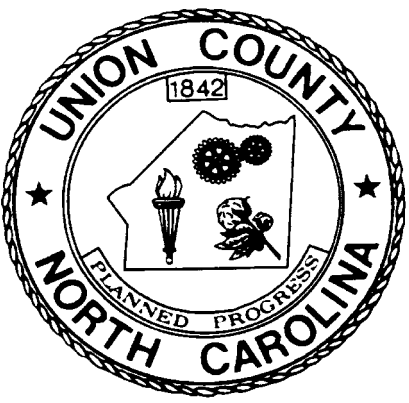




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

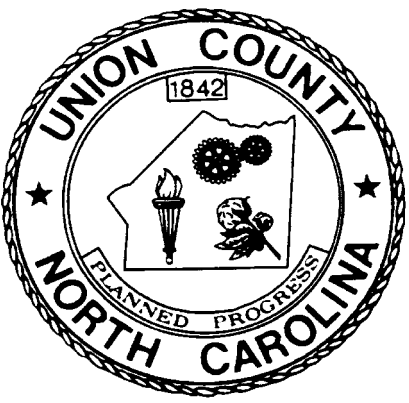


Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2010

Prepared by
Finance Department



Union County, North Carolina
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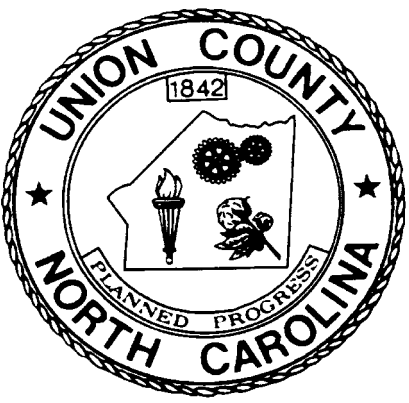
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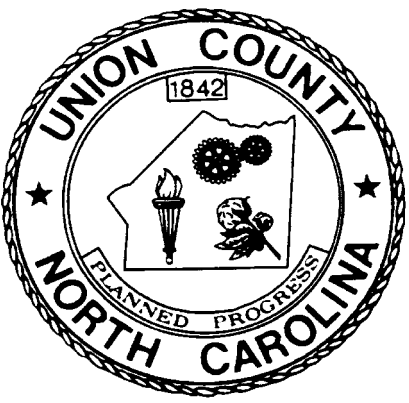
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Introductory Section





UNION COUNTY FINANCE DEPARTMENT

500 NORTH MAIN STREET, SUITE 901, MONROE, NORTH CAROLINA 28112
PHONE: (704) 283-3631 FAX: (704) 225-0664

December 13, 2010

The Board of County Commissioners
Cynthia Coto, 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, 2010.

This report consists of management's representations concerning the finances of Union County (the "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, 2010, 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 the 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, containing approximately 643 square miles, 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. 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 during the past decade 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, when completed, will surround 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 diverse economic base and the interdependence of the Charlotte-Gastonia-Concord Metropolitan Statistical Area or MSA are major factors that have contributed to the County's rapid growth during the current decade.

In the fiscal year ending 2010, the national economic slowdown contributed to the mixed performance results of the County's economy as measured by unemployment rates, labor force growth, median family income, real estate development and retail sales. The County maintains lower unemployment rates (9.3% in July 2010) than the State (10.0% in July 2010) and currently has lower rates of unemployment than the United States (9.7% in July 2010). According to the US Department of Agriculture, the County's 2009 median household income of \$66,561 places it third among North Carolina's 100 counties, with only Wake County at \$75,682 and neighboring Mecklenburg County at \$67,029 having higher median household incomes. The County's economy during fiscal year 2009 reflected a significant decline in the construction housing industry as measured by permit issuance and real estate sector revenues

(inspection fees, real estate deed transactions) and retail sales. For fiscal year 2010, the economy continued to struggle as evidenced by ongoing, but smaller reductions in real estate sector revenues and continued significant reductions in retail sales.

Long-term financial planning. Union County's population grew by 47% from 1990-2000, reaching 123,772 in 2000. From 2000 to 2009, the population increased by 56% to 196,322. The North Carolina State Demographics Unit expects the County's population to grow, over the next five years, by another 12% or 24,248 between 2009 and 2014, reaching 220,570 by the year 2014. Public school enrollment, currently at approximately 39,346 is projected to increase to approximately 42,583, or 8.5% by 2014. The County's utility system added an average of approximately 3,700 new water connections in fiscal years 2006 and 2007. In 2008, 2009 and 2010 new water connections declined to 1,900, 720 and 407 respectively. Residential building permits and new construction values reached record high levels in fiscal year 2006, declined in fiscal years 2007, 2008 and 2009, and reflect further reductions in 2010. New housing construction in fiscal year 2010 recorded the lowest levels, in terms of permit issuance and values, experienced in the past ten years.

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

The County maintains a 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 Commission is currently reviewing the annual update to its tax-supported CIP for the fiscal period 2010-2014. The County tax-supported CIP totals \$461.2 million for the 2010-2014 forecast period with \$226.0 million for its public schools and \$235.2 for County programs including SPCC. Three major projects comprised of major school renovations, detention facility and a health and human service facility represent \$352.2 million of the total \$461.2 million.

The tax supported CIP is anticipated to be funded with approximately \$15.9 million from current revenues, contributed capital and reserves with the balance of \$445.3 million funded through the issuance of general obligation debt or installment financings.

The enterprise fund activity, consisting primarily of the Water and Sewer CIP, totals \$113.8 million for the 2010-2013 forecast period. Approximately \$55.8 million of the capital plan is anticipated to be funded from current revenues, contributed capital and reserves with the balance of \$58.0 million funded through the issuance of revenue debt. The County issued Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 in an aggregate amount of \$20 million in August 2009 to finance a portion of the utility capital improvement program. The Series 2009 Bonds, in the amount of \$20 million, is included in the \$58 million of proposed debt for the 2010-2013 forecast period.

Major water projects contained in the capital plan include the expansion of the Catawba River Water Treatment Plant from 18 MGD to 27 MGD and the expansion of the raw water reservoir from 40 MG to 850 MG (both projects total \$34.8 million), improvements to the water transmission and pumping system that delivers water from Anson County (2 MGD to 4 MGD and a cost of \$9.3 million), two elevated water storage tanks (\$10.3 million), preliminary planning and permitting costs (\$1.7 million) associated with a new regional water plant and \$13.2 million for system wide transmission and distribution improvements.

Major sewer projects include planning and permitting costs associated with the expansion of the 12-Mile Creek Wastewater Treatment Plant from 6 MGD to 9 MGD (\$3.2 million), purchase of additional 2 MGD capacity and the construction of a force main to Charlotte/Mecklenburg Utility's McAlpine Creek WWTP (\$13.1 million), preliminary planning, permitting and land acquisition costs (\$9.4 million) associated with

a new wastewater treatment plant in the northern area of the County, preliminary planning and permitting costs (\$0.5 million) associated with the expansion of the City of Monroe's wastewater treatment and \$18.2 million for system wide wastewater collection improvements.

The utility capital plan has been approved by the County Commission.

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 and ratepayers.

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, 2010, the County earned an equivalent of 1.4 cents on its ad valorem tax rate in investment earnings from unrestricted funds. While the earnings rate is approximately half of what the County reported for the year ending 2009, given the low interest rate environment of the past year, the County fully expects the investment returns to exceed those rates reported by its North Carolina peer counties.

Debt administration. The County's general obligation bond rating of Aa1/AA/AA+ was affirmed by the three national rating agencies of Moody's Investors Service (as recalibrated), Standard & Poors and Fitch (as recalibrated) respectively during fiscal year 2010. The County's key financial ratios relating to tax-supported debt are summarized in the following table.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assessed Value	\$23,075,783,412	\$22,516,019,353	\$17,475,253,325	\$16,065,515,920	\$14,495,811,643
Net Tax Supported Debt	\$565,005,530	\$592,322,950	\$539,952,268	\$337,319,676	\$270,398,650
Net Tax Supported Debt as a Percentage of Assessed Value	2.45%	2.63%	3.09%	2.10%	1.87%
Debt Service as a Percent of Expenditures	23.00%	22.70%	19.80%	15.00%	14.10%
Population	196,322	191,514	182,360	169,262	159,800
Debt per Capita	\$2,877.95	\$3,092.84	\$2,960.91	\$1,992.88	\$1,692.11
Available Fund Balance as a Percent of General Fund Expenditures	18.10%	20.30%	16.50%	18.80%	21.60%

Adherence to the County's debt management policy is critical in light of the County's projected infrastructure requirements and its current debt ratios.

Risk management. The County is exposed to various risks of loss related to assets, liabilities claimed by third parties and employee injury. The County is fully insured through a commercial insurance company for these exposures, with the exception of injuries to employees. The County self-insures workers' compensation claims with non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 covered by stop-loss insurance.

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

Pension plans. County employees are required to participate in one of several multiple-employer, defined benefit pension plans administered by the State of North Carolina. In addition to the pension plans administered by the State, the County administers a single-employer defined benefit plan, 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 also wish to express appreciation to the Board of County Commissioners, County Manager Cynthia Coto, Interim Assistant County Manager, Wes Baker and the entire Finance Department staff for making Union County a fiscally sound, well-governed organization.

Respectfully submitted,



David Cannon
Finance Director



Andrea Robinson
Assistant Finance Director

UNION COUNTY, NORTH CAROLINA
List of Principal Officials
June 30, 2010

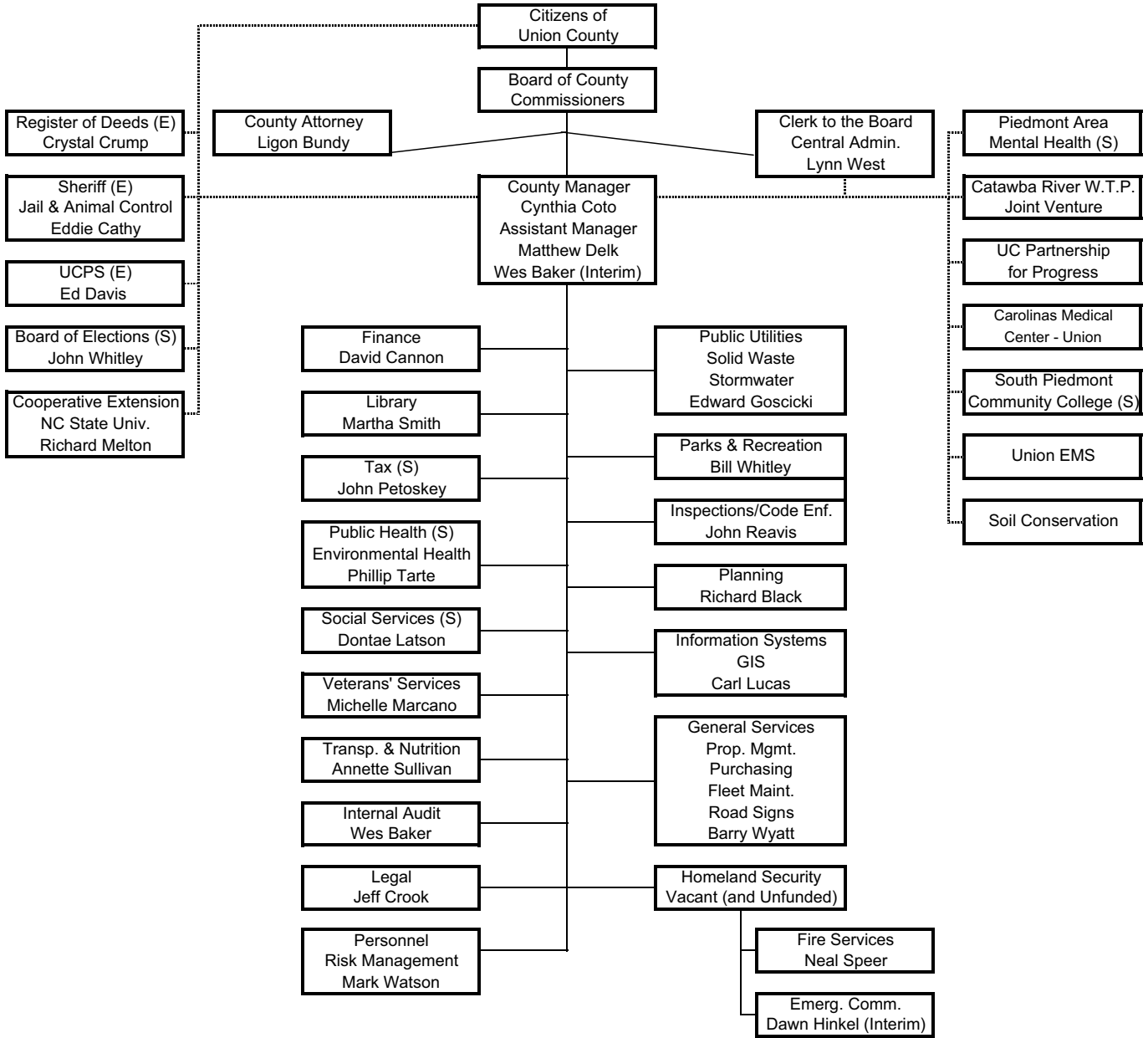
Board of County Commissioners

Jerry Simpson, Chairman
Todd Johnson, Vice-Chairman
Tracy Kuehler
Kim Rogers
Jonathon Thomas

County Officials

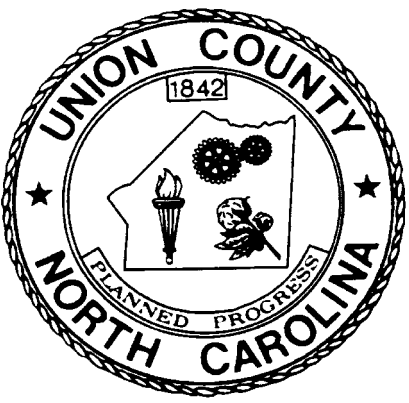
Cynthia Coto	County Manager
Matthew Delk	Assistant County Manager
David Cannon	Finance Director
Lynn G. West	Clerk to the Board
Richard Melton	Cooperative Extension Service Director
Ligon Bundy	County Attorney
John Whitley	Elections Director
Dawn Hinkel	Emergency Communications Director - Interim
Jeff Knight	Environmental Health Director
Neal Speer	Fire Services Director
Barry Wyatt	General Services Director
Vacant (unfunded)	Homeland Security Director
Carl Lucas	Information Services Director
John Reavis	Inspections Director
Wesley Baker	Internal Auditor, Assistant County Manager - Interim
Martha Smith	Library Director
Bill Whitley	Parks and Recreation Director
Mark Watson	Personnel Director
Richard Black	Planning Director
Phillip Tarte	Public Health Director
Edward Goscicki	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
Michelle Marcano	Veterans' Service Director

Union County, North Carolina Organizational Chart

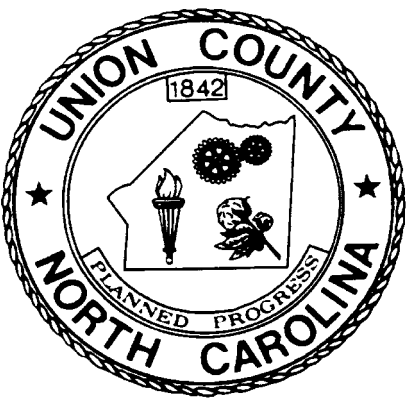


(S) Statutory Appt. Board
(E) Elected Agency

Updated: Dec. 13, 2010



Financial Section





POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2010, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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.

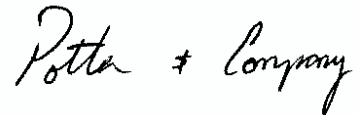
In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of **Union County's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

December 13, 2010
Monroe, North Carolina

A handwritten signature in cursive script that reads "Potts & Company". The signature is written in black ink and is positioned to the right of the date and location text.

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, 2010. 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

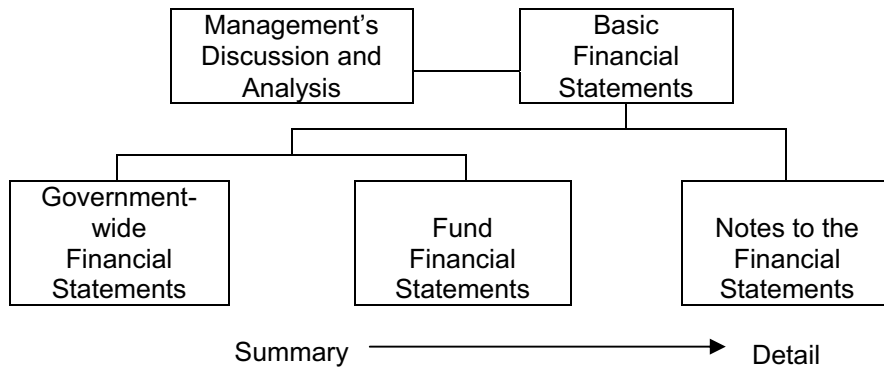
- The liabilities of Union County exceeded its assets at the close of the fiscal year by \$161,045,783 (net assets), an increase of \$7,326,337 from the prior fiscal year (as restated).
- The total net assets of governmental activities reflects a deficit of \$402,037,215 a decrease in the deficit by \$4,932,426 from the prior year's deficit amount of \$406,969,641 (as restated), primarily due to lower recurring capital contributions for educational purposes and reduced medicaid public assistance costs.
- As of the close of the current fiscal year, Union County's governmental funds reported combined ending fund balances of \$94,315,709, a decrease of \$23,742,863 in comparison with the prior year. The primary reason for this decline is the spending of general obligation bond proceeds in the amount of \$22.8 million relating to school construction and facility improvements. Approximately \$37.9 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 \$37,944,872, or 16.9 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt decreased by \$12,368,597 (1.9%) during the current fiscal year with the net decrease attributable to the issuance of water and sewer revenue bonds net of the current year's debt principal payments and general obligation debt refunding.
- Union County's general obligation bond rating of Aa1/AA/AA+ was affirmed by Moody's (as recalibrated), Standard & Poor's and Fitch (as recalibrated) during fiscal year 2010.

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 eleven fiduciary funds, two of which are pension trust funds and nine 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 83 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 89-147 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 2010 and provides comparative data, including the percentage change, from fiscal year 2009 (as restated).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2009-2010
	2010	2009 (as restated)	2010	2009 (as restated)	2010	2009 (as restated)	
Current and other assets	\$ 131,066,282	\$ 158,326,896	\$ 114,250,575	\$ 97,460,366	\$ 245,316,857	\$ 255,787,262	-4.09%
Capital assets	71,874,732	69,510,040	220,019,510	217,442,370	291,894,242	286,952,410	1.72%
Total assets	202,941,014	227,836,936	334,270,085	314,902,736	537,211,099	542,739,672	-1.02%
Long-term debt outstanding	565,005,530	592,322,950	78,096,037	63,147,214	643,101,567	655,470,164	-1.89%
Other liabilities	39,972,699	42,483,627	15,182,616	13,158,001	55,155,315	55,641,628	-0.87%
Total liabilities	604,978,229	634,806,577	93,278,653	76,305,215	698,256,882	711,111,792	-1.81%
Net assets							
Invested in capital assets, net of related debt	43,744,128	44,026,312	157,759,859	161,451,399	201,503,987	205,477,711	-1.93%
Restricted	18,214,536	33,511,919	2,819,884	2,770,308	21,034,420	36,282,227	-42.03%
Unrestricted	(463,995,879)	(484,507,872)	80,411,689	74,375,814	(383,584,190)	(410,132,058)	-6.47%
Total net assets	\$ (402,037,215)	\$ (406,969,641)	\$ 240,991,432	\$ 238,597,521	\$ (161,045,783)	\$ (168,372,120)	-4.35%

The liabilities of Union County exceeded assets by \$161,045,783 as of June 30, 2010. The County's net assets increased by \$4,932,426 for the fiscal year ended June 30, 2010. 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 \$21,034,420 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 \$383,584,190 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 \$463,995,879 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, 2010, \$537,739,164 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 \$383,322 of unspent school bond proceeds, \$11,847,132 of unspent County contributions for school capital pay-go funding, \$755,173 of accounts receivable and \$1,233,103 of liabilities payable from bond proceeds and County contributions at June 30, 2010 for school and community college systems' capital projects. The outstanding amount of this debt of \$537.7 million and the liabilities payable of \$1.2 million have been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$463,995,879 for this category of net assets; and net of unspent bond proceeds of \$0.4 million, unspent County contributions of \$11.8 million and the receivable of \$0.8 million represents a portion of the amount reported as a net reduction of net assets for governmental activities, resulting in a deficit balance of \$402,037,215 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 \$62,745,934 and total net assets would be a positive \$123,949,425.

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 2009-2010
	2010	2009 (as restated)	2010	2009 (as restated)	2010	2009 (as restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 8,731,861	\$ 9,014,943	\$ 28,493,804	\$ 27,707,788	\$ 37,225,665	\$ 38,122,731	-2.35%
Operating grants and contributions	31,361,590	28,953,436	309,190	227,158	31,670,780	29,180,594	8.53%
Capital grants and contributions	421,017	95,704	4,373,167	6,504,645	4,794,184	6,600,349	-27.36%
General revenues:							
Property taxes	156,773,697	154,149,099	-	-	156,773,697	154,149,099	1.70%
Other taxes	25,691,132	33,340,270	-	-	25,691,132	33,340,270	-22.94%
Grants and contributions not restricted to specific programs	112,326	104,914	-	-	3,408,015	104,914	3148.39%
Other	5,307,619	3,255,197	1,267,826	1,569,821	3,279,756	3,425,018	-41.05%
Total revenues	228,399,242	228,913,563	34,443,987	36,009,412	262,843,229	264,922,975	-1.58%
Expenses:							
General government	11,936,694	13,262,354	-	-	11,936,694	13,262,354	-13.69%
Public safety	36,887,177	35,654,917	-	-	36,887,177	35,654,917	3.52%
Economic and physical development	2,388,964	2,209,346	-	-	2,388,964	2,209,346	8.17%
Human services	37,060,432	38,883,954	-	-	37,060,432	38,883,954	-4.11%
Cultural and recreational	6,277,980	6,790,945	-	-	6,277,980	6,790,945	-7.48%
Education	105,000,374	161,488,954	-	-	105,000,374	161,488,954	-34.92%
Interest and fees on long term debt	23,915,195	25,079,081	-	-	23,915,195	25,079,081	-4.64%
Water and sewer	-	-	27,421,775	27,277,258	27,421,775	27,277,258	-1.90%
Solid waste	-	-	4,420,864	4,772,424	4,420,864	4,772,424	-7.46%
Stormwater	-	-	207,437	211,501	207,437	211,501	n/a
Total expenses	223,466,816	283,369,551	32,050,076	32,261,183	255,516,892	315,630,734	-19.26%
Increase (decrease) in net assets	4,932,426	(54,455,988)	2,393,911	3,748,229	7,326,337	(50,707,759)	-114.83%
Net assets, July 1	(406,969,641)	(352,513,653)	238,597,521	234,849,292	(168,372,120)	(117,664,361)	43.10%
Net assets, June 30	<u>\$ (402,037,215)</u>	<u>\$ (406,969,641)</u>	<u>\$ 240,991,432</u>	<u>\$ 238,597,521</u>	<u>\$ (161,045,783)</u>	<u>\$ (168,372,120)</u>	-3.61%

Governmental activities: Governmental activities increased the County's net assets by \$4,932,426 compared with the prior year's decrease of \$54,455,988 over June 30, 2009 (as restated). Key elements of the reduction in net asset decline in the amount of \$49,523,562 when compared to the prior year (as restated) are as follows:

- Increased Public Safety (\$1.2 million – hand-held and mobile emergency communication radio replacement project). A reduction in Education expenses of \$56.5 million (school facilities construction and improvements), General Government (\$1.3 million – facility renovations and economic spending reductions), Human Services (\$1.8 million – public assistance), and Debt Service (\$1.2 million – interest and debt related expenses primarily attributable to schools) over the prior period (as restated) mitigated the other increased expenses representing a net reduction of \$59.9 million for governmental activities.
- Revenue declined \$0.5 million over the prior year for governmental activities. This decline was comprised of increased property taxes (\$2.6 million - due to a 2.75% increase in the property tax base and an increase in the collection rate from 96.8% to 97.1%), operating grants and contributions (\$2.4 million – primarily increased education lottery proceeds and Human Services grant assistance), and other miscellaneous income (\$2.1 million – primarily increased hospital lease rental income). A reduction in other taxes (\$7.6 million – due to declining local option sales taxes) mitigated the other increased revenue sources representing a net reduction of \$0.5 million for governmental activities. The major revenue decline was primarily attributable to the economic downturn affecting retail sales and a State legislative initiative whereby the

State assumed responsibility for a portion of the County's Medicaid expenses with the County relinquishing a portion of its local option sales tax.

Business-type activities: Net assets in the Business-type activities totaled \$240,991,432 at year end representing an increase of \$2,393,911 over June 30, 2009 (as restated) or 1.0 percent over fiscal year 2009's \$238,597,521 (as restated). Solid Waste services had a decline in net assets of \$435,547, Stormwater had an increase of \$28,379 and Water and Sewer services had an increase in net asset of \$2,801,079. 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.

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 \$37,944,872, while total fund balance was \$51,938,337. 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 16.9 percent of total General Fund expenditures and other financing uses, while total fund balance represents 23.1 percent of that same amount.

At June 30, 2010, the governmental funds of the County reported a combined fund balance of \$94,315,709, a 20.11 percent decrease or \$23.7 million from last year. The primary reason for this decline is the decrease in the unspent general obligation bond proceeds in the amount of \$23.1 million relating to school construction. Approximately \$37.9 million is available for spending at the government's discretion (*unreserved and undesignated fund balance*) in the General Fund with a positive \$2.1 million in the remaining Governmental Funds.

General Fund Budgetary Highlights: County ad valorem revenues continue to reflect growth, however declining growth, due to the local housing construction market attributable to the County's proximity to the Charlotte MSA. Fiscal year 2010 revenues and other financing sources, excluding refunding debt proceeds, reflect a small \$1.3 million decline over fiscal year 2009 and fiscal year 2010 expenditures and other financing uses, excluding refunding debt distributions, also reflect decline of \$4.9 million when compared to fiscal year 2009.

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, excluding amendment for refunding debt proceeds and distributions, by \$13,705,438 or 6.2%. This

increase included a \$9.2 million transfer to the General Capital Project Fund for pay-go capital funding, \$2.2 million in additional intergovernmental revenues and related expenditures and \$1.0 million in additional miscellaneous income from hospital rental income.

The actual operating revenues for the General Fund were less than the budgeted amount by \$4,017,274 consisting of unfavorable local option sales tax revenue (\$5.0 million – due to lower retail sales and the State Medicaid swap referenced previously), intergovernmental grants and contributions (\$1.1 million), and investment earnings (\$0.7 million) net of favorable variances in ad valorem taxes (\$1.1 million) and miscellaneous (\$0.9 million). Actual expenditures were under the final budget by \$11,008,515 with the majority of the positive variances occurring in Human Services, General Government, Public Safety, Debt service interest and fees, and Economic and Physical Development. Actual fund balance declined by \$4.3 million compared to the final budgeted use of \$11.3 million.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year totaled \$4,539,908, the Stormwater Fund totaled \$37,839 and those for the Water and Sewer Fund totaled \$73,717,424. The total change in net assets for these funds was a decrease of \$434,918, an increase of \$29,375 and an increase of \$2,801,185, respectively. 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, 2010, totaled \$291,894,242 (net of accumulated depreciation), an increase of \$4,941,832 over the prior year's amount of \$286,952,410 (as resated). These assets include land, buildings, equipment, plants and utility infrastructure.

Major capital asset transactions during the year include the:

- Purchase and replacement of public safety vehicles and related mobile data equipment
- Reroofing a portion of the detention facility
- Continuation of the acquisition and installation of a public safety radio communications system
- Continuation of construction related to various Government Facility renovations
- Continuation of construction of Twelve Mile Creek Waste Water Treatment Plant phosphorous removal and reliability improvements projects
- Continuation of construction of Twelve Mile Creek Waste Water Treatment Plant odor control improvements project
- Continuation of 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

- Continuation of engineering and design services in connection with the Catawba River Water Treatment Plant raw water reservoir expansion from 40 MG to 850 MG
- Receipt of contributed capital consisting of approximately \$1.9 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 2008-2009
	2009		2009		2009		
	2010	(as restated)	2010	(as restated)	2010	(as restated)	
Land	\$ 3,506,820	\$ 3,506,820	\$ 1,715,335	\$ 1,498,817	\$ 5,222,155	\$ 5,005,637	4.33%
Land - easements	-	-	964,148	777,807	964,148	777,807	23.96%
Construction in progress	11,689,175	6,086,570	17,357,916	9,147,365	29,047,091	15,233,935	90.67%
Other improvements	4,217,079	4,456,755	657,076	697,060	4,874,155	5,153,815	-5.43%
Buildings	43,311,782	45,160,199	1,012,949	1,059,563	44,324,731	46,219,762	-4.10%
Furniture and equipment	7,125,262	8,141,901	1,191,242	1,166,567	8,316,504	9,308,468	-10.66%
Vehicles	2,024,614	2,157,795	326,608	540,932	2,351,222	2,698,727	-12.88%
Plant and collection systems	-	-	112,929,145	116,050,972	112,929,145	116,050,972	-2.69%
Plant and distribution systems	-	-	82,830,467	85,421,094	82,830,467	85,421,094	-3.03%
Water rights	-	-	1,034,624	1,082,193	1,034,624	1,082,193	-4.40%
	<u>\$ 71,874,732</u>	<u>\$ 69,510,040</u>	<u>\$ 220,019,510</u>	<u>\$ 217,442,370</u>	<u>\$ 291,894,242</u>	<u>\$ 286,952,410</u>	1.72%

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, 2010, the County had total debt outstanding of \$643,101,567. General obligation debt, both long and short term, secured by the full faith and credit of the County, totaled \$458,841,245, an decrease of \$22,833,551 million from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$184,260,322, an increase of \$10,464,954. 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 2009-2010
	2009		2009		2009		
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 455,904,686	\$ 477,024,092	\$ 2,936,559	\$ 4,650,704	\$ 458,841,245	\$ 481,674,796	-4.74%
Certificates of participation	100,509,742	105,908,858	-	-	100,509,742	105,908,858	-5.10%
Installment financing	8,591,102	9,390,000	-	-	8,591,102	9,390,000	-8.51%
Revenue bonds	-	-	60,023,601	42,376,937	60,023,601	42,376,937	41.64%
Other	-	-	15,135,877	16,119,573	15,135,877	16,119,573	-6.10%
	<u>\$ 565,005,530</u>	<u>\$ 592,322,950</u>	<u>\$ 78,096,037</u>	<u>\$ 63,147,214</u>	<u>\$ 643,101,567</u>	<u>\$ 655,470,164</u>	-1.89%

The County's total net debt decreased by \$12,368,597 or 1.9 percent during the past fiscal year.

The County's most recent long term general obligation bond ratings at June 30, 2010, affirmed in connection with the County's General Obligation Refunding Bonds, Series 2010A issued in July 2010, are shown below:

Moody's Investor Services (as recalibrated)	Aa1
Standard & Poor's	AA
Fitch IBCA (as recalibrated)	AA+

The County's most recent utility revenue bond ratings at June 30, 2010, are shown below:

Moody's Investor Services (as recalibrated)	Aa2
Standard & Poor's	AA-
Fitch IBCA (as recalibrated)	AA-

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 \$1,279,390,998. The County has no bonds authorized but unissued at June 30, 2010.

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%	21.3%
Population Increase 2000-2009	56.3%	16.1%
Projected Population Increase 2009-2014	12.4%	7.3%
Unemployment Rate (2009)	10.3%	10.6%
Unemployment Rate (07/2010)	9.3%	9.8%
Per Capita Income (2009)	\$27,469	\$25,989
Median Household Income (2008)	\$66,561	\$51,418

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, 2011

Governmental Activities: The General Fund budget for the fiscal year ending June 30, 2011, totals \$220.7 million, which is a decrease of \$57.1 million or 20.5% over the final amended budget for the fiscal year ended June 30, 2010 in the amount of \$277.8 million. The \$277.8 million included a \$42.0 million appropriation of general obligation refunding debt proceeds that were used to refund \$41.8 million of outstanding general obligation bonds. Excluding the 2010 budget in connection with the refunding bonds, the final amended budget for 2009 would have been \$235.7 million. The General Fund budget for the fiscal year ending June 30, 2011, in the amount of \$220.7 million, represents a decrease of \$15.0 million or 6.4% over the final amended budget for the fiscal year ended June 30, 2010 in the amount of \$235.7 million as adjusted for the general obligation debt refunding appropriation.

The largest single reduction is attributable to the decrease in transfers to other funds which includes a \$11.6 million decline in transfers to the General Capital Project Fund for pay-go capital reserves and a \$1.0 million decline in pay-go capital contributions to the schools. There is also a reduction of \$1.0 million related to hospital lease options study and related legal advice appropriations in fiscal year ended June 30, 2010. The County continued to appropriate approximately \$0.9 million for capital expenditures in the General Capital Project Ordinance Fund in lieu of the General Fund primarily for Law Enforcement vehicles and detention facility replacement HVAC units.

