \$ 85,348,915 | \$ 248,328,117 | \$ 207,194,983 | 19.85% |
| Capital assets | 67,263,413 | 64,017,783 | 214,861,390 | 206,872,895 | 282,124,803 | 270,890,678 | 4.15% |
| Total assets | <u>222,062,976</u> | <u>185,863,851</u> | <u>308,389,944</u> | <u>292,221,810</u> | <u>530,452,920</u> | <u>478,085,661</u> | 10.95% |
| Long-term debt outstanding | 539,952,268 | 420,814,676 | 66,387,573 | 70,939,508 | 606,339,841 | 491,754,184 | 23.30% |
| Other liabilities | 34,624,361 | 25,234,867 | 7,153,079 | 6,656,151 | 41,777,440 | 31,891,018 | 31.00% |
| Total liabilities | <u>574,576,629</u> | <u>446,049,543</u> | <u>73,540,652</u> | <u>77,595,659</u> | <u>648,117,281</u> | <u>523,645,202</u> | 23.77% |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | 43,813,345 | 38,919,642 | 156,680,551 | 144,908,774 | 200,493,896 | 183,828,416 | 9.07% |
| Restricted | 49,900,699 | 11,514,884 | 2,885,491 | 2,842,695 | 52,786,190 | 14,357,579 | 267.65% |
| Unrestricted | <u>(446,227,697)</u> | <u>(310,620,218)</u> | <u>75,283,250</u> | <u>66,874,682</u> | <u>(370,944,447)</u> | <u>(243,745,536)</u> | 52.19% |
| Total net assets | <u>\$ (352,513,653)</u> | <u>\$ (260,185,692)</u> | <u>\$ 234,849,292</u> | <u>\$ 214,626,151</u> | <u>\$ (117,664,361)</u> | <u>\$ (45,559,541)</u> | 158.27% |

The liabilities of Union County exceeded assets by \$117,664,361 as of June 30, 2008. The County's net assets decreased by \$72,104,821 for the fiscal year ended June 30, 2008. 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 \$52,786,190 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 \$370,944,447 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 \$446,227,697 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, 2008, \$518,447,398 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 \$41,832,499 of unspent bond proceeds, \$1,907,399 of accounts receivable and \$12,051,967 of liabilities payable from bond proceeds at June 30, 2008 for school and community college systems' capital projects. The outstanding amount of this debt of \$518.4 million and the liabilities payable of \$12.1 million have been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$446,227,697 for this category of net assets. The outstanding amount of this debt of \$518.4 million and liabilities payable of \$12.1 million net of unspent bond proceeds of \$41.8 million and the receivable of \$1.9 million represent a portion of the amount reported as a net reduction of net

assets for governmental activities, resulting in a deficit balance of \$352,513,653 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 \$42,439,169 and total net assets would be a positive \$134,245,814.

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 2007-2008 |
|---|-------------------------|-------------------------|--------------------------|-----------------------|-------------------------|------------------------|-----------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 14,269,187 | \$ 17,601,471 | \$ 28,634,402 | \$ 30,332,905 | \$ 42,903,589 | \$ 47,934,376 | -10.50% |
| Operating grants and contributions | 26,588,424 | 24,669,535 | 230,170 | 236,132 | 26,818,594 | 24,905,667 | 7.68% |
| Capital grants and contributions | 660,626 | 336,940 | 19,989,669 | 26,878,466 | 20,650,295 | 27,215,406 | -24.12% |
| General revenues: | | | | | | | |
| Property taxes | 127,405,534 | 105,339,399 | - | - | 127,405,534 | 105,339,399 | 20.95% |
| Other taxes | 41,054,538 | 41,633,056 | - | - | 41,054,538 | 41,633,056 | -1.39% |
| Grants and contributions not restricted to specific programs | 108,755 | 93,312 | - | - | 108,755 | 93,312 | 16.55% |
| Other | 10,071,279 | 7,008,284 | 3,577,404 | 2,976,257 | 13,648,683 | 9,984,541 | 21.68% |
| Total revenues | 220,158,343 | 196,681,997 | 52,431,645 | 60,423,760 | 272,589,988 | 257,105,757 | 5.44% |
| Expenses: | | | | | | | |
| General government | 15,436,928 | 12,086,962 | - | - | 15,436,928 | 12,086,962 | 27.72% |
| Public safety | 34,470,213 | 31,462,968 | - | - | 34,470,213 | 31,462,968 | 9.56% |
| Economic and physical development | 2,287,932 | 1,872,376 | - | - | 2,287,932 | 1,872,376 | 22.19% |
| Human services | 40,185,620 | 37,498,643 | - | - | 40,185,620 | 37,498,643 | 7.17% |
| Cultural and recreational | 7,217,315 | 6,548,274 | - | - | 7,217,315 | 6,548,274 | 10.22% |
| Education | 189,941,022 | 216,024,115 | - | - | 189,941,022 | 216,024,115 | -12.07% |
| Interest and fees on long term debt | 22,947,274 | 14,991,616 | - | - | 22,947,274 | 14,991,616 | 53.07% |
| Water and sewer | - | - | 26,223,999 | 25,381,231 | 26,223,999 | 25,381,231 | 3.32% |
| Solid waste | - | - | 4,271,774 | 4,084,887 | 4,271,774 | 4,084,887 | 4.58% |
| Stormwater | - | - | 213,187 | 38,162 | 213,187 | 38,162 | n/a |
| Total expenses | 312,486,304 | 320,484,954 | 30,708,960 | 29,504,280 | 343,195,264 | 349,989,234 | -1.94% |
| Increase (decrease) in net assets before transfers and extraordinary item | (92,327,961) | (123,802,957) | 21,722,685 | 30,919,480 | (70,605,276) | (92,883,477) | -23.99% |
| Transfers | - | (300,000) | - | 300,000 | - | - | - |
| Extraordinary item (see Note 11) | - | - | (1,499,544) | - | (1,499,544) | - | - |
| Increase (decrease) in net assets | (92,327,961) | (124,102,957) | 20,223,141 | 31,219,480 | (72,104,820) | (92,883,477) | -22.37% |
| Net assets, July 1 | (260,185,692) | (136,082,735) | 214,626,151 | 183,406,671 | (45,559,541) | 47,323,936 | -196.27% |
| Net assets, June 30 | \$ (352,513,653) | \$ (260,185,692) | \$ 234,849,292 | \$ 214,626,151 | \$ (117,664,361) | \$ (45,559,541) | 158.27% |

Governmental activities: Governmental activities decreased the County's net assets by \$92,327,961 compared with the prior year's decrease of \$124,102,956. Key elements of the reduction in net asset decline in the amount of \$31,774,995 when compared to the prior year are as follows:

- Increased Debt Service (\$8.0 million – interest and debt related expenses primarily attributable to schools), General Government (\$3.3 million – personnel, legal expenses), Public Safety (\$3.0 million – personnel and depreciation of assets) and Human Services (\$2.7 million – personnel, public assistance and depreciation of assets) contributed to the decline in net

assets. A reduction in Education expenses of \$26.1 million (school facilities and current expense) over the prior period mitigated the other increased expenses to a net reduction of \$8.0 million for governmental activities.

- These decreased expenses were partially offset by an increase in revenue collected from property taxes of \$22.1 million due to a tax rate increase from 63.67 to 71.11 cents. The “other” category of revenues increased in the amount of \$3.1 million due in part to unrestricted investment earnings increase of \$3.3 million during the year due to an overall higher rate of return on investments. Also, operating grants and contributions increased by approximately \$1.9 million with a majority of the increase occurring in health and human services (\$1.2 million and) and Public Safety (\$0.6 million). These increased revenues were offset by a decline in charges for services of \$3.3 million (\$3.2 million due to decline in building inspection fees).

Business-type activities: Net assets in the Business-type activities totaled \$234,849,292 at year end representing an increase of \$20,223,141 or 9.4 percent over fiscal year 2007’s \$214,626,151. Solid Waste services had a decline in net assets of \$1,039,960 principally due to an extraordinary expense in connection with closure and post closure activities, Stormwater services had a decline of \$49,396 and Water and Sewer services had an increase in net assets of \$21,312,497. 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.

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 \$28,960,040, while total fund balance was \$54,107,467. 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 13.5 percent of total General Fund expenditures and other financing uses, while total fund balance represents 25.3 percent of that same amount.

At June 30, 2008, the governmental funds of the County reported a combined fund balance of \$122,126,503, a 1,028.6 percent increase or \$111.3 million from last year. The primary reason for this increase is the discharge of \$83.5 million of general obligation bond anticipation notes and an increase in the unspent general obligation bond proceeds in the amount of \$40.7 million both relating to school construction. The general obligation bond anticipation notes were reflected as a part of the current portion of long-term obligations on the balance sheet in fiscal year 2007 and are reflected as other financing sources upon the discharge of the notes in fiscal year 2008. Approximately \$29.0 million is available for spending at the government’s discretion (*unreserved and undesignated fund balance*) in the General Fund with a positive \$0.7 million in the remaining Governmental Funds.

General Fund Budgetary Highlights: County ad valorem revenues continue to reflect robust, but declining growth, due to the local housing construction market attributable to the proximity of the County to the Charlotte MSA. Fiscal year 2008 revenues and other financing sources reflect continued improvement over fiscal year 2007 while fiscal year 2008 expenditures and other financing uses reflect significant increases when compared to fiscal year 2007.

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 \$4,573,788 or 2.1%. 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 2007.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$36,348 consisting of favorable investment earnings (\$5.2 million) net of declines in permits and fees (\$2.6 million), intergovernmental grants and contributions (\$2.0 million), local option sales taxes (\$0.9 million). Actual expenditures were under the final budget by \$8,282,415 with the majority of the positive variances occurring in Human Services and Public Safety. Actual fund balance increased by \$2.8 million compared to the final budgeted use of \$8.0 million.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year totaled \$4,827,774, the Stormwater Fund totaled \$32,914 and those for the Water and Sewer Fund totaled \$70,723,296. The total change in net assets for these funds was a decrease of \$1,041,199, decrease of \$48,658 and an increase of \$21,294,909, respectively. The decrease in Solid Waste net assets is attributable to an extraordinary expense in connection with closure and post closure activities while the 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.

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, 2008, totaled \$282,124,803 (net of accumulated depreciation), an increase of \$11,234,125 over the prior year's amount of \$270,890,678. These assets include land, buildings, equipment, plants and utility infrastructure.

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles and related mobile data equipment
- Began the acquisition and installation of the CAD/RMS communications system
- Continuation of construction related to various Government Facility renovations
- Continuation of design costs associated with Jail Expansion
- Continued purchase and replacement of parks and recreation facilities and various park land improvements

- Completion of construction of the Twelve Mile Creek Wastewater Treatment Plant expansion project from 2.5 million gallons per day (MGD) to 6.0 MGD
- Completion of construction of wastewater pumping station and forcemain in connection with West Union School
- Completion of construction of 19,000 linear feet of water mains in connection with Secret Short Cut Road project
- Began engineering and design services in connection with the pump stations and additional water main capacity to supply the eastern side of the County with up to 4.0 MGD of water from Anson County
- Receipt of contributed capital consisting of approximately \$10.1 million for water and sewer distribution and collection systems

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

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2007-2008 |
|--------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| | Land | \$ 4,131,922 | \$ 4,131,922 | \$ 1,474,616 | \$ 1,474,616 | \$ 5,606,538 | |
| Construction in progress | 4,956,162 | 5,833,118 | 5,109,164 | 25,318,421 | 10,065,326 | 31,151,539 | -67.69% |
| Other improvements | 4,630,351 | 2,629,647 | 756,406 | 796,390 | 5,386,757 | 3,426,037 | 57.23% |
| Buildings | 44,634,028 | 43,678,385 | 1,092,916 | - | 45,726,944 | 43,678,385 | 4.69% |
| Furniture and equipment | 6,247,165 | 5,506,682 | 1,245,631 | 914,392 | 7,492,796 | 6,421,074 | 16.69% |
| Vehicles | 2,663,785 | 2,238,029 | 762,764 | 800,540 | 3,426,549 | 3,038,569 | 12.77% |
| Plant and collection systems | - | - | 120,464,395 | 95,389,656 | 120,464,395 | 95,389,656 | 26.29% |
| Plant and distribution systems | - | - | 83,955,498 | 82,178,880 | 83,955,498 | 82,178,880 | 2.16% |
| | <u>\$ 67,263,413</u> | <u>\$ 64,017,783</u> | <u>\$ 214,861,390</u> | <u>\$ 206,872,895</u> | <u>\$ 282,124,803</u> | <u>\$ 270,890,678</u> | 4.15% |

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, 2008, the County had total debt outstanding of \$606,339,841. General obligation debt, both long and short term, secured by the full faith and credit of the County, totaled \$435,109,810, an increase of \$122,134,338 million from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$171,230,031, a decrease of \$7,548,681. 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 2007-2008 |
|-----------------------------------|--------------------------|-----------------------|--------------------------|----------------------|----------------------|-----------------------|--------------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| | General obligation bonds | \$ 428,597,211 | \$ 220,523,231 | \$ 6,512,599 | \$ 8,957,241 | \$ 435,109,810 | |
| G.O. C.P. bond anticipation notes | - | 83,495,000 | - | - | - | 83,495,000 | n/a |
| Certificates of participation | 111,297,974 | 116,677,090 | - | - | 111,297,974 | 116,677,090 | -4.61% |
| Installment financing | 57,083 | 119,355 | - | - | 57,083 | 119,355 | -52.17% |
| Revenue bonds | - | - | 44,271,704 | 46,145,300 | 44,271,704 | 46,145,300 | -4.06% |
| Other | - | - | 15,603,270 | 15,836,967 | 15,603,270 | 15,836,967 | -1.48% |
| | <u>\$539,952,268</u> | <u>\$ 420,814,676</u> | <u>\$ 66,387,573</u> | <u>\$ 70,939,508</u> | <u>\$606,339,841</u> | <u>\$ 491,754,184</u> | 23.30% |

The County's total net debt increased by \$114,585,657 or 23.3 percent during the past fiscal year.

The County's most recent long term general obligation bond ratings, affirmed in connection with the County's General Obligation Bonds, Series 2007, 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 \$804,614,742. The County has \$64,500,000 in bonds authorized but unissued at June 30, 2008.

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

Economic Factors and Next Year's Budgets and Rates

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

| Indicator | Union County | North Carolina |
|---|---------------------|-----------------------|
| Population Increase 1990-2000 | 46.9% | 21.4% |
| Population Increase 2000-2007 | 47.5% | 12.7% |
| Projected Population Increase 2007-2010 | 13.9% | 4.8% |
| Unemployment Rate (2007) | 4.0% | 4.7% |
| Unemployment Rate (07/2008) | 6.2% | 6.9% |
| Per Capita Personal Income (2006) | \$30,898 | \$32,247 |
| 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, 2009

Governmental Activities: The General Fund budget for the fiscal year ending June 30, 2009 totals \$237.4 million, which is an increase of \$15.2 million or 6.8% over the final amended budget for the fiscal year ended June 30, 2008 in the amount of \$222.2 million.

The single largest amount of the increase is attributable to education expenditures which total \$80.7 million in 2009 compared to 2008's \$72.3 million; an increase of \$8.4 million or 11.60%. 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 2008-09 academic year when 2,300 additional students are projected for enrollment. Total student enrollment is anticipated to be 40,212, representing an increase of 6.1% over the previous year.

Debt service expenditures total \$52.0 million for fiscal year 2009, representing an increase of \$8.9 million or 20.6% over fiscal year's final budget amount of \$43.1 million. The increase in debt

service for fiscal year 2009 is attributable to a full year of interest expense associated with the \$130,730,000 Variable Rate General Obligation Bonds, Series 2007A-D; the commencement of principal amortization in connection with the \$90,000,000 General Obligation School Bonds, Series 2007D; interest expense associated with the anticipated issuance of \$64.5 million in General Obligation School Bonds, Series 2009; and principal and interest costs associated with the anticipated issuance of an installment financing agreement for a radio communication project.

These two increases, current expenses for education and debt service costs, totaling \$17.3 million are the major factors contributing to the overall increase in the County's 2009 budget as compared to the 2008 budget.

Operating revenues contained in the budget for fiscal year 2009 are \$231.6 million as compared to 2008's final budget amount of \$212.1 million; an increase of \$19.6 million. About \$24.8 million of the increase occurs in the ad valorem revenue category. The increase in ad valorem taxes is attributable to construction growth in the property assessment of 7% and an effective tax rate increase of 6.14 cents per \$100 over the revaluation revenue neutral rate of 60.36 for fiscal year 2009 (fiscal years 2009 tax rate is 66.50 cents compared to 2008's 71.11 cents). The majority of the tax rate increase is principally attributable to school current expense and debt service costs. The overall revenue increase of \$19.6 million cited above is offset by declines in anticipated permits and fees of \$3.7 million due to slowing construction growth and lower anticipated local option sales tax revenue of \$0.9 million. The decline in local option sales tax revenue is due to slowing retail sales growth, population growth, and a portion of Article 44 ½ cents being ceded to the State during fiscal year 2009 as a part of the State's Medicaid relief program.

The fiscal year 2009 budget appropriates \$5.8 million from fund balance as compared to the 2008's original fund balance appropriation of \$5.8 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 completed the annual update to its tax-supported CIP in September 2008 for the fiscal period 2009-2013. The County CIP totals \$505.9 million with \$353.7 for its public schools and \$152.2 for County programs including SPCC.

The UCPS CIP is anticipated to be funded with approximately \$84.3 million from current revenues, contributed capital and reserves with the balance of \$269.4 million funded through the issuance of general obligation debt or installment financings. Of the \$269.4 million, \$64.5 million is comprised of authorized general obligation debt capacity with the balance of \$204.9 million in unauthorized debt. It is expected that a portion of the unauthorized debt will come from both future voter authorizations and the issuance of installment financing debt. The County anticipates issuing its \$64.5 million general obligation school bonds December 2008 and deferring additional financing decisions regarding the \$204.9 million in unauthorized debt to the Spring of 2009.

The CIP component related to County programs totals \$152.2 million. The projects and amount are anticipated to be funded through issuance of installment financings. Projects include a public safety radio communications system (\$11.7 million), SPCC instructional facilities (\$26 million), libraries (\$10 million), detention and other public safety facilities (\$76.5 million) and parks and recreation (\$23.3 million). The County anticipates the issuance of an installment financing for the radio

communications project in the Spring of 2009 and will evaluate at that time the potential for issuing debt to finance the SPCC instructional facilities and libraries.

Business – type Activities: The County has also approved a \$34.5 million Water and Sewer budget for fiscal year 2009 which represents a \$4.6 million decrease from fiscal year 2008's final budget of \$39.1 million. The majority of the decrease is attributable to lower water sales resulting from water restrictions on irrigation use. This decline in water sales resulted in a lower anticipated transfer to the enterprise capital fund (\$5.0M year over year), 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 the end of fiscal year 2009. 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 2009 in an aggregate amount of at least \$20 million during the last quarter of fiscal year 2009 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 and June 26, 2008) to effectively change the County's interest rate on the Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 to a synthetic fixed rate of 3.82%, 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 implemented water conservation rate structures, in effective during periods of water use restrictions, that are designed to curtail irrigation use.

The County has also approved a \$4.89 million Solid Waste budget for fiscal year 2009 which represents a decrease of \$1.94 million from fiscal year 2008's final budget of \$6.82 million. The decrease is due to fiscal year 2008's \$1.9 million transfer to the Solid Waste Capital Reserve to fund future 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.

Basic Financial Statements

Statement of Net Assets

June 30, 2008

| | Governmental Activities | Business Type Activities | Total Primary Government |
|--|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 50,070,988 | \$ 54,421,199 | \$ 104,492,187 |
| Property taxes receivable (net) | 3,891,552 | - | 3,891,552 |
| Accounts receivable (net) | 19,744,463 | 4,370,864 | 24,115,327 |
| Inventories | 33,531 | 1,159,534 | 1,193,065 |
| Internal balances | 300,734 | (300,734) | - |
| Cash and investments, restricted | 47,702,372 | 2,885,491 | 50,587,863 |
| Total current assets | <u>121,743,640</u> | <u>62,536,354</u> | <u>184,279,994</u> |
| Noncurrent assets: | | | |
| Cash and investments | 28,354,573 | 16,619,115 | 44,973,688 |
| Net pension obligation | 1,146,439 | 152,821 | 1,299,260 |
| Unamortized bond issuance cost | 3,554,911 | 1,155,340 | 4,710,251 |
| Investment in joint venture | - | 13,064,924 | 13,064,924 |
| Capital assets: | | | |
| Land and other assets not being depreciated | 9,088,084 | 6,583,780 | 15,671,864 |
| Buildings, equipment and infrastructure, net of depreciation | 58,175,329 | 208,277,610 | 266,452,939 |
| Total noncurrent assets | <u>100,319,336</u> | <u>245,853,590</u> | <u>346,172,926</u> |
| Total assets | <u>222,062,976</u> | <u>308,389,944</u> | <u>530,452,920</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 11,146,600 | 1,746,900 | 12,893,500 |
| Unearned revenue | 487,753 | - | 487,753 |
| Deposits | 2,047,702 | 281,825 | 2,329,527 |
| Current portion of long-term obligations | 24,967,961 | 4,665,359 | 29,633,320 |
| Liabilities payable from restricted assets | 13,647,480 | - | 13,647,480 |
| Workers' compensation claims | 178,843 | - | 178,843 |
| Health care benefits | 700,830 | - | 700,830 |
| Total current liabilities | <u>53,177,169</u> | <u>6,694,084</u> | <u>59,871,253</u> |
| Noncurrent liabilities: | | | |
| Accrued landfill postclosure care costs | - | 3,875,976 | 3,875,976 |
| Compensated absences | 3,241,097 | 492,377 | 3,733,474 |
| Net OPEB obligation | 3,174,056 | 357,312 | 3,531,368 |
| Unearned revenue | - | 398,689 | 398,689 |
| Noncurrent portion of long-term obligations | 514,984,307 | 61,722,214 | 576,706,521 |
| Total noncurrent liabilities | <u>521,399,460</u> | <u>66,846,568</u> | <u>588,246,028</u> |
| Total liabilities | <u>574,576,629</u> | <u>73,540,652</u> | <u>648,117,281</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 43,813,345 | 156,680,551 | 200,493,896 |
| Restricted for: | | | |
| Public safety | 2,138,773 | - | 2,138,773 |
| Cultural and recreational | 134,633 | - | 134,633 |
| Education | 46,480,854 | - | 46,480,854 |
| Debt service | - | 2,885,491 | 2,885,491 |
| Pension benefits | 1,146,439 | - | 1,146,439 |
| Unrestricted | (446,227,697) | 75,283,250 | (370,944,447) |
| Total net assets | <u>\$ (352,513,653)</u> | <u>\$ 234,849,292</u> | <u>\$ (117,664,361)</u> |

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

Statement of Activities

For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------|----------------------|--------------------------|--------------------------|---|--------------------------|------------------------|
| | | Charges for Services | Operating | Capital | Governmental Activities | Primary Government | |
| | | | Grants and Contributions | Grants and Contributions | | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 15,436,928 | \$ 1,513,627 | \$ 487,600 | \$ - | \$ (13,435,701) | \$ - | \$ (13,435,701) |
| Public safety | 34,470,213 | 5,837,190 | 2,837,997 | 31,840 | (25,763,186) | - | (25,763,186) |
| Economic and physical development | 2,287,932 | 117,499 | 38,459 | - | (2,131,974) | - | (2,131,974) |
| Human services | 40,185,620 | 6,057,364 | 18,094,056 | 173,081 | (15,861,119) | - | (15,861,119) |
| Cultural and recreational | 7,217,315 | 743,507 | 316,909 | 455,705 | (5,701,194) | - | (5,701,194) |
| Education | 189,941,022 | - | 4,813,403 | - | (185,127,619) | - | (185,127,619) |
| Interest and fees on long term debt | 22,947,274 | - | - | - | (22,947,274) | - | (22,947,274) |
| Total governmental activities | 312,486,304 | 14,269,187 | 26,588,424 | 660,626 | (270,968,067) | - | (270,968,067) |
| Business-type activities: | | | | | | | |
| Water and sewer | 26,223,999 | 24,556,277 | - | 19,989,669 | - | 18,321,947 | 18,321,947 |
| Solid waste | 4,271,774 | 4,074,830 | 230,170 | - | - | 33,226 | 33,226 |
| Stormwater | 213,187 | 3,295 | - | - | - | (209,892) | (209,892) |
| Total business-type activities | 30,708,960 | 28,634,402 | 230,170 | 19,989,669 | - | 18,145,281 | 18,145,281 |
| Total primary government | \$ 343,195,264 | \$ 42,903,589 | \$ 26,818,594 | \$ 20,650,295 | (270,968,067) | 18,145,281 | (252,822,786) |
| General revenues: | | | | | | | |
| Property taxes levied for general purposes | | | | | 127,405,534 | - | 127,405,534 |
| Local option sales tax | | | | | 38,191,635 | - | 38,191,635 |
| Other taxes and licenses | | | | | 2,862,903 | - | 2,862,903 |
| Grants and contributions not restricted to specific programs | | | | | 108,755 | - | 108,755 |
| Investment earnings, unrestricted | | | | | 9,635,050 | 3,738,139 | 13,373,189 |
| Miscellaneous, unrestricted | | | | | 102,972 | - | 102,972 |
| Gains (losses) on sales of capital assets | | | | | 333,257 | (160,735) | 172,522 |
| Extraordinary item - landfill post closure loss (see Note 11) | | | | | - | (1,499,544) | (1,499,544) |
| Total general revenues, gains/(losses), and extraordinary item | | | | | 178,640,106 | 2,077,860 | 180,717,966 |
| Change in net assets | | | | | (92,327,961) | 20,223,141 | (72,104,820) |
| Net assets - beginning | | | | | (260,185,692) | 214,626,151 | (45,559,541) |
| Net assets - ending | | | | | <u>\$(352,513,653)</u> | <u>\$ 234,849,292</u> | <u>\$(117,664,361)</u> |

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

Balance Sheet
Governmental Funds
 June 30, 2008

| | Major | | | Nonmajor | Total Governmental Funds |
|---|----------------------|------------------------------------|---------------------------|--------------------------------|--------------------------------|
| | General Fund | General Capital Project Fund | School Bond Fund 55 | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash and investments | \$ 40,804,767 | \$ 16,893,117 | \$ - | \$ 17,917,786 | \$ 75,615,670 |
| Property taxes receivable (net) | 3,985,651 | - | - | 73,636 | 4,059,287 |
| Accounts receivable (net) | 16,948,137 | - | 1,907,399 | 541,469 | 19,397,005 |
| Inventories | 33,531 | - | - | - | 33,531 |
| Cash and investments, restricted | 3,004,176 | 5,191,082 | 38,828,319 | 678,795 | 47,702,372 |
| Total assets | <u>\$ 64,776,262</u> | <u>\$ 22,084,199</u> | <u>\$ 40,735,718</u> | <u>\$ 19,211,686</u> | <u>\$ 146,807,865</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 4,165,812 | \$ - | \$ - | \$ 138,695 | \$ 4,304,507 |
| Deferred revenue | 3,985,651 | - | - | 73,637 | 4,059,288 |
| Unearned revenue | 469,630 | 147,240 | - | 5,515 | 622,385 |
| Deposits | 2,047,702 | - | - | - | 2,047,702 |
| Liabilities payable from restricted assets | - | 1,592,270 | 12,051,967 | 3,243 | 13,647,480 |
| Total liabilities | <u>10,668,795</u> | <u>1,739,510</u> | <u>12,051,967</u> | <u>221,090</u> | <u>24,681,362</u> |
| FUND BALANCES | | | | | |
| Reserved for encumbrances | 1,780,518 | 9,908,457 | - | 6,112 | 11,695,087 |
| Reserved by State statute | 16,981,668 | - | 1,907,399 | 541,469 | 19,430,536 |
| Reserved for drug enforcement | - | - | - | 602,302 | 602,302 |
| Reserved for grant programs | - | - | - | 73,250 | 73,250 |
| Unreserved | | | | | |
| Designated for subsequent years' expenditures | 5,779,678 | 10,436,232 | 26,776,352 | - | 42,992,262 |
| Designated for subsequent years' expenditures, reported in nonmajor: | | | | | |
| Special revenue | - | - | - | 150,000 | 150,000 |
| Debt service | - | - | - | 13,357,788 | 13,357,788 |
| Capital projects | - | - | - | 3,557,687 | 3,557,687 |
| Designated for special purpose | 605,563 | - | - | - | 605,563 |
| Designated for special purpose, reported in nonmajor: | | | | | |
| Undesignated | 28,960,040 | - | - | - | 28,960,040 |
| Undesignated, reported in nonmajor: | | | | | |
| Special revenue | - | - | - | 701,988 | 701,988 |
| Total fund balances | <u>54,107,467</u> | <u>20,344,689</u> | <u>28,683,751</u> | <u>18,990,596</u> | <u>122,126,503</u> |
| Total liabilities and fund balances | <u>\$ 64,776,262</u> | <u>\$ 22,084,199</u> | <u>\$ 40,735,718</u> | <u>\$ 19,211,686</u> | <u>\$ 146,807,865</u> |

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2008

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

| | |
|---|-------------------------|
| Ending fund balance - governmental funds | \$ 122,126,503 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 67,263,413 |
| 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. | 1,146,439 |
| Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 3,891,552 |
| Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 134,633 |
| 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. | 239,196 |
| 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. | 1,360,227 |
| 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. | 528,992 |
| Internal balance due from Business Type Activities to Governmental Activities. | 300,734 |
| Adjustment for certain obligations, claims and judgements that are not due and payable in the current period and, therefore, are not reported in the funds. | (650,000) |
| Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | (3,241,097) |
| Long-term liabilities for net other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. | (3,174,056) |
| Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and, therefore, are not reported in the funds (principal and unamortized balances for governmental activities, per Note 16. A. 2, in the amount of \$539,952,268, as well as accrued interest payable of \$6,042,832 net of unamortized bond issuance costs of \$3,554,911) | <u>(542,440,189)</u> |
| Net assets of governmental activities | <u>\$ (352,513,653)</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, 2008

| | Major | | | Nonmajor | Total Governmental Funds |
|--|----------------------|-------------------------|----------------------|-----------------------|--------------------------------|
| | General | General | School | Other | |
| | Fund | Capital Project Fund | Bond Fund 55 | Governmental Funds | |
| REVENUES | | | | | |
| Ad valorem taxes | \$ 123,953,397 | \$ - | \$ - | \$ 2,574,308 | \$ 126,527,705 |
| Local option sales tax | 37,304,526 | - | - | 887,109 | 38,191,635 |
| Other taxes and licenses | 2,435,753 | - | - | 1,244,500 | 3,680,253 |
| Intergovernmental | 25,368,547 | 455,705 | - | 74,845 | 25,899,097 |
| Permits and fees | 5,457,925 | - | - | 1,134,983 | 6,592,908 |
| Sales and services | 4,587,861 | - | - | 15,000 | 4,602,861 |
| Investment earnings | 9,313,749 | - | 42,202 | 154,714 | 9,510,665 |
| Miscellaneous | 3,674,485 | - | - | 321,886 | 3,996,371 |
| Total revenues | <u>212,096,243</u> | <u>455,705</u> | <u>42,202</u> | <u>6,407,345</u> | <u>219,001,495</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 12,690,960 | - | - | - | 12,690,960 |
| Public safety | 27,552,308 | - | - | 7,217,922 | 34,770,230 |
| Economic and physical development | 2,056,913 | - | - | - | 2,056,913 |
| Human services | 39,086,647 | - | - | - | 39,086,647 |
| Cultural and recreational | 6,531,016 | - | - | - | 6,531,016 |
| Intergovernmental: | | | | | |
| Education | 72,215,699 | - | - | - | 72,215,699 |
| Capital outlay: | | | | | |
| General government | - | 2,603,469 | - | - | 2,603,469 |
| Public safety | - | 483,243 | - | - | 483,243 |
| Economic and physical development | - | 12,188 | - | - | 12,188 |
| Cultural and recreational | - | 633,571 | - | 6,880 | 640,451 |
| Education | - | 11,450,313 | 106,275,942 | - | 117,726,255 |
| Debt service: | | | | | |
| Principal retirement | 21,504,015 | - | - | - | 21,504,015 |
| Interest and fees | 20,922,596 | - | 667,255 | - | 21,589,851 |
| Total expenditures | <u>202,560,154</u> | <u>15,182,784</u> | <u>106,943,197</u> | <u>7,224,802</u> | <u>331,910,937</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>9,536,089</u> | <u>(14,727,079)</u> | <u>(106,900,995)</u> | <u>(817,457)</u> | <u>(112,909,442)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from other funds | 4,674,732 | 11,020,500 | - | 469,890 | 16,165,122 |
| Transfers to other funds | (11,395,625) | - | - | (4,769,497) | (16,165,122) |
| Proceeds from general obligation bonds | - | 4,495,000 | 216,235,000 | - | 220,730,000 |
| Proceeds from general obligation bonds issuance premium | - | - | 3,484,820 | - | 3,484,820 |
| Total other financing sources (uses) | <u>(6,720,893)</u> | <u>15,515,500</u> | <u>219,719,820</u> | <u>(4,299,607)</u> | <u>224,214,820</u> |
| Net change in fund balances | 2,815,196 | 788,421 | 112,818,825 | (5,117,064) | 111,305,378 |
| FUND BALANCES | | | | | |
| Beginning | 51,292,271 | 19,556,268 | (84,135,074) | 24,107,660 | 10,821,125 |
| Ending | <u>\$ 54,107,467</u> | <u>\$ 20,344,689</u> | <u>\$ 28,683,751</u> | <u>\$ 18,990,596</u> | <u>\$ 122,126,503</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, 2008

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

| | |
|---|------------------------|
| Net change in fund balances - total governmental funds | \$ 111,305,378 |
| 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. | 3,076,036 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. | 169,593 |
| Governmental funds report certain transactions as revenues and reductions in deferred revenue. However, in the Statement of Activities these transactions are eliminated and reflected as reductions in receivables until their maturity. | (14,959) |
| Revenues in the Statement of Activities from deferred property taxes that do not provide current financial resources are not reported as revenues in the funds. | 877,829 |
| Revenues in the Statement of Activities from internal service funds' investment earnings that do not provide current financial resources are not reported as revenues in the funds. | 124,385 |
| 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. | (204,068,228) |
| 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. | (3,883,709) |
| 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. | 286,053 |
| 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. | (306,878) |
| 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. | 106,539 |
| Change in net assets of governmental activities | <u>\$ (92,327,961)</u> |

