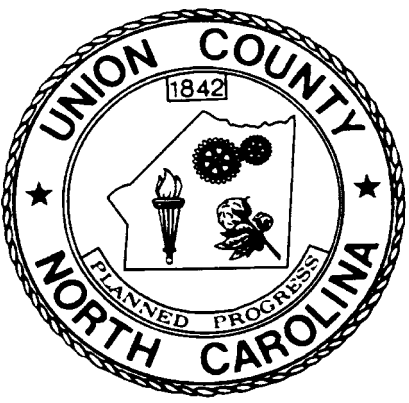




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**



Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2011

Prepared by
Finance Department



Union County, North Carolina
Table of Contents

	<u>Exhibit</u>	<u>Page No.</u>
INTRODUCTORY SECTION		
Letter of Transmittal		3
List of Principal Officials		8
Organizational Chart		9
FINANCIAL SECTION		
INDEPENDENT AUDITORS' REPORT		13
MANAGEMENT'S DISCUSSION AND ANALYSIS		15
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	28
Statement of Activities	B	29
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	D	31
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	E	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	G	34
Statement of Net Assets - Proprietary Funds	H	35
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	I	36
Statement of Cash Flows - Proprietary Funds	J	37
Statement of Fiduciary Net Assets - Fiduciary Funds	K	38
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds - Pension Trust Funds	L	39
Notes to the Financial Statements		41
REQUIRED SUPPLEMENTARY INFORMATION:		
Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress	M	88
Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions	N	89
Other Postemployment Healthcare and Dental Benefits - Required Supplementary Information - Schedule of Funding Progress	O	90
Other Postemployment Healthcare and Dental Benefits - Required Supplementary Information - Schedule of Employer Contributions	P	91

Union County, North Carolina
Table of Contents

	<u>Schedule</u>	<u>Page No.</u>
FINANCIAL SECTION (CONTINUED)		
COMBINING AND INDIVIDUAL FUND STATEMENTS:		
Combining Balance Sheet - Nonmajor Governmental Funds	1	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	2	95
Combining Balance Sheet - Nonmajor Special Revenue Funds	3	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	4	98
Combining Statement of Net Assets - Internal Service Funds	5	100
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	6	101
Combining Statement of Cash Flows - Internal Service Funds	7	103
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	8	104
GENERAL FUND		
Balance Sheet	9	109
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	10	110
SPECIAL REVENUE FUNDS		
Springs Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	11	115
Waxhaw Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	12	116
Hemby Bridge Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	13	117
Stallings Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	14	118
Wesley Chapel Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	15	119
Fee Supported Fire Districts Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	16	120
Emergency Telephone System Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	17	121
General Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	18	122
DEBT SERVICE FUND		
Debt Service Fund - Schedule of Expenditures and Changes in Fund Balance - Budget and Actual	19	125

Union County, North Carolina
Table of Contents

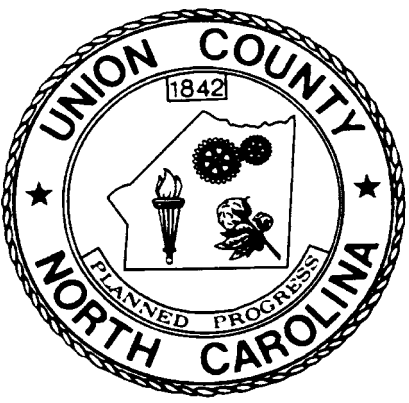
	<u>Schedule</u>	<u>Page No.</u>
FINANCIAL SECTION (CONTINUED)		
COMBINING AND INDIVIDUAL FUND STATEMENTS (CONTINUED):		
CAPITAL PROJECT FUNDS		
General Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	20	128
Library Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	21	131
School Bond Fund-55 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	22	132
ENTERPRISE FUNDS		
Water and Sewer Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	23	136
Water and Sewer Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)	24	137
Water and Sewer Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis	25	140
Solid Waste Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	26	141
Solid Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	27	142
Solid Waste Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis	28	143
Stormwater Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	29	144
INTERNAL SERVICE FUNDS		
Health Benefits Fund - Schedule of Revenues and Expenditures (Non-GAAP)	30	146
Workers' Compensation Fund - Schedule of Revenues and Expenditures (Non-GAAP)	31	147
Property and Casualty Fund - Schedule of Revenues and Expenditures (Non-GAAP)	32	148
FIDUCIARY FUNDS		
Special Separation Allowance Fund - Schedule of Revenues, Expenses and Changes in Fiduciary Net Assets - Pension Trust Fund	33	150
Retiree Healthcare Benefit Plan Fund - Schedule of Revenues and Changes in Fiduciary Net Assets - Pension Trust Fund	34	151
Agency Funds - Combining Statement of Changes in Assets and Liabilities	35	152

Union County, North Carolina
Table of Contents

	<u>Schedule/ Table</u>	<u>Page No.</u>
FINANCIAL SECTION (CONTINUED)		
ADDITIONAL FINANCIAL DATA		
Schedule of Ad Valorem Taxes Receivable - General Fund	36	156
Analysis of Current Tax Levy - County-wide Levy	37	157
STATISTICAL SECTION		
Net Assets by Component	1	160
Changes in Net Assets	2	162
Fund Balances of Governmental Funds	3	164
Changes in Fund Balances of Governmental Funds	4	164
Assessed Value of Taxable Property	5	166
Estimated Actual Value of Taxable Property	6	166
Property Tax Rates - Direct and Overlapping Governments (Per \$100 of Assessed Value)	7	167
Construction Information	8	167
Principal Property Taxpayers	9	168
Property Tax Levies and Collections	10	168
Ratios of Outstanding Debt by Type	11	169
Legal Debt Margin Information	12	170
Pledged Revenue Coverage per Revenue Bond Indenture - Water and Sewer Bonds	13	172
Pledged Revenue Coverage - Water and Sewer Bonds	14	172
Demographic and Economic Statistics	15	174
Principal Employers	16	174
Full-time Equivalent Governmental Employees by Function/Program	17	175
Operating Indicators by Function/Program	18	176
Capital Asset Statistics by Function/Program	19	177
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		181
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		183
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		185

Union County, North Carolina
Table of Contents

	<u>Schedule</u>	<u>Page No.</u>
COMPLIANCE SECTION (CONTINUED)		
Schedule of Findings and Questioned Costs	38	187
Corrective Action Plan	39	189
Summary Schedule for Prior Year's Audit Findings	40	191
Schedule of Expenditures of Federal and State Awards	41	192



Introductory Section





UNION COUNTY FINANCE DEPARTMENT

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

November 30, 2011

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, we hereby issue the annual financial report of Union County for the fiscal year ended June 30, 2011.

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, 2011, 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 2011, 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 (9.5% in July 2011) than the State (10.1% in July 2011), but currently has a higher rate of unemployment than the United States (9.1% in July 2011). According to the US Department of Agriculture, the County's 2009 median household income of \$63,190 places it second among North Carolina's 100 counties, with only Wake County at \$63,770 having a higher median household income. The County's economy during fiscal year 2010 reflected a continued 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 2011, the economy continued to struggle as evidenced by ongoing, but smaller reductions in real estate sector revenues and continued significant reductions in retail sales. However, the later stages of fiscal year 2011 saw a small but gradual increase in the construction housing industry as measured by permit issuance as well as a small increase in real estate sector revenues when compared with the comparable time periods in fiscal year 2010.

Long-term financial planning. Union County's population grew by 47% from 1990-2000, reaching 123,772 in 2000. From 2000 to 2010, the population increased by 62.5% to 201,292. The North Carolina State Demographics Unit expects the County's population to grow, over the next ten years, by another 26% or 52,401 between 2010 and 2020, reaching 253,693 by the year 2020. Public school enrollment, currently at approximately 39,900 is projected to increase to approximately 40,679, or 2.0% by 2016. The County's utility system added an average of approximately 3,700 new water connections in fiscal years 2006 and 2007. In 2009, 2010 and 2011 new water connections declined to 720, 407, and 390 respectively. Residential building permits and new construction values reached record high levels in fiscal year 2006, declined in the following fiscal years. New housing construction in fiscal year 2011 recorded the lowest levels, in terms of permit issuance and values, experienced in the past ten years. However, housing permits over the last six (6) months of fiscal year 2011 exceeded housing permits over the last six (6) months of fiscal year 2010 by over sixteen percent (16%).

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. Given the current economy, it is highly likely that several of these projects will be pushed further into the future.

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 900 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 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. However, a new Water and Wastewater Master Plan is in the final stages of completion and will be presented to the County Commission along with a new rate study and CIP plan by the end of calendar year 2011. The County Commission will be asked to adopt the new plans.

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, 2011, the County earned an equivalent of 0.7 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 2010, given the low interest rate environment of the past year, the County fully expects the investment returns to approximate or equal 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, Standard & Poors and Fitch respectively during fiscal year 2011. The County's key financial ratios relating to tax-supported debt are summarized in the following table.

	30-Jun-11	30-Jun-10	30-Jun-09	30-Jun-08	30-Jun-07
Assessed Value	\$23,190,179,804	\$23,075,783,412	\$22,516,019,353	\$17,475,253,325	\$16,065,515,920
Net Tax Supported Debt	\$542,794,901	\$565,005,530	\$592,322,950	\$539,952,268	\$337,319,676
Net Tax Supported Debt as a Percentage of Assessed Value	2.34%	2.45%	2.63%	3.09%	2.10%
Debt Service as a Percent of Expenditures	23.00%	23.00%	22.70%	19.80%	15.00%
Population	201,292	196,322	191,514	182,360	169,262
Debt per Capita	\$2,697	\$2,878	\$3,093	\$2,961	\$1,993
Available Fund Balance as a Percent of General Fund Expenditures	18.00%	18.10%	20.30%	16.50%	18.80%

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, and the entire Finance Department staff for making Union County a fiscally sound, well-governed organization.

Respectfully submitted,



Wesley Baker
Interim Finance Director



Andrea Robinson
Assistant Finance Director

UNION COUNTY, NORTH CAROLINA
List of Principal Officials
June 30, 2011

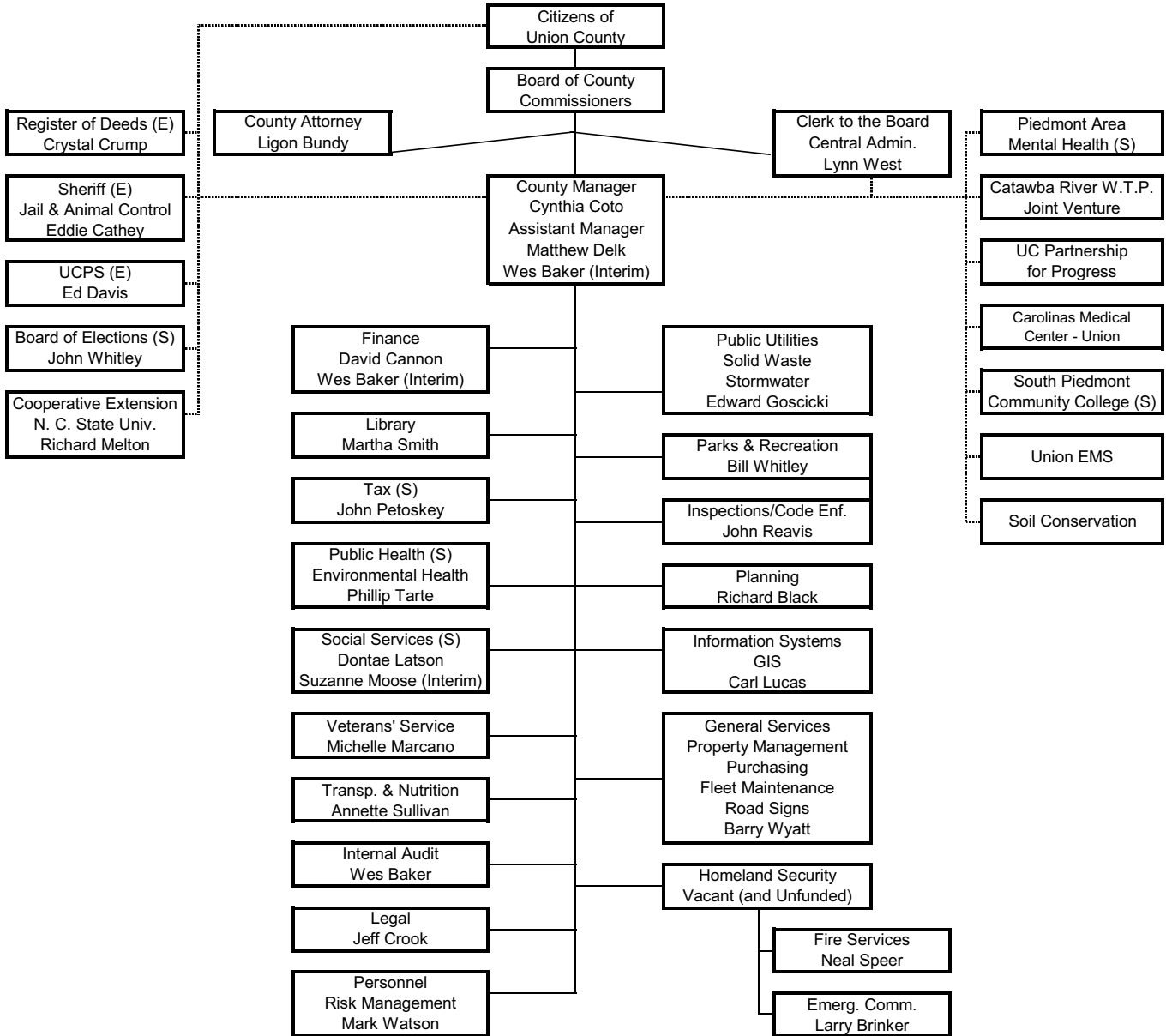
Board of County Commissioners

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

County Officials

Cynthia Coto	County Manager
Matthew Delk	Assistant County Manager
Wesley Baker	Assistant County Manager - Interim until October 24th, 2011
David Cannon	Finance Director until September 30th, 2011
Wesley Baker	Finance Director - Interim as of September 30th, 2011
Lynn G. West	Clerk to the Board
Richard Melton	Cooperative Extension Service Director
Ligon Bundy	County Attorney
John Whitley	Elections Director
Larry Brinker	Emergency Communications Director
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
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 until June 30th, 2011
Suzanne Moose	Social Services Director - Interim as of July 1st, 2011
Jeff Crook	Staff Attorney
John Petoskey	Tax Administrator
Annette Sullivan	Transportation/Nutrition Service Director
Michelle Marcano	Veterans' Service Director

Union County, North Carolina Organizational Chart

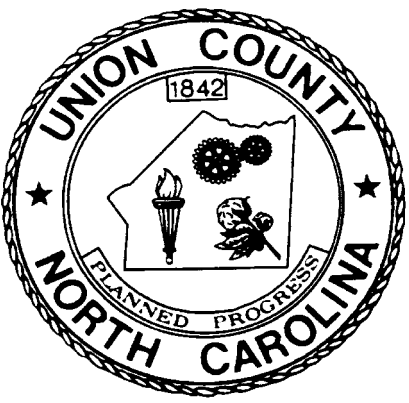


(S) Statutory Appt. Board
(E) Elected Agency

Updated: Dec. 5, 2011



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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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 the 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 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 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 30, 2011
Monroe, North Carolina

The image shows a handwritten signature in cursive script that reads "Potter & 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, 2011. 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

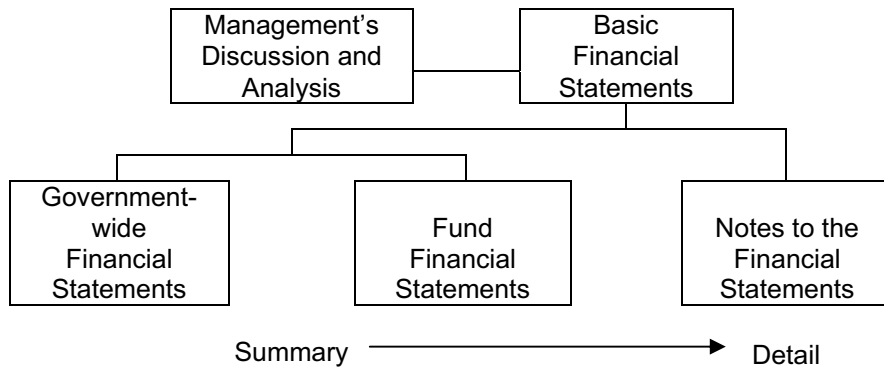
- The liabilities of Union County exceeded its assets at the close of the fiscal year by \$139,432,620 (net assets), a decrease of \$21,613,163 from the prior fiscal year.
- The total net assets of governmental activities reflects a deficit of \$383,474,834 a decrease in the deficit by \$18,562,381 from the prior year's deficit amount of \$402,037,215 primarily due to lower recurring capital contributions for educational purposes and reduced capital expenditures.
- As of the close of the current fiscal year, Union County's governmental funds reported combined ending fund balances of \$86,498,973, a decrease of \$7,816,736 in comparison with the prior year. The primary reason for this decline is the spending of general obligation bond proceeds in the amount of \$8.1 million relating to school construction and facility improvements. Approximately \$39.98 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 \$39,980,344, or 18.6 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt decreased by \$27,111,034 (4.22%) during the current fiscal year with the net decrease attributable to the payment of debt service throughout the year.
- Union County's general obligation bond rating of Aa1/AA/AA+ was affirmed by Moody's, Standard & Poor's and Fitch during fiscal year 2011.

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 87 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 93-153 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 2011 and provides comparative data, including the percentage change, from fiscal year 2010.

Union County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 126,298,926	\$ 131,066,282	\$ 112,889,577	\$ 114,250,575	\$ 239,188,503	\$ 245,316,857	-2.50%
Capital assets	70,746,258	71,874,732	217,018,259	220,019,510	287,764,517	291,894,242	-1.41%
Total assets	197,045,184	202,941,014	329,907,836	334,270,085	526,953,020	537,211,099	-1.91%
Long-term debt outstanding	542,794,901	565,005,530	73,195,632	78,096,037	615,990,533	643,101,567	-4.22%
Other liabilities	37,725,117	39,972,699	12,669,990	15,182,616	50,395,107	55,155,315	-8.63%
Total liabilities	580,520,018	604,978,229	85,865,622	93,278,653	666,385,640	698,256,882	-4.56%
Net assets							
Invested in capital assets, net of related debt	43,648,788	43,744,128	151,130,981	157,759,859	194,779,769	201,503,987	-3.34%
Restricted	24,290,336	18,214,536	2,880,533	2,819,884	27,170,869	21,034,420	29.17%
Unrestricted	(451,413,958)	(463,995,879)	90,030,700	80,411,689	(361,383,258)	(383,584,190)	-5.79%
Total net assets	\$ (383,474,834)	\$ (402,037,215)	\$ 244,042,214	\$ 240,991,432	\$ (139,432,620)	\$ (161,045,783)	-13.42%

The liabilities of Union County exceeded assets by \$139,432,620 as of June 30, 2011. The County's net assets increased by \$21,613,163 for the fiscal year ended June 30, 2011. 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 \$27,016,511 of Union County's net assets represents resources principally consisting of public safety, education, debt service, and stabilization by State Statute that are subject to external restrictions on how they may be used. The remaining deficit balance of \$361,228,900 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 \$451,259,600 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, 2011, \$512,845,405 of the outstanding debt, including accrued interest, unamortized bond issuance costs and unamortized swap termination costs, on the County's financial statements was related to assets included in the school and community college systems' financial statements. There were also no unspent school bond proceeds, \$0 of unspent County contributions for school capital pay-go funding, \$139,535 of accounts receivable and \$222,409 of liabilities payable from bond proceeds and County contributions at June 30, 2011 for school and community college systems' capital projects. The outstanding amount of this debt of \$512.8 million and the liabilities payable of \$0.2 million have been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$451,259,600 for this category of net assets; and net of unspent bond proceeds of \$0.0 million, unspent County contributions of \$0.0 million and the receivable of \$0.1 million represents a portion of the amount reported as a net reduction of net assets for governmental activities, resulting in a deficit balance of \$383,474,834 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 \$61,585,805 and total net assets would be a positive \$129,370,571.