Debt service expenditures total \$51.8 million for fiscal year 2011, representing nearly a constant level of debt service over fiscal year's 2010 final budget amount of \$51.8 million after excluding the refunded bonds remittance to escrow agents.

The three significant areas of budget reductions (contribution to general pay-go capital reserves, school pay-go capital contribution, and hospital lease options study) totaling \$13.6 million are the major factors contributing to the overall decrease in the County's 2011 budget as compared to the 2010 budget.

Operating revenues contained in the budget for fiscal year 2011 are \$219.0 million as compared to 2010's final budget amount of \$224.5 million; a decrease of \$5.4 million. About \$5.9 million of the decrease occurs in the local option sales tax category. The decrease in local option sales tax is attributable to declining retail sales. Additionally, declines are anticipated in investment earnings of \$1.2 million due to lower overall rates of return on investments, and intergovernmental revenue by \$1.5 million due to lower anticipated State lottery proceeds.

The fiscal year 2011 budget appropriates \$1.7 million from fund balance as compared to the 2010's original fund balance appropriation of \$1.3 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 tax-supported CIP totals \$461.2 million for the 2010-2014 forecast period with \$226.0 million for its public schools and \$235.2 for County programs including SPCC. Three major projects comprised of major school renovations, detention facility and a health and human service facility represent \$352.2 million of the total \$461.2 million.

The tax supported CIP is anticipated to be funded with approximately \$15.9 million from current revenues, contributed capital and reserves with the balance of \$445.3 million funded through the issuance of general obligation debt or installment financings. The tax supported CIP is presently under consideration by the County Commission.

Business – type Activities: The County has also adopted a \$27.2 million Water and Sewer budget for fiscal year 2011 which represents a \$0.5 million decrease from fiscal year 2010's final budget of \$27.7 million. The majority of the decrease is attributable lower investment earnings of \$0.8 million, net of increases in water and sewer services sales of \$0.4 million. The decline in revenues resulted in a lower anticipated transfer to the enterprise capital fund (\$1.0 million year over year).

The Water and Sewer capital improvement plan totals \$113.8 million for the 2010-2013 forecast period. Approximately \$55.8 million of the capital plan is anticipated to be funded from current revenues, contributed capital and reserves with the balance of \$58.0 million funded through the issuance of revenue debt. The County issued Series 2009 Revenue Bonds in the amount of \$20 million in fiscal year 2010 and this amount is included in the \$58 million of proposed debt for the 2010-2013 forecast period.

Major water projects contained in the capital plan include the expansion of the Catawba River Water Treatment Plant from 18 MGD to 27 MGD and the expansion of the raw water reservoir from 40 MG to 850 MG (both projects total \$34.8 million), improvements to the water transmission and pumping system that delivers water from Anson County (2 MGD to 4 MGD and a cost of \$9.3

million), two elevated water storage tanks (\$10.3 million), preliminary planning and permitting costs (\$1.7 million) associated with a new regional water plant and \$13.2 million for system wide transmission and distribution improvements.

Major sewer projects include planning and permitting costs associated with the expansion of the 12-Mile Creek Wastewater Treatment Plant from 6 MGD to 9 MGD (\$3.2 million), purchase of additional 2 MGD capacity and the construction of a force main to Charlotte Mecklenburg Utility's McAlpine Creek WWTP (\$13.1 million), preliminary planning, permitting and land acquisition costs (\$9.4 million) associated with a new wastewater treatment plant in the northern area of the County, preliminary planning and permitting costs (\$0.5 million) associated with the expansion of the City of Monroe's wastewater treatment and \$18.2 million for system wide wastewater collection improvements.

The utility capital plan has been approved by the County Commission.

The County has also approved a \$4.69 million Solid Waste budget for fiscal year 2011 which represents a decrease of \$450 thousand from fiscal year 2010's final budget of \$5.13 million.

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, 2010

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and investments	\$ 60,918,873	\$ 60,388,143	\$ 121,307,016
Property taxes receivable (net)	6,417,100	-	6,417,100
Accounts receivable (net)	11,129,578	4,271,134	15,400,712
Accounts receivable, restricted (net)	199,269	-	199,269
Inventories	33,301	953,065	986,366
Internal balances	362,584	(362,584)	-
Cash and investments, restricted	15,237,398	13,563,333	28,800,731
Total current assets	<u>94,298,103</u>	<u>78,813,091</u>	<u>173,111,194</u>
Noncurrent assets:			
Cash and investments	16,841,683	16,354,102	33,195,785
Net prepaid pension obligation	1,535,966	206,200	1,742,166
Unamortized bond issuance cost	4,211,393	1,271,241	5,482,634
Investment in joint venture	-	13,459,414	13,459,414
Deferred outflows on derivative instruments	14,179,137	4,146,527	18,325,664
Capital assets:			
Land and other assets not being depreciated	15,195,995	20,037,399	35,233,394
Buildings, equipment and infrastructure, net of depreciation	56,678,737	199,982,111	256,660,848
Total noncurrent assets	<u>108,642,911</u>	<u>255,456,994</u>	<u>364,099,905</u>
Total assets	<u>202,941,014</u>	<u>334,270,085</u>	<u>537,211,099</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	11,010,209	3,321,044	14,331,253
Unearned revenue	124,784	-	124,784
Deposits	569,936	496,767	1,066,703
Current portion of long-term obligations	27,151,328	4,903,191	32,054,519
Liabilities payable from restricted assets	1,489,803	-	1,489,803
Workers' compensation claims	267,097	-	267,097
Health care benefits	1,018,419	-	1,018,419
Total current liabilities	<u>41,631,576</u>	<u>8,721,002</u>	<u>50,352,578</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,008,783	4,008,783
Water right acquisition obligation	-	440,004	440,004
Compensated absences	2,967,043	462,380	3,429,423
Net OPEB obligation	8,303,825	936,735	9,240,560
Unearned revenue	-	818,516	818,516
Derivative liability	14,221,583	4,698,387	18,919,970
Noncurrent portion of long-term obligations	537,854,202	73,192,846	611,047,048
Total noncurrent liabilities	<u>563,346,653</u>	<u>84,557,651</u>	<u>647,904,304</u>
Total liabilities	<u>604,978,229</u>	<u>93,278,653</u>	<u>698,256,882</u>
NET ASSETS			
Invested in capital assets, net of related debt	43,744,128	157,759,859	201,503,987
Restricted for:			
Public safety	3,543,901	-	3,543,901
Cultural and recreational	104,714	-	104,714
Education	13,029,955	-	13,029,955
Debt service	-	2,819,884	2,819,884
Pension benefits	1,535,966	-	1,535,966
Unrestricted	(463,995,879)	80,411,689	(383,584,190)
Total net assets	<u>\$ (402,037,215)</u>	<u>\$ 240,991,432</u>	<u>\$ (161,045,783)</u>

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

Statement of Activities

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 11,936,694	\$ 1,005,554	\$ 516,168	\$ -	\$ (10,414,972)	\$ -	\$ (10,414,972)
Public safety	36,887,177	3,510,111	3,756,004	382,764	(29,238,298)	-	(29,238,298)
Economic and physical development	2,388,964	127,700	26,390	-	(2,234,874)	-	(2,234,874)
Human services	37,060,432	3,383,886	19,113,246	38,253	(14,525,047)	-	(14,525,047)
Cultural and recreational	6,277,980	704,610	303,777	-	(5,269,593)	-	(5,269,593)
Education	105,000,374	-	7,646,005	-	(97,354,369)	-	(97,354,369)
Interest and fees on long term debt	23,915,195	-	-	-	(23,915,195)	-	(23,915,195)
Total governmental activities	<u>223,466,816</u>	<u>8,731,861</u>	<u>31,361,590</u>	<u>421,017</u>	<u>(182,952,348)</u>	<u>-</u>	<u>(182,952,348)</u>
Business-type activities:							
Water and sewer	27,421,775	24,928,808	-	4,373,167	-	1,880,200	1,880,200
Solid waste	4,420,864	3,564,996	309,190	-	-	(546,678)	(546,678)
Stormwater	207,437	-	-	-	-	(207,437)	(207,437)
Total business-type activities	<u>32,050,076</u>	<u>28,493,804</u>	<u>309,190</u>	<u>4,373,167</u>	<u>-</u>	<u>1,126,085</u>	<u>1,126,085</u>
Total primary government	<u>\$ 255,516,892</u>	<u>\$ 37,225,665</u>	<u>\$ 31,670,780</u>	<u>\$ 4,794,184</u>	<u>(182,952,348)</u>	<u>1,126,085</u>	<u>(181,826,263)</u>
General revenues:							
Property taxes levied for general purposes					156,773,697	-	156,773,697
Local option sales tax					23,974,645	-	23,974,645
Other taxes and licenses					1,716,487	-	1,716,487
Grants and contributions not restricted to specific programs					112,326	-	112,326
Rent income not restricted to specific programs					3,295,689	-	3,295,689
Investment earnings, unrestricted					1,908,892	1,263,078	3,171,970
Miscellaneous, unrestricted					7,974	-	7,974
Gains on sales and disposals of capital assets					95,064	4,748	99,812
Total general revenues and gains					<u>187,884,774</u>	<u>1,267,826</u>	<u>189,152,600</u>
Change in net assets					4,932,426	2,393,911	7,326,337
Net assets - beginning (as restated, see Note 23)					<u>(406,969,641)</u>	<u>238,597,521</u>	<u>(168,372,120)</u>
Net assets - ending					<u>\$(402,037,215)</u>	<u>\$ 240,991,432</u>	<u>\$(161,045,783)</u>

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

Balance Sheet
Governmental Funds
 June 30, 2010

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 47,062,523	\$ 20,498,134	\$ -	\$ 7,321,739	\$ 74,882,396
Property taxes receivable (net)	6,382,560	-	-	135,621	6,518,181
Accounts receivable (net)	9,823,027	-	755,173	233,259	10,811,459
Accounts receivable, restricted (net)	-	199,269	-	-	199,269
Inventories	33,301	-	-	-	33,301
Cash and investments, restricted	99,681	2,223,027	12,130,773	783,917	15,237,398
Total assets	<u>\$ 63,401,092</u>	<u>\$ 22,920,430</u>	<u>\$ 12,885,946</u>	<u>\$ 8,474,536</u>	<u>\$ 107,682,004</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,283,543	\$ 226,428	\$ -	\$ 48,905	\$ 4,558,876
Deferred revenue	6,382,560	-	-	135,620	6,518,180
Unearned revenue	226,716	-	-	2,784	229,500
Deposits	569,936	-	-	-	569,936
Liabilities payable from restricted assets	-	249,012	1,233,103	7,688	1,489,803
Total liabilities	<u>11,462,755</u>	<u>475,440</u>	<u>1,233,103</u>	<u>194,997</u>	<u>13,366,295</u>
FUND BALANCES					
Reserved for encumbrances	1,375,830	1,907,025	-	3,304	3,286,159
Reserved by State statute	9,856,328	199,269	755,173	233,259	11,044,029
Reserved for drug enforcement	-	-	-	699,705	699,705
Reserved for grant programs	-	-	-	73,220	73,220
Unreserved					
Designated for subsequent years' expenditures	1,681,878	20,338,696	10,897,670	-	32,918,244
Designated for subsequent years' expenditures, reported in nonmajor:					
Special revenue	-	-	-	53,863	53,863
Debt service	-	-	-	1,510,656	1,510,656
Capital projects	-	-	-	3,557,259	3,557,259
Designated for special purpose	1,079,429	-	-	-	1,079,429
Undesignated	37,944,872	-	-	-	37,944,872
Undesignated, reported in nonmajor:					
Special revenue	-	-	-	2,148,273	2,148,273
Total fund balances	<u>51,938,337</u>	<u>22,444,990</u>	<u>11,652,843</u>	<u>8,279,539</u>	<u>94,315,709</u>
Total liabilities and fund balances	<u>\$ 63,401,092</u>	<u>\$ 22,920,430</u>	<u>\$ 12,885,946</u>	<u>\$ 8,474,536</u>	<u>\$ 107,682,004</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, 2010

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

Ending fund balance - governmental funds	\$ 94,315,709
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	71,874,732
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.	1,535,966
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,417,100
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	104,715
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.	846,912
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.	375,023
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.	523,358
Internal balance due from Business Type Activities to Governmental Activities.	362,584
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,967,043)
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.	(8,303,825)
Noncurrent liabilities comprised of derivative liabilities (in the amount of \$14,221,583) net of noncurrent assets comprised of deferred outflows on derivative instruments (in the amount of \$14,179,137)	(42,446)
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 \$565,005,530, as well as accrued interest payable of \$6,285,863 net of unamortized bond issuance costs of \$4,211,393)	<u>(567,080,000)</u>
Net assets of governmental activities	<u>\$ (402,037,215)</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, 2010

	Major			Nonmajor	Total Governmental Funds
	General	General	School	Other	
	Fund	Capital Project Fund	Bond Fund 55	Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 152,598,319	\$ -	\$ -	\$ 3,758,410	\$ 156,356,729
Local option sales tax	23,515,921	-	-	458,724	23,974,645
Other taxes and licenses	1,716,487	-	-	1,244,465	2,960,952
Intergovernmental	29,937,870	199,269	-	18,779	30,155,918
Permits and fees	2,490,193	-	-	1,209,113	3,699,306
Sales and services	4,751,268	-	-	15,000	4,766,268
Investment earnings	1,441,878	6,678	-	5,757	1,454,313
Miscellaneous	3,994,066	-	-	184,221	4,178,287
Total revenues	<u>220,446,002</u>	<u>205,947</u>	<u>-</u>	<u>6,894,469</u>	<u>227,546,418</u>
EXPENDITURES					
Current:					
General government	10,058,320	(13,914)	-	-	10,044,406
Public safety	27,168,952	1,146,866	-	6,159,984	34,475,802
Economic and physical development	2,183,870	-	-	-	2,183,870
Human services	35,921,058	-	-	-	35,921,058
Cultural and recreational	5,484,191	-	-	-	5,484,191
Intergovernmental:					
Education	80,799,320	-	-	-	80,799,320
Capital outlay:					
General government	-	229,301	-	-	229,301
Public safety	-	6,307,044	-	-	6,307,044
Cultural and recreational	-	237,309	-	-	237,309
Education	-	3,702,389	20,353,363	-	24,055,752
Debt service:					
Principal retirement	26,928,112	-	-	-	26,928,112
Interest and fees	24,895,699	-	-	-	24,895,699
Total expenditures	<u>213,439,522</u>	<u>11,608,995</u>	<u>20,353,363</u>	<u>6,159,984</u>	<u>251,561,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,006,480</u>	<u>(11,403,048)</u>	<u>(20,353,363)</u>	<u>734,485</u>	<u>(24,015,446)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	11,587,417	11,847,132	-	23,434,549
Transfers to other funds	(11,587,417)	-	-	(11,847,132)	(23,434,549)
Proceeds from refunding general obligation bonds	39,332,628	-	-	-	39,332,628
Proceeds from refunding general obligation bonds issuance premium, etc	2,708,055	-	-	-	2,708,055
Payments to refunded bonds escrow agents	(41,768,100)	-	-	-	(41,768,100)
Total other financing sources (uses)	<u>(11,314,834)</u>	<u>11,587,417</u>	<u>11,847,132</u>	<u>(11,847,132)</u>	<u>272,583</u>
Net change in fund balances	(4,308,354)	184,369	(8,506,231)	(11,112,647)	(23,742,863)
FUND BALANCES					
Beginning	56,246,691	22,260,621	20,159,074	19,392,186	118,058,572
Ending	<u>\$ 51,938,337</u>	<u>\$ 22,444,990</u>	<u>\$ 11,652,843</u>	<u>\$ 8,279,539</u>	<u>\$ 94,315,709</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, 2010

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

Net change in fund balances - total governmental funds	\$ (23,742,863)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,368,456
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.	(3,764)
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.	416,968
Revenues in the Statement of Activities from derivative investment income or (losses) that do not provide current financial resources or (uses) are not reported as revenues in the funds.	440,079
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.	14,500
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.	27,336,589
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.	(1,884,498)
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.	271,912
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.	(271,722)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and casualty insurance program.	<u>1,728</u>
The net revenue of certain activities of the internal service fund is reported with governmental activities.	
Change in net assets of governmental activities	<u>\$ 4,932,426</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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 151,542,026	\$ 151,542,026	\$ 152,598,319	\$ 1,056,293
Local option sales tax	28,478,556	28,478,556	23,515,921	(4,962,635)
Other taxes and licenses	1,416,000	1,416,000	1,716,487	300,487
Intergovernmental	28,853,834	31,079,442	29,937,870	(1,141,572)
Permits and fees	2,049,646	2,049,646	2,490,193	440,547
Sales and services	4,567,601	4,681,078	4,751,268	70,190
Investment earnings	2,160,000	2,160,000	1,441,878	(718,122)
Miscellaneous	1,978,847	3,056,528	3,994,066	937,538
Total revenues	<u>221,046,510</u>	<u>224,463,276</u>	<u>220,446,002</u>	<u>(4,017,274)</u>
EXPENDITURES				
Current:				
General government	11,479,044	11,925,225	10,058,320	1,866,905
Public safety	27,290,319	28,495,255	27,168,952	1,326,303
Economic and physical development	3,052,267	3,393,582	2,183,870	1,209,712
Human services	37,463,391	40,480,016	35,921,058	4,558,958
Cultural and recreational	5,659,905	5,832,498	5,484,191	348,307
Intergovernmental:				
Education	80,781,470	80,819,077	80,799,320	19,757
Debt service:				
Principal retirement	25,902,017	26,928,118	26,928,112	6
Interest and fees	27,929,434	26,129,702	24,895,699	1,234,003
Contingency	500,000	324,816	-	324,816
Nondepartmental	(72,000)	119,748	-	119,748
Total expenditures	<u>219,985,847</u>	<u>224,448,037</u>	<u>213,439,522</u>	<u>11,008,515</u>
Revenues over expenditures	<u>1,060,663</u>	<u>15,239</u>	<u>7,006,480</u>	<u>6,991,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(2,344,169)	(11,587,417)	(11,587,417)	-
Proceeds from refunding general obligation bonds	-	39,332,628	39,332,628	-
Proceeds from refunding general obligation bonds issuance premium, etc	-	2,708,055	2,708,055	-
Payments to refunded bonds escrow agents	-	(41,739,909)	(41,768,100)	(28,191)
Appropriated fund balance	1,283,506	11,271,404	-	(11,271,404)
Total other financing sources (uses)	<u>(1,060,663)</u>	<u>(15,239)</u>	<u>(11,314,834)</u>	<u>(11,299,595)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(4,308,354)</u>	<u>\$ (4,308,354)</u>
FUND BALANCES				
Beginning			56,246,691	
Ending			<u>\$ 51,938,337</u>	

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

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 53,360,216	\$ 6,979,609	\$ 48,318	\$ 60,388,143	\$ 2,878,160
Accounts receivable (net)	3,830,698	440,436	-	4,271,134	318,119
Inventories	953,065	-	-	953,065	-
Cash and investments, restricted	13,563,333	-	-	13,563,333	-
Total current assets	<u>71,707,312</u>	<u>7,420,045</u>	<u>48,318</u>	<u>79,175,675</u>	<u>3,196,279</u>
Noncurrent assets:					
Cash and investments	14,799,901	1,543,516	10,685	16,354,102	-
Net prepaid pension obligation	173,724	28,344	4,132	206,200	-
Unamortized bond issuance costs	1,271,241	-	-	1,271,241	-
Investment in joint venture	13,459,414	-	-	13,459,414	-
Deferred outflows on derivative instruments	4,146,527	-	-	4,146,527	-
Land and other assets not being depreciated	19,703,142	334,257	-	20,037,399	-
Buildings, equipment and infrastructure, net of depreciation	198,284,265	1,690,004	7,842	199,982,111	-
Total noncurrent assets	<u>251,838,214</u>	<u>3,596,121</u>	<u>22,659</u>	<u>255,456,994</u>	<u>-</u>
Total assets	<u>323,545,526</u>	<u>11,016,166</u>	<u>70,977</u>	<u>334,632,669</u>	<u>3,196,279</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,104,386	208,539	8,119	3,321,044	165,470
Deposits	492,887	3,880	-	496,767	-
Long-term liabilities, due within one year:					
General obligation bonds payable	1,502,788	-	-	1,502,788	-
Revenue bonds payable	2,416,706	-	-	2,416,706	-
State sanitary sewer loan payable	983,697	-	-	983,697	-
Workers' compensation claims payable	-	-	-	-	267,097
Health care benefits payable	-	-	-	-	1,018,419
Total current liabilities	<u>8,500,464</u>	<u>212,419</u>	<u>8,119</u>	<u>8,721,002</u>	<u>1,450,986</u>
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,008,783	-	4,008,783	-
Water right acquisition obligation	440,004	-	-	440,004	-
Compensated absences	400,966	45,186	16,228	462,380	-
Net OPEB obligation	750,177	185,609	949	936,735	-
Unearned revenue	818,516	-	-	818,516	-
Derivative liability	4,698,387	-	-	4,698,387	-
Long-term liabilities, due in more than one year:					
General obligation bonds	1,433,771	-	-	1,433,771	-
Revenue bonds	57,606,895	-	-	57,606,895	-
State sanitary sewer loan	14,152,180	-	-	14,152,180	-
Total noncurrent liabilities	<u>80,300,896</u>	<u>4,239,578</u>	<u>17,177</u>	<u>84,557,651</u>	<u>-</u>
Total liabilities	<u>88,801,360</u>	<u>4,451,997</u>	<u>25,296</u>	<u>93,278,653</u>	<u>1,450,986</u>
NET ASSETS					
Invested in capital assets, net of related debt	158,206,858	2,024,261	7,842	160,238,961	-
Restricted for debt service	2,819,884	-	-	2,819,884	-
Unrestricted	73,717,424	4,539,908	37,839	78,295,171	1,745,293
Total net assets	<u>\$ 234,744,166</u>	<u>\$ 6,564,169</u>	<u>\$ 45,681</u>	<u>241,354,016</u>	<u>\$ 1,745,293</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(362,584)	
Net assets of business-type activities				<u>\$ 240,991,432</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, 2010

	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	\$ 24,231,438	\$ 3,555,315	\$ -	\$ 27,786,753	\$ 10,367,641
Disposal fees	-	299,190	-	299,190	-
Other operating revenue	697,368	19,683	-	717,051	24,157
Total operating revenues	<u>24,928,806</u>	<u>3,874,188</u>	<u>-</u>	<u>28,802,994</u>	<u>10,391,798</u>
OPERATING EXPENSES					
Personnel	5,602,714	996,687	198,216	6,797,617	-
Operating expenses	9,339,102	3,195,742	3,744	12,538,588	904,108
Depreciation	9,905,433	180,271	4,481	10,090,185	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	47,535	-	47,535	-
Workers' compensation claims	-	-	-	-	176,889
Health benefit claims and premiums	-	-	-	-	8,571,725
Property and casualty claims and premiums	-	-	-	-	738,887
Total operating expenses	<u>25,011,402</u>	<u>4,420,235</u>	<u>206,441</u>	<u>29,638,078</u>	<u>10,391,609</u>
Operating gain (loss)	<u>(82,596)</u>	<u>(546,047)</u>	<u>(206,441)</u>	<u>(835,084)</u>	<u>189</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,151,949	111,129	-	1,263,078	14,500
Gain (loss) on sale of capital assets	4,748	-	-	4,748	-
Interest and fees on long term debt	(3,113,083)	-	-	(3,113,083)	-
Loss on investment in joint venture	702,816	-	-	702,816	-
Total nonoperating revenue (expenses)	<u>(1,253,570)</u>	<u>111,129</u>	<u>-</u>	<u>(1,142,441)</u>	<u>14,500</u>
Income (loss) before contributions and transfers	<u>(1,336,166)</u>	<u>(434,918)</u>	<u>(206,441)</u>	<u>(1,977,525)</u>	<u>14,689</u>
TRANSFERS AND CONTRIBUTIONS					
Transfers from other enterprise funds	-	-	235,816	235,816	-
Transfers to other enterprise funds	(235,816)	-	-	(235,816)	-
Capital contributions - cash	2,506,182	-	-	2,506,182	-
Capital contributions - non-cash	1,866,985	-	-	1,866,985	-
Total transfers and contributions	<u>4,137,351</u>	<u>-</u>	<u>235,816</u>	<u>4,373,167</u>	<u>-</u>
Change in net assets	2,801,185	(434,918)	29,375	2,395,642	14,689
NET ASSETS					
Beginning (as restated, see Note 23)	231,942,981	6,999,087	16,306	238,958,374	1,730,604
Ending	<u>\$ 234,744,166</u>	<u>\$ 6,564,169</u>	<u>\$ 45,681</u>	<u>241,354,016</u>	<u>\$ 1,745,293</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(362,584)	
Change in net assets of business-type activities				<u>\$ 240,991,432</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, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 24,295,224	\$ 3,647,208	\$ -	\$ 27,942,432	\$ 10,307,651
Other operating revenue	697,368	318,873	-	1,016,241	24,157
Cash paid to employees	(5,309,822)	(945,783)	(198,625)	(6,454,230)	-
Cash paid for goods and services	(9,086,103)	(3,302,146)	(6,417)	(12,394,666)	(10,513,942)
Net cash provided (used) by operating activities	10,596,667	(281,848)	(205,042)	10,109,777	(182,134)
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other enterprise funds	-	-	235,816	235,816	-
Transfers to other enterprise funds	(235,816)	-	-	(235,816)	-
Net cash provided (used) by noncapital financing activities	(235,816)	-	235,816	-	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from revenue bonds and general obligation refunding bonds	21,032,372	-	-	21,032,372	-
Proceeds from sale of capital assets	6,831	-	-	6,831	-
Proceeds from capacity fees	2,506,182	-	-	2,506,182	-
Proceeds from capacity fees deferred	221,754	-	-	221,754	-
Payments to refunded general obligation bonds escrow agent	(1,040,904)	-	-	(1,040,904)	-
Payments on general obligation bond debt	(1,715,786)	-	-	(1,715,786)	-
Payments on revenue bond debt	(2,525,000)	-	-	(2,525,000)	-
Payments on state sanitary loan	(983,697)	-	-	(983,697)	-
Issuance costs paid for revenue bonds and G.O. refunding bonds	(290,966)	-	-	(290,966)	-
Remove refunded G.O. bonds outstanding unamortized issuance costs	19,902	-	-	19,902	-
Add new G.O. bonds unamortized defeasance and loss	(19,736)	-	-	(19,736)	-
Remove old G.O. bonds unamortized defeasance, gain, and premium	(8,248)	-	-	(8,248)	-
Add new G.O. bonds unamortized premium	24,662	-	-	24,662	-
Interest paid on bonds and other debt	(3,178,105)	-	-	(3,178,105)	-
Acquisition and construction of capital assets	(10,251,652)	(220,000)	-	(10,471,652)	-
Acquisition payments on intangible asset - water rights	(130,763)	-	-	(130,763)	-
Net cash used by capital and related financing activities	3,666,846	(220,000)	-	3,446,846	-
INVESTING ACTIVITIES					
Investment earnings	1,033,998	111,130	-	1,145,128	14,500
Net increase (decrease) in cash and investments	15,061,695	(390,718)	30,774	14,701,751	(167,634)
CASH AND INVESTMENTS					
Beginning of year	66,661,755	8,913,843	28,229	75,603,827	3,045,794
End of year	\$ 81,723,450	\$ 8,523,125	\$ 59,003	\$ 90,305,578	\$ 2,878,160
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 53,360,216	\$ 6,979,609	\$ 48,318	\$ 60,388,143	\$ 2,878,160
Cash and investments, noncurrent	14,799,901	1,543,516	10,685	16,354,102	-
Cash and investments, restricted assets	13,563,333	-	-	13,563,333	-
Total Statement of Net Assets cash and cash equivalents	\$ 81,723,450	\$ 8,523,125	\$ 59,003	\$ 90,305,578	\$ 2,878,160
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating gain (loss)	\$ (82,596)	\$ (546,047)	\$ (206,441)	\$ (835,084)	\$ 189
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	9,905,433	180,271	4,481	10,090,185	-
Provision for uncollectible accounts	39,623	9,903	-	49,526	-
Landfill closure and post closure care costs	-	47,536	-	47,536	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	(150,888)	81,990	-	(68,898)	(59,990)
Decrease in inventories	103,039	5,454	-	108,493	-
Increase in net prepaid pension obligation (asset)	(6,780)	(975)	(291)	(8,046)	-
Increase (decrease) in accounts payable and accrued liabilities	416,961	(95,037)	774	322,698	(122,333)
Increase in deposits	175,051	-	-	175,051	-
Decrease in compensated absences payable	(17,680)	(14,041)	(4,514)	(36,235)	-
Increase in net other post employment benefit obligations	214,504	49,098	949	264,551	-
Total adjustments	10,679,263	264,199	1,399	10,944,861	(182,323)
Net cash provided (used) by operating activities	\$ 10,596,667	\$ (281,848)	\$ (205,042)	\$ 10,109,777	\$ (182,134)
Noncash investing, capital, and financing activities:					
Loss on investment in joint venture	\$ 702,816	\$ -	\$ -	\$ 702,816	\$ -
Contribution of capital infrastructure	\$ 1,866,985	\$ -	\$ -	\$ 1,866,985	\$ -
Capitalized interest	\$ 330,771	\$ -	\$ -	\$ 330,771	\$ -
Investment derivative gains	\$ 117,950	\$ -	\$ -	\$ 117,950	\$ -

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

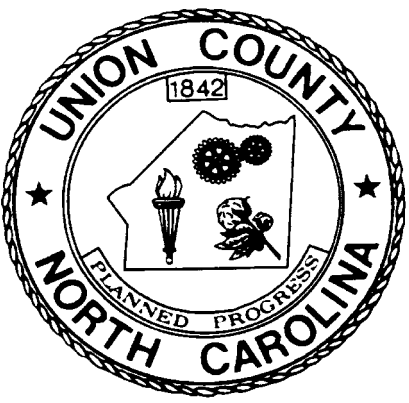
	Special Separation Allowance Pension Trust Fund	Retiree Healthcare Benefits Plan Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 1,334,031	\$ 1,036,877	\$ 278,669
Property taxes receivable (net)	-	-	8,321
Accounts receivable (net)	20,014	-	49,523
Total assets	<u>1,354,045</u>	<u>1,036,877</u>	<u>\$ 336,513</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	-	-	\$ 253,745
Due to program participants	-	-	82,768
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 336,513</u>
NET ASSETS			
Held in Trust for:			
Employees' pension benefits	<u>1,354,045</u>	<u>1,036,877</u>	
Total net assets	<u>\$ 1,354,045</u>	<u>\$ 1,036,877</u>	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Pension Trust Funds
 For the Year Ended June 30, 2010

	Special Separation Allowance Pension Trust Fund	Retiree Healthcare Benefits Plan Pension Trust Fund	Totals
ADDITIONS			
Employer contributions	\$ 631,086	\$ 652,840	\$ 1,283,926
Net investment income	16,079	23,269	39,348
Total additions	<u>647,165</u>	<u>676,109</u>	<u>1,323,274</u>
DEDUCTIONS			
Benefits	<u>926,878</u>	<u>-</u>	<u>926,878</u>
Change in net assets	(279,713)	676,109	396,396
NET ASSETS			
Beginning	<u>1,633,758</u>	<u>360,768</u>	<u>1,994,526</u>
Ending	<u><u>\$ 1,354,045</u></u>	<u><u>\$ 1,036,877</u></u>	<u><u>\$ 2,390,922</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, 2010

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, installment financings and transfers from the Debt Service Fund 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 one nonmajor capital project fund: the 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 maintains two Pension Trust Funds - the Special Separation Allowance Fund and the Other Postemployment Benefit (OPEB) Fund. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Special Separation Allowance Fund is a single-employer, public employee retirement system. The Other Postemployment Benefit Fund accounts for a portion of the County's contribution to the net OPEB obligation for healthcare coverage provided to qualified retirees.

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 nine 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 Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis; 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, 2010 were \$92,019 and \$92,647.

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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, 2010. 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).

General Statute 147-69.4 allows the County to establish an Other Postemployment Benefit (OPEB) Trust Fund managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not resisted with the SEC and G.S. 159-30(g) allows the County to make contributions to the Fund. The State Treasurer, in their discretion, may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(1-6) and (8). Funds submitted are managed in three different sub-funds: the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S. 147-69.2(8).

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. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147.69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The LTIF is also valued at \$1 per share. The Global Ex-US Alpha Tilts Fund B is priced at 13.728 per share and the Russell 3000 Alpha Tilts Fund B is priced at 21.691 per share at June 30, 2010.

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, 2009.

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
Computer software (intangible)	5-10
Vehicles	4-5
Land Improvements	20-30
Buildings	25-40
Building Improvements	7-30
Plant Distribution, Collection	25
Water rights (intangible)	40

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. 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.

County employees accrue holiday leave within the 12-month period of November 1st through October 31st. Employees must use their accrued holiday leave within the designated 12-month period. Each year, at the end of the pay period that includes October 31st, all unused holiday leave is forfeited.