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|--|--------------------|--------------------|----------------------|--|
| REVENUES | | | | |
| Ad valorem taxes | \$ 123,898,421 | \$ 123,898,421 | \$ 123,953,397 | \$ 54,976 |
| Local option sales tax | 38,183,708 | 38,183,708 | 37,304,526 | (879,182) |
| Other taxes and licenses | 2,670,000 | 2,670,000 | 2,435,753 | (234,247) |
| Intergovernmental | 25,891,319 | 27,345,547 | 25,368,547 | (1,977,000) |
| Permits and fees | 8,087,643 | 8,087,643 | 5,457,925 | (2,629,718) |
| Sales and services | 4,349,363 | 4,349,363 | 4,587,861 | 238,498 |
| Investment earnings | 3,629,605 | 4,127,174 | 9,313,749 | 5,186,575 |
| Miscellaneous | 2,940,604 | 3,398,039 | 3,674,485 | 276,446 |
| Total revenues | <u>209,650,663</u> | <u>212,059,895</u> | <u>212,096,243</u> | <u>36,348</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 13,645,914 | 14,731,478 | 12,690,960 | 2,040,518 |
| Public safety | 27,112,786 | 28,473,184 | 27,552,308 | 920,876 |
| Economic and physical development | 2,318,530 | 2,813,376 | 2,056,913 | 756,463 |
| Human services | 39,909,365 | 42,053,579 | 39,086,647 | 2,966,932 |
| Cultural and recreational | 6,758,840 | 7,371,195 | 6,531,016 | 840,179 |
| Intergovernmental: | | | | |
| Education | 72,003,050 | 72,254,550 | 72,215,699 | 38,851 |
| Debt service: | | | | |
| Principal retirement | 16,889,019 | 21,504,020 | 21,504,015 | 5 |
| Interest and fees | 26,243,915 | 21,641,187 | 20,922,596 | 718,591 |
| Contingency | 500,000 | - | - | - |
| Nondepartmental | 1,282,987 | - | - | - |
| Total expenditures | <u>206,664,406</u> | <u>210,842,569</u> | <u>202,560,154</u> | <u>8,282,415</u> |
| Revenues over expenditures | <u>2,986,257</u> | <u>1,217,326</u> | <u>9,536,089</u> | <u>8,318,763</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 2,185,488 | 2,185,488 | 4,674,732 | 2,489,244 |
| Transfers to other funds | (11,000,000) | (11,395,625) | (11,395,625) | - |
| Appropriated fund balance | 5,828,255 | 7,992,811 | - | (7,992,811) |
| Total other financing sources (uses) | <u>(2,986,257)</u> | <u>(1,217,326)</u> | <u>(6,720,893)</u> | <u>(5,503,567)</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>2,815,196</u> | <u>\$ 2,815,196</u> |
| FUND BALANCES | | | | |
| Beginning | | | <u>51,292,271</u> | |
| Ending | | | <u>\$ 54,107,467</u> | |

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

Statement of Net Assets

Proprietary Funds

June 30, 2008

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|--|-----------------------------|----------------------------|-----------------------|---|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | Total | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 47,811,063 | \$ 6,569,026 | \$ 41,110 | \$ 54,421,199 | \$ 2,809,891 |
| Accounts receivable (net) | 3,820,046 | 550,818 | - | 4,370,864 | 347,458 |
| Inventories | 1,152,356 | 7,178 | - | 1,159,534 | - |
| Cash and investments, restricted | 2,885,491 | - | - | 2,885,491 | - |
| Total current assets | <u>55,668,956</u> | <u>7,127,022</u> | <u>41,110</u> | <u>62,837,088</u> | <u>3,157,349</u> |
| Noncurrent assets: | | | | | |
| Cash and investments | 14,702,155 | 1,905,038 | 11,922 | 16,619,115 | - |
| Net pension obligation | 128,621 | 21,901 | 2,299 | 152,821 | - |
| Unamortized bond issuance costs | 1,155,340 | - | - | 1,155,340 | - |
| Investment in joint venture | 13,064,924 | - | - | 13,064,924 | - |
| Land and other assets not being depreciated | 6,273,725 | 310,055 | - | 6,583,780 | - |
| Buildings, equipment and infrastructure, net of depreciation | 206,457,097 | 1,803,709 | 16,804 | 208,277,610 | - |
| Total noncurrent assets | <u>241,781,862</u> | <u>4,040,703</u> | <u>31,025</u> | <u>245,853,590</u> | <u>-</u> |
| Total assets | <u>297,450,818</u> | <u>11,167,725</u> | <u>72,135</u> | <u>308,690,678</u> | <u>3,157,349</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 1,517,217 | 222,675 | 7,008 | 1,746,900 | 149,261 |
| Deposits | 277,945 | 3,880 | - | 281,825 | - |
| Long-term liabilities, due within one year: | | | | | |
| General obligation bonds payable | 1,861,895 | - | - | 1,861,895 | - |
| Revenue bonds payable | 1,894,767 | - | - | 1,894,767 | - |
| State sanitary sewer loan payable | 908,697 | - | - | 908,697 | - |
| Workers' compensation claims payable | - | - | - | - | 178,843 |
| Health care benefits payable | - | - | - | - | 700,830 |
| Total current liabilities | <u>6,460,521</u> | <u>226,555</u> | <u>7,008</u> | <u>6,694,084</u> | <u>1,028,934</u> |
| Noncurrent liabilities: | | | | | |
| Accrued landfill postclosure care costs | - | 3,875,976 | - | 3,875,976 | - |
| Compensated absences | 425,877 | 51,091 | 15,409 | 492,377 | - |
| Net OPEB obligation | 284,747 | 72,565 | - | 357,312 | - |
| Unearned revenue | 398,689 | - | - | 398,689 | - |
| Long-term liabilities, due in more than one year: | | | | | |
| General obligation bonds | 4,650,704 | - | - | 4,650,704 | - |
| Revenue bonds | 42,376,937 | - | - | 42,376,937 | - |
| State sanitary sewer loan | 14,694,573 | - | - | 14,694,573 | - |
| Total noncurrent liabilities | <u>62,831,527</u> | <u>3,999,632</u> | <u>15,409</u> | <u>66,846,568</u> | <u>-</u> |
| Total liabilities | <u>69,292,048</u> | <u>4,226,187</u> | <u>22,417</u> | <u>73,540,652</u> | <u>1,028,934</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 154,549,983 | 2,113,764 | 16,804 | 156,680,551 | - |
| Restricted for debt service | 2,885,491 | - | - | 2,885,491 | - |
| Unrestricted | 70,723,296 | 4,827,774 | 32,914 | 75,583,984 | 2,128,415 |
| Total net assets | <u>\$ 228,158,770</u> | <u>\$ 6,941,538</u> | <u>\$ 49,718</u> | <u>235,150,026</u> | <u>\$ 2,128,415</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | (300,734) | |
| Net assets of business-type activities | | | | <u>\$ 234,849,292</u> | |

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

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2008

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|---------------------|--------------------|-----------------------|--|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | Total | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 23,648,204 | \$ 4,093,027 | \$ - | \$ 27,741,231 | \$ 9,438,845 |
| Disposal fees | - | 228,977 | - | 228,977 | - |
| Other operating revenue | 908,073 | (17,004) | 3,295 | 894,364 | 29,140 |
| Total operating revenues | <u>24,556,277</u> | <u>4,305,000</u> | <u>3,295</u> | <u>28,864,572</u> | <u>9,467,985</u> |
| OPERATING EXPENSES | | | | | |
| Personnel | 5,957,037 | 989,740 | 175,922 | 7,122,699 | - |
| Operating expenses | 9,177,944 | 3,370,102 | 32,046 | 12,580,092 | 896,472 |
| Depreciation | 8,758,099 | 156,331 | 4,481 | 8,918,911 | - |
| Operating leases | 164,153 | - | - | 164,153 | - |
| Landfill closure | - | (243,160) | - | (243,160) | - |
| Workers' compensation claims | - | - | - | - | 241,661 |
| Health benefit claims and premiums | - | - | - | - | 7,433,127 |
| Property and casualty claims and premiums | - | - | - | - | 792,924 |
| Total operating expenses | <u>24,057,233</u> | <u>4,273,013</u> | <u>212,449</u> | <u>28,542,695</u> | <u>9,364,184</u> |
| Operating income (loss) | <u>499,044</u> | <u>31,987</u> | <u>(209,154)</u> | <u>321,877</u> | <u>103,801</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment earnings | 3,311,781 | 426,358 | - | 3,738,139 | 124,386 |
| Gain (loss) on sale of capital assets | (160,735) | - | - | (160,735) | - |
| Interest and fees on long term debt | (1,761,759) | - | - | (1,761,759) | - |
| Loss on investment in joint venture | (422,595) | - | - | (422,595) | - |
| Total nonoperating revenue (expenses) | <u>966,692</u> | <u>426,358</u> | <u>-</u> | <u>1,393,050</u> | <u>124,386</u> |
| Income (loss) before contributions and transfers | <u>1,465,736</u> | <u>458,345</u> | <u>(209,154)</u> | <u>1,714,927</u> | <u>228,187</u> |
| TRANSFERS AND CONTRIBUTIONS | | | | | |
| Transfers from other enterprise funds | - | - | 160,496 | 160,496 | - |
| Transfers to other enterprise funds | (160,496) | - | - | (160,496) | - |
| Capital contributions - cash | 9,904,494 | - | - | 9,904,494 | - |
| Capital contributions - non-cash | 10,085,175 | - | - | 10,085,175 | - |
| Total transfers and contributions | <u>21,294,909</u> | <u>458,345</u> | <u>(48,658)</u> | <u>21,704,596</u> | <u>228,187</u> |
| Extraordinary item - landfill post closure loss (see Note 11) | <u>-</u> | <u>(1,499,544)</u> | <u>-</u> | <u>(1,499,544)</u> | <u>-</u> |
| Change in net assets | <u>21,294,909</u> | <u>(1,041,199)</u> | <u>(48,658)</u> | <u>20,205,052</u> | <u>228,187</u> |
| NET ASSETS | | | | | |
| Beginning | 206,863,861 | 7,982,737 | 98,376 | 214,944,974 | 1,900,228 |
| Ending | <u>\$ 228,158,770</u> | <u>\$ 6,941,538</u> | <u>\$ 49,718</u> | <u>235,150,026</u> | <u>\$ 2,128,415</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>(300,734)</u> | |
| Change in net assets of business-type activities | | | | <u>\$ 234,849,292</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, 2008

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|--|-------------------------|------------------------|----------------------|---|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | Total | |
| OPERATING ACTIVITIES | | | | | |
| Cash received from customers for services | \$ 24,581,090 | \$ 4,286,905 | \$ - | \$ 28,867,995 | \$ 9,270,875 |
| Other operating revenue | 908,073 | 211,973 | 3,295 | 1,123,341 | 29,140 |
| Cash paid to employees | (5,576,443) | (910,970) | (169,718) | (6,657,131) | - |
| Cash paid for goods and services | (11,148,702) | (3,316,074) | (35,324) | (14,500,100) | (9,173,991) |
| Net cash provided (used) by operating activities | <u>8,764,018</u> | <u>271,834</u> | <u>(201,747)</u> | <u>8,834,105</u> | <u>126,024</u> |
| NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from other enterprise funds | - | - | 160,496 | 160,496 | - |
| Transfers to other enterprise funds | (160,496) | - | - | (160,496) | - |
| Net cash provided (used) by noncapital financing activities | <u>(160,496)</u> | <u>-</u> | <u>160,496</u> | <u>-</u> | <u>-</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from sale of capital assets | 28,942 | - | - | 28,942 | - |
| Proceeds from capacity fees | 9,904,494 | - | - | 9,904,494 | - |
| Proceeds from capacity fees deferred | 398,689 | - | - | 398,689 | - |
| Payments on general obligation bond debt | (2,485,057) | - | - | (2,485,057) | - |
| Payments on revenue bond debt | (2,070,000) | - | - | (2,070,000) | - |
| Payments on state sanitary loan | (233,697) | - | - | (233,697) | - |
| Interest paid on bonds and other debt | (2,188,427) | - | - | (2,188,427) | - |
| Acquisition and construction of capital assets | (6,090,550) | (194,808) | - | (6,285,358) | - |
| Net cash used by capital and related financing activities | <u>(2,735,606)</u> | <u>(194,808)</u> | <u>-</u> | <u>(2,930,414)</u> | <u>-</u> |
| INVESTING ACTIVITIES | | | | | |
| Investment earnings | 3,311,782 | 426,358 | - | 3,738,140 | 124,386 |
| Net increase (decrease) in cash and investments | 9,179,698 | 503,384 | (41,251) | 9,641,831 | 250,410 |
| CASH AND INVESTMENTS | | | | | |
| Beginning of year | 56,219,011 | 7,970,680 | 94,283 | 64,283,974 | 2,559,481 |
| End of year | <u>\$ 65,398,709</u> | <u>\$ 8,474,064</u> | <u>\$ 53,032</u> | <u>\$ 73,925,805</u> | <u>\$ 2,809,891</u> |
| Reconciliation of cash and investments to the Statement of Net Assets: | | | | | |
| Cash and investments | \$ 47,811,063 | \$ 6,569,026 | \$ 41,110 | \$ 54,421,199 | \$ 2,809,891 |
| Cash and investments, noncurrent | 14,702,155 | 1,905,038 | 11,922 | 16,619,115 | - |
| Cash and investments, restricted assets | 2,885,491 | - | - | 2,885,491 | - |
| Total Statement of Net Assets cash and cash equivalents | <u>\$ 65,398,709</u> | <u>\$ 8,474,064</u> | <u>\$ 53,032</u> | <u>\$ 73,925,805</u> | <u>\$ 2,809,891</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 499,044 | \$ 31,987 | \$ (209,154) | \$ 321,877 | \$ 103,801 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 8,758,099 | 156,331 | 4,481 | 8,918,911 | - |
| Provision for uncollectible accounts | 132,428 | 1,880 | - | 134,308 | - |
| Landfill closure and post closure care costs | - | (243,160) | - | (243,160) | - |
| Changes in assets and liabilities | | | | | |
| (Increase) decrease in accounts receivable (net) | 772,674 | 191,998 | - | 964,672 | (167,970) |
| (Increase) decrease in inventories | (53,580) | 658 | - | (52,922) | - |
| Increase in net pension obligation (asset) | (44,151) | (5,777) | (1,508) | (51,436) | - |
| Increase (decrease) in accounts payable and accrued liabilities | (1,672,630) | 67,310 | (879) | (1,606,199) | 190,193 |
| Increase in deposits | 27,784 | - | - | 27,784 | - |
| Increase (decrease) in compensated absences payable | 59,603 | (1,958) | 5,313 | 62,958 | - |
| Increase in net other post employment benefit obligations | 284,747 | 72,565 | - | 357,312 | - |
| Total adjustments | <u>8,264,974</u> | <u>239,847</u> | <u>7,407</u> | <u>8,512,228</u> | <u>22,223</u> |
| Net cash provided (used) by operating activities | <u>\$ 8,764,018</u> | <u>\$ 271,834</u> | <u>\$ (201,747)</u> | <u>\$ 8,834,105</u> | <u>\$ 126,024</u> |
| Noncash investing, capital, and financing activities: | | | | | |
| Loss on investment in joint venture | \$ (422,595) | \$ - | \$ - | \$ (422,595) | \$ - |
| Contribution of capital infrastructure | <u>\$ 10,085,175</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,085,175</u> | <u>\$ -</u> |
| Capitalized interest | <u>\$ 726,551</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 726,551</u> | <u>\$ -</u> |

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

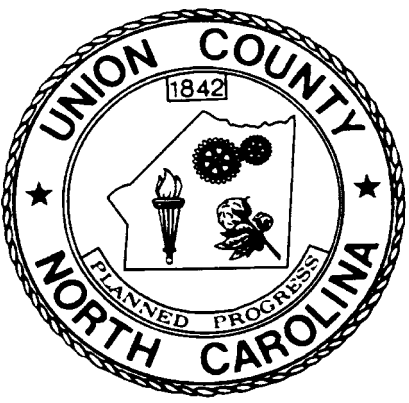
| | Special Separation Allowance Pension Trust Fund | Agency Funds |
|--|---|-------------------|
| ASSETS | | |
| Cash and investments | \$ 1,548,379 | \$ 254,364 |
| Property taxes receivable (net) | - | 61,711 |
| Accounts receivable (net) | 32,173 | 60,944 |
| Total assets | <u>1,580,552</u> | <u>\$ 377,019</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | - | \$ 324,255 |
| Due to program participants | - | 52,764 |
| Total liabilities | <u>-</u> | <u>\$ 377,019</u> |
| NET ASSETS | | |
| Held in Trust for: | | |
| Employees' pension benefits | 1,580,552 | |
| Total net assets | <u>\$ 1,580,552</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, 2008

| | Special Separation Allowance Pension Trust Fund |
|--------------------------|---|
| ADDITIONS | |
| Employer contributions | \$ 881,356 |
| Net investment income | 76,568 |
| Total additions | <u>957,924</u> |
| DEDUCTIONS | |
| Benefits | <u>815,317</u> |
| Change in net assets | 142,607 |
| NET ASSETS | |
| Beginning | <u>1,437,945</u> |
| Ending | <u><u>\$ 1,580,552</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, 2008

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 revenue 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.

The General Capital Project, Solid Waste and Stormwater Funds are presented as major funds for consistency purposes.

Additionally, the County reports the following fund types:

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains 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 debt service and capital outlay related to education. The County maintains one Debt Service Fund.

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 two nonmajor capital project funds: Library Capital Reserve Fund and Library Capital Project Fund.

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 (which includes dental benefits), 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, 2008 were \$89,502 and \$89,074.

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 judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County generally considers all revenues available if they are collected within 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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, Debt Service 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, 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 Fund and at the fund level for Special Revenue, Debt Service, 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 or designations 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 thereby increasing the total appropriation for the fund. 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, 2008. 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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, 2007.

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.

Reserved for grant programs - portion of fund balance representing revenues received in connection with grant programs which must be used for the stated purposes contained in the grant agreements.

Unreserved

Designated for subsequent years' expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2008-2009 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 2008-2009 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 \$542,440,189 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 | \$ (539,952,268) |
| Accrued interest payable, net of unamortized bond issuance costs | (2,487,921) |
| Net adjustment attributable to liabilities not recorded in the fund statements | <u>\$ (542,440,189)</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 \$92,327,961 as follows:

| Description | Amount |
|---|-------------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities | \$ 7,437,032 |
| 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. | (4,360,996) |
| 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 | 21,504,015 |
| 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 | (224,214,820) |
| Debt issuance premium amortization | 395,538 |
| 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 | 890,716 |
| Defeasance amortization over remaining life of debt | (317,325) |
| 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) | (2,326,352) |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (422,032) |
| Net pension obligation | 362,379 |
| Net other postemployment obligation | (3,174,056) |
| Settlement expense | (650,000) |
| 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 7/1/07 | (3,013,723) |
| Recording of tax receipts deferred in the fund statements as of 6/30/08 | 4,059,287 |
| Decrease in accrued taxes receivable for year ended 6/30/08 | (167,735) |
| Internal service funds' investment earnings | 124,385 |
| Adjustment for deferral of loan to outside agency | (14,959) |
| Gain on disposal of capital asset | 169,593 |
| Health and dental insurance costs, net of investment earnings | 286,053 |
| Workers' compensation costs, net of investment earnings | (306,878) |
| Property and casualty costs, net of investment earnings | <u>106,539</u> |
| Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities | <u>\$ (203,633,339)</u> |

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance or Retained Earnings of Individual Funds

The Special Revenue Funds consisting of Stallings Fire District Fund and Wesley Chapel Fire District Fund had undesignated deficit fund balance positions of \$20,168 and \$6,011, respectively at June 30, 2008. These undesignated deficit fund balances positions are due to the recording of sales tax payable to the Fire District Funds at June 30, 2008, representing a portion of the sales tax receivable at June 30, 2008. When the receivables are converted to cash after June 30, 2008, the deficit undesignated fund balance positions will be eliminated.

B. Excess of Expenditures over Appropriations

The Other Financing Uses – Transfers Out in the amount of \$1,395,870 reflected in the Special Revenue Funds - Emergency Telephone System Fund reflects the one-time statutory transfer to the General Fund required under North Carolina House Bill 1755. The legislation's provisions, effective January 1, 2008, preempted local authority to set an e-911 landline fee and substituted a statewide rate of 70 cents on all voice communications service connections, including landline, wireless and voice over internet protocol (VoIP). Any funds remaining in a County's landline portion of its Emergency Telephone System Fund were to be transferred to the County's General Fund to be used for any lawful purpose.

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, 2008, the County's deposits had a carrying amount of \$1,467,413 and a bank balance of \$2,402,308. Of the bank balance, \$262,976 was covered by federal depository insurance and \$2,139,332 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2008, the County had \$7,795 cash on hand.

As of June 30, 2008, 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 | \$114,072,339 | \$26,059,910 | \$51,879,584 | \$26,385,050 | \$ 9,747,795 |
| US Government Securities | 10,244,500 | - | 10,244,500 | - | - |
| Commercial Paper | 2,768,646 | 2,768,646 | - | - | - |
| NC Cash Management Trust - Cash Portfolio | 67,995,788 | - | - | - | - |
| NC State Education Assistance Authority | 5,300,000 | 5,300,000 | - | - | - |
| Total: | \$200,381,273 | \$34,128,556 | \$62,124,084 | \$26,385,050 | \$ 9,747,795 |

The cash and investments described above include those recorded in the County's Statement of Net Assets and Statement of Fiduciary Net Assets.

Interest Rate Risk. As a means of limiting its exposure to fair market 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.

The North Carolina State Education Assistance Authority (NCSEAA) instruments in the portfolio have final stated maturities ranging from 2028 to 2032. Historically they could be redeemed at par with an interest rate reset every 28 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. As of June 30, 2008, the County's investments in commercial paper were rated, by the following; P1 by Standard & Poor's and A1+ by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Corporation) 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, Federal Farm Credit Corporation, US Treasury and North Carolina Capital Management Trust securities. These investments are 10.8%, 16.1%, 13.4%, 16.6%, 5.1% and 33.9% 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, 2008, were as follows:

| | Taxes and Related | | Total |
|----------------------------------|----------------------|---------------------|----------------------|
| | Accounts | Accrued Interest | |
| Governmental Activities: | | | |
| General | \$ 16,948,137 | \$ 4,796,342 | \$ 21,744,479 |
| Special Revenue | 541,469 | 69,764 | 611,233 |
| Capital Projects | 1,907,399 | - | 1,907,399 |
| Internal Service | 347,458 | - | 347,458 |
| Total Receivables | 19,744,463 | 4,866,106 | 24,610,569 |
| Allowance for doubtful accounts | - | (974,554) | (974,554) |
| Total-governmental activities | <u>\$ 19,744,463</u> | <u>\$ 3,891,552</u> | <u>\$ 23,636,015</u> |
| Business-type Activities: | | | |
| Water and Sewer | \$ 5,149,461 | \$ - | \$ 5,149,461 |
| Solid Waste | 572,527 | - | 572,527 |
| Total Receivables | 5,721,988 | - | 5,721,988 |
| Allowance for doubtful accounts | (1,351,124) | - | (1,351,124) |
| Total-business-type activities | <u>\$ 4,370,864</u> | <u>\$ -</u> | <u>\$ 4,370,864</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.

| Fiscal Year | Tax Year | Tax | Interest | Total |
|-------------|----------|----------------------|---------------------|----------------------|
| 2005 | 2004 | \$ 4,153,647 | \$ 612,663 | \$ 4,766,310 |
| 2006 | 2005 | 4,661,934 | 268,061 | 4,929,995 |
| 2007 | 2006 | 5,338,106 | 306,941 | 5,645,047 |
| 2008 | 2007 | 5,733,064 | 329,651 | 6,062,715 |
| | | <u>\$ 19,886,751</u> | <u>\$ 1,517,316</u> | <u>\$ 21,404,067</u> |

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2008, was as follows:

| Governmental activities: | Beginning Balances | Additions | Retirements | | Ending Balances |
|---|----------------------|---------------------|---------------------|-------------|----------------------|
| | | | And Adjustments | Transfers | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 4,131,922 | \$ - | \$ - | \$ - | \$ 4,131,922 |
| Construction in progress | 5,833,118 | 5,379,951 | 2,472 | (6,254,435) | 4,956,162 |
| Total capital assets not being depreciated | 9,965,040 | 5,379,951 | 2,472 | (6,254,435) | 9,088,084 |
| Capital assets being depreciated: | | | | | |
| Other improvements | 4,653,411 | 77,466 | 57,596 | 2,177,390 | 6,850,671 |
| Buildings | 59,756,154 | 130,292 | (196,447) | 2,656,215 | 62,739,108 |
| Furniture and equipment | 12,605,900 | 552,593 | (38,952) | 1,420,830 | 14,618,275 |
| Vehicles | 6,684,428 | 1,296,730 | 631,942 | - | 7,349,216 |
| Total capital assets being depreciated | 83,699,893 | 2,057,081 | 454,139 | 6,254,435 | 91,557,270 |
| Less accumulated depreciation for: | | | | | |
| Other improvements | 2,023,764 | 208,314 | 11,758 | - | 2,220,320 |
| Buildings | 16,077,769 | 2,018,797 | (8,514) | - | 18,105,080 |
| Furniture and equipment | 7,099,218 | 1,278,776 | 6,884 | - | 8,371,110 |
| Vehicles | 4,446,399 | 855,109 | 616,077 | - | 4,685,431 |
| Total accumulated depreciation | 29,647,150 | 4,360,996 | 626,205 | - | 33,381,941 |
| Total capital assets being depreciated, net | 54,052,743 | (2,303,915) | (172,066) | 6,254,435 | 58,175,329 |
| Governmental activities capital assets, net | <u>\$ 64,017,783</u> | <u>\$ 3,076,036</u> | <u>\$ (169,594)</u> | <u>\$ -</u> | <u>\$ 67,263,413</u> |

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

| | | |
|-----------------------------------|-----------|------------------|
| General government | \$ | 1,708,101 |
| Public safety | | 1,704,092 |
| Economic and physical development | | 177,066 |
| Human services | | 176,587 |
| Cultural and recreational | | 595,150 |
| Total depreciation expense | <u>\$</u> | <u>4,360,996</u> |

Capital asset activity for the business-type activities for the year ended June 30, 2008, was as follows:

| Business-type activities: | Beginning Balances | Additions | Retirements | Transfers | Ending Balances |
|--|-----------------------|---------------------|-------------------|---------------------|-----------------------|
| Water and Sewer | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,164,561 | \$ - | \$ - | \$ - | \$ 1,164,561 |
| Construction in progress | 25,317,771 | 6,199,977 | - | (26,408,584) | 5,109,164 |
| Total capital assets not being depreciated | <u>26,482,332</u> | <u>6,199,977</u> | <u>-</u> | <u>(26,408,584)</u> | <u>6,273,725</u> |
| Capital assets being depreciated: | | | | | |
| Plant and collection systems | 120,450,505 | 5,929,971 | - | 23,742,925 | 150,123,401 |
| Plant and distribution systems | 103,798,441 | 4,207,065 | - | 1,330,759 | 109,336,265 |
| Administration Building | - | - | 196,446 | 1,334,900 | 1,138,454 |
| Equipment | 2,833,682 | 325,003 | 100,978 | - | 3,057,707 |
| Vehicles | 2,930,116 | 240,259 | 89,012 | - | 3,081,363 |
| Total capital assets being depreciated | <u>230,012,744</u> | <u>10,702,298</u> | <u>386,436</u> | <u>26,408,584</u> | <u>266,737,190</u> |
| Less accumulated depreciation for: | | | | | |
| Plant and collection systems | 25,931,958 | 4,519,549 | - | - | 30,451,507 |
| Plant and distribution systems | 21,619,561 | 3,761,206 | - | - | 25,380,767 |
| Administration Building | - | 54,051 | 8,513 | - | 45,538 |
| Equipment | 1,947,806 | 174,195 | 100,978 | - | 2,021,023 |
| Vehicles | 2,219,428 | 249,098 | 87,268 | - | 2,381,258 |
| Total accumulated depreciation | <u>51,718,753</u> | <u>8,758,099</u> | <u>196,759</u> | <u>-</u> | <u>60,280,093</u> |
| Total capital assets being depreciated, net | <u>178,293,991</u> | <u>1,944,199</u> | <u>189,677</u> | <u>26,408,584</u> | <u>206,457,097</u> |
| Water and Sewer capital assets, net | <u>204,776,323</u> | <u>8,144,176</u> | <u>189,677</u> | <u>-</u> | <u>212,730,822</u> |
| Solid Waste | | | | | |
| 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>650</u> | <u>-</u> | <u>310,055</u> |
| Capital assets being depreciated: | | | | | |
| Other improvements | 834,141 | - | - | - | 834,141 |
| Plant and collection systems | 1,931,983 | - | - | - | 1,931,983 |
| Equipment | 1,394,597 | 195,458 | - | - | 1,590,055 |
| Vehicles | 959,961 | - | 20,718 | - | 939,243 |
| Total capital assets being depreciated | <u>5,120,682</u> | <u>195,458</u> | <u>20,718</u> | <u>-</u> | <u>5,295,422</u> |
| Less accumulated depreciation for: | | | | | |
| Other improvements | 37,751 | 39,984 | - | - | 77,735 |
| Plant and collection systems | 1,060,874 | 78,608 | - | - | 1,139,482 |
| Equipment | 1,366,081 | 15,027 | - | - | 1,381,108 |
| Vehicles | 891,394 | 22,712 | 20,718 | - | 893,388 |
| Total accumulated depreciation | <u>3,356,100</u> | <u>156,331</u> | <u>20,718</u> | <u>-</u> | <u>3,491,713</u> |
| Total capital assets being depreciated, net | <u>1,764,582</u> | <u>39,127</u> | <u>-</u> | <u>-</u> | <u>1,803,709</u> |
| Solid Waste capital assets, net | <u>2,075,287</u> | <u>39,127</u> | <u>650</u> | <u>-</u> | <u>2,113,764</u> |
| Storm Water | | | | | |
| Capital assets being depreciated: | | | | | |
| Vehicles | 33,197 | - | - | - | 33,197 |
| Total capital assets being depreciated | <u>33,197</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,197</u> |
| Less accumulated depreciation for: | | | | | |
| Vehicles | 11,912 | 4,481 | - | - | 16,393 |
| Total accumulated depreciation | <u>11,912</u> | <u>4,481</u> | <u>-</u> | <u>-</u> | <u>16,393</u> |
| Total capital assets being depreciated, net | <u>21,285</u> | <u>(4,481)</u> | <u>-</u> | <u>-</u> | <u>16,804</u> |
| Storm Water capital assets, net | <u>21,285</u> | <u>(4,481)</u> | <u>-</u> | <u>-</u> | <u>16,804</u> |
| Business-type activities capital assets, net | <u>\$ 206,872,895</u> | <u>\$ 8,178,822</u> | <u>\$ 190,327</u> | <u>\$ -</u> | <u>\$ 214,861,390</u> |

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2008 consisted of the following:

| | | |
|-------------------------------|-----------|------------------|
| Capitalized interest | \$ | 726,551 |
| Other interest and fees | | 1,761,759 |
| Total interest and fees costs | <u>\$</u> | <u>2,488,310</u> |

NOTE 7 - LIABILITIES

Payables at the government-wide level at June 30, 2008, including liabilities payable from restricted assets, were as follows:

| Payables: | Governmental Activities | Business Type Activities | Total |
|-----------------------|----------------------------|--------------------------------|----------------------|
| Vendors | \$ 17,307,590 | \$ 1,335,150 | \$ 18,642,740 |
| Salaries and benefits | 1,443,658 | 202,725 | 1,646,383 |
| Accrued Interest | 6,042,832 | 209,025 | 6,251,857 |
| Total | <u>\$ 24,794,080</u> | <u>\$ 1,746,900</u> | <u>\$ 26,540,980</u> |

NOTE 8 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees' Retirement System

Description

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

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 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, 2008, 2007, and 2006 were \$1,839,778, \$1,698,868, and \$1,556,527, 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, 2007, the Separation Allowance's membership consisted of:

| | |
|--|--------------|
| Retirees receiving benefits | 61 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 986 |
| Total | <u>1,047</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 \$881,356 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, 2008 was determined as part of the December 31, 2006 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 14.7% 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, 2006 was 24 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 | \$ 477,327 |
| Interest on net pension obligation | (64,195) |
| Adjustment to annual required contribution | 54,409 |
| Annual pension cost | <u>467,541</u> |
| Contributions made | 881,356 |
| Increase (decrease) in net pension obligation | (413,815) |
| Net pension obligation (credit) - beginning of year | (885,445) |
| Net pension obligation (credit) - end of year | <u>\$ (1,299,260)</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, 2006 | 454,026 | 156% | (512,908) |
| June 30, 2007 | 443,511 | 184% | (885,445) |
| June 30, 2008 | 467,541 | 189% | (1,299,260) |

As of December 31 2006, the most recent actuarial valuation date, the plan was 22.8 percent funded. The actuarial accrued liability for benefits was \$5,859,710, and the actuarial value of assets was \$1,336,222, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,523,488. The covered payroll (annual payroll of active employees covered by the plan) was \$34,030,299, and the ratio of the UAAL to the covered payroll was 13.3 percent.

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. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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

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, 2008 were \$2,943,870, which consisted of \$1,881,455 from the County and \$1,062,415 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. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. 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

On a monthly basis, the County remits to the Department of the State Treasurer an amount equal to 1.5% 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, 2008, the County's required and actual contributions were \$22,678.

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 – OTHER POSTEMPLOYMENT BENEFITS

A. Retiree Health and Dental Benefits

Plan Description - Eligibility. Under the terms of a County resolution, the County administers a single-employer defined benefit Retiree Healthcare Benefits Plan (the RHCB Plan). As of July 1, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided they retire from service under the provisions of the North Carolina Local Governmental Employees' Retirement System or the North Carolina Law Enforcement Officer's Benefit and Retirement Fund (together the "Systems") and immediately prior to such retirement has earned ten (10) consecutive years of credible, continuous service with the County. Employees hired on or after July 1, 2008 require twenty (20) years of credible, continuous service with the County and must retire from service under the Systems to receive the postemployment healthcare benefit.

Plan Description – Benefits Covered. Retirees and spouses under age 65 are eligible to receive the same medical benefits (including prescription drug and vision benefits) as active, full-time employees through the County group health and dental plan. As of July 1, 2007, retirees paid \$0 per month for their coverage and \$220.00 per month for spousal coverage, if elected. In addition, these retirees are eligible for dental coverage and pay \$0 per month for their dental coverage and \$20.00 per month for spousal dental coverage, if elected.

Coverage for eligible retirees and covered spouses in the County group health and dental plan ends on the day the retiree attains age 65. In addition, all coverage (except COBRA) in the County group health and dental plan ends for covered spouses upon the death of an eligible retiree who had not attained age 65.

Retirees age 65 or older are eligible for coverage in a Medicare Supplemental plan as well as a prescription drug plan. Retirees do not contribute towards the cost of this plan. Spouses are not eligible for post-65 coverage.

Membership of the RHCB Plan (County group health and dental plan and the Medicare Supplement plans) consisted of the following at July 1, 2007, the date of the latest actuarial valuation:

| | |
|-----------------------------|---|
| | <u>Number of</u> <u>Participants</u> |
| Active Participants | 898 |
| Retired Participants | 196 |
| Covered Spouses of Retirees | <u>30</u> |
| Total | <u>1,124</u> |

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended, subject to certain limitations, by the County. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 12.4% of annual covered payroll. For the current year, the County contributed \$1,157,671 or 3.1% of annual covered payroll. The County healthcare benefits for the County group health and dental plans are self-insured with specific and aggregate stop-loss coverage provided through re-insurers. Claims are administered under a contract with a third party administrator. There were no contributions made by employees, except for dependent coverage. The County's obligation to

contribute to RHCBS Plan is established and may be amended, subject to certain limitations, by the County.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General and Enterprise Funds, which are maintained on the modified and full accrual basis of accounting, respectively. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

| | |
|--|--------------------|
| Annual required contribution | \$4,689,039 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | <u>4,689,039</u> |
| Contributions made | <u>(1,157,671)</u> |
| Increase (decrease) in net OPEB obligation | 3,531,368 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | <u>\$3,531,368</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

| For Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------|---------------------|---|------------------------|
| 2008 | \$4,689,039 | 24.7% | \$3,531,368 |

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$35,415,051. The covered payroll (annual payroll of active employees covered by the plan) was \$34,875,562 and the ratio of the UAAL to the covered payroll was 101.55 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return, which is the expected long-

term investment returns on the plan's assets and an annual medical cost trend increase of 11.00 to 5.00 percent annually and an inflation component of 3.00 percent. The UAAL is being amortized on a level dollar and open basis. The remaining amortization period at July 1, 2007, was 30 years.