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 2010-2011
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 9,754,825	\$ 8,731,861	\$ 29,828,876	\$ 28,493,804	\$ 39,583,701	\$ 37,225,665	6.33%
Operating grants and contributions	31,977,253	31,361,590	344,414	309,190	32,321,667	31,670,780	2.06%
Capital grants and contributions	423,685	421,017	3,890,400	4,373,167	4,314,085	4,794,184	-10.01%
General revenues:							
Property taxes	159,049,464	156,773,697	-	-	159,049,464	156,773,697	1.45%
Other taxes	25,512,748	25,691,132	-	-	25,512,748	25,691,132	-0.69%
Grants and contributions not restricted to specific programs	108,028	112,326	-	-	108,028	112,326	-3.83%
Other	4,500,312	5,307,619	1,148,532	1,267,826	5,648,844	6,575,445	-14.09%
Total revenues	231,326,315	228,399,242	35,212,222	34,443,987	266,538,537	262,843,229	1.41%
Expenses:							
General government	12,770,039	11,936,694	-	-	12,770,039	11,936,694	6.98%
Public safety	38,692,049	36,887,177	-	-	38,692,049	36,887,177	4.89%
Economic and physical development	3,710,570	2,388,964	-	-	3,710,570	2,388,964	55.32%
Human services	37,806,928	37,060,432	-	-	37,806,928	37,060,432	2.01%
Cultural and recreational	6,153,502	6,277,980	-	-	6,153,502	6,277,980	-1.98%
Education	90,656,362	105,000,374	-	-	90,656,362	105,000,374	-13.66%
Interest and fees on long term debt	22,974,484	23,915,195	-	-	22,974,484	23,915,195	-3.93%
Water and sewer	-	-	27,785,295	27,421,775	27,785,295	27,421,775	1.33%
Solid waste	-	-	4,184,286	4,420,864	4,184,286	4,420,864	-5.35%
Stormwater	-	-	191,859	207,437	191,859	207,437	-7.51%
Total expenses	212,763,934	223,466,816	32,161,440	32,050,076	244,925,374	255,516,892	-4.15%
Increase (decrease) in net assets	18,562,381	4,932,426	3,050,782	2,393,911	21,613,163	7,326,337	195.01%
Net assets, July 1	(402,037,215)	(406,969,641)	240,991,432	238,597,521	(161,045,783)	(168,372,120)	-4.35%
Net assets, June 30	<u>\$ (383,474,834)</u>	<u>\$ (402,037,215)</u>	<u>\$ 244,042,214</u>	<u>\$ 240,991,432</u>	<u>\$ (139,432,620)</u>	<u>\$ (161,045,783)</u>	<u>-13.42%</u>

Governmental activities: Governmental activities increased the County's net assets by \$18,562,381 compared with the prior year's increase of \$4,932,426 over June 30, 2010. Key elements of the reduction in net asset decline in the amount of \$13,629,955 when compared to the prior year are as follows:

- Increased Public Safety (\$1.2 million – land purchase for a firing range and training facility and \$1.0 million for a radio project). A reduction in Education expenses of \$9.2 million (improvements), General Government (\$1.6 million – facility renovations on the Governmental Center and efficiency improvements), and Parks & Recreation (\$.5 million – bridge) contributed to the increase.
- Revenue increased \$1.3 million over the prior year for governmental activities. This increase was comprised of increased property taxes (\$2.3 million - due to a slight increase in the property tax base and an increase in the collection rate). A reduction in other taxes (\$.2 million – due to declining local option sales taxes and other taxes and licenses) and a decrease of \$0.7 million in investment earnings) mitigated the property tax increase somewhat, but still produced a net increase of \$1.3 million for governmental activities.

Business-type activities: Net assets in the Business-type activities totaled \$244,042,214 at year end representing an increase of \$3,050,782 over June 30, 2010 or 1.3 percent over fiscal year 2010's \$240,991,432. Solid Waste services had a decline in net assets of \$272,062, Stormwater had a decrease of \$12,052 and Water and Sewer services had an increase in net asset of \$3,334,896. 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 as well as Anson County Water improvements (\$2.2 million).

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, unassigned 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, unassigned fund balance of the General Fund was \$39,980,344, while total fund balance was \$54,494,284.

At June 30, 2011, the governmental funds of the County reported a combined fund balance of \$86,498,973, which is a decrease of \$7,816,736 from last year's total of \$94,315,709. Of the governmental funds combined ending fund balances, \$39,980,344 represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is classified in three categories: 1). Non spendable to indicate that it is not available for spending, as it is not in spendable form; 2). Restricted to indicate that it is restricted to specific purposes as imposed by law; or 3). Assigned to indicate that it is intended to be used for a specific purpose. More information about fund balance is available in Note 1. E. 11. of the notes to the financial statements.

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 2011 revenues and other financing sources, excluding refunding debt proceeds, reflect a small \$2.7 million increase over fiscal year 2010 and fiscal year 2011 expenditures and other financing uses, excluding refunding debt distributions, also reflect an increase of \$4.3 million when compared to fiscal year 2010.

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 General Fund Revenue decreased the original budget by \$0.9 million. Local option sales tax and investment earnings decreased by a combined \$7.2 million, offset by increases in ad valorem taxes, other taxes and licenses, intergovernmental revenue, permits and fees, and miscellaneous revenue by approximately \$6.3 million. Amendments to expenditures increased the original budget by \$5.1 million. Most of the increase came from Public Safety and Human Services (\$5.8 million), but was partially offset by a decrease in interest and fee expense associated with debt service.

The actual operating revenues for the General Fund were more than the budgeted amount by \$3,000,747 consisting mainly of favorable local option sales tax revenue (\$0.9 million), ad valorem taxes (\$1.7 million) and miscellaneous (\$0.6 million). Actual expenditures were under the final budget by \$7,308,789 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 increased by \$2.6 million compared to the final budgeted use of \$8.3 million.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year totaled \$4,427,715, the Stormwater Fund totaled \$29,792 and those for the Water and Sewer Fund totaled \$85,898,634. The total change in unrestricted net assets for these funds was a decrease of \$112,193, a decrease of \$8,047 and an increase of \$12,181,210, 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, 2011, totaled \$287,764,517 (net of accumulated depreciation), a decrease of \$4,129,725 over the prior year's amount of \$291,894,242. These assets include land, buildings, equipment, plants and utility infrastructure.

The decrease was attributable primarily to additional depreciation expense (\$1.2 million) and a decrease in CIP (\$9.2 million). Some of the CIP decrease was created when certain capital projects that had incurred expenditures were charged to current year expenditures as the projects were eliminated as not needed or practical at this time.

Major capital asset transactions during the year include the:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Land	\$ 4,812,189	\$ 3,506,820	\$ 1,747,009	\$ 1,715,335	\$ 6,559,198	\$ 5,222,155	25.60%
Land - easements	-	-	1,113,633	964,148	1,113,633	964,148	15.50%
Construction in progress	4,377,638	11,689,175	15,512,516	17,357,916	19,890,154	29,047,091	-31.52%
Other improvements	4,003,147	4,217,079	617,092	657,076	4,620,239	4,874,155	-5.21%
Buildings	42,490,635	43,311,782	966,338	1,012,949	43,456,973	44,324,731	-1.96%
Furniture and equipment	13,058,331	7,125,262	887,593	1,191,242	13,945,924	8,316,504	67.69%
Vehicles	2,004,318	2,024,614	179,710	326,608	2,184,028	2,351,222	-7.11%
Plant and collection systems	-	-	109,609,283	112,929,145	109,609,283	112,929,145	-2.94%
Plant and distribution systems	-	-	85,398,030	82,830,467	85,398,030	82,830,467	3.10%
Water rights	-	-	987,055	1,034,624	987,055	1,034,624	-4.60%
	<u>\$ 70,746,258</u>	<u>\$ 71,874,732</u>	<u>\$ 217,018,259</u>	<u>\$ 220,019,510</u>	<u>\$ 287,764,517</u>	<u>\$ 291,894,242</u>	-1.41%

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, 2011, the County had total debt outstanding of \$615,990,533. General obligation debt, both long and short term, secured by the full faith and credit of the County, totaled \$441,353,505, a decrease of \$17,487,740 million from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$174,637,028, a decrease of \$9,623,294. 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 2010-2011
	2011	2010	2011	2010	2011	2010	
	General obligation bonds	\$ 439,916,948	\$ 455,904,686	\$ 1,436,557	\$ 2,936,559	\$ 441,353,505	
Certificates of participation	95,100,626	100,509,742	-	-	95,100,626	100,509,742	-5.38%
Installment financing	7,777,327	8,591,102	-	-	7,777,327	8,591,102	-9.47%
Revenue bonds	-	-	57,606,895	60,023,601	57,606,895	60,023,601	-4.03%
Other	-	-	14,152,180	15,135,877	14,152,180	15,135,877	-6.50%
Total	<u>\$ 542,794,901</u>	<u>\$ 565,005,530</u>	<u>\$ 73,195,632</u>	<u>\$ 78,096,037</u>	<u>\$ 615,990,533</u>	<u>\$ 643,101,567</u>	-4.22%

The County's total net debt decreased by \$27,111,034 or 4.22 percent during the past fiscal year.

The County's most recent long term general obligation bond ratings at June 30, 2011, 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, 2011, are shown below:

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

Fitch, in conjunction with a revenue bond refunding for Union County's Water & Wastewater in August of 2011, raised Union County's utility bond rating from AA- to 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 \$1,325,074,615. The County has no bonds authorized but unissued at June 30, 2011.

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 2000-2010	62.8%	18.5%
Projected Population Increase 2010-2020	26.0%	16.0%
Unemployment Rate (2009)	10.3%	10.6%
Unemployment Rate (09/2011)	9.0%	10.0%
Per Capita Income (2009)	\$27,649	\$24,547
Median Household Income (2009)	\$63,190	\$43,754

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, 2012, totals \$219.2 million, which is a decrease of \$70.6 million or 24.4% over the final amended budget for the fiscal year ended June 30, 2011 in the amount of \$289.8 million. The \$289.8 million included a \$61.4 million appropriation of general obligation refunding debt proceeds that were used to refund \$61.45 million of outstanding general obligation bonds. The General Fund budget for the fiscal year ending June 30, 2011, in the amount of \$289.8 million, represents an increase of \$14.7 million or 5.4% over the final amended budget for the fiscal year ended June 30, 2010 in the amount of \$275.1 million as adjusted for the general obligation debt refunding appropriation and fund balance appropriation.

The largest single increase between 2010 and 2011 is attributable to the increase in proceeds from refunding general obligation bonds which totaled \$22.1 million. Transfers to other funds actually declined by \$8.3 million and included a \$2 million decline in pay-go capital contributions to the schools as well as a \$1.3 million decline in general pay-go capital. The County continued to appropriate approximately \$0.4 million for capital expenditures in the General Capital Project Ordinance Fund in lieu of the General Fund for the roof replacement at the historic post office and for a garage expansion.

Debt service expenditures in the General Fund total \$51.5 million for fiscal year 2012, representing an increase of about \$0.1 million of debt service over fiscal year's 2011 final budget amount of \$51.4 million. In addition, \$1.1 million will be used from the 911 Fund to pay the FY2012 debt payment on the new 800 MHz radio system.

Excluding the general obligation debt refunding proceeds from FY2011, the three significant areas of budget reductions (contribution to general pay-go capital reserves, school pay-go capital contribution, and no fund balance appropriation) totaling \$11.6 million are the major factors contributing to the overall decrease in the County's 2012 budget as compared to the 2011 budget.

Operating revenues contained in the budget for fiscal year 2012 are \$217.6 million as compared to 2011's final budget amount of \$220.1 million; a decrease of \$2.5 million. About \$2.0 million of the decrease occurs in lower expected state funding and lower expected lottery funding from the state. Additionally, declines are anticipated in investment earnings due to lower overall rates of return on investments, and intergovernmental revenue.

The fiscal year 2012 budget appropriates no money from fund balance as compared to the 2011's original fund balance appropriation of \$1.7 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. No new CIP plan was adopted in FY2011.

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 \$27.1 million Water and Sewer budget for fiscal year 2012 which represents a \$0.1 million decrease from fiscal year 2011's final budget of \$27.2 million. The majority of the decrease is attributable to lower debt service cost (\$0.8 million) offset by higher personnel cost (\$0.2 million), materials cost (\$0.3 million), and insurance and indirect cost (\$0.2 million).

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. A future revenue debt issuance is being planned, possibly for the spring of 2012.

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 is currently in the process of updating its water and wastewater master plan to present to the Board of County Commissioners in late 2011. This update will also involve an update of the County's rate study plan. This will also be presented to the Commissioners in late 2011. In the same time frame, an updated CIP will be presented to the County Commissioners for adoption.

The County has also approved a \$6.4 million Solid Waste budget for fiscal year 2012 which represents an increase of \$1.5 million from fiscal year 2011's final budget of \$4.9 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, 2011

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and investments	\$ 62,294,359	\$ 67,017,408	\$ 129,311,767
Property taxes receivable (net)	5,815,639	-	5,815,639
Accounts receivable (net)	12,935,049	4,932,580	17,867,629
Inventories	26,116	807,220	833,336
Internal balances	325,441	(325,441)	-
Cash and investments, restricted	4,670,630	2,880,533	7,551,163
Cash and investments, restricted-deposits	875,888	380,291	1,256,179
Total current assets	<u>86,943,122</u>	<u>75,692,591</u>	<u>162,635,713</u>
Noncurrent assets:			
Cash and investments	16,586,266	17,182,172	33,768,438
Accounts receivable	77,171	424,400	501,571
Net prepaid pension obligation	1,388,045	186,615	1,574,660
Unamortized bond issuance cost	4,115,895	1,191,667	5,307,562
Unamortized swap termination costs	5,077,628	-	5,077,628
Derivative instrument investment	446,629	-	446,629
Deferred outflows on derivative instruments	11,664,170	3,389,870	15,054,040
Investment in joint venture	-	14,822,262	14,822,262
Capital assets:			
Land and other assets not being depreciated	9,189,827	18,373,158	27,562,985
Buildings, equipment and infrastructure,	61,556,431	198,645,101	260,201,532
Total noncurrent assets	<u>110,102,062</u>	<u>254,215,245</u>	<u>364,317,307</u>
Total assets	<u>197,045,184</u>	<u>329,907,836</u>	<u>526,953,020</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	12,589,875	2,013,159	14,603,034
Unearned revenue	475,457	-	475,457
Deposits	875,888	380,291	1,256,179
Current portion of long-term obligations	31,053,977	3,994,973	35,048,950
Liabilities payable from restricted assets	241,549	-	241,549
Workers' compensation claims	83,930	-	83,930
Health care benefits	653,000	-	653,000
Total current liabilities	<u>45,973,676</u>	<u>6,388,423</u>	<u>52,362,099</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,048,871	4,048,871
Water right acquisition obligation	-	301,591	301,591
Compensated absences	3,057,015	435,487	3,492,502
Net OPEB obligation	8,084,233	911,831	8,996,064
Unearned revenue	-	1,065,839	1,065,839
Derivative liability	11,664,170	3,512,921	15,177,091
Noncurrent portion of long-term obligations	511,740,924	69,200,659	580,941,583
Total noncurrent liabilities	<u>534,546,342</u>	<u>79,477,199</u>	<u>614,023,541</u>
Total liabilities	<u>580,520,018</u>	<u>85,865,622</u>	<u>666,385,640</u>
NET ASSETS			
Invested in capital assets, net of related debt	43,648,788	151,130,981	194,779,769
Restricted for:			
Stabilization by State Statute	15,445,667	-	15,445,667
Public safety	3,595,336	-	3,595,336
Economic and physical development	27,400	-	27,400
Human Services	137,949	-	137,949
Cultural and recreational	115,052	-	115,052
Education	3,580,887	-	3,580,887
Debt service	-	2,880,533	2,880,533
Pension benefits	1,388,045	-	1,388,045
Unrestricted	(451,413,958)	90,030,700	(361,383,258)
Total net assets	<u>\$ (383,474,834)</u>	<u>\$ 244,042,214</u>	<u>\$ (139,432,620)</u>

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

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 12,770,039	\$ 1,040,776	\$ 588,993	\$ 205,358	\$ (10,934,912)	\$ -	\$ (10,934,912)
Public safety	38,692,049	4,370,029	4,102,742	-	(30,219,278)	-	(30,219,278)
Economic and physical development	3,710,570	118,166	46,190	-	(3,546,214)	-	(3,546,214)
Human services	37,806,928	3,512,006	19,217,655	218,327	(14,858,940)	-	(14,858,940)
Cultural and recreational	6,153,502	713,848	307,055	-	(5,132,599)	-	(5,132,599)
Education	90,656,362	-	7,714,618	-	(82,941,744)	-	(82,941,744)
Interest and fees on long term debt	22,974,484	-	-	-	(22,974,484)	-	(22,974,484)
Total governmental activities	212,763,934	9,754,825	31,977,253	423,685	(170,608,171)	-	(170,608,171)
Business-type activities:							
Water and sewer	27,785,295	26,321,204	-	3,890,400	-	2,426,309	2,426,309
Solid waste	4,184,286	3,507,672	344,414	-	-	(332,200)	(332,200)
Stormwater	191,859	-	-	-	-	(191,859)	(191,859)
Total business-type activities	32,161,440	29,828,876	344,414	3,890,400	-	1,902,250	1,902,250
Total primary government	\$ 244,925,374	\$ 39,583,701	\$ 32,321,667	\$ 4,314,085	(170,608,171)	1,902,250	(168,705,921)
General revenues:							
Property taxes levied for general purposes					159,049,464	-	159,049,464
Local option sales tax					23,944,051	-	23,944,051
Other taxes and licenses					1,568,697	-	1,568,697
Grants and contributions not restricted to specific programs					108,028	-	108,028
Rent income not restricted to specific programs					3,156,330	-	3,156,330
Investment earnings, unrestricted					1,223,133	1,173,194	2,396,327
Miscellaneous, unrestricted					34,914	-	34,914
Gains (losses) on sales and disposals of capital assets					85,935	(24,662)	61,273
Total general revenues and gains, net of losses					189,170,552	1,148,532	190,319,084
Change in net assets					18,562,381	3,050,782	21,613,163
Net assets - beginning					(402,037,215)	240,991,432	(161,045,783)
Net assets - ending					<u>\$(383,474,834)</u>	<u>\$ 244,042,214</u>	<u>\$(139,432,620)</u>

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

Balance Sheet
Governmental Funds
 June 30, 2011

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 48,034,527	\$ 19,702,152	\$ -	\$ 8,215,059	\$ 75,951,738
Property taxes receivable (net)	5,677,615	-	-	151,709	5,829,324
Accounts receivable (net)	12,130,763	-	139,535	282,565	12,552,863
Accounts receivable, long-term	77,171	-	-	-	77,171
Inventories	26,116	-	-	-	26,116
Cash and investments, restricted	1	377,678	3,425,618	867,333	4,670,630
Cash and investments, restricted-deposits	875,888	-	-	-	875,888
Total assets	<u>\$ 66,822,081</u>	<u>\$ 20,079,830</u>	<u>\$ 3,565,153</u>	<u>\$ 9,516,666</u>	<u>\$ 99,983,730</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 5,223,370	\$ 706,686	\$ -	\$ 42,728	\$ 5,972,784
Deferred revenue	5,677,615	-	-	151,709	5,829,324
Unearned revenue	550,924	-	-	14,288	565,212
Deposits	875,888	-	-	-	875,888
Liabilities payable from restricted assets	-	-	222,409	19,140	241,549
Total liabilities	<u>12,327,797</u>	<u>706,686</u>	<u>222,409</u>	<u>227,865</u>	<u>13,484,757</u>
FUND BALANCES					
Nonspendable	103,287	-	-	-	103,287
Restricted	12,754,599	2,333,271	3,342,744	5,740,947	24,171,561
Assigned	1,656,054	17,039,873	-	3,547,854	22,243,781
Unassigned	39,980,344	-	-	-	39,980,344
Total fund balances	<u>54,494,284</u>	<u>19,373,144</u>	<u>3,342,744</u>	<u>9,288,801</u>	<u>86,498,973</u>
Total liabilities and fund balances	<u>\$ 66,822,081</u>	<u>\$ 20,079,830</u>	<u>\$ 3,565,153</u>	<u>\$ 9,516,666</u>	<u>\$ 99,983,730</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, 2011

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

Ending fund balance - governmental funds	\$ 86,498,973
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	70,746,258
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.	1,388,045
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,815,639
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	89,755
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.	1,132,221
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.	445,229
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.	527,128
Internal balance due from Business Type Activities to Governmental Activities.	325,441
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(3,057,015)
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.	(8,084,233)
Noncurrent liabilities comprised of derivative liabilities (in the amount of \$11,664,170) net of noncurrent assets comprised of deferred outflows on derivative instruments (in the amount of \$12,110,799).	446,629
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 \$542,794,901, as well as accrued interest payable of \$6,147,526 net of unamortized bond issuance costs of \$4,115,895 and unamortized swap termination costs of \$5,077,628).	<u>(539,748,904)</u>
Net assets of governmental activities	<u>\$ (383,474,834)</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, 2011