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.

10. 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.

11. 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 2010-2011 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 2010-2011 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 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 \$567,080,000 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	\$ (565,005,530)
Accrued interest payable, net of unamortized bond issuance costs	(2,074,470)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (567,080,000)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$28,675,289 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 7,230,638
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.	(4,862,182)
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	26,928,112
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	(42,040,683)
Debt issuance premium amortization	1,016,235
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	19,169
Remittance of funds to escrow agent to defease debt instruments	41,768,100
Defeasance amortization over remaining life of debt	(354,344)
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)	299,444
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	90,258
Net pension obligation	58,507
Net other postemployment obligation	(2,332,707)
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 7/1/09	(6,000,132)
Recording of tax receipts deferred in the fund statements as of 6/30/10	6,518,180
Decrease in accrued taxes receivable for year ended 6/30/10	(101,080)
Derivative investment income	440,079
Internal service funds' investment earnings	14,500
Adjustment for deferral of loan to outside agency	(14,959)
Net book value of capital assets disposed of	(3,764)
Health and dental insurance costs, net of investment earnings	271,912
Workers' compensation costs, net of investment earnings	(271,722)
Property and casualty costs, net of investment earnings	1,728
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 28,675,289</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance or Retained Earnings of Individual Funds

There were no deficits in fund balances or net assets of individual funds. Within certain funds, as noted in the following paragraph, there were deficit categories within total fund balances.

The Special Revenue Funds consisting of Waxhaw Fire District Fund, Stallings Fire District Fund and Wesley Chapel Fire District Fund had undesignated deficit fund balance positions of \$6,543, \$11,371 and \$9,030, respectively at June 30, 2010. For each of these Fire District Funds, the undesignated deficit fund balances positions are due to the recording of sales tax payable to the Fire District Funds at June 30, 2010, representing a portion of the sales tax receivable at June 30, 2010. When the receivables are converted to cash after June 30, 2010, the deficit undesignated fund balance positions will be eliminated.

B. Excess of Expenditures over Appropriations

Expenditures relating to the Fee Supported Fire Districts Fund exceeded budget appropriations by \$1,311; however restricted fire fees were available to support the program expenditures.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, 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, 2010, the County's deposits had a carrying amount of \$72,608,648 and a bank balance of \$72,792,450. Of the bank balance, \$823,243 was covered by federal depository insurance and \$71,969,207 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2010, the County had \$7,510 cash on hand.

As of June 30, 2010, 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
Commercial Paper	\$ 26,682,880	\$ 16,754,080	\$ 9,928,800	\$ -	\$ -
NC Cash Management Trust - Cash Portfolio	20,283,428	-	-	-	-
US Government Agencies	65,333,766	10,899,220	16,863,750	\$ 25,702,986	\$ 11,867,810
Total:	<u>\$ 112,300,074</u>	<u>\$ 27,653,300</u>	<u>\$ 26,792,550</u>	<u>\$ 25,702,986</u>	<u>\$ 11,867,810</u>

The cash and investments described above include those recorded in the County's Statement of Net Assets (\$183,303,532); and Statement of Fiduciary Net Assets for Special Separation Allowance Pension Trust Fund (\$1,334,031) and Agency Funds (\$278,669).

Also, at June 30, 2010, the Retiree Healthcare Benefits Pension Trust Fund deposits had a carrying amount and bank balance of \$1,036,877 as shown on the 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.

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, 2010, 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, 2010. 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 – Cash and Investments. The County has adopted a policy stating that of total cash and investments, the County places a limit of 10 percent on the amount that the County may invest in any one issuer of commercial paper, no more exposure than 25 percent in commercial paper, and no limitations on Federal Agencies. At June 30, 2010, the County was not holding more than 10 percent of the total cash and investments portfolio in any one issuer of commercial paper.

Concentration of Credit Risk – Investments. More than 5 percent of the County's investments are in FCAR's commercial paper, UBS Finance Delaware's commercial paper, Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. These investments are 12.46%, 8.84%, 21.36%, 10.29%, and 26.53% respectively of the County's total investments.

At June 30, 2010, the County Retiree Healthcare Benefits (RHCB) Plan had \$1,035,514 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust Fund pursuant to G.S. 147-69.4. The amount, valued at market fair value, represents a portion of the County's contribution to the net OPEB obligation. The State Treasurer's OPEB Trust Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 27.04%; State Treasurer's Long Term Investment Fund (LTIF) 11.38% and Black Rock's Global Ex-US Alpha Tilts Fund B 61.58% (the equities were split with 75% in domestic securities and 25% in international securities).

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 15.8 years at June 30, 2010.

Credit Risk: The County does not have a formal investment policy regarding credit risk for the RHCB Plan Fund invested in the OPEB Trust Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies and corporate bonds with longer term maturities.

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, 2010, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 9,823,027	\$ 7,942,462	\$ 17,765,489
Special Revenue	233,259	133,009	366,268
Capital Projects	755,173	-	755,173
Internal Service	318,119	-	318,119
Total Receivables	11,129,578	8,075,471	19,205,049
Allowance for doubtful accounts	-	(1,658,371)	(1,658,371)
Total-governmental activities	<u>\$ 11,129,578</u>	<u>\$ 6,417,100</u>	<u>\$ 17,546,678</u>
Business-type Activities:			
Water and Sewer	\$ 5,453,113	\$ -	\$ 5,453,113
Solid Waste	472,254	-	472,254
Total Receivables	5,925,367	-	5,925,367
Allowance for doubtful accounts	(1,654,233)	-	(1,654,233)
Total-business-type activities	<u>\$ 4,271,134</u>	<u>\$ -</u>	<u>\$ 4,271,134</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
2007	2006	\$ 5,338,106	\$ 1,267,800	\$ 6,605,906
2008	2007	5,733,064	845,627	6,578,691
2009	2008	10,245,348	589,108	10,834,456
2010	2009	10,735,355	617,283	11,352,638
		<u>\$ 32,051,873</u>	<u>\$ 3,319,818</u>	<u>\$ 35,371,691</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2010, was as follows:

	Beginning Balances	Prior Period Adjustments (see Note 23)	Beginning Balances (as restated)	Additions	Retirements, Adjustments	Transfers	Ending Balances
Governmental activities:							
Capital assets not being depreciated:							
Land	\$ 4,176,822	\$ (670,002)	\$ 3,506,820	\$ -	\$ -	\$ -	\$ 3,506,820
Construction in progress	6,086,570	-	6,086,570	5,685,251	-	(82,646)	11,689,175
Total capital assets not being depreciated	<u>10,263,392</u>	<u>(670,002)</u>	<u>9,593,390</u>	<u>5,685,251</u>	<u>-</u>	<u>(82,646)</u>	<u>15,195,995</u>
Capital assets being depreciated:							
Other improvements	6,927,415	(181,620)	6,745,795	-	-	-	6,745,795
Buildings	65,604,372	(359,722)	65,244,650	262,577	-	77,885	65,585,112
Furniture and equipment	17,875,670	50,080	17,925,750	615,028	-	4,761	18,545,539
Vehicles	7,597,615	-	7,597,615	657,900	39,009	-	8,016,506
Computer software	-	-	-	9,882	-	-	9,882
Total capital assets being depreciated	<u>98,005,072</u>	<u>(491,262)</u>	<u>97,513,810</u>	<u>1,545,387</u>	<u>239,009</u>	<u>82,646</u>	<u>98,902,834</u>
Less accumulated depreciation for:							
Other improvements	2,462,165	(173,125)	2,289,040	239,676	-	-	2,528,716
Buildings	20,231,496	(147,045)	20,084,451	2,188,879	-	-	22,273,330
Furniture and equipment	9,783,849	-	9,783,849	1,646,310	-	-	11,430,159
Vehicles	5,439,820	-	5,439,820	787,317	235,245	-	5,991,892
Total accumulated depreciation	<u>37,917,330</u>	<u>(320,170)</u>	<u>37,597,160</u>	<u>4,862,182</u>	<u>235,245</u>	<u>-</u>	<u>42,224,097</u>
Total capital assets being depreciated, net	<u>60,087,742</u>	<u>(171,092)</u>	<u>59,916,650</u>	<u>(3,316,795)</u>	<u>3,764</u>	<u>82,646</u>	<u>56,678,737</u>
Governmental activities capital assets, net	<u>\$ 70,351,134</u>	<u>\$ (841,094)</u>	<u>\$ 69,510,040</u>	<u>\$ 2,368,456</u>	<u>\$ 3,764</u>	<u>\$ -</u>	<u>\$ 71,874,732</u>

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

General government	\$ 1,538,940
Public safety	1,955,786
Economic and physical development	177,464
Human services	402,898
Cultural and recreational	641,776
Education	145,318
Total depreciation expense	<u>\$ 4,862,182</u>

Capital asset activity for the business-type activities for the year ended June 30, 2010, was as follows:

Business-type activities:	Beginning Balances	Prior Period Adjustments (see Note 23)	Beginning Balances (as restated)	Additions	Transfers	Ending Balances
Water and Sewer						
Capital assets not being depreciated:						
Land	\$ 1,164,560	\$ -	\$ 1,164,560	\$ -	\$ 216,518	\$ 1,381,078
Land - easements	-	(777,807)	777,807	-	186,341	964,148
Construction in progress	9,147,365	-	9,147,365	10,521,073	(2,310,522)	17,357,916
Total capital assets not being depreciated	<u>10,311,925</u>	<u>(777,807)</u>	<u>11,089,732</u>	<u>10,521,073</u>	<u>(1,907,663)</u>	<u>19,703,142</u>
Capital assets being depreciated:						
Plant and collection systems	151,582,253	735,153	150,847,100	1,176,966	1,072,454	153,096,520
Plant and distribution systems	114,761,181	42,653	114,718,528	690,019	835,211	116,243,758
Water rights (intangible asset)	-	(1,902,757)	1,902,757	-	-	1,902,757
Administration Building	1,138,455	(31,570)	1,170,025	-	(2)	1,170,023
Equipment	3,187,668	-	3,187,668	59,266	-	3,246,934
Vehicles	3,068,257	-	3,068,257	-	-	3,068,257
Total capital assets being depreciated	<u>273,737,814</u>	<u>(1,156,521)</u>	<u>274,894,335</u>	<u>1,926,251</u>	<u>1,907,663</u>	<u>278,728,249</u>
Less accumulated depreciation for:						
Plant and collection systems	35,668,025	154,863	35,513,162	5,296,068	-	40,809,230
Plant and distribution systems	29,307,813	10,379	29,297,434	4,115,857	-	33,413,291
Water rights (intangible asset)	-	(820,564)	820,564	47,569	-	868,133
Administration Building	91,076	(19,386)	110,462	46,612	-	157,074
Equipment	2,214,115	-	2,214,115	209,441	-	2,423,556
Vehicles	2,582,815	-	2,582,815	189,885	-	2,772,700
Total accumulated depreciation	<u>69,863,844</u>	<u>(674,708)</u>	<u>70,538,552</u>	<u>9,905,432</u>	<u>-</u>	<u>80,443,984</u>
Total capital assets being depreciated, net	<u>203,873,970</u>	<u>(481,813)</u>	<u>204,355,783</u>	<u>(7,979,181)</u>	<u>1,907,663</u>	<u>198,284,265</u>
Water and Sewer capital assets, net	<u>214,185,895</u>	<u>(1,259,620)</u>	<u>215,445,515</u>	<u>2,541,892</u>	<u>-</u>	<u>217,987,407</u>
Solid Waste						
Capital assets not being depreciated:						
Land	310,055	(24,202)	334,257	-	-	334,257
Capital assets being depreciated:						
Other improvements	834,141	24,202	809,939	-	-	809,939
Plant and collection systems	1,931,983	-	1,931,983	-	-	1,931,983
Equipment	1,598,674	-	1,598,674	220,000	-	1,818,674
Vehicles	963,272	-	963,272	-	-	963,272
Total capital assets being depreciated	<u>5,328,070</u>	<u>24,202</u>	<u>5,303,868</u>	<u>220,000</u>	<u>-</u>	<u>5,523,868</u>
Less accumulated depreciation for:						
Other improvements	117,719	4,840	112,879	39,984	-	152,863
Plant and collection systems	1,214,949	-	1,214,949	75,179	-	1,290,128
Equipment	1,405,660	-	1,405,660	45,150	-	1,450,810
Vehicles	920,105	-	920,105	19,958	-	940,063
Total accumulated depreciation	<u>3,658,433</u>	<u>4,840</u>	<u>3,653,593</u>	<u>180,271</u>	<u>-</u>	<u>3,833,864</u>
Total capital assets being depreciated, net	<u>1,669,637</u>	<u>19,362</u>	<u>1,650,275</u>	<u>39,729</u>	<u>-</u>	<u>1,690,004</u>
Solid Waste capital assets, net	<u>1,979,692</u>	<u>(4,840)</u>	<u>1,984,532</u>	<u>39,729</u>	<u>-</u>	<u>2,024,261</u>
Storm Water						
Capital assets being depreciated:						
Vehicles	33,197	-	33,197	-	-	33,197
Total capital assets being depreciated	<u>33,197</u>	<u>-</u>	<u>33,197</u>	<u>-</u>	<u>-</u>	<u>33,197</u>
Less accumulated depreciation for:						
Vehicles	20,874	-	20,874	4,481	-	25,355
Total accumulated depreciation	<u>20,874</u>	<u>-</u>	<u>20,874</u>	<u>4,481</u>	<u>-</u>	<u>25,355</u>
Total capital assets being depreciated, net	<u>12,323</u>	<u>-</u>	<u>12,323</u>	<u>(4,481)</u>	<u>-</u>	<u>7,842</u>
Storm Water capital assets, net	<u>12,323</u>	<u>-</u>	<u>12,323</u>	<u>(4,481)</u>	<u>-</u>	<u>7,842</u>
Business-type activities capital assets, net	<u>\$ 216,177,910</u>	<u>\$ (1,264,460)</u>	<u>\$ 217,442,370</u>	<u>\$ 2,577,140</u>	<u>\$ -</u>	<u>\$ 220,019,510</u>

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2010 consisted of the following:

Capitalized interest	\$ 330,771
Other interest and fees	3,113,083
Total interest and fees costs	<u>\$ 3,443,854</u>

NOTE 7 - LIABILITIES

Payables at the government-wide level at June 30, 2010, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 4,374,151	\$ 2,810,697	\$ 7,184,848
Salaries and benefits	1,839,998	245,571	2,085,569
Accrued Interest	6,285,863	264,776	6,550,639
Total	<u>\$ 12,500,012</u>	<u>\$ 3,321,044</u>	<u>\$ 15,821,056</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, 2010, 2009, and 2008 were \$1,819,023, \$1,854,049, and \$1,839,778 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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	66
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>999</u>
Total	<u><u>1,065</u></u>

Summary of Significant Accounting Policies

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

Investments are reported at fair value. Short-term debt instruments, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$631,086 or 1.51% 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, 2010 was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year for law enforcement officers and ranging from 4.5% to 14.3% per year for general employees. The inflation component was 3.75%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2008 was 22 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	\$ 580,462
Interest on net pension obligation	(121,482)
Adjustment to annual required contribution	<u>105,553</u>
Annual pension cost	564,533
Contributions made	<u>(631,086)</u>
Increase (decrease) in net pension obligation	(66,553)
Net pension obligation (credit) - beginning of year	<u>(1,675,613)</u>
Net pension obligation (credit) - end of year	<u><u>\$ (1,742,166)</u></u>

Three year trend information:

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation/(Credit) End of Year
June 30, 2008	\$ 467,541	189%	\$ (1,299,260)
June 30, 2009	515,554	173%	(1,675,613)
June 30, 2010	564,533	112%	(1,742,166)

As of December 31 2009, the most recent actuarial valuation date, the plan was 17.26 percent funded. The actuarial accrued liability for benefits was \$8,617,532, and the actuarial value of assets was \$1,487,609, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,129,923. The covered payroll (annual payroll of active employees covered by the plan) was \$36,769,426, and the ratio of the UAAL to the covered payroll was 19.4 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, 2010 were \$2,745,413, which consisted of \$1,858,079 from the County and \$887,334 from employees.

D. Register of Deeds' Supplemental Pension Fund

Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution pension plan administered by the North Carolina Department of State Treasurer. The fund provides supplemental pension benefits to any eligible County register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2010, the County's required and actual contributions were \$17,107.

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, 2008, 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, 2009, retirees paid \$0 per month for their coverage and \$242.00 per month for spousal coverage, if elected. In addition, these retirees are eligible for dental coverage and pay \$0 per month. Spouses are required to pay the full cost; therefore, dental coverage for spouses is not included in the valuation.

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, 2009, the date of the latest actuarial valuation:

	<u>Number of</u> <u>Participants</u>
Active Participants	850
Retired Participants	217
Covered Spouses of Retirees	<u>27</u>
Total	<u>1,094</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 13.5% of annual covered payroll. For the current year, the County contributed \$2,339,298 or 6.3% 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 RHC B 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. Effective July 1, 2008, the County increased its contributions to the RHC B Plan with the objective of funding the Annual Required Contribution by fiscal year 2014. A portion of the contributions above the modified accrual expenditures are being set aside to pay for the future benefits and administration costs.

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	\$ 4,966,681
Interest on net OPEB obligation	481,639
Adjustment to annual required contribution	<u>(511,764)</u>
Annual OPEB cost (expense)	4,936,556
Contributions made	<u>(2,339,298)</u>
Increase (decrease) in net OPEB obligation	2,597,258
Net OPEB obligation, beginning of year	<u>6,643,302</u>
Net OPEB obligation, end of year	<u>\$ 9,240,560</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 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
2009	5,051,024	38.3%	6,643,302
2010	\$ 4,966,681	47.10%	\$ 9,240,560

Funded Status and Funding Progress. As of July 1, 2009, 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 \$39,343,163. The covered payroll (annual payroll of active employees covered by the plan) was \$36,849,844 the ratio of the UAAL to the covered payroll was 106.77 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, 2009 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 9.00 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, 2009, 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, 2010, the County made contributions to the State for death benefits of \$36,622. 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 \$4,008,783 reported as landfill closure and post closure care liability at June 30, 2010 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, 2010 there was an increase of \$47,535 from the prior year. The liability represents the estimated present value of the amount needed to fund the post closure care costs that will be incurred during the 30 year period after closure. Actual post closure costs may be higher due to inflation, changes in technology or changes in regulations.

The County has met and continues to meet the requirements of a local government financial test that is one option under state and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. The County elected to establish a reserve fund several years ago to accumulate resources for the payment of closure and post closure care costs. The actual

landfill closure 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 \$7,346,387. 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, 2010. At year end the significant contractual commitments include the following:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
<u>General Capital Projects Fund:</u>		
Jesse Helms Park Bridge	\$ 142,523	\$ 459,614
Jesse Helms Park Passive Area	181,199	107,475
Jail Expansion	1,805,721	116,805
Government Facility Renovations	8,360,627	188,445
Communications Radio Project	10,044,531	1,006,051
<u>Miscellaneous Water & Sewer Capital Projects:</u>		
Comprehensive Water & Wastewater Master Plan	279,330	590,670
<u>Water Capital Projects:</u>		
Water Main Relocation	-	560,000
Catawba River WTP Reservoir Expansion	1,184,495	527,212
Catawba River WTP Expansion	131,831	318,209
Northern Union County Water Supply	103,577	194,034
Weddington Elevated Storage Tank	207,388	128,485
Anson 4.0MGD Water Improvements	3,535,635	2,463,052
<u>Sewer Capital Projects:</u>		
East Side Sewer Improvements	585,179	339,982
North Union County Waste Water Treatment Plant	457,419	200,062
12 Mile Creek Phosphorus Removal	2,916,209	14,737
12 Mile Creek Odor Control	4,890,012	232,520
Sewer System Mapping	719,211	35,812
Total	<u>\$ 35,544,886</u>	<u>\$ 7,483,164</u>

The General capital projects are commitments of the General Capital Projects Fund and are funded by a combination of certificates of participation, installment financing, 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 \$2,932,000 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 contributions from the County, the County's employees, and 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 and Rx benefits are partially self-insured. Individual member claims are self-insured up to \$150,000 annually. Specific Stop-Loss Insurance is purchased to cover individual member claims that exceed \$150,000 and total less than the \$2,000,000 annual cap. In addition, Aggregate Stop-Loss Insurance is purchased to cover the claims of all members combined that exceed 125% of the expected claims total during the plan year. Claims paid through an individual member HRA (Health Reimbursement Account) are excluded from specific and aggregate stop loss coverage. Claims are administered under a contract with a third party administrator. Claim reserves are established at the end of the plan year (currently June 30) 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, 2010	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2009
Unpaid Claims beginning of fiscal year	\$ 939,269	\$ 700,830	\$ 422,588	\$ 178,843	\$ -	\$ -
Incurring claims and premiums	6,614,037	6,526,520	(512,796)	(26,229)	738,887	704,749
Claims and premiums paid	<u>(8,571,725)</u>	<u>(8,166,619)</u>	<u>(176,889)</u>	<u>(575,202)</u>	<u>(738,887)</u>	<u>(704,749)</u>
Unpaid Claims end of fiscal year	<u>\$ 1,018,419</u>	<u>\$ 939,269</u>	<u>\$ 267,097</u>	<u>\$ 422,588</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 County'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 are covered by a crime insurance policy with limits of \$500,000 per loss. 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, 2010. 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 an 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 and any capital maintenance thereto. In consideration for the debt service payments made by the County, the County receives the exclusive right to convey up to 1 million gallons per day of wastewater into the McAlpine Creek Waste Water Treatment Plant at cost. The County can increase its allocation up to a maximum of three million gallons per day by the assumption of additional debt service used to construct the McAlpine Creek WWTP, outfall lines and pump stations. Rents paid under all operating leases totaled \$1,047,239 for the year ended June 30, 2010.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2011	\$ 164,153	\$ 325,217	\$ 599,014
2012	164,153	325,217	581,676
2013	164,154	325,217	582,118
2014	-	325,217	581,011
2015	-	325,217	585,011
2016-2020	-	1,626,084	-
2021-2025	-	1,469,450	-
2026-2030	-	853,082	-
2031-2035	-	598,805	-
2036-2040	-	479,044	-
	<u>\$ 492,460</u>	<u>\$ 6,652,550</u>	<u>\$ 2,928,830</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 \$83,903 during the fiscal year ended June 30, 2010. 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, 2010 are reflected in the following table. Bonds and installment financings appearing in the table that have associated derivative products are denoted with a lower case letter of the alphabet in parenthesis. A detailed description of each corresponding derivative appears after the following tables.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2010	Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2010
1. General Obligation Bonds						
1999 Refunding Bonds (School Facility)	Sept. 01, 1999	March 01, 2011	5.00%	\$ 14,673,548	\$ 995,540	\$ 995,540
1999 Refunding Bonds (Water)	Sept. 01, 1999	March 01, 2011	5.00%	5,961,452	404,460	405,387
2001 School Facility Bonds (c)	March 01, 2001	March 01, 2011	4.75%	56,700,000	2,500,000	2,500,000
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	3.75% - 4.125%	14,976,804	8,746,028	8,791,306
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	4.00% - 4.50%	3,303,196	1,928,972	1,938,253
2004 School Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	42,593,862	42,593,862
2004 Law Enf. Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,531,138	1,531,138
2004 Refunding Bonds - Series B (School Fac.) (b, g)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	19,505,000	18,715,511
2007 School Facility - Series A (f, g)	Sept. 06, 2007	March 01, 2031	Variable	55,365,000	48,435,000	48,435,000
2007 School Facility - Series A (g)	Sept. 06, 2007	March 01, 2033	Variable	10,000,000	10,000,000	10,000,000
2007 School Facility - Series B (f, g)	Sept. 06, 2007	March 01, 2031	Variable	33,220,000	29,065,000	29,065,000
2007 School Facility - Series B (g)	Sept. 06, 2007	March 01, 2033	Variable	6,000,000	6,000,000	6,000,000
2007 School Facility - Series C (f, g)	Sept. 06, 2007	March 01, 2031	Variable	22,145,000	19,385,000	19,385,000
2007 School Facility - Series C (g)	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% - 5.00%	90,000,000	84,000,000	87,027,733
2009 School Facility - Series A	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	63,375,000	66,529,468
2009 Refunding Bonds (School Facility) - Series B	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	68,570,000	72,113,247
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	38,661,292	38,221,881
2009 Refunding Bonds (Water) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	788,436	449,604	452,820
2009 Refunding Bonds (Sewer) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	243,936	139,104	140,099
					<u>450,285,000</u>	<u>458,841,245</u>
2. Installment Financing						
2003 Multi-purpose COP's (c)	June 15, 2003	June 01, 2025	2.875% - 5.0%	43,760,000	28,800,000	29,384,615
2006 School COP's	Nov. 09, 2006	June 01, 2032	4.0% - 5.0%	77,640,000	68,310,000	71,125,127
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.9026%	9,390,000	8,591,102	8,591,102
					<u>105,701,102</u>	<u>109,100,844</u>
3. Revenue Bonds						
2003 Enterprise System - Series A (d)	June 12, 2003	June 01, 2029	3.0% - 5.0%	33,130,000	27,430,000	27,975,409
2003 Refunding Enterprise System - Series B (a, g)	June 12, 2003	June 01, 2021	Variable	20,935,000	13,645,000	12,483,192
2009 Enterprise System (e.g)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	19,565,000	19,565,000
					<u>60,640,000</u>	<u>60,023,601</u>
4. Other Long-term Obligations (Note 16. E.)						
1998 North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	3.43%	4,673,933	1,635,877	1,635,877
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	2.265%	15,000,000	13,500,000	13,500,000
					<u>15,135,877</u>	<u>15,135,877</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 631,761,979</u>	<u>\$ 643,101,567</u>

2. On August 13, 2009, the County issued general obligation refunding bonds totaling \$40,365,000 with an interest rate ranging from 2.25% to 4.50% to refund Schools, Water and Sewer Refunding, Series 1996 bonds and to partially advance refund School, Series 2001 bonds with interest rates on the refunded issues ranging from 4.75% to 5.20%. The proceeds of the new bond issues were used to

refund the Series 1996 bonds and to purchase U.S. government securities as a result of the partial advance refunding of the Series 2001 bonds. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded bonds, Series 2001. As a result, the bonds described above are considered to be defeased and partially defeased respectively and the liability for the defeased portion of the bonds has been removed from the balance sheet. The refunding and advance refunding reduced cash flow required for debt service on the general obligation bonds by \$1,777,942. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,539,296. On June 30, the principal outstanding on the refunded bonds was \$38,000,000 and the amount held in escrow by the escrow agent was \$40,149,816.

3. Derivative Instruments outstanding at June 30, 2010, are reflected in the following summary table. Following the summary table, each derivatives' objectives, terms, reference rates, relevant dates and risks are more fully described.

Governmental activities

Cash flow hedges (A):

Pay fixed-receive floating

Item Description in Notes	Amortized Notional Value	Counterparty	Pay	Receive	Value due from /	Value due from /
					(to) counterparty 6-30-2009	(to) counterparty 6-30-2010
(b)	\$ 31,815,000	Wells Fargo Bank N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	\$ (2,443,236)	\$ (3,551,496)
(b)	\$ 15,907,500	Bank of America N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	(1,188,897)	(1,764,906)
(b)	\$ 15,907,500	Citibank N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	(1,257,335)	(1,800,917)
(f)	\$ 26,511,773	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(6,037,672)	(4,517,831)
(f)	\$ 7,496,614	UBS AG	3.673%	70% LIBOR	(1,708,176)	(1,275,113)
(f)	\$ 7,496,614	Citibank N.A.	3.673%	70% LIBOR	(1,696,294)	(1,268,874)
					<u>(14,331,610)</u>	<u>(14,179,137)</u>

Investment derivatives (B):

Pay floating-receive floating

(c)	\$ 60,740,000	Wells Fargo Bank N.A.	BMA Swap Index	67% LIBOR + 0.532%	(482,525)	(42,446)
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Business-type activities

Cash flow hedges (A):

Pay fixed-receive floating

(a)	\$ 13,645,000	Citibank N.A.	2.995%	61.5% LIBOR + 0.36%	(500,683)	(852,657)
(e)	\$ 19,565,000	Citibank N.A.	3.820%	70% LIBOR	(2,367,871)	(3,293,870)
					<u>(2,868,554)</u>	<u>(4,146,527)</u>

Investment derivatives (B):

Pay floating-receive floating

(d)	\$ 24,665,000	Citibank N.A.	BMA Swap Index	70% LIBOR + 0.40%	(669,810)	(551,860)
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(A) Cash flow hedges require County to pay fixed payer rate and receive % of LIBOR index

(B) Investment derivatives require County to pay SIFMA and receive % of LIBOR index

Derivative instrument "c" and "d" are pay-floating receive floating on fixed rate debt obligations. As such, the derivative instruments do not qualify as hedging derivatives under GASB 53. Therefore, for accounting and financial reporting purposes, these two derivative instruments are considered investment derivative instruments. All other derivative instruments are considered hedging derivative instruments.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

	Changes in Fair Value since June 30, 2008		Fair Value at June 30, 2009		Notional
	Classification	Amount	Classification	Amount	
Governmental activities					
Cash flow hedges:					
Pay fixed-receive floating	Deferred outflow	\$(2,227,851)	Debt	\$(7,117,319)	\$63,630,000
Pay fixed-receive floating	Deferred outflow	2,380,324	Debt	(7,061,818)	41,505,001
Investment derivatives:					
Pay floating-receive floating	Investment revenue	440,079	Investment	(42,446)	60,740,000
Total Governmental activities		<u>592,552</u>		<u>(14,221,583)</u>	<u>165,875,001</u>
Business-type activities					
Cash flow hedges:					
Pay fixed-receive floating	Deferred outflow	(351,974)	Debt	(852,657)	13,645,000
Pay fixed-receive floating	Deferred outflow	(925,999)	Debt	(3,293,870)	19,565,000
Investment derivatives:					
Pay floating-receive floating	Investment revenue	117,950	Investment	(551,860)	24,665,000
Total Business-type activities		<u>(1,160,023)</u>		<u>(4,698,387)</u>	<u>57,875,000</u>
Total interest rate swaps		<u>\$ (567,471)</u>		<u>\$(18,919,970)</u>	<u>\$223,750,001</u>

As of June 30, 2009 and June 30, 2010, the County determined that the pay floating-receive floating interest rate swaps listed as investment derivative instruments under governmental activities and business-type activities did not

meet the criteria for effectiveness. Accordingly, the accumulated changes in fair value of these swaps have been recorded in investment derivative income/(loss) within the investment earnings, unrestricted category of the Statement of Activities. As of June 30, 2010, these agreements had a negative fair value of \$42,446 for governmental activities and \$551,860 for business type activities and these amounts are included in the derivative liability category on the Statement of Net Assets respectively. These mark-to-market valuations were established by market quotations obtained by the counterparties, representing estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date. See details in Note 16., A., 3., (c) and (d).

As of June 30, 2009 and June 30, 2010, the County determined that the pay fixed-receive floating interest rate swaps listed as cash flow hedge derivative instruments under governmental activities and business-type activities did meet the criteria for effectiveness. Accordingly, the accumulated changes in fair value of these swaps have been recorded in deferred outflows on derivative instruments (asset) and the derivative liability categories on the Statement of Net Assets. As of June 30, 2010, the agreement had a negative fair value of \$852,657, \$7,117,319 \$3,293,870, \$7,061,818. These amounts are included in the deferred outflows on derivative instruments (asset) and derivative liability categories on the Statement of Net Assets for governmental activities as \$14,179,137 and business type activities as \$4,146,527 respectively. These mark-to-market valuations were established by market quotations obtained by the counterparties, representing estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date. See details in Note 16., A., 3., (a), (b), (e) and (f).