B. Other Employment Benefits - 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, 2008, the County made contributions to the State for death benefits of \$37,102. 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 postemployment 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 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 \$3,875,976 reported as landfill closure and post closure care liability at June 30, 2008 represents a cumulative liability amount reported to date, based on the use of 100% of the total estimated post closure maintenance and monitoring costs associated with the closed municipal solid waste collection and construction and demolition cells and closure costs associated with 38% of the construction and demolition capacity. At June 30, 2008 there was an increase of \$1,256,384 from the prior year comprised of \$1,499,544 in extraordinary losses attributable to environmental corrective action measures to restore groundwater quality to required regulatory levels and a decrease of \$243,160 representing a reduction in the estimate of post-closure costs. 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 extraordinary losses in the amount of \$1,499,544 cited in the preceding paragraph represent costs associated with implementation of corrective action measures designed to restore groundwater quality at the landfill. As part of the County's groundwater monitoring program, one or more volatile organic and inorganic constituents have been detected in the landfill groundwater at statistically significant levels exceeding regulatory standards for acceptable water quality. As a result of the amounts exceeding the regulatory standard, the County developed a corrective action plan to restore groundwater quality at the

landfill to acceptable regulatory levels. The County has selected a remediation method known as *phytoremediation* which involves the use of plants and trees to cleanup contaminated groundwater. The remedy involves extracting the groundwater and irrigating, either through spray or drip, plantation beds consisting of poplar trees that remove the pollutants from the groundwater.

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 and post closure costs have been 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 \$7,528,749. 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, 2008. At year end the significant contractual commitments include the following:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|--|--------------------------|---------------------------------|
| <u>Emergency Telephone System Fund:</u> | | |
| Communications CAD/RMS System | \$ 1,340,824 | \$ 779,589 |
| <u>General Capital Projects Fund:</u> | | |
| Jail Expansion | 1,783,085 | 251,872 |
| Government Facility Renovations | 7,485,213 | 1,879,673 |
| Communications Radio Project | 66,080 | 7,672,810 |
| <u>Water Capital Projects:</u> | | |
| Anson 4.0 MGD Water Improvements | 250,308 | 497,645 |
| Comprehensive Water Map | 39,170 | 353,330 |
| Countywide Transmission Main Phase III | 178,266 | 101,632 |
| Ridge Road Pump Station & Elevated Tank | 271,436 | 100,677 |
| Weddington Elevated Storage Tank | 18,233 | 210,778 |
| <u>Sewer Capital Projects:</u> | | |
| Northern Union County WWT Facility | 449,787 | 200,062 |
| 12 Mile Creek Sewer Diversion to CMUD | 74,031 | 268,539 |
| Total | <u>\$ 11,956,433</u> | <u>\$ 12,316,607</u> |

The Communications CAD/RMS System 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 an amount of up to \$3,986,117 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 \$150,000 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 \$250,000, respectively. Claims are covered above the specific limit through the purchase of Specific Stop-Loss Insurance. The annual maximum claims cost cap of \$8,267,966 is 125% of the annual expected claims cost of \$6,614,373. 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; non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 are 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, 2008 | Year Ended June 30, 2007 | Year Ended June 30, 2008 | Year Ended June 30, 2007 | Year Ended June 30, 2008 | Year Ended June 30, 2007 |
| Unpaid Claims beginning of fiscal year | \$ 522,700 | \$ 717,400 | \$ 195,956 | \$ 128,037 | \$ - | \$ - |
| Incurring claims and premiums | 6,209,597 | 6,667,896 | (133,138) | 276,535 | 792,924 | 787,156 |
| Claims and premiums paid | (7,433,127) | (6,862,596) | (241,661) | (208,616) | (792,924) | (787,156) |
| Unpaid Claims end of fiscal year | <u>\$ 700,830</u> | <u>\$ 522,700</u> | <u>\$ 178,843</u> | <u>\$ 195,956</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 is bonded at \$100,000, the tax administrator is bonded at \$60,000, the sheriff is bonded at \$5,000, and the register of deeds is bonded at \$25,000. 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 owned by the County of material value 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, 2008. 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 \$999,636 for the year ended June 30, 2008.

Minimum future lease payments are as follows:

| Year Ending June 30 | Anson County | CMUD | Other |
|------------------------|-------------------|---------------------|---------------------|
| 2009 | \$ 164,153 | \$ 205,456 | \$ 555,990 |
| 2010 | 164,153 | 205,456 | 532,049 |
| 2011 | 164,153 | 205,456 | 535,034 |
| 2012 | 164,153 | 205,456 | 514,015 |
| 2013 | 164,154 | 205,456 | 503,675 |
| 2014-2018 | - | 1,027,279 | 1,033,508 |
| 2019-2023 | - | 1,027,279 | - |
| 2024-2027 | - | 508,556 | - |
| | <u>\$ 820,766</u> | <u>\$ 3,590,394</u> | <u>\$ 3,644,271</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, 2008. 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, 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, 2008 are comprised of the following individual issues:

| | Issue Date | Due Serially To | Interest Rate | Original Issue | Principal Balance June 30, 2008 | Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2008 |
|---|----------------|-----------------|----------------|----------------|---------------------------------|---|
| 1. General Obligation Bonds | | | | | | |
| 1996 Refunding Bonds (School Facility) | Nov. 01, 1996 | May 01, 2011 | 4.75% - 5.20% | \$ 11,340,560 | \$ 1,254,792 | \$ 1,254,792 |
| 1996 Refunding Bonds (Water) | Nov. 01, 1996 | May 01, 2011 | 4.75% - 5.20% | 11,424,720 | 1,264,104 | 1,267,193 |
| 1996 Refunding Bonds (Sanitary Sewer) | Nov. 01, 1996 | May 01, 2011 | 4.75% - 5.20% | 3,534,720 | 391,104 | 391,454 |
| 1999 Refunding Bonds (School Facility) | Sept. 01, 1999 | March 01, 2011 | 4.4% - 5.0% | 14,673,549 | 5,713,688 | 5,713,688 |
| 1999 Refunding Bonds (Water) | Sept. 01, 1999 | March 01, 2011 | 4.4% - 5.0% | 5,961,452 | 2,321,312 | 2,317,228 |
| 1999 School Facility - Series A | Sept. 01, 1999 | March 01, 2009 | 5.0% - 5.2% | 4,050,000 | 200,000 | 200,000 |
| 1999 School Facility - Series B | Sept. 01, 1999 | March 01, 2009 | 5.0% - 5.2% | 26,000,000 | 800,000 | 800,000 |
| 2001 School Facility Bonds (d) | March 01, 2001 | March 01, 2020 | 4.00% - 4.75% | 56,700,000 | 44,100,000 | 44,100,000 |
| 2004 Refunding Bonds (School Facilities) | June 01, 2004 | June 01, 2016 | 2.50% - 4.125% | 14,976,804 | 11,593,095 | 11,510,699 |
| 2004 Refunding Bonds (Sanitary Sewer) | June 01, 2004 | June 01, 2016 | 2.50% - 4.125% | 3,303,196 | 2,556,905 | 2,536,724 |
| 2004 School Facility - Series A (c, h) | Dec. 14, 2004 | March 01, 2029 | Variable | 48,265,000 | 44,862,317 | 44,862,317 |
| 2004 Law Enf. Facility - Series A (c, h) | Dec. 14, 2004 | March 01, 2029 | Variable | 1,735,000 | 1,612,683 | 1,612,683 |
| 2004 Refunding Bonds (School Facility) (a, c, h) | Dec. 14, 2004 | March 01, 2020 | Variable | 21,630,000 | 21,065,000 | 19,875,907 |
| 2005 School Facility - Series A (h) | June 13, 2005 | March 01, 2030 | Variable | 50,000,000 | 44,000,000 | 44,000,000 |
| 2005 School Facility - Series B (h) | June 13, 2005 | March 01, 2030 | Variable | 20,000,000 | 17,600,000 | 17,600,000 |
| 2005 School Facility - Series C (h) | June 13, 2005 | March 01, 2030 | Variable | 20,000,000 | 17,600,000 | 17,600,000 |
| 2007 School Facility - Series A (g, h) | Sept. 06, 2007 | March 01, 2031 | Variable | 55,365,000 | 53,055,000 | 53,055,000 |
| 2007 School Facility - Series A (h) | Sept. 06, 2007 | March 01, 2033 | Variable | 10,000,000 | 10,000,000 | 10,000,000 |
| 2007 School Facility - Series B (g, h) | Sept. 06, 2007 | March 01, 2031 | Variable | 33,220,000 | 31,835,000 | 31,835,000 |
| 2007 School Facility - Series B (h) | Sept. 06, 2007 | March 01, 2033 | Variable | 6,000,000 | 6,000,000 | 6,000,000 |
| 2007 School Facility - Series C (g, h) | Sept. 06, 2007 | March 01, 2031 | Variable | 22,145,000 | 21,225,000 | 21,225,000 |
| 2007 School Facility - Series C (h) | Sept. 06, 2007 | March 01, 2033 | Variable | 4,000,000 | 4,000,000 | 4,000,000 |
| 2007 School Facility - Series D | Sept. 06, 2007 | March 01, 2029 | 4.25% - 5.0% | 90,000,000 | 90,000,000 | 93,352,125 |
| | | | | | <u>433,050,000</u> | <u>435,109,810</u> |
| 2. Installment Financing | | | | | | |
| 2003 Multi-purpose COP's (d) | June 15, 2003 | June 01, 2025 | 2.0% - 5.0% | 43,760,000 | 32,910,000 | 33,696,021 |
| 2006 School COP's | Nov. 09, 2006 | June 01, 2032 | 3.52% - 4.26% | 77,640,000 | 74,530,000 | 77,601,953 |
| 2004 Installment Financing (Law Enforcement) | June 15, 2004 | May 15, 2009 | Variable | 306,170 | 57,083 | 57,083 |
| | | | | | <u>107,497,083</u> | <u>111,355,057</u> |
| 3. Revenue Bonds | | | | | | |
| 2003 Enterprise System - Series A (e) | June 12, 2003 | June 01, 2029 | 2.0% - 5.0% | 33,130,000 | 29,150,000 | 29,752,821 |
| 2003 Refunding Enterprise System - Series B (b, h) | June 12, 2003 | June 01, 2021 | Variable | 20,935,000 | 16,095,000 | 14,518,883 |
| | | | | | <u>45,245,000</u> | <u>44,271,704</u> |
| 4. Other Long-term Obligations (Note 16. E.) | | | | | | |
| 1998 North Carolina Clean Water Revolving Loan | June 01, 1998 | June 30, 2017 | 3.43% - 5.3% | 4,673,933 | 2,103,270 | 2,103,270 |
| 2007 North Carolina Clean Water Revolving Loan | TBD | TBD | 2.265% | 13,500,000 | 13,500,000 | 13,500,000 |
| | | | | | <u>15,603,270</u> | <u>15,603,270</u> |
| Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation | | | | | <u>\$ 601,395,353</u> | <u>\$ 606,339,841</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 \$21,152,314.

- (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, 2008, 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>(1.879%)</u> |
| Net interest rate swap payments | | 1.116% |
| Variable rate bond coupon payments | Bond Rate | <u>1.500%</u> |
| Synthetic interest rate on Bonds | | <u>2.616%</u> |

Fair Value. As of June 30, 2008, the agreement had a positive fair value of \$83,863. 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, 2008. 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 "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2008, 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, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

| Fiscal Year Ending June 30 | Bonds | | Interest Rate | Total |
|-------------------------------|----------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Swaps, Net * | |
| 2009 | \$ 1,230,000 | \$ 241,425 | \$ 179,550 | \$ 1,650,975 |
| 2010 | 1,220,000 | 222,975 | 165,828 | 1,608,803 |
| 2011 | 1,210,000 | 204,675 | 152,219 | 1,566,894 |
| 2012 | 1,195,000 | 186,525 | 138,720 | 1,520,245 |
| 2013 | 1,185,000 | 168,600 | 125,389 | 1,478,989 |
| 2014-2018 | 5,995,000 | 578,250 | 430,050 | 7,003,300 |
| 2019-2021 | 4,060,000 | 123,075 | 91,532 | 4,274,607 |
| Total | <u>\$ 16,095,000</u> | <u>\$ 1,725,525</u> | <u>\$ 1,283,288</u> | <u>\$ 19,103,813</u> |

* Computed using $(2.995\% - 1.879\%) \times (\$16,095,000 - \text{annual reduction})$

(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, 2008, 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>(1.764%)</u> |
| Net interest rate swap payments | | 1.661% |
| Variable rate bond coupon payments | Bond Rate | 1.440% |
| Synthetic interest rate on Bonds | | <u>3.101%</u> |

Fair Value. As of June 30, 2008, the swap agreements had a negative fair value of \$2,014,032. 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. As of June 30, 2008, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap agreements become positive, the County would be exposed to credit risk in the amount of the derivative's fair value. Under those circumstances, 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, 2008 are rated as follows:

| Counterparty | Moody's | Standard & | |
|----------------------|---------|------------|-------|
| | | Poor's | Fitch |
| Bank of America N.A. | Aaa | AA+ | AA- |
| Citibank | Aa1 | 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, 2008, the rate on the County's 2004 Bonds was lower than the floating rate received from the Counterparties resulting in a reduction in debt service below the fixed rate on the swap agreements. 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, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates as of June 30, 2008 remain the same for the term of the 2004 Bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

| Fiscal Year Ending June 30 | Bonds | | Interest Rate Swaps, Net * | Total |
|-------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | Principal | Interest | | |
| 2009 | \$ 1,375,000 | \$ 972,576 | \$ 1,121,856 | \$ 3,469,432 |
| 2010 | 2,535,000 | 952,776 | 1,099,017 | 4,586,793 |
| 2011 | 2,525,000 | 916,272 | 1,056,910 | 4,498,182 |
| 2012 | 3,360,000 | 879,912 | 1,014,969 | 5,254,881 |
| 2013 | 3,335,000 | 831,528 | 959,159 | 5,125,687 |
| 2014-2018 | 16,230,000 | 3,445,416 | 3,974,252 | 23,649,668 |
| 2019-2023 | 13,950,000 | 2,335,608 | 2,694,099 | 18,979,707 |
| 2024-2028 | 19,530,000 | 1,267,848 | 1,462,450 | 22,260,298 |
| 2029 | 4,700,000 | 67,680 | 78,068 | 4,845,748 |
| Total | <u>\$ 67,540,000</u> | <u>\$ 11,669,616</u> | <u>\$ 13,460,780</u> | <u>\$ 92,670,396</u> |

* Computed using $(3.425\% - 1.764\%) \times (\$67,540,000 - \text{annual reduction})$

- (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, 2008, rates were as follows:

| | <u>Terms</u> | <u>Rates</u> |
|-----------------------------|--------------------|---------------|
| Average coupon on the Bonds | Fixed | 4.640% |
| Receive Floating Rate | 67% LIBOR + 0.532% | (2.195%) |
| Pay Floating Rate | BMA Swap Index | 1.550% |
| Net interest rate on Bonds | | <u>3.995%</u> |

Fair Value. As of June 30, 2008, the agreement had a positive fair value of \$448,522. 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, 2008. 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, 2008, 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, 2008, debt service requirements of the Bonds and net interest rate swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As net interest rate swap payments vary, the County's fixed bond interest payments and net interest rate swap payments will vary.

| Fiscal Year Ending June 30 | Bonds | | Interest Rate Swaps, Net * | Total |
|-------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | Principal | Interest | | |
| 2009 | \$ - | \$ 2,825,931 | \$ (391,940) | \$ 2,433,991 |
| 2010 | - | 2,825,931 | (391,940) | 2,433,991 |
| 2011 | - | 2,825,931 | (391,940) | 2,433,991 |
| 2012 | 2,750,000 | 2,825,931 | (391,940) | 5,183,991 |
| 2013 | 2,750,000 | 2,695,306 | (374,195) | 5,071,111 |
| 2014-2018 | 33,025,000 | 9,885,307 | (1,371,532) | 41,538,775 |
| 2019-2023 | 18,425,000 | 2,611,963 | (388,295) | 20,648,668 |
| 2024-2025 | 3,790,000 | 234,507 | (36,684) | 3,987,823 |
| Total | <u>\$ 60,740,000</u> | <u>\$ 26,730,807</u> | <u>\$ (3,738,466)</u> | <u>\$ 83,732,341</u> |

* Computed using $(1.550\% - 2.195\%) \times (\$60,740,000 - \text{annual reduction})$

- (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, 2008, rates were as follows:

| | <u>Terms</u> | <u>Rates</u> |
|-----------------------------|-------------------|---------------|
| Average coupon on the Bonds | Fixed | 4.540% |
| Receive Floating Rate | 70% LIBOR + 0.40% | (2.129%) |
| Pay Floating Rate | BMA Swap Index | <u>1.550%</u> |
| Net interest rate on Bonds | | <u>3.961%</u> |

Fair Value. As of June 30, 2008, the agreement had a positive fair value of \$148,342. 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, 2008. 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 "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2008, 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, 2008, 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 * | |
| 2009 | \$ - | \$ 1,119,689 | \$ (142,919) | \$ 976,770 |
| 2010 | - | 1,119,689 | (142,919) | 976,770 |
| 2011 | - | 1,119,689 | (142,919) | 976,770 |
| 2012 | - | 1,119,689 | (142,919) | 976,770 |
| 2013 | - | 1,119,689 | (142,919) | 976,770 |
| 2014-2018 | 5,290,000 | 5,206,565 | (655,840) | 9,840,725 |
| 2019-2023 | 6,605,000 | 3,880,686 | (487,948) | 9,997,738 |
| 2024-2028 | 8,145,000 | 2,347,675 | (279,755) | 10,212,920 |
| 2029 | 4,625,000 | 231,250 | (26,799) | 4,829,451 |
| Total | <u>\$ 24,665,000</u> | <u>\$ 17,264,621</u> | <u>\$ (2,164,937)</u> | <u>\$ 39,764,684</u> |

* Computed using $(1.550\% - 2.129\%) \times (\$24,665,000 - \text{annual reduction})$

- (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 June 26, 2008) and effective June 15, 2009 – 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 2009 ("Series 2009 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 2009 Bonds to a synthetic fixed rate of 3.82%, excluding liquidity, remarketing, and other fees associated with the Series 2009 Bonds.

Terms. Under the terms of the amended and restated forward swap agreement effective June 15, 2009, 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 3.82% 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 2009 over a period beginning June 1, 2010 and ending June 1, 2034. The agreement matures June 1, 2034.

Fair Value. As of June 30, 2008, the agreement had a negative fair value of \$1,033,153. 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. As of June 30, 2008, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap agreement become positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. Under those circumstances, should the Counterparty 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 “Aa1” by Moody’s Investor’s Service, “AA” by Standard and Poor’s Ratings Services, and “AA-” by Fitch Ratings as of June 30, 2008, 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 2009 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. Should the relationship of the 2009 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 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 issuance of Variable Rate General Obligation Bonds, Series 2007 (“2007 Series Bonds”), Union County entered into multiple pay-fixed, receive-variable interest rate swaps on December 12, 2005, with an effective date of September 6, 2007. The forward swap agreements effectively changed 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 swap agreements effective September 6, 2007, the County pays 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 receives 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. As of June 30, 2008, rates were as follows:

| | <u>Terms</u> | <u>Rates</u> |
|--------------------------------------|--------------|-----------------|
| Interest rate swap: | | |
| Fixed payment to Counterparties | Fixed | 3.673% |
| Variable payment from Counterparties | See above | <u>(1.738%)</u> |
| Net interest rate swap payments | | 1.935% |
| Variable rate bond coupon payments | Bond Rate | <u>1.490%</u> |
| Synthetic interest rate on Bonds | | <u>3.425%</u> |

Fair Value. As of June 30, 2008, the agreement had a negative fair value of \$4,566,499. 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. As of June 30, 2008, the County was not exposed to credit risk because the swap agreements had a negative fair value. However, should interest rates change and the fair value of the swap agreements become positive, the County would be exposed to credit risk in the amount of the derivatives' fair value. Under those circumstances, 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, 2008 are rated as follows:

| Counterparty | Moody's | Standard & | |
|--------------|---------|------------|-------|
| | | Poor's | Fitch |
| Wachovia | Aa1 | AA | AA- |
| Citibank | Aa1 | AA | AA- |
| UBS | Aa2 | 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 receives from the Counterparties 70% of USD-LIBOR-BBA and pays the bond rate to its bondholders set by the remarketing agent. The County is 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.

Swap payments and associated debt: Using rates as of June 30, 2008, 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 | | |
| 2009 | \$ 4,615,000 | \$ 1,581,114 | \$ 2,053,591 | \$ 8,249,705 |
| 2010 | 4,615,000 | 1,512,350 | 1,964,279 | 8,091,629 |
| 2011 | 4,615,000 | 1,443,587 | 1,874,967 | 7,933,554 |
| 2012 | 4,615,000 | 1,374,823 | 1,785,655 | 7,775,478 |
| 2013 | 4,615,000 | 1,306,060 | 1,696,343 | 7,617,403 |
| 2014-2018 | 23,075,000 | 5,498,845 | 7,142,040 | 35,715,885 |
| 2019-2023 | 23,075,000 | 3,779,758 | 4,909,246 | 31,764,004 |
| 2024-2028 | 23,060,000 | 2,060,894 | 2,676,741 | 27,797,635 |
| 2029-2031 | 13,830,000 | 412,134 | 535,290 | 14,777,424 |
| Total | <u>\$ 106,115,000</u> | <u>\$ 18,969,563</u> | <u>\$ 24,638,152</u> | <u>\$ 149,722,715</u> |

* Computed using (3.673% - 1.738%) x (\$106,115,000 – annual reduction)

- (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 2008 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. Commencing in the month of September 2008, the County experienced significant increases in its variable demand bond rates due to market disruptions in the short-term municipal bond market. For several weeks in September and October, the County's variable demand bonds reset at rates approaching 8%. While short-term rates have returned to pre-September 2008 levels, the County's

variable rate bonds continue to reset at rates ranging from 2% to 8% due to liquidity provider credit issues. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be \$429,522,000. The general obligation bonds Series 2004A, 2004B, 85% of the 2007A, 2007B and 2007C and the revenue bonds Series 2003B have been synthetically fixed as described in the previous paragraphs.

| Issue | Balance June 30, 2008 | Standby Purchase Agreement Expiration | Fees Paid for the Fiscal Year 2008 | Interest Rate June 30, 2008 |
|---------------------------------|--------------------------|--|--|--------------------------------|
| General Obligation Bonds | | | | |
| 2004A | \$ 46,475,000 | December 14, 2011 | \$ 97,220 | 1.44% |
| 2004B | 21,065,000 | December 14, 2011 | 43,491 | 1.44% |
| 2005A | 44,000,000 | June 13, 2015 | 92,878 | 1.44% |
| 2005B | 17,600,000 | June 13, 2015 | 37,929 | 1.50% |
| 2005C | 17,600,000 | June 13, 2015 | 37,880 | 1.53% |
| 2007A | 63,055,000 | September 04, 2015 | 71,442 | 1.50% |
| 2007B | 37,835,000 | September 04, 2015 | 42,867 | 1.44% |
| 2007C | 25,225,000 | September 04, 2015 | 28,577 | 1.53% |
| Revenue Bonds | | | | |
| 2003B | 16,095,000 | June 12, 2011 | 36,245 | 1.50% |

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

| | Governmental Activities | Business- type Activities | Total |
|----------------------------------|----------------------------|------------------------------|-----------------------|
| General Obligation Bonds | \$ 428,597,211 | \$ 6,512,599 | \$ 435,109,810 |
| Certificates of Participation | 111,297,974 | - | 111,297,974 |
| Installment Financing | 57,083 | - | 57,083 |
| Revenue Bonds | - | 44,271,704 | 44,271,704 |
| N.C. Clean Water Revolving Loans | - | 15,603,270 | 15,603,270 |
| Total | \$ 539,952,268 | \$ 66,387,573 | \$ 606,339,841 |

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 |
|---|---|---------------------|--|-----------------------|
| General Obligation Bonds | | | | |
| 1996 Refunding Bonds (Water) | \$ 14,588 | \$ (16,592) | \$ (1,085) | \$ (3,089) |
| 1996 Refunding Bonds (Sanitary Sewer) | 4,489 | (4,520) | (319) | (350) |
| 1999 Refunding Bonds (Water) | 8,793 | (4,709) | - | 4,084 |
| 2004 Refunding Bonds (School Facilities) (b) | 268,998 | - | (186,602) | 82,396 |
| 2004 Refunding Bonds (Sanitary Sewer) (b) | 61,334 | - | (41,153) | 20,181 |
| 2004 Refunding Bonds (School Facilities) (c,e) | 1,189,093 | - | - | 1,189,093 |
| 2007 School Facility – Series D | - | - | (3,352,125) | (3,352,125) |
| Installment Financing | | | | |
| 2003 Multi-purpose COP's | 38,375 | - | (824,396) | (786,021) |
| 2006 School COP's | - | - | (3,071,953) | (3,071,953) |
| Revenue Bonds | | | | |
| 2003 Enterprise System - Series A | - | - | (602,821) | (602,821) |
| 2003 Refunding Enterprise System - Series B (a,d) | 1,430,262 | - | 145,855 | 1,576,117 |
| Total | \$ 3,015,932 | \$ (25,821) | \$ (7,934,599) | (4,944,488) |
| Long-term Obligations (per Note 16, A) | | | | 606,339,841 |
| Future Maturities of Long-term Obligations (per Note 16, B) | | | | \$ 601,395,353 |

B. Future Maturities of Long-Term Obligations

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

| | General Obligation | | Certificates of Participation and Installment Financing | | Total | |
|-----------|--------------------------------|-----------------------|---|----------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | Governmental Activities | | | | | |
| 2009 | \$ 19,638,033 | \$ 17,551,892 | \$ 5,217,083 | \$ 5,017,219 | \$ 24,855,116 | \$ 22,569,111 |
| 2010 | 19,777,014 | 16,708,691 | 5,170,000 | 4,812,000 | 24,947,014 | 21,520,691 |
| 2011 | 19,886,830 | 15,878,439 | 5,180,000 | 4,569,412 | 25,066,830 | 20,447,851 |
| 2012 | 20,811,575 | 15,049,731 | 5,195,000 | 4,324,650 | 26,006,575 | 19,374,381 |
| 2013 | 20,757,900 | 14,191,054 | 5,000,000 | 4,089,500 | 25,757,900 | 18,280,554 |
| 2014-2018 | 111,350,223 | 57,325,693 | 25,000,000 | 17,091,019 | 136,350,223 | 74,416,712 |
| 2019-2023 | 93,975,000 | 34,480,661 | 25,000,000 | 11,096,275 | 118,975,000 | 45,576,936 |
| 2024-2028 | 72,590,000 | 17,713,351 | 19,315,000 | 5,486,494 | 91,905,000 | 23,199,845 |
| 2029-2033 | 47,730,000 | 4,498,927 | 12,420,000 | 1,430,700 | 60,150,000 | 5,929,627 |
| | <u>\$ 426,516,575</u> | <u>\$ 193,398,439</u> | <u>\$ 107,497,083</u> | <u>\$ 57,917,269</u> | <u>\$ 534,013,658</u> | <u>\$ 251,315,708</u> |

| | General Obligation Bonds | | Revenue Bonds | | Other Long-term Obligations (E.) | | Total | |
|-----------|---------------------------------|-------------------|----------------------|----------------------|----------------------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | Business-type Activities | | | | | | | |
| 2009 | \$ 1,886,967 | \$ 303,159 | \$ 2,080,000 | \$ 1,729,814 | \$ 908,697 | \$ 250,999 | \$ 4,875,664 | \$ 2,283,972 |
| 2010 | 1,857,986 | 212,115 | 2,090,000 | 1,673,235 | 908,697 | 354,613 | 4,856,683 | 2,239,963 |
| 2011 | 1,368,170 | 121,975 | 2,105,000 | 1,613,207 | 908,697 | 331,309 | 4,381,867 | 2,066,491 |
| 2012 | 548,425 | 57,743 | 2,115,000 | 1,550,627 | 908,697 | 308,003 | 3,572,122 | 1,916,373 |
| 2013 | 542,100 | 35,806 | 2,135,000 | 1,486,266 | 908,697 | 284,699 | 3,585,797 | 1,806,771 |
| 2014-2018 | 329,777 | 24,296 | 11,285,000 | 6,361,185 | 4,309,785 | 1,073,927 | 15,924,562 | 7,459,408 |
| 2019-2023 | - | - | 10,665,000 | 4,126,480 | 3,375,000 | 611,550 | 14,040,000 | 4,738,030 |
| 2024-2028 | - | - | 8,145,000 | 2,347,675 | 3,375,000 | 229,331 | 11,520,000 | 2,577,006 |
| 2029-2033 | - | - | 4,625,000 | 231,250 | - | - | 4,625,000 | 231,250 |
| | <u>\$ 6,533,425</u> | <u>\$ 755,094</u> | <u>\$ 45,245,000</u> | <u>\$ 21,119,739</u> | <u>\$ 15,603,270</u> | <u>\$ 3,444,431</u> | <u>\$ 67,381,695</u> | <u>\$ 25,319,264</u> |

Total Long-term Obligations for Governmental and Business-type Activities \$ 601,395,353 \$ 276,634,972

As of June 30, 2008, Union County had \$64,500,000 general obligation bonds authorized but unissued, and had a legal debt margin of \$804,614,742.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2008 (and agrees to table in Note 16 part B):

| | Balance June 30, 2007 | Increases | Decreases | Additions and Deductions to Amortizations | Balance June 30, 2008 | Current Portion of Balances |
|----------------------------------|--------------------------|-----------------------|-----------------------|---|--------------------------|-----------------------------------|
| Governmental Activities: | | | | | | |
| By Type: | | | | | | |
| General obligation bonds | \$ 220,523,231 | \$ 220,730,000 | \$ 16,291,743 | \$ 3,635,723 | \$ 428,597,211 | \$ 19,521,762 |
| Bond anticipation notes | 83,495,000 | 18,500,000 | 101,995,000 | - | - | - |
| Certificates of participation | 116,677,090 | - | 5,150,000 | (229,116) | 111,297,974 | 5,389,116 |
| Installment financing | 119,355 | - | 62,272 | - | 57,083 | 57,083 |
| | 420,814,676 | 239,230,000 | 123,499,015 | 3,406,607 | 539,952,268 | 24,967,961 |
| Compensated absences | 2,819,065 | 2,742,147 | 2,320,115 | - | 3,241,097 | - |
| | <u>\$ 423,633,741</u> | <u>\$ 241,972,147</u> | <u>\$ 125,819,130</u> | <u>\$ 3,406,607</u> | <u>\$ 543,193,365</u> | <u>\$ 24,967,961</u> |
| By Purpose: | | | | | | |
| General government | \$ 14,023,341 | \$ - | \$ 676,054 | \$ (12,997) | \$ 13,334,290 | \$ 689,051 |
| Public safety | 5,807,645 | - | 610,606 | (70,428) | 5,126,611 | 685,846 |
| Economic/physical development | 3,526,300 | - | 169,294 | (4,068) | 3,352,938 | 173,362 |
| Human services | 41,986 | - | 2,024 | (39) | 39,923 | 2,063 |
| Education | 394,878,636 | 239,230,000 | 121,918,741 | 3,496,490 | 515,686,385 | 23,292,992 |
| Cultural and recreational | 2,536,768 | - | 122,296 | (2,351) | 2,412,121 | 124,647 |
| Compensated absences | 2,819,065 | 2,742,147 | 2,320,115 | - | 3,241,097 | - |
| | <u>\$ 423,633,741</u> | <u>\$ 241,972,147</u> | <u>\$ 125,819,130</u> | <u>\$ 3,406,607</u> | <u>\$ 543,193,365</u> | <u>\$ 24,967,961</u> |
| Business-type Activities: | | | | | | |
| By Type: | | | | | | |
| General obligation bonds | \$ 8,957,241 | \$ - | \$ 2,485,057 | \$ 40,415 | \$ 6,512,599 | \$ 1,861,895 |
| Revenue bonds | 46,145,300 | - | 2,070,000 | 196,404 | 44,271,704 | 1,894,767 |
| NC Clean Water Revolving Loan | 15,836,967 | - | 233,697 | - | 15,603,270 | 908,697 |
| | 70,939,508 | - | 4,788,754 | 236,819 | 66,387,573 | 4,665,359 |
| Compensated absences | 429,419 | 324,315 | 261,357 | - | 492,377 | - |
| | <u>\$ 71,368,927</u> | <u>\$ 324,315</u> | <u>\$ 5,050,111</u> | <u>\$ 236,819</u> | <u>\$ 66,879,950</u> | <u>\$ 4,665,359</u> |
| By Purpose: | | | | | | |
| Water and sewer systems | \$ 70,939,508 | \$ - | \$ 4,788,754 | \$ 236,819 | \$ 66,387,573 | \$ 4,665,359 |
| Compensated absences | 429,419 | 324,315 | 261,357 | - | 492,377 | - |
| | <u>\$ 71,368,927</u> | <u>\$ 324,315</u> | <u>\$ 5,050,111</u> | <u>\$ 236,819</u> | <u>\$ 66,879,950</u> | <u>\$ 4,665,359</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, 2008.

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, 2008 is as follows:

| | |
|--|-----------------------------|
| Revenues | \$ 37,772,552 |
| Current Expenses | 15,299,134 |
| Net revenues available for debt service | <u>22,473,418</u> |
| Add: 20% of preceding year's Surplus Fund | 4,646,148 |
| Adjusted net revenues available for debt service per Rate Covenant | <u><u>\$ 27,119,566</u></u> |
| Senior debt service coverage: | |
| Debt service, principal and interest paid | \$ 3,720,738 |
| Subordinate debt service: | |
| Debt service, principal and interest paid | <u>3,228,049</u> |
| Total debt service: | |
| Total debt service, principal and interest paid | 6,948,787 |
| Add: 20% of senior debt service | 744,148 |
| Adjusted debt service requirements | <u><u>\$ 7,692,935</u></u> |
| Coverage Test 1 | |
| Adjusted net revenues / adjusted debt service | 3.53 |
| Coverage Test 2 | |
| Net revenues / total debt service | 3.23 |

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, 2008. The amount outstanding at June 30, 2008 is \$2,103,270. 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 is 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, 2008. The amount drawn down and outstanding as of June 30, 2008 is \$13,500,000. The remainder of the loan will be drawn down by June 30, 2009. 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 |
| 2009 | \$ 233,697 | \$ 72,142 | \$ 675,000 | \$ 178,857 |
| 2010 | 233,697 | 64,126 | 675,000 | 290,487 |
| 2011 | 233,697 | 56,111 | 675,000 | 275,198 |
| 2012 | 233,697 | 48,095 | 675,000 | 259,908 |
| 2013 | 233,697 | 40,079 | 675,000 | 244,620 |
| 2014-2018 | 934,785 | 80,158 | 3,375,000 | 993,769 |
| 2019-2023 | - | - | 3,375,000 | 611,550 |
| 2024-2028 | - | - | 3,375,000 | 229,331 |
| Total | \$ 2,103,270 | \$ 360,711 | \$ 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, 2008, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$10,000,000.