	Major			Nonmajor	Total Governmental Funds
	General	General	School	Other	
	Fund	Capital Project Fund	Bond Fund 55	Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 155,408,714	\$ -	\$ -	\$ 4,242,211	\$ 159,650,925
Local option sales tax	23,351,825	-	-	592,226	23,944,051
Other taxes and licenses	1,568,697	-	-	1,244,465	2,813,162
Intergovernmental	30,600,312	205,358	-	23,401	30,829,071
Permits and fees	2,551,468	-	-	1,819,978	4,371,446
Sales and services	5,068,297	-	-	15,000	5,083,297
Investment earnings	697,055	633	-	9,656	707,344
Miscellaneous	3,859,352	-	-	168,298	4,027,650
Total revenues	<u>223,105,720</u>	<u>205,991</u>	<u>-</u>	<u>8,115,235</u>	<u>231,426,946</u>
EXPENDITURES					
Current:					
General government	11,062,961	424,088	-	-	11,487,049
Public safety	28,181,547	535,210	-	7,095,882	35,812,639
Economic and physical development	3,534,815	-	-	-	3,534,815
Human services	37,826,248	-	-	-	37,826,248
Cultural and recreational	5,554,470	-	-	-	5,554,470
Intergovernmental:					
Education	80,781,286	-	-	-	80,781,286
Capital outlay:					
General government	-	1,163,930	-	-	1,163,930
Public safety	-	2,510,648	-	-	2,510,648
Cultural and recreational	-	471,150	-	9,405	480,555
Education	-	1,476,363	8,310,099	-	9,786,462
Debt service:					
Principal retirement	27,231,937	-	-	-	27,231,937
Interest and fees	23,561,225	-	-	-	23,561,225
Total expenditures	<u>217,734,489</u>	<u>6,581,389</u>	<u>8,310,099</u>	<u>7,105,287</u>	<u>239,731,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,371,231</u>	<u>(6,375,398)</u>	<u>(8,310,099)</u>	<u>1,009,948</u>	<u>(8,304,318)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	686	3,303,552	-	-	3,304,238
Transfers to other funds	(3,303,552)	-	-	(686)	(3,304,238)
Proceeds from refunding general obligation bonds	55,010,000	-	-	-	55,010,000
Proceeds from refunding general obligation bonds issuance premium, etc	6,401,729	-	-	-	6,401,729
Payments to refunded bonds escrow agents	(55,380,000)	-	-	-	(55,380,000)
Payments to terminate interest rate swaps	(5,544,147)	-	-	-	(5,544,147)
Total other financing sources (uses)	<u>(2,815,284)</u>	<u>3,303,552</u>	<u>-</u>	<u>(686)</u>	<u>487,582</u>
Net change in fund balances	2,555,947	(3,071,846)	(8,310,099)	1,009,262	(7,816,736)
FUND BALANCES					
Beginning	51,938,337	22,444,990	11,652,843	8,279,539	94,315,709
Ending	<u>\$ 54,494,284</u>	<u>\$ 19,373,144</u>	<u>\$ 3,342,744</u>	<u>\$ 9,288,801</u>	<u>\$ 86,498,973</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, 2011

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

Net change in fund balances - total governmental funds	\$ (7,816,736)
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.	(1,128,474)
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.	(601,461)
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.	489,075
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.	26,714
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.	27,192,759
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.	120,035
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.	234,135
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.	60,599
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.	694
Change in net assets of governmental activities	<u>\$ 18,562,381</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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 151,542,026	\$ 153,732,900	\$ 155,408,714	\$ 1,675,814
Local option sales tax	28,478,556	22,461,557	23,351,825	890,268
Other taxes and licenses	1,416,000	1,731,000	1,568,697	(162,303)
Intergovernmental	28,853,834	30,562,962	30,600,312	37,350
Permits and fees	2,049,646	2,465,754	2,551,468	85,714
Sales and services	4,567,601	4,876,222	5,068,297	192,075
Investment earnings	2,160,000	1,000,000	697,055	(302,945)
Miscellaneous	1,978,847	3,274,578	3,859,352	584,774
Total revenues	<u>221,046,510</u>	<u>220,104,973</u>	<u>223,105,720</u>	<u>3,000,747</u>
EXPENDITURES				
Current:				
General government	11,479,044	12,243,037	11,062,961	1,180,076
Public safety	27,290,319	28,918,447	28,181,547	736,900
Economic and physical development	3,052,267	3,898,493	3,534,815	363,678
Human services	37,463,391	41,617,319	37,826,248	3,791,071
Cultural and recreational	5,659,905	6,083,906	5,554,470	529,436
Intergovernmental:				
Education	80,781,470	80,807,112	80,781,286	25,826
Debt service:				
Principal retirement	25,902,017	27,231,943	27,231,937	6
Interest and fees	27,929,434	24,171,882	23,561,225	610,657
Contingency	500,000	71,139	-	71,139
Nondepartmental	(72,000)	-	-	-
Total expenditures	<u>219,985,847</u>	<u>225,043,278</u>	<u>217,734,489</u>	<u>7,308,789</u>
Revenues over (under) expenditures	<u>1,060,663</u>	<u>(4,938,305)</u>	<u>5,371,231</u>	<u>10,309,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	686	686
Transfers to other funds	(2,344,169)	(3,303,552)	(3,303,552)	-
Proceeds from refunding general obligation bonds	-	61,411,729	55,010,000	(6,401,729)
Proceeds from refunding general obligation bonds issuance premium, etc	-	-	6,401,729	6,401,729
Payments to refunded bonds escrow agents	-	(61,445,000)	(55,380,000)	6,065,000
Payments to terminate interest rate swaps	-	-	(5,544,147)	(5,544,147)
Appropriated fund balance	1,283,506	8,275,128	-	(8,275,128)
Total other financing sources (uses)	<u>(1,060,663)</u>	<u>4,938,305</u>	<u>(2,815,284)</u>	<u>(7,753,589)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>2,555,947</u>	<u>\$ 2,555,947</u>
FUND BALANCES				
Beginning			51,938,337	
Ending			<u>\$ 54,494,284</u>	

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

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 60,164,900	\$ 6,817,123	\$ 35,385	\$ 67,017,408	\$ 2,928,887
Accounts receivable (net)	4,469,803	462,777	-	4,932,580	382,186
Inventories	807,220	-	-	807,220	-
Cash and investments, restricted	2,880,533	-	-	2,880,533	-
Cash and investments, restricted-deposits	376,411	3,880	-	380,291	-
Total current assets	<u>68,698,867</u>	<u>7,283,780</u>	<u>35,385</u>	<u>76,018,032</u>	<u>3,311,073</u>
Noncurrent assets:					
Cash and investments	15,505,868	1,667,653	8,651	17,182,172	-
Accounts receivable	424,400	-	-	424,400	-
Net prepaid pension obligation	156,883	26,197	3,535	186,615	-
Unamortized bond issuance costs	1,191,667	-	-	1,191,667	-
Investment in joint venture	14,822,262	-	-	14,822,262	-
Deferred outflows on derivative instruments	3,389,870	-	-	3,389,870	-
Land and other assets not being depreciated	18,038,901	334,257	-	18,373,158	-
Buildings, equipment and infrastructure, net of depreciation	197,116,182	1,525,558	3,361	198,645,101	-
Total noncurrent assets	<u>250,646,033</u>	<u>3,553,665</u>	<u>15,547</u>	<u>254,215,245</u>	<u>-</u>
Total assets	<u>319,344,900</u>	<u>10,837,445</u>	<u>50,932</u>	<u>330,233,277</u>	<u>3,311,073</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,725,121	282,306	5,732	2,013,159	469,565
Deposits	376,411	3,880	-	380,291	-
Long-term liabilities, due within one year:					
General obligation bonds payable	545,342	-	-	545,342	-
Revenue bonds payable	2,465,934	-	-	2,465,934	-
State sanitary sewer loan payable	983,697	-	-	983,697	-
Workers' compensation claims payable	-	-	-	-	83,930
Health care benefits payable	-	-	-	-	653,000
Total current liabilities	<u>6,096,505</u>	<u>286,186</u>	<u>5,732</u>	<u>6,388,423</u>	<u>1,206,495</u>
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,048,871	-	4,048,871	-
Water right acquisition obligation	301,591	-	-	301,591	-
Compensated absences	390,429	33,871	11,187	435,487	-
Net OPEB obligation	729,984	180,987	860	911,831	-
Unearned revenue	1,065,839	-	-	1,065,839	-
Derivative liability	3,512,921	-	-	3,512,921	-
Long-term liabilities, due in more than one year:					
General obligation bonds	891,215	-	-	891,215	-
Revenue bonds	55,140,961	-	-	55,140,961	-
State sanitary sewer loan	13,168,483	-	-	13,168,483	-
Total noncurrent liabilities	<u>75,201,423</u>	<u>4,263,729</u>	<u>12,047</u>	<u>79,477,199</u>	<u>-</u>
Total liabilities	<u>81,297,928</u>	<u>4,549,915</u>	<u>17,779</u>	<u>85,865,622</u>	<u>1,206,495</u>
NET ASSETS					
Invested in capital assets, net of related debt	149,267,805	1,859,815	3,361	151,130,981	-
Restricted for debt service	2,880,533	-	-	2,880,533	-
Unrestricted	85,898,634	4,427,715	29,792	90,356,141	2,104,578
Total net assets	<u>\$ 238,046,972</u>	<u>\$ 6,287,530</u>	<u>\$ 33,153</u>	<u>244,367,655</u>	<u>\$ 2,104,578</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(325,441)	
Net assets of business-type activities				<u>\$ 244,042,214</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, 2011

	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	\$ 25,633,243	\$ 3,497,310	\$ -	\$ 29,130,553	\$ 10,804,512
Disposal fees	-	344,414	-	344,414	-
Other operating revenue	687,961	10,362	-	698,323	21,010
Total operating revenues	<u>26,321,204</u>	<u>3,852,086</u>	<u>-</u>	<u>30,173,290</u>	<u>10,825,522</u>
OPERATING EXPENSES					
Personnel	5,680,391	945,190	170,319	6,795,900	-
Operating expenses	10,414,676	3,031,649	17,535	13,463,860	964,851
Depreciation	10,121,978	171,936	4,481	10,298,395	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	40,088	-	40,088	-
Workers' compensation claims	-	-	-	-	164,968
Health benefit claims and premiums	-	-	-	-	8,770,041
Property and casualty claims and premiums	-	-	-	-	593,091
Total operating expenses	<u>26,381,198</u>	<u>4,188,863</u>	<u>192,335</u>	<u>30,762,396</u>	<u>10,492,951</u>
Operating gain (loss)	<u>(59,994)</u>	<u>(336,777)</u>	<u>(192,335)</u>	<u>(589,106)</u>	<u>332,571</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,113,056	60,138	-	1,173,194	26,714
Gain (loss) on sale of capital assets	(24,662)	-	-	(24,662)	-
Interest and fees on long term debt	(2,799,035)	-	-	(2,799,035)	-
Gain on investment in joint venture	1,362,848	-	-	1,362,848	-
Total nonoperating revenue (expenses)	<u>(347,793)</u>	<u>60,138</u>	<u>-</u>	<u>(287,655)</u>	<u>26,714</u>
Income (loss) before contributions and transfers	<u>(407,787)</u>	<u>(276,639)</u>	<u>(192,335)</u>	<u>(876,761)</u>	<u>359,285</u>
TRANSFERS AND CONTRIBUTIONS					
Transfers from other enterprise funds	-	-	179,807	179,807	-
Transfers to other enterprise funds	(179,807)	-	-	(179,807)	-
Capital contributions - cash	2,311,572	-	-	2,311,572	-
Capital contributions - non-cash	1,578,828	-	-	1,578,828	-
Total transfers and contributions	<u>3,710,593</u>	<u>-</u>	<u>179,807</u>	<u>3,890,400</u>	<u>-</u>
Change in net assets	3,302,806	(276,639)	(12,528)	3,013,639	359,285
NET ASSETS					
Beginning	234,744,166	6,564,169	45,681		1,745,293
Ending	<u>\$ 238,046,972</u>	<u>\$ 6,287,530</u>	<u>\$ 33,153</u>		<u>\$ 2,104,578</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				37,143	
Change in net assets of business-type activities				<u>\$ 3,050,782</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 24,453,262	\$ 3,474,969	\$ -	\$ 27,928,231	\$ 10,740,445
Other operating revenue	687,961	354,776	-	1,042,737	21,010
Cash paid to employees	(5,583,563)	(941,213)	(172,519)	(6,697,295)	-
Cash paid for goods and services	(11,922,966)	(2,975,649)	(22,255)	(14,920,870)	(10,737,442)
Net cash provided (used) by operating activities	7,634,694	(87,117)	(194,774)	7,352,803	24,013
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other enterprise funds	-	-	179,807	179,807	-
Transfers to other enterprise funds	(179,807)	-	-	(179,807)	-
Net cash provided (used) by noncapital financing activities	(179,807)	-	179,807	-	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	58,780	-	-	58,780	-
Proceeds from capacity fees	2,311,572	-	-	2,311,572	-
Proceeds from capacity fees deferred	247,323	-	-	247,323	-
Payments on general obligation bond debt	(1,501,838)	-	-	(1,501,838)	-
Payments on revenue bond debt	(2,575,000)	-	-	(2,575,000)	-
Payments on state sanitary loan	(983,697)	-	-	(983,697)	-
Interest paid on bonds and other debt	(3,016,803)	-	-	(3,016,803)	-
Acquisition and construction of capital assets	(5,336,794)	(7,490)	-	(5,344,284)	-
Acquisition payments on intangible asset - water rights	(138,413)	-	-	(138,413)	-
Net cash used by capital and related financing activities	(10,934,870)	(7,490)	-	(10,942,360)	-
INVESTING ACTIVITIES					
Investment earnings	684,245	60,138	-	744,383	26,714
Net increase (decrease) in cash and investments	(2,795,738)	(34,469)	(14,967)	(2,845,174)	50,727
CASH AND INVESTMENTS					
Beginning of year	81,723,450	8,523,125	59,003	90,305,578	2,878,160
End of year	\$ 78,927,712	\$ 8,488,656	\$ 44,036	\$ 87,460,404	\$ 2,928,887
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 60,164,900	\$ 6,817,123	\$ 35,385	\$ 67,017,408	\$ 2,928,887
Cash and investments, noncurrent	15,505,868	1,667,653	8,651	17,182,172	-
Cash and investments, restricted assets	2,880,533	-	-	2,880,533	-
Cash and investments, restricted assets-deposits	376,411	3,880	-	380,291	-
Total Statement of Net Assets cash and cash equivalents	\$ 78,927,712	\$ 8,488,656	\$ 44,036	\$ 87,460,404	\$ 2,928,887
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (59,994)	\$ (336,777)	\$ (192,335)	\$ (589,106)	\$ 332,571
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	10,121,978	171,936	4,481	10,298,395	-
Provision for uncollectible accounts	115,814	(13,670)	-	102,144	-
Landfill closure and post closure care costs	-	40,088	-	40,088	-
Changes in assets and liabilities					
Increase in accounts receivable (net)	(1,179,319)	(8,671)	-	(1,187,990)	(64,067)
Decrease in inventories	145,845	-	-	145,845	-
Decrease in net prepaid pension obligation (asset)	16,841	2,147	597	19,585	-
Increase (decrease) in accounts payable and accrued liabilities	(1,379,265)	73,767	(2,387)	(1,307,885)	(244,491)
Decrease in deposits	(116,476)	-	-	(116,476)	-
Decrease in compensated absences payable	(10,537)	(11,315)	(5,041)	(26,893)	-
Decrease in net other post employment benefit obligations	(20,193)	(4,622)	(89)	(24,904)	-
Total adjustments	7,694,688	249,660	(2,439)	7,941,909	(308,558)
Net cash provided (used) by operating activities	\$ 7,634,694	\$ (87,117)	\$ (194,774)	\$ 7,352,803	\$ 24,013
Noncash investing, capital, and financing activities:					
Gain on investment in joint venture	\$ 1,362,848	\$ -	\$ -	\$ 1,362,848	\$ -
Contribution of capital infrastructure	\$ 1,578,828	\$ -	\$ -	\$ 1,578,828	\$ -
Capitalized interest	\$ 457,472	\$ -	\$ -	\$ 457,472	\$ -
Investment derivative gains	\$ 428,809	\$ -	\$ -	\$ 428,809	\$ -

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

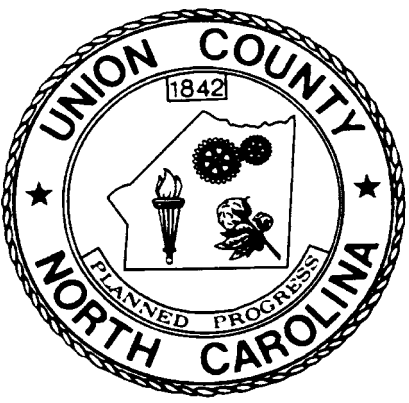
	Special Separation Allowance Pension Trust Fund	Retiree Healthcare Benefits Plan Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 884,013	\$ 4,182,906	\$ 330,296
Property taxes receivable (net)	-	-	64,384
Accounts receivable (net)	28,011	-	61,153
Total assets	<u>912,024</u>	<u>4,182,906</u>	<u>\$ 455,833</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	-	-	\$ 351,540
Due to program participants	-	-	104,293
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 455,833</u>
NET ASSETS			
Held in Trust for:			
Employees' pension benefits	912,024	4,182,906	
Total net assets	<u>\$ 912,024</u>	<u>\$ 4,182,906</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, 2011

	Special Separation Allowance Pension Trust Fund	Retiree Healthcare Benefits Plan Pension Trust Fund	Totals
ADDITIONS			
Employer contributions	\$ 564,349	\$ 2,930,712	\$ 3,495,061
Net investment income	1,771	215,317	217,088
Total additions	<u>566,120</u>	<u>3,146,029</u>	<u>3,712,149</u>
DEDUCTIONS			
Benefits	<u>1,008,141</u>	<u>-</u>	<u>1,008,141</u>
Change in net assets	(442,021)	3,146,029	2,704,008
NET ASSETS			
Beginning	<u>1,354,045</u>	<u>1,036,877</u>	<u>2,390,922</u>
Ending	<u><u>\$ 912,024</u></u>	<u><u>\$ 4,182,906</u></u>	<u><u>\$ 5,094,930</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, 2011

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, School Bond Fund 55, 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.

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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; 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 restrictions or assignments 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, 2011. 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 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust 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 Trust. 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(b)(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(b)(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 17.9407 per share and the Russell 3000 Alpha Tilts Fund B is priced at 29.136 per share at June 30, 2011.

2. Cash and Investments

The County pools monies from several funds, except the Other Postemployment Benefit (OPEB) Fund, 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 and the Water and Sewer Fund 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. Customer deposits held by the County before any services are supplied and those held as account security deposits are restricted to the services for which the deposits were collected. The restricted assets of the School Bond Fund 55 are unexpended pay-go funds from the Debt Service Fund that are dedicated for the purpose of school capital asset acquisition and facility construction and improvement. 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.

The restricted accounts

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, 2010.

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

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. 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. 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.

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

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 other financing sources.

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 financial statements and in the proprietary fund types in the fund financial statements, 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Long-term receivables - portion of fund balance that is not an available resource because it represents the portion of receivables that are longer than one year at year end, therefore, not spendable resources.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or as imposed by law through constitutional provisions or enabling legislation.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. These amounts include outstanding encumbrances which are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Restricted for grants, contributions, etc - portion of fund balance that is restricted by revenue source as delineated in the following table by function and purpose.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote of the County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance - portion of fund balance that the County governing board has budgeted.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body can approve these appropriations. Also, a resolution approved June 20, 2005 authorizes the County Manager, or his designee, to transfer appropriations between line item expenditures within a departmental appropriation and fund without limitation. The County Manager may also transfer amounts between departmental appropriations within the same fund. The County Manager is authorized to increase appropriations in the annual operating funds for carryovers representing contract balances, purchase order encumbrances and designations for special projects and purposes as reflected in the audit report.

Assigned for General Capital Project Fund - portion of fund balance that has been budgeted by the board for various projects as delineated in the following table by function and purpose.