- (a) 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, 2010, 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>(0.573%)</u>
Net interest rate swap payments		2.422%
Variable rate bond coupon payments	Bond Rate	<u>0.200%</u>
Synthetic interest rate on Bonds		2.622%
Remarketing, Liquidity, Other		<u>0.220%</u>
Total Cost		<u>2.842%</u>

Fair Value. As of June 30, 2010, the agreement had a negative fair value of \$852,657. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, 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 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 "A1" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "A+" by Fitch Ratings as of June 30, 2010, 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.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, 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 *	Remarketing Liquidity, Other	Total
	Principal	Interest			
2011	\$ 1,210,000	\$ 27,290	\$ 330,542	\$ 30,019	\$ 1,597,851
2012	1,195,000	24,870	301,230	27,357	1,548,457
2013	1,185,000	22,480	272,282	24,728	1,504,490
2014	1,170,000	20,110	243,576	22,121	1,455,807
2015	1,150,000	17,770	215,234	19,547	1,402,551
2016-2020	6,340,000	52,840	640,009	58,124	7,090,973
2021	1,395,000	2,790	33,793	3,069	1,434,652
Total	\$ 13,645,000	\$ 168,150	\$ 2,036,666	\$ 184,965	\$ 16,034,781

* Computed using $(2.995\% - 0.573\%) \times (\$13,645,000 - \text{annual reduction})$

(b) 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 Wells Fargo Bank N.A., successor bank to the original counterparty Wachovia Bank, N.A. (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, 2010, 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>(0.419%)</u>
Net interest rate swap payments		3.006%
Variable rate bond coupon payments	Bond Rate	<u>0.330%</u>
Synthetic interest rate on Bonds		3.336%
Remarketing, Liquidity, Other		<u>0.660%</u>
Total Cost		<u>3.996%</u>

Fair Value. As of June 30, 2010, the swap agreements had a negative fair value of \$7,117,319. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, the County was not exposed to credit risk because the swaps 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, 2010 are rated as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard &</u>	
		<u>Poor's</u>	<u>Fitch</u>
Bank of America N.A.	Aa3	A+	A+
Citibank	A1	A+	A+
Wells Fargo Bank N.A.	Aa2	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 agents. 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, 2010, 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.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates as of June 30, 2010 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	Remarketing	
	Principal	Interest	Swaps, Net *	Liquidity, Other	Total
2011	\$ 2,525,000	\$ 209,979	\$ 1,912,890	\$ 419,958	\$ 5,067,827
2012	3,360,000	201,647	1,836,981	403,293	5,801,921
2013	3,335,000	190,559	1,735,971	381,117	5,642,647
2014	3,310,000	179,553	1,635,712	359,106	5,484,371
2015	3,280,000	168,630	1,536,204	337,260	5,322,094
2016-2020	15,445,000	683,001	6,222,077	1,366,002	23,716,080
2021-2025	13,575,000	444,593	4,050,198	889,185	18,958,976
2026-2029	18,800,000	155,100	1,412,947	310,200	20,678,247
Total	<u>\$ 63,630,000</u>	<u>\$ 2,233,061</u>	<u>\$ 20,342,980</u>	<u>\$ 4,466,121</u>	<u>\$ 90,672,162</u>

* Computed using $(3.425\% - 0.419\%) \times (\$63,630,000 - \text{annual reduction})$

(c) 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, the 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, Wells Fargo Bank N.A., successor bank to the original counterparty Wachovia Bank, N.A., pays the County 67% of USD-LIBOR-BBA plus a fixed spread of 0.532% semi-annually on the notional amount of \$60,740,000. The County pays Wells Fargo 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, 2010, 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%	(0.766%)
Pay Floating Rate	BMA Swap Index	<u>0.310%</u>
Net interest rate on Bonds		<u>4.184%</u>

Fair Value. As of June 30, 2010, the agreement had a negative fair value of \$42,446. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, 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 Wells Fargo 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, 2010, Wells Fargo is rated "Aa2" 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 Wells Fargo's credit quality falls below A3/A-/A-, Wells Fargo 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. The County receives from Wells Fargo 67% LIBOR plus a fixed spread of 0.532% and pays to Wells Fargo the BMA Municipal Swap Index. The 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.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, 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, are reflected in the following table. 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 *	
2011	\$ -	\$ 2,825,931	\$ (276,806)	\$ 2,549,125
2012	2,750,000	2,825,931	(276,806)	5,299,125
2013	2,750,000	2,695,306	(264,274)	5,181,032
2014	6,195,000	2,564,681	(251,741)	8,507,940
2015	6,195,000	2,298,844	(223,509)	8,270,335
2016-2020	33,375,000	6,695,720	(663,988)	39,406,732
2021-2025	9,475,000	1,172,532	(129,540)	10,517,992
Total	<u>\$ 60,740,000</u>	<u>\$ 21,078,945</u>	<u>\$ (2,086,664)</u>	<u>\$ 79,732,281</u>

* Computed using (0.310% - 0.766%) x (\$60,740,000 – annual reduction)

- (d) 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, the 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, 2010, rates were as follows:

	Terms	Rates
Average coupon on the Bonds	Fixed	4.540%
Receive Floating Rate	70% LIBOR + 0.40%	(0.642%)
Pay Floating Rate	BMA Swap Index	<u>0.310%</u>
Net interest rate on Bonds		<u>4.208%</u>

Fair Value. As of June 30, 2010, the agreement had a negative fair value of \$551,860. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, 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 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 “A1” by Moody’s Investor’s Service, “A+” by Standard and Poor’s Ratings Services, and “A+” by Fitch Ratings as of June 30, 2010,

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. The 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. The 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.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, 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, are reflected in the following table. 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		
2011	\$ -	\$ 1,119,689	\$ (81,873)	\$ 1,037,816
2012	-	1,119,689	(81,873)	1,037,816
2013	-	1,119,689	(81,873)	1,037,816
2014	980,000	1,119,689	(81,873)	2,017,816
2015	1,010,000	1,087,349	(78,620)	2,018,729
2016-2020	5,780,000	4,715,045	(339,825)	10,155,220
2021-2025	7,170,000	3,312,718	(234,749)	10,247,969
2026-2029	9,725,000	1,431,375	(95,781)	11,060,594
Total	\$ 24,665,000	\$ 15,025,243	\$ (1,076,467)	\$ 38,613,776

* Computed using $(0.310\% - 0.642\%) \times (\$24,665,000 - \text{annual reduction})$

- (e) 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 issuance of Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 ("Series 2009 Bonds"), the County entered into a pay-fixed, receive-variable interest rate swap. The forward swap agreement effectively changed 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. The Series 2009 Bonds were issued August 20, 2009.

Terms. Under the terms of the amended and restated forward swap agreement effective June 15, 2009, Citibank, N.A. New York 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. As of June 30, 2010, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to Citibank	Fixed	3.820%
Variable payment from Citibank	See above	<u>(0.242%)</u>
Net interest rate swap payments		3.578%
Variable rate bond coupon payments	Bond Rate	<u>0.290%</u>
Synthetic interest rate on Bonds		3.868%
Remarketing, Liquidity, Other		<u>1.310%</u>
Total Cost		<u>5.178%</u>

Fair Value. As of June 30, 2010, the agreement had a negative fair value of \$3,293,870. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, 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 "A1" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "A+" by Fitch Ratings as of June 30, 2010, 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. The County receives from Citibank 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 2009 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. 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 being required to make an unanticipated termination payment.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, 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, are reflected in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Remarketing Liquidity, Other	Total
	Principal	Interest			
2011	\$ 470,000	\$ 56,739	\$ 700,047	\$ 256,302	\$ 1,483,087
2012	495,000	55,376	683,230	250,145	1,483,750
2013	515,000	53,940	665,519	243,660	1,478,119
2014	540,000	52,447	647,092	236,914	1,476,452
2015	560,000	50,881	627,770	229,840	1,468,490
2016-2020	3,210,000	228,491	2,819,153	1,032,149	7,289,793
2021-2025	3,985,000	177,640	2,191,741	802,441	7,156,821
2026-2030	4,965,000	114,391	1,411,365	516,730	7,007,485
2031-2034	4,825,000	35,728	440,816	161,392	5,462,936
Total	\$ 19,565,000	\$ 825,630	\$ 10,186,733	\$ 3,729,570	\$ 34,306,933

* Computed using $(3.820\% - 0.242\%) \times (\$19,565,000 - \text{annual reduction})$

- (f) Derivative Disclosure – Multiple Pay-Fixed, Receive-Floating Interest Rate Swap Agreements dated December 12, 2005 and effective September 6, 2007; subsequently amended effective June 9, 2010 partially reducing the notional amount – 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"), the 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 Wells Fargo Bank N.A. ("Wells Fargo") successor bank to the original counterparty Wachovia Bank, N.A., 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 Wells Fargo 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, 2010, 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>(0.243%)</u>
Net interest rate swap payments		3.430%
Variable rate bond coupon payments	Bond Rate	<u>0.266%</u>
Synthetic interest rate on Bonds		3.696%
Remarketing, Liquidity, Other		<u>0.840%</u>
Total Cost		<u>4.536%</u>

On June 9, 2010, the Counterparties and County amended and restated the original interest rate swap agreements by reducing pro-rata among the Counterparties the aggregate notional amount outstanding from \$96,885,003 to \$41,505,001, representing a decrease in the amount of \$55,380,002. Concurrently with the partial swap terminations, the County priced its \$55,010,000 General Obligation Refunding Bonds, Series 2010A fixed rate bonds for settlement July 8, 2010. The primary purpose of the Series 2010A Refunding Bonds and partial termination of the swap agreements was to reduce the County's variable rate exposure relating to liquidity and remarketing risk in connection with the 2007 Series Bonds. In connection with the amended and restated swap agreements dated June 9, 2010, the County incurred a partial termination payment in the aggregate amount of \$6,065,000 of which \$520,853 represented accrued interest from the last payment date to June 8, 2010. The termination payment is being financed through the issuance of the Series 2010A Refunding Bonds and was paid to the Counterparties on July 8, 2010.

Fair Value. As of June 30, 2010, the amended and restated agreements had a negative fair value of \$7,061,818. However, based on the agreement effective June 9, 2010, the termination payments, net of accrued interest, totaled \$5,544,147 which is due and payable on July 8, 2010. 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, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2010, 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, 2010 are rated as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard &</u>	
		<u>Poor's</u>	<u>Fitch</u>
Wells Fargo	Aa2	AA	AA-
Citibank	A1	A+	A+
UBS	Aa3	A+	A+

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. The 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 Wells Fargo (original notional amount of \$70,730,000; amended and restated amount on June

9, 2010 of \$26,511,773) on termination of the transaction before the termination date may be made in four equal annual installments.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2010, 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, are reflected in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Remarketing Liquidity, Other	Total
	Principal	Interest			
2011	\$ -	\$ 110,403	\$ 1,423,608	\$ 348,642	\$ 1,534,011
2012	-	110,403	1,423,608	348,642	1,534,011
2013	-	110,403	1,423,608	348,642	1,534,011
2014	-	110,403	1,423,608	348,642	1,534,011
2015	-	110,403	1,423,608	348,642	1,534,011
2016-2020	-	552,017	7,118,040	1,743,210	7,670,057
2021-2025	13,845,001	515,189	6,643,161	1,626,912	21,003,351
2026-2030	23,050,000	245,252	3,162,429	774,480	26,457,681
2031	4,610,000	12,263	158,121	38,724	4,780,384
Total	\$ 41,505,001	\$ 1,876,736	\$ 24,199,791	\$ 5,926,536	\$ 67,581,528

* Computed using $(3.673\% - 0.243\%) \times (\$41,505,001 - \text{annual reduction})$

- (g) The County has issued variable rate bonds. The County has remarketing agreements and standby purchase agreements with banks related to these bonds. Under the remarketing agreements, the agents will remarket any bonds for which payment is demanded. If the bonds cannot be remarketed, the banks will purchase the bonds. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2010 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. The County experienced higher liquidity fee levels in connection with the liquidity substitutions. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be \$304,916,400. The general obligation bonds Series 2004A, 2004B, 83% of the 2007A, 2007B and 2007C and the revenue bonds Series 2003B and 2009 have been synthetically fixed as described in the previous paragraphs.

Issue	Balance June 30, 2009	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2010	Interest Rate June 30, 2010
General Obligation Bonds				
2004A	\$ 44,125,000	December 17, 2011	\$ 282,665	0.33%
2004B	19,505,000	December 17, 2011	119,367	0.33%
2007A	20,749,288	March 25, 2011	516,752	0.266%
2007B	12,451,286	March 25, 2011	316,857	0.266%
2007C	8,304,427	December 17, 2011	145,547	0.266%
Revenue Bonds				
2003B	13,645,000	June 12, 2011	45,228	0.20%
2009	19,565,000	August 20, 2012	217,011	0.29%

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

	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 455,904,686	\$ 2,936,559	\$ 458,841,245
Certificates of Participation	100,509,742	-	100,509,742
Installment Financing	8,591,102	-	8,591,102
Revenue Bonds	-	60,023,601	60,023,601
N.C. Clean Water Revolving Loans	-	15,135,877	15,135,877
Total	\$ 565,005,530	\$ 78,096,037	\$ 643,101,567

5. 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				
1999 Refunding Bonds (Water)	\$ 258	\$ (1,185)	\$ -	\$ (927)
2004 Refunding Bonds (School Facilities) (b)	94,272	-	(139,550)	(45,278)
2004 Refunding Bonds (Sanitary Sewer) (b)	21,494	-	(30,775)	(9,281)
2004 Refunding Bonds (School Facilities) (c,e)	789,489	-	-	789,489
2007 School Facility - Series D	-	-	(3,027,733)	(3,027,733)
2009 School Facility - Series A	-	-	(3,154,468)	(3,154,468)
2009 Refunding Bonds (School Facility) - Series B	276,934	-	(3,820,181)	(3,543,247)
2009 Refunding Bonds (School Facility) - Series C	2,921,268	-	(2,481,857)	439,411
2009 Refunding Bonds (Water) - Series C	4,899	-	(8,115)	(3,216)
2009 Refunding Bonds (Sewer) - Series C	1,516	-	(2,511)	(995)
Installment Financing				
2003 Multi-purpose COP's	17,973	-	(602,588)	(584,615)
2006 Schools COP's	-	-	(2,815,127)	(2,815,127)
Revenue Bonds				
2003 Enterprise System - Series A	-	-	(545,409)	(545,409)
2003 Refunding Enterprise System - Series B (a,d)	1,038,393	-	123,415	1,161,808
Total	<u>\$ 5,166,496</u>	<u>\$ (1,185)</u>	<u>\$ (16,504,899)</u>	<u>(11,339,588)</u>
Long-term Obligations (per Note 16, A)				<u>643,101,567</u>
Future Maturities of Long-term Obligations (per Note 16, B)				<u>\$ 631,761,979</u>

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								
2011	\$ 20,943,162	\$ 18,204,145	\$ 5,993,775	\$ 4,896,824	\$ 26,936,937	\$ 23,100,969		
2012	24,201,575	17,376,087	6,040,843	4,619,993	30,242,418	21,996,080		
2013	24,082,900	16,539,272	5,879,175	4,351,511	29,962,075	20,890,783		
2014	24,726,765	15,592,086	5,913,820	4,102,397	30,640,585	19,694,483		
2015	25,593,571	14,650,380	5,949,830	3,849,550	31,543,401	18,499,930		
2016-2020	126,929,887	57,379,829	29,188,659	15,102,493	156,118,546	72,482,322		
2021-2025	99,770,000	32,423,894	25,000,000	8,724,056	124,770,000	41,147,950		
2026-2030	81,505,000	13,176,913	15,525,000	3,707,250	97,030,000	16,884,163		
2031-2033	19,610,000	1,369,326	6,210,000	413,550	25,820,000	1,782,876		
	<u>\$ 447,362,860</u>	<u>\$ 186,711,932</u>	<u>\$ 105,701,102</u>	<u>\$ 49,767,624</u>	<u>\$ 553,063,962</u>	<u>\$ 236,479,556</u>		
Business-type Activities								
	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,501,838	\$ 115,974	\$ 2,575,000	\$ 2,360,590	\$ 983,697	\$ 361,886	\$ 5,060,535	\$ 2,838,450
2012	548,425	57,743	2,610,000	2,280,056	983,697	336,882	4,142,122	2,674,681
2013	542,100	35,806	2,650,000	2,196,786	983,697	311,879	4,175,797	2,544,471
2014	138,235	14,122	2,690,000	2,111,683	983,697	286,876	3,811,932	2,412,681
2015	136,429	7,901	2,720,000	2,023,673	983,697	261,872	3,840,126	2,293,446
2016-2020	55,113	2,273	15,330,000	8,516,262	4,217,392	958,360	19,602,505	9,476,895
2021-2025	-	-	12,550,000	5,694,382	3,750,000	509,625	16,300,000	6,204,007
2026-2030	-	-	14,690,000	2,938,174	2,250,000	101,925	16,940,000	3,040,099
2031-2034	-	-	4,825,000	470,624	-	-	4,825,000	470,624
	<u>\$ 2,922,140</u>	<u>\$ 233,819</u>	<u>\$ 60,640,000</u>	<u>\$ 28,592,230</u>	<u>\$ 15,135,877</u>	<u>\$ 3,129,305</u>	<u>\$ 78,698,017</u>	<u>\$ 31,955,354</u>
Total Long-term Obligations for Governmental and Business-type Activities							<u>\$ 631,761,979</u>	<u>\$ 268,434,910</u>

As of June 30, 2010, Union County had no general obligation bonds authorized but unissued, and had a legal debt margin of \$1,279,390,998.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2010 (and agrees to table in Note 16 part A):

	Balance June 30, 2009	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2010	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 477,024,092	\$ 39,332,628	\$ 59,748,310	\$ (703,724)	\$ 455,904,686	\$ 20,928,437
Certificates of participation	105,908,858	-	5,170,000	(229,116)	100,509,742	2,304,116
Installment financing	9,390,000	-	798,898	-	8,591,102	3,918,775
	592,322,950	39,332,628	65,717,208	(932,840)	565,005,530	27,151,328
Compensated absences	3,057,300	2,359,729	2,449,986	-	2,967,043	-
Net OPEB obligation	5,971,118	2,332,707	-	-	8,303,825	-
Net pension obligation	(1,477,459)	-	58,507	-	(1,535,966)	-
	<u>\$ 599,873,909</u>	<u>\$ 44,025,064</u>	<u>\$ 68,225,701</u>	<u>\$ (932,840)</u>	<u>\$ 574,740,432</u>	<u>\$ 27,151,328</u>
By Purpose:						
General government	\$ 12,645,239	\$ -	\$ 676,054	\$ (12,997)	\$ 11,956,188	\$ 689,051
Public safety	13,830,765	-	1,367,232	(70,428)	12,393,105	1,467,538
Economic/physical development	3,179,576	-	169,294	(4,068)	3,006,214	173,362
Human services	37,860	-	2,024	(39)	35,797	2,063
Education	560,342,036	39,332,628	63,380,308	(842,957)	535,451,399	24,694,667
Cultural and recreational	2,287,474	-	122,296	(2,351)	2,162,827	124,647
Compensated absences	3,057,300	2,359,729	2,449,986	-	2,967,043	-
Net OPEB obligation	5,971,118	2,332,707	-	-	8,303,825	-
Net pension obligation	(1,477,459)	-	58,507	-	(1,535,966)	-
	<u>\$ 599,873,909</u>	<u>\$ 44,025,064</u>	<u>\$ 68,225,701</u>	<u>\$ (932,840)</u>	<u>\$ 574,740,432</u>	<u>\$ 27,151,328</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 4,650,704	\$ 1,032,372	\$ 2,756,690	\$ 10,173	\$ 2,936,559	\$ 1,502,788
Revenue bonds	42,376,937	20,000,000	2,525,000	171,664	60,023,601	2,416,706
NC Clean Water Revolving Loan	16,119,573	-	983,696	-	15,135,877	983,697
	63,147,214	21,032,372	6,265,386	181,837	78,096,037	4,903,191
Compensated absences	498,615	331,544	367,779	-	462,380	-
Net OPEB obligation	672,184	264,551	-	-	936,735	-
Net pension obligation	(198,154)	-	8,046	-	(206,200)	-
	<u>\$ 64,119,859</u>	<u>\$ 21,628,467</u>	<u>\$ 6,641,211</u>	<u>\$ 181,837</u>	<u>\$ 79,288,952</u>	<u>\$ 4,903,191</u>
By Purpose:						
Water and sewer systems	\$ 63,147,214	\$ 21,032,372	\$ 6,265,386	\$ 181,837	\$ 78,096,037	\$ 4,903,191
Compensated absences	498,615	331,544	367,779	-	462,380	-
Net OPEB obligation	672,184	264,551	-	-	936,735	-
Net pension obligation	(198,154)	-	8,046	-	(206,200)	-
	<u>\$ 64,119,859</u>	<u>\$ 21,628,467</u>	<u>\$ 6,641,211</u>	<u>\$ 181,837</u>	<u>\$ 79,288,952</u>	<u>\$ 4,903,191</u>

Compensated absences typically have been liquidated in the General Fund or one of the Enterprise Funds depending on the location status of the employee at the time of compensated absence liquidation.

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; Series Indenture Number 2, dated as of May 15, 2003; and Series Indenture Number 3, dated as of August 1, 2009 (together the "Indentures") between the County and First Union National Bank of North Carolina (now succeeded by U.S. 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, 2010.

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, 2010 is as follows:

Revenues	\$ 28,473,735
Current Expenses	<u>15,236,732</u>
Net revenues available for debt service	13,237,003
Add: 20% of preceding year's Surplus Fund	<u>5,038,363</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 18,275,366</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 4,829,920
Subordinate debt service:	
Debt service, principal and interest paid	<u>3,276,731</u>
Total debt service:	
Total debt service, principal and interest paid	8,106,651
Add: 20% of senior debt service	<u>965,984</u>
Adjusted debt service requirements	<u>\$ 9,072,635</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	2.01
Coverage Test 2	
Net revenues / total debt service	1.63

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 a current interest of 3.43% until maturity 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, 2010. The amount outstanding at June 30, 2010 is \$1,635,877. 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, 2010. The amount outstanding at June 30, 2010 is \$13,500,000. 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
2010	\$ 233,697	\$ 56,111	\$ 750,000	\$ 305,775
2011	233,697	48,095	750,000	288,787
2012	233,697	40,079	750,000	271,800
2013	233,697	32,063	750,000	254,813
2014	233,697	16,032	750,000	245,840
2015-2019	467,392	8,016	3,750,000	950,344
2020-2021	-	-	3,750,000	509,625
2025-2028	-	-	2,250,000	101,925
Total	<u>\$ 1,635,877</u>	<u>\$ 200,396</u>	<u>\$ 13,500,000</u>	<u>\$ 2,928,909</u>

F. Conduit Debt Obligations

Union County Industrial Facility and Pollution Control Financing Authority (the Authority) has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of

the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$14,200,000.

NOTE 17 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 303,036	Note 1
General Fund	Solid Waste Fund	52,767	Note 1
General Fund	Stormwater Fund	6,781	Note 1
		<u>\$ 362,584</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	
	Governmental Activities			Stormwater Fund	
	General Capital Project Fund	School Bond Fund-55	Total Governmental Funds		Purpose
Governmental activities:					
General Fund	\$ 11,587,417	\$ -	\$ 11,587,417	\$ -	Note 1
Debt Service Fund	-	11,847,132	11,847,132	-	Note 2
Total governmental activities	11,587,417	11,847,132	23,434,549	-	
Business type activities:					
Water & Sewer Fund	-	-	-	235,816	Note 3
Total transfers out	<u>\$ 11,587,417</u>	<u>\$ 23,694,264</u>	<u>\$ 35,281,681</u>	<u>\$ 235,816</u>	

Note 1: The transfers from the General Fund to the General Capital Project Fund were for the following projects:
 General Capital Project Fund:
 UCPS FY2010 school capital outlay allocation \$ 2,344,169
 CIP reserve funds 9,243,248

Note 2: The transfer from the Debt Service Fund to the School Bond Fund - 55 was to provide for capital asset acquisition, improvements and construction for various school facility capital projects.

Note 3: 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)	\$ -	\$ 122,001	\$ 122,001
Prepaid taxes not yet earned (Special Revenue)	-	2,783	2,783
Taxes receivable, net (General)	6,382,560	-	6,382,560
Taxes receivable, net (Special Revenue)	135,620	-	135,620
	<u>\$ 6,518,180</u>	<u>\$ 124,784</u>	<u>\$ 6,642,964</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 "CRWTP"). 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 \$2,095,040 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, 2010 was \$13,459,414. This included the County's recognized gain of \$702,816 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, 2010, is as follows:

Cash and investments	\$ 1,462,014
Other assets	25,643,909
Total assets	<u>\$ 27,105,923</u>
Total liabilities	\$ 187,096
Total net assets	26,918,827
Total liabilities and net assets	<u>\$ 27,105,923</u>
Total revenues	\$ 3,547,859
Total expenses	(4,266,190)
Capital contributions	2,123,963
Net increase in net assets	<u>\$ (1,405,632)</u>

Water supply and water transfers from the Catawba River are presently the subject of legislation activity. North Carolina has enacted new inter-basin transfer legislation and South Carolina has surface water legislation pending in its legislature. These legislative activities may affect the availability of raw water for treatment at the CRWTP and/or consumption of treated water by the joint venture. Additionally, South Carolina brought suit against North Carolina in the United States Supreme Court over the withdrawals, transfers and consumption of water that crosses over the boundary between the two states. This matter has been settled and the County was not adversely impacted by the settlement. Due to the uncertainty of the pending legislation, no provision has been included in the financial statements.

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 \$3,295,689. 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 \$0. 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, \$3,380,112 in debt is still outstanding. The County contributed \$1,100,000 to South Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2010. In addition, the County made debt service payments of \$341,910 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, 2010. 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, 2010. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$549,065 to PAMH to supplement its activities for the year ended June 30, 2010. 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 \$51,586 during the fiscal year ended June 30, 2010. The County was the sub-recipient of a grant for \$753,847 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	\$ 777,179	\$ -
AFDC Payments and Penalties	(286)	(78)
Energy Assistance Payment	617,293	-
Refugee Assistance Payment	362	-
CWS Adoption Subsidy and Vendor	-	253,327
IV-E Adoption Subsidy and Vendor	450,131	92,254
State/County Special Assistance for Adults	-	859,219
Women, Infants and Children	2,874,260	-
Medical Assistance Program	87,647,713	30,274,246
Food Stamp Program-Noncash	28,744,761	-
Food Distribution	213,491	-
Health Choice	3,887,899	1,261,636
	<u>\$ 125,212,803</u>	<u>\$ 32,740,604</u>

NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 23 – PRIOR PERIOD ADJUSTMENTS

Beginning nets assets were restated for Governmental Activities and Business Type Activities; to include the Water and Sewer Fund and the Solid Waste Fund. As of June 30, 2010, and retroactively to June 30, 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 53 regarding accounting and financial reporting for derivative instruments. The associated deferred outflow on derivative instruments and derivative liability have been recorded as of June 30, 2009. Also, as of June 30, 2010, and retroactively to June 30, 2009, the County implemented GASB Statement No. 51 regarding accounting and financial reporting for intangible assets. Accordingly, the County recorded an

intangible asset and related liability for water rights for the County's agreement with Anson County, as described in Note 15; and adjusted land easements to be non-depreciable intangible assets. Net assets also changed due to the removal of land and related acquisition costs previously donated to South Piedmont Community College (SPCC) and the Union County Public School System (UCPS); the removal of demolished assets including the old Animal Shelter, a parking lot gate booth, the old Ag Building used by UCPS Nutrition Program; depreciation corrections due to portions of the Government Center land, Judicial Center land and solid waste transfer station land previously being depreciated; and the transfer of land and related improvements from Governmental Activities to the Water and Sewer Fund related to the old Animal Shelter location adjacent to the water and sewer field operations center. The adjustments to beginning net assets are as follows:

	Governmental Activities	Business Type Activities	
		Water and Sewer Fund	Solid Waste Fund
Net assets, June 30, 2009 - as previously reported	<u>\$ (405,646,023)</u>	<u>\$ 231,923,940</u>	<u>\$ 6,994,246</u>
Adjustments:			
GASB53-Derivative instruments reporting			
Deferred outflows on derivative instruments	14,331,610	2,868,554	-
Derivative liability	(14,814,135)	(3,538,364)	-
GASB51-Intangible capital asset adjustments:			
Water rights capital asset	-	1,902,757	-
Water rights capital asset-depreciation	-	(820,564)	-
Water rights acquisition obligation	-	(1,902,757)	-
Water rights acquisition obligation-amortization	-	1,331,989	-
Easements made non-depreciable land	-	165,242	-
Other asset corrections:			
Remove capital assets donated to SPCC	(826,260)	-	-
Remove capital asset donated to UCPS	(2,972)	-	-
Remove demolished capital assets	(300,461)	-	-
Remove demolished capital assets-depreciation	143,334	-	-
Capital assets made non-depreciable land	157,450	-	4,841
Transfer of capital assets	(31,570)	31,570	-
Transfer of capital assets-depreciation	19,386	(19,386)	-
Total adjustments	<u>(1,323,618)</u>	<u>19,041</u>	<u>4,841</u>
Net assets, June 30, 2009 - as restated	<u>\$ (406,969,641)</u>	<u>\$ 231,942,981</u>	<u>\$ 6,999,087</u>

NOTE 24 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On July 8, 2010, the County issued \$55,010,000 General Obligation Refunding Bonds, Series 2010A. The Series 2010A bonds refunded \$27,690,000, \$16,600,000, and \$11,090,000 outstanding principal amount of the County's General Obligation Bonds, Series 2007A, 2007B, 2007C respectively.

On October 8, 2010, the North Carolina Supreme Court issued a ruling, denying the County's petition for discretionary review of the decision of the Court of Appeals, thus leaving intact the Court of Appeals decision to invalidate the County's Adequate Public Facilities Ordinance. Part of this ordinance enabled developers to pay voluntary mitigation payments to the County to support the construction of school infrastructure to meet the needs of the development. The County collected \$147,240 in APFO payments from developers. With the decision from the courts, this money was to be returned to the developers and the County recorded the amount of the payments as a liability as of June 30, 2010. The County issued refund payments to the developers on October 20, 2010.

On November 1, 2010, the Board of County Commissioners authorized an extension to the Anson County water agreement. The original agreement allowed for 4 MGD and was to expire in 2014. The extension will allow an increase to 6 MGD and extend the term for 30 years. The agreement also increases Union County's monthly purchase of water to 40 million gallons after completion of Phase 1 of infrastructure improvements and to 60 million gallons per month after completion of Phase 2. Union County is responsible for 33% of the cost of the improvements which would require \$2.05 million contribution toward the improvements.

Required Supplementary Information

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

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

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

Notes to the Required Schedules for Special Separation Allowance

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 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)
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%
2008	1,552,817	6,928,636	5,375,819	22.41%	38,589,407	13.93%
2009	1,487,609	8,617,532	7,129,923	17.26%	36,769,426	19.39%

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>
2005	\$ 409,880	106%
2006	457,930	156%
2007	450,003	184%
2008	477,327	189%
2009	527,637	173%
2010	580,462	112%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2009	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.0%
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%
2008	-	38,487,574	38,487,574	0.00%	37,669,545	102.17%
2009	360,768	39,703,931	39,343,163	0.91%	36,849,844	106.77%

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.