NOTE 17 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2008 is as follows:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-----------------|--------------------|-------------------|---------|
| General Fund | Water & Sewer Fund | \$ 255,167 | Note 1 |
| General Fund | Solid Waste Fund | 42,354 | Note 1 |
| General Fund | Stormwater Fund | 3,213 | Note 1 |
| | | <u>\$ 300,734</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: | | | | | Business Type Activities | Purpose |
|---------------------------------|-------------------------|------------------------------|-----------------------------|--------------------------|-----------------|--------------------------|---------|
| | Governmental Activities | | | | Stormwater Fund | | |
| | General Fund | General Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds | | | |
| Governmental activities: | | | | | | | |
| General Fund | \$ - | \$ 11,020,500 | \$ 375,125 | \$ 11,395,625 | \$ - | Note 1 | |
| Debt Service Fund | 3,278,862 | - | - | 3,278,862 | - | Note 2 | |
| Emergency Telephone System Fund | 1,395,870 | - | - | 1,395,870 | - | Note 3 | |
| Library Capital Reserve Fund | - | - | 94,765 | 94,765 | - | Note 4 | |
| Total governmental activities | 4,674,732 | 11,020,500 | 469,890 | 16,165,122 | - | | |
| Business type activities: | | | | | | | |
| Water & Sewer Fund | - | - | - | - | 160,496 | Note 5 | |
| Total transfers out | \$ 4,674,732 | \$ 11,020,500 | \$ 469,890 | \$ 16,165,122 | \$ 160,496 | | |

- Note 1: The transfers from the General Fund to Governmental Funds were for the following funds and projects:
- | | | |
|--|------------|--|
| General Capital Project Fund: | | |
| UCPS FY2008 school capital outlay allocation | 11,000,000 | |
| Parks and Recreation campground entrance gate | 20,500 | |
| Non Major Governmental Funds - Debt Service Fund: | | |
| Funding for the school capital and debt service fund | 375,125 | |
- Note 2: The transfer from the Debt Service Fund to the General Fund was to provide funds for school debt interest payments on applicable projects.
- Note 3: The transfer from the Emergency Telephone System Fund to the General Fund was to provide funds for the Computer Aided Dispatch project and the statutory required transfer of landline 911 fees.
- Note 4: The transfer from the Library Capital Reserve Fund to the Library Capital Project Fund was to provide funding for the South West Union Library project and to close the reserve fund.
- Note 5: The transfer from the Water & Sewer Fund to the Stormwater Fund was 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) | \$ - | \$ 321,497 | \$ 321,497 |
| Prepaid taxes not yet earned (Special Revenue) | - | 5,515 | 5,515 |
| Grant revenue not yet earned (General) | - | 13,500 | 13,500 |
| Taxes receivable, net (General) | 3,985,651 | - | 3,985,651 |
| Taxes receivable, net (Special Revenue) | 73,637 | - | 73,637 |
| Prepaid fees not yet earned (General Capital Project) | - | 147,241 | 147,241 |
| | <u>\$ 4,059,288</u> | <u>\$ 487,753</u> | <u>\$ 4,547,041</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 \$1,838,075 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, 2008 was \$13,064,924. This included the County's recognized loss of \$422,595 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, 2008, is as follows:

| | |
|----------------------------------|----------------------|
| Cash and investments | \$ 1,761,964 |
| Other assets | 24,526,326 |
| Total assets | <u>\$ 26,288,290</u> |
| | |
| Total liabilities | \$ 158,443 |
| Total net assets | 26,129,847 |
| Total liabilities and net assets | <u>\$ 26,288,290</u> |
| | |
| Total revenues | \$ 3,039,952 |
| Total expenses | (3,885,145) |
| Net decrease in net assets | <u>\$ (845,193)</u> |

B. Union Memorial Regional Medical Center

Union Memorial Regional Medical Center, Inc. d/b/a Carolinas Medical Center-Union (CMC-Union) is a not-for-profit organization which provides health care service to the residents of Union and surrounding counties. The County has an agreement, originally entered into August 27, 1995, between the County, CMC-Union and a subsidiary of the Charlotte-Mecklenburg Hospital Authority, d/b/a Carolina HealthCare System (CHS) to operate and manage CMC-Union. An amendment to the agreement was entered into as of December 6, 1999, whereby the term was extended to August 26, 2020, with options to extend and renew the agreement for additional periods not to exceed nine years each, upon mutual agreement of the parties. The County appoints two of the five members on the governing body. The agreement with CMC-Union requires an annual payment of rent to the County equal to the greater of \$1,400,000 or the “network development fee” that CMC-Union must pay to CHS. CMC-Union is obligated to pay an annual “network development fee” equal to the greater of \$1,200,000 or the sum of 7.5% of CMC-Union’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 CMC-Union’s annual operating results. The amount of rent that Union County received in the current fiscal year was \$2,429,732. 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 \$22,913. 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, \$3,768,700 in debt is still outstanding. The County contributed \$1,136,550 to South Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2008. In addition, the County made debt service payments of \$353,586 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, 2008. 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, 2008. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$539,554 to PAMH to supplement its activities for the year ended June 30, 2008. 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 \$49,560 during the fiscal year ended June 30, 2008. The County was the sub-recipient of a grant for \$737,110 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, which 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 |
|--|----------------------|----------------------|
| TANF Payments and Penalties | \$ 832,034 | \$ - |
| AFDC Payments and Penalties | (412) | (113) |
| Energy Assistance Payment | 171,073 | - |
| Refugee Assistance Payment | 2,864 | - |
| CWS Adoption Subsidy and Vendor | - | 271,633 |
| IV-E Adoption Subsidy and Vendor | 256,928 | 74,201 |
| State/County Special Assistance for Adults | - | 887,195 |
| Women, Infants and Children | 2,844,012 | - |
| Medical Assistance Program | 62,005,250 | 31,957,295 |
| Food Stamp Program-Noncash | 12,611,570 | - |
| Food Distribution | 64,429 | - |
| Health Choice | 3,083,182 | 1,032,117 |
| | <u>\$ 81,870,930</u> | <u>\$ 34,222,328</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 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The North Carolina State Education Assistance Agency instruments in the portfolio having final stated maturities ranging from 2028 to 2032; have been called effective July 24, 2008 and July 31, 2008 resolving the matter of illiquid investments for the County.

On July 3, 2008, the Union County Board of Commissioners (“Board”) approved a settlement agreement and general release of claims in connection with a former employee in the amount of \$650,000. The claim amount is reflected on the County’s Government-wide Financial Statements – Governmental Activities at June 30, 2008 and will be reflected on the Fund Financial Statements – Government Funds for the period ending June 30, 2009.

On September 15, 2008, the Board authorized the award of construction contracts for Twelve Mile Creek Wastewater Treatment Plant Order Control and Reliability Improvements in the aggregate amount of \$7,924,927 with funding available in the Water and Sewer Capital Projects Fund.

On September 15, 2008, the Board adopted a Resolution authorizing the County’s participation in the Local Government Other Postemployment Benefits Fund, a fund administered by the North Carolina Department of State Treasurer and established pursuant to North Carolina General Statutes to receive irrevocable contributions for the payment of postemployment benefits.

Required Supplementary Information

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

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

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

Notes to the Required Schedules for Special Separation Allowance

Required Supplementary Information - Schedule of Funding Progress for Other Postemployment Healthcare and Dental Benefits

Required Supplementary Information - Schedule of Employer Contributions for Other Postemployment Healthcare and Dental Benefits

Notes to the Required Schedules for Other Postemployment Healthcare and Dental Benefits

**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) |
| 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% |
| 2007 | 1,457,076 | 6,329,081 | 4,872,005 | 23.02% | 37,572,967 | 12.97% |

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**

| <u>Fiscal Year</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|---|-----------------------------------|
| 2003 | \$ 332,581 | 110% |
| 2004 | 359,209 | 117% |
| 2005 | 409,880 | 106% |
| 2006 | 457,930 | 156% |
| 2007 | 450,003 | 184% |
| 2008 | 477,327 | 189% |

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 14.7% per year |
| * Includes inflation at | 3.75% |
| Cost-of-living adjustments | Not included |

**Other Postemployment Healthcare and Dental Benefits
 Required Supplementary Information
 Schedule of Funding Progress**

| | (1) | (2) | (3) | (4) | (5) | (6) |
|--|---------------------------|---|-------------------------------|------------------------|---|---|
| Actuarial Valuation Date - Year Ended July 1 | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Projected Unit Credit | Unfunded AAL (UAAL) (2) - (1) | Funded Ratio (1) / (2) | Covered Payroll for Year Ending on Valuation Date | UAAL as a Percentage of Covered Payroll (3) / (5) |
| 2007 | \$ - | \$ 35,415,051 | \$35,415,051 | 0.00% | \$ 34,875,562 | 101.55% |

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 Retire Healthcare Benefits Plan (RHBP). 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 RHBP.

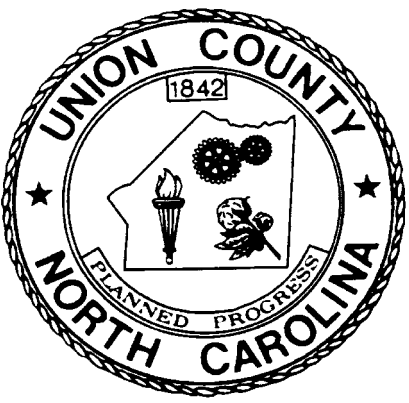
**Other Postemployment Healthcare and Dental Benefits
 Required Supplementary Information
 Schedule of Employer Contributions**

| <u>Fiscal Year</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|---|-----------------------------------|
| 2008 | \$ 4,689,039 | 24.7% |

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 | July 1, 2007 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level dollar open |
| Remaining amortization period at July 1, 2007 | 30 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.25% |
| Health care cost trend rate | 11% - 5% |
| Projected salary increases | N/A |
| Annual expense inflation rate | 3.00% |
| Cost-of-living adjustments | N/A |



Combining and Individual Fund Statements

Combining Balance Sheet
Nonmajor Governmental Funds
 June 30, 2008

| | Special Revenue Funds | Debt Service Fund | Capital Project Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|-------------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 989,608 | \$ 13,357,788 | \$ 3,570,390 | \$ 17,917,786 |
| Property taxes receivable (net) | 73,636 | - | - | 73,636 |
| Accounts receivable (net) | 541,469 | - | - | 541,469 |
| Cash and investments, restricted | 678,795 | - | - | 678,795 |
| Total assets | <u>\$ 2,283,508</u> | <u>\$ 13,357,788</u> | <u>\$ 3,570,390</u> | <u>\$ 19,211,686</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 132,104 | \$ - | \$ 6,591 | \$ 138,695 |
| Deferred revenue | 73,637 | - | - | 73,637 |
| Unearned revenue | 5,515 | - | - | 5,515 |
| Liabilities payable from restricted assets | 3,243 | - | - | 3,243 |
| Total liabilities | <u>214,499</u> | <u>-</u> | <u>6,591</u> | <u>221,090</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | 6,112 | 6,112 |
| Reserved by State statute | 541,469 | - | - | 541,469 |
| Reserved for drug enforcement | 602,302 | - | - | 602,302 |
| Reserved for grant programs | 73,250 | - | - | 73,250 |
| Unreserved | | | | |
| Designated for subsequent years' expenditures | 150,000 | 13,357,788 | 3,557,687 | 17,065,475 |
| Undesignated | 701,988 | - | - | 701,988 |
| Total fund balances | <u>2,069,009</u> | <u>13,357,788</u> | <u>3,563,799</u> | <u>18,990,596</u> |
| Total liabilities and fund balances | <u>\$ 2,283,508</u> | <u>\$ 13,357,788</u> | <u>\$ 3,570,390</u> | <u>\$ 19,211,686</u> |

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

For the Year Ended June 30, 2008

| | Special Revenue Funds | Debt Service Fund | Capital Project Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|-------------------------|-----------------------------|---|
| REVENUES | | | | |
| Ad valorem taxes | \$ 2,574,308 | \$ - | \$ - | \$ 2,574,308 |
| Local option sales tax | 887,109 | - | - | 887,109 |
| Other taxes and licenses | 1,244,500 | - | - | 1,244,500 |
| Intergovernmental | 74,845 | - | - | 74,845 |
| Permits and fees | 1,134,983 | - | - | 1,134,983 |
| Sales and services | 15,000 | - | - | 15,000 |
| Investment earnings | 155,457 | - | (743) | 154,714 |
| Miscellaneous | 321,886 | - | - | 321,886 |
| Total revenues | <u>6,408,088</u> | <u>-</u> | <u>(743)</u> | <u>6,407,345</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 7,217,922 | - | - | 7,217,922 |
| Capital outlay: | | | | |
| Cultural and recreational | - | - | 6,880 | 6,880 |
| Total expenditures | <u>7,217,922</u> | <u>-</u> | <u>6,880</u> | <u>7,224,802</u> |
| Deficiency of revenues under expenditures | (809,834) | - | (7,623) | (817,457) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | 375,125 | 94,765 | 469,890 |
| Transfers to other funds | <u>(1,395,870)</u> | <u>(3,278,862)</u> | <u>(94,765)</u> | <u>(4,769,497)</u> |
| Total other financing sources (uses) | <u>(1,395,870)</u> | <u>(2,903,737)</u> | <u>-</u> | <u>(4,299,607)</u> |
| Net change in fund balances | (2,205,704) | (2,903,737) | (7,623) | (5,117,064) |
| FUND BALANCES | | | | |
| Beginning | 4,274,713 | 16,261,525 | 3,571,422 | 24,107,660 |
| Ending | <u>\$ 2,069,009</u> | <u>\$ 13,357,788</u> | <u>\$ 3,563,799</u> | <u>\$ 18,990,596</u> |

Union County, North Carolina

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2008

| | Springs Fire District Fund | Waxhaw Fire District Fund | Hemby Bridge Fire District Fund |
|--|----------------------------------|---------------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 9,607 | \$ 167,845 | \$ 19,997 |
| Property taxes receivable (net) | 10,456 | 14,994 | 21,436 |
| Accounts receivable (net) | 19,530 | 43,020 | 58,953 |
| Cash and investments, restricted | - | - | - |
| Total assets | <u>\$ 39,593</u> | <u>\$ 225,859</u> | <u>\$ 100,386</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 599 | \$ 9 | \$ 180 |
| Deferred revenue | 10,456 | 14,994 | 21,436 |
| Unearned revenue | 356 | 686 | 1,291 |
| Liabilities payable from restricted assets | - | - | - |
| Total liabilities | <u>11,411</u> | <u>15,689</u> | <u>22,907</u> |
| FUND BALANCES | | | |
| Reserved by State statute | 19,530 | 43,020 | 58,953 |
| Reserved for drug enforcement | - | - | - |
| Reserved for grant programs | - | - | - |
| Unreserved | | | |
| Designated for subsequent years' expenditures | - | 135,000 | - |
| Undesignated | 8,652 | 32,150 | 18,526 |
| Total fund balances | <u>28,182</u> | <u>210,170</u> | <u>77,479</u> |
| Total liabilities and fund balances | <u>\$ 39,593</u> | <u>\$ 225,859</u> | <u>\$ 100,386</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 |
|------------------------------------|--|---|---------------------------------------|------------------------------------|--|
| \$ 4,676 | \$ 7,438 | \$ 24,110 | \$ 755,935 | \$ - | \$ 989,608 |
| 16,274 | 10,476 | - | - | - | 73,636 |
| 45,980 | 52,233 | - | 317,031 | 4,722 | 541,469 |
| - | - | - | - | 678,795 | 678,795 |
| <u>\$ 66,930</u> | <u>\$ 70,147</u> | <u>\$ 24,110</u> | <u>\$ 1,072,966</u> | <u>\$ 683,517</u> | <u>\$ 2,283,508</u> |
| | | | | | |
| \$ 24,099 | \$ 11,011 | \$ 4,227 | \$ 91,979 | \$ - | \$ 132,104 |
| 16,274 | 10,477 | - | - | - | 73,637 |
| 745 | 2,437 | - | - | - | 5,515 |
| - | - | - | - | 3,243 | 3,243 |
| <u>41,118</u> | <u>23,925</u> | <u>4,227</u> | <u>91,979</u> | <u>3,243</u> | <u>214,499</u> |
| | | | | | |
| 45,980 | 52,233 | - | 317,031 | 4,722 | 541,469 |
| - | - | - | - | 602,302 | 602,302 |
| - | - | - | - | 73,250 | 73,250 |
| - | - | 15,000 | - | - | 150,000 |
| (20,168) | (6,011) | 4,883 | 663,956 | - | 701,988 |
| <u>25,812</u> | <u>46,222</u> | <u>19,883</u> | <u>980,987</u> | <u>680,274</u> | <u>2,069,009</u> |
| | | | | | |
| <u>\$ 66,930</u> | <u>\$ 70,147</u> | <u>\$ 24,110</u> | <u>\$ 1,072,966</u> | <u>\$ 683,517</u> | <u>\$ 2,283,508</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, 2008

| | Springs Fire District Fund | Waxhaw Fire District Fund | Hemby Bridge Fire District Fund |
|--|----------------------------------|---------------------------------|---------------------------------------|
| REVENUES | | | |
| Ad valorem taxes | \$ 241,108 | \$ 577,526 | \$ 656,280 |
| Local option sales tax | 73,459 | 140,674 | 252,674 |
| Other taxes and licenses | - | - | - |
| Intergovernmental | - | - | - |
| Permits and fees | - | - | - |
| Sales and services | - | - | - |
| Investment earnings | - | - | - |
| Miscellaneous | - | - | - |
| Total revenues | <u>314,567</u> | <u>718,200</u> | <u>908,954</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | <u>299,235</u> | <u>556,263</u> | <u>995,000</u> |
| Excess (deficiency) of revenues over (under) expenditures | 15,332 | 161,937 | (86,046) |
| OTHER FINANCING USES | | | |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 15,332 | 161,937 | (86,046) |
| FUND BALANCES | | | |
| Beginning | 12,850 | 48,233 | 163,525 |
| Ending | <u>\$ 28,182</u> | <u>\$ 210,170</u> | <u>\$ 77,479</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 |
|------------------------------------|--|---|---------------------------------------|------------------------------------|--|
| \$ 447,937 | \$ 651,457 | \$ - | \$ - | \$ - | \$ 2,574,308 |
| 226,389 | 193,913 | - | - | - | 887,109 |
| - | - | - | 1,244,500 | - | 1,244,500 |
| - | - | - | 31,840 | 43,005 | 74,845 |
| - | - | 1,134,983 | - | - | 1,134,983 |
| - | - | - | - | 15,000 | 15,000 |
| - | - | - | 121,436 | 34,021 | 155,457 |
| - | - | - | - | 321,886 | 321,886 |
| <u>674,326</u> | <u>845,370</u> | <u>1,134,983</u> | <u>1,397,776</u> | <u>413,912</u> | <u>6,408,088</u> |
| <u>847,160</u> | <u>900,031</u> | <u>1,159,846</u> | <u>2,372,343</u> | <u>88,044</u> | <u>7,217,922</u> |
| (172,834) | (54,661) | (24,863) | (974,567) | 325,868 | (809,834) |
| - | - | - | (1,395,870) | - | (1,395,870) |
| (172,834) | (54,661) | (24,863) | (2,370,437) | 325,868 | (2,205,704) |
| 198,646 | 100,883 | 44,746 | 3,351,424 | 354,406 | 4,274,713 |
| <u>\$ 25,812</u> | <u>\$ 46,222</u> | <u>\$ 19,883</u> | <u>\$ 980,987</u> | <u>\$ 680,274</u> | <u>\$ 2,069,009</u> |

Combining Balance Sheet
Nonmajor Capital Project Funds
 June 30, 2008

| | Library Capital Reserve Fund | Library Capital Project Fund | Total Nonmajor Capital Project Funds |
|---|---------------------------------------|---------------------------------------|--|
| ASSETS | | | |
| Cash and investments | \$ - | \$ 3,570,390 | \$ 3,570,390 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 6,591 | \$ 6,591 |
| FUND BALANCES | | | |
| Reserved for encumbrances | - | 6,112 | 6,112 |
| Unreserved | | | |
| Designated for subsequent years' expenditures | - | 3,557,687 | 3,557,687 |
| Total fund balances | - | 3,563,799 | 3,563,799 |
| Total liabilities and fund balances | \$ - | \$ 3,570,390 | \$ 3,570,390 |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
 For the Year Ended June 30, 2008

| | Library Capital Reserve Fund | Library Capital Project Fund | Total Nonmajor Capital Project Funds |
|--|---------------------------------------|---------------------------------------|--|
| REVENUES | | | |
| Investment earnings | \$ (743) | \$ - | \$ (743) |
| EXPENDITURES | | | |
| Capital outlay: | | | |
| Cultural and recreational | - | 6,880 | 6,880 |
| Deficiency of revenues under expenditures | (743) | (6,880) | (7,623) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | - | 94,765 | 94,765 |
| Transfers to other funds | (94,765) | - | (94,765) |
| Total other financing sources (uses) | (94,765) | 94,765 | - |
| Net change in fund balances | (95,508) | 87,885 | (7,623) |
| FUND BALANCES | | | |
| Beginning | 95,508 | 3,475,914 | 3,571,422 |
| Ending | \$ - | \$ 3,563,799 | \$ 3,563,799 |

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

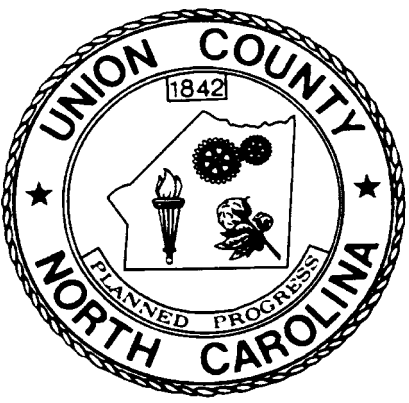
June 30, 2008

| | Health Benefits Fund | Workers' Compensation Fund | Property and Casualty Fund | Total |
|--|----------------------------|----------------------------------|----------------------------------|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 727,139 | \$ 1,554,989 | \$ 527,763 | \$ 2,809,891 |
| Accounts receivable (net) | 334,487 | 11,742 | 1,229 | 347,458 |
| Total current assets | <u>1,061,626</u> | <u>1,566,731</u> | <u>528,992</u> | <u>3,157,349</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 121,600 | 27,661 | - | 149,261 |
| Workers' compensation claims payable | - | 178,843 | - | 178,843 |
| Health care benefits payable | 700,830 | - | - | 700,830 |
| Total current liabilities | <u>822,430</u> | <u>206,504</u> | <u>-</u> | <u>1,028,934</u> |
| NET ASSETS | | | | |
| Unrestricted | <u>\$ 239,196</u> | <u>\$ 1,360,227</u> | <u>\$ 528,992</u> | <u>\$ 2,128,415</u> |

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

For the Year Ended June 30, 2008

| | Health Benefits Fund | Workers' Compensation Fund | Property and Casualty Fund | Total |
|--|----------------------------|----------------------------------|----------------------------------|---------------------|
| OPERATING REVENUES | | | | |
| Interfund charges and employee contributions | \$ 8,516,338 | \$ - | \$ 922,507 | \$ 9,438,845 |
| Other operating revenue | - | 29,140 | - | 29,140 |
| Total operating revenues | <u>8,516,338</u> | <u>29,140</u> | <u>922,507</u> | <u>9,467,985</u> |
| OPERATING EXPENSES | | | | |
| Operating expenses | 758,528 | 137,944 | - | 896,472 |
| Workers' compensation claims | - | 241,661 | - | 241,661 |
| Health benefit claims and premiums | 7,433,127 | - | - | 7,433,127 |
| Property and casualty claims and premiums | - | - | 792,924 | 792,924 |
| Total operating expenses | <u>8,191,655</u> | <u>379,605</u> | <u>792,924</u> | <u>9,364,184</u> |
| Operating income (loss) | 324,683 | (350,465) | 129,583 | 103,801 |
| NONOPERATING REVENUES | | | | |
| Investment earnings | 41,090 | 76,358 | 6,938 | 124,386 |
| Change in net assets | 365,773 | (274,107) | 136,521 | 228,187 |
| NET ASSETS | | | | |
| Beginning | (126,577) | 1,634,334 | 392,471 | 1,900,228 |
| Ending | <u>\$ 239,196</u> | <u>\$ 1,360,227</u> | <u>\$ 528,992</u> | <u>\$ 2,128,415</u> |



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

For the Year Ended June 30, 2008

| | Health Benefits Fund | Workers' Compensation Fund | Property and Casualty Fund | Total |
|---|-------------------------------------|---|---|---------------------|
| OPERATING ACTIVITIES | | | | |
| Cash received from customers for services | \$ 8,337,456 | \$ 8,552 | \$ 924,867 | \$ 9,270,875 |
| Other operating revenue | - | 29,140 | - | 29,140 |
| Cash paid for goods and services | (7,998,263) | (382,804) | (792,924) | (9,173,991) |
| Net cash provided (used) by operating activities | 339,193 | (345,112) | 131,943 | 126,024 |
| INVESTING ACTIVITIES | | | | |
| Investment earnings | 41,090 | 76,358 | 6,938 | 124,386 |
| Net increase (decrease) in cash and investments | 380,283 | (268,754) | 138,881 | 250,410 |
| CASH AND INVESTMENTS | | | | |
| Beginning of year | 346,856 | 1,823,743 | 388,882 | 2,559,481 |
| End of year | <u>\$ 727,139</u> | <u>\$ 1,554,989</u> | <u>\$ 527,763</u> | <u>\$ 2,809,891</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 324,683 | \$ (350,465) | \$ 129,583 | \$ 103,801 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Change in assets and liabilities | | | | |
| (Increase) decrease in accounts receivable | (178,882) | 8,552 | 2,360 | (167,970) |
| Increase (decrease) in accounts payable and accrued liabilities | 193,392 | (3,199) | - | 190,193 |
| Total adjustments | <u>14,510</u> | <u>5,353</u> | <u>2,360</u> | <u>22,223</u> |
| Net cash provided (used) by operating activities | <u>\$ 339,193</u> | <u>\$ (345,112)</u> | <u>\$ 131,943</u> | <u>\$ 126,024</u> |

Union County, North Carolina

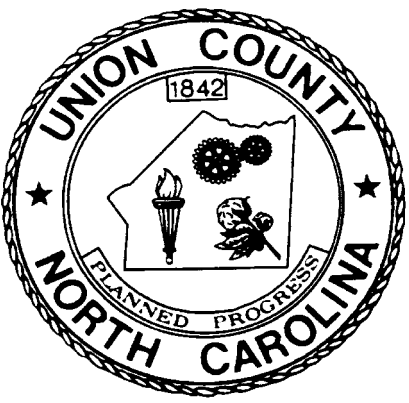
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2008

| | Social Services Fund | Fines and Forfeitures Fund | Jail Inmate Fund |
|--|----------------------------|----------------------------------|------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and investments | \$ 49,143 | \$ 16,272 | \$ 3,621 |
| Property taxes receivable (net) | - | - | - |
| Accounts receivable (net) | - | 60,944 | - |
| Total assets | <u>\$ 49,143</u> | <u>\$ 77,216</u> | <u>\$ 3,621</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 77,216 | \$ - |
| Due to program participants | 49,143 | - | 3,621 |
| Total liabilities | <u>\$ 49,143</u> | <u>\$ 77,216</u> | <u>\$ 3,621</u> |

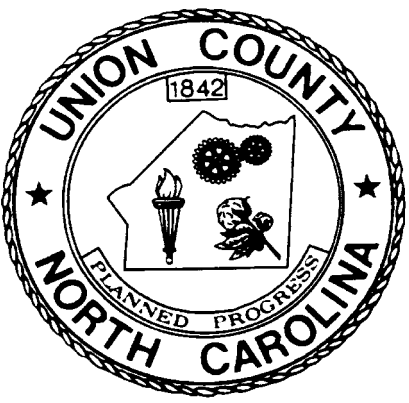
Schedule 10

| 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 |
|--------------------------------------|--|--|---|--|-------------------|
| \$ 572 | \$ 337 | \$ 175,811 | \$ 979 | \$ 7,629 | \$ 254,364 |
| 10,950 | 50,761 | - | - | - | 61,711 |
| - | - | - | - | - | 60,944 |
| <u>\$ 11,522</u> | <u>\$ 51,098</u> | <u>\$ 175,811</u> | <u>\$ 979</u> | <u>\$ 7,629</u> | <u>\$ 377,019</u> |
| \$ 11,522 | \$ 51,098 | \$ 175,811 | \$ 979 | \$ 7,629 | \$ 324,255 |
| - | - | - | - | - | 52,764 |
| <u>\$ 11,522</u> | <u>\$ 51,098</u> | <u>\$ 175,811</u> | <u>\$ 979</u> | <u>\$ 7,629</u> | <u>\$ 377,019</u> |



General Fund

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



General Fund
Comparative Balance Sheets
June 30, 2008 and 2007

| | June 30, 2008 | June 30, 2007 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and investments | \$ 40,804,767 | \$ 43,422,184 |
| Property taxes receivable (net) | 3,985,651 | 3,115,392 |
| Accounts receivable (net) | 16,948,137 | 14,660,325 |
| Inventories | 33,531 | 30,098 |
| Cash and investments, restricted | 3,004,176 | 8,006 |
| Total assets | <u>\$ 64,776,262</u> | <u>\$ 61,236,005</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 4,165,812 | \$ 4,275,652 |
| Deferred revenue | 3,985,651 | 3,115,392 |
| Unearned revenue | 469,630 | 458,769 |
| Deposits | 2,047,702 | 2,093,921 |
| Total liabilities | <u>10,668,795</u> | <u>9,943,734</u> |
| FUND BALANCE | | |
| Reserved for encumbrances | 1,780,518 | 1,103,258 |
| Reserved by State statute | 16,981,668 | 14,690,423 |
| Unreserved | | |
| Designated for subsequent year's expenditures | 5,779,678 | 5,828,255 |
| Designated for special purpose | 605,563 | 979,617 |
| Undesignated | 28,960,040 | 28,690,718 |
| Total fund balance | <u>54,107,467</u> | <u>51,292,271</u> |
| Total liabilities and fund balance | <u>\$ 64,776,262</u> | <u>\$ 61,236,005</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|--------------------------------------|-----------------|----------------|------------------------------------|---------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 120,950,421 | \$ 121,074,196 | \$ 123,775 | \$ 99,572,553 |
| Prior years' levy | 2,343,000 | 2,256,679 | (86,321) | 2,071,323 |
| Animal taxes, penalties and interest | 605,000 | 622,522 | 17,522 | 558,956 |
| Total | 123,898,421 | 123,953,397 | 54,976 | 102,202,832 |
| Local option sales tax | 38,183,708 | 37,304,526 | (879,182) | 36,862,578 |
| Other taxes and licenses | 2,670,000 | 2,435,753 | (234,247) | 3,149,046 |
| Intergovernmental | 27,345,547 | 25,368,547 | (1,977,000) | 23,810,422 |
| Permits and fees | 8,087,643 | 5,457,925 | (2,629,718) | 8,810,238 |
| Sales and services | 4,349,363 | 4,587,861 | 238,498 | 4,258,091 |
| Investment earnings | 4,127,174 | 9,313,749 | 5,186,575 | 5,785,209 |
| Miscellaneous | 3,398,039 | 3,674,485 | 276,446 | 4,396,934 |
| Total revenues | 212,059,895 | 212,096,243 | 36,348 | 189,275,350 |
| EXPENDITURES | | | | |
| General Government | | | | |
| Board of Commissioners | 1,011,173 | 837,008 | 174,165 | 427,703 |
| Central Administration | 730,921 | 673,550 | 57,371 | 493,802 |
| County Dues and Memberships | 118,917 | 118,160 | 757 | 108,338 |
| Internal Audit | 93,801 | 91,362 | 2,439 | 88,414 |
| Legal | 332,820 | 323,113 | 9,707 | 305,612 |
| Personnel | 716,598 | 715,173 | 1,425 | 566,895 |
| Finance | 912,582 | 881,989 | 30,593 | 871,288 |
| Tax Administration | 4,072,662 | 3,828,901 | 243,761 | 3,478,899 |
| Court Facilities | 906,743 | 809,554 | 97,189 | 779,971 |
| Elections | 1,429,558 | 1,023,672 | 405,886 | 925,864 |
| Register of Deeds | 1,250,007 | 1,164,077 | 85,930 | 1,189,521 |
| Information Systems | 2,114,710 | 1,674,892 | 439,818 | 1,926,415 |
| G.I.S. Department | 341,876 | 293,934 | 47,942 | 307,505 |
| General Services | 699,110 | 255,575 | 443,535 | 535,633 |
| Total General Government | 14,731,478 | 12,690,960 | 2,040,518 | 12,005,860 |
| Public Safety | | | | |
| Law Enforcement | 18,952,204 | 18,512,362 | 439,842 | 16,810,458 |
| Communications | 2,099,671 | 1,827,771 | 271,900 | 1,713,180 |
| Homeland Security | 341,235 | 302,348 | 38,887 | 305,806 |
| Fire Services | 974,010 | 960,188 | 13,822 | 836,021 |
| Inspection | 2,276,491 | 2,228,670 | 47,821 | 2,201,902 |
| Medical Examiner | 64,400 | 40,950 | 23,450 | 58,900 |
| Emergency Medical Services | 3,559,302 | 3,559,102 | 200 | 3,608,071 |
| Juvenile Detention | 200,871 | 115,917 | 84,954 | 209,743 |
| American Red Cross | 5,000 | 5,000 | - | 5,000 |
| Total Public Safety | 28,473,184 | 27,552,308 | 920,876 | 25,749,081 |

Continued on next page.