Assigned for School Bond Fund 55 - portion of fund balance that has been budgeted by the board for capital asset acquisition and construction, financed with general obligation bond proceeds and pay-go funds for the Union County Public Schools.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The following table provides the detailed fund balance information for fund balance amounts in Exhibit C and Schedule 9:

	Major			Nonmajor	Total Govern- mental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Govern- mental Funds	
Fund balances:					
Nonspendable:					
Long-term receivables	\$ 77,171	\$ -	\$ -	\$ -	\$ 77,171
Inventories	26,116	-	-	-	26,116
Restricted:					
Stabilization by State Statute-accounts receivable	12,130,763	-	139,535	282,565	12,552,863
Stabilization by State Statute-encumbrances	386,603	1,955,593	-	550,608	2,892,804
Public Safety:					
Law enforcement JAG stimulus grant funds	44,730	-	-	-	44,730
Law enforcement alzheimers ankle/wrist bands program	1,857	-	-	-	1,857
Law enforcement federal forfeited property funds	-	-	-	615,413	615,413
Law enforcement controlled substance tax funds	-	-	-	152,468	152,468
Emergency management Catawba Nuclear grant funds	-	-	-	54,000	54,000
Emergency management CERT grant funds	-	-	-	21,843	21,843
Communications PSAP funds	-	-	-	2,285,717	2,285,717
Fire protection	-	-	-	267,677	267,677
Economic and physical development:					
Cooperative extension service fee based programs' funds	27,400	-	-	-	27,400
Human Services:					
Health, Susan G. Komen breast cancer grant funds	13,499	-	-	-	13,499
Environmental health State funds	45,603	-	-	-	45,603
Social services contribution and donation programs' funds	75,111	-	-	-	75,111
Social services federal adoption assistance grant funds	69,085	-	-	-	69,085
Social services CAP modifications funds	(65,349)	-	-	-	(65,349)
Cultural and Recreational:					
Library contribution and donation program funds	25,297	-	-	-	25,297
Education:					
School regular capital outlay	-	377,678	-	-	377,678
School capital acquisition and construction projects	-	-	3,203,209	-	3,203,209
School debt service	-	-	-	1,510,656	1,510,656
Assigned:					
General Government:					
Government facility renovation projects	-	4,148,341	-	-	4,148,341
ARRA / EECBG facility upfitting projects	-	(342,687)	-	-	(342,687)
Information technology infrastructure projects	-	628,616	-	-	628,616
Public Safety:					
Law enforcement jail expansion project	-	(1,425,127)	-	-	(1,425,127)
Law enforcement firearms range project	-	661,025	-	-	661,025
Law enforcement FY2010 capital	-	18,649	-	-	18,649
Law enforcement FY2011 capital	-	106,142	-	-	106,142
Law enforcement jail roof replacement project	-	564,660	-	-	564,660
Law enforcement control system project	-	467,675	-	-	467,675
Communications op center, E911, fire service project	-	564,950	-	-	564,950
Communications E911/CAD RMS project	-	241,799	-	-	241,799
Communications radio phase II project	-	(1,117,553)	-	-	(1,117,553)
Inspections mobile office project	-	123,400	-	-	123,400
Human Services:					
Social services business automation system project	-	1,280,802	-	-	1,280,802
Cultural and Recreational:					
Library facility improvement projects	-	-	-	3,547,854	3,547,854
Parks and recreation north district park project	-	12,500	-	-	12,500
Parks and recreation west/comm. district park project	-	12,500	-	-	12,500
Parks and recreation Jesse Helms park bridge project	-	(169,908)	-	-	(169,908)
Parks and recreation Jesse Helms passive area project	-	500,122	-	-	500,122
Subsequent year's expenditures	1,656,054	-	-	-	1,656,054
Nondepartmental pay-go-capital funds	-	10,763,967	-	-	10,763,967
Unassigned	39,980,344	-	-	-	39,980,344
	<u>\$ 54,494,284</u>	<u>\$ 19,373,144</u>	<u>\$ 3,342,744</u>	<u>\$ 9,288,801</u>	<u>\$ 86,498,973</u>

The following table provides the detailed fund balance information for fund balance amounts in Schedule 1:

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Govern- mental Funds
Fund balances:				
Restricted:				
Stabilization by State Statute-accounts receivable	\$ 282,565.00	\$ -	\$ -	\$ 282,565.00
Stabilization by State Statute-encumbrances	550,608	-	-	550,608
Public Safety:				
Law enforcement federal forfeited property funds	615,413	-	-	615,413
Law enforcement controlled substance tax funds	152,468	-	-	152,468
Emergency management Catawba Nuclear grant funds	54,000	-	-	54,000
Emergency management CERT grant funds	21,843	-	-	21,843
Communications PSAP funds	2,285,717	-	-	2,285,717
Fire protection	267,677	-	-	267,677
Education:				
School debt service	-	1,510,656	-	1,510,656
Assigned:				
Cultural and Recreational:				
Library facility improvement projects	-	-	3,547,854	3,547,854
	<u>\$ 4,230,291</u>	<u>\$ 1,510,656</u>	<u>\$ 3,547,854</u>	<u>\$ 9,288,801</u>

The following table provides the detailed fund balance information for fund balance amounts in Schedule 3:

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Total Special Revenue Funds
Fund balances:									
Restricted:									
Stabilization by State Statute -accounts receivable	\$ 13,337	\$ 35,544	\$ 43,373	\$ 37,587	\$ 49,018	\$ 1	\$ 103,705	\$ -	\$ 282,565
Stabilization by State Statute -encumbrances	-	-	-	-	-	-	546,139	4,469	550,608
Public Safety:									
Law enforcement federal forfeited property funds	-	-	-	-	-	-	-	615,413	615,413
Law enforcement controlled substance tax funds	-	-	-	-	-	-	-	152,468	152,468
Emergency management Catawba Nuclear grant funds	-	-	-	-	-	-	-	54,000	54,000
Emergency management CERT grant funds	-	-	-	-	-	-	-	21,843	21,843
Communications PSAP funds	-	-	-	-	-	-	2,285,717	-	2,285,717
Fire protection	13,354	25,975	57,871	35,760	47,554	87,163	-	-	267,677
	<u>\$ 26,691</u>	<u>\$ 61,519</u>	<u>\$ 101,244</u>	<u>\$ 73,347</u>	<u>\$ 96,572</u>	<u>\$ 87,164</u>	<u>\$ 2,935,561</u>	<u>\$ 848,193</u>	<u>\$ 4,230,291</u>

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 fund balances 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.

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 County has also adopted fund balance targets for the maintenance of adequate fund balance, which is necessary to provide working capital, funds for unanticipated expenditures, funds for capital expenditures in advance of their reimbursement from debt proceeds and tax rate stabilization. The

General Fund target for unassigned (unreserved) fund balances are estimated at 16%, as measured by unrestricted cash and investments minus liabilities divided by expenditures plus recurring interfund transfers. The Water and Sewer Operating Fund target fund balances are estimated at 365 days cash on hand, as measured by unrestricted cash and investments minus non-GAAP liabilities divided by operating expenses to include depreciation. General Fund and Water and Sewer Operating Fund fund balances in excess of target levels will be transferred to capital reserve funds to provide equity resources to fund the County's capital improvement plan or will be used to redeem outstanding debt.

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 \$539,748,904 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	\$ (542,794,901)
Accrued interest payable, net of unamortized bond issuance costs and unamortized swap termination costs	3,045,997
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (539,748,904)</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 \$26,379,117 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,747,669
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.	(5,876,143)
<p>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:</p>	
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	27,231,937
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	(61,411,729)
Debt issuance premium amortization	1,568,695
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	202,296
Swap termination 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	5,077,628
Remittance of funds to escrow agent to defease debt instruments	55,380,000
Defeasance amortization over remaining life of debt	(856,068)
<p>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.</p>	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	138,337
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(89,971)
Net pension obligation	(147,923)
Net other post employment obligation	219,592
<p>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.</p>	
Reversal of deferred tax revenue recorded at 7/1/08	(6,417,100)
Recording of tax receipts deferred in the fund statements as of 6/30/09	5,829,324
Decrease in accrued taxes receivable for year ended 6/30/09	(13,685)
Derivative investment income	489,075
Internal service funds' investment earnings	26,714
Adjustment payment received on a deferred loan to an outside agency	(14,959)
Health and dental insurance costs, net of investment earnings	234,135
Workers' compensation costs, net of investment earnings	60,599
Property and casualty costs, net of investment earnings	694
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 26,379,117</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures relating to the Fee Supported Fire Districts Fund exceeded budget appropriations by \$92; 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, 2011, the County's deposits had a carrying amount of \$77,361,875 and a bank balance of \$79,713,964. Of the bank balance, \$882,443 was covered by federal depository insurance and \$78,831,520 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2011, the County had \$7,610 cash on hand.

As of June 30, 2011, 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	\$ 9,744,831	\$ 2,774,000	\$ 6,970,831	\$ -	\$ -
NC Cash Management Trust - Cash Portfolio	9,794,911	-	-	-	-
US Government Agencies	76,192,629	28,011,506	14,412,685	21,289,369	12,479,069
Total:	\$ 95,732,371	\$ 30,785,506	\$ 21,383,516	\$ 21,289,369	\$ 12,479,069

The cash and investments described above include those recorded in the County's Statement of Net Assets (\$171,887,547); and Statement of Fiduciary Net Assets for Special Separation Allowance Pension Trust Fund (\$884,013) and Agency Funds (\$330,296).

Also, at June 30, 2011, the Retiree Healthcare Benefits Pension Trust Fund deposits had a carrying amount and bank balance of \$4,182,906 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, 2011, 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, 2011. 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, 2011, 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 Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. These investments are 8.00%, 10.68%, and 24.82% respectively of the County's total investments.

At June 30, 2011, the County Retiree Healthcare Benefits (RHCB) Plan had \$1,896,400 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) 25.37%; State Treasurer's Long Term Investment Fund (LTIF) 10.18%; Black Rock's Global Ex-US Alpha Tilts Fund B 15.56 %; and Black Rock's Russell 3000 Alpha Tilts Fund B 48.89%.(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 1.9 years at June 30, 2011. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 16.1 years at June 30, 2011.

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, 2011, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 12,207,934	\$ 7,341,439	\$ 19,549,373
Special Revenue	282,565	151,709	434,274
Capital Projects	139,535	-	139,535
Internal Service	382,186	-	382,186
Total Receivables	13,012,220	7,493,148	20,505,368
Allowance for doubtful accounts	-	(1,663,824)	(1,663,824)
Total-governmental activities	<u>\$ 13,012,220</u>	<u>\$ 5,829,324</u>	<u>\$ 18,841,544</u>
Business-type Activities:			
Water and Sewer	\$ 6,632,431	\$ -	\$ 6,632,431
Solid Waste	480,925	-	480,925
Total Receivables	7,113,356	-	7,113,356
Allowance for doubtful accounts	(1,756,376)	-	(1,756,376)
Total-business-type activities	<u>\$ 5,356,980</u>	<u>\$ -</u>	<u>\$ 5,356,980</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
2008	2007	\$ 5,733,064	\$ 1,877,578	\$ 7,610,642
2009	2008	10,245,348	2,433,270	12,678,618
2010	2009	10,735,355	1,583,465	12,318,820
2011	2010	12,037,355	692,148	12,729,503
		<u>\$ 38,751,122</u>	<u>\$ 6,586,461</u>	<u>\$ 45,337,583</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2011, was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements & Adjustments	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 3,506,820	\$ 1,178,867	\$ -	\$ 126,502	\$ 4,812,189
Construction in progress	11,689,175	2,186,385	-	(9,497,922)	4,377,638
Total capital assets not being depreciated	<u>15,195,995</u>	<u>3,365,252</u>	<u>-</u>	<u>(9,371,420)</u>	<u>9,189,827</u>
Capital assets being depreciated:					
Other improvements	6,745,795	-	-	-	6,745,795
Buildings	65,585,112	126,299	(88,691)	1,172,845	66,972,947
Furniture and equipment	18,545,539	419,845	117,106	8,198,575	27,046,853
Vehicles	8,016,506	729,033	658,709	-	8,086,830
Computer software	9,882	107,240	-	-	117,122
Total capital assets being depreciated	<u>98,902,834</u>	<u>1,382,417</u>	<u>687,124</u>	<u>9,371,420</u>	<u>108,969,547</u>
Less accumulated depreciation for:					
Other improvements	2,528,716	231,883	17,951	-	2,742,648
Buildings	22,273,330	2,189,422	(19,560)	-	24,482,312
Furniture and equipment	11,430,159	2,702,421	30,024	-	14,102,556
Vehicles	5,991,892	749,329	658,709	-	6,082,512
Computer software	-	3,088	-	-	3,088
Total accumulated depreciation	<u>42,224,097</u>	<u>5,876,143</u>	<u>687,124</u>	<u>-</u>	<u>47,413,116</u>
Total capital assets being depreciated, net	<u>56,678,737</u>	<u>(4,493,726)</u>	<u>-</u>	<u>9,371,420</u>	<u>61,556,431</u>
Governmental activities capital assets, net	<u>\$ 71,874,732</u>	<u>\$ (1,128,474)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,746,258</u>

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

General government	\$ 1,595,856
Public safety	3,058,558
Economic and physical development	170,610
Human services	327,316
Cultural and recreational	88,627
Education	635,176
Total depreciation expense	<u>\$ 5,876,143</u>

Capital asset activity for the business-type activities for the year ended June 30, 2011, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements & Adjustments	Transfers	Ending Balances
<u>Water and Sewer</u>					
Capital assets not being depreciated:					
Land	\$ 1,381,078	\$ -	\$ -	\$ 31,674	\$ 1,412,752
Land - easements	964,148	131,400	-	18,085	1,113,633
Construction in progress	17,357,916	6,775,455	1,044,102	(7,576,753)	15,512,516
Total capital assets not being depreciated	19,703,142	6,906,855	1,044,102	(7,526,994)	18,038,901
Capital assets being depreciated:					
Plant and collection systems	153,096,520	1,224,490	-	916,163	155,237,173
Plant and distribution systems	116,243,758	277,052	-	6,610,830	123,131,640
Water rights (intangible asset)	1,902,757	-	-	-	1,902,757
Administration Building	1,170,023	-	-	1	1,170,024
Equipment	3,246,934	8,800	342,102	-	2,913,632
Vehicles	3,068,257	-	19,057	-	3,049,200
Total capital assets being depreciated	278,728,249	1,510,342	361,159	7,526,994	287,404,426
Less accumulated depreciation for:					
Plant and collection systems	40,809,230	5,385,335	-	-	46,194,565
Plant and distribution systems	33,413,291	4,320,319	-	-	37,733,610
Water rights intangible asset	868,133	47,569	-	-	915,702
Administration Building	157,074	46,612	-	-	203,686
Equipment	2,423,556	182,554	252,117	-	2,353,993
Vehicles	2,772,700	133,045	19,057	-	2,886,688
Total accumulated depreciation	80,443,984	10,115,434	271,174	-	90,288,244
Total capital assets being depreciated, net	198,284,265	(8,605,092)	89,985	7,526,994	197,116,182
Water and Sewer capital assets, net	217,987,407	(1,698,237)	1,134,087	-	215,155,083
<u>Solid Waste</u>					
Capital assets not being depreciated:					
Land	334,257	-	-	-	334,257
Capital assets being depreciated:					
Other improvements	809,939	-	-	-	809,939
Plant and collection systems	1,931,983	-	-	-	1,931,983
Equipment	1,818,674	7,489	-	-	1,826,163
Vehicles	963,272	-	-	-	963,272
Total capital assets being depreciated	5,523,868	7,489	-	-	5,531,357
Less accumulated depreciation for:					
Other improvements	152,863	39,984	-	-	192,847
Plant and collection systems	1,290,128	75,180	-	-	1,365,308
Equipment	1,450,810	47,399	-	-	1,498,209
Vehicles	940,063	9,372	-	-	949,435
Total accumulated depreciation	3,833,864	171,935	-	-	4,005,799
Total capital assets being depreciated, net	1,690,004	(164,446)	-	-	1,525,558
Solid Waste capital assets, net	2,024,261	(164,446)	-	-	1,859,815
<u>Storm Water</u>					
Capital assets being depreciated:					
Vehicles	33,197	-	-	-	33,197
Total capital assets being depreciated	33,197	-	-	-	33,197
Less accumulated depreciation for:					
Vehicles	25,355	4,481	-	-	29,836
Total accumulated depreciation	25,355	4,481	-	-	29,836
Total capital assets being depreciated, net	7,842	(4,481)	-	-	3,361
Storm Water capital assets, net	7,842	(4,481)	-	-	3,361
Business-type activities capital assets, net	\$ 220,019,510	\$ (1,867,164)	\$ 1,134,087	\$ -	\$ 217,018,259

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2011 consisted of the following:

Capitalized interest	\$ 457,473
Other interest and fees	<u>2,799,035</u>
Total interest and fees costs	<u>\$ 3,256,508</u>

NOTE 7 - LIABILITIES

Payables at the government-wide level at June 30, 2011, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental	Business	Total
	Activities	Type Activities	
Vendors	\$ 4,638,940	\$ 1,514,412	\$ 6,153,352
Salaries and benefits	2,044,958	258,545	2,303,503
Accrued Interest	<u>6,147,526</u>	<u>240,202</u>	<u>6,387,728</u>
Total	<u>\$ 12,831,424</u>	<u>\$ 2,013,159</u>	<u>\$ 14,844,583</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 6.35% and 6.82% 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, 2011, 2010, and 2009 were \$2,380,265.79, \$1,819,023, and \$1,854,049 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	75
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>931</u>
Total	<u><u>1,006</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 \$564,012 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, 2011 was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year for law enforcement officers and ranging from 4.5% to 14.7% per year for general employees. The inflation component was 3.75%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2009 was 21 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	\$ 725,358
Interest on net pension obligation	(87,108)
Adjustment to annual required contribution	<u>93,270</u>
Annual pension cost	731,520
Contributions made	<u>(564,012)</u>
Increase (decrease) in net pension obligation	167,508
Net pension obligation - beginning of year	(1,742,166)
Net pension obligation - end of year	<u><u>\$ (1,574,658)</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, 2009	\$ 515,554	173%	\$ (1,675,613)
June 30, 2010	564,533	111.79%	(1,742,166)
June 30, 2011	731,520	77.10%	(1,574,658)

As of December 31, 2010, the most recent actuarial valuation date, the plan was 14.00 percent funded. The actuarial accrued liability for benefits was \$8,021,168, and the actuarial value of assets was \$1,123,089, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,898,079. The covered payroll (annual payroll of active employees covered by the plan) was \$37,245,068, and the ratio of the UAAL to the covered payroll was 18.52 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, 2011 were \$2,778,054, which consisted of \$1,841,849 from the County and \$936,205 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, 2011, the County's required and actual contributions were \$18,462.