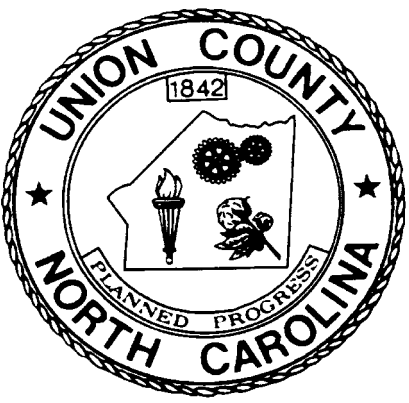
**Other Postemployment Healthcare and Dental Benefits
 Required Supplementary Information
 Schedule of Employer Contributions**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 4,689,039	24.7%
2009	5,067,038	38.3%
2010	4,966,681	47.1%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period at July 1, 2009	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Health care cost trend rate	9% - 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, 2010

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,247,233	\$ 1,510,656	\$ 3,563,850	\$ 7,321,739
Property taxes receivable (net)	135,621	-	-	135,621
Accounts receivable (net)	233,259	-	-	233,259
Cash and investments, restricted	783,917	-	-	783,917
Total assets	<u>\$ 3,400,030</u>	<u>\$ 1,510,656</u>	<u>\$ 3,563,850</u>	<u>\$ 8,474,536</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 42,314	\$ -	\$ 6,591	\$ 48,905
Deferred revenue	135,620	-	-	135,620
Unearned revenue	2,784	-	-	2,784
Liabilities payable from restricted assets	7,688	-	-	7,688
Total liabilities	<u>188,406</u>	<u>-</u>	<u>6,591</u>	<u>194,997</u>
FUND BALANCES				
Reserved for encumbrances	3,304	-	-	3,304
Reserved by State statute	233,259	-	-	233,259
Reserved for drug enforcement	699,705	-	-	699,705
Reserved for grant programs	73,220	-	-	73,220
Unreserved				
Designated for subsequent years' expenditures	53,863	1,510,656	3,557,259	5,121,778
Undesignated	2,148,273	-	-	2,148,273
Total fund balances	<u>3,211,624</u>	<u>1,510,656</u>	<u>3,557,259</u>	<u>8,279,539</u>
Total liabilities and fund balances	<u>\$ 3,400,030</u>	<u>\$ 1,510,656</u>	<u>\$ 3,563,850</u>	<u>\$ 8,474,536</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 3,758,410	\$ -	\$ -	\$ 3,758,410
Local option sales tax	458,724	-	-	458,724
Other taxes and licenses	1,244,465	-	-	1,244,465
Intergovernmental	18,779	-	-	18,779
Permits and fees	1,209,113	-	-	1,209,113
Sales and services	15,000	-	-	15,000
Investment earnings	5,757	-	-	5,757
Miscellaneous	184,221	-	-	184,221
Total revenues	<u>6,894,469</u>	<u>-</u>	<u>-</u>	<u>6,894,469</u>
EXPENDITURES				
Current:				
Public safety	<u>6,159,984</u>	<u>-</u>	<u>-</u>	<u>6,159,984</u>
Excess of revenues over expenditures	734,485	-	-	734,485
OTHER FINANCING USES				
Transfers to other funds	<u>-</u>	<u>(11,847,132)</u>	<u>-</u>	<u>(11,847,132)</u>
Net change in fund balances	734,485	(11,847,132)	-	(11,112,647)
FUND BALANCES				
Beginning	2,477,139	13,357,788	3,557,259	19,392,186
Ending	<u>\$ 3,211,624</u>	<u>\$ 1,510,656</u>	<u>\$ 3,557,259</u>	<u>\$ 8,279,539</u>

Union County, North Carolina

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2010

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
ASSETS			
Cash and investments	\$ 15,013	\$ 3,819	\$ 9,495
Property taxes receivable (net)	17,973	25,358	34,713
Accounts receivable (net)	-	16,475	40,159
Cash and investments, restricted	-	-	-
Total assets	<u>\$ 32,986</u>	<u>\$ 45,652</u>	<u>\$ 84,367</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 9,612	\$ -
Deferred revenue	17,973	25,358	34,713
Unearned revenue	461	750	768
Liabilities payable from restricted assets	-	-	-
Total liabilities	<u>18,434</u>	<u>35,720</u>	<u>35,481</u>
FUND BALANCES			
Reserved for encumbrances	-	-	-
Reserved by State statute	-	16,475	40,159
Reserved for drug enforcement	-	-	-
Reserved for grant programs	-	-	-
Unreserved			
Designated for subsequent years' expenditures	8,200	-	2,167
Undesignated	6,352	(6,543)	6,560
Total fund balances	<u>14,552</u>	<u>9,932</u>	<u>48,886</u>
Total liabilities and fund balances	<u>\$ 32,986</u>	<u>\$ 45,652</u>	<u>\$ 84,367</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
\$ 7,049	\$ 19,683	\$ 52,329	\$ 2,139,845	\$ -	\$ 2,247,233
28,282	29,295	-	-	-	135,621
32,700	40,220	-	103,705	-	233,259
-	-	-	-	783,917	783,917
<u>\$ 68,031</u>	<u>\$ 89,198</u>	<u>\$ 52,329</u>	<u>\$ 2,243,550</u>	<u>\$ 783,917</u>	<u>\$ 3,400,030</u>
\$ 17,816	\$ -	\$ 35	\$ 14,851	\$ -	\$ 42,314
28,282	29,294	-	-	-	135,620
604	201	-	-	-	2,784
-	-	-	-	7,688	7,688
<u>46,702</u>	<u>29,495</u>	<u>35</u>	<u>14,851</u>	<u>7,688</u>	<u>188,406</u>
-	-	-	-	3,304	3,304
32,700	40,220	-	103,705	-	233,259
-	-	-	-	699,705	699,705
-	-	-	-	73,220	73,220
-	28,513	14,983	-	-	53,863
(11,371)	(9,030)	37,311	2,124,994	-	2,148,273
<u>21,329</u>	<u>59,703</u>	<u>52,294</u>	<u>2,228,699</u>	<u>776,229</u>	<u>3,211,624</u>
<u>\$ 68,031</u>	<u>\$ 89,198</u>	<u>\$ 52,329</u>	<u>\$ 2,243,550</u>	<u>\$ 783,917</u>	<u>\$ 3,400,030</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, 2010

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
REVENUES			
Ad valorem taxes	\$ 323,523	\$ 423,087	\$ 1,064,986
Local option sales tax	(35)	68,230	96,734
Other taxes and licenses	-	-	-
Intergovernmental	-	-	-
Permits and fees	-	-	-
Sales and services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>323,488</u>	<u>491,317</u>	<u>1,161,720</u>
EXPENDITURES			
Current:			
Public safety	<u>327,115</u>	<u>542,295</u>	<u>1,130,500</u>
Excess (deficiency) of revenues over (under) expenditures	(3,627)	(50,978)	31,220
FUND BALANCES			
Beginning	18,179	60,910	17,666
Ending	<u>\$ 14,552</u>	<u>\$ 9,932</u>	<u>\$ 48,886</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
\$ 867,217	\$ 1,079,597	\$ -	\$ -	\$ -	\$ 3,758,410
132,149	161,646	-	-	-	458,724
-	-	-	1,244,465	-	1,244,465
-	-	-	-	18,779	18,779
-	-	1,209,113	-	-	1,209,113
-	-	-	-	15,000	15,000
-	-	-	4,185	1,572	5,757
-	-	-	-	184,221	184,221
<u>999,366</u>	<u>1,241,243</u>	<u>1,209,113</u>	<u>1,248,650</u>	<u>219,572</u>	<u>6,894,469</u>
<u>978,541</u>	<u>1,184,552</u>	<u>1,165,021</u>	<u>689,523</u>	<u>142,437</u>	<u>6,159,984</u>
20,825	56,691	44,092	559,127	77,135	734,485
504	3,012	8,202	1,669,572	699,094	2,477,139
<u>\$ 21,329</u>	<u>\$ 59,703</u>	<u>\$ 52,294</u>	<u>\$ 2,228,699</u>	<u>\$ 776,229</u>	<u>\$ 3,211,624</u>

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

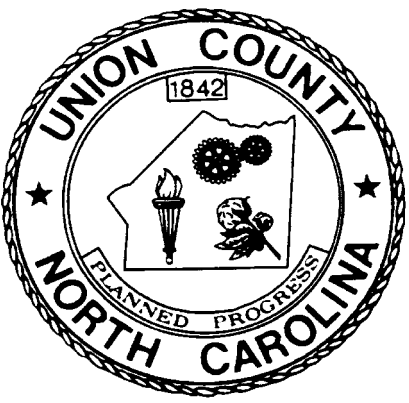
June 30, 2010

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,682,177	\$ 673,138	\$ 522,845	\$ 2,878,160
Accounts receivable (net)	316,254	1,352	513	318,119
Total current assets	<u>1,998,431</u>	<u>674,490</u>	<u>523,358</u>	<u>3,196,279</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	133,100	32,370	-	165,470
Workers' compensation claims payable	-	267,097	-	267,097
Health care benefits payable	1,018,419	-	-	1,018,419
Total current liabilities	<u>1,151,519</u>	<u>299,467</u>	<u>-</u>	<u>1,450,986</u>
NET ASSETS				
Unrestricted	<u>\$ 846,912</u>	<u>\$ 375,023</u>	<u>\$ 523,358</u>	<u>\$ 1,745,293</u>

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

For the Year Ended June 30, 2010

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 9,628,754	\$ -	\$ 738,887	\$ 10,367,641
Other operating revenue	35	22,116	2,006	24,157
Total operating revenues	<u>9,628,789</u>	<u>22,116</u>	<u>740,893</u>	<u>10,391,798</u>
OPERATING EXPENSES				
Operating expenses	749,963	154,145	-	904,108
Workers' compensation claims	-	176,889	-	176,889
Health benefit claims and premiums	8,571,725	-	-	8,571,725
Property and casualty claims and premiums	-	-	738,887	738,887
Total operating expenses	<u>9,321,688</u>	<u>331,034</u>	<u>738,887</u>	<u>10,391,609</u>
Operating income (loss)	307,101	(308,918)	2,006	189
NONOPERATING REVENUES				
Investment earnings	<u>7,419</u>	<u>2,398</u>	<u>4,683</u>	<u>14,500</u>
Change in net assets	314,520	(306,520)	6,689	14,689
NET ASSETS				
Beginning	<u>532,392</u>	<u>681,543</u>	<u>516,669</u>	<u>1,730,604</u>
Ending	<u>\$ 846,912</u>	<u>\$ 375,023</u>	<u>\$ 523,358</u>	<u>\$ 1,745,293</u>



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

For the Year Ended June 30, 2010

	<u>Health Benefits Fund</u>	<u>Workers' Compensation Fund</u>	<u>Property and Casualty Fund</u>	<u>Total</u>
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 9,560,074	\$ 4,972	\$ 742,605	\$ 10,307,651
Other operating revenue	35	22,116	2,006	24,157
Cash paid for goods and services	<u>(9,233,582)</u>	<u>(541,473)</u>	<u>(738,887)</u>	<u>(10,513,942)</u>
Net cash provided (used) by operating activities	326,527	(514,385)	5,724	(182,134)
INVESTING ACTIVITIES				
Investment earnings	<u>7,419</u>	<u>2,398</u>	<u>4,683</u>	<u>14,500</u>
Net increase (decrease) in cash and investments	333,946	(511,987)	10,407	(167,634)
CASH AND INVESTMENTS				
Beginning of year	1,348,231	1,185,125	512,438	3,045,794
End of year	<u>\$ 1,682,177</u>	<u>\$ 673,138</u>	<u>\$ 522,845</u>	<u>\$ 2,878,160</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 307,101</u>	<u>\$ (308,918)</u>	<u>\$ 2,006</u>	<u>\$ 189</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(68,680)	4,972	3,718	(59,990)
Increase (decrease) in accounts payable and accrued liabilities	<u>88,106</u>	<u>(210,439)</u>	<u>-</u>	<u>(122,333)</u>
Total adjustments	<u>19,426</u>	<u>(205,467)</u>	<u>3,718</u>	<u>(182,323)</u>
Net cash provided (used) by operating activities	<u>\$ 326,527</u>	<u>\$ (514,385)</u>	<u>\$ 5,724</u>	<u>\$ (182,134)</u>

Union County, North Carolina

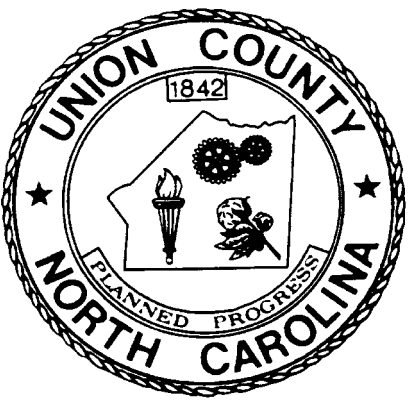
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2010

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 60,630	\$ 53,456	\$ 22,138	\$ 88
Property taxes receivable (net)	-	-	-	2,941
Accounts receivable (net)	-	49,523	-	-
Total assets	<u>\$ 60,630</u>	<u>\$ 102,979</u>	<u>\$ 22,138</u>	<u>\$ 3,029</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 102,979	\$ -	\$ 3,029
Due to program participants	60,630	-	22,138	-
Total liabilities	<u>\$ 60,630</u>	<u>\$ 102,979</u>	<u>\$ 22,138</u>	<u>\$ 3,029</u>

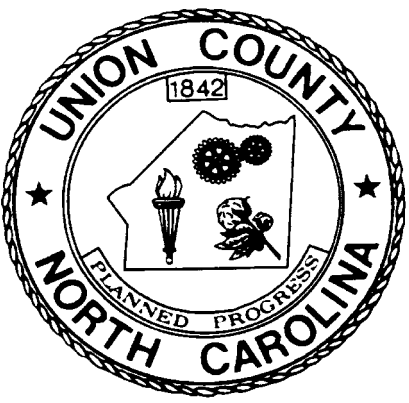
Schedule 8

Union County School District Fund	Municipal Tax Collection Fund	Deed of Trust Fee Fund	Gross Rental Receipts Tax Fund	Dept. of State Treas. Motor Vehicle Tax Fund	Totals
\$ 984	\$ 124,787	\$ 3,680	\$ 2,048	\$ 10,858	\$ 278,669
5,380	-	-	-	-	8,321
-	-	-	-	-	49,523
<u>\$ 6,364</u>	<u>\$ 124,787</u>	<u>\$ 3,680</u>	<u>\$ 2,048</u>	<u>\$ 10,858</u>	<u>\$ 336,513</u>
\$ 6,364	\$ 124,787	\$ 3,680	\$ 2,048	\$ 10,858	\$ 253,745
-	-	-	-	-	82,768
<u>\$ 6,364</u>	<u>\$ 124,787</u>	<u>\$ 3,680</u>	<u>\$ 2,048</u>	<u>\$ 10,858</u>	<u>\$ 336,513</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, 2010 and 2009

	June 30, 2010	June 30, 2009
ASSETS		
Cash and investments	\$ 47,062,523	\$ 50,145,671
Property taxes receivable (net)	6,382,560	6,090,422
Accounts receivable (net)	9,823,027	11,014,088
Inventories	33,301	29,734
Cash and investments, restricted	99,681	78,910
Total assets	<u>\$ 63,401,092</u>	<u>\$ 67,358,825</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,283,543	\$ 4,140,287
Deferred revenue	6,382,560	6,090,422
Unearned revenue	226,716	363,456
Deposits	569,936	517,969
Total liabilities	<u>11,462,755</u>	<u>11,112,134</u>
FUND BALANCE		
Reserved for encumbrances	1,375,830	505,153
Reserved by State statute	9,856,328	11,043,822
Unreserved		
Designated for subsequent year's expenditures	1,681,878	1,283,506
Designated for special purpose	1,079,429	239,497
Undesignated	37,944,872	43,174,713
Total fund balance	<u>51,938,337</u>	<u>56,246,691</u>
Total liabilities and fund balance	<u>\$ 63,401,092</u>	<u>\$ 67,358,825</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 148,069,575	\$ 148,045,812	\$ (23,763)	\$ 145,202,930
Prior years' levy	2,740,000	3,666,239	926,239	2,482,963
Penalties and interest	732,451	886,268	153,817	736,108
Total	151,542,026	152,598,319	1,056,293	148,422,001
Local option sales tax	28,478,556	23,515,921	(4,962,635)	31,273,069
Other taxes and licenses	1,416,000	1,716,487	300,487	1,830,883
Intergovernmental	31,079,442	29,937,870	(1,141,572)	27,492,919
Permits and fees	2,049,646	2,490,193	440,547	2,862,299
Sales and services	4,681,078	4,751,268	70,190	4,658,297
Investment earnings	2,160,000	1,441,878	(718,122)	3,240,531
Miscellaneous	3,056,528	3,994,066	937,538	1,944,471
Total revenues	224,463,276	220,446,002	(4,017,274)	221,724,470
EXPENDITURES				
General Government				
Board of Commissioners	456,365	355,572	100,793	709,117
Central Administration	888,534	712,898	175,636	1,362,382
County Dues and Memberships	97,773	92,208	5,565	125,854
Internal Audit	98,776	95,310	3,466	94,169
Legal	328,185	319,940	8,245	319,889
Personnel	706,248	628,647	77,601	702,862
Finance	856,033	836,381	19,652	845,173
Tax Administration	3,598,144	3,355,983	242,161	3,759,220
Court Facilities	733,038	587,470	145,568	726,925
Elections	1,028,578	841,877	186,701	925,440
Register of Deeds	1,045,823	985,934	59,889	1,080,050
Information Systems	1,477,853	1,218,325	259,528	1,726,881
G.I.S. Department	266,067	205,425	60,642	252,057
General Services	343,808	(177,650)	521,458	(96,580)
Total General Government	11,925,225	10,058,320	1,866,905	12,533,439
Public Safety				
Law Enforcement	19,031,283	18,555,990	475,293	18,192,386
Communications	2,869,317	2,284,354	584,963	2,983,211
Homeland Security	195,255	144,999	50,256	251,382
Fire Services	1,649,470	1,557,543	91,927	1,173,663
Inspection	1,668,390	1,600,870	67,520	1,877,672
Medical Examiner	51,000	43,586	7,414	55,772
Emergency Medical Services	2,913,315	2,913,315	-	3,554,321
Juvenile Detention	111,350	62,430	48,920	74,501
American Red Cross	4,875	4,875	-	5,000
Other Public Safety	1,000	990	10	990
Total Public Safety	28,495,255	27,168,952	1,326,303	28,168,898

Continued on next page.

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 512,337	\$ 402,501	\$ 109,836	\$ 547,329
Economic Development Commission	1,917,687	894,445	1,023,242	577,415
Cooperative Extension Service	806,832	733,352	73,480	782,432
Soil Conservation	79,478	76,550	2,928	73,694
Forest Management	68,248	68,022	226	51,728
New Ventures Business Development	9,000	9,000	-	10,000
<i>Total Economic and Physical Development</i>	<u>3,393,582</u>	<u>2,183,870</u>	<u>1,209,712</u>	<u>2,042,598</u>
Human Services				
Health	9,121,460	8,182,576	938,884	7,999,773
Mental Health	834,252	731,103	103,149	602,737
Social Services	26,643,028	24,232,616	2,410,412	26,275,564
Other Human Services				
Health Quest	22,500	22,500	-	25,000
United Family Services	22,500	22,500	-	25,000
Charlotte Area Transportation	90,557	90,557	-	106,512
JJDP - Programs	297,829	264,735	33,094	228,340
Disproportionate Minority Counselor	-	-	-	6,514
Turning Point	22,500	22,500	-	25,000
Transportation and Nutrition	1,544,294	1,319,395	224,899	1,442,154
Veterans' Service	279,261	262,291	16,970	279,044
UDI (Sheltered Workshop)	25,650	25,650	-	28,500
Community Shelter	11,250	11,250	-	12,500
Community Action	68,704	68,704	-	66,205
Council on Aging	328,307	306,260	22,047	311,160
CMC-Union	1,035,000	225,682	809,318	-
Criminal Justice Partnership	130,749	130,749	-	125,407
Other Human Services	2,175	1,990	185	2,150
<i>Total Human Services</i>	<u>40,480,016</u>	<u>35,921,058</u>	<u>4,558,958</u>	<u>37,561,560</u>
Cultural and Recreational				
Library	4,031,801	3,947,911	83,890	4,221,591
Parks and Recreation	1,726,389	1,465,783	260,606	1,875,260
Arts Council	49,500	49,500	-	55,000
Historical Properties	20,308	16,497	3,811	20,723
A. J. Historical Foundation	4,500	4,500	-	5,000
<i>Total Cultural and Recreational</i>	<u>5,832,498</u>	<u>5,484,191</u>	<u>348,307</u>	<u>6,177,574</u>
Education				
Public Schools - current expense	79,504,155	79,504,155	-	77,296,271
Public Schools - current expense (occupancy cost)	203,478	192,915	10,563	207,867
Subtotal	<u>79,707,633</u>	<u>79,697,070</u>	<u>10,563</u>	<u>77,504,138</u>
Community College	9,194	-	9,194	-
Community College - operations	1,100,000	1,100,000	-	1,164,000
Literacy Efforts	2,250	2,250	-	2,500
<i>Total Education</i>	<u>80,819,077</u>	<u>80,799,320</u>	<u>19,757</u>	<u>78,670,638</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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 24,396,918	\$ 24,396,918	\$ -	\$ 23,075,736
Interest and fees	24,749,170	23,516,056	1,233,114	23,925,906
Total	<u>49,146,088</u>	<u>47,912,974</u>	<u>1,233,114</u>	<u>47,001,642</u>
General Debt Service				
Principal retirement	2,531,200	2,531,194	6	1,779,380
Interest and fees	1,380,532	1,379,643	889	1,146,839
Total	<u>3,911,732</u>	<u>3,910,837</u>	<u>895</u>	<u>2,926,219</u>
<i>Total Debt Service</i>	<u>53,057,820</u>	<u>51,823,811</u>	<u>1,234,009</u>	<u>49,927,861</u>
Contingency	<u>324,816</u>	-	<u>324,816</u>	-
Nondepartmental	<u>119,748</u>	-	<u>119,748</u>	-
Total expenditures	<u>224,448,037</u>	<u>213,439,522</u>	<u>11,008,515</u>	<u>215,082,568</u>
Revenues over expenditures	<u>15,239</u>	<u>7,006,480</u>	<u>6,991,241</u>	<u>6,641,902</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds:				
General Capital Project Fund	(11,587,417)	(11,587,417)	-	(4,976,822)
Proceeds from refunding general obligation bonds	39,332,628	39,332,628	-	72,000,000
Proceeds from refunding general obligation bonds issuance premium, etc	2,708,055	2,708,055	-	4,074,144
Payments to refunded bonds escrow agents	<u>(41,739,909)</u>	<u>(41,768,100)</u>	<u>(28,191)</u>	<u>(75,600,000)</u>
Total other financing sources (uses)	<u>(11,286,643)</u>	<u>(11,314,834)</u>	<u>(28,191)</u>	<u>(4,502,678)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(11,271,404)	(4,308,354)	6,963,050	2,139,224
APPROPRIATED FUND BALANCE	<u>11,271,404</u>	-	<u>(11,271,404)</u>	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(4,308,354)</u>	<u>\$ (4,308,354)</u>	<u>2,139,224</u>
FUND BALANCE				
Beginning		56,246,691		54,107,467
Ending		<u>\$ 51,938,337</u>		<u>\$ 56,246,691</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.

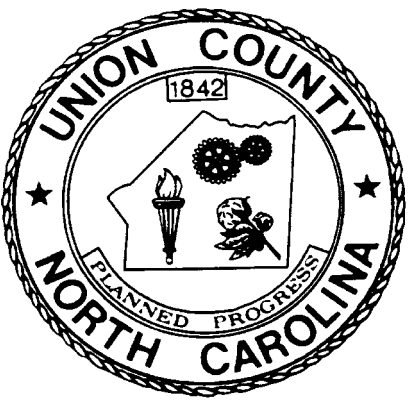
Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance	2009
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 314,698	\$ 313,753	\$ (945)	\$ 311,070
Prior years' levy	-	8,127	8,127	5,833
Penalties and interest	-	1,643	1,643	1,606
Total	<u>314,698</u>	<u>323,523</u>	<u>8,825</u>	<u>318,509</u>
Local option sales tax	<u>750</u>	<u>(35)</u>	<u>(785)</u>	<u>22,043</u>
Total revenues	<u>315,448</u>	<u>323,488</u>	<u>8,040</u>	<u>340,552</u>
EXPENDITURES				
Current				
Public Safety	<u>327,115</u>	<u>327,115</u>	<u>-</u>	<u>350,555</u>
Revenues under expenditures	(11,667)	(3,627)	8,040	(10,003)
APPROPRIATED FUND BALANCE	<u>11,667</u>	<u>-</u>	<u>(11,667)</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>(3,627)</u>	<u>\$ (3,627)</u>	<u>(10,003)</u>
FUND BALANCE				
Beginning of year - July 1		<u>18,179</u>		<u>28,182</u>
End of year - June 30		<u>\$ 14,552</u>		<u>\$ 18,179</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance	2009
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 400,094	\$ 412,394	\$ 12,300	\$ 409,524
Prior years' levy	-	8,339	8,339	9,037
Penalties and interest	-	2,354	2,354	2,525
Total	400,094	423,087	22,993	421,086
Local option sales tax	78,832	68,230	(10,602)	43,854
Total revenues	478,926	491,317	12,391	464,940
EXPENDITURES				
Current				
Public Safety	588,926	542,295	46,631	614,200
Revenues under expenditures	(110,000)	(50,978)	59,022	(149,260)
APPROPRIATED FUND BALANCE	110,000	-	(110,000)	-
Revenues and appropriated fund balance under expenditures	\$ -	(50,978)	\$ (50,978)	(149,260)
FUND BALANCE				
Beginning of year - July 1		60,910		210,170
End of year - June 30		\$ 9,932		\$ 60,910

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 1,017,768	\$ 1,044,188	\$ 26,420	\$ 1,014,490
Prior years' levy	-	16,771	16,771	12,048
Penalties and interest	-	4,027	4,027	2,989
Total	<u>1,017,768</u>	<u>1,064,986</u>	<u>47,218</u>	<u>1,029,527</u>
Local option sales tax	<u>112,732</u>	<u>96,734</u>	<u>(15,998)</u>	<u>62,160</u>
Total revenues	<u>1,130,500</u>	<u>1,161,720</u>	<u>31,220</u>	<u>1,091,687</u>
EXPENDITURES				
Current				
Public Safety	<u>1,130,500</u>	<u>1,130,500</u>	<u>-</u>	<u>1,151,500</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>31,220</u>	<u>\$ 31,220</u>	<u>(59,813)</u>
FUND BALANCE				
Beginning of year - July 1		<u>17,666</u>		<u>77,479</u>
End of year - June 30		<u>\$ 48,886</u>		<u>\$ 17,666</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance	2009
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 833,747	\$ 852,871	\$ 19,124	\$ 830,552
Prior years' levy	-	11,394	11,394	6,283
Penalties and interest	-	2,952	2,952	2,269
Total	<u>833,747</u>	<u>867,217</u>	<u>33,470</u>	<u>839,104</u>
Local option sales tax	<u>151,477</u>	<u>132,149</u>	<u>(19,328)</u>	<u>43,932</u>
Total revenues	<u>985,224</u>	<u>999,366</u>	<u>14,142</u>	<u>883,036</u>
EXPENDITURES				
Current				
Public Safety	<u>985,224</u>	<u>978,541</u>	<u>6,683</u>	<u>908,344</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>20,825</u>	<u>\$ 20,825</u>	<u>(25,308)</u>
FUND BALANCE				
Beginning of year - July 1		<u>504</u>		<u>25,812</u>
End of year - June 30		<u>\$ 21,329</u>		<u>\$ 504</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 999,596	\$ 1,052,918	\$ 53,322	\$ 1,000,798
Prior years' levy	-	21,820	21,820	6,241
Penalties and interest	-	4,859	4,859	3,253
Total	<u>999,596</u>	<u>1,079,597</u>	<u>80,001</u>	<u>1,010,292</u>
Local option sales tax	<u>184,956</u>	<u>161,646</u>	<u>(23,310)</u>	<u>64,329</u>
Total revenues	<u>1,184,552</u>	<u>1,241,243</u>	<u>56,691</u>	<u>1,074,621</u>
EXPENDITURES				
Current				
Public Safety	<u>1,184,552</u>	<u>1,184,552</u>	<u>-</u>	<u>1,117,831</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>56,691</u>	<u>\$ 56,691</u>	<u>(43,210)</u>
FUND BALANCE				
Beginning of year - July 1		<u>3,012</u>		<u>46,222</u>
End of year - June 30		<u>\$ 59,703</u>		<u>\$ 3,012</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 1,163,710	\$ 1,209,113	\$ 45,403	\$ 1,204,255
EXPENDITURES				
Current				
Public Safety	<u>1,163,710</u>	<u>1,165,021</u>	<u>(1,311)</u>	<u>1,215,936</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>44,092</u>	<u>\$ 44,092</u>	<u>(11,681)</u>
FUND BALANCE				
Beginning of year - July 1		<u>8,202</u>		<u>19,883</u>
End of year - June 30		<u>\$ 52,294</u>		<u>\$ 8,202</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance	2009
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 1,244,465	\$ 1,244,465	\$ -	\$ 1,244,465
Investment earnings	-	4,185	4,185	8,556
Total revenues	<u>1,244,465</u>	<u>1,248,650</u>	<u>4,185</u>	<u>1,253,021</u>
EXPENDITURES				
Current				
Public Safety	<u>1,247,762</u>	<u>689,523</u>	<u>558,239</u>	<u>564,436</u>
Revenues over (under) expenditures	(3,297)	559,127	562,424	688,585
APPROPRIATED FUND BALANCE	<u>3,297</u>	<u>-</u>	<u>(3,297)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>559,127</u>	<u>\$ 559,127</u>	<u>688,585</u>
FUND BALANCE				
Beginning of year - July 1		<u>1,669,572</u>		<u>980,987</u>
End of year - June 30		<u>\$ 2,228,699</u>		<u>\$ 1,669,572</u>

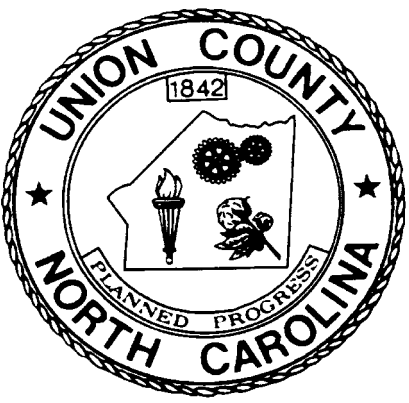
General Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 651,001	\$ 638,567	\$ 18,779	\$ 657,346	\$ 6,345
Sales and services	15,000	45,000	15,000	60,000	45,000
Investment earnings	46,285	46,287	1,572	47,859	1,574
Miscellaneous	717,002	572,747	184,221	756,968	39,966
Total revenues	<u>1,429,288</u>	<u>1,302,601</u>	<u>219,572</u>	<u>1,522,173</u>	<u>92,885</u>
EXPENDITURES					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	839,465	216,644	104,904	321,548	517,917
Law Enforcement-controlled sub. tax	317,958	146,308	34,749	181,057	136,901
Homeland Security-Catawba Nuclear	30,575	21,414	2,784	24,198	6,377
Homeland Security-FY03 U.S. grant	380,683	380,683	-	380,683	-
Homeland Security-FY05 CERT grant	18,500	7,582	-	7,582	10,918
Total expenditures	<u>1,587,181</u>	<u>772,631</u>	<u>142,437</u>	<u>915,068</u>	<u>672,113</u>
Revenues over (under) expenditures	(157,893)	529,970	77,135	607,105	764,998
OTHER FINANCING SOURCES					
Transfers in					
General Fund	<u>157,893</u>	<u>169,124</u>	<u>-</u>	<u>169,124</u>	<u>11,231</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 699,094</u>	<u>77,135</u>	<u>\$ 776,229</u>	<u>\$ 776,229</u>
FUND BALANCE					
Beginning of year - July 1			<u>699,094</u>		
End of year - June 30			<u>\$ 776,229</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.