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | Final Budget | Actual | | Actual |
| EXPENDITURES (Continued) | | | | |
| Economic and Physical Development | | | | |
| Planning | \$ 854,555 | \$ 577,436 | \$ 277,119 | \$ 430,420 |
| Economic Development Commission | 934,788 | 524,455 | 410,333 | 405,786 |
| Cooperative Extension Service | 880,824 | 816,515 | 64,309 | 750,844 |
| Soil Conservation | 78,094 | 73,479 | 4,615 | 67,788 |
| Forest Management | 55,115 | 55,028 | 87 | 51,310 |
| New Ventures Business Development | 10,000 | 10,000 | - | - |
| <i>Total Economic and Physical Development</i> | <u>2,813,376</u> | <u>2,056,913</u> | <u>756,463</u> | <u>1,706,148</u> |
| Human Services | | | | |
| Health | 8,510,919 | 7,883,634 | 627,285 | 7,333,768 |
| Mental Health | 721,331 | 707,649 | 13,682 | 788,777 |
| Social Services | 29,445,292 | 27,624,343 | 1,820,949 | 26,824,722 |
| Other Human Services | | | | |
| Health Quest | 100,000 | 100,000 | - | - |
| United Family Services | 25,000 | - | 25,000 | 20,000 |
| Charlotte Area Transportation | 76,815 | 70,712 | 6,103 | 70,712 |
| JJDP - Programs | 293,784 | 278,670 | 15,114 | 290,541 |
| Disproportionate Minority Counselor | 170,526 | 60,457 | 110,069 | 33,975 |
| Turning Point | 25,000 | 25,000 | - | 25,000 |
| Transportation and Nutrition | 1,649,975 | 1,545,269 | 104,706 | 1,364,446 |
| Veterans' Service | 236,132 | 224,992 | 11,140 | 223,347 |
| UDI (Sheltered Workshop) | 28,500 | 28,500 | - | 28,500 |
| Community Shelter | 18,750 | 15,625 | 3,125 | 6,250 |
| Community Action | 76,338 | 76,338 | - | 76,338 |
| Council on Aging | 302,244 | 302,243 | 1 | 306,527 |
| CMC-Union | 250,000 | 22,913 | 227,087 | 30,758 |
| Criminal Justice Partnership | 121,973 | 119,302 | 2,671 | 110,031 |
| Other Human Services | 1,000 | 1,000 | - | 1,500 |
| <i>Total Human Services</i> | <u>42,053,579</u> | <u>39,086,647</u> | <u>2,966,932</u> | <u>37,535,192</u> |
| Cultural and Recreational | | | | |
| Library | 4,736,062 | 4,606,462 | 129,600 | 4,446,416 |
| Parks and Recreation | 2,447,549 | 1,790,057 | 657,492 | 1,710,177 |
| Arts Council | 55,000 | 55,000 | - | 55,000 |
| Historical Properties | 77,584 | 24,497 | 53,087 | 20,992 |
| A. J. Historical Foundation | 55,000 | 55,000 | - | 5,000 |
| <i>Total Cultural and Recreational</i> | <u>7,371,195</u> | <u>6,531,016</u> | <u>840,179</u> | <u>6,237,585</u> |
| Education | | | | |
| Public Schools - current expense | 70,864,000 | 70,864,000 | - | 57,042,554 |
| Public Schools - current expense (occupancy cost) | 250,000 | 212,649 | 37,351 | 200,998 |
| Subtotal | <u>71,114,000</u> | <u>71,076,649</u> | <u>37,351</u> | <u>57,243,552</u> |
| Community College | 1,500 | - | 1,500 | - |
| Community College - operations | 1,136,550 | 1,136,550 | - | 880,500 |
| Literacy Efforts | 2,500 | 2,500 | - | 2,500 |
| <i>Total Education</i> | <u>72,254,550</u> | <u>72,215,699</u> | <u>38,851</u> | <u>58,126,552</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, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|--------------------|----------------------|------------------------------------|----------------------|
| | Final Budget | Actual | | Actual |
| EXPENDITURES (Continued) | | | | |
| Debt Service | | | | |
| School Debt Service | | | | |
| Principal retirement | \$ 19,729,447 | \$ 19,729,447 | \$ - | \$ 12,706,413 |
| Interest and fees | 20,421,610 | 19,789,514 | 632,096 | 13,114,953 |
| Total | <u>40,151,057</u> | <u>39,518,961</u> | <u>632,096</u> | <u>25,821,366</u> |
| General Debt Service | | | | |
| Principal retirement | 1,774,573 | 1,774,568 | 5 | 1,324,248 |
| Interest and fees | 1,219,577 | 1,133,082 | 86,495 | 1,150,549 |
| Total | <u>2,994,150</u> | <u>2,907,650</u> | <u>86,500</u> | <u>2,474,797</u> |
| <i>Total Debt Service</i> | <u>43,145,207</u> | <u>42,426,611</u> | <u>718,596</u> | <u>28,296,163</u> |
| Total expenditures | <u>210,842,569</u> | <u>202,560,154</u> | <u>8,282,415</u> | <u>169,656,581</u> |
| Revenues over expenditures | <u>1,217,326</u> | <u>9,536,089</u> | <u>8,318,763</u> | <u>19,618,769</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds: | | | | |
| Debt Service Fund | 2,185,488 | 3,278,862 | 1,093,374 | - |
| Emergency Telephone System Fund | - | 1,395,870 | 1,395,870 | - |
| General Capital Project Fund | - | - | - | 750,831 |
| School Bond Fund - 58 | - | - | - | 2,385 |
| Transfers to other funds: | | | | |
| Debt Service Fund | (375,125) | (375,125) | - | (5,269,720) |
| General Capital Project Fund | (11,020,500) | (11,020,500) | - | (13,077,913) |
| Library Capital Project Fund | - | - | - | (40,000) |
| Water and Sewer Capital Project Fund | - | - | - | (300,000) |
| Total other financing sources (uses) | <u>(9,210,137)</u> | <u>(6,720,893)</u> | <u>2,489,244</u> | <u>(17,934,417)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>(7,992,811)</u> | <u>2,815,196</u> | <u>10,808,007</u> | <u>1,684,352</u> |
| APPROPRIATED FUND BALANCE | <u>7,992,811</u> | <u>-</u> | <u>(7,992,811)</u> | <u>-</u> |
| Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses | <u>\$ -</u> | <u>2,815,196</u> | <u>\$ 2,815,196</u> | <u>1,684,352</u> |
| FUND BALANCE | | | | |
| Beginning | | 51,292,271 | | 49,607,919 |
| Ending | | <u>\$ 54,107,467</u> | | <u>\$ 51,292,271</u> |

Special Revenue Funds

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.

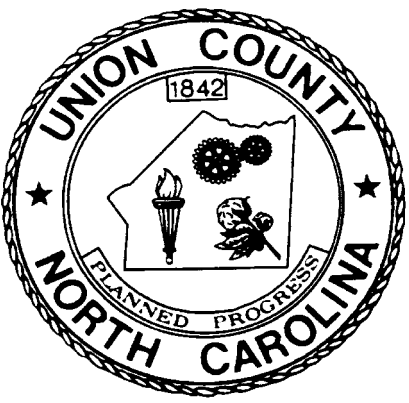
Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

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

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

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

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, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|----------------------------|-----------------|------------------|------------------------------------|------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 231,057 | \$ 233,611 | \$ 2,554 | \$ 204,647 |
| Prior years' levy | - | 6,395 | 6,395 | - |
| Penalties and interest | - | 1,102 | 1,102 | 479 |
| Total | <u>231,057</u> | <u>241,108</u> | <u>10,051</u> | <u>205,126</u> |
| Local option sales tax | <u>68,178</u> | <u>73,459</u> | <u>5,281</u> | <u>12,850</u> |
| Total revenues | <u>299,235</u> | <u>314,567</u> | <u>15,332</u> | <u>217,976</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | <u>299,235</u> | <u>299,235</u> | <u>-</u> | <u>205,126</u> |
| Revenues over expenditures | <u>\$ -</u> | 15,332 | <u>\$ 15,332</u> | 12,850 |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>12,850</u> | | <u>-</u> |
| End of year - June 30 | | <u>\$ 28,182</u> | | <u>\$ 12,850</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance | 2007 |
|---|-----------------|------------|------------------------|------------|
| | Final Budget | Actual | Positive (Negative) | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 415,418 | \$ 570,372 | \$ 154,954 | \$ 371,210 |
| Prior years' levy | - | 5,362 | 5,362 | - |
| Penalties and interest | - | 1,792 | 1,792 | 811 |
| Total | 415,418 | 577,526 | 162,108 | 372,021 |
| Local option sales tax | 123,456 | 140,674 | 17,218 | 23,267 |
| Total revenues | 538,874 | 718,200 | 179,326 | 395,288 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | 556,263 | 556,263 | - | 347,055 |
| Revenues over (under) expenditures | (17,389) | 161,937 | 179,326 | 48,233 |
| APPROPRIATED FUND BALANCE | 17,389 | - | (17,389) | - |
| Revenues and appropriated fund balance over expenditures | \$ - | 161,937 | \$ 161,937 | 48,233 |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | 48,233 | | - |
| End of year - June 30 | | \$ 210,170 | | \$ 48,233 |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|-----------------|------------|------------------------------------|------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 618,701 | \$ 641,716 | \$ 23,015 | \$ 708,213 |
| Prior years' levy | - | 12,187 | 12,187 | 8,582 |
| Penalties and interest | - | 2,377 | 2,377 | 2,257 |
| Total | 618,701 | 656,280 | 37,579 | 719,052 |
| Local option sales tax | 265,443 | 252,674 | (12,769) | 244,791 |
| Total revenues | 884,144 | 908,954 | 24,810 | 963,843 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | 995,000 | 995,000 | - | 925,000 |
| Revenues over (under) expenditures | (110,856) | (86,046) | 24,810 | 38,843 |
| APPROPRIATED FUND BALANCE | 110,856 | - | (110,856) | - |
| Revenues and appropriated fund balance over (under) expenditures | \$ - | (86,046) | \$ (86,046) | 38,843 |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | 163,525 | | 124,682 |
| End of year - June 30 | | \$ 77,479 | | \$ 163,525 |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance | 2007 |
|---|-----------------|------------------|------------------------|-------------------|
| | Final Budget | Actual | Positive (Negative) | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 552,800 | \$ 435,434 | \$ (117,366) | \$ 656,869 |
| Prior years' levy | - | 10,637 | 10,637 | 8,887 |
| Penalties and interest | - | 1,866 | 1,866 | 2,340 |
| Total | <u>552,800</u> | <u>447,937</u> | <u>(104,863)</u> | <u>668,096</u> |
| Local option sales tax | <u>246,998</u> | <u>226,389</u> | <u>(20,609)</u> | <u>230,029</u> |
| Total revenues | <u>799,798</u> | <u>674,326</u> | <u>(125,472)</u> | <u>898,125</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | <u>929,820</u> | <u>847,160</u> | <u>82,660</u> | <u>854,948</u> |
| Revenues over (under) expenditures | (130,022) | (172,834) | (42,812) | 43,177 |
| APPROPRIATED FUND BALANCE | <u>130,022</u> | <u>-</u> | <u>(130,022)</u> | <u>-</u> |
| Revenues and appropriated fund balance over (under) expenditures | <u>\$ -</u> | <u>(172,834)</u> | <u>\$ (172,834)</u> | <u>43,177</u> |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>198,646</u> | | <u>155,469</u> |
| End of year - June 30 | | <u>\$ 25,812</u> | | <u>\$ 198,646</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|-----------------|------------------|------------------------------------|-------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Ad valorem taxes | | | | |
| Current year levy | \$ 656,305 | \$ 646,063 | \$ (10,242) | \$ 525,657 |
| Prior years' levy | - | 3,526 | 3,526 | 7,865 |
| Penalties and interest | - | 1,868 | 1,868 | 1,950 |
| Total | <u>656,305</u> | <u>651,457</u> | <u>(4,848)</u> | <u>535,472</u> |
| Local option sales tax | <u>194,343</u> | <u>193,913</u> | <u>(430)</u> | <u>169,168</u> |
| Total revenues | <u>850,648</u> | <u>845,370</u> | <u>(5,278)</u> | <u>704,640</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | <u>900,031</u> | <u>900,031</u> | <u>-</u> | <u>727,113</u> |
| Revenues under expenditures | (49,383) | (54,661) | (5,278) | (22,473) |
| APPROPRIATED FUND BALANCE | <u>49,383</u> | <u>-</u> | <u>(49,383)</u> | <u>-</u> |
| Revenues and appropriated fund balance under expenditures | <u>\$ -</u> | <u>(54,661)</u> | <u>\$ (54,661)</u> | <u>(22,473)</u> |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>100,883</u> | | <u>123,356</u> |
| End of year - June 30 | | <u>\$ 46,222</u> | | <u>\$ 100,883</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Permits and fees | \$ 1,179,400 | \$ 1,134,983 | \$ (44,417) | \$ 1,165,281 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | <u>1,179,400</u> | <u>1,159,846</u> | <u>19,554</u> | <u>1,136,018</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>(24,863)</u> | <u>\$ (24,863)</u> | <u>29,263</u> |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>44,746</u> | | <u>15,483</u> |
| End of year - June 30 | | <u>\$ 19,883</u> | | <u>\$ 44,746</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

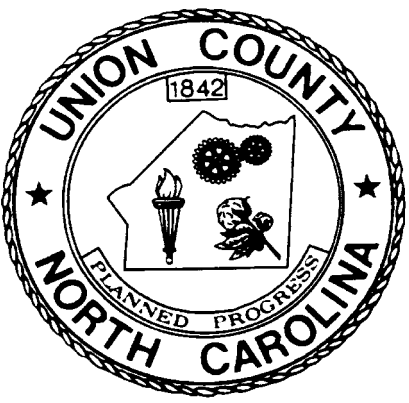
| | 2008 | | Variance Positive (Negative) | 2007 |
|---|------------------|--------------------|------------------------------------|---------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Other taxes and licenses | | | | |
| 911 system subscriber fees | \$ 1,125,000 | \$ 1,244,500 | \$ 119,500 | \$ 1,244,465 |
| Intergovernmental | - | 31,840 | 31,840 | - |
| Investment earnings | 129,670 | 121,436 | (8,234) | 149,370 |
| Total revenues | <u>1,254,670</u> | <u>1,397,776</u> | <u>143,106</u> | <u>1,393,835</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | <u>3,333,248</u> | <u>2,372,343</u> | <u>960,905</u> | <u>722,018</u> |
| Revenues over (under) expenditures | (2,078,578) | (974,567) | 1,104,011 | 671,817 |
| OTHER FINANCING USES | | | | |
| Transfers out | | | | |
| General Capital Project Fund | <u>-</u> | <u>(1,395,870)</u> | <u>(1,395,870)</u> | <u>-</u> |
| Revenues over (under) expenditures and other financing uses | (2,078,578) | (2,370,437) | (291,859) | 671,817 |
| APPROPRIATED FUND BALANCE | | | | |
| Revenues and appropriated fund balance over (under) expenditures and other financing uses | <u>\$ -</u> | <u>(2,370,437)</u> | <u>\$ (2,370,437)</u> | <u>671,817</u> |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>3,351,424</u> | | <u>2,679,607</u> |
| End of year - June 30 | | <u>\$ 980,987</u> | | <u>\$ 3,351,424</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, 2008

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|-------------------|-------------------|-------------------|------------------------------------|
| | | Prior Years | Current Year | Total To Date | |
| REVENUES | | | | | |
| Intergovernmental | \$ 1,041,473 | \$ 994,885 | \$ 43,005 | \$ 1,037,890 | \$ (3,583) |
| Sales and services | 15,000 | 20,000 | 15,000 | 35,000 | 20,000 |
| Investment earnings | 1,066 | 28,784 | 34,021 | 62,805 | 61,739 |
| Miscellaneous | 384,513 | 66,499 | 321,886 | 388,385 | 3,872 |
| Total revenues | <u>1,442,052</u> | <u>1,110,168</u> | <u>413,912</u> | <u>1,524,080</u> | <u>82,028</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public Safety | | | | | |
| Law Enforcement-federal forfeited prop. | 481,716 | 24,129 | 28,211 | 52,340 | 429,376 |
| Law Enforcement-controlled sub. tax | 257,145 | 71,469 | 58,730 | 130,199 | 126,946 |
| Law Enforcement-domestic violence | 192,000 | 173,048 | (4,397) | 168,651 | 23,349 |
| Law Enforcement-2003 LLEBG | - | 17,910 | - | 17,910 | (17,910) |
| Homeland Security-Catawba Nuclear | 30,575 | 11,743 | 4,959 | 16,702 | 13,873 |
| Homeland Security-FY03 U.S. grant | 380,683 | 380,220 | - | 380,220 | 463 |
| Homeland Security-FY04 U.S. grant | 247,326 | 247,326 | - | 247,326 | - |
| Homeland Security-FY05 CERT grant | 18,500 | 7,041 | 541 | 7,582 | 10,918 |
| Total expenditures | <u>1,607,945</u> | <u>932,886</u> | <u>88,044</u> | <u>1,020,930</u> | <u>587,015</u> |
| Revenues over (under) expenditures | (165,893) | 177,282 | 325,868 | 503,150 | 669,043 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | | | | | |
| General Fund | 165,893 | 177,124 | - | 177,124 | 11,231 |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ 354,406</u> | 325,868 | <u>\$ 680,274</u> | <u>\$ 680,274</u> |
| FUND BALANCE | | | | | |
| Beginning of year - July 1 | | | <u>354,406</u> | | |
| End of year - June 30 | | | <u>\$ 680,274</u> | | |

Debt Service Fund

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

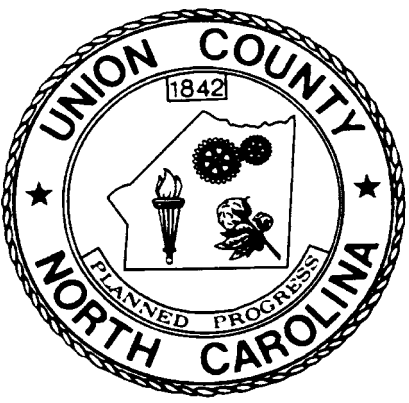


Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|------------------|----------------------|------------------------------------|----------------------|
| | Final Budget | Actual | | Actual |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | |
| General Fund | \$ - | \$ 375,125 | 375,125 | \$ 5,269,720 |
| Transfers out | | | | |
| General Fund | (3,478,055) | (3,278,862) | 199,193 | - |
| General Capital Project Fund | - | - | - | (4,136,882) |
| Total other financing sources (uses) | (3,478,055) | (2,903,737) | 574,318 | 1,132,838 |
| APPROPRIATED FUND BALANCE | <u>3,478,055</u> | <u>-</u> | <u>(3,478,055)</u> | <u>-</u> |
| Other financing sources and appropriated fund balance over (under) other financing uses | <u>\$ -</u> | (2,903,737) | <u>\$ (2,903,737)</u> | 1,132,838 |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>16,261,525</u> | | <u>15,128,687</u> |
| End of year - June 30 | | <u>\$ 13,357,788</u> | | <u>\$ 16,261,525</u> |



Capital Project Funds

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

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

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

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

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

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, 2008

| | Actual | | | | | Variance Positive (Negative) |
|---|--------------------------|---------------------|---------------------|---------------------|---------------------|------------------------------------|
| | Project Authorization | Prior Years | Current Year | Project Closure | Total To Date | |
| REVENUES | | | | | | |
| Intergovernmental | \$ 750,000 | \$ 544,295 | \$ 455,705 | \$ (250,000) | \$ 750,000 | \$ - |
| Investment earnings | 807,500 | 954,116 | - | (8,760) | 945,356 | 137,856 |
| Miscellaneous | 120,000 | 120,000 | - | - | 120,000 | - |
| Total revenues | <u>1,677,500</u> | <u>1,618,411</u> | <u>455,705</u> | <u>(258,760)</u> | <u>1,815,356</u> | <u>137,856</u> |
| EXPENDITURES | | | | | | |
| Capital outlay | | | | | | |
| General Government | | | | | | |
| Judicial Center | 15,126,496 | 15,123,099 | - | - | 15,123,099 | 3,397 |
| Government Facility Renovations | 14,839,179 | 3,745,467 | 2,603,469 | - | 6,348,936 | 8,490,243 |
| Public Safety | | | | | | |
| Law Enforcement-Jail Software | - | 159,618 | - | (159,618) | - | - |
| Law Enforcement-Animal Shelter | 1,742,794 | 1,730,889 | 5,700 | - | 1,736,589 | 6,205 |
| Law Enforcement-Jail Expansion | 4,882,900 | 1,489,471 | 293,614 | - | 1,783,085 | 3,099,815 |
| Law Enforcement-Firearms Range | 1,855,665 | 19,500 | - | - | 19,500 | 1,836,165 |
| Communications-EOC/E911/Fire Srv Reloc. | 593,500 | - | 24,550 | - | 24,550 | 568,950 |
| Communications-E911 CAD/RMS | 369,771 | - | 93,299 | - | 93,299 | 276,472 |
| Communications-Radio Project | 10,352,010 | - | 66,080 | - | 66,080 | 10,285,930 |
| Economic and Physical Development | | | | | | |
| Agricultural Center | 6,172,035 | 6,152,684 | 12,188 | - | 6,164,872 | 7,163 |
| Cultural and Recreation | | | | | | |
| Parks & Recreation-2004 PARTF Grant | - | 491,417 | - | (491,417) | - | - |
| Parks & Recreation-Potential Grant | - | 42,304 | - | (42,304) | - | - |
| Parks & Recreation-C.C.Park-Festival Area | - | 59,594 | - | (59,594) | - | - |
| Parks & Recreation-J. Helms Park Ph.1 | 662,864 | 477,517 | 179,216 | - | 656,733 | 6,131 |
| Parks & Recreation-C.C. Park FY05 | 782,872 | 792,584 | - | - | 792,584 | (9,712) |
| Parks & Recreation-J. Helms Park Ph.2 | 509,283 | 462,912 | 46,370 | - | 509,282 | 1 |
| Parks & Recreation-J. Helms Park Ph.3 | 1,403,407 | 1,037,027 | 353,152 | - | 1,390,179 | 13,228 |
| Parks & Recreation-North District Park | 100,000 | - | - | - | - | 100,000 |
| Parks & Recreation-West District/Comm | 100,000 | - | - | - | - | 100,000 |
| Parks & Recreation-C.C.Park-Store/Ck-In | 332,000 | - | 12,233 | - | 12,233 | 319,767 |
| Parks & Recreation-J. Helms Park-Bridge | 449,200 | - | 42,600 | - | 42,600 | 406,600 |
| Education | | | | | | |
| School Capital Outlay-Fairview Elem | 26,107 | 48,837 | 26,107 | (48,837) | 26,107 | - |
| School Capital Outlay-W. Bickett Elem | 26,107 | 8,219,299 | 26,107 | (8,219,299) | 26,107 | - |
| School Capital Outlay-FY2004 Allocation | - | 4,027,314 | - | (4,027,314) | - | - |
| School Capital Outlay-Brewer Renov/Expan | - | 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 | - | (6,167,924) | - | - |
| School Capital Outlay-FY2007 Allocation | 11,043,050 | 8,243,700 | 2,799,350 | - | 11,043,050 | - |
| School Capital Outlay-FY2008 Allocation | 11,000,000 | - | 7,932,245 | - | 7,932,245 | 3,067,755 |
| School Capital Outlay-FY07-08 CIP | 202,396 | - | - | - | - | 202,396 |
| School Capital Outlay-Classroom Additions | 49,970 | - | 49,970 | - | 49,970 | - |
| 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) | - | - |
| SPCC-Master Planning | 47,385 | 35,538 | 19,607 | - | 55,145 | (7,760) |
| SPCC-Machine Shop Renovation | 176,685 | - | 176,685 | - | 176,685 | - |
| SPCC-Mobile Units | 420,242 | - | 420,242 | - | 420,242 | - |
| Debt Service | | | | | | |
| Debt Issuance | - | 789,009 | - | (789,009) | - | - |
| Total expenditures | <u>93,025,007</u> | <u>73,378,219</u> | <u>15,182,784</u> | <u>(24,308,746)</u> | <u>64,252,257</u> | <u>28,772,750</u> |
| Revenues under expenditures | <u>(91,347,507)</u> | <u>(71,759,808)</u> | <u>(14,727,079)</u> | <u>24,049,986</u> | <u>(62,436,901)</u> | <u>28,910,606</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, 2008

| | Actual | | | | | Variance Positive (Negative) |
|---|--------------------------|----------------------|----------------------|---------------------|----------------------|------------------------------------|
| | Project Authorization | Prior Years | Current Year | Project Closure | Total To Date | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| General Fund | \$ 46,016,892 | \$ 56,278,693 | \$ 11,020,500 | \$ (15,113,307) | \$ 52,185,886 | \$ 6,168,994 |
| Emergency Telephone System Fund | - | 66,000 | - | (66,000) | - | - |
| Debt Service Fund | 4,136,882 | 4,136,882 | - | - | 4,136,882 | - |
| Transfers out | | | | | | |
| General Fund | - | (2,318,653) | - | 2,318,653 | - | - |
| Library Capital Project Fund | - | (3,483,000) | - | 3,483,000 | - | - |
| Proceeds from general obligation bonds | 4,728,483 | 1,735,000 | 4,495,000 | (1,501,517) | 4,728,483 | - |
| Proceeds from installment financing debt | 36,465,250 | 34,901,154 | - | (13,170,815) | 21,730,339 | (14,734,911) |
| Total other financing sources (uses) | <u>91,347,507</u> | <u>91,316,076</u> | <u>15,515,500</u> | <u>(24,049,986)</u> | <u>82,781,590</u> | <u>(8,565,917)</u> |
| Revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ 19,556,268</u> | 788,421 | <u>\$ -</u> | <u>\$ 20,344,689</u> | <u>\$ 20,344,689</u> |
| FUND BALANCE | | | | | | |
| Beginning of year - July 1 | | | <u>19,556,268</u> | | | |
| End of year - June 30 | | | <u>\$ 20,344,689</u> | | | |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|-----------------|-----------------|------------------------------------|------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ (743) | \$ (743) | \$ 4,590 |
| OTHER FINANCING USES | | | | |
| Transfers out | | | | |
| Library Capital Projects Fund | (94,766) | (94,765) | 1 | (57,219) |
| Revenues under other financing uses | (94,766) | (95,508) | (742) | (52,629) |
| APPROPRIATED FUND BALANCE | <u>94,766</u> | <u>-</u> | <u>(94,766)</u> | <u>-</u> |
| Revenues and appropriated fund balance under other financing uses | <u>\$ -</u> | <u>(95,508)</u> | <u>\$ (95,508)</u> | <u>(52,629)</u> |
| FUND BALANCE | | | | |
| Beginning of year - July 1 | | <u>95,508</u> | | <u>148,137</u> |
| End of year - June 30 | | <u>\$ -</u> | | <u>\$ 95,508</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, 2008

| | Project Authorization | Actual | | | Total To Date | Variance Positive (Negative) |
|--|--------------------------|---------------------|---------------------|--------------------|---------------------|------------------------------------|
| | | Prior Years | Current Year | Project Closure | | |
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ 868,040 | \$ - | \$ (868,040) | \$ - | \$ - |
| Miscellaneous | 171,000 | 550,741 | - | (550,741) | - | (171,000) |
| Total revenues | <u>171,000</u> | <u>1,418,781</u> | <u>-</u> | <u>(1,418,781)</u> | <u>-</u> | <u>(171,000)</u> |
| EXPENDITURES | | | | | | |
| Capital outlay | | | | | | |
| Cultural and Recreation | | | | | | |
| Monroe Library | - | 4,573,726 | - | (4,573,726) | - | - |
| Union West Library | - | 1,917,435 | - | (1,917,435) | - | - |
| Marshville Library | - | 1,539,261 | - | (1,539,261) | - | - |
| Weddington Library Project | - | 32,965 | - | (32,965) | - | - |
| Waxhaw Library | - | 221,155 | - | (221,155) | - | - |
| South West Union Library Project | 3,685,500 | 28,508 | 6,880 | - | 35,388 | 3,650,112 |
| Automation | - | 24,411 | - | (24,411) | - | - |
| Total expenditures | <u>3,685,500</u> | <u>8,337,461</u> | <u>6,880</u> | <u>(8,308,953)</u> | <u>35,388</u> | <u>3,650,112</u> |
| Revenues under expenditures | <u>(3,514,500)</u> | <u>(6,918,680)</u> | <u>(6,880)</u> | <u>6,890,172</u> | <u>(35,388)</u> | <u>3,479,112</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | | | | | | |
| General Fund | 44,490 | 3,349,701 | - | (3,328,279) | 21,422 | (23,068) |
| General Capital Project Fund | 3,483,000 | 3,483,000 | - | - | 3,483,000 | - |
| Library Capital Reserve Fund | - | 737,219 | 94,765 | (737,219) | 94,765 | 94,765 |
| Proceeds from installment financing debt | (12,990) | 2,824,674 | - | (2,824,674) | - | 12,990 |
| Total other financing sources | <u>3,514,500</u> | <u>10,394,594</u> | <u>94,765</u> | <u>(6,890,172)</u> | <u>3,599,187</u> | <u>84,687</u> |
| Revenues and other financing sources over expenditure: | <u>\$ -</u> | <u>\$ 3,475,914</u> | <u>87,885</u> | <u>\$ -</u> | <u>\$ 3,563,799</u> | <u>\$ 3,563,799</u> |
| FUND BALANCE | | | | | | |
| Beginning of year - July 1 | | | <u>3,475,914</u> | | | |
| End of year - June 30 | | | <u>\$ 3,563,799</u> | | | |

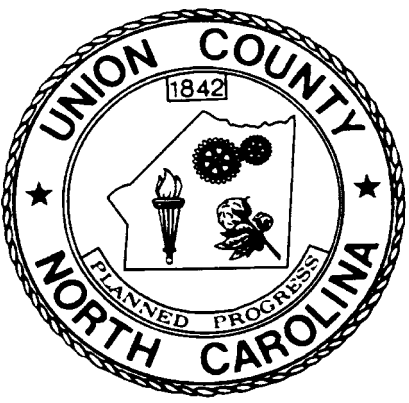
School Bond Fund - 55
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2008

| | Project Authorization | Actual | | | Variance Positive (Negative) | |
|--|--------------------------|----------------|-----------------|--------------------|------------------------------------|--------------|
| | | Prior Years | Current Year | Project Closure | | |
| REVENUES | | | | | | |
| Investment earnings | \$ 1,363,308 | \$ 2,676,202 | \$ 42,202 | \$ 1 | \$ 2,718,405 | \$ 1,355,097 |
| EXPENDITURES | | | | | | |
| Capital outlay | | | | | | |
| Education | | | | | | |
| Parkwood Cluster | 5,056,749 | 5,029,891 | (1) | - | 5,029,890 | 26,859 |
| Piedmont Cluster | 924,383 | 857,967 | - | - | 857,967 | 66,416 |
| Porter Ridge ES | 9,062,267 | 9,059,766 | 1 | - | 9,059,767 | 2,500 |
| Kensington ES | - | 10,755,174 | - | (10,755,174) | - | - |
| Sandy Ridge ES (E) | - | 11,133,117 | - | (11,133,117) | - | - |
| Rock Rest ES (F) | 14,219,479 | 13,297,313 | 789,966 | - | 14,087,279 | 132,200 |
| Rea View ES (G) | 21,536,264 | 17,853,660 | 3,514,452 | - | 21,368,112 | 168,152 |
| New Elementary School (H) | 18,714,008 | 15,506,272 | 2,768,940 | - | 18,275,212 | 438,796 |
| Rocky River ES (I) | 17,574,642 | 12,863,569 | 4,071,085 | - | 16,934,654 | 639,988 |
| New Elementary School (J) | 17,896,989 | 2,346,250 | 11,837,434 | - | 14,183,684 | 3,713,305 |
| New Elementary School (K) | 15,981,458 | 681,599 | 12,414,373 | - | 13,095,972 | 2,885,486 |
| New Elementary School (L) | 16,027,592 | - | 2,338,359 | - | 2,338,359 | 13,689,233 |
| New Elementary School (M) | 848,000 | 800 | 21,873 | - | 22,673 | 825,327 |
| New Elementary School (N) | 3,969,763 | 3,969,763 | - | - | 3,969,763 | - |
| Wesley Chapel ES Additions/Renovations | 4,576,995 | 310,371 | 3,772,941 | - | 4,083,312 | 493,683 |
| Porter Ridge MS (A) | 17,302,948 | 16,921,180 | (1,267) | - | 16,919,913 | 383,035 |
| Porter Ridge HS (A) | 33,067,368 | 32,919,948 | 76,193 | - | 32,996,141 | 71,227 |
| Marvin Ridge MS (B) | 26,495,047 | 25,326,567 | 1,170,619 | - | 26,497,186 | (2,139) |
| Marvin Ridge HS (B) | 41,246,266 | 36,840,365 | 4,306,826 | - | 41,147,191 | 99,075 |
| New Middle School (C) | 45,086,569 | 17,794,671 | 9,047,005 | - | 26,841,676 | 18,244,893 |
| New High School (C) | 42,100,603 | 1,219,139 | 19,410,983 | - | 20,630,122 | 21,470,481 |
| New Middle School (D) | 3,695,104 | - | 3,033,795 | - | 3,033,795 | 661,309 |
| New High School (D) | 5,542,656 | - | 4,509,818 | - | 4,509,818 | 1,032,838 |
| CATA | 21,794,060 | 21,659,990 | 76,495 | - | 21,736,485 | 57,575 |
| Gym Projects-Forest Hills/Piedmont | 16,742,416 | 13,027,155 | 2,993,150 | - | 16,020,305 | 722,111 |
| Gym Projects-Monroe/Parkwood/SunValley | 23,941,529 | 19,287,077 | 3,983,294 | - | 23,270,371 | 671,158 |
| Athletic Facility-Monroe HS | 6,588,667 | 449,124 | 4,637,743 | - | 5,086,867 | 1,501,800 |
| Athletic Facility-Weddington HS | 1,773,600 | 88,924 | 1,486,112 | - | 1,575,036 | 198,564 |
| UCPS Matching Grant Program | 155,000 | 150,824 | - | - | 150,824 | 4,176 |
| Classroom Additions | 10,295,096 | 9,702,543 | 116,957 | - | 9,819,500 | 475,596 |
| Classroom Additions-Marvin ES | 1,741,216 | 11,800 | 1,316,283 | - | 1,328,083 | 413,133 |
| Mobile Classrooms | 2,316,048 | 2,318,548 | (2,500) | - | 2,316,048 | - |
| Land costs | 6,600,009 | 6,600,009 | - | - | 6,600,009 | - |
| Land banking | 804,237 | 298,857 | 2,500 | - | 301,357 | 502,880 |
| Brewer Drive Renovation | - | 579,757 | - | (579,757) | - | - |
| Wolfe Development Center | 7,521,834 | 1,067,999 | 5,606,962 | - | 6,674,961 | 846,873 |
| Transportation/Maintenance Facility | 2,266,105 | 18,215 | 1,620,280 | - | 1,638,495 | 627,610 |
| Highway 200 Road Widening | 900,000 | 125,341 | 759,643 | - | 884,984 | 15,016 |
| School administrative costs | 2,641,184 | 2,015,829 | 595,628 | - | 2,611,457 | 29,727 |
| Contingency / inflation | 3,193,748 | - | - | - | - | 3,193,748 |
| Debt Service | | | | | | |
| Debt Issuance | 190,000 | 1,010,773 | 667,255 | - | 1,678,028 | (1,488,028) |
| Total expenditures | 470,389,899 | 313,100,147 | 106,943,197 | (22,468,048) | 397,575,296 | 72,814,603 |
| Revenues under expenditures | (469,026,591) | (310,423,945) | (106,900,995) | 22,468,049 | (394,856,891) | 74,169,700 |

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, 2008

| | Actual | | | | | Variance Positive (Negative) |
|---|--------------------------|-----------------------|----------------------|---------------------|----------------------|------------------------------------|
| | Project Authorization | Prior Years | Current Year | Project Closure | Total To Date | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | | | | | | |
| General Fund | \$ (1,363,308) | \$ (1,357,002) | \$ - | \$ - | \$ (1,357,002) | \$ 6,306 |
| Proceeds from general obligation bonds | 470,389,899 | 146,723,362 | 216,235,000 | (22,468,049) | 340,490,313 | (129,899,586) |
| Proceeds from general obligation bonds issuance premium | - | - | 3,484,820 | - | 3,484,820 | 3,484,820 |
| Proceeds from installment financing debt | - | 80,922,511 | - | - | 80,922,511 | 80,922,511 |
| Total other financing sources (uses) | <u>469,026,591</u> | <u>226,288,871</u> | <u>219,719,820</u> | <u>(22,468,049)</u> | <u>423,540,642</u> | <u>(45,485,949)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$(84,135,074)</u> | 112,818,825 | <u>\$ -</u> | <u>\$ 28,683,751</u> | <u>\$ 28,683,751</u> |
| FUND BALANCE | | | | | | |
| Beginning of year - July 1 | | | <u>(84,135,074)</u> | | | |
| End of year - June 30 | | | <u>\$ 28,683,751</u> | | | |