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 \$ 5,169,306 or 14.0% 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 RHCBC 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 RHCBC 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	669,941
Adjustment to annual required contribution	<u>(711,812)</u>
Annual OPEB cost (expense)	4,924,810
Contributions made	<u>(5,169,306)</u>
Increase (decrease) in net OPEB obligation	(244,496)
Net OPEB obligation, beginning of year	9,240,560
Net OPEB obligation, end of year	<u><u>\$ 8,996,064</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$5,051,024	38.30%	\$6,643,302
2010	4,936,556	47.10%	9,240,560
2011	4,924,810	104.10%	8,996,064

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 \$38,074,668 the ratio of the UAAL to the covered payroll was 103.33 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, 2011, the County made contributions to the State for death benefits of \$36,861. 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 \$4,048,871 reported as landfill closure and post closure care liability at June 30, 2011 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, 2011 there was an increase of \$40,089 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, 2011. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Capital Projects Fund:</u>		
EECBG Grant Project	\$ 244,772	\$ 303,273
Jesse Helms Park Passive Area	532,684	267,152
Jail Expansion	1,812,629	110,114
Government Facility Renovations	8,521,913	1,501,401
<u>Emergency Telephone System Fund:</u>		
Communications Equipment	-	546,139
<u>Water Capital Projects:</u>		
Water Main Relocation	32,636	577,226
Catawba River WTP Reservoir Expansion	2,593,956	170,852
Weddington Elevated Storage Tank	298,746	835,399
<u>Sewer Capital Projects:</u>		
East Side Sewer Improvements	715,310	323,855
12 Mile Creek WWTP Expansion	319,037	299,933
Total	<u>\$ 15,071,684</u>	<u>\$ 4,935,345</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 Emergency Telephone System Fund capital projects are funded by the Public Safety Answering Point revenue (E911-PSAP). 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 \$1,451,000 and expects the payments to be made over the next six 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 in excess of the self-insured retention. In addition, Aggregate Stop-Loss Insurance is purchased to cover the combined eligible claims expense of all members in excess of 120% of expected eligible claims incurred and paid during the coverage period. Claims paid through an individual member HRA (Health Reimbursement Account) are excluded from specific and aggregate stop loss coverage. Claims are administered under 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	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Unpaid Claims beginning of fiscal year	\$ 1,018,419	\$ 939,269	\$ 267,097	\$ 422,588	\$ -	\$ -
Incurring claims and premiums	8,404,622	6,614,037	(18,199)	(512,796)	593,091	738,887
Claims and premiums paid	(8,770,041)	(8,571,725)	(164,968)	(176,889)	(593,091)	(738,887)
Unpaid Claims end of fiscal year	<u>\$ 653,000</u>	<u>\$ 1,018,419</u>	<u>\$ 83,930</u>	<u>\$ 267,097</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. 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, 2011. 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 \$1,124,671 for the year ended June 30, 2011.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2012	\$ 164,153	\$ 325,217	\$ 685,621
2013	164,154	325,217	684,461
2014	-	325,217	683,190
2015	-	325,217	687,190
2016	-	325,217	97,500
2017-2021	-	1,626,084	455,000
2022-2026	-	1,391,133	-
2027-2031	-	725,944	-
2032-2036	-	598,805	-
2037-2039	-	359,283	-
	<u>\$ 328,307</u>	<u>\$ 6,327,334</u>	<u>\$ 3,292,962</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, 2011. 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, 2011 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		Principal Balance June 30, 2011	Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2011
1. General Obligation Bonds						
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	3.75% - 4.125%	\$ 14,976,804	\$ 6,439,698	\$ 6,514,792
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	4.00% - 4.50%	3,303,196	1,420,302	1,436,557
2004 School Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	41,459,635	41,459,635
2004 Law Enf. Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,490,365	1,490,365
2004 Refunding Bonds - Series B (School Fac.) (b, g)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	18,155,000	17,546,674
2007 School Facility - Series A (f, g)	Sept. 06, 2007	March 01, 2031	Variable	55,365,000	20,745,000	20,745,000
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	12,465,000	12,465,000
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	8,295,000	8,295,000
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	81,000,000	83,865,537
2009 School Facility - Series A	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	62,250,000	65,235,489
2009 Refunding Bonds (School Facility) - Series B	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	65,140,000	68,503,075
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	38,215,000	38,090,682
2010 Refunding Bonds - Series A (School Fac.)	July 08, 2010	March 01, 2022	3.00% - 5.00%	55,010,000	50,100,000	55,705,699
					<u>427,175,000</u>	<u>441,353,505</u>
2. Installment Financing						
2003 Multi-purpose COP's (c)	June 15, 2003	June 01, 2025	2.875% - 5.0%	43,760,000	26,725,000	27,208,912
2006 School COP's	Nov. 09, 2006	June 01, 2032	4.0% - 5.0%	77,640,000	65,205,000	67,891,714
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.9026%	9,390,000	7,777,327	7,777,327
					<u>99,707,327</u>	<u>102,877,953</u>
3. Revenue Bonds						
2003 Enterprise System - Series A (d)	June 12, 2003	June 01, 2029	3.0% - 5.0%	33,130,000	26,535,000	27,051,703
2003 Refunding Enterprise System - Series B (a, g)	June 12, 2003	June 01, 2021	Variable	20,935,000	12,435,000	11,460,192
2009 Enterprise System (e)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	19,095,000	19,095,000
					<u>58,065,000</u>	<u>57,606,895</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	1,402,180	1,402,180
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	2.265%	15,000,000	12,750,000	12,750,000
					<u>14,152,180</u>	<u>14,152,180</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 599,099,507</u>	<u>\$ 615,990,533</u>

2. On July 8, 2010, the County issued general obligation refunding bonds totaling \$55,010,000 with an interest rate ranging from 3.00% to 5.00%. The proceeds of the bonds were used to refund in advance of their maturities and retire on July 8, 2010, \$27,690,000 of the outstanding principal amount of the County's Variable Rate G.O. Bonds Series 2007A, \$16,600,000 of the outstanding principal amount of the County's Variable Rate G.O. Bonds Series 2007B, \$11,090,000 of the outstanding principal amount of the County's Variable Rate G.O. Bonds Series 2007C, and a portion of the bond proceeds were used to make a swap termination payment of \$5,544,147 to the swap counterparty in connection with the swap agreement dated December 12, 2005. As a result, the bonds described above are considered to be defeased respectively and the liability for the defeased portion of the bonds has been removed from the balance sheet. The advance refunding reduced cash flow required for debt service on the general obligation bonds by \$302,227. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$251,914. On June 30, the principal outstanding on the refunded bonds was zero and there were no amounts held in escrow by an escrow agent.

3. Derivative Instruments outstanding at June 30, 2011, are reflected in the following summary table. Following the summary table, each derivative's objectives, terms, reference rates, relevant dates and risks are more fully described.

Governmental activities

Cash flow hedges (A):

Pay fixed-receive floating

Item	Amortized				Value due from /	Value due from /
Description	Notional	Counterparty	Pay	Receive	(to) counterparty	(to) counterparty
in Notes	Value				June 30, 2010	June 30, 2011
(b)	\$ 15,276,250	Bank of America N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	\$ (1,764,906)	\$ (1,592,298)
(b)	\$ 15,276,250	Citibank N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	(1,800,917)	(1,467,750)
(b)	\$ 30,552,500	Wells Fargo Bank N.A.	3.425%	> of 67% LIBOR or 63% LIBOR + 0.20%	(3,551,496)	(2,881,066)
(f)	\$ 7,496,614	Citibank N.A.	3.673%	70% LIBOR	(1,268,874)	(1,008,751)
(f)	\$ 26,511,773	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(4,517,831)	(3,606,304)
(f)	\$ 7,496,614	UBS AG	3.673%	70% LIBOR	(1,275,113)	(1,108,002)
					<u>(14,179,137)</u>	<u>(11,664,170)</u>

Investment derivatives (B):

Pay floating-receive floating

(c)	\$ 60,740,000	Wells Fargo Bank N.A.	BMA Swap Index	67% LIBOR + 0.532%	(42,446)	446,629
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Business-type activities

Cash flow hedges (A):

Pay fixed-receive floating

(a)	\$ 12,435,000	Citibank N.A.	2.995%	61.5% LIBOR + 0.36%	(852,657)	(720,189)
(e)	\$ 19,095,000	Citibank N.A.	3.820%	70% LIBOR	(3,293,870)	(2,669,681)
					<u>(4,146,527)</u>	<u>(3,389,870)</u>

Investment derivatives (B):

Pay floating-receive floating

(d)	\$ 24,665,000	Citibank N.A.	BMA Swap Index	70% LIBOR + 0.40%	(551,860)	(123,051)
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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, 2011, 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, 2010		Fair Value at June 30, 2011		Notional
	Classification	Amount	Classification	Amount	
Governmental activities					
Cash flow hedges:					
Pay fixed-receive floating (b)	Deferred outflow	\$ 1,176,205	Debt	\$ (5,941,114)	\$ 61,105,000
Pay fixed-receive floating (f)	Deferred outflow	1,338,761	Debt	(5,723,057)	41,505,001
Investment derivatives:					
Pay floating-receive floating (c)	Investment revenue	489,075	Investment	446,629	60,740,000
Total Governmental activities		<u>3,004,042</u>		<u>(11,217,541)</u>	<u>163,350,001</u>
Business-type activities					
Cash flow hedges:					
Pay fixed-receive floating (a)	Deferred outflow	132,468	Debt	(720,189)	12,435,000
Pay fixed-receive floating (e)	Deferred outflow	624,189	Debt	(2,669,681)	19,095,000
Investment derivatives:					
Pay floating-receive floating (d)	Investment revenue	428,809	Investment	(123,051)	24,665,000
Total Business-type activities		<u>1,185,466</u>		<u>(3,512,921)</u>	<u>56,195,000</u>
Total interest rate swaps		<u>\$ 4,189,508</u>		<u>\$ (14,730,462)</u>	<u>\$ 219,545,001</u>

As of June 30, 2010 and June 30, 2011, 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, 2011, these agreements had (i) a positive fair value of \$446,629 for governmental activities and (ii) a negative fair value of \$123,051 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, 2010 and June 30, 2011, 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, 2011, the agreements had negative fair values of \$5,941,114, \$5,723,057, \$720,189, and \$2,669,681. 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 \$11,664,170 and business type activities as \$3,389,870 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, 2011, 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>(0.474%)</u>
Net interest rate swap payments		2.521%
Variable rate bond coupon payments	Bond Rate	<u>0.140%</u>
Synthetic interest rate on Bonds		2.661%
Remarketing, Liquidity, Other		<u>0.220%</u>
Total Cost		<u>2.881%</u>

Fair Value. As of June 30, 2011, the agreement had a negative fair value of \$720,189. 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, 2011, 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, 2011, 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, 2011, 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			
2012	\$ 1,195,000	17,409	313,472	27,357	1,553,238
2013	1,185,000	15,736	283,348	24,728	1,508,812
2014	1,170,000	14,077	253,475	22,121	1,459,673
2015	1,150,000	12,439	223,981	19,547	1,405,967
2016	1,185,000	10,829	194,991	17,017	1,407,837
2017 - 2021	6,550,000	28,112	506,193	44,176	7,128,481
Total	\$ 12,435,000	\$ 98,602	\$ 1,775,460	\$ 154,946	\$ 14,464,008

* Computed using $(2.995\% - 0.474\%) \times (\$12,435,000 - \text{annual reduction})$

(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, 2011, 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>(0.317%)</u>
Net interest rate swap payments		3.108%
Variable rate bond coupon payments	Bond Rate	<u>0.070%</u>
Synthetic interest rate on Bonds		<u>3.178%</u>
Remarketing, Liquidity, Other		<u>0.660%</u>
Total Cost		<u>3.838%</u>

Fair Value. As of June 30, 2011, the swap agreements had a negative fair value of \$5,941,114. 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, 2011, 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, 2011 are rated as follows:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard & 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, 2011, 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, 2011, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates 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	Total
	Principal	Interest	Swaps, Net *	Liquidity, Other	
2012	\$ 3,360,000	42,774	1,899,207	403,293	5,705,274
2013	3,335,000	40,422	1,794,774	381,117	5,551,313
2014	3,310,000	38,087	1,691,119	359,106	5,398,312
2015	3,280,000	35,770	1,588,241	337,260	5,241,271
2016	3,245,000	33,474	1,486,295	315,612	5,080,381
2017 - 2021	14,915,000	134,069	5,952,796	1,264,065	22,265,930
2022 - 2026	15,560,000	84,806	3,765,465	799,590	20,209,861
2027 - 2029	14,100,000	19,740	876,486	186,120	15,182,346
Total	\$ 61,105,000	\$ 429,142	\$ 19,054,383	\$ 4,046,163	\$ 84,634,688

* Computed using $(3.425\% - 0.317\%) \times (\$61,105,000 - \text{annual reduction})$

(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 Original Bonds"). In 2009, the County issued General Obligation Bonds, Series 2009A and General Obligation Refunding Bonds, Series 2009B, the latter of which refunded the Series 2001 General Obligation Bonds. As such, the fixed spread basis swap is now associated with \$22,740,00 of the Certificates of Participation, Series 2003, \$29,505,000 of the General Obligation Refunding Bonds, Series 2009B, and \$8,495,000 of the General Obligation Bonds, Series 2009A Bonds (collectively "the New Bonds"). The intention of the fixed spread basis swap agreement was to effectively lower the County's interest rate on the Original Bonds and, subsequently, the New 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, 2011, rates were as follows:

	Terms	Rates
Average coupon on the Bonds	Fixed	4.360%
Receive Floating Rate	67% LIBOR + 0.532%	(0.656%)
Pay Floating Rate	BMA Swap Index	0.090%
Net interest rate on Bonds		3.794%

Fair Value. As of June 30, 2011, the agreement had a positive fair value of \$446,629. 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, 2011, 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, 2011, 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, 2011, 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		
2012	\$ 2,750,000	\$ 1,627,250	\$ (343,982)	\$ 4,033,268
2013	2,750,000	1,517,250	(328,408)	3,938,842
2014	6,195,000	1,407,250	(312,834)	7,289,416
2015	6,195,000	1,269,500	(277,751)	7,186,749
2016	6,645,000	1,088,800	(242,667)	7,491,133
2017 - 2021	28,625,000	2,146,900	(636,119)	30,135,781
2022 - 2025	7,580,000	-	(107,317)	7,472,683
Total	\$ 60,740,000	\$ 9,056,950	\$ (2,249,078)	\$ 67,547,872

* Computed using (0.656% - 0.09%) 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, 2011, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	4.540%
Receive Floating Rate	70% LIBOR + 0.40%	(0.530%)
Pay Floating Rate	BMA Swap Index	<u>0.090%</u>
Net interest rate on Bonds		<u>4.100%</u>

Fair Value. As of June 30, 2011, the agreement had a negative fair value of \$123,051. 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, 2011, 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, 2011, 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, 2011, 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 *	
2012	\$ -	\$ -	\$ (108,498)	\$ (108,498)
2013	-	-	(108,498)	(108,498)
2014	980,000	-	(108,498)	871,502
2015	1,010,000	-	(104,187)	905,813
2016	1,045,000	-	(99,744)	945,256
2017 - 2021	6,055,000	-	(424,907)	5,630,093
2022 - 2026	7,475,000	-	(279,547)	7,195,453
2027 - 2029	8,100,000	-	(1,402,181)	6,697,819
Total	<u>\$ 24,665,000</u>	<u>\$ -</u>	<u>\$ (2,636,060)</u>	<u>\$ 22,028,940</u>

* Computed using (0.53% - 0.09%) x (\$24,665,000 – 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, 2011, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Citibank	Fixed	3.820%
Variable payment from Citibank	70% LIBOR	<u>(0.130%)</u>
Net interest rate swap payments		3.690%
Variable rate bond coupon payments	Bond Rate	<u>0.050%</u>
Synthetic interest rate on Bonds		3.740%
Remarketing, Liquidity, Other		<u>1.310%</u>
Total Cost		<u>5.050%</u>

Fair Value. As of June 30, 2011, the agreement had a negative fair value of \$2,669,681. 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, 2011, 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, 2011, 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, 2011, 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			
2012	\$ 495,000	\$ 9,548	\$ 704,627	\$ 250,145	\$ 1,459,319
2013	515,000	9,300	686,361	243,660	1,454,321
2014	540,000	9,043	667,357	236,914	1,453,313
2015	560,000	8,773	647,431	229,840	1,446,043
2016	585,000	8,493	626,766	222,504	1,442,762
2017 - 2021	3,355,000	37,790	2,788,989	990,098	7,171,877
2022 - 2026	4,165,000	28,635	2,113,329	750,237	7,057,201
2027 - 2031	5,185,000	17,240	1,272,351	451,688	6,926,279
2032 - 2034	3,695,000	3,748	276,574	98,185	4,073,506
Total	<u>\$ 19,095,000</u>	<u>\$ 132,568</u>	<u>\$ 9,783,785</u>	<u>\$ 3,473,269</u>	<u>\$ 32,484,621</u>

* Computed using $(3.82\% - 0.13\%) \times (\$19,095,000 - \text{annual reduction})$

- (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, 2011, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Counterparties	Fixed	3.673%
Variable payment from Counterparties	70% LIBOR	<u>(0.130%)</u>
Net interest rate swap payments		3.543%
Variable rate bond coupon payments	Bond Rate*	<u>0.062%</u>
Synthetic interest rate on Bonds		3.605%
Remarketing, Liquidity, Other		<u>0.840%</u>
Total Cost		<u>4.445%</u>
*Weighted Average Bond Rate		

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, 2011, the amended and restated agreements had a negative fair value of \$5,723,057. 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, 2011, 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, 2011 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 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, 2011, 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			
2012	\$ -	\$ 25,733	\$ 1,470,570	\$ 348,642	\$ 1,496,303
2013	-	25,733	1,470,570	348,642	1,496,303
2014	-	25,733	1,470,570	348,642	1,496,303
2015	-	25,733	1,470,570	348,642	1,496,303
2016	-	25,733	1,470,570	348,642	1,496,303
2017 - 2021	-	128,663	7,352,850	1,743,210	7,481,513
2022 - 2026	18,455,001	111,496	6,371,761	1,510,614	24,938,258
2027 - 2031	23,050,000	42,872	2,450,064	580,860	25,542,936
Total	\$ 41,505,001	\$ 411,695	\$ 23,527,525	\$ 5,577,894	\$ 65,444,221

* Computed using $(3.673\% - 0.13\%) \times (\$41,505,001 - \text{annual reduction})$

- (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 2011 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. During fiscal year 2011, the County experienced similar liquidity fee levels compared to fiscal year 2010, 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 \$242,718,600. The general obligation bonds Series 2004A, 2004B, 67.5% of the 2007A, 2007B and 2007C and the revenue bonds Series 2003B and 2009 have been synthetically fixed as described in the previous paragraphs.

Debt Sub Note	Issue	Balance June 30, 2011	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2011	Interest Rate June 30, 2011
General Obligation Bonds					
(b)	2004A	\$ 42,950,000	December 17, 2011	\$ 281,880	0.07%
(b)	2004B	18,155,000	December 17, 2011	121,861	0.07%
(f)	2007A	20,749,288	March 25, 2014	289,244	0.06%
(f)	2007B	12,451,286	March 25, 2014	169,854	0.06%
(f)	2007C	8,304,427	December 17, 2011	69,933	0.07%
Revenue Bonds					
(a)	2003B	12,435,000	September 12, 2011	32,872	0.14%
(e)	2009	19,095,000	August 20, 2012	264,960	0.05%

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

	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 439,916,948	\$ 1,436,557	\$ 441,353,505
Certificates of Participation	95,100,626	-	95,100,626
Installment Financing	7,777,327	-	7,777,327
Revenue Bonds	-	57,606,895	57,606,895
N.C. Clean Water Revolving Loans	-	14,152,180	14,152,180
Total	\$ 542,794,901	\$ 73,195,632	\$ 615,990,533

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 Premium / (Discount)	Total
General Obligation Bonds			
2004 Refunding Bonds (School Facilities)	\$ 40,930	\$ (116,024)	\$ (75,094)
2004 Refunding Bonds (Sanitary Sewer)	9,331	(25,586)	(16,255)
2004 Refunding Bonds (School Facilities)	608,326	-	608,326
2007 School Facility - Series D	-	(2,865,537)	(2,865,537)
2009 School Facility - Series A	-	(2,985,489)	(2,985,489)
2009 Refunding Bonds (School Facility) -	262,864	(3,625,939)	(3,363,075)
2009 Refunding Bonds (School Facility) -	2,349,498	(2,225,180)	124,318
2010 Refunding Bonds - Series A (School	272,272	(5,877,971)	(5,605,699)
Installment Financing			
2003 Multi-purpose COP's	7,772	(491,684)	(483,912)
2006 Schools COP's	-	(2,686,714)	(2,686,714)
Revenue Bonds			
2003 Enterprise System - Series A	-	(516,703)	(516,703)
2003 Refunding Enterprise System -	862,613	112,195	974,808
Total	\$ 4,413,606	\$ (21,304,632)	\$ (16,891,026)
Long-term Obligations (per Note 16, A)			615,990,533
Future Maturities of Long-term Obligations (per Note 16, B)			\$ 599,099,507

B. Future Maturities of Long-Term Obligations

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

	General Obligation Bonds		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	Governmental Activities					
2012	\$ 24,211,575	\$ 17,780,039	\$ 6,040,843	\$ 4,619,993	\$ 30,252,418	\$ 22,400,032
2013	24,067,900	16,927,733	5,879,175	4,351,511	29,947,075	21,279,244
2014	24,681,765	15,966,056	5,913,820	4,102,397	30,595,585	20,068,453
2015	25,523,571	15,011,059	5,949,830	3,849,550	31,473,401	18,860,609
2016	25,499,887	13,949,303	5,987,260	3,574,158	31,487,147	17,523,461
2017-2021	122,085,000	53,081,469	28,201,399	13,737,641	150,286,399	66,819,110
2022-2026	97,310,000	28,273,147	23,105,000	7,566,700	120,415,000	35,839,847
2027-2031	72,375,000	9,885,792	15,525,000	2,931,000	87,900,000	12,816,792
2032-2033	10,000,000	600,000	3,105,000	137,850	13,105,000	737,850
	\$ 425,754,698	\$ 171,474,598	\$ 99,707,327	\$ 44,870,800	\$ 525,462,025	\$ 216,345,398

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Business-type Activities							
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	983,696	261,872	3,840,125	2,293,446
2016	55,113	2,273	2,815,000	1,933,816	983,697	236,869	3,853,810	2,172,958
2017-2021	-	-	15,960,000	7,927,083	3,983,696	857,390	19,943,696	8,784,473
2022-2026	-	-	11,640,000	5,198,598	3,750,000	424,688	15,390,000	5,623,286
2027-2031	-	-	13,285,000	2,273,636	1,500,000	50,963	14,785,000	2,324,599
2032-2034	-	-	3,695,000	286,309	-	-	3,695,000	286,309
	\$ 1,420,302	\$ 117,845	\$ 58,065,000	\$ 26,231,640	\$ 14,152,180	\$ 2,767,419	\$ 73,637,482	\$ 29,116,904
Total Long-term Obligations for Governmental and Business-type Activities							\$ 599,099,507	\$ 245,462,302