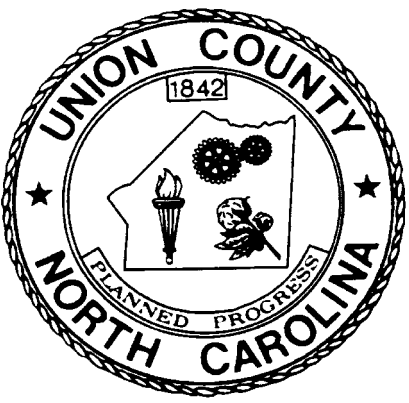


Debt Service Fund
Schedule of Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
OTHER FINANCING USES				
Transfers out				
School Bond Fund - 55	\$(11,847,132)	\$(11,847,132)	\$ -	\$ -
APPROPRIATED FUND BALANCE	<u>11,847,132</u>	<u>-</u>	<u>(11,847,132)</u>	<u>-</u>
Appropriated fund balance under other financing uses	<u>\$ -</u>	<u>(11,847,132)</u>	<u>\$(11,847,132)</u>	<u>-</u>
FUND BALANCE				
Beginning of year - July 1		<u>13,357,788</u>		<u>13,357,788</u>
End of year - June 30		<u>\$ 1,510,656</u>		<u>\$ 13,357,788</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 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, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 1,251,800	\$ -	\$ 199,269	\$ 199,269	\$ (1,052,531)
Investment earnings	813,926	897,990	6,678	904,668	90,742
Total revenues	<u>2,065,726</u>	<u>897,990</u>	<u>205,947</u>	<u>1,103,937</u>	<u>(961,789)</u>
EXPENDITURES					
Capital outlay					
General Government					
Government Facility Renovations	14,839,179	8,173,028	203,684	8,376,712	6,462,467
EECBG Facility Efficiency Improvements	751,800	-	11,703	11,703	740,097
Public Safety					
Law Enforcement-Jail Expansion	4,882,900	1,783,085	22,636	1,805,721	3,077,179
Law Enforcement-Firearms Range	1,855,665	19,500	-	19,500	1,836,165
Law Enforcement-FY2010 Capital	1,115,895	-	1,086,766	1,086,766	29,129
Communications-EOC/E911/Fire Srv Reloc.	593,500	24,550	-	24,550	568,950
Communications-E911 CAD/RMS	369,771	123,211	4,761	127,972	241,799
Communications-Radio Project-Phase I	9,796,366	3,704,784	5,208,113	8,912,897	883,469
Communications-Radio Project-Phase II	1,475,143	-	1,131,634	1,131,634	343,509
Economic and Physical Development					
Cultural and Recreation					
Parks & Recreation-J. Helms Park Ph.3	1,403,407	1,395,472	-	1,395,472	7,935
Parks & Recreation-North District Park	15,000	2,500	-	2,500	12,500
Parks & Recreation-West District/Comm	15,000	2,500	-	2,500	12,500
Parks & Recreation-C.C.Park-Store/Ck-In	29,789	29,789	-	29,789	-
Parks & Recreation-J. Helms Park-Bridge	629,928	86,413	56,110	142,523	487,405
Parks & Recreation-J. Helms Park-Passive	1,303,946	-	181,199	181,199	1,122,747
Education					
School Capital Outlay-FY2008 Allocation	11,000,000	9,939,870	842,110	10,781,980	218,020
School Capital Outlay-FY2009 Allocation	4,625,558	4,625,415	-	4,625,415	143
School Capital Outlay-FY2010 Allocation	2,344,169	-	2,214,239	2,214,239	129,930
School Capital Outlay-FY07-08 CIP	202,396	-	-	-	202,396
SPCC-Multi-Purpose Building	900,000	253,960	646,040	900,000	-
Total expenditures	<u>58,149,412</u>	<u>30,164,077</u>	<u>11,608,995</u>	<u>41,773,072</u>	<u>16,376,340</u>
Revenues under expenditures	<u>(56,083,686)</u>	<u>(29,266,087)</u>	<u>(11,403,048)</u>	<u>(40,669,135)</u>	<u>15,414,551</u>
OTHER FINANCING SOURCES					
Transfers in					
General Fund	35,503,865	36,804,930	11,587,417	48,392,347	12,888,482
Debt Service Fund	4,136,882	4,136,882	-	4,136,882	-
Proceeds from general obligation bonds	992,500	992,500	-	992,500	-
Proceeds from installment financing debt	15,450,439	9,592,396	-	9,592,396	(5,858,043)
Total other financing sources	<u>56,083,686</u>	<u>51,526,708</u>	<u>11,587,417</u>	<u>63,114,125</u>	<u>7,030,439</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$22,260,621</u>	<u>184,369</u>	<u>\$22,444,990</u>	<u>\$22,444,990</u>
FUND BALANCE					
Beginning of year - July 1			<u>22,260,621</u>		
End of year - June 30			<u>\$22,444,990</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, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Miscellaneous	\$ 171,000	\$ -	\$ -	\$ -	\$ (171,000)
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
South West Union Library Project	3,685,500	41,928	-	41,928	3,643,572
Revenues under expenditures	(3,514,500)	(41,928)	-	(41,928)	3,472,572
OTHER FINANCING SOURCES					
Transfers in					
General Fund	31,500	21,422	-	21,422	(10,078)
General Capital Project Fund	3,483,000	3,483,000	-	3,483,000	-
Library Capital Reserve Fund	-	94,765	-	94,765	94,765
Total other financing sources	3,514,500	3,599,187	-	3,599,187	84,687
Revenues and other financing sources over expenditures	\$ -	\$ 3,557,259	-	\$ 3,557,259	\$ 3,557,259
FUND BALANCE					
Beginning of year - July 1			3,557,259		
End of year - June 30			\$ 3,557,259		

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, 2010

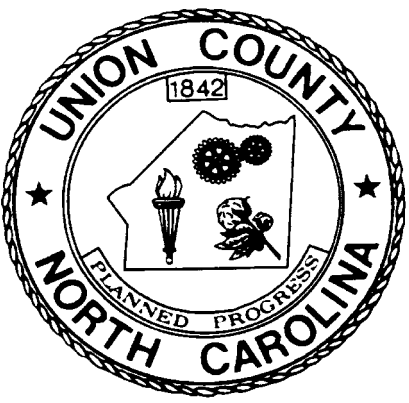
	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 2,718,406	\$ 2,718,405	\$ -	\$ 2,718,405	\$ (1)
EXPENDITURES					
Capital outlay					
Education					
Parkwood Cluster	5,029,889	5,029,890	-	5,029,890	(1)
Piedmont Cluster	857,967	857,967	-	857,967	-
Porter Ridge ES	9,059,767	9,059,767	-	9,059,767	-
Rock Rest ES (F)	14,093,367	14,093,367	-	14,093,367	-
Rea View ES (G)	21,453,113	21,392,252	59,349	21,451,601	1,512
New Town ES (H)	18,290,288	18,290,288	-	18,290,288	-
Rocky River ES (I)	16,937,837	16,934,654	3,183	16,937,837	-
New Elementary School (J)	16,878,213	16,746,565	13,172	16,759,737	118,476
New Elementary School (K)	15,595,027	15,562,906	24,610	15,587,516	7,511
New Elementary School (L)	17,174,748	15,506,940	1,191,650	16,698,590	476,158
New Elementary School (M)	22,673	22,673	-	22,673	-
New Elementary School (N)	3,969,763	3,969,763	-	3,969,763	-
New Salem ES Additions/Renovations	3,172,541	226,045	1,729,404	1,955,449	1,217,092
Wesley Chapel ES Additions/Renovations	4,532,119	4,532,119	-	4,532,119	-
Western Union ES Additions/Renovations	1,472,660	130,287	879,467	1,009,754	462,906
Porter Ridge MS (A)	17,161,131	17,160,663	-	17,160,663	468
Porter Ridge HS (A)	33,251,908	33,251,206	-	33,251,206	702
Marvin Ridge MS (B)	26,774,815	26,724,459	62,943	26,787,402	(12,587)
Marvin Ridge HS (B)	41,445,155	41,369,623	61,801	41,431,424	13,731
Monroe HS Arch., Constr., & Eng. Academy	497,835	-	233,683	233,683	264,152
New Middle School (C)	38,093,730	36,032,164	1,005,637	37,037,801	1,055,929
New High School (C)	51,199,896	46,220,728	5,375,950	51,596,678	(396,782)
New Middle School (D)	4,384,948	3,996,823	41,863	4,038,686	346,262
New High School (D)	6,645,267	6,063,078	62,789	6,125,867	519,400
Piedmont HS Additions/Renovations	5,437,237	493,193	3,150,985	3,644,178	1,793,059
Sun Valley MS Additions/Renovations	2,590,645	283,167	1,764,303	2,047,470	543,175
Sun Valley HS Additions/Renovations	384,950	294,974	-	294,974	89,976
Central Academy of Tech. & Arts (CATA)	21,742,120	21,741,376	(1,269)	21,740,107	2,013
Gym Projects-Forest Hills/Piedmont	16,045,904	16,045,905	-	16,045,905	(1)
Gym Projects-Monroe/Parkwood/SunValley	23,308,159	23,308,159	-	23,308,159	-
Athletic Facility-Monroe HS	6,522,145	6,522,145	-	6,522,145	-
Athletic Facility-Weddington HS	1,714,863	1,714,863	-	1,714,863	-
UCPS Matching Grant Program	150,824	150,824	-	150,824	-
Classroom Additions	9,819,500	9,819,500	-	9,819,500	-
Classroom Additions-Marvin ES	1,604,978	1,604,978	-	1,604,978	-
Mobile Classrooms (2006-2007)	2,316,048	2,316,048	-	2,316,048	-
Land costs	6,600,009	6,600,009	-	6,600,009	-
Land banking	301,357	301,357	-	301,357	-
Wolfe Development Center	6,905,844	6,905,844	-	6,905,844	-
Transportation/Maintenance Facility	1,982,939	1,792,624	810	1,793,434	189,505

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, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
EXPENDITURES (CONTINUED)					
Capital outlay (continued)					
Education (continued)					
Highway 200 Road Widening	\$ 899,768	\$ 893,568	\$ -	\$ 893,568	\$ 6,200
School administrative costs	3,683,011	3,111,407	424,918	3,536,325	146,686
Comprehensive facility study	400,001	308,097	75,000	383,097	16,904
Category I - Mobile Units	1,664,775	1,664,774	-	1,664,774	1
Category I - Blitz projects	10,648,655	9,482,509	1,146,624	10,629,133	19,522
Category I - Blitz projects' chillers	470,682	226,282	262,429	488,711	(18,029)
Category III - Buses	4,492,885	2,926,595	1,562,131	4,488,726	4,159
Bond savings/administration (2010)	3,246,400	-	1,221,931	1,221,931	2,024,469
Capital Expenditures (FY2011)	1,275,000	-	-	-	1,275,000
Contingency / inflation	1,304,184	-	-	-	1,304,184
Debt Service					
Debt Issuance	2,292,955	2,292,955	-	2,292,955	-
Total expenditures	<u>505,800,495</u>	<u>473,975,380</u>	<u>20,353,363</u>	<u>494,328,743</u>	<u>11,471,752</u>
Revenues under expenditures	<u>(503,082,089)</u>	<u>(471,256,975)</u>	<u>(20,353,363)</u>	<u>(491,610,338)</u>	<u>11,471,751</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Debt Service Fund	11,666,040	-	11,847,132	11,847,132	181,092
Transfers out					
General Fund	(1,357,002)	(1,357,002)	-	(1,357,002)	-
Proceeds from general obligation bonds	404,990,313	404,990,313	-	404,990,313	-
Proceeds from general obligation bonds issuance premium	6,860,227	6,860,227	-	6,860,227	-
Proceeds from installment financing debt	77,640,000	77,640,000	-	77,640,000	-
Proceeds from installment financing debt issuance premium	3,282,511	3,282,511	-	3,282,511	-
Total other financing sources (uses)	<u>503,082,089</u>	<u>491,416,049</u>	<u>11,847,132</u>	<u>503,263,181</u>	<u>181,092</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 20,159,074</u>	<u>(8,506,231)</u>	<u>\$ 11,652,843</u>	<u>\$ 11,652,843</u>
FUND BALANCE					
Beginning of year - July 1			<u>20,159,074</u>		
End of year - June 30			<u>\$ 11,652,843</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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Water sales	\$ 12,113,000	\$ 13,232,655	\$ 1,119,655	\$ 12,047,706
Sewer sales	10,435,600	10,998,783	563,183	10,545,063
Other operating revenues	676,920	697,368	20,448	767,660
Total	<u>23,225,520</u>	<u>24,928,806</u>	<u>1,703,286</u>	<u>23,360,429</u>
Nonoperating revenues				
Investment earnings	1,407,000	1,021,740	(385,260)	1,980,759
Proceeds from sale of capital assets	3,000	6,831	3,831	3,194
Total	<u>1,410,000</u>	<u>1,028,571</u>	<u>(381,429)</u>	<u>1,983,953</u>
Total revenues	<u>24,635,520</u>	<u>25,957,377</u>	<u>1,321,857</u>	<u>25,344,382</u>
EXPENDITURES				
Administration	3,397,286	3,374,905	22,381	3,386,316
Water system operations	3,221,133	3,229,918	(8,785)	3,107,223
Water system maintenance and repairs	1,854,540	1,842,677	11,863	2,206,739
Sewer-county customers system operations	3,582,377	3,418,628	163,749	3,946,791
Sewer-county customers system maintenance and repairs	1,581,393	1,544,719	36,674	1,739,414
Sewer-Marshville/Monroe system operations	676,765	688,068	(11,303)	702,637
Sewer-Marshville/Monroe system maintenance and repairs	160,366	161,356	(990)	164,933
Nondepartmental	206,699	-	206,699	-
Debt Service				
General obligation bonds - principal	1,715,786	1,715,786	-	1,886,967
Revenue bonds - principal	2,525,000	2,525,000	-	2,080,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	3,512,477	3,438,391	74,086	2,471,590
Total expenditures	<u>23,417,519</u>	<u>22,923,145</u>	<u>494,374</u>	<u>22,676,307</u>
Revenues over expenditures	<u>1,218,001</u>	<u>3,034,232</u>	<u>1,816,231</u>	<u>2,668,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Water and Sewer Capital Project Fund	(2,978,981)	(3,400,804)	(421,823)	(5,480,621)
Stormwater Operating Fund	(240,502)	(235,816)	4,686	(175,516)
Capital contributions - cash	2,681,042	2,506,182	(174,860)	3,628,727
Proceeds from revenue bonds	294,434	294,435	1	-
Proceeds from refunding general obligation bonds	-	1,057,033	1,057,033	-
Payments to refunded bonds escrow agent	(1,048,986)	(1,048,985)	1	-
Total other financing sources (uses)	<u>(1,292,993)</u>	<u>(827,955)</u>	<u>465,038</u>	<u>(2,027,410)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(74,992)</u>	<u>2,206,277</u>	<u>2,281,269</u>	<u>640,665</u>
APPROPRIATED FUND BALANCE	<u>74,992</u>	<u>-</u>	<u>(74,992)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,206,277</u>	<u>\$ 2,206,277</u>	<u>\$ 640,665</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, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Total To Date	Current Year	Total To Date	
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 2,186,734	\$ -	\$ -	\$ -	\$ (2,186,734)
Investment earnings	4	-	12,259	12,259	12,255
Total revenues	2,186,738	-	12,259	12,259	(2,174,479)
EXPENDITURES					
Administration capital outlay					
SCADA System Improvements	800,500	773,371	-	773,371	27,129
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
Comp. Water/Wastewater Master Plan	870,000	-	279,330	279,330	590,670
Water and Sewer Capital Outlay					
Misc. Water Line Replacement	246,266	-	-	-	246,266
Misc. Water Millbridge Hydraulic Modeling	4,483	-	-	-	4,483
Misc. Water Love Mill Water Line Ext	150,630	28,926	105,666	134,592	16,038
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	48,200	12,971	61,171	3,829
Misc. Water Comprehensive Water Map	500,000	267,645	120,512	388,157	111,843
Misc. Water Hemby Bridge Main Replace.	421,000	53,902	3,970	57,872	363,128
Misc. Water Smith Farm Rd Water Line Ext	44,467	5,980	32,117	38,097	6,370
Misc. Water 42" Water Main Relocation	688,000	-	-	-	688,000
Misc. Sewer Rehab I & I	40,016	-	-	-	40,016
Misc. Self Help: Contingency	90,111	-	-	-	90,111
Misc. Self Help: Oak Brook	193,587	28,445	156,138	184,583	9,004
Misc. Self Help: Cyrus Lee Lane	61,747	60,500	-	60,500	1,247
Misc. Self Help: Polk Mountain	207,285	31,847	168,896	200,743	6,542
Misc. Self Help: Wellington Woods I	138,441	20,903	113,994	134,897	3,544
Misc. Self Help: Lake Providence East	117,748	-	11,745	11,745	106,003
Misc. Self Help: Greyland	159,290	-	15,119	15,119	144,171
Misc. Self Help: Wellington Woods II & III	252,962	-	25,535	25,535	227,427
Misc. Contingency	105,693	-	-	-	105,693
Water capital outlay					
CRWTP Reservoir Expansion	3,708,263	254,345	930,150	1,184,495	2,523,768
CRWTP Expansion	2,640,000	-	131,831	131,831	2,508,169
Northern Union County Water	297,611	99,304	4,273	103,577	194,034
East Source Treatment-Anson	220,000	46,391	-	46,391	173,609
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	26,785	-	26,785	-
Altan South Lines	2,499,940	2,499,990	2,500	2,502,490	(2,550)
Northwest Tank	24,688	15,914	-	15,914	8,774
County Wide Phase II	338,810	257,108	-	257,108	81,702
County Wide Phase III	793,228	178,266	-	178,266	614,962
Roanoke Church Rd Self Help Program	5,760	4,920	-	4,920	840
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

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, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Total To Date	Current Year	Total To Date	
EXPENDITURES (continued)					
Water capital outlay (continued)					
Madison Ridge Low Pressure Study	\$ 616,391	\$ 557,729	\$ -	\$ 557,729	\$ 58,662
Secrest SC/IT Rd Water Main	2,650,077	2,542,188	-	2,542,188	107,889
Cuthbertson Road Water Line	529,375	311,878	99,489	411,367	118,008
Dodge City Water	225,434	150	15,623	15,773	209,661
Elevated Tank Maintenance	345,000	322,786	-	322,786	22,214
Hwy 74/75 Pump Station Generator	345,000	-	-	-	345,000
Weddington Elevated Storage Tank	3,190,000	69,336	138,052	207,388	2,982,612
Waxhaw / Marvin Rd Connector	529,375	410,495	1,236	411,731	117,644
Cureton Parkway	504,649	477,610	1,116	478,726	25,923
Forest Lawn / Potters Transmission Main	3,259,050	2,984,679	34,303	3,018,982	240,068
Misc Water Line Infill Projects	23,000	-	-	-	23,000
Stage 2 DBPR Implementation	200,000	61,325	7,350	68,675	131,325
Waxhaw / Indian Trail Interconnector	22,750	22,750	(22,750)	-	22,750
Anson 4MGD Water Improvements	6,099,076	748,880	2,786,754	3,535,634	2,563,442
Sewer capital outlay					
East Side Improvements	4,430,959	492,035	93,144	585,179	3,845,780
Expand 12 Mile Creek 6MGD	22,674,697	22,005,921	-	22,005,921	668,776
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	27,578	-	27,578	103,643
Rocky River WWTP-Future	6,823,809	457,419	9,832	467,251	6,356,558
Clear Creek Trunk Sewer	3,417,350	10,800	-	10,800	3,406,550
12M Creek Beneficial Re-Use	1,777,650	115,980	-	115,980	1,661,670
Future 12M Creek WWTP Expansion	2,450,000	104,340	128,928	233,268	2,216,732
Crooked Creek WWTP Bulk Re-Use/Fill St.	70,380	-	-	-	70,380
12M WWTP Phosphorus Removal	3,527,512	1,197,686	1,718,524	2,916,210	611,302
12M WWTP Odor Control	5,249,780	1,203,748	3,686,265	4,890,013	359,767
Tallwood WWTP Replacement	600,000	35,750	4,885	40,635	559,365
West Union School	468,430	438,203	-	438,203	30,227
Sewer Mapping and Hydraulic Model	749,143	643,209	76,002	719,211	29,932
Meadows Mobile Home Park Improv.	325,650	201,378	-	201,378	124,272
Update Sewer Master Plan	206,572	202,293	-	202,293	4,279
Blythe Creek Branch 1 Sewer	506,550	-	-	-	506,550
Wysacky Sewer	51,970	-	-	-	51,970
CC WWTP Influent Pipe Improvements	45,930	-	-	-	45,930
12M Creek Sewer Diversion to CMUD	342,570	344,844	1,908	346,752	(4,182)
Total expenditures	107,005,249	57,059,365	10,895,408	67,954,773	39,050,476
Revenues under expenditures	(104,818,511)	(57,059,365)	(10,883,149)	(67,942,514)	36,875,997

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, 2010

	Project Authorization	Actual		Variance Positive (Negative)	
		Total To Date	Current Year		Total To Date
OTHER FINANCING SOURCES					
Transfers from other funds:					
General Fund	\$ 616,912	\$ 500,000	\$ -	\$ 500,000	\$ (116,912)
Debt Service Fund	302,500	-	-	-	(302,500)
School Capital Bond Fund 55	165,336	-	-	-	(165,336)
Water and Sewer Operating Fund	63,493,134	74,753,384	3,400,804	78,154,188	14,661,054
Capital contributions - cash	2,859,786	2,234,175	-	2,234,175	(625,611)
Proceeds from revenue bonds	22,380,843	-	19,705,565	19,705,565	(2,675,278)
Proceeds from State sanitary sewer loan	15,000,000	14,705,882	-	14,705,882	(294,118)
Total other financing sources	<u>104,818,511</u>	<u>92,193,441</u>	<u>23,106,369</u>	<u>115,299,810</u>	<u>10,481,299</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 35,134,076</u>	12,223,220	<u>\$ 47,357,296</u>	<u>\$ 47,357,296</u>
FUND BALANCE					
Beginning of year - July 1			<u>35,134,076</u>		
End of year - June 30			<u>\$ 47,357,296</u>		

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010	2009 (as restated)
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 2,206,277	\$ 640,665
Water and Sewer Capital Project Fund	12,223,220	(621,286)
Total	<u>14,429,497</u>	<u>19,379</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(217,807)	(241,385)
Amortization of G.O. bond, Revenue bond and State sanitary sewer loan issuance costs	(80,589)	(75,147)
Amortization of G.O. and Revenue bond premium	48,003	34,310
Amortization of G.O. bond gains and (losses) on refunding	(4,136)	7,990
Amortization of Revenue bond discount	(11,220)	(11,220)
G.O. bond and Revenue bond proceeds	(21,032,372)	-
State sanitary sewer loan proceeds	-	(1,500,000)
G.O. bond and Revenue bond premium	(24,661)	-
G.O. bond and Revenue bond defeasance	1,048,985	-
Refunding G.O. bond issuance costs	290,966	574
Capitalized interest	330,771	275,623
Payment of debt principal	5,224,483	4,950,664
Decrease in compensated absences payable	17,680	7,231
Increase in interest expense accrual	(30,680)	(25,071)
Decrease in inventories	(103,038)	(96,252)
Increase in allowance for uncollectible accounts	(39,623)	(240,047)
Decrease in net pension obligation	6,780	38,323
Increase in net other post employment benefit obligation	(214,504)	(250,926)
Investment derivatives gains (losses)	117,950	(669,810)
Capital outlay	10,251,652	7,937,564
Acquisition payments on intangible asset - water rights	130,763	1,331,989
Gain (loss) on investment in joint venture	702,816	(308,326)
Net book value of capital assets disposed of	(2,083)	10,005
Capital contributions	1,866,985	2,875,918
Depreciation	(9,905,433)	(10,287,175)
Total	<u>(11,628,312)</u>	<u>3,764,832</u>
Change in net assets	<u>\$ 2,801,185</u>	<u>\$ 3,784,211</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 4,379,110	\$ 3,555,315	\$ (823,795)	\$ 4,342,532
Disposal fees	278,630	299,190	20,560	227,158
Other operating revenues	9,300	9,683	383	4,827
Total	<u>4,667,040</u>	<u>3,864,188</u>	<u>(802,852)</u>	<u>4,574,517</u>
Nonoperating revenues				
Investment earnings	65,000	111,129	46,129	351,171
Federal grant	10,000	10,000	-	-
Total	<u>75,000</u>	<u>121,129</u>	<u>46,129</u>	<u>351,171</u>
Total revenues	<u>4,742,040</u>	<u>3,985,317</u>	<u>(756,723)</u>	<u>4,925,688</u>
EXPENDITURES				
Administration	345,802	356,218	(10,416)	391,715
Solid waste landfill	4,699,199	3,938,390	760,809	4,004,096
Law enforcement litter patrol	68,987	68,381	606	83,784
Nondepartmental	19,719	-	19,719	-
Total expenditures	<u>5,133,707</u>	<u>4,362,989</u>	<u>770,718</u>	<u>4,479,595</u>
Revenues over (under) expenditures	(391,667)	(377,672)	13,995	446,093
OTHER FINANCING SOURCES (USES)				
Transfers in				
Solid Waste Capital Reserve Fund	391,120	465,970	74,850	-
Transfers out				
Solid Waste Capital Reserve Fund	-	-	-	(342,663)
Total other financing sources (uses)	<u>391,120</u>	<u>465,970</u>	<u>74,850</u>	<u>(342,663)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(547)	88,298	88,845	103,430
APPROPRIATED FUND BALANCE				
	<u>547</u>	<u>-</u>	<u>(547)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 88,298</u>	<u>\$ 88,298</u>	<u>\$ 103,430</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ (105,499)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Solid Waste Operating Fund	-	-	-	342,663
Transfers out				
Solid Waste Operating Fund	(473,600)	(465,970)	7,630	-
Total other financing sources (uses)	(473,600)	(465,970)	7,630	342,663
Revenues and other financing sources over (under) other financing uses	(473,600)	(465,970)	7,630	237,164
APPROPRIATED FUND BALANCE	473,600	-	(473,600)	-
Revenues, other financing sources and appropriated fund balance over (under) other financing uses	\$ -	\$ (465,970)	\$ (465,970)	\$ 237,164

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010	2009 (as restated)
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 88,298	\$ 103,430
Capital Reserve Fund	(465,970)	237,164
Total	<u>(377,672)</u>	<u>340,594</u>
Reconciling items:		
(Increase) decrease in compensated absences payable	14,040	(8,135)
Decrease in inventories	(5,454)	(1,724)
Increase in accrued landfill postclosure care costs	(47,535)	(85,271)
Increase in allowance for uncollectible accounts	(9,903)	(206)
Decrease in net pension obligation	975	5,468
Increase in net other post employment benefit obligation	(49,098)	(63,946)
Capital outlay	220,000	32,647
Depreciation	(180,271)	(161,879)
Total	<u>(57,246)</u>	<u>(283,046)</u>
Change in net assets	<u>\$ (434,918)</u>	<u>\$ 57,548</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
EXPENDITURES				
Administration	\$ 305,681	\$ 205,816	\$ 99,865	\$ 200,655
OTHER FINANCING SOURCES				
Transfers in				
Water and Sewer Operating Fund	284,797	235,816	(48,981)	175,516
Other financing sources over (under) expenditures	(20,884)	30,000	50,884	(25,139)
APPROPRIATED FUND BALANCE	20,884	-	(20,884)	-
Other financing sources and appropriated fund balance over (under) expenditures	\$ -	\$ 30,000	\$ 30,000	\$ (25,139)
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Other financing sources over (under) expenditures		\$ 30,000		\$ (25,139)
Reconciling items:				
(Increase) decrease in compensated absences payable		4,514		(5,334)
Decrease in net pension obligation		291		1,542
Increase in net other post employment benefit obligation		(949)		-
Depreciation		(4,481)		(4,481)
Total		(625)		(8,273)
Change in net assets		\$ 29,375		\$ (33,412)

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 9,617,995	\$ 9,628,754	\$ 10,759	\$ 9,164,079
Insurance reimbursement	35	35	-	-
Total	<u>9,618,030</u>	<u>9,628,789</u>	<u>10,759</u>	<u>9,164,079</u>
Nonoperating revenues				
Investment earnings	<u>16,600</u>	<u>7,419</u>	<u>(9,181)</u>	<u>48,629</u>
Total revenues	<u>9,634,630</u>	<u>9,636,208</u>	<u>1,578</u>	<u>9,212,708</u>
EXPENDITURES				
Operating expenditures				
Health benefit claims and premiums	8,887,388	8,511,162	376,226	8,047,362
Other operating expenditures	<u>747,242</u>	<u>749,963</u>	<u>(2,721)</u>	<u>752,893</u>
Total expenditures	<u>9,634,630</u>	<u>9,261,125</u>	<u>373,505</u>	<u>8,800,255</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 375,083</u>	<u>\$ 375,083</u>	<u>\$ 412,453</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ 375,083		\$ 412,453
Reconciling items:				
Increase in health benefit claims payable		<u>(60,563)</u>		<u>(119,257)</u>
Change in net assets		<u>\$ 314,520</u>		<u>\$ 293,196</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Insurance reimbursement	\$ 19,874	\$ 22,116	\$ 2,242	\$ 965
Nonoperating revenues				
Investment earnings	6,800	2,398	(4,402)	27,171
Total revenues	<u>26,674</u>	<u>24,514</u>	<u>(2,160)</u>	<u>28,136</u>
EXPENDITURES				
Operating expenditures				
Workers' compensation claims	338,536	332,380	6,156	331,457
Other operating expenditures	142,076	154,145	(12,069)	131,618
Total expenditures	<u>480,612</u>	<u>486,525</u>	<u>(5,913)</u>	<u>463,075</u>
Revenues under expenditures	(453,938)	(462,011)	(8,073)	(434,939)
APPROPRIATED FUND BALANCE	<u>453,938</u>	<u>-</u>	<u>(453,938)</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ (462,011)</u>	<u>\$ (462,011)</u>	<u>\$ (434,939)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues under expenditures		\$ (462,011)		\$ (434,939)
Reconciling items:				
(Increase) decrease in workers' compensation claims payable		<u>155,491</u>		<u>(243,745)</u>
Change in net assets		<u>\$ (306,520)</u>		<u>\$ (678,684)</u>

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 732,994	\$ 738,887	\$ 5,893	\$ 684,799
Insurance reimbursement	2,006	2,006	-	-
Total	735,000	740,893	5,893	684,799
Nonoperating revenues				
Investment earnings	-	4,683	4,683	7,627
Total revenues	735,000	745,576	10,576	692,426
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	735,000	738,887	(3,887)	704,749
Revenues over (under) expenditures	\$ -	\$ 6,689	\$ 6,689	\$ (12,323)

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.

Retiree Healthcare Benefits Plan Fund - This fund accounts for the accumulation of resources for the payment of retirees' healthcare 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.

Deed of Trust Fee Fund - This fund accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 631,086	\$ 891,907
Investment earnings	<u>16,079</u>	<u>44,483</u>
Total revenues	<u>647,165</u>	<u>936,390</u>
EXPENSES		
Operating expenses		
Employee benefits	<u>926,878</u>	<u>883,184</u>
Revenues over (under) expenses	(279,713)	53,206
NET ASSETS		
Beginning of year-July 1	<u>1,633,758</u>	<u>1,580,552</u>
End of year-June 30	<u><u>\$ 1,354,045</u></u>	<u><u>\$ 1,633,758</u></u>

Retiree Healthcare Benefits Plan Fund
Schedule of Revenues and Changes in
Fiduciary Net Assets - Pension Trust Fund

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 652,840	\$ 360,000
Investment earnings	<u>23,269</u>	<u>768</u>
Total revenues	<u>676,109</u>	<u>360,768</u>
 NET ASSETS		
Beginning of year-July 1	<u>360,768</u>	<u>-</u>
End of year-June 30	<u><u>\$ 1,036,877</u></u>	<u><u>\$ 360,768</u></u>

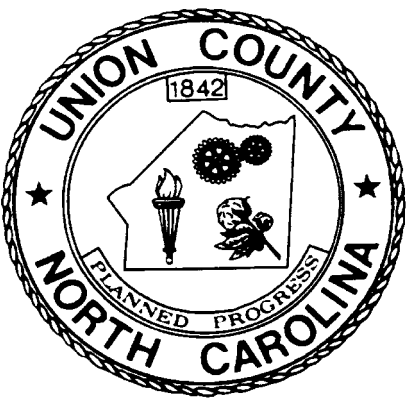
Agency Funds
Combining Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 59,726	\$ 288,714	\$ 287,810	\$ 60,630
LIABILITIES				
Due to program participants	\$ 59,726	\$ 288,714	\$ 287,810	\$ 60,630
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ -	\$ 852,040	\$ 798,584	\$ 53,456
Accounts receivable (net)	51,546	49,523	51,546	49,523
Total assets	\$ 51,546	\$ 901,563	\$ 850,130	\$ 102,979
LIABILITIES				
Accounts payable and accrued liabilities	\$ 51,546	\$ 1,082,851	\$ 1,031,418	\$ 102,979
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 7,497	\$ 257,441	\$ 242,800	\$ 22,138
LIABILITIES				
Due to program participants	\$ 7,497	\$ 257,441	\$ 242,800	\$ 22,138
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 215	\$ 898	\$ 1,025	\$ 88
Property taxes receivable (net)	5,358	816	3,233	2,941
Total assets	\$ 5,573	\$ 1,714	\$ 4,258	\$ 3,029
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,573	\$ 904	\$ 3,448	\$ 3,029
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 606	\$ 6,548	\$ 6,170	\$ 984
Property taxes receivable (net)	16,678	6,345	17,643	5,380
Total assets	\$ 17,284	\$ 12,893	\$ 23,813	\$ 6,364
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,284	\$ 7,014	\$ 17,934	\$ 6,364
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 172,527	\$ 2,688,713	\$ 2,736,453	\$ 124,787
LIABILITIES				
Accounts payable and accrued liabilities	\$ 172,527	\$ 2,688,713	\$ 2,736,453	\$ 124,787

Continued on next page.