Enterprise Funds

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

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

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

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

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance | 2007 |
|--|--------------------|--------------------|---------------------|---------------------|
| | Final Budget | Actual | Positive (Negative) | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Water sales | \$ 15,192,500 | \$ 13,163,433 | \$ (2,029,067) | \$ 14,997,317 |
| Sewer sales | 11,067,950 | 10,484,771 | (583,179) | 10,313,199 |
| Other operating revenues | 700,491 | 908,073 | 207,582 | 741,310 |
| Total | <u>26,960,941</u> | <u>24,556,277</u> | <u>(2,404,664)</u> | <u>26,051,826</u> |
| Nonoperating revenues | | | | |
| Investment earnings | 1,968,879 | 3,311,781 | 1,342,902 | 2,548,916 |
| Proceeds from sale of fixed assets | 63,240 | 28,942 | (34,298) | 62,592 |
| Total | <u>2,032,119</u> | <u>3,340,723</u> | <u>1,308,604</u> | <u>2,611,508</u> |
| Total revenues | <u>28,993,060</u> | <u>27,897,000</u> | <u>(1,096,060)</u> | <u>28,663,334</u> |
| EXPENDITURES | | | | |
| Administration | 2,868,218 | 2,772,250 | 95,968 | 2,296,762 |
| Water | 6,402,333 | 6,135,160 | 267,173 | 5,552,311 |
| Sewer-county customers | 5,968,422 | 5,558,202 | 410,220 | 5,023,652 |
| Sewer-Marshville/Monroe | 1,080,114 | 1,033,115 | 46,999 | 1,174,639 |
| Nondepartmental | 1,853,070 | - | 1,853,070 | - |
| Debt Service | | | | |
| General obligation bonds - principal | 2,485,057 | 2,485,057 | - | 2,504,211 |
| Revenue bonds - principal | 2,070,000 | 2,070,000 | - | 2,055,000 |
| State sanitary loan - principal | 233,697 | 233,697 | - | 233,697 |
| Interest and fees | 3,159,646 | 2,217,703 | 941,943 | 2,689,321 |
| Total expenditures | <u>26,120,557</u> | <u>22,505,184</u> | <u>3,615,373</u> | <u>21,529,593</u> |
| Revenues over expenditures | <u>2,872,503</u> | <u>5,391,816</u> | <u>2,519,313</u> | <u>7,133,741</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds: | | | | |
| Water and Sewer Capital Project Fund | (12,708,046) | (14,500,638) | (1,792,592) | (20,900,000) |
| Stormwater Operating Fund | (265,132) | (160,496) | 104,636 | (60,000) |
| Capital contributions - cash | 9,925,330 | 9,720,319 | (205,011) | 13,274,753 |
| Proceeds from State sanitary sewer loan | - | - | - | 294,118 |
| Total other financing sources (uses) | <u>(3,047,848)</u> | <u>(4,940,815)</u> | <u>(1,892,967)</u> | <u>(7,391,129)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>(175,345)</u> | <u>451,001</u> | <u>626,346</u> | <u>(257,388)</u> |
| APPROPRIATED FUND BALANCE | | | | |
| | <u>175,345</u> | <u>-</u> | <u>(175,345)</u> | <u>-</u> |
| Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 451,001</u> | <u>\$ 451,001</u> | <u>\$ (257,388)</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, 2008

| | Project Authorization | Actual | | | | Variance Positive (Negative) |
|---|-----------------------|----------------|--------------|------------------|---------------|------------------------------|
| | | Total To Date | Current Year | Project Closure | Total To Date | |
| REVENUES | | | | | | |
| Nonoperating revenues | | | | | | |
| Intergovernmental | \$ 1,961,300 | \$ 44,034 | \$ - | \$ (44,034) | \$ - | \$ (1,961,300) |
| Investment earnings | 4 | 75,118 | - | (75,118) | - | (4) |
| Other operating revenue | - | 485 | - | (485) | - | - |
| Total revenues | <u>1,961,304</u> | <u>183,699</u> | <u>-</u> | <u>(119,637)</u> | <u>-</u> | <u>(1,961,304)</u> |
| EXPENDITURES | | | | | | |
| Administration capital outlay | | | | | | |
| Public Works Renovation | - | 185,334 | - | (185,334) | - | - |
| SCADA System Improvements | 800,500 | 773,371 | - | - | 773,371 | 27,129 |
| Master Plan Update | - | 136,840 | - | (136,840) | - | - |
| Contributed Capital | 25,000 | 14,801 | - | - | 14,801 | 10,199 |
| Government Facility Renovations | 2,138,500 | - | 1,136,276 | - | 1,136,276 | 1,002,224 |
| Expand Operations Center | 94,000 | - | 24,389 | - | 24,389 | 69,611 |
| Water and Sewer Capital Outlay | | | | | | |
| Misc. Water Line Replacement | 290,833 | - | - | - | - | 290,833 |
| Misc. Water Bickett Ridge | - | 19,564 | - | (19,564) | - | - |
| Misc. Water Lawyers Rd Line Relocation | - | 7,150 | - | (7,150) | - | - |
| Misc. Water Hydraulic Model Indian Trail | - | 4,569 | - | (4,569) | - | - |
| Misc. Water Millbridge Hydraulic Modeling | 4,483 | - | - | - | - | 4,483 |
| Misc. Water Lee Pierce Road | - | 12,390 | - | (12,390) | - | - |
| Misc. Water Love Mill Water Line Ext | 27,000 | - | 26,126 | - | 26,126 | 874 |
| Misc. Water Hwy 84 24" Line Relocation | 150,000 | 29,162 | - | - | 29,162 | 120,838 |
| Misc. Water WC/Goldmine Rd Line Reloc. | 110,000 | - | 90,789 | - | 90,789 | 19,211 |
| Misc. Water Resource Model On-Call Srv | 65,000 | 15,000 | 4,938 | - | 19,938 | 45,062 |
| Misc. Water Comprehensive Water Map | 500,000 | - | 39,170 | - | 39,170 | 460,830 |
| Misc. Water Hemby Bridge Main Replace. | 59,000 | - | 4,373 | - | 4,373 | 54,627 |
| Misc. Sewer Rehab I & I | 40,016 | - | - | - | - | 40,016 |
| Misc. Sewer CC Manhole Rehab | - | 96,237 | - | (96,237) | - | - |
| Misc. Sewer Right of Way Clearing | - | 21,000 | - | (21,000) | - | - |
| Misc. Sewer CC WWTP Barscreen Upgrade | - | 69,059 | - | (69,059) | - | - |
| Misc. Self Help: Contingency | 116,505 | - | - | - | - | 116,505 |
| Misc. Self Help: Oak Brook | 28,945 | - | 26,238 | - | 26,238 | 2,707 |
| Misc. Self Help: Cyrus Lee Lane | 150 | - | 150 | - | 150 | - |
| Misc. Self Help: Polk Mountain | 32,900 | - | - | - | - | 32,900 |
| Misc. Self Help: Wellington Woods I | 21,500 | - | - | - | - | 21,500 |
| Misc. Contingency | 130,652 | - | - | - | - | 130,652 |
| Water capital outlay | | | | | | |
| Expand CRWTP 18MGD | - | 7,080,798 | - | (7,080,798) | - | - |
| Rocky River WTP | - | 102,415 | - | (102,415) | - | - |
| CRWTP Reservoir Expansion | 2,702,500 | 20,750 | 15,050 | - | 35,800 | 2,666,700 |
| CRWTP Expansion | 2,640,000 | - | - | - | - | 2,640,000 |
| Northern Union County Water | 150,000 | 24,046 | 43,281 | - | 67,327 | 82,673 |
| East Source Treatment-Anson | 220,000 | - | 46,391 | - | 46,391 | 173,609 |
| Stallings Tank | - | 455,104 | - | (455,104) | - | - |
| Stallings Area Water Lines | - | 660,715 | - | (660,715) | - | - |
| Water Main to Sims Road | - | 5,381,738 | - | (5,381,738) | - | - |
| Sims Tank & Pump Station | - | 1,454,254 | - | (1,454,254) | - | - |
| Water Main County Wide | 12,408,297 | 12,408,297 | - | - | 12,408,297 | - |
| North County Tank Farm | 888,000 | 271,436 | - | - | 271,436 | 616,564 |
| Anson Water Improvements | 26,785 | 1,785 | 25,000 | - | 26,785 | - |
| Waxhaw Marvin Improvements | - | 318,290 | - | (318,290) | - | - |
| Waxhaw Marvin Generator | - | 151,875 | - | (151,875) | - | - |

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, 2008

| | Project Authorization | Total To Date | Current Year | Actual | | Variance Positive (Negative) |
|---|-----------------------|---------------|--------------|-----------------|---------------|------------------------------|
| | | | | Project Closure | Total To Date | |
| EXPENDITURES (continued) | | | | | | |
| Water capital outlay (continued) | | | | | | |
| Auto Meter Read | \$ - | \$ 5,698,562 | \$ - | \$ (5,698,562) | \$ - | \$ - |
| Altan South Lines | 2,499,939 | 2,499,527 | 463 | - | 2,499,990 | (51) |
| Northwest Tank | 24,689 | 15,914 | - | - | 15,914 | 8,775 |
| NC218 Goose Creek Crossing | - | 155,340 | - | (155,340) | - | - |
| Self Help Program | - | 869 | - | (869) | - | - |
| Wellington Woods Self Help | - | 34,696 | - | (34,696) | - | - |
| Helms Road Line Self Help | - | 65,313 | - | (65,313) | - | - |
| Ridge Road Pump Station | - | 31,050 | - | (31,050) | - | - |
| Western Union School Pump Station | - | 14,960 | - | (14,960) | - | - |
| Hillcrest Road Line Extension | - | 104,696 | - | (104,696) | - | - |
| NC218 Water Line | - | 1,777,202 | 2 | (1,777,204) | - | - |
| Indian Trail Water Line Relocation | - | 691 | - | (691) | - | - |
| J. Frank Moser Rd Self Help Program | - | 27,338 | - | (27,338) | - | - |
| Watkins Rd Pump Station | - | 2,504,329 | - | (2,504,329) | - | - |
| County Wide Phase II | 5,407,000 | 257,109 | (1) | - | 257,108 | 5,149,892 |
| County Wide Phase III | 4,268,000 | 178,265 | 1 | - | 178,266 | 4,089,734 |
| Roanoke Church Rd Self Help Program | 5,760 | 4,920 | - | - | 4,920 | 840 |
| Brett Dr Self Help Program | - | 10,108 | - | (10,108) | - | - |
| Providence Woods Self Help Program | 14,417 | 14,417 | - | - | 14,417 | - |
| Mt Pleasant Church Rd Self Help Program | 15,531 | 15,531 | - | - | 15,531 | - |
| Bulk Water Stations | 690,000 | 19,148 | - | - | 19,148 | 670,852 |
| Madison Ridge Low Pressure Study | 616,391 | 401,019 | 156,710 | - | 557,729 | 58,662 |
| Secrest SC/IT Rd Water Main | 2,650,077 | 2,274,613 | 267,575 | - | 2,542,188 | 107,889 |
| Cuthbertson Road Water Line | 529,375 | 15,777 | 3,317 | - | 19,094 | 510,281 |
| Dodge City Water | 251,160 | - | - | - | - | 251,160 |
| Elevated Tank Maintenance | 345,000 | 22,667 | 300,119 | - | 322,786 | 22,214 |
| Hwy 74/75 Pump Station Generator | 345,000 | - | - | - | - | 345,000 |
| Weddington Elevated Storage Tank | 3,190,000 | 11,351 | 6,882 | - | 18,233 | 3,171,767 |
| Waxhaw / Marvin Rd Connector | 529,375 | 12,568 | 46,969 | - | 59,537 | 469,838 |
| Cureton Parkway | 481,250 | 11,768 | 10,935 | - | 22,703 | 458,547 |
| Forest Lawn / Potters Transmission Main | 3,259,050 | 90,454 | 98,778 | - | 189,232 | 3,069,818 |
| Misc Water Line Infill Projects | 385,000 | - | - | - | - | 385,000 |
| Stage 2 DBPR Implementation | 200,000 | 17,747 | 15,036 | - | 32,783 | 167,217 |
| Waxhaw / Indian Trail Interconnector | 22,750 | 3,340 | 19,410 | - | 22,750 | - |
| Anson 4MGD Water Improvements | 752,242 | - | 250,308 | - | 250,308 | 501,934 |
| Sewer capital outlay | | | | | | |
| East Side Improvements | 4,406,000 | 348,321 | 135,040 | - | 483,361 | 3,922,639 |
| Expand 12 Mile Creek 6MGD | 22,674,697 | 20,356,224 | 1,650,186 | - | 22,006,410 | 668,287 |
| Hunley Creek Off Line | 1,443,102 | 1,443,102 | - | - | 1,443,102 | - |
| Crooked Creek Lab Expansion and UV | 926,741 | 898,285 | - | - | 898,285 | 28,456 |
| IBT Permitting | 131,221 | 27,579 | (1) | - | 27,578 | 103,643 |
| Rocky River WWTP-Future | 6,823,809 | 432,558 | 17,229 | - | 449,787 | 6,374,022 |
| Sheafer Cost Validation | - | 24,709 | - | (24,709) | - | - |
| Tallwood UV Improvements | - | 91,472 | - | (91,472) | - | - |
| Clear Creek Trunk Sewer | 3,417,350 | 10,800 | - | - | 10,800 | 3,406,550 |
| 12M Creek Beneficial Re-Use | 1,777,650 | 42,570 | 48,130 | - | 90,700 | 1,686,950 |
| Future 12M Creek WWTP Expansion | 2,450,000 | 85,363 | 13,937 | - | 99,300 | 2,350,700 |
| Crooked Creek WWTP Bulk Re-Use/Fill St. | - | 70,380 | - | - | - | 70,380 |
| 12M WWTP Phosphorus Removal | 1,575,500 | - | 157,560 | - | 157,560 | 1,417,940 |
| 12M WWTP Odor Control | 511,470 | 152,752 | 25,900 | - | 178,652 | 332,818 |
| Tallwood WWTP Replacement | 600,000 | - | 35,035 | - | 35,035 | 564,965 |
| Sewer Miscellaneous Projects | - | 1,777 | - | (1,777) | - | - |

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, 2008

| | Project Authorization | Total To Date | Current Year | Actual | | Variance Positive (Negative) |
|--|-----------------------|----------------------|----------------------|---------------------|----------------------|------------------------------|
| | | | | Project Closure | Total To Date | |
| EXPENDITURES (continued) | | | | | | |
| Sewer capital outlay (continued) | | | | | | |
| Little 12 Mile Creek Sewer | - | 1,504,951 | - | (1,504,951) | - | - |
| Blythe Creek Sewer | - | 1,684,472 | - | (1,684,472) | - | - |
| Parkwood School | \$ - | \$ 419,022 | \$ - | \$ (419,022) | \$ - | \$ - |
| West Union School | 468,430 | 21,083 | 417,120 | - | 438,203 | 30,227 |
| Marvin Branch | - | 68,005 | - | (68,005) | - | - |
| Crooked Creek I and I | - | 15,000 | - | (15,000) | - | - |
| Waxhaw Server Rehabilitation | - | 1,145,788 | - | (1,145,788) | - | - |
| Phase 1 Sewer Improvements | - | 171,630 | - | (171,630) | - | - |
| Crooked Creek Interceptor-Contract 4 | - | 223,344 | - | (223,344) | - | - |
| Crooked Creek Interceptor-Contract 5 | - | 16,434 | - | (16,434) | - | - |
| Crooked Creek Interceptor-Contract 6 | - | 76,984 | - | (76,984) | - | - |
| Upper Price Mill | - | 593 | - | (593) | - | - |
| West Fork 12 Mile Creek | - | 7,990 | - | (7,990) | - | - |
| Sewer Mapping and Hydraulic Model I and I Reduction | 749,143 | 511,097 | 66,430 | - | 577,527 | 171,616 |
| Connect Diversion Force Main | - | 1,532,912 | - | (1,532,912) | - | - |
| Meadows Mobile Home Park Improv. | - | 70,807 | - | (70,807) | - | - |
| Update Sewer Master Plan | 325,650 | 26,540 | 174,838 | - | 201,378 | 124,272 |
| Blythe Creek Branch 1 Sewer | 206,572 | 164,493 | 37,800 | - | 202,293 | 4,279 |
| Wysacky Sewer | 538,550 | - | - | - | - | 538,550 |
| CC WWTP Influent Pipe Improvements | 51,970 | - | - | - | - | 51,970 |
| 12M Creek Sewer Diversion to CMUD | 45,930 | - | - | - | - | 45,930 |
| Total expenditures | 342,570 | - | 74,031 | - | 74,031 | 268,539 |
| | <u>99,689,307</u> | <u>77,583,926</u> | <u>5,511,910</u> | <u>(33,638,378)</u> | <u>49,457,458</u> | <u>50,231,849</u> |
| Revenues under expenditures | <u>(97,728,003)</u> | <u>(77,400,227)</u> | <u>(5,511,910)</u> | <u>33,518,741</u> | <u>(49,457,458)</u> | <u>48,270,545</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers from other funds: | | | | | | |
| General Fund | 271,160 | 500,000 | - | - | 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) | - | - |
| Water and Sewer Operating Fund | 56,947,351 | 60,618,168 | 14,500,638 | (5,846,043) | 69,272,763 | 12,325,412 |
| Capital contributions - cash | 2,660,813 | 2,114,062 | 184,175 | (64,062) | 2,234,175 | (426,638) |
| Proceeds from revenue bonds | 22,380,843 | 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>97,728,003</u> | <u>103,982,686</u> | <u>14,684,813</u> | <u>(33,518,741)</u> | <u>85,212,820</u> | <u>(12,515,183)</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ 26,582,459</u> | <u>9,172,903</u> | <u>\$ -</u> | <u>\$ 35,755,362</u> | <u>\$ 35,755,362</u> |
| FUND BALANCE | | | | | | |
| Beginning of year - July 1 | | | <u>26,582,459</u> | | | |
| End of year - June 30 | | | <u>\$ 35,755,362</u> | | | |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | 2007 |
|---|----------------------|----------------------|
| Revenues and other financing sources over (under) expenditures and other financing uses | | |
| Operating Fund | \$ 451,001 | \$ (257,388) |
| Water and Sewer Capital Project Fund | 9,172,903 | 14,308,439 |
| Total | <u>9,623,904</u> | <u>14,051,051</u> |
| Reconciling items | | |
| Amortization of G.O. bond and Revenue bond defeasance | (267,899) | (299,255) |
| Amortization of G.O. and Revenue bond issuance costs | (63,064) | (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 | 726,551 | 767,290 |
| Payment of debt principal | 4,788,754 | 4,792,908 |
| Increase in compensated absences payable | (59,603) | (48,989) |
| Decrease in interest expense accrual | 29,276 | 28,993 |
| Increase in inventories | 53,580 | 118,305 |
| Increase in allowance for uncollectible accounts | (132,428) | (34,108) |
| Decrease in net pension obligation | 44,151 | 84,470 |
| Increase in net other post employment benefit obligation | (284,747) | - |
| Capital outlay | 6,090,550 | 18,531,252 |
| Loss on investment in joint venture | (422,595) | (183,136) |
| Net book value of fixed assets disposed of | (189,677) | (15,113) |
| Capital contributions | 10,085,175 | 13,595,147 |
| Depreciation | (8,758,099) | (7,714,705) |
| Total | <u>11,671,005</u> | <u>16,384,980</u> |
| Change in net assets | <u>\$ 21,294,909</u> | <u>\$ 30,436,031</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|-----------------|----------------|------------------------------------|--------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Solid waste charges | \$ 4,560,560 | \$ 4,093,027 | \$ (467,533) | \$ 4,247,191 |
| Disposal fees | 237,110 | 228,977 | (8,133) | 236,132 |
| Other operating revenues | 7,650 | (18,197) | (25,847) | 33,888 |
| Total | 4,805,320 | 4,303,807 | (501,513) | 4,517,211 |
| Nonoperating revenues | | | | |
| Investment earnings | 176,059 | 106,066 | (69,993) | 145,694 |
| Total revenues | 4,981,379 | 4,411,066 | (570,313) | 4,662,905 |
| EXPENDITURES | | | | |
| Administration | 214,995 | 208,757 | 6,238 | 188,638 |
| Solid waste landfill | 4,633,705 | 4,278,525 | 355,180 | 4,521,152 |
| Nondepartmental | 73,240 | - | 73,240 | - |
| Total expenditures | 4,921,940 | 4,487,282 | 434,658 | 4,709,790 |
| Revenues over (under) expenditures | 59,439 | (76,216) | (135,655) | (46,885) |
| OTHER FINANCING USES | | | | |
| Transfers out | | | | |
| Solid Waste Capital Reserve Fund | (1,899,439) | (2,221,046) | (321,607) | (200,000) |
| Revenues under expenditures and other financing uses | (1,840,000) | (2,297,262) | (457,262) | (246,885) |
| APPROPRIATED FUND BALANCE | 1,840,000 | - | (1,840,000) | - |
| Revenues and appropriated fund balance under expenditures and other financing uses | \$ - | \$ (2,297,262) | \$ (2,297,262) | \$ (246,885) |

Solid Waste Capital Fund
Schedule of Revenues -
Non-GAAP

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | <u>2008</u> | <u>2007</u> |
|--------------------------------------|---------------------|-------------------|
| REVENUES | | |
| Investment earnings | \$ 320,292 | \$ 240,482 |
| OTHER FINANCING SOURCES | | |
| Transfers from other funds: | | |
| Solid Waste Operating Fund | <u>2,221,046</u> | <u>200,000</u> |
| Revenues and other financing sources | <u>\$ 2,541,338</u> | <u>\$ 440,482</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | <u>2008</u> | <u>2007</u> |
|---|-----------------------|-------------------|
| Revenues and other financing sources over (under) expenditures and other financing uses | | |
| Operating Fund | \$ (2,297,262) | \$ (246,885) |
| Capital Reserve Fund | 2,541,338 | 440,482 |
| Total | <u>244,076</u> | <u>193,597</u> |
| Reconciling items | | |
| (Increase) decrease in compensated absences payable | 1,957 | (1,325) |
| Increase (decrease) in inventories | (657) | 7,836 |
| Increase in accrued landfill postclosure care costs | (1,256,384) | (73,827) |
| Increase (decrease) in allowance for uncollectible accounts | (1,880) | 36,373 |
| Decrease in net pension obligation | 5,777 | 16,124 |
| Increase in net other post employment benefit obligation | (72,565) | - |
| Capital outlay | 194,808 | 776,900 |
| Depreciation | (156,331) | (129,178) |
| Total | <u>(1,285,275)</u> | <u>632,903</u> |
| Change in net assets | <u>\$ (1,041,199)</u> | <u>\$ 826,500</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|-----------------|-------------|------------------------------------|-----------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Other operating revenues | \$ - | \$ 3,295 | \$ 3,295 | \$ - |
| EXPENDITURES | | | | |
| Administration | 250,819 | 204,163 | 46,656 | 55,569 |
| Revenues under expenditures | (250,819) | (200,868) | 49,951 | (55,569) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | | | | |
| Water and Sewer Operating Fund | 250,819 | 160,496 | (90,323) | 60,000 |
| Revenues and other financing sources over (under) expenditures | \$ - | \$ (40,372) | \$ (40,372) | \$ 4,431 |
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | | |
| Revenues and other financing sources over (under) expenditures | | \$ (40,372) | | \$ 4,431 |
| Reconciling items: | | | | |
| Increase in compensated absences payable | | (5,313) | | (4,703) |
| Decrease in net pension obligation | | 1,508 | | 791 |
| Capital outlay | | - | | 22,405 |
| Depreciation | | (4,481) | | (1,120) |
| Loss on disposal of capital asset | | - | | (6,314) |
| Total | | (8,286) | | 11,059 |
| Change in net assets | | \$ (48,658) | | \$ 15,490 |

Internal Service Funds

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

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

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

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

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|------------------|-------------------|------------------------------------|---------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Interfund charges and employee contributions | \$ 8,430,964 | \$ 8,516,338 | \$ 85,374 | \$ 7,282,885 |
| Nonoperating revenues | | | | |
| Investment earnings | 42,700 | 41,090 | (1,610) | 24,116 |
| Total revenues | <u>8,473,664</u> | <u>8,557,428</u> | <u>83,764</u> | <u>7,307,001</u> |
| EXPENDITURES | | | | |
| Operating expenditures | | | | |
| Health benefit claims and premiums | 7,638,554 | 7,351,390 | 287,164 | 7,057,296 |
| Other operating expenditures | 882,343 | 758,528 | 123,815 | 768,704 |
| Total expenditures | <u>8,520,897</u> | <u>8,109,918</u> | <u>410,979</u> | <u>7,826,000</u> |
| Revenues over (under) expenditures | (47,233) | 447,510 | 494,743 | (518,999) |
| APPROPRIATED FUND BALANCE | | | | |
| Revenues and appropriated fund balance over (under) expenditure | <u>\$ -</u> | <u>\$ 447,510</u> | <u>\$ 447,510</u> | <u>\$ (518,999)</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | | |
| Revenues over (under) expenditures | | \$ 447,510 | | \$ (518,999) |
| Reconciling items: | | | | |
| (Increase) decrease in health benefit claims payable | | <u>(81,737)</u> | | <u>194,700</u> |
| Change in net assets | | <u>\$ 365,773</u> | | <u>\$ (324,299)</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | | 2007 |
|---|----------------|---------------------|------------------------------|---------------------|
| | Final Budget | Actual | Variance Positive (Negative) | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Insurance reimbursement | \$ - | \$ 29,140 | \$ 29,140 | \$ - |
| Nonoperating revenues | | | | |
| Investment earnings | 97,595 | 76,358 | (21,237) | 89,311 |
| Total revenues | <u>97,595</u> | <u>105,498</u> | <u>7,903</u> | <u>89,311</u> |
| EXPENDITURES | | | | |
| Operating expenditures | | | | |
| Workers' compensation claims | 277,034 | 258,774 | 18,260 | 140,697 |
| Other operating expenditures | 142,316 | 137,944 | 4,372 | 93,589 |
| Total expenditures | <u>419,350</u> | <u>396,718</u> | <u>22,632</u> | <u>234,286</u> |
| Revenues under expenditures | (321,755) | (291,220) | 30,535 | (144,975) |
| APPROPRIATED FUND BALANCE | <u>321,755</u> | <u>-</u> | <u>(321,755)</u> | <u>-</u> |
| Revenues and appropriated fund balance under expenditure: | <u>\$ -</u> | <u>\$ (291,220)</u> | <u>\$ (291,220)</u> | <u>\$ (144,975)</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | | |
| Revenues under expenditures | | \$ (291,220) | | \$ (144,975) |
| Reconciling items: | | | | |
| (Increase) decrease in workers' compensation claims payable | | <u>17,113</u> | | <u>(67,919)</u> |
| Change in net assets | | <u>\$ (274,107)</u> | | <u>\$ (212,894)</u> |

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

For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | 2008 | | | 2007 |
|---|--------------|------------|------------------------------|------------|
| | Final Budget | Actual | Variance Positive (Negative) | Actual |
| REVENUES | | | | |
| Operating revenues | | | | |
| Interfund charges | \$ 852,000 | \$ 922,507 | \$ 70,507 | \$ 895,928 |
| Nonoperating revenues | | | | |
| Investment earnings | - | 6,938 | 6,938 | 15,718 |
| Total revenues | 852,000 | 929,445 | 77,445 | 911,646 |
| EXPENDITURES | | | | |
| Operating expenditures | | | | |
| Property and casualty claims and premiums | 852,000 | 792,924 | 59,076 | 787,156 |
| Revenues over expenditures | \$ - | \$ 136,521 | \$ 136,521 | \$ 124,490 |

Fiduciary Funds

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

Pension Trust Fund

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

Agency Funds

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

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

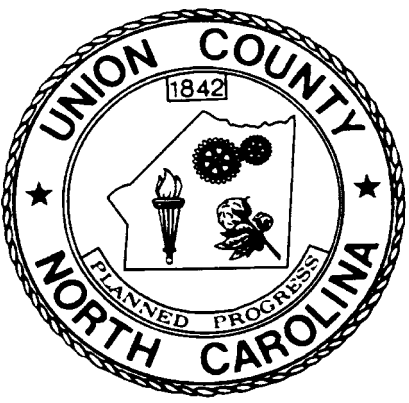
Jail Inmate Fund - This fund accounts for monies held by the Union County Sheriff's Office (Jail) for the benefit of certain individuals.

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

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

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

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, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|----------------------------|----------------------------|
| REVENUES | | |
| Operating revenues | | |
| Employer contributions | \$ 881,356 | \$ 816,048 |
| Investment earnings | <u>76,568</u> | <u>67,050</u> |
| Total revenues | <u>957,924</u> | <u>883,098</u> |
| EXPENSES | | |
| Operating expenses | | |
| Employee benefits | <u>815,317</u> | <u>776,499</u> |
| Revenues over (under) expenses | 142,607 | 106,599 |
| NET ASSETS | | |
| Beginning of year-July 1 | <u>1,437,945</u> | <u>1,331,346</u> |
| End of year-June 30 | <u><u>\$ 1,580,552</u></u> | <u><u>\$ 1,437,945</u></u> |

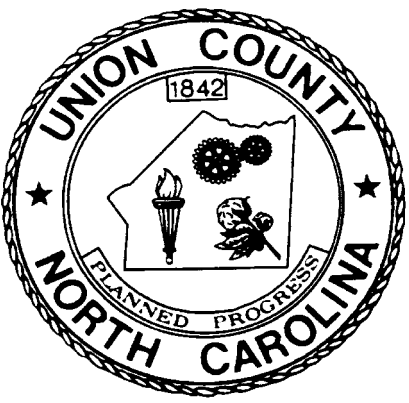
Agency Funds
Combining Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2008

| | Balance June 30, 2007 | Additions | Deductions | Balance June 30, 2008 |
|--|--------------------------|--------------|--------------|--------------------------|
| <u>SOCIAL SERVICES</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 70,824 | \$ 270,613 | \$ 292,294 | \$ 49,143 |
| LIABILITIES | | | | |
| Due to program participants | \$ 70,824 | \$ 270,613 | \$ 292,294 | \$ 49,143 |
| <u>FINES AND FORFEITURES</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 7,196 | \$ 1,189,778 | \$ 1,180,702 | \$ 16,272 |
| Accounts receivable (net) | 70,836 | 60,944 | 70,836 | 60,944 |
| Total assets | \$ 78,032 | \$ 1,250,722 | \$ 1,251,538 | \$ 77,216 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 78,032 | \$ 1,190,989 | \$ 1,191,805 | \$ 77,216 |
| <u>JAIL INMATE FUND</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 6,477 | \$ 272,218 | \$ 275,074 | \$ 3,621 |
| LIABILITIES | | | | |
| Due to program participants | \$ 6,477 | \$ 272,218 | \$ 275,074 | \$ 3,621 |
| <u>MONROE SCHOOL DISTRICT</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ 43,119 | \$ 42,547 | \$ 572 |
| Property taxes receivable (net) | 43,128 | 3,707 | 35,885 | 10,950 |
| Total assets | \$ 43,128 | \$ 46,826 | \$ 78,432 | \$ 11,522 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 43,128 | \$ 18,771 | \$ 50,377 | \$ 11,522 |
| <u>UNION COUNTY SCHOOL DISTRICT</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 261 | \$ 55,232 | \$ 55,156 | \$ 337 |
| Property taxes receivable (net) | 98,882 | 20,849 | 68,970 | 50,761 |
| Total assets | \$ 99,143 | \$ 76,081 | \$ 124,126 | \$ 51,098 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 99,143 | \$ 37,262 | \$ 85,307 | \$ 51,098 |
| <u>MUNICIPAL TAX COLLECTION</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 214,317 | \$ 2,349,456 | \$ 2,387,962 | \$ 175,811 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 214,317 | \$ 2,349,456 | \$ 2,387,962 | \$ 175,811 |

Continued on next page.

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008

| | Balance June 30, 2007 | Additions | Deductions | Balance June 30, 2008 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| <u>GROSS RENTAL RECEIPTS TAX FUND</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,054 | \$ 83,716 | \$ 83,791 | \$ 979 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,054 | \$ 105,738 | \$ 105,813 | \$ 979 |
| <u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 7,088 | \$ 90,999 | \$ 90,458 | \$ 7,629 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 7,088 | \$ 89,929 | \$ 89,388 | \$ 7,629 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 307,217 | \$ 4,355,131 | \$ 4,407,984 | \$ 254,364 |
| Property taxes receivable (net) | 142,010 | 24,556 | 104,855 | 61,711 |
| Accounts receivable (net) | 70,836 | 60,944 | 70,836 | 60,944 |
| Total assets | <u>\$ 520,063</u> | <u>\$ 4,440,631</u> | <u>\$ 4,583,675</u> | <u>\$ 377,019</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 442,762 | \$ 3,792,145 | \$ 3,910,652 | \$ 324,255 |
| Due to program participants | 77,301 | 542,831 | 567,368 | 52,764 |
| Total liabilities | <u>\$ 520,063</u> | <u>\$ 4,334,976</u> | <u>\$ 4,478,020</u> | <u>\$ 377,019</u> |



Additional Financial Data

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable - General Fund

Analysis of Current Tax Levy - County-wide Levy

**Schedule of Ad Valorem Taxes Receivable - General Fund
June 30, 2008**

| Fiscal Year | Uncollected Balance June 30, 2007 | Additions and Adjustments | Collections and Credits | Uncollected Balance June 30, 2008 |
|--|---|---------------------------------|-------------------------------|---|
| 2008-2009 | \$ - | \$ 309,520 | \$ 139,220 | \$ 170,300 |
| 2007-2008 | 159,321 | 124,094,091 | 121,081,881 | 3,171,531 |
| 2006-2007 | 2,481,936 | 56,747 | 1,830,801 | 707,882 |
| 2005-2006 | 505,896 | 89,523 | 257,587 | 337,832 |
| 2004-2005 | 260,043 | 118,020 | 145,914 | 232,149 |
| 2003-2004 | 195,808 | 8,495 | 86,919 | 117,384 |
| 2002-2003 | 88,457 | (800) | 7,580 | 80,077 |
| 2001-2002 | 59,391 | (45) | 4,054 | 55,292 |
| 2000-2001 | 39,880 | - | 2,806 | 37,074 |
| 1999-2000 | 35,213 | - | 1,081 | 34,132 |
| 1998-1999 | 24,057 | - | 1,068 | 22,989 |
| 1997-1998 | 15,790 | - | 15,790 | - |
| | <u>\$ 3,865,792</u> | <u>\$ 124,675,551</u> | <u>\$ 123,574,701</u> | <u>4,966,642</u> |
| Less: Releases on 2008-2009 registered motor vehicles | | | | (6,437) |
| Less: Allowance for uncollectible ad valorem taxes receivable | | | | (974,554) |
| Ad valorem taxes receivable (net) | | | | <u>\$ 3,985,651</u> |
| Reconcilement with revenues | | | | |
| Taxes - ad valorem | | | | <u>\$ 123,953,397</u> |
| Reconciling items | | | | |
| 2008 tax prepayments | | | | 139,220 |
| Write-offs per statute of limitations | | | | 15,453 |
| Write-offs of uncollected 2003 motor vehicle tax | | | | 56,198 |
| Waive Tax Bills less than \$5.00 | | | | 4,928 |
| Refunds | | | | 88,180 |
| Recognition of previously collected 2007-2008 ad valorem taxes on annually registered vehicles | | | | 264,689 |
| Collections in advance | | | | (280,940) |
| Interest and advertising cost recovery | | | | (645,598) |
| Foreclosure fees and overpayments | | | | 23,109 |
| Collections on written off motor vehicle amounts | | | | (43,966) |
| Adjustment | | | | 31 |
| Total reconciling items | | | | <u>(378,696)</u> |
| Total collections and credits | | | | <u>\$ 123,574,701</u> |

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

For the Year Ended June 30, 2008

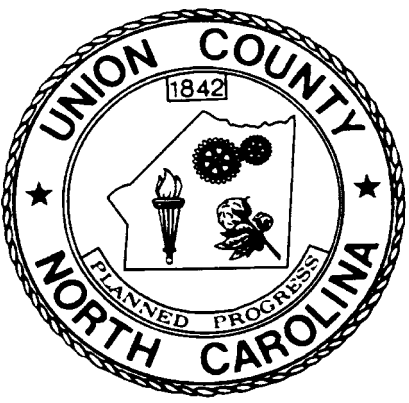
| | County-wide | | | Total Levy | |
|---|-----------------------|-------|----------------------|--|---------------------------|
| | Property Valuation | Rate | Amount of Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy | | | | | |
| Property taxed at current year's rate | 16,580,214,173 | .7111 | \$117,872,324 | \$109,903,050 | \$ 7,969,274 |
| Motor vehicles taxed at prior year's rate | 635,288,300 | .6367 | 4,037,281 | - | 4,037,281 |
| Motor vehicles taxed at prior year's rate | 1,480,854 | .56 | 9,383 | - | 9,383 |
| Motor vehicles taxed at prior year's rate | 37,650 | .525 | 197 | - | 197 |
| Total | <u>17,217,020,977</u> | | <u>121,919,185</u> | <u>109,903,050</u> | <u>12,016,135</u> |
| Discoveries | | | | | |
| Property taxed at current year's rate | 429,552,147 | .7111 | 2,852,857 | 2,852,857 | - |
| Abatements | | | | | |
| Property taxed at current year's rate | 89,706,603 | .7111 | 600,861 | 457,065 | 143,796 |
| Motor vehicles taxed at prior year's rate | 17,678,486 | .6367 | 95,678 | - | 95,678 |
| Motor vehicles taxed at prior year's rate | 65,665 | .560 | 593 | - | 593 |
| Motor vehicles taxed at prior year's rate | 17,270 | .525 | 91 | - | 91 |
| Total | <u>107,468,024</u> | | <u>697,223</u> | <u>457,065</u> | <u>240,158</u> |
| Total property valuation | <u>17,539,105,100</u> | | | | |
| Net levy | | | 124,074,819 | 112,298,842 | 11,775,977 |
| Add: Refunds | | | 18,983 | - | 18,983 |
| Add: Write-off's of small amounts | | | 289 | - | 289 |
| Total additions and adjustments for 2007-2008 | | | 124,094,091 | 112,298,842 | 11,795,249 |
| Add: Uncollected taxes at June 30, 2007 | | | 159,321 | 170,297 | (10,976) |
| Less: Uncollected taxes at June 30, 2008 | | | (3,171,531) | (1,977,302) | (1,194,229) |
| Total collections and credits for 2007-2008 | | | <u>\$121,081,881</u> | <u>\$110,491,837</u> | <u>\$10,590,044</u> |
| Percent current year collected | | | 97.57% | 98.39% | 89.78% |