As of June 30, 2011, Union County had no general obligation bonds authorized but unissued, and had a legal debt margin of \$1,325,074,615.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011 (and agrees to table in Note 16 part A):

	Balance June 30, 2010	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2011	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 455,904,686	\$ 55,010,000	\$ 76,618,162	\$ 5,620,424	\$ 439,916,948	\$ 24,800,692
Certificates of participation	100,509,742	-	5,180,000	(229,116)	95,100,626	5,407,442
Installment financing	8,591,102	-	813,775	-	7,777,327	845,843
	<u>565,005,530</u>	<u>55,010,000</u>	<u>82,611,937</u>	<u>5,391,308</u>	<u>542,794,901</u>	<u>31,053,977</u>
Compensated absences	2,967,043	2,693,187	2,603,215	-	3,057,015	-
Net OPEB obligation	8,303,825	-	219,592	-	8,084,233	-
Net pension obligation	(1,535,966)	147,921	-	-	(1,388,045)	-
	<u>\$ 574,740,432</u>	<u>\$ 57,851,108</u>	<u>\$ 85,434,744</u>	<u>\$ 5,391,308</u>	<u>\$ 552,548,104</u>	<u>\$ 31,053,977</u>
By Purpose:						
General government	\$ 11,956,188	\$ -	\$ 676,054	\$ (12,997)	\$ 11,267,137	\$ 689,051
Public safety	12,393,105	-	1,397,110	9,716	11,005,711	1,436,890
Economic/physical development	3,006,214	-	169,294	(4,068)	2,832,852	173,362
Human services	35,797	-	2,024	(39)	33,734	2,063
Education	535,451,399	55,010,000	80,245,159	5,401,047	515,617,287	28,627,964
Cultural and recreational	2,162,827	-	122,296	(2,351)	2,038,180	124,647
Compensated absences	2,967,043	2,693,187	2,603,215	-	3,057,015	-
Net OPEB obligation	8,303,825	-	219,592	-	8,084,233	-
Net pension obligation	(1,535,966)	147,921	-	-	(1,388,045)	-
	<u>\$ 574,740,432</u>	<u>\$ 57,851,108</u>	<u>\$ 85,434,744</u>	<u>\$ 5,391,308</u>	<u>\$ 552,548,104</u>	<u>\$ 31,053,977</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 2,936,559	\$ -	\$ 1,501,838	\$ 1,836	\$ 1,436,557	\$ 545,342
Revenue bonds	60,023,601	-	2,575,000	158,294	57,606,895	2,465,934
NC Clean Water Revolving Loan	15,135,877	-	983,697	-	14,152,180	983,697
	<u>78,096,037</u>	<u>-</u>	<u>5,060,535</u>	<u>160,130</u>	<u>73,195,632</u>	<u>3,994,973</u>
Compensated absences	462,380	368,732	395,625	-	435,487	-
Net OPEB obligation	936,735	-	24,904	-	911,831	-
Net pension obligation	(206,200)	19,585	-	-	(186,615)	-
	<u>\$ 79,288,952</u>	<u>\$ 388,317</u>	<u>\$ 5,481,064</u>	<u>\$ 160,130</u>	<u>\$ 74,356,335</u>	<u>\$ 3,994,973</u>
By Purpose:						
Water and sewer systems	\$ 78,096,037	\$ -	\$ 5,060,535	\$ 160,130	\$ 73,195,632	\$ 3,994,973
Compensated absences	462,380	368,732	395,625	-	435,487	-
Net OPEB obligation	936,735	-	24,904	-	911,831	-
Net pension obligation	(206,200)	19,585	-	-	(186,615)	-
	<u>\$ 79,288,952</u>	<u>\$ 388,317</u>	<u>\$ 5,481,064</u>	<u>\$ 160,130</u>	<u>\$ 74,356,335</u>	<u>\$ 3,994,973</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, 2011.

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, 2011 is as follows:

Revenues	\$ 29,346,454
Current Expenses	16,397,633
Net revenues available for debt service	<u>12,948,821</u>
Add: 20% of preceding year's Surplus Fund	5,411,524
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 18,360,345</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 4,836,739
Subordinate debt service:	
Debt service, principal and interest paid	<u>2,963,395</u>
Total debt service:	
Total debt service, principal and interest paid	7,800,134
Add: 20% of senior debt service	967,348
Adjusted debt service requirements	<u>\$ 8,767,482</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	2.09
Coverage Test 2	
Net revenues / total debt service	1.66

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, 2011. The amount outstanding at June 30, 2011 is \$ 1,402,180. 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, 2011. The amount outstanding at June 30, 2011 is \$12,750,000. 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
2012	\$ 233,697	\$ 48,095	\$ 750,000	\$ 288,788
2013	233,697	40,079	750,000	271,800
2014	233,697	32,063	750,000	254,813
2015	233,697	24,047	750,000	237,825
2016	233,697	16,032	750,000	220,837
2017-2021	233,697	8,016	3,750,000	849,375
2022-2026	-	-	3,750,000	424,688
2027-2028	-	-	1,500,000	50,961
Total	<u>\$ 1,402,180</u>	<u>\$ 168,332</u>	<u>\$ 12,750,000</u>	<u>\$ 2,599,087</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, 2011, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$13,200,000.

NOTE 17 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 270,945	Note 1
General Fund	Solid Waste Fund	48,190	Note 1
General Fund	Stormwater Fund	6,306	Note 1
		<u>\$ 325,441</u>	

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

C. INTERFUND ACTIVITY

Transfer Out:	Transfers In:				Purpose
	Governmental Activities			Business Type	
	General Fund	General Capital Project Fund	Total Governmental Funds	Stormwater Fund	
Governmental activities:					
Emergency Telephone System Fund	\$ 686	\$ -	\$ 686	\$ -	Note 1
General Fund	-	3,303,552	3,303,552	-	Note 2
Total governmental activities	686	3,303,552	3,304,238	-	
Business type activities:					
Water & Sewer Fund	-	-	-	179,807	Note 3
Total transfers out	<u>\$ 686</u>	<u>\$ 3,303,552</u>	<u>\$ 3,304,238</u>	<u>\$ 179,807</u>	

Note 1: The transfer from the Emergency Telephone System Fund to the General Fund was to provide funding for fiscal year 2010 General Fund expenditures that were determined to be applicable to the Emergency Telephone System Public Safety Answering Point revenue source.

Note 2: The transfers from the General Fund to the General Capital Project Fund were for the following projects:

General Capital Project Fund:	
UCPS FY2011 school capital outlay allocation	\$ 1,303,552
CIP reserve funds	2,000,000

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)	\$ -	\$ 461,169	\$ 461,169
Prepaid taxes not yet earned (Special Revenue)	-	14,288	14,288
Grant revenue not yet earned (General)	-	-	-
Taxes receivable, net (General)	5,677,615	-	5,677,615
Taxes receivable, net (Special Revenue)	151,709	-	151,709
	<u>\$ 5,829,324</u>	<u>\$ 475,457</u>	<u>\$ 6,304,781</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 \$2,089,684 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, 2011 was \$14,822,262. This included the County's recognized gain of \$1,362,848 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, 2011, is as follows:

Cash and investments	\$ 1,552,821
Other assets	28,289,937
Total assets	<u>\$ 29,842,758</u>
Total liabilities	\$ 150,653
Total net assets	29,692,105
Total liabilities and net assets	<u>\$ 29,842,758</u>
Total revenues	\$ 3,538,365
Total expenses	(4,109,812)
Capital contributions	3,364,225
Net increase in net assets	<u>\$ 2,792,778</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 \$3,156,330. 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, \$3,185,818 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, 2011. In addition, the County made debt service payments of \$331,533 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, 2011. 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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$703,336 to PAMH to supplement its activities for the year ended June 30, 2011. 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, 2011. The County was the sub-recipient of a grant for \$804,043 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	\$ 769,896	\$ -
AFDC Payments and Penalties	-	-
Energy Assistance Payment	866,496	-
Refugee Assistance Payment	3,801	-
CWS Adoption Subsidy and Vendor	-	302,204
IV-E Adoption Subsidy and Vendor	425,683	96,314
State/County Special Assistance for Adults	-	854,499
Women, Infants and Children	2,901,497	-
Medical Assistance Program	90,086,475	35,209,308
Food Stamp Program-Noncash	34,204,905	-
Food Distribution	179,954	-
Health Choice	4,274,153	1,396,741
	<u>\$ 133,712,860</u>	<u>\$ 37,859,066</u>

NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 23 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

At the July 11, 2011 Board of County Commission session, the Board authorized staff to negotiate with Lancaster County to lease or purchase additional water capacity. Since 1992 Union County and Lancaster County have been 50/50 partners in the Catawba River Water Treatment Plant (CRWTP). At this time, Lancaster County is not utilizing their full allocation of water from the plant, and the County would like to increase our share of the water capacity. The County would look to lease or purchase 2 MGD of capacity in the system until the plant is expanded. Under a lease arrangement, the County would assume a pro-rata share of the CRWTP debt associated with this capacity and any new debt associated with the reservoir and plant expansion. This scenario is estimated to cost the County \$18,000 per month. Under a purchase arrangement, the County would pay the accumulated debt service payments that Lancaster County has made towards this excess capacity since inception, approximately \$2.0 million. This would result in a 20/36 sharing of the plant and a resultant 20/36 responsibility of the cost of the reservoir and plant expansion.

On August 4, 2011, the County issued \$11,425,000 Variable Enterprise System Revenue Refunding Bonds, Series 2011 through a direct placement loan. The Series 2011 bonds refunded \$12,435,000 of outstanding principal amount of the County's Enterprise System Revenue Bonds, Series 2003B.

On August 16, 2011, the County completed a novation of swap counterparties from Citibank to Bank of New York (BONY). This improved the County's swap counterparty credit rating with Moody's, S&P, and Fitch from A1, A+,A+ with Citibank to Aaa, AA, AA- with BONY. The novation included all swaps outstanding with Citibank, which included notional amounts of \$15,276,250 of 2004A & 2004B's; \$7,496,614 of 2007ABC General Obligations bonds and \$24,665,000 of 2003A; \$11,425,000 of 2003B; and \$19,095,000 of 2009 Enterprise System Revenue Bonds.

At the October 17, 2011 Board of County Commission session, the Board authorized the County to engage task orders with HDR Engineering and with the law firm of Driscoll-Sheedy in amounts not to exceed \$100,000 each, for planning, programming and permitting assistance with the development of a partnership arrangement for a new water supply from the Yadkin River. Both the 2006 Union County water master plan and the new proposed 2011 water and wastewater master plan identify the need for a Yadkin River water supply to meet the long-term needs of Union County.

At the November 21, 2011 Board of County Commission session, the Board awarded a contract in the amount of \$3,475,089 for the construction of an 18-inch forcemain running from Union County to a wastewater treatment plant owned by Charlotte-Mecklenburg Utilities in Mecklenburg County. This new line will allow Union County to maximize its utilization of its 3.0 mgd contract capacity with Charlotte-Mecklenburg Utilities. Based upon a previous agreement for sewer service, the Millbridge and Cureton Developments will post a surety bond or irrevocable letter of credit equal to \$2,080,545 of the total cost of the project.

At the November 21, 2011 Board of County Commission session, the Board awarded a contract in the amount of \$2,122,000 to Gilbert Engineering Company, Inc. for the construction of a wastewater treatment plant (WWTP) to replace the Tallwood Estates wastewater treatment plant. The Tallwood Estates WWTP was constructed in 1989 and has a permitted capacity of 50,000 gallons per day (gpd). It is located in the northwestern corner of Union County and serves the Tallwood Estates

subdivision and the Clear Creek Boy Scout Camp. The existing facility has developed chronic rust throughout areas of the facility which has caused the walls to become irreparable and to present a potential health and environmental hazard.

At the November 21, 2011 Board of County Commission session, the Board awarded a contract in the amount of \$7,222,781 to DeVere Construction Company, Inc. for East Side Sewer System improvements. The improvements consist of the construction of approximately 15,000 linear feet of 16-inch forcemain, 14,300 linear feet of 24-inch forcemain, the replacement of pumps at both pump station no. 2 and no. 3, and an additional 9,000 linear feet of forcemain. The County was awarded a \$1,960,000 grant from the U.S. Environmental Protection Agency for this project to help offset the contract cost. There were two bid protests on this project. One protest was filed timely, but the Purchasing Director ruled that the protest was without merit and denied the protest. The second protest was not filed timely and therefore, was ruled not eligible for consideration under the County's bid protest procedure. The Purchasing Director did review the allegations in the protest and determined that even if the protest had been filed timely, it would have been denied on the merits.

At the November 21, 2011 Board of County Commission session, the Board adopted a resolution to approve the refunding of a portion of the 2003 Certificates of Participation maturing on June 1, 2015 through June 1, 2020. The total par value of this issue that matures in June 2025 is \$43,760,000 but only the callable maturities maturing June 1, 2015 through June 1, 2020 generate significant savings for Union County. First Tryon, the County's financial advisors, received proposals for the private placement of this refunding. Bank of America had the most cost-effective bid for this transaction. The Board's action allows Staff to take the actions necessary to complete the transaction issuing up to \$12,500,000 of debt.

At the November 21, 2011 Board of County Commission session, the Board adopted a resolution to authorize Staff to replace the Liquidity Facility and Remarketing Agent for the County's variable rate general obligation bonds Series 2004A, 2004B and 2007C from BB&T to U.S. Bank and to change the interest payment date to monthly from semiannually. The refunding of the variable rate general obligation bond Series 2004A (\$50,000,000), the variable rate general obligation bond Series 2004B (\$21,630,000) and the variable rate general obligation bond Series 2007C (\$26,145,000) with up to \$73,400,000 of new debt will save the County money as well as consolidating the Liquidity Facility and Remarketing Agent into the same firm.

At the November 21, 2011 Board of County Commission session, the Board approved a bond order and a bond resolution authorizing Staff to refinance all callable Enterprise Revenue Bonds, Series 2003A. Staff was authorized to issue Enterprise System Revenue Refunding Bonds, Series 2011 in an amount not-to-exceed \$13,645,000. Savings to the County in net present value savings (NPV) will be in the range of \$1,230,000 based on market conditions at the time of the issue.

At the November 21, 2011 Board of County Commission session, the Board adopted a resolution approving the Amended and Restated Lease Agreement between Union County and the Charlotte-Mecklenburg Hospital Authority (CHS) for the Union CMC Hospital. The lease is for a period of fifty (50) years with CHS having the right to renew for an additional period of 25 years. The lease calls for CHS to deliver to the County, the amount of \$54,000,000 on January 4, 2012. The County will also receive \$6,100,000 in annual rent, payable by January 15 each year. Annual lease payments will increase by 1% every 5 years of the initial lease period. If CHS chooses to renew the lease for the additional 25 years, the annual lease payment will increase to \$6,283,000 and will be increased by 3% every 5 years. There are also options to require CHS to purchase the hospital real estate from the County at an approved amount, as well as for the County to take back control over the hospital by paying an approved amount to CHS at any time within the lease or renewal period.

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)
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%
2010	1,123,089	8,021,168	6,898,079	14.00%	37,245,068	18.52%

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>
2006	\$ 457,930	156%
2007	450,003	184%
2008	477,327	189%
2009	527,637	173%
2010	580,462	112%
2011	725,358	77%

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2010	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.00%
Projected salary increases *	
Law enforcement officer	4.25% to 7.85% per year
General employees	4.25% to 7.75% per year
* Includes inflation at	3.00%
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%	38,074,668	103.33%

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.

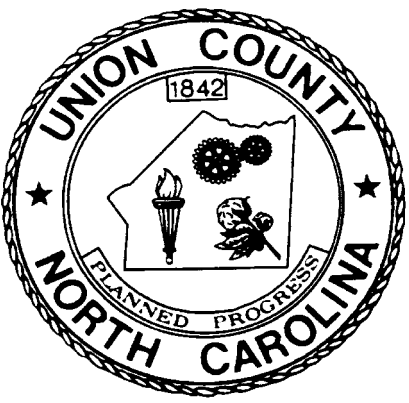
**Other Postemployment Healthcare and Dental Benefits
 Required Supplementary Information
 Schedule of Employer Contributions**

<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%
2011	4,966,681	104.1%

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, 2011

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 3,149,958	\$ 1,510,656	\$ 3,554,445	\$ 8,215,059
Property taxes receivable (net)	151,709	-	-	151,709
Accounts receivable (net)	282,565	-	-	282,565
Cash and investments, restricted	867,333	-	-	867,333
Total assets	<u>\$ 4,451,565</u>	<u>\$ 1,510,656</u>	<u>\$ 3,554,445</u>	<u>\$ 9,516,666</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 36,137	\$ -	\$ 6,591	\$ 42,728
Deferred revenue	151,709	-	-	151,709
Unearned revenue	14,288	-	-	14,288
Liabilities payable from restricted assets	19,140	-	-	19,140
Total liabilities	<u>221,274</u>	<u>-</u>	<u>6,591</u>	<u>227,865</u>
FUND BALANCES				
Restricted	4,230,291	1,510,656	-	5,740,947
Assigned	-	-	3,547,854	3,547,854
Total fund balances	<u>4,230,291</u>	<u>1,510,656</u>	<u>3,547,854</u>	<u>9,288,801</u>
Total liabilities and fund balances	<u>\$ 4,451,565</u>	<u>\$ 1,510,656</u>	<u>\$ 3,554,445</u>	<u>\$ 9,516,666</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2011

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 4,242,211	\$ -	\$ -	\$ 4,242,211
Local option sales tax	592,226	-	-	592,226
Other taxes and licenses	1,244,465	-	-	1,244,465
Intergovernmental	23,401	-	-	23,401
Permits and fees	1,819,978	-	-	1,819,978
Sales and services	15,000	-	-	15,000
Investment earnings	9,656	-	-	9,656
Miscellaneous	168,298	-	-	168,298
Total revenues	<u>8,115,235</u>	<u>-</u>	<u>-</u>	<u>8,115,235</u>
EXPENDITURES				
Current:				
Public safety	7,095,882	-	-	7,095,882
Capital outlay:				
Cultural and recreational	-	-	9,405	9,405
Total expenditures	<u>7,095,882</u>	<u>-</u>	<u>9,405</u>	<u>7,105,287</u>
Excess (deficiency) of revenues over (under) expenditures	1,019,353	-	(9,405)	1,009,948
OTHER FINANCING USES				
Transfers to other funds	<u>(686)</u>	<u>-</u>	<u>-</u>	<u>(686)</u>
Net change in fund balances	1,018,667	-	(9,405)	1,009,262
FUND BALANCES				
Beginning	3,211,624	1,510,656	3,557,259	8,279,539
Ending	<u>\$ 4,230,291</u>	<u>\$ 1,510,656</u>	<u>\$ 3,547,854</u>	<u>\$ 9,288,801</u>

Union County, North Carolina

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2011

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
ASSETS			
Cash and investments	\$ 17,817	\$ 27,978	\$ 60,065
Property taxes receivable (net)	17,341	31,365	39,020
Accounts receivable (net)	13,337	35,544	43,373
Cash and investments, restricted	-	-	-
Total assets	<u>\$ 48,495</u>	<u>\$ 94,887</u>	<u>\$ 142,458</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 886	\$ -
Deferred revenue	17,341	31,365	39,020
Unearned revenue	4,463	1,117	2,194
Liabilities payable from restricted assets	-	-	-
Total liabilities	<u>21,804</u>	<u>33,368</u>	<u>41,214</u>
FUND BALANCES			
Restricted	<u>26,691</u>	<u>61,519</u>	<u>101,244</u>
Total liabilities and fund balances	<u>\$ 48,495</u>	<u>\$ 94,887</u>	<u>\$ 142,458</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
\$ 51,364	\$ 50,288	\$ 87,407	\$ 2,855,039	\$ -	\$ 3,149,958
36,686	27,297	-	-	-	151,709
37,587	49,018	1	103,705	-	282,565
-	-	-	-	867,333	867,333
<u>\$ 125,637</u>	<u>\$ 126,603</u>	<u>\$ 87,408</u>	<u>\$ 2,958,744</u>	<u>\$ 867,333</u>	<u>\$ 4,451,565</u>
\$ 11,825	\$ -	\$ 243	\$ 23,183	\$ -	\$ 36,137
36,686	27,297	-	-	-	151,709
3,779	2,734	1	-	-	14,288
-	-	-	-	19,140	19,140
<u>52,290</u>	<u>30,031</u>	<u>244</u>	<u>23,183</u>	<u>19,140</u>	<u>221,274</u>
<u>73,347</u>	<u>96,572</u>	<u>87,164</u>	<u>2,935,561</u>	<u>848,193</u>	<u>4,230,291</u>
<u>\$ 125,637</u>	<u>\$ 126,603</u>	<u>\$ 87,408</u>	<u>\$ 2,958,744</u>	<u>\$ 867,333</u>	<u>\$ 4,451,565</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, 2011