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>DEED OF TRUST FEE FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 29,975	\$ 26,295	\$ 3,680
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 29,975	\$ 26,295	\$ 3,680
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 1,792	\$ 94,756	\$ 94,500	\$ 2,048
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,792	\$ 118,133	\$ 117,877	\$ 2,048
<u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX FUND</u>				
ASSETS				
Cash and investments	\$ 7,486	\$ 95,085	\$ 91,713	\$ 10,858
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,486	\$ 95,096	\$ 91,724	\$ 10,858
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 249,849	\$ 4,314,170	\$ 4,285,350	\$ 278,669
Property taxes receivable (net)	22,036	7,161	20,876	8,321
Accounts receivable (net)	51,546	49,523	51,546	49,523
Total assets	<u>\$ 323,431</u>	<u>\$ 4,370,854</u>	<u>\$ 4,357,772</u>	<u>\$ 336,513</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 256,208	\$ 4,022,686	\$ 4,025,149	\$ 253,745
Due to program participants	67,223	546,155	530,610	82,768
Total liabilities	<u>\$ 323,431</u>	<u>\$ 4,568,841</u>	<u>\$ 4,555,759</u>	<u>\$ 336,513</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, 2010**

Fiscal Year	Uncollected Balance June 30, 2009	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2010
2010-2011	\$ -	\$ 218,741	\$ 120,272	\$ 98,469
2009-2010	213,275	152,373,538	148,012,751	4,574,062
2008-2009	4,919,737	(46,674)	3,199,851	1,673,212
2007-2008	995,767	8,515	350,440	653,842
2006-2007	516,863	23,438	97,025	443,276
2005-2006	303,556	(5,111)	94,176	204,269
2004-2005	157,405	(2,937)	15,230	139,238
2003-2004	105,279	(86)	6,640	98,553
2002-2003	73,800	(50)	3,619	70,131
2001-2002	53,063	(43)	2,340	50,680
2000-2001	36,198	-	999	35,199
1999-2000	33,368	-	33,368	-
	<u>\$ 7,408,311</u>	<u>\$ 152,569,331</u>	<u>\$ 151,936,711</u>	<u>8,040,931</u>
Less: Allowance for uncollectible ad valorem taxes receivable				(1,658,371)
Ad valorem taxes receivable (net)				<u>\$ 6,382,560</u>
Reconcilement with revenues				
Taxes - ad valorem				<u>\$ 152,598,319</u>
Reconciling items				
2010 tax prepayments				120,271
Write-offs per statute of limitations				32,583
Write-offs of uncollected 2005 motor vehicle tax				64,528
Waive Tax Bills less than \$5.00				6,344
Refunds				74,647
Recognition of previously collected 2009-2010 ad valorem taxes on annually registered vehicles				187,852
Collections in advance				(240,538)
Interest and advertising cost recovery				(893,423)
Foreclosure fees and overpayments				6,798
Collections on written off motor vehicle amounts				(21,056)
Adjustment				386
Total reconciling items				<u>(661,608)</u>
Total collections and credits				<u>\$ 151,936,711</u>

Analysis of Current Tax Levy

County-wide Levy

For the Year Ended June 30, 2010

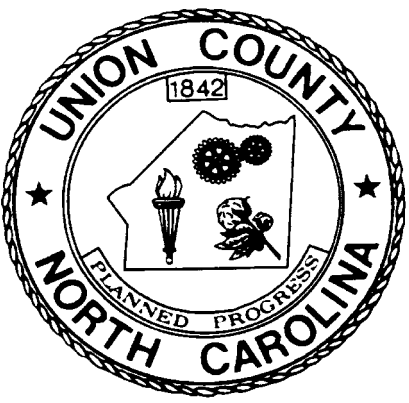
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	22,016,181,888	.6650	146,406,769	\$ 139,920,043	\$ 6,486,726
Motor vehicles taxed at prior year's rate	599,880,414	.6650	3,985,686	-	3,985,686
Motor vehicles taxed at prior year's rate	5,758,850	.7111	41,927	-	41,927
Motor vehicles taxed at prior year's rate	1,218,469	.6367	7,958	-	7,958
Motor vehicles taxed at prior year's rate	368,457	.5600	2,063	-	2,063
Motor vehicles taxed at prior year's rate	226,041	.5250	1,206	-	1,206
Motor vehicles taxed at prior year's rate	60,047	.5300	318	-	318
Motor vehicles taxed at prior year's rate	2,800	.6600	19	-	19
Total	22,623,696,966		150,445,946	139,920,043	10,525,903
Discoveries					
Property taxed at current year's rate	394,422,093	.6650	2,616,573	2,616,573	-
Abatements					
Property taxed at current year's rate	99,150,564	.6650	641,068	557,544	83,524
Motor vehicles taxed at prior year's rate	13,110,563	.6650	60,204	-	60,204
Motor vehicles taxed at prior year's rate	159,625	.7111	1,135	-	1,135
Motor vehicles taxed at prior year's rate	7,611	.6367	48	-	48
Motor vehicles taxed at prior year's rate	1,031	.5600	6	-	6
Motor vehicles taxed at prior year's rate	2,800	.6600	17	-	17
Total	112,432,194		702,478	557,544	144,934
Total property valuation	22,905,686,865				
Net levy			152,360,041	141,979,072	10,380,969
Add: Refunds			13,285	13,285	-
Add: Write-offs of small amounts			212	-	212
Total additions and adjustments for 2009-2010			152,373,538	141,992,357	10,381,181
Add: Uncollected taxes at June 30, 2009			213,274	217,063	(3,789)
Less: Uncollected taxes at June 30, 2010			(4,574,061)	(3,615,684)	(958,377)
Total collections and credits for 2009-2010			\$ 148,012,751	\$ 138,593,736	\$ 9,419,015
Percent current year collected			97.14%	97.61%	90.73%

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	19,687,269,762		
Personal property	1,317,492,111		
Public service companies	346,512,947		
	21,351,274,820	.6650	\$ 141,979,072
Personal property-motor vehicles	960,178,597	.6650	6,403,202
Personal property-motor vehicles	586,769,851	.7111	3,925,482
Personal property-motor vehicles	5,599,225	.6367	40,792
Personal property-motor vehicles	1,210,858	.5600	7,911
Personal property-motor vehicles	367,426	.5250	2,058
Personal property-motor vehicles	226,041	.5300	1,206
Personal property-motor vehicles	60,047	.5300	318
Personal property-motor vehicles	-	.6600	-
	1,554,412,045		10,380,969
Total	22,905,686,865		\$ 152,360,041

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, 2010:

School districts	\$ 2,571
Fire protection districts	3,798,255
Total	\$ 3,800,826



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 Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
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
Restricted	3,915,730	33,500,043	7,659,736	55,565,377	9,948,350
Unrestricted	(31,150,415)	(79,263,380)	(86,021,934)	(184,091,155)	(177,888,141)
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>
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
Restricted	143,400	2,882,255	2,882,435	2,836,676	2,767,983
Unrestricted	38,201,362	47,069,467	50,157,942	58,410,989	52,098,871
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>
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
Restricted	4,059,130	36,382,298	10,542,171	58,402,053	12,716,333
Unrestricted	7,050,947	(32,193,913)	(35,863,992)	(125,680,166)	(125,789,270)
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>

Table 1

Fiscal Year			
2007	2008	2009	2010
\$ 38,919,642	\$ 43,813,345	\$ 44,026,312	\$ 43,744,128
11,514,884	49,900,699	33,511,919	18,214,536
(310,620,217)	(446,227,697)	(484,507,872)	(463,995,879)
<u>\$ (260,185,691)</u>	<u>\$ (352,513,653)</u>	<u>\$ (406,969,641)</u>	<u>\$ (402,037,215)</u>
\$ 144,908,774	\$ 156,680,551	\$ 161,451,399	\$ 157,759,859
2,842,695	2,885,491	2,770,308	2,819,884
66,874,682	75,283,250	74,375,814	80,411,689
<u>\$ 214,626,151</u>	<u>\$ 234,849,292</u>	<u>\$ 238,597,521</u>	<u>\$ 240,991,432</u>
\$ 183,828,416	\$ 200,493,896	\$ 205,477,711	\$ 201,503,987
14,357,579	52,786,190	36,282,227	21,034,420
(243,745,535)	(370,944,447)	(410,132,058)	(383,584,190)
<u>\$ (45,559,540)</u>	<u>\$ (117,664,361)</u>	<u>\$ (168,372,120)</u>	<u>\$ (161,045,783)</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
General government	\$ 10,399,708	\$ 10,560,289	\$ 11,459,194	\$ 12,168,603
Public safety	19,458,701	21,273,554	24,044,141	26,502,956
Economic and physical development	1,084,390	1,168,550	1,230,445	1,077,860
Human services	27,244,747	27,692,374	29,193,590	31,101,517
Cultural and recreational	2,631,521	4,892,846	5,236,775	5,221,262
Education	44,726,510	46,645,607	68,849,627	103,593,493
Interest and fees on long term debt	7,563,464	6,509,457	7,068,573	9,673,057
Total governmental activities' expenses	<u>113,109,041</u>	<u>118,742,677</u>	<u>147,082,345</u>	<u>189,338,748</u>
Business-type activities:				
Water and sewer	14,828,450	14,765,162	16,964,489	19,402,159
Solid waste	3,073,860	3,150,037	2,669,162	3,060,595
Stormwater	-	-	65,485	101,610
Total business-type activities' expenses	<u>17,902,310</u>	<u>17,915,199</u>	<u>19,699,136</u>	<u>22,564,364</u>
Total primary government expenses	<u>\$ 131,011,351</u>	<u>\$ 136,657,876</u>	<u>\$ 166,781,481</u>	<u>\$ 211,903,112</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 4,164,370	\$ 5,122,180	\$ 7,235,368	\$ 8,840,025
Human services	4,540,223	4,198,542	4,726,273	4,884,808
Other activities	1,822,688	2,351,997	2,189,719	2,139,956
Operating grants and contributions:				
Human services	12,734,040	12,643,288	13,166,262	14,484,307
Education	1,331,309	549,522	1,164,474	1,469,609
Other activities	1,580,512	1,554,924	2,050,000	2,579,212
Capital grants and contributions	514,540	898,117	513,875	156,953
Total governmental activities' program revenues	<u>26,687,682</u>	<u>27,318,570</u>	<u>31,045,971</u>	<u>34,554,870</u>
Business-type activities:				
Charges for services:				
Water and sewer	16,935,211	13,805,194	15,710,423	17,731,789
Solid waste	2,514,238	2,557,151	2,624,962	2,924,730
Stormwater	-	-	-	-
Operating grants and contributions	163,467	182,406	298,135	200,383
Capital grants and contributions:				
Water and sewer	42,000	13,547,273	19,350,880	22,965,192
Total business-type activities' program revenues	<u>19,654,916</u>	<u>30,092,024</u>	<u>37,984,400</u>	<u>43,822,094</u>
Total primary government program revenues	<u>\$ 46,342,598</u>	<u>\$ 57,410,594</u>	<u>\$ 69,030,371</u>	<u>\$ 78,376,964</u>
Net (expense) / revenue				
Governmental activities	\$ (86,421,359)	\$ (91,424,107)	\$ (116,036,374)	\$ (154,783,878)
Business-type activities	1,752,606	12,176,825	18,285,264	21,257,730
Total primary government net expense	<u>\$ (84,668,753)</u>	<u>\$ (79,247,282)</u>	<u>\$ (97,751,110)</u>	<u>\$ (133,526,148)</u>
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
Local option sales tax	16,547,946	18,384,358	22,112,952	25,331,315
Other taxes and licenses	2,144,281	2,248,330	2,742,045	3,249,325
Unrestricted grants and contributions	1,691,404	60,838	63,719	57,091
Unrestricted rental income	-	-	-	-
Unrestricted investment earnings	2,921,632	1,709,041	749,085	2,539,072
Unrestricted miscellaneous	202,274	37,492	42,687	31,929
Transfers	46,066	-	(108,406)	(131,307)
Gain / (loss) on sale of capital assets	(3,176)	154,562	(68,993)	(2,491,673)
Total governmental activities	<u>70,072,693</u>	<u>72,201,418</u>	<u>84,583,986</u>	<u>101,730,960</u>
Business-type activities:				
Unrestricted investment earnings	1,007,018	690,069	469,966	1,332,311
Transfers	(46,066)	-	108,406	131,307
Gain / (loss) on sale of capital assets	123,244	51,425	(24,393)	(138,738)
Special item	(860,220)	7,077,140	-	-
Extraordinary item	-	-	-	-
Total business-type activities	<u>223,976</u>	<u>7,818,634</u>	<u>553,979</u>	<u>1,324,880</u>
Total primary government	<u>\$ 70,296,669</u>	<u>\$ 80,020,052</u>	<u>\$ 85,137,965</u>	<u>\$ 103,055,840</u>
Change in Net Assets				
Governmental activities	\$ (16,348,666)	\$ (19,222,689)	\$ (31,452,388)	\$ (53,052,918)
Business-type activities	1,976,582	19,995,459	18,839,243	22,582,610
Total primary government	<u>\$ (14,372,084)</u>	<u>\$ 772,770</u>	<u>\$ (12,613,145)</u>	<u>\$ (30,470,308)</u>

Table 2

		Fiscal Year				
		2006	2007	2008	2009	2010
\$	13,575,128	\$ 12,086,962	\$ 15,436,928	\$ 13,262,354	\$ 11,936,694	
	28,007,624	31,462,968	34,470,213	35,654,917	36,887,177	
	1,329,057	1,872,376	2,287,932	2,209,346	2,388,964	
	33,834,557	37,498,643	40,185,620	38,883,954	37,060,432	
	6,086,733	6,548,274	7,217,315	6,790,945	6,277,980	
	101,687,523	216,024,115	189,941,022	161,488,954	105,000,374	
	9,566,434	14,991,616	22,947,274	25,079,081	23,915,195	
	194,087,056	320,484,954	312,486,304	283,369,551	223,466,816	
	23,455,824	25,381,231	26,223,999	27,277,258	27,421,775	
	3,239,497	4,084,887	4,271,774	4,772,424	4,420,864	
	115,546	38,162	213,187	211,501	207,437	
	26,810,867	29,504,280	30,708,960	32,261,183	32,050,076	
	<u>\$ 220,897,923</u>	<u>\$ 349,989,234</u>	<u>\$ 343,195,264</u>	<u>\$ 315,630,734</u>	<u>\$ 255,516,892</u>	
\$	9,937,362	\$ 8,915,705	\$ 5,837,190	\$ 3,659,533	\$ 3,510,111	
	5,810,110	6,065,107	6,057,364	4,723,863	3,383,886	
	2,500,518	2,620,659	2,374,633	2,031,547	1,837,864	
	14,919,404	16,882,631	18,094,056	18,995,386	19,113,246	
	1,947,466	4,743,499	4,813,403	5,590,655	7,646,005	
	3,056,676	3,043,405	3,680,965	4,367,395	4,602,339	
	246,468	336,940	660,626	95,704	421,017	
	38,418,004	42,607,946	41,518,237	39,464,083	40,514,468	
	22,588,615	26,051,826	24,556,277	23,360,413	24,928,808	
	3,759,326	4,281,079	4,074,830	4,347,375	3,564,996	
	-	-	3,295	-	-	
	218,447	236,132	230,170	227,158	309,190	
	37,738,174	26,878,466	19,989,669	6,504,645	4,373,167	
	64,304,562	57,447,503	48,854,241	34,439,591	33,176,161	
	<u>\$ 102,722,566</u>	<u>\$ 100,055,449</u>	<u>\$ 90,372,478</u>	<u>\$ 73,903,674</u>	<u>\$ 73,690,629</u>	
\$	(155,669,052)	\$ (277,877,008)	\$ (270,968,067)	\$ (243,905,468)	\$ (182,952,348)	
	37,493,695	27,943,223	18,145,281	2,178,408	1,126,085	
	<u>\$ (118,175,357)</u>	<u>\$ (249,933,785)</u>	<u>\$ (252,822,786)</u>	<u>\$ (241,727,060)</u>	<u>\$ (181,826,263)</u>	
\$	84,444,843	\$ 105,339,399	\$ 127,405,534	\$ 154,149,099	\$ 156,773,697	
	29,128,130	37,542,683	38,191,635	31,509,387	23,974,645	
	3,848,241	4,090,373	2,862,903	1,830,883	1,716,487	
	56,129	93,312	108,755	104,914	112,326	
	-	-	-	-	3,295,689	
	4,020,584	6,337,613	9,635,050	2,834,234	1,908,892	
	17,661	647,091	102,972	14,559	7,974	
	(323,304)	(300,000)	-	-	-	
	(4,289,460)	23,581	333,257	(993,597)	95,064	
	116,902,824	153,774,052	178,640,106	189,449,479	187,884,774	
	1,778,463	2,935,092	3,738,139	1,556,621	1,263,078	
	323,304	300,000	-	-	-	
	68,048	41,165	(160,735)	13,199	4,748	
	-	-	-	-	-	
	-	-	(1,499,544)	-	-	
	2,169,815	3,276,257	2,077,860	1,569,820	1,267,826	
	<u>\$ 119,072,639</u>	<u>\$ 157,050,309</u>	<u>\$ 180,717,966</u>	<u>\$ 191,019,299</u>	<u>\$ 189,152,600</u>	
\$	(38,766,228)	\$ (124,102,956)	\$ (92,327,961)	\$ (54,455,989)	\$ 4,932,426	
	39,663,510	31,219,480	20,223,141	3,748,228	2,393,911	
	<u>\$ 897,282</u>	<u>\$ (92,883,476)</u>	<u>\$ (72,104,820)</u>	<u>\$ (50,707,761)</u>	<u>\$ 7,326,337</u>	

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ 7,808,627	\$ 8,246,337	\$ 20,393,554	\$ 10,674,614	\$ 10,485,321
Unreserved	62,729,237	54,689,383	41,614,180	49,687,704	53,912,165
Total general fund	70,537,864	62,935,720	62,007,734	60,362,318	64,397,486
All Other Governmental Funds					
Reserved	2,226,895	1,133,182	913,885	6,018,831	3,259,684
Unreserved, reported in:					
Special revenue funds	2,626,441	1,866,861	2,091,086	1,494,329	1,890,668
Debt service funds	-	-	-	916,430	9,252,954
Capital project funds	51,799,377	30,873,437	42,034,198	(9,657,426)	52,857,335
Total all other governmental funds	\$ 56,652,713	\$ 33,873,480	\$ 45,039,169	\$ (1,227,836)	\$ 67,260,641

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
Ad valorem taxes	\$ 43,651,066	\$ 46,033,769	\$ 49,734,498	\$ 58,785,139	\$ 72,807,526
Local option sales tax	16,800,460	16,547,946	19,572,632	22,112,952	25,331,315
Other taxes and licenses	1,927,506	2,291,166	2,418,782	2,929,526	3,457,706
Intergovernmental revenue	21,212,407	17,609,757	15,375,801	16,668,984	18,301,998
Permits and fees	4,260,379	4,893,937	6,340,538	8,453,285	9,905,175
Sales and services	3,037,064	3,439,979	3,348,469	3,434,662	3,561,745
Investment earnings	5,845,638	2,821,169	1,640,142	726,855	2,470,740
Miscellaneous	2,266,954	2,490,802	2,398,688	4,303,984	2,794,796
Total revenues	99,001,474	96,128,525	100,829,550	117,415,387	138,631,001
Expenditures					
General government	9,614,156	10,471,020	10,332,088	11,249,830	12,205,567
Public safety	17,600,958	20,625,497	20,219,360	23,850,472	27,029,852
Economic and physical development	984,075	1,066,406	1,136,928	1,183,641	1,073,782
Human services	25,355,378	27,139,488	27,374,397	28,845,735	31,293,129
Cultural and recreational	3,672,141	4,654,097	4,152,424	5,137,412	4,870,027
Education	27,126,251	23,288,195	21,196,766	24,963,887	26,440,438
Capital outlay	22,317,754	24,989,114	29,383,066	54,325,563	85,714,886
Debt service:					
Principal	6,271,311	7,430,864	7,390,004	8,497,421	8,727,796
Interest and fees	4,570,498	6,891,287	7,454,552	7,627,856	8,620,572
Total expenditures	117,512,522	126,555,968	128,639,585	165,681,817	205,976,049
Excess of revenues over (under) expenditures	(18,511,048)	(30,427,443)	(27,810,035)	(48,266,430)	(67,345,048)
Other financing sources (uses)					
Transfers from other funds	5,109,412	7,099,793	4,351,341	7,551,549	15,202,837
Transfers to other funds	(5,109,412)	(7,053,727)	(4,351,341)	(7,659,955)	(15,334,144)
Proceeds from borrowing	56,700,000	-	38,584,310	306,170	140,000,000
Proceeds from refunding	-	-	7,116,113	15,294,474	21,630,000
Payments to escrow agent	-	-	(7,652,685)	(15,138,229)	(21,630,000)
Total other financing sources (uses)	56,700,000	46,066	38,047,738	354,009	139,868,693
Net change in fund balances	\$ 38,188,952	\$ (30,381,377)	\$ 10,237,703	\$ (47,912,421)	\$ 72,523,645
Debt service as a percentage of non-capital expenditures	8.8%	10.7%	11.2%	9.3%	7.8%

Table 3

Fiscal Year				
2006	2007	2008	2009	2010
\$ 13,092,816	\$ 15,793,681	\$ 18,762,186	\$ 11,548,975	\$ 11,232,158
36,515,103	35,498,590	35,345,281	44,697,716	40,706,179
49,607,919	51,292,271	54,107,467	56,246,691	51,938,337
3,384,994	5,406,614	13,038,989	8,977,547	3,870,955
2,595,842	3,223,619	851,988	1,627,992	2,202,136
15,128,687	16,261,525	13,357,788	13,357,788	1,510,656
5,520,867	(65,362,904)	40,770,271	37,848,554	34,793,625
<u>\$ 26,630,390</u>	<u>\$ (40,471,146)</u>	<u>\$ 68,019,036</u>	<u>\$ 61,811,881</u>	<u>\$ 42,377,372</u>

Table 4

Fiscal Year				
2006	2007	2008	2009	2010
\$ 84,128,412	\$ 104,702,599	\$ 126,527,705	\$ 152,040,519	\$ 156,356,729
29,128,130	37,542,683	38,191,635	31,509,387	23,974,645
4,111,779	4,393,511	3,680,253	3,075,348	2,960,952
19,723,222	24,446,903	25,899,097	27,519,200	30,155,918
11,013,811	9,975,519	6,592,908	4,066,554	3,699,306
4,237,737	4,268,091	4,602,861	4,668,297	4,766,268
3,926,427	6,208,468	9,510,665	3,233,332	1,454,313
3,372,811	4,425,068	3,996,371	2,128,833	4,178,287
<u>159,642,329</u>	<u>195,962,842</u>	<u>219,001,495</u>	<u>228,241,470</u>	<u>227,546,418</u>
12,724,574	12,005,860	12,690,960	12,549,523	10,044,406
27,910,690	31,041,272	34,770,230	34,277,288	34,475,802
1,208,568	1,706,148	2,056,913	2,042,598	2,183,870
33,773,032	37,535,192	39,086,647	37,561,560	35,921,058
5,130,410	6,267,956	6,531,016	6,177,574	5,484,191
32,142,098	58,126,552	72,215,699	78,670,638	80,799,320
78,097,953	166,108,664	121,465,606	88,226,983	30,829,406
13,730,879	14,030,661	21,504,015	24,855,116	26,928,112
10,020,639	15,180,232	21,589,851	25,687,672	24,895,699
<u>214,738,843</u>	<u>342,002,537</u>	<u>331,910,937</u>	<u>310,048,952</u>	<u>251,561,864</u>
<u>(55,096,514)</u>	<u>(146,039,695)</u>	<u>(112,909,442)</u>	<u>(81,807,482)</u>	<u>(24,015,446)</u>
37,082,574	26,817,950	16,165,122	4,976,822	23,434,549
(37,405,878)	(27,117,950)	(16,165,122)	(4,976,822)	(23,434,549)
-	80,922,511	224,214,820	77,265,407	-
-	-	-	76,074,144	42,040,683
-	-	-	(75,600,000)	(41,768,100)
<u>(323,304)</u>	<u>80,622,511</u>	<u>224,214,820</u>	<u>77,739,551</u>	<u>272,583</u>
<u>\$ (55,419,818)</u>	<u>\$ (65,417,184)</u>	<u>\$ 111,305,378</u>	<u>\$ (4,067,931)</u>	<u>\$ (23,742,863)</u>
9.4%	7.9%	12.4%	16.0%	18.8%

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
		Real Property		Motor Vehicles	Other					
		Commercial	Residential							
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		
2009	2008	2,538,940	16,730,100	1,499,935	1,206,628	316,631	22,292,234	.665		
2010	2009	2,570,973	17,116,297	1,554,412	1,317,492	346,513	22,905,687	.665		

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, 2004 and 2008.

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		
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	84.03%	17,128,119	1,716,434	1,116,150	313,762	20,274,465
2009	2008	96.45%	19,978,269	1,499,935	1,206,628	316,631	23,001,463
2010	2009	96.00%	20,507,573	1,554,412	1,317,492	346,513	23,725,990

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax Year	<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>	<u>2009</u>
Taxes Levied by Union County										
County-wide rate	.4705	.4705	.4705	.53	.525	.56	.6367	.7111	.665	.665
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	.059	.07	.07	.07	.07	.07	-	-	-	-
County Schools District	.059	.07	.07	.07	.07	.07	-	-	-	-
Supplemental Fire Districts										
Hemby VFD	.0211	.0276	.0376	.036	.0427	.0404	.0464	.377	.0493	.0493
Springs VFD	-	-	-	-	-	-	.0313	.0312	.0306	.0306
Stallings VFD	.0063	.0277	.0342	.0392	.0492	.039	.0444	.0262	.0406	.0406
Waxhaw VFD	-	-	-	-	-	-	.0413	.0513	.0248	.0248
Wesley VFD	-	-	-	.017	.014	.015	.0152	.0167	.0191	.0191
Total County Rates										
Maximum	.5506	.5682	.5781	.6392	.6442	.6704	.6831	1.0881	.7143	.7143
Minimum	.5295	.5405	.5405	.6	.595	.63	.6367	.7111	.665	.665
Average	.5401	.5544	.5593	.6196	.6196	.6502	.6599	.8996	.6897	.6897
Overlapping Taxes Levied by Municipalities										
City of Monroe	.5	.5	.5	.5	.48	.49	.53	.55	.495	.495
Downtown Monroe District	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
Town of Fairview	-	-	.02	.02	.02	.02	.02	.02	.02	.0151
Town of Hemby Bridge	.02	.02	.05	.05	.03	.03	.03	.03	.025	.025
Town of Indian Trail	.08	.08	.08	.08	.08	.08	.1	.15	.15	.145
Town of Marshville	.38	.38	.38	.38	.38	.38	.38	.38	.38	.38
Town of Mineral Springs	.03	.03	.03	.03	.03	.027	.027	.027	.025	.025
Town of Mint Hill	-	-	-	.275	.275	.275	.275	.275	.215	.275
Town of Stallings	.1	.1	.14	.16	.25	.25	.25	.25	.22	.215
Town of Unionville	.02	.02	.02	.02	.02	.02	.02	.02	.02	.02
Town of Waxhaw	.37	.37	.37	.37	.34	.34	.34	.34	.34	.34
Town of Weddington	.02	.02	.05	.04	.04	.03	.03	.03	.03	.03
Town of Wingate	.32	.32	.4	.36	.36	.36	.38	.39	.39	.39
Village of Lake Park	.09	.18	.18	.22	.22	.22	.23	.23	.21	.23
Village of Marvin	.025	.025	.0517	.0517	.052	.0517	.05	.05	.05	.05
Village of Wesley Chapel	.02	.02	.02	.02	.02	.02	.02	.02	.017	.0165

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
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
2009	409	105,730	1,725	148,101
2010	278	51,858	1,759	118,588

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

Table 9

Taxpayer	Type of Business	June 30, 2010			June 30, 2001		
		2009 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2000 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Allegheny Technologies (Allvac)	Metals	\$ 231,705,218	1	1.01%	\$ 55,509,272	2	.63%
Union Electric Membership Corp.	Utility	119,652,223	2	.52%	47,008,294	4	.53%
Charlotte Pipe & Foundry Co.	Plastics	115,362,018	3	.50%	89,901,235	1	1.01%
Duke Power Company	Utility	78,153,496	4	.34%	49,295,746	3	.56%
Piedmont Natural Gas	Gas	73,452,499	5	.32%			
Sandler at Kensington LLC	Home Builder	45,597,390	6	.20%			
Windstream/Alltel Carolina	Utility	43,263,497	7	.19%	32,699,094	8	.37%
Parker & Orleans Homebuilders	Home Builder	36,629,300	8	.16%			
The Mathisen Company	Home Builder	35,875,560	9	.16%			
Turbomeca Manufacturing Inc	Manufacturer	31,495,176	10	.14%			
Verizon	Utility				43,212,196	5	.49%
Tyson Farms/Holly Farms	Poultry				35,623,086	6	.40%
Parkdale America	Manufacturer				33,660,330	7	.38%
C-M Monroe/Yale Security	Manufacturer				25,574,539	9	.29%
NC Natural Gas Company	Gas				24,715,809	10	.28%
Total assessed valuation of top 10 taxpayers		<u>\$ 811,186,377</u>		<u>3.54%</u>	<u>\$ 437,199,601</u>		<u>4.93%</u>
Total county-wide assessed valuation		<u>\$ 22,905,686,865</u>			<u>\$ 8,863,213,063</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
2001	2000	\$ 42,866,175	\$ 41,573,994	97.0%	\$ 1,329,093	\$ 42,903,087	100.1%
2002	2001	45,127,856	43,614,686	96.6%	1,516,871	45,131,557	100.0%
2003	2002	48,246,127	46,932,728	97.3%	1,298,730	48,231,458	100.0%
2004	2003	57,228,164	55,711,807	97.4%	1,472,010	57,183,817	99.9%
2005	2004	70,904,888	68,927,427	97.2%	1,879,609	70,807,036	99.9%
2006	2005	82,206,515	80,035,351	97.4%	2,025,667	82,061,018	99.8%
2007	2006	102,234,516	99,609,887	97.4%	2,176,847	101,786,734	99.6%
2008	2007	124,289,078	121,081,881	97.4%	2,542,379	123,624,260	99.5%
2009	2008	150,181,767	145,163,046	96.7%	3,339,071	148,502,117	98.9%
2010	2009	152,643,287	148,012,751	97.0%	-	148,065,437	97.0%

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			
2001	\$ 128,459,837	\$ 9,499,940	\$ -	\$ 137,959,777	1.56%	3.8%	\$ 1,099
2002	122,001,614	8,527,300	-	130,528,914	1.38%	3.6%	991
2003	115,636,279	43,760,000	-	159,396,279	1.57%	4.1%	1,152
2004	109,950,837	41,906,170	21,230,000	173,087,007	1.61%	4.1%	1,203
2005	245,255,314	39,653,898	-	284,909,212	2.13%	6.1%	1,890
2006	233,801,707	37,376,626	13,495,000	284,673,333	1.95%	5.5%	1,781
2007	222,078,318	112,709,355	83,495,000	418,282,673	2.60%	7.3%	2,471
2008	426,516,575	107,497,083	-	534,013,658	3.04%	8.7%	2,928
2009	467,778,542	111,670,000	-	579,448,542	2.60%	11.0%	3,026
2010	447,362,860	105,701,102	-	553,063,962	2.41%	n/a	2,817

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
2001	\$ 25,880,364	\$ 19,275,000	\$ 4,343,165	\$ 49,498,529	\$ 187,458,306	5.2%	\$ 1,493
2002	22,992,386	18,805,000	3,982,892	45,780,278	176,309,192	4.9%	1,338
2003	20,011,722	54,065,000	3,627,714	77,704,436	237,100,715	6.1%	1,714
2004	17,185,963	52,550,000	3,257,689	72,993,652	246,080,659	5.9%	1,710
2005	14,213,986	50,980,000	2,879,159	68,073,145	352,982,357	7.5%	2,342
2006	11,522,693	49,370,000	2,570,663	63,463,356	348,136,689	6.7%	2,179
2007	9,018,482	47,315,000	15,836,967	72,170,449	490,453,122	8.6%	2,898
2008	6,533,425	45,245,000	15,603,270	67,381,695	601,395,353	9.8%	3,298
2009	4,646,458	43,165,000	16,119,573	63,931,031	643,379,573	12.2%	3,359
2010	2,922,140	60,640,000	15,135,877	78,698,017	631,761,979	n/a	3,218

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Assessed value of taxable property (in 000's)	\$ 8,863,213	\$ 9,477,687	\$ 10,169,868	\$ 10,770,780	\$ 13,403,624
	x .08	x .08	x .08	x .08	x .08
Debt limit - 8 percent of assessed value	<u>709,057,045</u>	<u>758,214,956</u>	<u>813,589,404</u>	<u>861,662,385</u>	<u>1,072,289,950</u>
Gross debt					
General obligation debt	154,340,201	144,994,000	135,648,001	127,136,800	259,469,300
Bond anticipation notes	-	-	-	21,230,000	-
Authorized and unissued	25,000,000	25,000,000	95,000,000	180,000,000	110,730,000
Certificates of Participation	5,190,000	4,850,000	43,760,000	41,600,000	39,410,000
Installment Financing	4,309,940	3,677,300	-	306,170	243,898
NC Clean Water Revolving Loan	3,739,146	3,505,451	3,271,753	3,038,056	2,804,360
	<u>192,579,287</u>	<u>182,026,751</u>	<u>277,679,754</u>	<u>373,311,026</u>	<u>412,657,558</u>
Less: Water bonds issued and outstanding	(17,470,081)	(15,497,634)	(13,435,013)	(11,378,036)	(9,308,774)
Sewer bonds issued and outstanding	(8,410,283)	(7,494,752)	(6,576,709)	(5,807,927)	(4,905,212)
NC Clean Water Revolving Loan	(3,739,146)	(3,505,451)	(3,271,753)	(3,038,056)	(2,804,360)
Amount held in sinking fund	(681,999)	(676,269)	-	-	-
	<u>(30,301,509)</u>	<u>(27,174,106)</u>	<u>(23,283,475)</u>	<u>(20,224,019)</u>	<u>(17,018,346)</u>
Total amount of debt applicable to debt limit	<u>162,277,778</u>	<u>154,852,645</u>	<u>254,396,279</u>	<u>353,087,007</u>	<u>395,639,212</u>
Legal debt margin	<u>\$ 546,779,267</u>	<u>\$ 603,362,311</u>	<u>\$ 559,193,125</u>	<u>\$ 508,575,378</u>	<u>\$ 676,650,738</u>
Legal debt margin as a percentage of the debt limit	77.11%	79.58%	68.73%	59.02%	63.10%

Table 12

Fiscal Year				
2006	2007	2008	2009	2010
\$ 14,635,943	\$ 16,101,898	\$ 17,539,105	\$ 22,292,234	\$ 22,905,687
x .08	x .08	x .08	x .08	x .08
<u>1,170,875,447</u>	<u>1,288,151,840</u>	<u>1,403,128,400</u>	<u>1,783,378,720</u>	<u>1,832,454,960</u>
245,324,400	231,096,800	433,050,000	472,425,000	450,285,000
13,495,000	83,495,000	-	-	-
97,235,000	201,735,000	64,500,000	-	-
37,195,000	112,590,000	107,440,000	102,280,000	97,110,000
181,626	119,355	57,083	9,390,000	8,591,102
<u>2,570,663</u>	<u>15,836,967</u>	<u>15,603,270</u>	<u>16,119,573</u>	<u>15,135,877</u>
<u>396,001,689</u>	<u>644,873,122</u>	<u>620,650,353</u>	<u>600,214,573</u>	<u>571,121,979</u>
(7,332,405)	(5,455,173)	(3,585,416)	(2,157,116)	(854,064)
(4,190,288)	(3,563,309)	(2,948,009)	(2,489,342)	(2,068,076)
(2,570,663)	(15,836,967)	(15,603,270)	(16,119,573)	(15,135,877)
-	-	-	-	-
<u>(14,093,356)</u>	<u>(24,855,449)</u>	<u>(22,136,695)</u>	<u>(20,766,031)</u>	<u>(18,058,017)</u>
<u>381,908,333</u>	<u>620,017,673</u>	<u>598,513,658</u>	<u>579,448,542</u>	<u>553,063,962</u>
<u>\$ 788,967,114</u>	<u>\$ 668,134,167</u>	<u>\$ 804,614,742</u>	<u>\$ 1,203,930,178</u>	<u>\$ 1,279,390,998</u>
67.38%	51.87%	57.34%	67.51%	69.82%