SECONDARY MARKET DISCLOSURES

| | County-wide | | |
|----------------------------------|-----------------------|-------|----------------------|
| | Property Valuation | Rate | Amount of Levy |
| Assessed valuation | | | |
| Assessment ratio | 100% | | |
| Real property | 14,392,758,826 | | |
| Personal property | 1,116,150,385 | | |
| Public service companies | 313,761,600 | | |
| | <u>15,822,670,811</u> | .7111 | <u>\$112,298,841</u> |
| Personal property-motor vehicles | 1,097,388,906 | .7111 | 7,825,478 |
| Personal property-motor vehicles | 617,609,814 | .6367 | 3,941,603 |
| Personal property-motor vehicles | 1,415,189 | .56 | 8,790 |
| Personal property-motor vehicles | 20,380 | .525 | 107 |
| | <u>1,716,434,289</u> | | <u>11,775,978</u> |
| Total | <u>17,539,105,100</u> | | <u>\$124,074,819</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, 2008:

| | |
|---------------------------|---------------------|
| School districts | \$ 9,346 |
| Fire protection districts | 2,606,660 |
| Total | <u>\$ 2,616,006</u> |



Statistical Section

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

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 Seven Fiscal Years
 (accrual basis of accounting)

Table 1

| | Fiscal Year | | | | | | |
|--|-----------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 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 | \$ 43,813,345 |
| Restricted | 3,915,730 | 33,500,043 | 7,659,736 | 55,565,377 | 9,948,350 | 11,514,884 | 49,900,699 |
| Unrestricted | <u>(31,150,415)</u> | <u>(79,263,380)</u> | <u>(86,021,934)</u> | <u>(184,091,155)</u> | <u>(177,888,141)</u> | <u>(310,620,217)</u> | <u>(446,227,697)</u> |
| 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> | <u>\$ (352,513,653)</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 | \$ 156,680,551 |
| Restricted | 143,400 | 2,882,255 | 2,882,435 | 2,836,676 | 2,767,983 | 2,842,695 | 2,885,491 |
| Unrestricted | <u>38,201,362</u> | <u>47,069,467</u> | <u>50,157,942</u> | <u>58,410,989</u> | <u>52,098,871</u> | <u>66,874,682</u> | <u>75,283,250</u> |
| 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> | <u>\$ 234,849,292</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 | \$ 200,493,896 |
| Restricted | 4,059,130 | 36,382,298 | 10,542,171 | 58,402,053 | 12,716,333 | 14,357,579 | 52,786,190 |
| Unrestricted | <u>7,050,947</u> | <u>(32,193,913)</u> | <u>(35,863,992)</u> | <u>(125,680,166)</u> | <u>(125,789,270)</u> | <u>(243,745,535)</u> | <u>(370,944,447)</u> |
| 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> | <u>\$ (117,664,361)</u> |

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

Table 2

| | Fiscal Year | | | | | | |
|---|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 10,399,708 | \$ 10,560,289 | \$ 11,459,194 | \$ 12,168,603 | \$ 13,575,128 | \$ 12,086,962 | \$ 15,436,928 |
| Public safety | 19,458,701 | 21,273,554 | 24,044,141 | 26,502,956 | 28,007,624 | 31,462,968 | 34,470,213 |
| Economic and physical development | 1,084,390 | 1,168,550 | 1,230,445 | 1,077,860 | 1,329,057 | 1,872,376 | 2,287,932 |
| Human services | 27,244,747 | 27,692,374 | 29,193,590 | 31,101,517 | 33,834,557 | 37,498,643 | 40,185,620 |
| Cultural and recreational | 2,631,521 | 4,892,846 | 5,236,775 | 5,221,262 | 6,086,733 | 6,548,274 | 7,217,315 |
| Education | 44,726,510 | 46,645,607 | 68,849,627 | 103,593,493 | 101,687,523 | 216,024,115 | 189,941,022 |
| 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 | 22,947,274 |
| Total governmental activities' expenses | 113,109,041 | 118,742,677 | 147,082,345 | 189,338,748 | 194,087,056 | 320,484,954 | 312,486,304 |
| Business-type activities: | | | | | | | |
| Water and sewer | 14,828,450 | 14,765,162 | 16,964,489 | 19,402,159 | 23,455,824 | 25,381,231 | 26,223,999 |
| Solid waste | 3,073,860 | 3,150,037 | 2,669,162 | 3,060,595 | 3,239,497 | 4,084,887 | 4,271,774 |
| Stormwater | - | - | 65,485 | 101,610 | 115,546 | 38,162 | 213,187 |
| Total business-type activities' expenses | 17,902,310 | 17,915,199 | 19,699,136 | 22,564,364 | 26,810,867 | 29,504,280 | 30,708,960 |
| Total primary government expenses | \$ 131,011,351 | \$ 136,657,876 | \$ 166,781,481 | \$ 211,903,112 | \$ 220,897,923 | \$ 349,989,234 | \$ 343,195,264 |
| Program Revenues | | | | | | | |
| 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 | \$ 5,837,190 |
| Human services | 4,540,223 | 4,198,542 | 4,726,273 | 4,884,808 | 5,810,110 | 6,065,107 | 6,057,364 |
| Other activities | 1,822,688 | 2,351,997 | 2,189,719 | 2,139,956 | 2,500,518 | 2,620,659 | 2,374,633 |
| Operating grants and contributions: | | | | | | | |
| Human services | 12,734,040 | 12,643,288 | 13,166,262 | 14,484,307 | 14,919,404 | 16,882,631 | 18,094,056 |
| Education | 1,331,309 | 549,522 | 1,164,474 | 1,469,609 | 1,947,466 | 4,743,499 | 4,813,403 |
| Other activities | 1,580,512 | 1,554,924 | 2,050,000 | 2,579,212 | 3,056,676 | 3,043,405 | 3,680,965 |
| Capital grants and contributions | 514,540 | 898,117 | 513,875 | 156,953 | 246,468 | 336,940 | 660,626 |
| Total governmental activities' program revenues | 26,687,682 | 27,318,570 | 31,045,971 | 34,554,870 | 38,418,004 | 42,607,946 | 41,518,237 |
| 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 | 24,556,277 |
| Solid waste | 2,514,238 | 2,557,151 | 2,624,962 | 2,924,730 | 3,759,326 | 4,281,079 | 4,074,830 |
| Stormwater | - | - | - | - | - | - | 3,295 |
| Operating grants and contributions | 163,467 | 182,406 | 298,135 | 200,383 | 218,447 | 236,132 | 230,170 |
| Capital grants and contributions: | | | | | | | |
| Water and sewer | 42,000 | 13,547,273 | 19,350,880 | 22,965,192 | 37,738,174 | 26,878,466 | 19,989,669 |
| Total business-type activities' program revenues | 19,654,916 | 30,092,024 | 37,984,400 | 43,822,094 | 64,304,562 | 57,447,503 | 48,854,241 |
| Total primary government program revenues | \$ 46,342,598 | \$ 57,410,594 | \$ 69,030,371 | \$ 78,376,964 | \$ 102,722,566 | \$ 100,055,449 | \$ 90,372,478 |
| Net (expense) / revenue | | | | | | | |
| Governmental activities | \$ (86,421,359) | \$ (91,424,107) | \$ (116,036,374) | \$ (154,783,878) | \$ (155,669,052) | \$ (277,877,008) | \$ (270,968,067) |
| Business-type activities | 1,752,606 | 12,176,825 | 18,285,264 | 21,257,730 | 37,493,695 | 27,943,223 | 18,145,281 |
| Total primary government net expense | \$ (84,668,753) | \$ (79,247,282) | \$ (97,751,110) | \$ (133,526,148) | \$ (118,175,357) | \$ (249,933,785) | \$ (252,822,786) |
| General Revenues and Other Changes in Net Assets | | | | | | | |
| 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 | \$ 127,405,534 |
| Local option sales tax | 16,547,946 | 18,384,358 | 22,112,952 | 25,331,315 | 29,128,130 | 37,542,683 | 38,191,635 |
| Other taxes and licenses | 2,144,281 | 2,248,330 | 2,742,045 | 3,249,325 | 3,848,241 | 4,090,373 | 2,862,903 |
| Unrestricted grants and contributions | 1,691,404 | 60,838 | 63,719 | 57,091 | 56,129 | 93,312 | 108,755 |
| Unrestricted investment earnings | 2,921,632 | 1,709,041 | 749,085 | 2,539,072 | 4,020,584 | 6,337,613 | 9,635,050 |
| Unrestricted miscellaneous | 202,274 | 37,492 | 42,687 | 31,929 | 17,661 | 647,091 | 102,972 |
| Transfers | 46,066 | - | (108,406) | (131,307) | (323,304) | (300,000) | 333,257 |
| Gain / (loss) on sale of capital assets | (3,176) | 154,562 | (68,993) | (2,491,673) | (4,289,460) | 23,581 | - |
| Total governmental activities | 70,072,693 | 72,201,418 | 84,583,986 | 101,730,960 | 116,902,824 | 153,774,052 | 178,640,106 |
| Business-type activities: | | | | | | | |
| Unrestricted investment earnings | 1,007,018 | 690,069 | 469,966 | 1,332,311 | 1,778,463 | 2,935,092 | 3,738,139 |
| 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 | (160,735) |
| Special item | (860,220) | 7,077,140 | - | - | - | - | - |
| Extraordinary item | - | - | - | - | - | - | (1,499,544) |
| Total business-type activities | 223,976 | 7,818,634 | 553,979 | 1,324,880 | 2,169,815 | 3,276,257 | 2,077,860 |
| Total primary government | \$ 70,296,669 | \$ 80,020,052 | \$ 85,137,965 | \$ 103,055,840 | \$ 119,072,639 | \$ 157,050,309 | \$ 180,717,966 |
| Change in Net Assets | | | | | | | |
| Governmental activities | \$ (16,348,666) | \$ (19,222,689) | \$ (31,452,388) | \$ (53,052,918) | \$ (38,766,228) | \$ (124,102,956) | \$ (92,327,961) |
| Business-type activities | 1,976,582 | 19,995,459 | 18,839,243 | 22,582,610 | 39,663,510 | 31,219,480 | 20,223,141 |
| Total primary government | \$ (14,372,084) | \$ 772,770 | \$ (12,613,145) | \$ (30,470,308) | \$ 897,282 | \$ (92,883,476) | \$ (72,104,820) |

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

| | Fiscal Year | | | | |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| General Fund | | | | | |
| Reserved | \$ 9,067,795 | \$ 9,441,722 | \$ 7,808,627 | \$ 8,246,337 | \$ 20,393,554 |
| Unreserved | 43,491,394 | 55,980,706 | 62,729,237 | 54,689,383 | 41,614,180 |
| Total general fund | 52,559,189 | 65,422,428 | 70,537,864 | 62,935,720 | 62,007,734 |
| All Other Governmental Funds | | | | | |
| Reserved | 899,611 | 1,214,830 | 2,226,895 | 1,133,182 | 913,885 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 2,339,376 | 2,345,217 | 2,626,441 | 1,866,861 | 2,091,086 |
| Debt service funds | - | - | - | - | - |
| Capital project funds | 1,793,964 | 20,019,150 | 51,799,377 | 30,873,437 | 42,034,198 |
| Total all other governmental funds | \$ 5,032,951 | \$ 23,579,197 | \$ 56,652,713 | \$ 33,873,480 | \$ 45,039,169 |

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

| | Fiscal Year | | | | |
|---|---------------------|----------------------|----------------------|------------------------|----------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Revenues | | | | | |
| Ad valorem taxes | \$ 39,386,838 | \$ 42,848,647 | \$ 43,651,066 | \$ 46,033,769 | \$ 49,734,498 |
| Local option sales tax | 15,359,160 | 16,393,522 | 16,800,460 | 16,547,946 | 19,572,632 |
| Other taxes and licenses | 942,292 | 1,073,380 | 1,927,506 | 2,291,166 | 2,418,782 |
| Intergovernmental revenue | 20,859,914 | 31,682,934 | 21,212,407 | 17,609,757 | 15,375,801 |
| Permits and fees | 3,393,996 | 3,717,036 | 4,260,379 | 4,893,937 | 6,340,538 |
| Sales and services | 3,031,042 | 3,248,002 | 3,037,064 | 3,439,979 | 3,348,469 |
| Investment earnings | 2,806,967 | 4,964,333 | 5,845,638 | 2,821,169 | 1,640,142 |
| Miscellaneous | 1,920,352 | 5,999,661 | 2,266,954 | 2,490,802 | 2,398,688 |
| Total revenues | 87,700,561 | 109,927,515 | 99,001,474 | 96,128,525 | 100,829,550 |
| Expenditures | | | | | |
| General government | 9,344,287 | 9,012,861 | 9,614,156 | 10,471,020 | 10,332,088 |
| Public safety | 15,665,088 | 16,631,015 | 17,600,958 | 20,625,497 | 20,219,360 |
| Economic and physical development | 1,077,371 | 861,398 | 984,075 | 1,066,406 | 1,136,928 |
| Human services | 20,069,465 | 22,819,880 | 25,355,378 | 27,139,488 | 27,374,397 |
| Cultural and recreational | 2,403,585 | 2,728,187 | 3,672,141 | 4,654,097 | 4,152,424 |
| Education | 23,259,821 | 35,226,789 | 27,126,251 | 23,288,195 | 21,196,766 |
| Capital outlay | 2,277,216 | 12,152,669 | 22,317,754 | 24,989,114 | 29,383,066 |
| Debt service: | | | | | |
| Principal | 4,904,691 | 5,000,462 | 6,271,311 | 7,430,864 | 7,390,004 |
| Interest and fees | 3,663,525 | 4,173,640 | 4,570,498 | 6,891,287 | 7,454,552 |
| Total expenditures | 82,665,049 | 108,606,901 | 117,512,522 | 126,555,968 | 128,639,585 |
| Excess of revenues over (under) expenditures | 5,035,512 | 1,320,614 | (18,511,048) | (30,427,443) | (27,810,035) |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | 2,394,614 | 2,608,051 | 5,109,412 | 7,099,793 | 4,351,341 |
| Transfers to other funds | (2,388,400) | (2,619,051) | (5,109,412) | (7,053,727) | (4,351,341) |
| Proceeds from borrowing | - | 30,050,000 | 56,700,000 | - | 38,584,310 |
| Proceeds from refunding | - | 14,730,776 | - | - | 7,116,113 |
| Payments to escrow agent | - | (14,680,905) | - | - | (7,652,685) |
| Total other financing sources (uses) | 6,214 | 30,088,871 | 56,700,000 | 46,066 | 38,047,738 |
| Net change in fund balances | \$ 5,041,726 | \$ 31,409,485 | \$ 38,188,952 | \$ (30,381,377) | \$ 10,237,703 |
| Debt service as a percentage of non-capital expenditures | 10.1% | 8.2% | 8.8% | 10.7% | 11.2% |

Table 3

| Fiscal Year | | | | |
|----------------|---------------|---------------|-----------------|---------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 10,674,614 | \$ 10,485,321 | \$ 13,092,816 | \$ 15,793,681 | \$ 18,762,186 |
| 49,687,704 | 53,912,165 | 36,515,103 | 35,498,590 | 35,345,281 |
| 60,362,318 | 64,397,486 | 49,607,919 | 51,292,271 | 54,107,467 |
| 6,018,831 | 3,259,684 | 3,384,994 | 5,406,614 | 13,038,989 |
| 1,494,329 | 1,890,668 | 2,595,842 | 3,223,619 | 851,988 |
| 916,430 | 9,252,954 | 15,128,687 | 16,261,525 | 13,357,788 |
| (9,657,426) | 52,857,335 | 5,520,867 | (65,362,904) | 40,770,271 |
| \$ (1,227,836) | \$ 67,260,641 | \$ 26,630,390 | \$ (40,471,146) | \$ 68,019,036 |

Table 4

| Fiscal Year | | | | |
|-----------------|---------------|-----------------|-----------------|----------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 58,785,139 | \$ 72,807,526 | \$ 84,128,412 | \$ 104,702,599 | \$ 126,527,705 |
| 22,112,952 | 25,331,315 | 29,128,130 | 37,542,683 | 38,191,635 |
| 2,929,526 | 3,457,706 | 4,111,779 | 4,393,511 | 3,680,253 |
| 16,668,984 | 18,301,998 | 19,723,222 | 24,446,903 | 25,899,097 |
| 8,453,285 | 9,905,175 | 11,013,811 | 9,975,519 | 6,592,908 |
| 3,434,662 | 3,561,745 | 4,237,737 | 4,268,091 | 4,602,861 |
| 726,855 | 2,470,740 | 3,926,427 | 6,208,468 | 9,510,665 |
| 4,303,984 | 2,794,796 | 3,372,811 | 4,425,068 | 3,996,371 |
| 117,415,387 | 138,631,001 | 159,642,329 | 195,962,842 | 219,001,495 |
| 11,249,830 | 12,205,567 | 12,724,574 | 12,005,860 | 12,690,960 |
| 23,850,472 | 27,029,852 | 27,910,690 | 31,041,272 | 34,770,230 |
| 1,183,641 | 1,073,782 | 1,208,568 | 1,706,148 | 2,056,913 |
| 28,845,735 | 31,293,129 | 33,773,032 | 37,535,192 | 39,086,647 |
| 5,137,412 | 4,870,027 | 5,130,410 | 6,267,956 | 6,531,016 |
| 24,963,887 | 26,440,438 | 32,142,098 | 58,126,552 | 72,215,699 |
| 54,325,563 | 85,714,886 | 78,097,953 | 166,108,664 | 121,465,606 |
| 8,497,421 | 8,727,796 | 13,730,879 | 14,030,661 | 21,504,015 |
| 7,627,856 | 8,620,572 | 10,020,639 | 15,180,232 | 21,589,851 |
| 165,681,817 | 205,976,049 | 214,738,843 | 342,002,537 | 331,910,937 |
| (48,266,430) | (67,345,048) | (55,096,514) | (146,039,695) | (112,909,442) |
| 7,551,549 | 15,202,837 | 37,082,574 | 26,817,950 | 16,165,122 |
| (7,659,955) | (15,334,144) | (37,405,878) | (27,117,950) | (16,165,122) |
| 306,170 | 140,000,000 | - | 80,922,511 | 224,214,820 |
| 15,294,474 | 21,630,000 | - | - | - |
| (15,138,229) | (21,630,000) | - | - | - |
| 354,009 | 139,868,693 | (323,304) | 80,622,511 | 224,214,820 |
| \$ (47,912,421) | \$ 72,523,645 | \$ (55,419,818) | \$ (65,417,184) | \$ 111,305,378 |
| 9.3% | 7.8% | 9.4% | 7.9% | 12.4% |

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 | | | |
| | | 1999 | 1998 | \$ 781,107 | \$ 3,451,141 | | | |
| 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 |
| 2008 | 2007 | 1,773,675 | 12,619,083 | 1,716,434 | 1,116,150 | 313,762 | 17,539,105 | .7111 |

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 | | |
| | | | | 1999 | 1998 | | |
| 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 |
| 2007 | 2006 | 90.96% | 14,525,217 | 1,584,861 | 1,028,755 | 276,145 | 17,414,978 |
| 2008 | 2007 | 96.45% | 14,922,507 | 1,716,434 | 1,116,150 | 313,762 | 18,068,853 |

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

Table 7

| Fiscal Year Ended June 30 | <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> | <u>2008</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Tax Year | <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> |
| Taxes Levied by Union County | | | | | | | | | | |
| County-wide rate | .66 | .66 | .4705 | .4705 | .4705 | .53 | .525 | .56 | .6367 | .7111 |
| Supplemental School Districts (Approved by the Voters) | | | | | | | | | | |
| Monroe Schools District | .07 | .07 | .059 | .07 | .07 | .07 | .07 | .07 | - | - |
| County Schools District | .07 | .07 | .059 | .07 | .07 | .07 | .07 | .07 | - | - |
| Supplemental Fire Districts | | | | | | | | | | |
| Hemby VFD | .0363 | .0346 | .0211 | .0276 | .0376 | .036 | .0427 | .0404 | .0464 | .377 |
| Springs VFD | - | - | - | - | - | - | - | - | .0313 | .0312 |
| Stallings VFD | .0332 | .024 | .0063 | .0277 | .0342 | .0392 | .0492 | .039 | .0444 | .0262 |
| Waxhaw VFD | - | - | - | - | - | - | - | - | .0413 | .0513 |
| Wesley VFD | - | - | - | - | - | .017 | .014 | .015 | .0152 | .0167 |
| Total County Rates | | | | | | | | | | |
| Maximum | .7663 | .7646 | .5506 | .5682 | .5781 | .6392 | .6442 | .6704 | .6831 | 1.0881 |
| Minimum | .73 | .73 | .5295 | .5405 | .5405 | .6 | .595 | .63 | .6367 | .7111 |
| Average | .7482 | .7473 | .5401 | .5544 | .5593 | .6196 | .6196 | .6502 | .6599 | .8996 |
| Overlapping Taxes Levied by Municipalities | | | | | | | | | | |
| City of Monroe | .55 | .55 | .5 | .5 | .5 | .5 | .48 | .49 | .53 | .55 |
| Downtown Monroe District | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 |
| Town of Fairview | - | - | - | - | .02 | .02 | .02 | .02 | .02 | .02 |
| Town of Hemby Bridge | - | .02 | .02 | .02 | .05 | .05 | .03 | .03 | .03 | .03 |
| Town of Indian Trail | .1 | .1 | .08 | .08 | .08 | .08 | .08 | .08 | .1 | .15 |
| Town of Marshville | .43 | .43 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 |
| Town of Mineral Springs | - | .04 | .03 | .03 | .03 | .03 | .03 | .027 | .027 | .027 |
| Town of Mint Hill | - | - | - | - | - | .275 | .275 | .275 | .275 | .275 |
| Town of Stallings | .11 | .12 | .1 | .1 | .14 | .16 | .25 | .25 | .25 | .25 |
| Town of Unionville | - | .02 | .02 | .02 | .02 | .02 | .02 | .02 | .02 | .02 |
| Town of Waxhaw | .47 | .47 | .37 | .37 | .37 | .37 | .34 | .34 | .34 | .34 |
| Town of Weddington | .02 | .02 | .02 | .02 | .05 | .04 | .04 | .03 | .03 | .03 |
| Town of Wingate | .38 | .38 | .32 | .32 | .4 | .36 | .36 | .36 | .38 | .39 |
| Village of Lake Park | .12 | .12 | .09 | .18 | .18 | .22 | .22 | .22 | .23 | .23 |
| Village of Marvin | .025 | .025 | .025 | .025 | .0517 | .0517 | .052 | .0517 | .05 | .05 |
| Village of Wesley Chapel | - | .02 | .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 |
| 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 |
| 2008 | 472 | 268,061 | 2,638 | 356,472 |

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

Table 9

| Taxpayer | Type of Business | June 30, 2008 | | | June 30, 1999 | | |
|--|----------------------------|--------------------------|------|--|-------------------------|------|--|
| | | 2007 Assessed Valuation | Rank | Percentage of Total Assessed Valuation | 1998 Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Charlotte Pipe & Foundry Co. | Plastics | \$ 121,014,570 | 1 | .69% | \$ 56,045,862 | 1 | .96% |
| ALLVAC | Metals | 99,293,090 | 2 | .57% | 54,123,453 | 2 | .93% |
| Union Electric Membership Corp. | Utility | 94,190,474 | 3 | .54% | 29,012,783 | 6 | .50% |
| Piedmont Natural Gas | Gas | 70,713,653 | 4 | .40% | | | |
| Duke Power Company | Utility | 76,424,223 | 5 | .44% | 39,527,094 | 3 | .68% |
| Parker & Orleans Homebuilders | Home Builder | 40,448,510 | 6 | .23% | | | |
| Windstream/Alltel Carolina | Utility | 38,707,289 | 7 | .22% | 25,882,678 | 8 | .44% |
| Verizon | Utility | 33,446,409 | 8 | .19% | 34,383,901 | 4 | |
| Tyson Farms/Holly Farms | Poultry | 29,503,160 | 9 | .17% | 22,074,093 | 9 | .38% |
| Harris Teeter Inc | Distribution Center | 27,086,003 | 10 | .15% | | | |
| Parkdale America | Yarn Manufacturer | | | .00% | 32,695,013 | 5 | .56% |
| Wampler-Longacre | Poultry | | | | 26,617,312 | 7 | .46% |
| C-M Monroe/Yale Security | Door Closures Manufacturer | | | | 21,051,510 | 10 | .36% |
| Total assessed valuation of top 10 taxpayers | | <u>\$ 630,827,381</u> | | <u>3.60%</u> | <u>\$ 341,413,699</u> | | <u>5.85%</u> |
| Total county-wide assessed valuation | | <u>\$ 17,539,105,100</u> | | | <u>\$ 5,837,283,703</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 |
| 1999 | 1998 | \$ 38,569,657 | \$ 37,364,952 | 96.9% | \$ 1,242,323 | \$ 38,607,275 | 100.1% |
| 2000 | 1999 | 41,740,441 | 40,520,889 | 97.1% | 1,250,068 | 41,770,957 | 100.1% |
| 2001 | 2000 | 42,886,304 | 41,573,994 | 96.9% | 1,327,370 | 42,901,364 | 100.0% |
| 2002 | 2001 | 45,127,980 | 43,614,686 | 96.6% | 1,512,383 | 45,127,069 | 100.0% |
| 2003 | 2002 | 48,246,263 | 46,932,728 | 97.3% | 1,288,920 | 48,221,648 | 99.9% |
| 2004 | 2003 | 57,228,994 | 55,711,807 | 97.3% | 1,454,010 | 57,165,817 | 99.9% |
| 2005 | 2004 | 70,908,285 | 68,927,427 | 97.2% | 1,790,095 | 70,717,522 | 99.7% |
| 2006 | 2005 | 82,129,171 | 80,035,351 | 97.5% | 1,814,760 | 81,850,111 | 99.7% |
| 2007 | 2006 | 102,153,929 | 99,609,887 | 97.5% | 1,831,654 | 101,441,541 | 99.3% |
| 2008 | 2007 | 124,280,639 | 121,081,881 | 97.4% | - | 121,081,881 | 97.4% |

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 | | | |
| 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% | 726 |
| 2001 | 128,459,837 | 9,499,940 | - | 137,959,777 | 1.56% | 4.0% | 1,115 |
| 2002 | 122,001,614 | 8,527,300 | - | 130,528,914 | 1.38% | 3.7% | 991 |
| 2003 | 115,636,279 | 43,760,000 | - | 159,396,279 | 1.57% | 4.3% | 1,152 |
| 2004 | 109,950,837 | 41,906,170 | 21,230,000 | 173,087,007 | 1.61% | 4.3% | 1,202 |
| 2005 | 245,255,314 | 39,653,898 | - | 284,909,212 | 2.13% | 6.3% | 1,888 |
| 2006 | 233,801,707 | 37,376,626 | 13,495,000 | 284,673,333 | 1.95% | 5.8% | 1,779 |
| 2007 | 222,078,318 | 112,709,355 | 83,495,000 | 418,282,673 | 2.60% | n/a | 2,451 |
| 2008 | 426,516,575 | 107,497,083 | - | 534,013,658 | 3.04% | n/a | n/a |

| Fiscal Year Ended June 30 | Business-Type Activities | | | Total Business-Type Activities | Total Primary Government | | |
|---------------------------|--------------------------|---------------|-----------------------------|--------------------------------|--------------------------|-------------------------------|-----------------|
| | General Obligation Bonds | Revenue Bonds | Other Long-term Obligations | | Total Primary Government | Percentage of Personal Income | Debt Per Capita |
| 1999 | \$ 30,073,937 | \$20,150,000 | \$ 4,983,086 | \$ 55,207,023 | \$ 117,265,024 | 4.1% | 1,023 |
| 2000 | 28,078,510 | 19,720,000 | 4,668,651 | 52,467,161 | 139,998,248 | 4.4% | 1,162 |
| 2001 | 25,880,364 | 19,275,000 | 4,343,165 | 49,498,529 | 187,458,306 | 5.5% | 1,515 |
| 2002 | 22,992,386 | 18,805,000 | 3,982,892 | 45,780,278 | 176,309,192 | 5.0% | 1,339 |
| 2003 | 20,011,722 | 54,065,000 | 3,627,714 | 77,704,436 | 237,100,715 | 6.4% | 1,714 |
| 2004 | 17,185,963 | 52,550,000 | 3,257,689 | 72,993,652 | 246,080,659 | 6.1% | 1,710 |
| 2005 | 14,213,986 | 50,980,000 | 2,879,159 | 68,073,145 | 352,982,357 | 7.8% | 2,339 |
| 2006 | 11,522,693 | 49,370,000 | 2,570,663 | 63,463,356 | 348,136,689 | n/a | 2,175 |
| 2007 | 9,018,482 | 47,315,000 | 15,836,967 | 72,170,449 | 490,453,122 | n/a | 2,873 |
| 2008 | 6,533,425 | 45,245,000 | 15,603,270 | 67,381,695 | 601,395,353 | n/a | n/a |

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

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 1999 | 2000 | 2001 | 2002 |
| Assessed value of taxable property (in 000's) | \$ 5,837,284 | \$ 6,308,030 | \$ 8,863,213 | \$ 9,477,687 |
| | x .08 | x .08 | x .08 | x .08 |
| Debt limit - 8 percent of assessed value | <u>466,982,696</u> | <u>504,642,380</u> | <u>709,057,045</u> | <u>758,214,956</u> |
| Gross debt | | | | |
| General obligation debt | 80,826,700 | 105,182,500 | 154,340,201 | 144,994,000 |
| Bond anticipation notes | - | - | - | - |
| Authorized and unissued | 56,750,000 | 26,700,000 | 25,000,000 | 25,000,000 |
| Certificates of Participation | 5,820,000 | 5,515,000 | 5,190,000 | 4,850,000 |
| Installment Financing | 5,485,238 | 4,912,097 | 4,309,940 | 3,677,300 |
| NC Clean Water Revolving Loan | 4,206,539 | 3,972,842 | 3,739,146 | 3,505,451 |
| | <u>153,088,477</u> | <u>146,282,439</u> | <u>192,579,287</u> | <u>182,026,751</u> |
| Less: Water bonds issued and outstanding | (20,113,312) | (18,888,920) | (17,470,081) | (15,497,634) |
| Sewer bonds issued and outstanding | (9,960,625) | (9,189,590) | (8,410,283) | (7,494,752) |
| NC Clean Water Revolving Loan | (4,206,539) | (3,972,842) | (3,739,146) | (3,505,451) |
| Amount held in sinking fund | <u>(682,997)</u> | <u>(707,907)</u> | <u>(681,999)</u> | <u>(676,269)</u> |
| | <u>(34,963,473)</u> | <u>(32,759,259)</u> | <u>(30,301,509)</u> | <u>(27,174,106)</u> |
| Total amount of debt applicable to debt limit | <u>118,125,004</u> | <u>113,523,180</u> | <u>162,277,778</u> | <u>154,852,645</u> |
| Legal debt margin | <u>\$ 348,857,692</u> | <u>\$ 391,119,200</u> | <u>\$ 546,779,267</u> | <u>\$ 603,362,311</u> |
| Legal debt margin as a percentage of the debt limit | 74.70% | 77.50% | 77.11% | 79.58% |

Table 12

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 10,169,868 | \$ 10,770,780 | \$ 13,403,624 | \$ 14,635,943 | \$ 16,101,898 | \$ 17,539,105 |
| x .08 | x .08 | x .08 | x .08 | x .08 | x .08 |
| <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> | <u>1,403,128,400</u> |
| 135,648,001 | 127,136,800 | 259,469,300 | 245,324,400 | 231,096,800 | 433,050,000 |
| - | 21,230,000 | - | 13,495,000 | 83,495,000 | - |
| 95,000,000 | 180,000,000 | 110,730,000 | 97,235,000 | 201,735,000 | 64,500,000 |
| 43,760,000 | 41,600,000 | 39,410,000 | 37,195,000 | 112,590,000 | 107,440,000 |
| - | 306,170 | 243,898 | 181,626 | 119,355 | 57,083 |
| 3,271,753 | 3,038,056 | 2,804,360 | 2,570,663 | 15,836,967 | 15,603,270 |
| <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> | <u>620,650,353</u> |
| (13,435,013) | (11,378,036) | (9,308,774) | (7,332,405) | (5,455,173) | (3,585,416) |
| (6,576,709) | (5,807,927) | (4,905,212) | (4,190,288) | (3,563,309) | (2,948,009) |
| (3,271,753) | (3,038,056) | (2,804,360) | (2,570,663) | (15,836,967) | (15,603,270) |
| - | - | - | - | - | - |
| <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> | <u>(22,136,695)</u> |
| 254,396,279 | 353,087,007 | 395,639,212 | 381,908,333 | 620,017,673 | 598,513,658 |
| <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> | <u>\$ 804,614,742</u> |
| 68.73% | 59.02% | 63.10% | 67.38% | 51.87% | 57.34% |

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 |
|---------------------------|---------------|------------------|---|--|------------|---------------------|
| | | | | | | |
| 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 |
| 2008 | 37,772,552 | 15,299,134 | 22,473,418 | 4,646,148 | 27,119,566 | 3,720,738 |

Notes: FY1999 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 | |
| 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 |
| 2007 | 41,922,974 | 15,502,443 | 26,420,531 | 2,055,000 | 1,690,682 | 7.05 |
| 2008 | 37,772,552 | 15,299,134 | 22,473,418 | 2,070,000 | 1,650,738 | 6.04 |

Table 13

| Senior Debt Service Coverage | Total Debt Service | Coverage of Total Debt Service Requirements | | |
|------------------------------------|---|--|------------------------------|------|
| - | \$ 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 | | |
| Subordinate Debt Service | Adj. Total Debt Service + 20% Senior Debt | Coverage Tests | | |
| | | Adj. Net Rev / Adj. Dbt. Svc. | Net Rev / Total Dbt. Svc. | |
| \$ 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 |
| 3,228,049 | 6,948,787 | 7,692,935 | 3.53 | 3.23 |