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund
REVENUES			
Ad valorem taxes	\$ 329,095	\$ 662,500	\$ 1,050,773
Local option sales tax	50,079	72,254	163,886
Other taxes and licenses	-	-	-
Intergovernmental	-	-	-
Permits and fees	-	-	-
Sales and services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>379,174</u>	<u>734,754</u>	<u>1,214,659</u>
EXPENDITURES			
Current:			
Public safety	<u>367,035</u>	<u>683,167</u>	<u>1,162,301</u>
Excess of revenues over expenditures	12,139	51,587	52,358
OTHER FINANCING USES			
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,139	51,587	52,358
FUND BALANCES			
Beginning	14,552	9,932	48,886
Ending	<u>\$ 26,691</u>	<u>\$ 61,519</u>	<u>\$ 101,244</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
\$ 936,834	\$ 1,263,009	\$ -	\$ -	\$ -	\$ 4,242,211
135,750	170,257	-	-	-	592,226
-	-	-	1,244,465	-	1,244,465
-	-	-	-	23,401	23,401
-	-	1,819,978	-	-	1,819,978
-	-	-	-	15,000	15,000
-	-	-	7,415	2,241	9,656
-	-	-	-	168,298	168,298
<u>1,072,584</u>	<u>1,433,266</u>	<u>1,819,978</u>	<u>1,251,880</u>	<u>208,940</u>	<u>8,115,235</u>
<u>1,020,566</u>	<u>1,396,397</u>	<u>1,785,108</u>	<u>544,332</u>	<u>136,976</u>	<u>7,095,882</u>
52,018	36,869	34,870	707,548	71,964	1,019,353
-	-	-	(686)	-	(686)
52,018	36,869	34,870	706,862	71,964	1,018,667
21,329	59,703	52,294	2,228,699	776,229	3,211,624
<u>\$ 73,347</u>	<u>\$ 96,572</u>	<u>\$ 87,164</u>	<u>\$ 2,935,561</u>	<u>\$ 848,193</u>	<u>\$ 4,230,291</u>

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

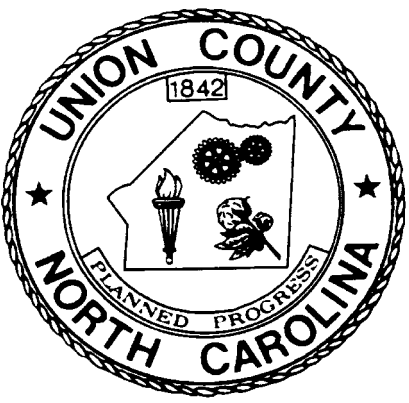
June 30, 2011

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,870,380	\$ 532,251	\$ 526,256	\$ 2,928,887
Accounts receivable (net)	379,818	1,496	872	382,186
Total current assets	<u>2,250,198</u>	<u>533,747</u>	<u>527,128</u>	<u>3,311,073</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	464,977	4,588	-	469,565
Workers' compensation claims payable	-	83,930	-	83,930
Health care benefits payable	653,000	-	-	653,000
Total current liabilities	<u>1,117,977</u>	<u>88,518</u>	<u>-</u>	<u>1,206,495</u>
NET ASSETS				
Unrestricted	<u>\$ 1,132,221</u>	<u>\$ 445,229</u>	<u>\$ 527,128</u>	<u>\$ 2,104,578</u>

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

For the Year Ended June 30, 2011

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 9,802,677	\$ 408,744	\$ 593,091	\$ 10,804,512
Other operating revenue	-	20,200	810	21,010
Total operating revenues	<u>9,802,677</u>	<u>428,944</u>	<u>593,901</u>	<u>10,825,522</u>
OPERATING EXPENSES				
Operating expenses	769,415	195,436	-	964,851
Workers' compensation claims	-	164,968	-	164,968
Health benefit claims and premiums	8,770,041	-	-	8,770,041
Property and casualty claims and premiums	-	-	593,091	593,091
Total operating expenses	<u>9,539,456</u>	<u>360,404</u>	<u>593,091</u>	<u>10,492,951</u>
Operating income	263,221	68,540	810	332,571
NONOPERATING REVENUES				
Investment earnings	<u>22,088</u>	<u>1,666</u>	<u>2,960</u>	<u>26,714</u>
Change in net assets	285,309	70,206	3,770	359,285
NET ASSETS				
Beginning	<u>846,912</u>	<u>375,023</u>	<u>523,358</u>	<u>1,745,293</u>
Ending	<u>\$ 1,132,221</u>	<u>\$ 445,229</u>	<u>\$ 527,128</u>	<u>\$ 2,104,578</u>



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

For the Year Ended June 30, 2011

	<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	\$ 9,739,113	\$ 408,600	\$ 592,732	\$ 10,740,445
Other operating revenue	-	20,200	810	21,010
Cash paid for goods and services	<u>(9,572,998)</u>	<u>(571,353)</u>	<u>(593,091)</u>	<u>(10,737,442)</u>
Net cash provided (used) by operating activities	166,115	(142,553)	451	24,013
INVESTING ACTIVITIES				
Investment earnings	<u>22,088</u>	<u>1,666</u>	<u>2,960</u>	<u>26,714</u>
Net increase (decrease) in cash and investments	188,203	(140,887)	3,411	50,727
CASH AND INVESTMENTS				
Beginning of year	1,682,177	673,138	522,845	2,878,160
End of year	<u>\$ 1,870,380</u>	<u>\$ 532,251</u>	<u>\$ 526,256</u>	<u>\$ 2,928,887</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	<u>\$ 263,221</u>	<u>\$ 68,540</u>	<u>\$ 810</u>	<u>\$ 332,571</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Increase in accounts receivable	(63,564)	(144)	(359)	(64,067)
Decrease in accounts payable and accrued liabilities	<u>(33,542)</u>	<u>(210,949)</u>	<u>-</u>	<u>(244,491)</u>
Total adjustments	<u>(97,106)</u>	<u>(211,093)</u>	<u>(359)</u>	<u>(308,558)</u>
Net cash provided (used) by operating activities	<u>\$ 166,115</u>	<u>\$ (142,553)</u>	<u>\$ 451</u>	<u>\$ 24,013</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2011

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
ASSETS				
Cash and investments	\$ 63,970	\$ -	\$ 40,323	\$ -
Property taxes receivable (net)	-	-	-	14,632
Accounts receivable (net)	-	61,153	-	-
Total assets	<u>\$ 63,970</u>	<u>\$ 61,153</u>	<u>\$ 40,323</u>	<u>\$ 14,632</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 61,153	\$ -	\$ 14,632
Due to program participants	63,970	-	40,323	-
Total liabilities	<u>\$ 63,970</u>	<u>\$ 61,153</u>	<u>\$ 40,323</u>	<u>\$ 14,632</u>

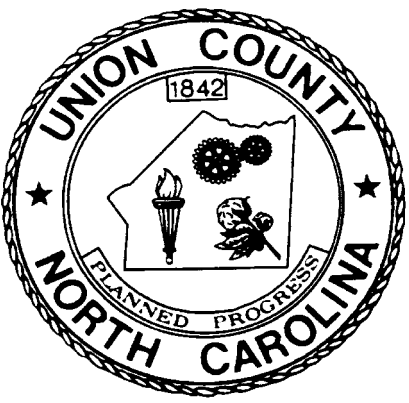
Schedule 8

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
\$ 96	\$ 212,511	\$ 3,475	\$ 2,144	\$ 7,777	\$ 330,296
49,752	-	-	-	-	64,384
-	-	-	-	-	61,153
<u>\$ 49,848</u>	<u>\$ 212,511</u>	<u>\$ 3,475</u>	<u>\$ 2,144</u>	<u>\$ 7,777</u>	<u>\$ 455,833</u>
\$ 49,848	\$ 212,511	\$ 3,475	\$ 2,144	\$ 7,777	\$ 351,540
-	-	-	-	-	104,293
<u>\$ 49,848</u>	<u>\$ 212,511</u>	<u>\$ 3,475</u>	<u>\$ 2,144</u>	<u>\$ 7,777</u>	<u>\$ 455,833</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
Balance Sheet**

June 30, 2011

	June 30, 2011
ASSETS	
Cash and investments	\$ 48,034,527
Property taxes receivable (net)	5,677,615
Accounts receivable (net)	12,130,763
Accounts receivable, long-term	77,171
Inventories	26,116
Cash and investments, restricted	1
Cash and investments, restricted-deposits	875,888
Total assets	<u>\$ 66,822,081</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 5,223,370
Deferred revenue	5,677,615
Unearned revenue	550,924
Deposits	875,888
Total liabilities	<u>12,327,797</u>
FUND BALANCE	
Nonspendable	103,287
Restricted	12,754,599
Assigned	1,656,054
Unassigned	39,980,344
Total fund balance	<u>54,494,284</u>
Total liabilities and fund balance	<u>\$ 66,822,081</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 149,674,000	\$ 150,435,645	\$ 761,645	\$ 148,045,812
Prior years' levy	3,208,000	3,959,296	751,296	3,666,239
Penalties and interest	850,900	1,013,773	162,873	886,268
Total	153,732,900	155,408,714	1,675,814	152,598,319
Local option sales tax	22,461,557	23,351,825	890,268	23,515,921
Other taxes and licenses	1,731,000	1,568,697	(162,303)	1,716,487
Intergovernmental	30,562,962	30,600,312	37,350	29,937,870
Permits and fees	2,465,754	2,551,468	85,714	2,490,193
Sales and services	4,876,222	5,068,297	192,075	4,751,268
Investment earnings	1,000,000	697,055	(302,945)	1,441,878
Miscellaneous	3,274,578	3,859,352	584,774	3,994,066
Total revenues	220,104,973	223,105,720	3,000,747	220,446,002
EXPENDITURES				
General Government				
Board of Commissioners	431,577	376,865	54,712	355,572
Central Administration	1,133,304	860,613	272,691	712,898
County Dues and Memberships	92,644	91,869	775	92,208
Internal Audit	97,919	92,879	5,040	95,310
Legal	336,924	332,133	4,791	319,940
Personnel	680,840	666,411	14,429	628,647
Finance	924,450	845,894	78,556	836,381
Tax Administration	3,683,518	3,575,350	108,168	3,355,983
Court Facilities	768,318	586,182	182,136	587,470
Elections	917,403	904,952	12,451	841,877
Register of Deeds	932,017	909,214	22,803	985,934
Information Systems	1,525,356	1,309,319	216,037	1,218,325
G.I.S. Department	224,391	210,201	14,190	205,425
General Services	494,376	301,079	193,297	(177,650)
Total General Government	12,243,037	11,062,961	1,180,076	10,058,320
Public Safety				
Law Enforcement	20,417,461	20,079,609	337,852	18,555,990
Communications	2,916,736	2,633,055	283,681	2,284,354
Homeland Security	199,270	156,810	42,460	144,999
Fire Services	928,143	900,784	27,359	1,557,543
Inspection	1,393,664	1,370,336	23,328	1,600,870
Medical Examiner	51,000	45,919	5,081	43,586
Emergency Medical Services	2,927,529	2,926,538	991	2,913,315
Juvenile Detention	78,769	63,621	15,148	62,430
American Red Cross	4,875	4,875	-	4,875
Other Public Safety	1,000	-	1,000	990
Total Public Safety	28,918,447	28,181,547	736,900	27,168,952

Continued on next page.

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 547,819	\$ 418,381	\$ 129,438	\$ 402,501
Economic Development Commission	2,324,511	2,223,860	100,651	894,445
Cooperative Extension Service	866,160	737,617	128,543	733,352
Soil Conservation	82,093	80,278	1,815	76,550
Forest Management	68,910	65,679	3,231	68,022
New Ventures Business Development	9,000	9,000	-	9,000
<i>Total Economic and Physical Development</i>	<u>3,898,493</u>	<u>3,534,815</u>	<u>363,678</u>	<u>2,183,870</u>
Human Services				
Health	8,835,202	8,349,037	486,165	8,182,576
Mental Health	894,498	883,281	11,217	731,103
Social Services	27,790,001	25,319,422	2,470,579	24,232,616
Other Human Services				
Health Quest	22,500	22,500	-	22,500
United Family Services	22,500	22,500	-	22,500
Charlotte Area Transportation	111,921	111,921	-	90,557
JJDP - Programs	294,504	265,844	28,660	264,735
Turning Point	22,500	22,500	-	22,500
Transportation and Nutrition	1,965,959	1,698,243	267,716	1,319,395
Veterans' Service	292,290	264,219	28,071	262,291
UDI (Sheltered Workshop)	21,000	21,000	-	25,650
Community Shelter	11,250	11,250	-	11,250
Community Action	68,704	68,704	-	68,704
Council on Aging	356,948	348,354	8,594	306,260
CMC-Union	774,318	285,701	488,617	225,682
Criminal Justice Partnership	130,749	130,749	-	130,749
Other Human Services	2,475	1,023	1,452	1,990
<i>Total Human Services</i>	<u>41,617,319</u>	<u>37,826,248</u>	<u>3,791,071</u>	<u>35,921,058</u>
Cultural and Recreational				
Library	4,193,578	4,059,772	133,806	3,947,911
Parks and Recreation	1,817,986	1,425,264	392,722	1,465,783
Arts Council	49,500	49,500	-	49,500
Historical Properties	18,342	15,434	2,908	16,497
A. J. Historical Foundation	4,500	4,500	-	4,500
<i>Total Cultural and Recreational</i>	<u>6,083,906</u>	<u>5,554,470</u>	<u>529,436</u>	<u>5,484,191</u>
Education				
Public Schools - current expense	79,504,155	79,504,155	-	79,504,155
Public Schools - current expense (occupancy cost)	190,069	174,881	15,188	192,915
Subtotal	<u>79,694,224</u>	<u>79,679,036</u>	<u>15,188</u>	<u>79,697,070</u>
Community College	10,638	-	10,638	-
Community College - operations	1,100,000	1,100,000	-	1,100,000
Literacy Efforts	2,250	2,250	-	2,250
<i>Total Education</i>	<u>80,807,112</u>	<u>80,781,286</u>	<u>25,826</u>	<u>80,799,320</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 24,670,865	\$ 24,670,865	\$ -	\$ 24,396,918
Interest and fees	22,884,255	22,274,006	610,249	23,516,056
Total	47,555,120	46,944,871	610,249	47,912,974
General Debt Service				
Principal retirement	2,561,078	2,561,072	6	2,531,194
Interest and fees	1,287,627	1,287,219	408	1,379,643
Total	3,848,705	3,848,291	414	3,910,837
<i>Total Debt Service</i>	51,403,825	50,793,162	610,663	51,823,811
Contingency	71,139	-	71,139	-
Total expenditures	225,043,278	217,734,489	7,308,789	213,439,522
Revenues over (under) expenditures	(4,938,305)	5,371,231	10,309,536	7,006,480
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Emergency Telephone System Fund	-	686	686	-
Transfers to other funds:				
General Capital Project Fund	(3,303,552)	(3,303,552)	-	(11,587,417)
Proceeds from refunding general obligation bonds	61,411,729	55,010,000	(6,401,729)	39,332,628
Proceeds from refunding general obligation bonds issuance premium, etc	-	6,401,729	6,401,729	2,708,055
Payments to refunded bonds escrow agents	(61,445,000)	(55,380,000)	6,065,000	(41,768,100)
Payments to terminate interest rate swaps	-	(5,544,147)	(5,544,147)	-
Total other financing sources (uses)	(3,336,823)	(2,815,284)	521,539	(11,314,834)
Revenues and other financing sources over (under) expenditures and other financing uses	(8,275,128)	2,555,947	10,831,075	(4,308,354)
APPROPRIATED FUND BALANCE	8,275,128	-	(8,275,128)	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	2,555,947	\$ 2,555,947	(4,308,354)
FUND BALANCE				
Beginning		51,938,337		56,246,691
Ending		\$ 54,494,284		\$ 51,938,337

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 310,650	\$ 317,335	\$ 6,685	\$ 313,753
Prior years' levy	-	9,209	9,209	8,127
Penalties and interest	-	2,551	2,551	1,643
Total	<u>310,650</u>	<u>329,095</u>	<u>18,445</u>	<u>323,523</u>
Local option sales tax	<u>48,245</u>	<u>50,079</u>	<u>1,834</u>	<u>(35)</u>
Total revenues	<u>358,895</u>	<u>379,174</u>	<u>20,279</u>	<u>323,488</u>
EXPENDITURES				
Current				
Public Safety	<u>367,095</u>	<u>367,035</u>	<u>60</u>	<u>327,115</u>
Revenues over (under) expenditures	(8,200)	12,139	20,339	(3,627)
APPROPRIATED FUND BALANCE				
	<u>8,200</u>	<u>-</u>	<u>(8,200)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	12,139	<u>\$ 12,139</u>	(3,627)
FUND BALANCE				
Beginning of year - July 1		<u>14,552</u>		<u>18,179</u>
End of year - June 30		<u>\$ 26,691</u>		<u>\$ 14,552</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 619,522	\$ 642,549	\$ 23,027	\$ 412,394
Prior years' levy	-	15,899	15,899	8,339
Penalties and interest	-	4,052	4,052	2,354
Total	<u>619,522</u>	<u>662,500</u>	<u>42,978</u>	<u>423,087</u>
Local option sales tax	<u>63,730</u>	<u>72,254</u>	<u>8,524</u>	<u>68,230</u>
Total revenues	<u>683,252</u>	<u>734,754</u>	<u>51,502</u>	<u>491,317</u>
EXPENDITURES				
Current				
Public Safety	<u>683,252</u>	<u>683,167</u>	<u>85</u>	<u>542,295</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>51,587</u>	<u>\$ 51,587</u>	<u>(50,978)</u>
FUND BALANCE				
Beginning of year - July 1		<u>9,932</u>		<u>60,910</u>
End of year - June 30		<u>\$ 61,519</u>		<u>\$ 9,932</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 1,001,955	\$ 1,026,794	\$ 24,839	\$ 1,044,188
Prior years' levy	-	19,249	19,249	16,771
Penalties and interest	-	4,730	4,730	4,027
Total	<u>1,001,955</u>	<u>1,050,773</u>	<u>48,818</u>	<u>1,064,986</u>
Local option sales tax	<u>158,249</u>	<u>163,886</u>	<u>5,637</u>	<u>96,734</u>
Total revenues	<u>1,160,204</u>	<u>1,214,659</u>	<u>54,455</u>	<u>1,161,720</u>
EXPENDITURES				
Current				
Public Safety	<u>1,162,371</u>	<u>1,162,301</u>	<u>70</u>	<u>1,130,500</u>
Revenues over (under) expenditures	(2,167)	52,358	54,525	31,220
APPROPRIATED FUND BALANCE	<u>2,167</u>	<u>-</u>	<u>(2,167)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>52,358</u>	<u>\$ 52,358</u>	<u>31,220</u>
FUND BALANCE				
Beginning of year - July 1		<u>48,886</u>		<u>17,666</u>
End of year - June 30		<u>\$ 101,244</u>		<u>\$ 48,886</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 891,771	\$ 919,968	\$ 28,197	\$ 852,871
Prior years' levy	-	13,458	13,458	11,394
Penalties and interest	-	3,408	3,408	2,952
Total	<u>891,771</u>	<u>936,834</u>	<u>45,063</u>	<u>867,217</u>
Local option sales tax	<u>128,900</u>	<u>135,750</u>	<u>6,850</u>	<u>132,149</u>
Total revenues	<u>1,020,671</u>	<u>1,072,584</u>	<u>51,913</u>	<u>999,366</u>
EXPENDITURES				
Current				
Public Safety	<u>1,020,671</u>	<u>1,020,566</u>	<u>105</u>	<u>978,541</u>
Revenues over expenditures	<u>\$ -</u>	<u>52,018</u>	<u>\$ 52,018</u>	<u>20,825</u>
FUND BALANCE				
Beginning of year - July 1		<u>21,329</u>		<u>504</u>
End of year - June 30		<u>\$ 73,347</u>		<u>\$ 21,329</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 1,208,803	\$ 1,239,292	\$ 30,489	\$ 1,052,918
Prior years' levy	-	18,838	18,838	21,820
Penalties and interest	-	4,879	4,879	4,859
Total	<u>1,208,803</u>	<u>1,263,009</u>	<u>54,206</u>	<u>1,079,597</u>
Local option sales tax	<u>159,200</u>	<u>170,257</u>	<u>11,057</u>	<u>161,646</u>
Total revenues	<u>1,368,003</u>	<u>1,433,266</u>	<u>65,263</u>	<u>1,241,243</u>
EXPENDITURES				
Current				
Public Safety	<u>1,396,516</u>	<u>1,396,397</u>	<u>119</u>	<u>1,184,552</u>
Revenues over (under) expenditures	(28,513)	36,869	65,382	56,691
APPROPRIATED FUND BALANCE	<u>28,513</u>	<u>-</u>	<u>(28,513)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>36,869</u>	<u>\$ 36,869</u>	<u>56,691</u>
FUND BALANCE				
Beginning of year - July 1		<u>59,703</u>		<u>3,012</u>
End of year - June 30		<u>\$ 96,572</u>		<u>\$ 59,703</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 1,785,016	\$ 1,819,978	\$ 34,962	\$ 1,209,113
EXPENDITURES				
Current				
Public Safety	<u>1,785,016</u>	<u>1,785,108</u>	<u>(92)</u>	<u>1,165,021</u>
Revenues over expenditures	<u>\$ -</u>	<u>34,870</u>	<u>\$ 34,870</u>	<u>44,092</u>
FUND BALANCE				
Beginning of year - July 1		<u>52,294</u>		<u>8,202</u>
End of year - June 30		<u>\$ 87,164</u>		<u>\$ 52,294</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 1,244,465	\$ 1,244,465	\$ -	\$ 1,244,465
Investment earnings	-	7,415	7,415	4,185
Total revenues	<u>1,244,465</u>	<u>1,251,880</u>	<u>7,415</u>	<u>1,248,650</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	78,905	78,905	-	78,762
Fringe benefits	36,465	39,515	(3,050)	34,972
Repairs and maintenance	234,156	158,764	75,392	172,547
Training	19,925	15,523	4,402	7,677
Supplies and materials	4,000	3,008	992	6,490
Contracted services	-	-	-	-
Telecommunication services	253,824	248,617	5,207	263,471
Other equipment	-	-	-	-
Capital outlay	617,190	-	617,190	125,604
	<u>1,244,465</u>	<u>544,332</u>	<u>700,133</u>	<u>689,523</u>
Revenues over expenditures	-	707,548	707,548	559,127
OTHER FINANCING USES				
Transfers out				
General Fund	-	(686)	(686)	-
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>706,862</u>	<u>\$ 706,862</u>	<u>559,127</u>
FUND BALANCE				
Beginning of year - July 1		<u>2,228,699</u>		<u>1,669,572</u>
End of year - June 30		<u>\$ 2,935,561</u>		<u>\$ 2,228,699</u>