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
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	23,064,760	9,838,861	13,225,899	6,860,065	20,085,964	3,412,226
2005	28,143,709	10,426,862	17,716,847	5,261,847	22,978,694	3,487,927
2006	38,223,973	14,310,599	23,913,374	5,193,627	29,107,001	3,416,213
2007	41,922,974	15,502,443	26,420,531	4,809,250	31,229,781	3,745,682
2008	37,611,817	15,299,134	22,312,683	4,646,148	26,958,831	3,720,738
2009	28,969,915	15,460,067	13,509,848	4,909,333	18,419,181	3,838,514
2010	28,473,735	15,236,732	13,237,003	5,038,363	18,275,366	4,829,920

Notes: FY2001 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	
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	37,611,817	15,299,134	22,312,683	2,070,000	1,650,738	6.00
2009	28,969,915	15,460,067	13,509,848	2,080,000	1,758,514	3.52
2010	28,473,735	15,236,732	13,237,003	2,525,000	2,304,920	2.74

Table 13

Senior Debt Service Coverage	Total Debt Service	Coverage of Total Debt Service Requirements		
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	3.73	3.36
3,380,148	7,125,830	7,874,966	3.97	3.71
3,228,049	6,948,787	7,692,935	3.50	3.21
3,540,105	7,378,619	8,146,322	2.26	1.83
3,276,731	8,106,651	9,072,635	2.01	1.63

Notes: FY2003 through FY2010

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)
2001	125,577	\$ 3,790,817	\$ 28,814	22,875	4.1%	\$ 1,370,180
2002	131,727	3,805,788	27,535	24,149	5.3%	1,409,840
2003	138,355	4,019,969	27,913	25,680	5.2%	1,425,656
2004	143,869	4,414,219	29,194	27,031	4.8%	1,458,866
2005	150,737	4,987,416	31,064	28,815	4.5%	1,537,435
2006	159,800	5,617,550	32,626	31,580	3.9%	1,099,352
2007	169,262	6,207,640	33,650	34,564	4.0%	1,217,491
2008	182,360	6,512,312	33,673	36,952	5.7%	1,200,307
2009	191,514	n/a	27,469	38,554	10.3%	1,162,891
2010	196,322	n/a	n/a	39,366	9.8%	1,071,444

Sources:

- (1) Source: North Carolina State Demographic Unit
- (2) United States Dept of Commerce, Bureau of Economic Analysis
- (3) Amounts for fiscal years 2001-2006 use final ADM estimates provided by the State Board of Education and DPI. Amounts shown for fiscal years 2007-2010 is estimated by the School System.
- (4) North Carolina Employment Security Commission
 The data for the Fiscal Years 2001-2009 in the table above is the annual average unemployment rate. The data for Fiscal Year 2010 in the table above is the July 2010 unemployment rate.
- (5) North Carolina Department of Revenue
 The data for the Fiscal Years 2001-2005 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, 2010	
		Employees	Rank
Union County Schools	Education	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2
CMC - Union	Health Services	1,000+	3
County of Union	Public Administration	1,000+	4
ATI Allvac	Manufacturing	1,000+	5
Wal-Mart Associates Inc	Trade	500-999	6
Harris Teeter Inc	Trade	500-999	7
City of Monroe	Public Administration	500-999	8
Pilgrims Pride Corporation	Manufacturing	500-999	9
Charlotte Pipe & Foundry Company	Manufacturing	500-999	10

Source: North Carolina Department of Commerce

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	6.0	7.0	7.7	7.2	8.2	8.2	8.2	8.1	6.1	6.2
Internal Audit	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal	2.0	2.0	2.8	2.8	2.8	2.8	2.8	3.1	3.0	3.0
Personnel	5.0	6.0	6.1	6.0	6.0	6.0	7.0	8.0	7.0	7.0
Finance	9.0	10.0	10.0	10.2	9.2	9.2	10.2	10.2	9.0	8.0
Tax Administration	44.0	45.0	45.9	46.2	47.8	51.8	51.8	56.3	44.5	44.5
Elections	4.0	4.0	10.4	10.8	10.9	11.6	11.6	10.3	10.3	13.4
Register of Deeds	9.0	10.0	10.3	11.3	11.3	12.5	12.5	13.5	12.0	12.0
Information Systems (and GIS)	12.0	12.0	12.0	12.0	12.0	11.0	11.0	11.0	10.0	10.0
General Services	11.0	12.0	14.4	13.7	13.7	13.0	11.0	11.5	10.0	10.0
Public safety										
Law Enforcement (and AC)	166.0	174.0	176.6	191.2	217.6	218.7	234.6	242.2	248.6	261.6
Communications	23.5	23.5	21.5	30.4	35.6	45.8	44.7	45.7	41.4	41.4
Homeland Security	2.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0
Fire Services	4.5	5.5	5.5	6.0	6.0	6.0	5.0	5.0	5.0	5.0
Inspection	29.0	29.0	29.0	29.0	28.0	28.0	28.0	27.5	16.0	16.0
Economic and physical development										
Planning	6.0	5.0	5.0	4.0	4.0	4.0	5.0	6.0	4.0	4.0
Economic Development	2.0	2.0	2.0	2.0	-	-	-	-	0.0	0.0
Cooperative Extension		10.0	10.0	10.0	10.0	12.0	12.0	12.5	11.0	11.0
Soil Conservation	3.0	3.0	3.0	3.0	3.0	2.0	2.0	1.0	1.0	1.0
Human services										
Public Health	79.6	84.0	100.8	91.2	93.5	97.5	102.6	104.7	101.7	100.0
Social Services	190.0	177.0	185.3	191.4	191.1	194.1	199.6	199.7	200.4	200.4
Transportation and Nutrition	9.0	11.0	22.2	27.9	28.1	30.0	30.1	31.0	30.0	30.3
Veterans' Services	2.0	2.0	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Cultural and recreational										
Library	38.0	40.5	55.0	64.2	65.1	64.5	65.9	66.0	55.7	55.7
Parks and Recreation	13.0	14.0	23.6	23.4	23.4	25.4	27.4	27.9	26.9	23.7
Sub-total	<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>914.0</u>	<u>865.5</u>	<u>876.1</u>
Business-type activities:										
Water and Sewer	77.4	88.4	88.6	89.1	89.1	94.2	99.3	109.1	92.8	93.6
Solid Waste	13.7	13.7	20.4	21.8	21.6	21.6	21.7	21.5	20.6	20.8
Stormwater	-	-	-	1.3	1.3	1.3	1.3	2.1	2.1	2.1
Sub-total	<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>132.7</u>	<u>115.4</u>	<u>116.4</u>
Total	<u><u>765.6</u></u>	<u><u>799.5</u></u>	<u><u>879.6</u></u>	<u><u>918.1</u></u>	<u><u>951.3</u></u>	<u><u>983.2</u></u>	<u><u>1,018.3</u></u>	<u><u>1,046.7</u></u>	<u><u>980.9</u></u>	<u><u>992.5</u></u>

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

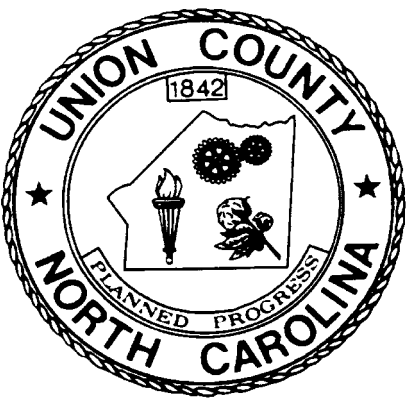
Table 18

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
General government									
Personnel									
Number of full-time employees	747	743	796	825	844	879	977	921	933
Number of part-time employees	165	142	145	151	174	223	67	55	55
Elections									
Number of registered voters	78,643	78,567	82,305	92,313	97,003	102,969	113,057	119,538	123,132
Information Systems (and GIS)									
Number of people in system	488	581	814	1,120	1,169	1,226	1,282	1,234	1,232
General Services									
Number of vehicle service requests	847	883	877	970	643	549	1,077	1,093	990
Public safety									
Fire Services									
Number of volunteer fire personnel	n/a	485	500	525	610	640	645	560	560
Inspection									
Number of inspections	3,403	3,529	4,025	4,585	5,100	4,347	713	1,341	1,070
Human services									
Public Health									
Number of patients	13,284	14,238	14,592	16,171	13,085	9,371	13,939	13,657	18,350
Number of visits	30,248	32,061	31,920	32,300	29,779	33,507	29,026	31,745	36,857
Social Services									
Number of client visits	n/a	n/a	34,194	34,452	n/a	37,824	44,446	52,953	55,102
Transportation and Nutrition									
Number of trips	47,408	54,475	63,996	68,023	73,345	73,725	85,199	87,929	85,907
Congregate, home delivered and supplemental meals	96,634	96,622	88,716	81,034	92,491	96,359	107,034	96,117	86,772
Veterans' Services									
Number of visitors	2,868	3,363	3,204	3,583	4,096	4,417	3,197	3,049	2,820
Number of phone calls	5,686	5,718	5,996	7,841	8,356	8,329	8,685	8,246	9,880
Cultural and recreational									
Library									
Number of volumes	181,310	194,105	180,193	214,212	200,740	229,812	219,255	210,457	216,363
Education									
Number of licensed employees	1,586	1,543	1,672	2,233	2,455	2,593	3,531	2,990	2,585
Number of students	24,149	25,680	27,031	28,815	31,580	34,564	36,952	38,554	39,366
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	8,659	9,395
Number of water service connections	20,844	24,823	26,564	28,922	32,629	36,276	38,192	38,913	39,320
Number of sewer service connections	12,173	15,546	17,028	19,246	22,732	26,113	27,040	27,432	27,760

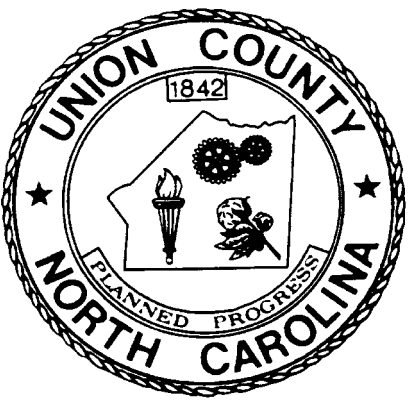
Union County, North Carolina
Capital Asset Statistics by Function/Program
 Last Nine Fiscal Years

Table 19

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
Tax Administration									
Number of tax parcels	83,173	86,059	85,885	97,078	98,640	102,639	105,714	106,749	107,406
Elections									
Number of precincts	n/a	44	46	49	51	50	50	50	52
Public safety									
Law Enforcement (and AC)									
Number of stations	8	8	8	8	8	8	8	8	8
Number of patrol units	219	219	236	245	267	295	308	301	314
Fire Services									
Number of stations-main	18	18	18	18	18	18	18	18	18
Number of stations-sub	7	7	7	7	7	7	7	7	7
Cultural and recreational									
Library									
Number of libraries	4	5	5	5	5	5	5	4	4
Parks and Recreation									
Number of parks	3	3	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	1,290	1,290
Number of acres in lakes	350	350	350	350	350	350	350	350	350
Education									
Number of schools	34	34	34	36	40	44	48	53	53
Number of classrooms	1,560	1,126	1,201	1,316	1,440	1,540	2,139	2,322	2,322
Business-type activities:									
Water and Sewer									
Number of fire hydrants	2,415	2,465	2,490	2,530	2,680	3,700	3,850	4,280	4,490
Miles of water mains	543	560	585	610	650	700	726	759	963
Miles of sewer mains	325	330	439	450	465	500	539	592	606



Compliance Section





POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**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 aggregate remaining fund information of **Union County, North Carolina**, as of and for the year ended June 30, 2010, which collectively comprises the County's basic financial statements, and have issued our report thereon dated December 13, 2010. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [10-1] A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider [10-1] to be a material weakness.

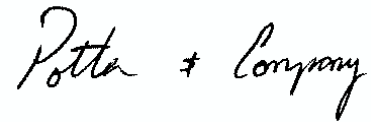
Compliance and Other Matters

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*.

The County's response 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 response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, 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.

December 13, 2010
Monroe, North Carolina

Handwritten signature in cursive script that reads "Potts & Company".



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 **Union County, North Carolina**, compliance 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. **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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, 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.

December 13, 2010
Monroe, North Carolina

Potta & Company



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 **Union County, North Carolina**, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. **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 compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

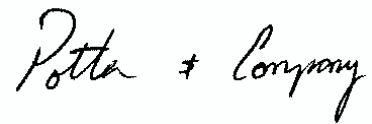
Management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered **Union County's** internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, 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.

December 13, 2010
Monroe, North Carolina

A handwritten signature in cursive script that reads "Potts & Company". The signature is written in black ink and is positioned to the right of the date and location text.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2010

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.557 (WIC)	Special Supplemental Nutrition Program for Women, Infants and Children
93.778	Title XIX – Medicaid
93.658, 93.659	Foster Care – Title IV-E, Adoption Assistance Cluster
93.658	ARRA – Title IV-E Foster Care
93.659	ARRA – Title IV-E Adoption Assistance
93.283	BioTerrorism Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$ 3,000,000

Auditee qualified as low-risk auditee? X yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2010

Section I. Summary of Auditors' Results (continued)

State Awards

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

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
- SmartStart
- Foster Care/Adoption Subsidy

The only other major State programs for Union County are Title XIX – Medicaid and the Foster Care/Adoption Assistance Cluster. Therefore, these programs have been included in the list of major federal programs above.

Section II – Financial Statement Findings

Finding: 10-1

MATERIAL WEAKNESS

Criteria: Capital assets should be removed when donated, sold or otherwise disposed of in order to report net assets correctly for both governmental and business-type activities.

Condition: Union County did not remove capital assets in the same period as they were donated, sold or otherwise disposed of.

Effect: Net assets were not reported correctly for governmental and business-type activities.

Cause: The County left disposed capital assets on the books after they had been disposed.

Recommendation: All capital assets should be removed from asset records when disposed of.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Due to the implementation of GASB 51, the County reviewed capital asset records for land, buildings and building improvements and determined that several assets that had been disposed of in prior periods had not been removed from the capital asset records. In the current year, the County made a prior period adjustment to correct this error. A description of the prior period adjustment is included in Note 23 of the financial statements. The County's current internal controls were developed after the disposal of the capital assets in question. The County has initiated additional internal controls that will provide a list of capital assets to General Service for their review, update and approval. In addition, the County will require a second sign off on the adjusting journal entry to ensure the proper adjustments are made.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

Finding: 10-1

Name of contact person: David Cannon, Finance Director

Corrective Action: The County has corrected the error through a prior period adjustment. Details of this adjustment are included in Note 23 of the financial statements.

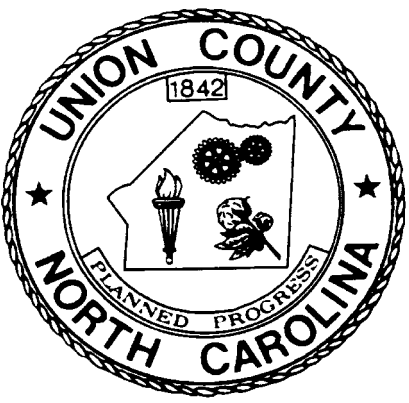
Proposed Completion Date: The error has been corrected through a prior period adjustment for the financial statements ended June 30, 2010.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2010

Summary of Prior Year's Audit Findings

Finding: None reported.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS:	
U.S. DEPARTMENT OF AGRICULTURE	
Passed-through N.C. Department of Agriculture: Commodity Supplemental Food Program	10.565
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	10.561
State Administrative Matching Grants for the Food Stamp Program	10.561
Food Stamps Employment and Training and Dependent Care	10.561
Total Passed-through N.C. Department of Health and Human Services: Food Stamp Cluster	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Administration:	
Special Supplemental Nutrition Program for:	
Summer Food Service Program for Children - Inspections	10.559
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
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 41

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 213,491	\$ -	\$ -	\$ 213,491
	28,744,761	-	-	28,744,761
	1,569	-	-	1,569
	13,347	-	-	13,347
	10,566	-	-	10,566
	951,403	-	861,896	1,813,299
	758	-	758	1,516
	<u>29,722,404</u>	<u>-</u>	<u>862,654</u>	<u>30,585,058</u>
1575-5767-S9	254	-	-	254
1540-5403-GA	192,833	-	-	192,833
1540-5403-GK	99,730	-	-	99,730
1540-5404-GA	144,593	-	13,479	158,072
1540-5404-GK	48,298	-	-	48,298
1540-5405-GA	48,527	-	13,770	62,297
1540-5405-GK	19,902	-	-	19,902
1540-5409-GA	6,202	-	-	6,202
1540-5409-GK	11,329	-	-	11,329
1540-570C-JQ	2,553	-	406	2,959
1540-570D-JQ	2,302	-	-	2,302
1540-570E-JQ	508	-	-	508
	<u>2,874,260</u>	<u>-</u>	<u>-</u>	<u>2,874,260</u>
	3,451,291	-	27,655	3,478,946
	<u>8,948</u>	<u>-</u>	<u>-</u>	<u>8,948</u>
	<u>33,396,134</u>	<u>-</u>	<u>890,309</u>	<u>34,286,443</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF JUSTICE	
Department of Justice: Bureau of Justice Assistance	
Bullet Proof Vest Partnership Program	16.607
State Criminal Alien Assistance Program	16.606
Edward Bryne Memorial Justice Assistance Grant	16.738
ARRA - Edward Bryne Memorial Justice Assistance Grant	16.804
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
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:	
ARRA - Aging Home - Delivered Nutrition Services	93.705
ARRA - Aging Home - Congregate Nutrition Services	93.707
Nutrition Services Incentive Program	93.053
Social Services Block Grant-In Home Aide	93.667
Special Programs for the Aging-Title III B	
Grants for Supportive Services and Senior Center	93.044
Special Programs for the Aging-Title III C	
Nutrition Services	93.045
Administration of Aging: Aging Cluster	

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
2009-BOB-X0-804-4236	\$ 5,138	\$ -	\$ -	\$ 5,138
2009-APB-X0-624	31,913	-	-	31,913
2009-DJB-X1-027	44,594	-	-	44,594
2009-SBB-90-849	183,495	-	-	183,495
	<u>265,140</u>	<u>-</u>	<u>-</u>	<u>265,140</u>
EMPG-2009-37179	<u>40,100</u>	<u>-</u>	<u>-</u>	<u>40,100</u>
10-CT-089 Admin	142,054	8,878	26,635	177,567
10-CT-089 Capital	34,003	4,250	4,250	42,503
	<u>176,057</u>	<u>13,128</u>	<u>30,885</u>	<u>220,070</u>
	5,848	-	-	5,848
	7,381	-	-	7,381
	42,523	-	-	42,523
	31,586	904	-	32,490
	200,598	11,837	-	212,435
	<u>154,689</u>	<u>9,046</u>	<u>-</u>	<u>163,735</u>
	<u>442,625</u>	<u>21,787</u>	<u>-</u>	<u>464,412</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families:	
Division of Social Services:	
Passed-through N.C. Department of Health and Human Services:	
Foster Care and Adoption Cluster: (Note 3)	
Adoption/Foster Care	93.558
Special Children Adoption	93.558
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
ARRA - Title IV-E Foster Care	93.658
Title IV-E Foster Care In Excess	93.658
IV-E Admin County Paid to CCI	93.658
IV-E Family Foster Care Max	93.658
IV-E Family Foster Care Max Level III	93.658
IV-E Child Protective Services	93.658
Title IV-E Adoption Training	93.659
Title IV-E Optional Adoption Training	93.659
ARRA -Title IV-E Adoption Assistance	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 Functional Assessment	93.558
Work First Service	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

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 59,023	\$ -	\$ 1,872	\$ 60,895
	15,000	-	-	15,000
	2,202	-	-	2,202
	5,985	-	5,985	11,970
	23,464	-	7,821	31,285
	216,019	-	216,019	432,038
	120,188	25,230	26,657	172,075
	7,978	-	-	7,978
	98,234	18,470	23,151	139,855
	6,418	3,209	3,209	12,836
	33	-	15	48
	2,718	(114)	1,285	3,889
	243,879	91,231	152,647	487,757
	3,560	-	1,186	4,746
	66,193	-	66,193	132,386
	18,894	-	-	18,894
	450,131	92,254	93,165	635,550
	1,339,919	230,280	599,205	2,169,404
	(130)	321	-	191
	24,996	-	-	24,996
	318,485	-	242,988	561,473
	4,500	-	-	4,500
	1,326,311	-	1,001,428	2,327,739
	777,179	-	980	778,159
	(286)	(78)	(78)	(442)
	362	-	-	362
	90,671	-	-	90,671
	617,293	-	-	617,293
	498,773	-	-	498,773
	42,974	16,415	-	59,389
	18,409	2,368	4,534	25,311
	13,403	3,351	-	16,754
	14,738	-	-	14,738

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families (continued):	
Division of Social 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 Social 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 Recovery	93.575
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 -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-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 Development -Smart Start State Match	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 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 73,958	\$ -	\$ 10,565	\$ 84,523
	-	-	-	-
	29,527	28,297	8,260	66,084
	24,521	33,277	8,257	66,055
	260,959	25,104	95,354	381,417
	<u>5,476,562</u>	<u>339,335</u>	<u>1,971,493</u>	<u>7,787,390</u>
1811-1810-T2-90	738,647	-	-	738,647
1R04-1R10-UU-90	1,758,661	-	-	1,758,661
1811-1810-DQ-90	130,705	-	-	130,705
1811-1810-DT-90	16,679	-	-	16,679
1811-1810-TB-90	1,136,031	-	-	1,136,031
1811-1810-TK-90	136,865	-	-	136,865
1811-1810-ML-90	130,261	-	-	130,261
1811-1810-MM-90	191,051	-	-	191,051
1811-1810-VY-90	41,024	22,481	-	63,505
1811-1810-VZ-90	160,223	87,800	-	248,023
1811-1810-V8-90	200,912	110,097	-	311,009
1811-1810-V9-90	502,025	275,104	-	777,129
1811-1810-VR-90	42,072	25,254	-	67,326
	304,522	-	-	304,522
1811-1812-Q4-90	22,114	-	-	22,114
1811-1812-00-90	-	171,005	-	171,005
1711-1740-40-90	-	164,773	-	164,773
1711-1740-T6-90	-	425,360	-	425,360
1711-1740-VR-90	-	36,046	-	36,046
1711-1740-VZ-90	-	135,913	-	135,913
1811-1810-VY-90	-	34,800	-	34,800
1711-1740-V8-90	-	166,511	-	166,511
1811-1810-V9-90	-	416,067	-	416,067
1811-1810-T6-90	-	275,022	-	275,022
	<u>5,511,792</u>	<u>2,346,233</u>	<u>-</u>	<u>7,858,025</u>
	<u>10,988,354</u>	<u>2,685,568</u>	<u>1,971,493</u>	<u>15,645,415</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
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
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
Chronic Disease	93.283
Breast & Cervical Cancer	93.283
Breast & Cervical Cancer	93.283
Wise Women Bioterrorism Grant	93.283
Wise Women Bioterrorism Grant	93.283
Child Service Coordination-MCH Services Block Grant	93.994
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Immunization Action	93.712
Immunization Action	93.268
Immunization Action	93.268
Total Centers for Disease Control	

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 122,355	\$ 58,149	\$ 43,662	\$ 224,166
	17,117	17,117	-	34,234
	1,645,758	-	1,645,758	3,291,516
	109,146	7,249	28,114	144,509
	<u>3,887,899</u>	<u>1,261,636</u>	<u>-</u>	<u>5,149,535</u>
	5,782,275	1,344,151	1,717,534	8,843,960
	211,259	96,307	-	307,566
	<u>87,647,713</u>	<u>30,274,246</u>	<u>22,258</u>	<u>117,944,217</u>
	<u>93,641,247</u>	<u>31,714,704</u>	<u>1,739,792</u>	<u>127,095,743</u>
1551-5503-PH	13,657	-	-	13,657
1551-540B-99	1,197	283	-	1,480
1552-310B-EK	2,452	-	-	2,452
1552-310C-EK	19,639	-	54,666	74,305
1551-360A-WA	5,979	-	-	5,979
1551-360B-WA	9,396	-	-	9,396
1531-5318-AP	19,213	14,412	99,943	133,568
1561-2677-EY	8,823	-	-	8,823
1561-793A-HN	210,114	-	-	210,114
1561-260A-HN	94,150	-	-	94,150
1561-261A-HN	5,800	-	-	5,800
1561-2680-EZ	34,960	-	-	34,960
1561-2680-EY	8,524	-	-	8,524
1R22-8700-LF	4,513	-	-	4,513
1570-631B-EJ	28,721	-	117,033	145,754
1570-631C-EJ	15,515	-	117,033	132,548
	<u>482,653</u>	<u>14,695</u>	<u>388,675</u>	<u>886,023</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
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
Voting Access for Individuals with Disabilities	93.617
U.S. INSTITUTE OF MUSEUM & LIBRARY SERVICES	
Library Services & Technology Acts (LSTA)	
Passed-through N.C. Department of Cultural Resources	
LSTA Basic Equipment Grant	45.310
Total federal awards	
STATE AWARDS:	
N.C. DEPARTMENT OF CULTURAL RESOURCES	
Division of State Library:	
State Aid to Public Libraries	N/A
N.C. DEPARTMENT OF CORRECTIONS	
Division of Community Corrections:	
Criminal Justice Partnership Program	N/A

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
1511-592C-FP	\$ 3,413	\$ -	\$ -	\$ 3,413
1511-592D-FP	46,302	-	-	46,302
1511-5151-TA	12,115	-	-	12,115
1505-5735-AP	37,448	28,089	694,380	759,917
1505-5740-AP	26,384	19,790	1,285,247	1,331,421
1505-5745-AP	21,277	15,960	1,112,139	1,149,376
1535-5351-AP	878	659	-	1,537
	<u>147,817</u>	<u>64,498</u>	<u>3,091,766</u>	<u>3,304,081</u>
	<u>105,702,696</u>	<u>34,501,252</u>	<u>7,191,726</u>	<u>147,395,674</u>
Title II	87,200	-	-	87,200
Title II	2,813	-	-	2,813
	<u>90,013</u>	<u>-</u>	<u>-</u>	<u>90,013</u>
	<u>13,003</u>	<u>-</u>	<u>-</u>	<u>13,003</u>
	<u>139,683,143</u>	<u>34,514,380</u>	<u>8,112,920</u>	<u>182,310,443</u>
	<u>-</u>	<u>176,669</u>	<u>-</u>	<u>176,669</u>
90-0705-I-A	<u>-</u>	<u>130,749</u>	<u>-</u>	<u>130,749</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
STATE AWARDS (CONTINUED):	
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Passed-through North Carolina Partnership for Children, Incorporated	
Department of Social Services	N/A
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	N/A
State Adult Protective Services	N/A
State Aid to Counties	N/A
SSBG - County Funded	N/A
Work First Non-Reimbursable	N/A
Foster Care At Risk Maximization	N/A
Foster Care Special Provisions	N/A
State Foster Home Fund Maximization	N/A
State Foster Home	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 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ -	\$ 46,618	\$ -	\$ 46,618
	-	133,156	32,672	165,828
	-	91,412	1,355	92,767
	-	<u>271,186</u>	<u>34,027</u>	<u>305,213</u>
	-	80,436	-	80,436
	-	189,291	-	189,291
	-	36,938	-	36,938
	-	38,521	-	38,521
	-	<u>345,186</u>	<u>-</u>	<u>345,186</u>
	-	182,395	-	182,395
	-	4,939	-	4,939
	-	31,495	-	31,495
	-	-	-	-
	-	-	2,054,675	2,054,675
	-	-	1,624,457	1,624,457
	-	7,735	4,171	11,906
	-	11,320	-	11,320
	-	25,359	25,359	50,718
	-	26,639	26,639	53,278
	-	253,327	185,411	438,738
	-	-	95,877	95,877
	-	859,219	859,219	1,718,438
	-	<u>1,402,428</u>	<u>4,875,808</u>	<u>6,278,236</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
STATE AWARDS (CONTINUED):	
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):	
Division of Public Health:	
Aid to Counties-Health Administration	N/A
Breast and Cervical Cancer	N/A
Child Hood Lead Poisoning	N/A
Communicable Disease	N/A
Communicable Disease-Aids	N/A
Communicable Disease-Aids	N/A
Communicable Disease-Tuberculosis	N/A
Environmental Health	N/A
High Risk Maternity Clinics	N/A
Interpreter Services	N/A
Local Health Department's Smokefree Law	N/A
Random Moment Time Study	N/A
Risk Reduction/Health Promotion	N/A
Tuberculosis	N/A
Women's Preventative Health	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	
Daymark Family Recovery	N/A
Juvenile Crime Prevention Council	N/A
Kings Daughters	N/A
Project Challenge	N/A
Psychological Services	N/A
Shelter Care	N/A
Youth and Family Services	N/A
Total Department of Juvenile Justice and Delinquency Prevention	
N.C. DEPARTMENT OF TRANSPORTATION	
Rural Operating Assistance Program (ROAP)	
ROAP Elderly and Disabled Transportation Assistance	
ROAP Rural General Public Program	
ROAP Work First Transitional - Employment	
Total N.C. Department of Transportation	

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
1410-4110-00	\$ -	\$ 101,388	\$ 658,239	\$ 759,627
1552-5599-00	-	8,925	-	8,925
4760-1496	-	-	2,128	2,128
1451-4510-00	-	7,416	420,356	427,772
1461-4536-RQ	-	10,417	18,503	28,920
1461-4536-RR	-	2,083	-	2,083
1451-4551-00	-	3,810	63,386	67,196
4752-166	-	26,858	-	26,858
1505-5746-00	-	60,293	-	60,293
1410-4181-00	-	19,000	-	19,000
1551-5543-04	-	3,194	-	3,194
2117-1530-04	-	108,774	-	108,774
1551-5503-00	-	4,839	-	4,839
1451-4554-00	-	1,033	-	1,033
1511-6010-FR	-	12,328	-	12,328
	-	<u>370,358</u>	<u>1,162,612</u>	<u>1,532,970</u>
	-	<u>2,389,158</u>	<u>6,072,447</u>	<u>8,461,605</u>
	-	141	-	141
	-	<u>6,481,450</u>	-	<u>6,481,450</u>
	-	<u>6,481,591</u>	-	<u>6,481,591</u>
290016	-	19,460	-	19,460
290000	-	6,639	-	6,639
290026	-	42,728	-	42,728
290023	-	103,280	-	103,280
290025	-	5,625	-	5,625
290011	-	27,328	-	27,328
290018	-	56,174	-	56,174
	-	<u>261,234</u>	-	<u>261,234</u>
DOT-16CL	-	128,416	-	128,416
DOT-16CL	-	195,127	-	195,127
DOT-16CL	-	53,157	-	53,157
	-	<u>376,700</u>	-	<u>376,700</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2010

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
STATE AWARDS (CONTINUED):	
N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Division of Pollution Prevention and Environmental Assistance	
Solid Waste Reduction and Recycling	N/A
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 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
2323	-	10,000	9,100	19,100
	-	26,390	50,159	76,549
PO8057 PARTF-2004-382	-	-	-	-
	-	-	-	-
	<u>-</u>	<u>36,390</u>	<u>59,259</u>	<u>95,649</u>
	-	2,000	260,293	262,293
	-	9,854,491	6,391,999	16,246,490
	<u>\$ 139,683,143</u>	<u>\$ 44,368,871</u>	<u>\$ 14,504,919</u>	<u>\$ 198,556,933</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2010

Schedule 41
 (Continued)

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Union County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal and State awards to the county and are included on the schedule.

2. Sub-recipients

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

Grantor/Pass Through Grantor/Program Title	Pass-Through Grantor's Number	State Expenditures
N.C. DEPARTMENT OF HUMAN RESOURCES		
Department of Juvenile Justice and Delinquency Prevention		
Daymark Family Recovery	290016	19,460
Juvenile Crime Prevention Council	290000	6,639
Kings Daughters	290026	42,728
Project Challenge	290023	103,280
Psychological Services	290025	5,625
Shelter Care	290011	27,328
Youth and Family Services	290018	56,174
		\$ 261,234

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

- Child Care Development – Smart Start
- State Adoption Subsidy
- Medical Assistance