Notes: FY2003 through FY2008

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) |
|---------------------------|----------------|--|--------------------------------|-----------------------|-----------------------|---|
| 1999 | 114,630 | \$ 2,945,043 | \$ 24,827 | 20,836 | 2.0% | \$ 1,210,670 |
| 2000 | 120,500 | 3,288,799 | 26,199 | 21,967 | 2.8% | 1,304,253 |
| 2001 | 123,772 | 3,645,748 | 27,721 | 22,875 | 4.1% | 1,370,180 |
| 2002 | 131,684 | 3,683,222 | 26,643 | 24,149 | 5.3% | 1,409,840 |
| 2003 | 138,372 | 3,870,852 | 26,858 | 25,680 | 5.2% | 1,425,656 |
| 2004 | 143,948 | 4,256,122 | 28,111 | 27,031 | 4.8% | 1,458,866 |
| 2005 | 150,896 | 4,807,456 | 29,883 | 28,815 | 4.5% | 1,537,435 |
| 2006 | 160,048 | 5,321,914 | 30,898 | 31,580 | 4.0% | 1,099,352 |
| 2007 | 170,685 | n/a | n/a | 34,564 | 4.0% | 1,217,491 |
| 2008 | 182,380 | n/a | n/a | 36,952 | 6.2% | 1,200,307 |

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 and 2008 year is estimated by the School System.
- (4) North Carolina Employment Security Commission
 The data for the Fiscal Years 1998-2007 in the table above is the annual average unemployment rate. The data for Fiscal Year 2008 in the table above is the July 2008 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, 2008 | |
|----------------------------|-----------------------|---------------|------|
| | | Employees | Rank |
| Union County Schools | Education | 1,000+ | 1 |
| Tyson Farms Inc | Manufacturing | 1,000+ | 2 |
| CMC - Union | Health Services | 1,000+ | 3 |
| ATI Allvac | Manufacturing | 1,000+ | 4 |
| County of Union | Public Administration | 1,000+ | 5 |
| McGee Brothers Co Inc | Construction | 500-999 | 6 |
| Wal-Mart Associates Inc | Trade | 500-999 | 7 |
| Harris Teeter Inc | Trade | 500-999 | 8 |
| City of Monroe | Public Administration | 500-999 | 9 |
| Pilgrims Pride Corporation | Manufacturing | 500-999 | 10 |

Source: North Carolina Department of Commerce

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities: | | | | | | | | | | |
| 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 | 7.0 | 7.0 | 6.0 | 7.0 | 7.7 | 7.2 | 8.2 | 8.2 | 8.2 | 8.5 |
| Internal Audit | - | - | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Legal | 2.0 | 2.0 | 2.0 | 2.0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 3.1 |
| Personnel | 4.0 | 4.0 | 5.0 | 6.0 | 6.1 | 6.0 | 6.0 | 6.0 | 7.0 | 8.0 |
| Finance | 9.0 | 9.0 | 9.0 | 10.0 | 10.0 | 10.2 | 9.2 | 9.2 | 10.2 | 10.2 |
| Tax Administration | 43.0 | 43.0 | 44.0 | 45.0 | 45.9 | 46.2 | 47.8 | 51.8 | 51.8 | 56.3 |
| Elections | 4.0 | 4.0 | 4.0 | 4.0 | 10.4 | 10.8 | 10.9 | 11.6 | 11.6 | 12.2 |
| Register of Deeds | 9.0 | 9.0 | 9.0 | 10.0 | 10.3 | 11.3 | 11.3 | 12.5 | 12.5 | 13.5 |
| Information Systems (and GIS) | 12.0 | 11.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 11.0 | 11.0 | 11.0 |
| General Services | 9.0 | 9.0 | 11.0 | 12.0 | 14.4 | 13.7 | 12.7 | 12.0 | 10.0 | 10.5 |
| Public safety | | | | | | | | | | |
| Law Enforcement (and AC) | 153.0 | 165.0 | 166.0 | 174.0 | 176.6 | 191.2 | 217.6 | 218.7 | 234.6 | 242.2 |
| Communications | 23.5 | 23.5 | 23.5 | 23.5 | 21.5 | 30.4 | 35.6 | 45.8 | 44.7 | 45.7 |
| Homeland Security | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 | 4.0 |
| Fire Services | 4.5 | 4.5 | 4.5 | 5.5 | 5.5 | 6.0 | 6.0 | 6.0 | 5.0 | 5.0 |
| Inspection | 29.0 | 29.0 | 29.0 | 29.0 | 29.0 | 29.0 | 29.0 | 29.0 | 29.0 | 28.5 |
| Economic and physical development | | | | | | | | | | |
| Planning | 6.0 | 6.0 | 6.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 | 5.0 | 6.0 |
| Economic Development | 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 | 12.5 |
| Soil Conservation | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 | 2.0 | 1.0 |
| Human services | | | | | | | | | | |
| Public Health | 75.8 | 78.8 | 79.6 | 84.0 | 100.8 | 91.2 | 93.5 | 97.5 | 102.6 | 104.7 |
| Social Services | 184.0 | 189.0 | 190.0 | 177.0 | 185.3 | 191.4 | 191.1 | 194.1 | 199.6 | 199.7 |
| Transportation and Nutrition | 7.0 | 8.0 | 9.0 | 11.0 | 22.2 | 27.9 | 28.1 | 30.0 | 30.1 | 31.0 |
| Veterans' Services | 2.0 | 2.0 | 2.0 | 2.0 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Cultural and recreational | | | | | | | | | | |
| Library | 31.0 | 32.0 | 38.0 | 40.5 | 55.0 | 64.2 | 65.1 | 64.5 | 65.9 | 66.0 |
| Parks and Recreation | 12.0 | 12.0 | 13.0 | 14.0 | 23.6 | 23.4 | 23.4 | 25.4 | 27.4 | 27.9 |
| Sub-total | <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> | <u>916.3</u> |
| Business-type activities: | | | | | | | | | | |
| Water and Sewer | 59.9 | 74.3 | 77.4 | 88.4 | 88.6 | 89.1 | 89.1 | 94.2 | 99.3 | 109.1 |
| Solid Waste | 17.1 | 13.8 | 13.7 | 13.7 | 20.4 | 21.8 | 21.6 | 21.6 | 21.7 | 22.6 |
| Stormwater | - | - | - | - | - | 1.3 | 1.3 | 1.3 | 1.3 | 2.1 |
| Sub-total | <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> | <u>133.7</u> |
| Total | <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> | <u>1,050.0</u> |

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

Table 18

| | Fiscal Year | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities: | | | | | | | |
| General government | | | | | | | |
| Personnel | | | | | | | |
| Number of full-time employees | 747 | 743 | 796 | 825 | 844 | 879 | 977 |
| Number of part-time employees | 165 | 142 | 145 | 151 | 174 | 223 | 67 |
| Elections | | | | | | | |
| Number of registered voters | 78,643 | 78,567 | 82,305 | 92,313 | 97,003 | 102,969 | 113,057 |
| Information Systems (and GIS) | | | | | | | |
| Number of people in system | 488 | 581 | 814 | 1,120 | n/a | 1,226 | n/a |
| General Services | | | | | | | |
| Number of vehicle service requests | 847 | 883 | 877 | 970 | 643 | 549 | 1,077 |
| Public safety | | | | | | | |
| Fire Services | | | | | | | |
| Number of volunteer fire personnel | n/a | 485 | 500 | 525 | 610 | 640 | 645 |
| Inspection | | | | | | | |
| Number of inspections | 3,403 | 3,529 | 4,025 | 4,585 | 5,100 | 4,347 | 713 |
| Human services | | | | | | | |
| Public Health | | | | | | | |
| Number of patients | 13,284 | 14,238 | 14,592 | 16,171 | 13,085 | 9,371 | 13,939 |
| Number of visits | 30,248 | 32,061 | 31,920 | 32,300 | 29,779 | 33,507 | 29,026 |
| Social Services | | | | | | | |
| Number of client visits | n/a | n/a | 34,194 | 34,452 | n/a | 37,824 | 44,446 |
| Transportation and Nutrition | | | | | | | |
| Number of trips | 47,408 | 54,475 | 63,996 | 68,023 | 73,345 | 73,725 | 85,199 |
| Congregate, home delivered and supplemental meals | 96,634 | 96,622 | 88,716 | 81,034 | 92,491 | 96,359 | 107,034 |
| Veterans' Services | | | | | | | |
| Number of visitors | 2,868 | 3,363 | 3,204 | 3,583 | 4,096 | 4,417 | 3,197 |
| Number of phone calls | 5,686 | 5,718 | 5,996 | 7,841 | 8,356 | 8,329 | 8,685 |
| Cultural and recreational | | | | | | | |
| Library | | | | | | | |
| Number of volumes | 181,310 | 194,105 | 180,193 | 214,212 | 200,740 | 229,812 | 219,255 |
| Education | | | | | | | |
| Number of licensed employees | 1,586 | 1,543 | 1,672 | 2,233 | 2,455 | 2,593 | 3,531 |
| Number of students | 24,149 | 25,680 | 27,031 | 28,815 | 31,580 | 34,564 | 36,952 |
| Business-type activities: | | | | | | | |
| Water and Sewer | | | | | | | |
| Average daily consumption in gallons (in 000's) | 696 | 6,621 | 7,272 | 7,062 | 8,870 | 11,840 | 9,617 |
| Number of water service connections | 20,844 | 24,823 | 26,564 | 28,922 | 32,629 | 36,276 | 38,192 |
| Number of sewer service connections | 12,173 | 15,546 | 17,028 | 19,246 | 22,732 | 26,113 | 27,040 |

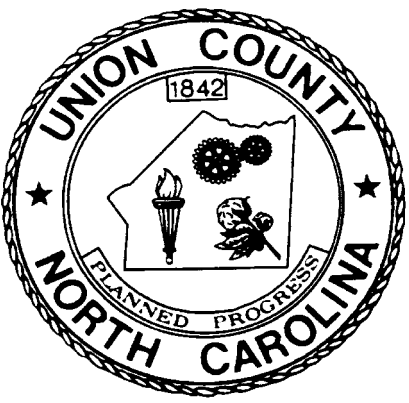
Union County, North Carolina
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Table 19

| | Fiscal Year | | | | | | |
|----------------------------------|-------------|--------|--------|--------|--------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities: | | | | | | | |
| Tax Administration | | | | | | | |
| Number of tax parcels | 83,173 | 86,059 | 85,885 | 97,078 | 98,640 | 102,639 | 105,714 |
| Elections | | | | | | | |
| Number of precincts | n/a | 44 | 46 | 49 | 51 | 50 | 50 |
| Public safety | | | | | | | |
| Law Enforcement (and AC) | | | | | | | |
| Number of stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of patrol units | 219 | 219 | 236 | 245 | 267 | 295 | 308 |
| Fire Services | | | | | | | |
| Number of stations-main | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Number of stations-sub | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Cultural and recreational | | | | | | | |
| Library | | | | | | | |
| Number of libraries | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Parks and Recreation | | | | | | | |
| Number of parks | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Number of acres in parks | 1,317 | 1,317 | 1,317 | 1,317 | 1,317 | 1,290 | 1,290 |
| Number of acres in lakes | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| Education | | | | | | | |
| Number of schools | 34 | 34 | 34 | 36 | 40 | 44 | 48 |
| Number of classrooms | 1,560 | 1,126 | 1,201 | 1,316 | 1,440 | 1,540 | 2,139 |
| Business-type activities: | | | | | | | |
| Water and Sewer | | | | | | | |
| Number of fire hydrants | 2,415 | 2,465 | 2,490 | 2,530 | 2,680 | 3,700 | 3,850 |
| Miles of water mains | 543 | 560 | 585 | 610 | 650 | 700 | 726 |
| Miles of sewer mains | 325 | 330 | 439 | 450 | 465 | 500 | 539 |



Compliance Section





**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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2008. 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.

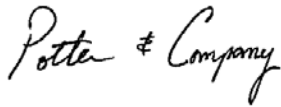
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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 the internal control 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*.

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 20, 2008
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, 2008. **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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

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.

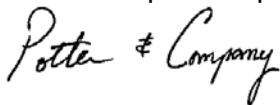
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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.



November 20 2008
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, 2008. **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; 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

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.

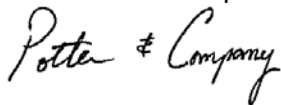
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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.



November 20 2008
Monroe, North Carolina

Schedule of Findings, Questioned Costs and Corrective Action Plans
 For the Year Ended June 30, 2008

Section I - Summary of Auditors' Results

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 _____ x _____ yes _____ 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 OMB Circular A-133? _____ yes _____ x _____ no

Identification of major federal programs:

| <u>CFDA#</u> | <u>Program Name</u> |
|---------------|--|
| 10.551, 10561 | Food Stamp Cluster |
| 93.778 | Title XIX - Medicaid |
| 93.558 | Temporary Assistance for Needy Families (TANF) |
| 93.767 | State Children's Insurance Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,842,837

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

Continued on next page.

Schedule of Findings, Questioned Costs and Corrective Action Plans
For the Year Ended June 30, 2008

Section I - Summary of Auditors' Results (continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes _____ x no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ x 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 _____ x no

Identification of major State programs:

Program Name
North Carolina Partnership for Children

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services
Program Name: Title XIX - Medicaid
CFDA # 93.778

Finding: 2008-1

SIGNIFICANT DEFICIENCY

Eligibility

Criteria: In accordance with eligibility guidelines, the County must maintain in case records certain turnaround documents from the State to substantiate eligibility.

Continued on next page.

Schedule of Findings, Questioned Costs and Corrective Action Plans
For the Year Ended June 30, 2008

Section III - Federal Award Findings and Questioned Costs (continued)

Finding: 2008-1 (continued)

Condition: Six case files did not include the proper turnaround documents.

Questioned Costs: None. The six participants were eligible to receive benefits, therefore, there were no questioned costs.

Context: Of the 40 case files we examined, six files did not contain proper turnaround documents.

Effect: Six case files did not contain the proper turnaround documents to substantiate eligibility.

Cause: Human error in misplacing the turnaround documents before they were placed in case files.

Recommendation: Supervisors should randomly review caseworker files to ensure that proper turnaround documentation is included in all case files.

Views of responsible officials and planned corrective actions: The county agrees with the finding and has already implemented adequate procedures to ensure that this problem does not recur.

Name of contact person: Dontae Latson, Director of Social Services

Corrective Action: Supervisors will randomly review caseworker files to ensure that proper turnaround documentation is included in all case files.

Proposed Completion Date: The department of social services' caseworkers and supervisors have implemented the above corrective action.

US Department of Agriculture

US Department of Health and Human Services

Passed through the NC Dept of Health and Human Services
Crosscutting Requirements

Finding: 2008-2

SIGNIFICANT DEFICIENCY

Contract Procedures

Criteria: County departments of social services contracts must adhere to contract provisions set forth by the NC Dept, of Health and Human Services.

Condition: One contract did not contain a statement of the State/county requirement to monitor.

Continued on next page.

Schedule of Findings, Questioned Costs and Corrective Action Plans
For the Year Ended June 30, 2008

Section III - Federal Award Findings and Questioned Costs (continued)

Finding: 2008-2 (continued)

Questioned Costs: None.

Context: Of the 4 contracts we examined, one did not contain a statement of the State/county requirement to monitor.

Effect: One contract did not include one of the contract provisions set forth by the NC Dept. of Health and Human Services.

Cause: At the time the questioned contract was completed, the State contract requirements did not include the statement regarding the State/county requirement to monitor provision. The lacking provision was an oversight at the State level at the time the questioned contract was completed. Prior and future State contract requirements include this particular monitoring provision.

Recommendation: Checks and balances should be in place to make sure that all necessary contract provisions are included in contracts.

Views of responsible officials and planned corrective actions: The county understands the finding. The County also asserts that checks and balances are in place to assure that all State contract requirements are met at the time each contract is completed. The questioned contract will be amended to include the current State contract provision regarding the State/county requirement to monitor.

Name of contact person: Dontae Latson, Director of Social Services

Corrective Action: The department of social services' attorney will continue to review social services' contracts to ensure that then current contract provisions set forth by the NC Dept. of Health and Human Services are included in the contracts.

Proposed Completion Date: The questioned contract amendment will be completed in November 2008.

Continued on next page.

Schedule of Findings, Questioned Costs and Corrective Action Plans
For the Year Ended June 30, 2008

Section IV - State Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Title XIX - Medicaid

CFDA # 93.778

Finding: 2008-1

SIGNIFICANT DEFICIENCY

Eligibility

See detailed reporting of finding in Section III - Federal Awards Findings and Questioned Costs.

US Department of Agriculture

US Department of Health and Human Services

Passed through the NC Dept of Health and Human Services

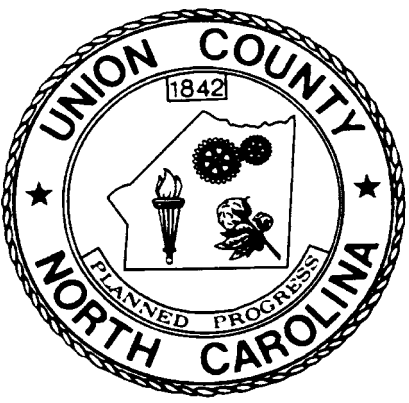
Crosscutting Requirements

Finding: 2008-2

SIGNIFICANT DEFICIENCY

Contract Procedures

See detailed reporting of finding in Section III - Federal Awards Findings and Questioned Costs.



Summary Schedule for Prior Year's Audit Findings

For the Year Ended June 30, 2008

Summary of Prior Year's Audit Findings

None reported.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| 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 |
| Food Stamp Cash Incentive Retention | 10.551 |
| State Administrative Matching Grants for the Food Stamp Prog. | 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. Dept. 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 42

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| | \$ 13,046 | \$ - | \$ - | \$ 13,046 |
| 1575-5767-S7 | 242 | - | - | 242 |
| | 64,429 | - | - | 64,429 |
| | <u>77,717</u> | <u>-</u> | <u>-</u> | <u>77,717</u> |
| | 12,611,570 | - | - | 12,611,570 |
| | 992 | - | - | 992 |
| | 3,765 | - | - | 3,765 |
| | 7,274 | - | - | 7,274 |
| | 753,823 | - | 764,552 | 1,518,375 |
| | 4,625 | - | 4,625 | 9,250 |
| | <u>13,382,049</u> | <u>-</u> | <u>769,177</u> | <u>14,151,226</u> |
| 1540-5403-GH | 110,988 | - | - | 110,988 |
| 1540-5403-GJ | 166,324 | - | 453 | 166,777 |
| 1540-5404-GH | 43,291 | - | - | 43,291 |
| 1540-5404-GJ | 121,859 | - | 14,548 | 136,407 |
| 1540-5405-GH | 13,853 | - | 31,973 | 45,826 |
| 1540-5405-GJ | 35,707 | - | - | 35,707 |
| 1540-5409-GH | 6,927 | - | (1,630) | 5,297 |
| 1540-5409-GJ | 8,853 | - | - | 8,853 |
| 1540-570A-JQ | 1,373 | - | 3,678 | 5,051 |
| 1540-570B-JQ | 6,450 | - | - | 6,450 |
| | <u>2,844,012</u> | <u>-</u> | <u>-</u> | <u>2,844,012</u> |
| | <u>3,359,637</u> | <u>-</u> | <u>49,022</u> | <u>3,408,659</u> |
| | 4,988 | - | - | 4,988 |
| | <u>16,824,391</u> | <u>-</u> | <u>818,199</u> | <u>17,642,590</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> |
|---|------------------------------------|
| FEDERAL AWARDS (CONTINUED): | |
| 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 |
| Emergency Management Assistance | 97.042 |
| Citizens Emergency Response Team (CERT) | 97.053 |
| 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 |
| Administration of Aging: Aging Cluster | |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| 090-1-06-010-AJ-279 | \$ 12,099 | \$ - | \$ - | \$ 12,099 |
| 090-1-07-010-AJ-498 | 42,638 | - | - | 42,638 |
| | <u>54,737</u> | <u>-</u> | <u>-</u> | <u>54,737</u> |
| EMPG-2007-37179 | 29,112 | - | - | 29,112 |
| EMPG-2007-37179S | 7,978 | - | - | 7,978 |
| 2006-GE-T6-0010-5051 | 5,927 | - | - | 5,927 |
| | <u>43,017</u> | <u>-</u> | <u>-</u> | <u>43,017</u> |
| 08-CT-089 Admin | 132,934 | 8,309 | 24,925 | 166,168 |
| 08-CT-089 Capital | 153,850 | 19,231 | 19,231 | 192,312 |
| | <u>286,784</u> | <u>27,540</u> | <u>44,156</u> | <u>358,480</u> |
| | 49,838 | - | - | 49,838 |
| | 28,796 | 825 | - | 29,621 |
| | 182,883 | 10,791 | - | 193,674 |
| | <u>141,028</u> | <u>8,247</u> | <u>-</u> | <u>149,275</u> |
| | <u>402,545</u> | <u>19,863</u> | <u>-</u> | <u>422,408</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <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: | |
| 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 |
| Family Preservation | 93.556 |
| 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 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) | |
| AFDC Incentives | N/A |
| TANF Domestic Violence | 93.558 |
| Work First Administration | 93.558 |
| Work First Service | 93.558 |
| Work First Demonstration Grant | 93.558 |
| Direct Benefit Payments: | |
| Temporary Assistance for Needy Families Payments & Penalties | 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 |
| LINKS | 93.674 |
| LINKS-Independent Living/Transitional Funds | 93.674 |
| Total Division of Social Services | |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| | \$ 64,464 | \$ - | \$ 6,919 | \$ 71,383 |
| | 6,524 | - | - | 6,524 |
| | 446 | - | 446 | 892 |
| | 9,577 | - | 3,192 | 12,769 |
| | 240,418 | - | 240,416 | 480,834 |
| | 123,483 | 34,445 | 34,446 | 192,374 |
| | 41,740 | - | 23,351 | 65,091 |
| | 235,383 | 111,128 | 124,255 | 470,766 |
| | (6,000) | (1,675) | (1,675) | (9,350) |
| | 2,081 | - | 694 | 2,775 |
| | 59,871 | - | 59,871 | 119,742 |
| | 256,928 | 74,201 | 74,201 | 405,330 |
| | <u>1,034,915</u> | <u>218,099</u> | <u>566,116</u> | <u>1,819,130</u> |
| | (853) | 703 | - | (150) |
| | 24,355 | - | - | 24,355 |
| | 270,398 | - | 230,526 | 500,924 |
| | 1,436,081 | - | 1,030,729 | 2,466,810 |
| | 20,100 | - | - | 20,100 |
| | 832,034 | - | 724 | 832,758 |
| | (412) | (113) | (113) | (638) |
| | 2,864 | - | - | 2,864 |
| | 35,036 | - | - | 35,036 |
| | 171,073 | - | - | 171,073 |
| | 290,830 | - | - | 290,830 |
| | 42,732 | 14,244 | - | 56,976 |
| | 9,170 | - | 3,057 | 12,227 |
| | 12,394 | 3,099 | - | 15,493 |
| | 7,493 | 300 | - | 7,793 |
| | <u>4,188,210</u> | <u>236,332</u> | <u>1,831,039</u> | <u>6,255,581</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <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 -Discretionary | 93.575 |
| Child Care Development Fund -Discretionary | 93.575 |
| Child Care Development Fund-Mandatory | 93.596 |
| Child Care Development Fund-Mandatory | 93.596 |
| Child Care Development Fund-Match | 93.596 |
| Child Care Development Fund-Match | 93.596 |
| Child Care Development Fund-Match | 93.596 |
| Child Care Development Fund-Match | 93.596 |
| Child Care Development Fund-Administration | 93.596 |
| 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 Development -Smart Start State Match | N/A |
| Child Care Development -Smart Start State Match | 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 | |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| | \$ 121,063 | \$ - | \$ 17,295 | \$ 138,358 |
| | 10,447 | - | 1,493 | 11,940 |
| | 22,587 | 29,026 | 7,374 | 58,987 |
| | 20,306 | 26,444 | 6,679 | 53,429 |
| | 229,465 | 14,635 | 81,367 | 325,467 |
| | <u>403,868</u> | <u>70,105</u> | <u>114,208</u> | <u>588,181</u> |
| 1811-1810-T2-90 | 768,555 | - | - | 768,555 |
| 1811-1810-DN-90 | 421,870 | - | - | 421,870 |
| 1811-1810-DM-90 | 145,120 | - | - | 145,120 |
| 1811-1810-TB-90 | 1,442,635 | - | - | 1,442,635 |
| 1811-1810-MJ-90 | 131,205 | - | - | 131,205 |
| 1811-1810-MK-90 | 713,358 | - | - | 713,358 |
| 1811-1810-VU-90 | 50,055 | 132,733 | - | 182,788 |
| 1811-1810-VV-90 | 122,837 | 67,549 | - | 190,386 |
| 1811-1810-VW-90 | 174,180 | 250,400 | - | 424,580 |
| 1811-1810-VX-90 | 624,080 | 350,284 | - | 974,364 |
| | 263,120 | - | - | 263,120 |
| 1811-1812-Q4-90 | 21,468 | - | - | 21,468 |
| 1811-1812-00-90 | - | 143,668 | - | 143,668 |
| 1711-1740-40-90 | - | 317,442 | - | 317,442 |
| 1711-1740-T6-90 | - | 262,865 | - | 262,865 |
| 1711-1740-VV-90 | - | 104,694 | - | 104,694 |
| 1711-1740-VX-90 | - | 546,892 | - | 546,892 |
| 1811-1810-T6-90 | - | 761,084 | - | 761,084 |
| | <u>4,878,483</u> | <u>2,937,611</u> | <u>-</u> | <u>7,816,094</u> |
| | <u>9,470,561</u> | <u>3,244,048</u> | <u>1,945,247</u> | <u>14,659,856</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <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 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 |
| Medical Assistance Program | 93.778 |
| Direct Benefit Payments: | |
| Medical Assistance Program | 93.778 |
| Total Centers for Medicare and Medicaid Services | |
| Centers for Disease Control | |
| Passed-through N.C. Department of Health and Human Services: | |
| Division of Public Health: | |
| Preventive Health and Health Services Block Grant | 93.991 |
| Breast & Cervical Cancer | 93.283 |
| 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 - Emergency Preparedness | 93.283 |
| Heart Disease and Stroke Prevention | 93.283 |
| Immunization Action | 93.268 |
| Immunization Action | 93.268 |
| Total Centers for Disease Control | |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| | \$ 63,159 | \$ 28,737 | \$ 34,422 | \$ 126,318 |
| | 17,089 | 17,088 | - | 34,177 |
| | 1,542,471 | - | 1,542,471 | 3,084,942 |
| | 102,077 | 1,809 | 32,401 | 136,287 |
| | <u>3,083,182</u> | <u>1,032,117</u> | <u>-</u> | <u>4,115,299</u> |
| | <u>4,807,978</u> | <u>1,079,751</u> | <u>1,609,294</u> | <u>7,497,023</u> |
| | - | 99,914 | - | 99,914 |
| | 114,406 | 56,066 | 7,803 | 178,275 |
| | <u>62,005,250</u> | <u>31,957,295</u> | <u>4,276,171</u> | <u>98,238,716</u> |
| | <u>66,927,634</u> | <u>33,193,026</u> | <u>5,893,268</u> | <u>106,013,928</u> |
| 1551-5503-PH | 13,957 | - | 137,507 | 151,464 |
| 1552-310A-EK | 21,175 | - | - | 21,175 |
| 1552-310E-EK | 1,879 | - | 42,926 | 44,805 |
| 1551-360D-JV | 2,041 | - | 8,950 | 10,991 |
| 1551-360E-JV | 19,838 | - | - | 19,838 |
| 1531-5318-AP | 36,715 | 27,539 | 142,048 | 206,302 |
| 1561-2680-EQ | 13,000 | - | 3,896 | 16,896 |
| 1561-2680-EX | 40,341 | - | - | 40,341 |
| 1564-660C-EV | 20,000 | - | - | 20,000 |
| 1551-320A-FM | 500 | - | - | 500 |
| 1570-631E-EJ | 21,721 | - | 211,957 | 233,678 |
| 1570-631F-EJ | 15,515 | - | - | 15,515 |
| | <u>206,682</u> | <u>27,539</u> | <u>547,284</u> | <u>781,505</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <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) | |
| 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 THE INTERIOR | |
| Passed-through N.C. Department of Environment and Natural Resources: | |
| National Spatial Data Infrastructure Cooperative Agreements Program | 15.809 |
| Land and Water Conservation Fund Grants | 15.916 |
| Total US Department of the Interior | |
| Total federal awards | |
| STATE AWARDS: | |
| N.C. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES | |
| Division of Structural Pest Control and Pesticides: | N/A |
| 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 |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| 1511-592A-FP | \$ 14,106 | \$ - | \$ 602,059 | \$ 616,165 |
| 1511-592B-FP | 93,909 | - | - | 93,909 |
| 1511-5151-TA | 12,115 | - | - | 12,115 |
| 1505-5735-AP | 37,448 | 28,089 | - | 65,537 |
| 1505-5740-AP | 26,384 | 19,790 | 1,269,687 | 1,315,861 |
| 1505-5745-AP | 21,277 | 15,960 | 954,917 | 992,154 |
| 1535-5351-AP | 835 | 627 | - | 1,462 |
| | <u>206,074</u> | <u>64,466</u> | <u>2,826,663</u> | <u>3,097,203</u> |
| | <u>77,213,496</u> | <u>36,548,942</u> | <u>11,212,462</u> | <u>124,974,900</u> |
| | | | | |
| Title II | <u>79,621</u> | <u>-</u> | <u>-</u> | <u>79,621</u> |
| | | | | |
| AZ07015 | 31,840 | - | - | 31,840 |
| LWCF 37-01005 | <u>227,350</u> | <u>-</u> | <u>-</u> | <u>227,350</u> |
| | <u>259,190</u> | <u>-</u> | <u>-</u> | <u>259,190</u> |
| | <u>94,761,236</u> | <u>36,576,482</u> | <u>12,074,817</u> | <u>143,412,535</u> |
| | | | | |
| SPP-08-049-90-PETF | <u>-</u> | <u>1,193</u> | <u>-</u> | <u>1,193</u> |
| | <u>-</u> | <u>203,655</u> | <u>4,538,593</u> | <u>4,742,248</u> |
| | | | | |
| 90-0705-I-A | <u>-</u> | <u>119,302</u> | <u>-</u> | <u>119,302</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> |
|--|------------------------------------|
| STATE AWARDS (CONTINUED): | |
| 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: | |
| DCD Smart Start | N/A |
| Share the Warmth | |
| 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-Direct Benefit 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 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| | \$ - | \$ 266,369 | \$ 67,272 | \$ 333,641 |
| | - | 83,880 | - | 83,880 |
| | - | 350,249 | 67,272 | 417,521 |
| | - | 73,332 | - | 73,332 |
| | - | 172,574 | - | 172,574 |
| | - | 33,676 | - | 33,676 |
| | - | 35,120 | - | 35,120 |
| | - | 314,702 | - | 314,702 |
| | - | 210,885 | - | 210,885 |
| | - | 4,760 | - | 4,760 |
| | - | 34,925 | - | 34,925 |
| | - | 79,236 | - | 79,236 |
| | - | - | 2,416,293 | 2,416,293 |
| | - | - | 1,217,204 | 1,217,204 |
| | - | (111) | (61) | (172) |
| | - | 47,615 | 47,502 | 95,117 |
| | - | - | - | - |
| | - | 271,633 | 41,462 | 313,095 |
| | - | - | 102,269 | 102,269 |
| | - | 887,195 | 887,194 | 1,774,389 |
| | - | 1,536,138 | 4,711,863 | 6,248,001 |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> |
|---|------------------------------------|
| STATE AWARDS (CONTINUED): | |
| N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED): | |
| Division of Public Health: | |
| Aid to Counties-Health Administration | N/A |
| Random Moment Time Study | N/A |
| Breast and Cervical Cancer | N/A |
| Child Hood Lead Poisoning | N/A |
| Children's Special Help Service | N/A |
| Communicable Disease | N/A |
| Communicable Disease-Aids | N/A |
| Communicable Disease-Tuberculosis | 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 |
| Daymark Family Recovery | 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 | |
| Total N.C. Department of Transportation | |

Schedule 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| 1410-4110-00 | \$ - | \$ 53,388 | \$ 529,907 | \$ 583,295 |
| 2117-1530-04 | - | 35,436 | - | 35,436 |
| 1552-5599-00 | - | 11,825 | - | 11,825 |
| 4760-1496 | - | 2,300 | 558 | 2,858 |
| 1531-5301-00 | - | 250 | - | 250 |
| 1451-4510-00 | - | 7,416 | 430,202 | 437,618 |
| 1461-4536-BN | - | 12,500 | 12,241 | 24,741 |
| 1451-4551-00 | - | 3,810 | 70,108 | 73,918 |
| 4751-78 | - | 5,500 | - | 5,500 |
| 4752-166 | - | 19,699 | 1,636,449 | 1,656,148 |
| 1410-4181-00 | - | 20,000 | - | 20,000 |
| 1511-6017-FR | - | 6,354 | - | 6,354 |
| 1505-5746-00 | - | 60,293 | - | 60,293 |
| 1551-5503-00 | - | 6,453 | - | 6,453 |
| 1451-4554-00 | - | 1,033 | 145 | 1,178 |
| | - | <u>246,257</u> | <u>2,679,610</u> | <u>2,925,867</u> |
| | - | <u>2,447,346</u> | <u>7,458,745</u> | <u>9,906,091</u> |
| | - | 1,104,345 | - | 1,104,345 |
| | - | <u>3,709,058</u> | - | <u>3,709,058</u> |
| | - | <u>4,813,403</u> | - | <u>4,813,403</u> |
| 290000 | - | 7,853 | 38 | 7,891 |
| 290001 | - | 195,000 | - | 195,000 |
| 290018 | - | 21,004 | - | 21,004 |
| 290011 | - | 24,174 | - | 24,174 |
| 290016 | - | 30,601 | - | 30,601 |
| | - | <u>278,632</u> | <u>38</u> | <u>278,670</u> |
| DOT-16CL | - | 119,869 | - | 119,869 |
| DOT-16CL | - | 143,621 | - | 143,621 |
| DOT-16CL | - | 34,352 | 4 | 34,356 |
| | - | <u>297,842</u> | <u>4</u> | <u>297,846</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2008

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> |
|---|------------------------------------|
| STATE AWARDS (CONTINUED): | |
| N.C. RURAL ECONOMIC DEVELOPMENT CENTER, INC E-NC Capital Expenditure Grants for PEG Channels | N/A |
| 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: Adopt a Trail | 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 42
(Continued)

| Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Local Expenditures | Total Expenditures |
|-------------------------------------|---|-----------------------|-----------------------|-----------------------|
| 2008-124-80315-102 | \$ - | \$ 13,757 | \$ - | \$ 13,757 |
| | - | 25,413 | 48,066 | 73,479 |
| PO8057 | - | 3,018 | - | 3,018 |
| PARTF-2004-382 | - | 228,355 | - | 228,355 |
| | - | 256,786 | 48,066 | 304,852 |
| | - | 2,000 | 222,992 | 224,992 |
| | - | 8,433,916 | 12,268,437 | 20,702,353 |
| | <u>\$ 94,761,236</u> | <u>\$ 45,010,398</u> | <u>\$ 24,343,254</u> | <u>\$ 164,114,888</u> |

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

Schedule 42
(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 | State |
|---|---------------------|-------------------|
| | Grantor's Number | Expenditures |
| N.C. DEPARTMENT OF HUMAN RESOURCES | | |
| Department of Juvenile Justice and Delinquency Prevention | | |
| Juvenile Crime Prevention Council | 290000 | \$ 7,853 |
| Positive Impact | 290001 | 195,000 |
| United Family Services | 290018 | 21,004 |
| Shelter Care | 290011 | 24,174 |
| Community Support Services | 290016 | 30,601 |
| | | <u>\$ 278,632</u> |

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

Subsidized Child Care, and 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 6M | 66.458 | CS370370-09 | \$ 15,000,000 | \$ 13,500,000 | \$ - | \$ 8,800,528 | \$ 22,300,528 |