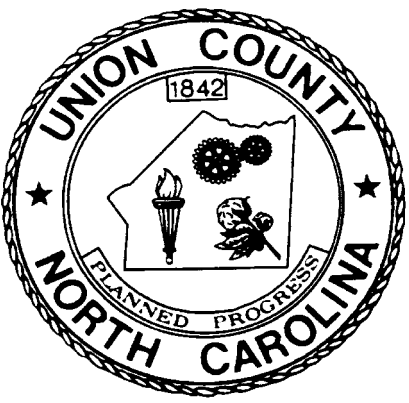
General Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 651,001	\$ 657,346	\$ 23,401	\$ 680,747	\$ 29,746
Sales and services	15,000	60,000	15,000	75,000	60,000
Investment earnings	46,285	47,859	2,241	50,100	3,815
Miscellaneous	717,002	756,968	168,298	925,266	208,264
Total revenues	<u>1,429,288</u>	<u>1,522,173</u>	<u>208,940</u>	<u>1,731,113</u>	<u>301,825</u>
EXPENDITURES					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	839,465	321,548	113,812	435,360	404,105
Law Enforcement-controlled sub. tax	317,958	181,057	15,255	196,312	121,646
Homeland Security-Catawba Nuclear	30,575	24,198	7,909	32,107	(1,532)
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>915,068</u>	<u>136,976</u>	<u>1,052,044</u>	<u>535,137</u>
Revenues over (under) expenditures	(157,893)	607,105	71,964	679,069	836,962
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>\$ 776,229</u>	71,964	<u>\$ 848,193</u>	<u>\$ 848,193</u>
FUND BALANCE					
Beginning of year - July 1			<u>776,229</u>		
End of year - June 30			<u>\$ 848,193</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.

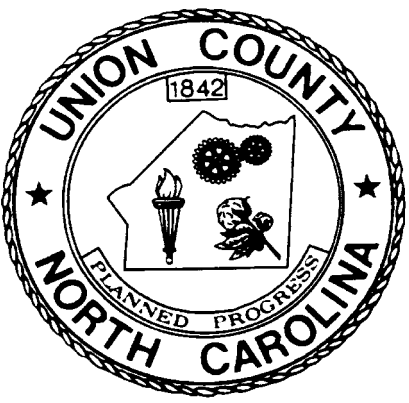


Debt Service Fund
Schedule of Expenditures and Changes
in Fund Balance

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
OTHER FINANCING USES		
Transfers out		
School Bond Fund - 55	\$ -	\$(11,847,132)
FUND BALANCE		
Beginning of year - July 1	<u>1,510,656</u>	<u>13,357,788</u>
End of year - June 30	<u>\$ 1,510,656</u>	<u>\$ 1,510,656</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, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 1,251,800	\$ 199,269	\$ 205,358	\$ 404,627	\$ (847,173)
Investment earnings	813,926	904,668	633	905,301	91,375
Total revenues	<u>2,065,726</u>	<u>1,103,937</u>	<u>205,991</u>	<u>1,309,928</u>	<u>(755,798)</u>
EXPENDITURES					
Capital outlay					
General Government					
Government Facility Renovations	14,839,179	8,376,712	1,225,652	9,602,364	5,236,815
EECBG Facility Efficiency Improvements	751,800	11,703	216,983	228,686	523,114
Information Technology Infrastructure	774,000	-	145,383	145,383	628,617
Public Safety					
Law Enforcement-Jail Expansion	4,882,900	1,805,721	6,908	1,812,629	3,070,271
Law Enforcement-Jail Roof Replacement	605,727	-	16,317	16,317	589,410
Law Enforcement-Jail Control System	467,675	-	-	-	467,675
Law Enforcement-Firearms Range	1,855,665	19,500	1,178,867	1,198,367	657,298
Law Enforcement-FY2010 Capital	1,115,895	1,086,766	3,940	1,090,706	25,189
Law Enforcement-FY2011 Capital	886,747	-	780,605	780,605	106,142
Communications-EOC/E911/Fire Srv Reloc.	593,500	24,550	-	24,550	568,950
Communications-E911 CAD/RMS	369,771	127,972	-	127,972	241,799
Communications-Radio Project-Phase I	9,796,366	8,912,897	874,032	9,786,929	9,437
Communications-Radio Project-Phase II	1,475,143	1,131,634	185,189	1,316,823	158,320
Inspections Department Mobile Office	123,400	-	-	-	123,400
Human Services					
Social Services Business Automation Sys.	1,280,802	-	-	-	1,280,802
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	715,496	142,523	390,161	532,684	182,812
Parks & Recreation-J. Helms Park-Passive	1,303,946	181,199	80,989	262,188	1,041,758
Education					
School Capital Outlay-FY2008 Allocation	11,000,000	10,781,980	198,636	10,980,616	19,384
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	121,455	2,335,694	8,475
School Capital Outlay-FY2011 Allocation	1,303,552	-	1,156,272	1,156,272	147,280
School Capital Outlay-FY11 Capital Exp.	202,396	-	-	-	202,396
SPCC-Multi-Purpose Building	900,000	900,000	-	900,000	-
Total expenditures	<u>63,676,883</u>	<u>41,773,072</u>	<u>6,581,389</u>	<u>48,354,461</u>	<u>15,322,422</u>
Revenues under expenditures	<u>(61,611,157)</u>	<u>(40,669,135)</u>	<u>(6,375,398)</u>	<u>(47,044,533)</u>	<u>14,566,624</u>

Continued on next page.

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

From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
OTHER FINANCING SOURCES					
Transfers in					
General Fund	41,031,336	48,392,347	3,303,552	51,695,899	10,664,563
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>61,611,157</u>	<u>63,114,125</u>	<u>3,303,552</u>	<u>66,417,677</u>	<u>4,806,520</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$22,444,990</u>	(3,071,846)	<u>\$19,373,144</u>	<u>\$19,373,144</u>
FUND BALANCE					
Beginning of year - July 1			<u>22,444,990</u>		
End of year - June 30			<u>\$19,373,144</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, 2011

	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	<u>3,685,500</u>	<u>41,928</u>	<u>9,405</u>	<u>51,333</u>	<u>3,634,167</u>
Revenues under expenditures	<u>(3,514,500)</u>	<u>(41,928)</u>	<u>(9,405)</u>	<u>(51,333)</u>	<u>3,463,167</u>
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	<u>3,514,500</u>	<u>3,599,187</u>	<u>-</u>	<u>3,599,187</u>	<u>84,687</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,557,259</u>	<u>(9,405)</u>	<u>\$ 3,547,854</u>	<u>\$ 3,547,854</u>
FUND BALANCE					
Beginning of year - July 1			<u>3,557,259</u>		
End of year - June 30			<u>\$ 3,547,854</u>		

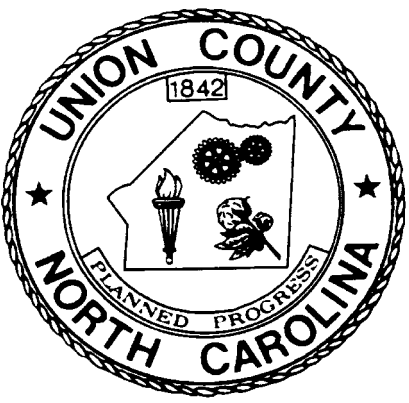
School Bond Fund - 55
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2011

	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)	21,451,601	21,451,601	-	21,451,601	-
New Town ES (H)	18,290,288	18,290,288	-	18,290,288	-
Rocky River ES (I)	16,937,838	16,937,837	-	16,937,837	1
Stallings ES (J)	16,878,213	16,759,737	78,499	16,838,236	39,977
Sun Valley ES (K)	15,587,516	15,587,516	-	15,587,516	-
Poplin ES (L)	16,698,590	16,698,590	-	16,698,590	-
New Elementary School (M)	22,673	22,673	-	22,673	-
New Elementary School, Cox Rd area (N)	3,969,763	3,969,763	-	3,969,763	-
New Salem ES Additions/Renovations	3,099,135	1,955,449	989,709	2,945,158	153,977
Wesley Chapel ES Additions/Renovations	4,532,119	4,532,119	-	4,532,119	-
Western Union ES Additions/Renovations	1,391,336	1,009,754	295,950	1,305,704	85,632
Porter Ridge MS (A)	17,160,662	17,160,663	-	17,160,663	(1)
Porter Ridge HS (A)	33,251,206	33,251,206	-	33,251,206	-
Marvin Ridge MS (B)	26,787,402	26,787,402	-	26,787,402	-
Marvin Ridge HS (B)	41,431,424	41,431,424	-	41,431,424	-
Monroe HS Arch., Constr., & Eng. Academy	496,379	233,683	251,384	485,067	11,312
Cuthbertson MS (C)	37,037,801	37,037,801	-	37,037,801	-
Cuthbertson HS (C)	51,596,678	51,596,678	-	51,596,678	-
New Middle School (D)	4,038,686	4,038,686	-	4,038,686	-
New High School (D)	6,125,866	6,125,867	-	6,125,867	(1)
Piedmont HS Additions/Renovations	5,374,232	3,644,178	1,476,298	5,120,476	253,756
Sun Valley MS Additions/Renovations	2,401,960	2,047,470	269,927	2,317,397	84,563
Sun Valley HS Additions/Renovations	384,950	294,974	-	294,974	89,976
Sun Valley HS land purchase	346,172	-	346,084	346,084	88
Central Academy of Tech. & Arts (CATA)	21,740,107	21,740,107	-	21,740,107	-
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	1,793,434	-	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, 2011

	Project Authorization	Total To Date	Current Year	Total To Date	Variance Positive (Negative)
EXPENDITURES (CONTINUED)					
Capital outlay (continued)					
Education (continued)					
Highway 200 Road Widening	\$ 893,568	\$ 893,568	\$ -	\$ 893,568	\$ -
School administrative costs	3,743,011	3,536,325	157,492	3,693,817	49,194
Comprehensive facility study	383,098	383,097	-	383,097	1
Category I - Mobile Units	1,664,775	1,664,774	-	1,664,774	1
Category I - Blitz projects	10,630,626	10,629,133	-	10,629,133	1,493
Category I - Blitz projects' chillers	488,711	488,711	-	488,711	-
Category III - Buses	4,492,885	4,488,726	4,126	4,492,852	33
Bond savings/administration (2010)	3,230,034	1,221,931	1,532,183	2,754,114	475,920
Capital Expenditures (FY2011)	4,401,765	-	2,908,447	2,908,447	1,493,318
Contingency / inflation	414,002	-	-	-	414,002
Debt Service					
Debt Issuance	2,292,955	2,292,955	-	2,292,955	-
Total expenditures	<u>505,981,587</u>	<u>494,328,743</u>	<u>8,310,099</u>	<u>502,638,842</u>	<u>3,342,745</u>
Revenues under expenditures	<u>(503,263,181)</u>	<u>(491,610,338)</u>	<u>(8,310,099)</u>	<u>(499,920,437)</u>	<u>3,342,744</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Debt Service Fund	11,847,132	11,847,132	-	11,847,132	-
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>503,263,181</u>	<u>503,263,181</u>	<u>-</u>	<u>503,263,181</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 11,652,843</u>	<u>(8,310,099)</u>	<u>\$ 3,342,744</u>	<u>\$ 3,342,744</u>
FUND BALANCE					
Beginning of year - July 1			<u>11,652,843</u>		
End of year - June 30			<u>\$ 3,342,744</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Water sales	\$ 14,259,247	\$ 14,346,887	\$ 87,640	\$ 13,232,655
Sewer sales	11,409,266	11,286,356	(122,910)	10,998,783
Other operating revenues	683,255	687,961	4,706	697,368
Total	<u>26,351,768</u>	<u>26,321,204</u>	<u>(30,564)</u>	<u>24,928,806</u>
Nonoperating revenues				
Investment earnings	611,000	678,688	67,688	1,021,740
Proceeds from sale of capital assets	3,000	58,780	55,780	6,831
Total	<u>614,000</u>	<u>737,468</u>	<u>123,468</u>	<u>1,028,571</u>
Total revenues	<u>26,965,768</u>	<u>27,058,672</u>	<u>92,904</u>	<u>25,957,377</u>
EXPENDITURES				
Administration	4,128,633	3,807,196	321,437	3,374,905
Water system operations	3,745,310	3,601,006	144,304	3,229,925
Water system maintenance and repairs	1,929,354	1,886,770	42,584	1,842,670
Sewer-county customers system operations	3,723,832	3,585,340	138,492	3,419,558
Sewer-county customers system maintenance and repairs	1,868,479	1,697,801	170,678	1,543,652
Sewer-Marshville/Monroe system operations	536,657	589,145	(52,488)	688,205
Sewer-Marshville/Monroe system maintenance and repairs	226,609	211,583	15,026	161,356
Nondepartmental	974,609	-	974,609	-
Debt Service				
General obligation bonds - principal	1,501,838	1,501,838	-	1,715,786
Revenue bonds - principal	2,575,000	2,575,000	-	2,525,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	3,103,631	3,041,377	62,254	3,438,391
Total expenditures	<u>25,297,649</u>	<u>23,480,753</u>	<u>1,816,896</u>	<u>22,923,145</u>
Revenues over expenditures	<u>1,668,119</u>	<u>3,577,919</u>	<u>1,909,800</u>	<u>3,034,232</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Water and Sewer Capital Project Fund	(5,607,740)	(2,937,125)	2,670,615	(3,400,804)
Stormwater Operating Fund	(295,945)	(179,807)	116,138	(235,816)
Capital contributions - cash	1,955,903	2,194,508	238,605	2,506,182
Proceeds from revenue bonds	-	-	-	294,435
Proceeds from refunding general obligation bonds	-	-	-	1,057,033
Payments to refunded bonds escrow agent	-	-	-	(1,048,985)
Total other financing sources (uses)	<u>(3,947,782)</u>	<u>(922,424)</u>	<u>3,025,358</u>	<u>(827,955)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,279,663)</u>	<u>2,655,495</u>	<u>4,935,158</u>	<u>2,206,277</u>
APPROPRIATED FUND BALANCE				
	<u>2,279,663</u>	<u>-</u>	<u>(2,279,663)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,655,495</u>	<u>\$ 2,655,495</u>	<u>\$ 2,206,277</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, 2011

	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	5,559	17,818	17,814
Total revenues	2,186,738	12,259	5,559	17,818	(2,168,920)
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	13,320	37,709	56,291
Comp. Water/Wastewater Master Plan	870,000	279,330	570,682	850,012	19,988
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	134,592	-	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	61,171	-	61,171	3,829
Misc. Water Comprehensive Water Map	500,000	388,157	4,343	392,500	107,500
Misc. Water Hemby Bridge Main Replace.	421,000	57,872	322,919	380,791	40,209
Misc. Water Smith Farm Rd Water Line Ext	44,467	38,097	-	38,097	6,370
Misc. Water 42" Water Main Relocation	688,000	-	32,636	32,636	655,364
Misc. Sewer Rehab I & I	40,016	-	-	-	40,016
Misc. Sewer Tallwood I & I	63,150	-	63,105	63,105	45
Misc. Self Help: Contingency	90,111	-	-	-	90,111
Misc. Self Help: Oak Brook	193,587	184,583	7,004	191,587	2,000
Misc. Self Help: Cyrus Lee Lane	61,747	60,500	2,251	62,751	(1,004)
Misc. Self Help: Polk Mountain	207,285	200,743	7,541	208,284	(999)
Misc. Self Help: Wellington Woods I	138,441	134,897	5,091	139,988	(1,547)
Misc. Self Help: Lake Providence East	117,748	11,745	86,229	97,974	19,774
Misc. Self Help: Greyland	159,079	15,119	105,030	120,149	38,930
Misc. Self Help: Wellington Woods II & III	253,203	25,535	213,042	238,577	14,626
Misc. Contingency	105,663	-	-	-	105,663
Water capital outlay					
CRWTP Reservoir Expansion	4,477,207	1,184,495	1,409,462	2,593,957	1,883,250
CRWTP Expansion	2,640,000	131,831	238,661	370,492	2,269,508
Northern Union County Water	297,611	103,577	133,878	237,455	60,156
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	2,499,939	2,502,490	-	2,502,490	(2,551)
Northwest Tank	24,689	15,914	-	15,914	8,775
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, 2011

	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	411,367	-	411,367	118,008
Dodge City Water	225,434	15,773	10,990	26,763	198,671
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	207,388	91,357	298,745	2,891,255
Waxhaw / Marvin Rd Connector	529,375	411,731	-	411,731	117,644
Cureton Parkway	504,649	478,726	-	478,726	25,923
Forest Lawn / Potters Transmission Main	3,259,050	3,018,982	-	3,018,982	240,068
Misc Water Line Infill Projects	23,000	-	-	-	23,000
Stage 2 DBPR Implementation	200,000	68,675	-	68,675	131,325
Waxhaw / Indian Trail Interconnector	22,750	-	-	-	22,750
Anson 4MGD Water Improvements	6,099,076	3,535,634	2,268,251	5,803,885	295,191
Anson Infrastructure (Deliver 6MGD)	2,046,000	-	-	-	2,046,000
Sewer capital outlay					
East Side Improvements	4,430,959	585,179	130,131	715,310	3,715,649
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	467,251	1,966	469,217	6,354,592
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	233,268	85,769	319,037	2,130,963
Crooked Creek WWTP Bulk Re-Use/Fill St.	70,380	-	-	-	70,380
12M WWTP Phosphorus Removal	2,969,083	2,916,210	(5,915)	2,910,295	58,788
12M WWTP Odor Control	5,249,780	4,890,013	155,189	5,045,202	204,578
Tallwood WWTP Replacement	738,429	40,635	124,585	165,220	573,209
Olde Sycamore WWTP Replacement	360,000	-	10,293	10,293	349,707
West Union School	465,280	438,203	-	438,203	27,077
Sewer Mapping and Hydraulic Model	749,143	719,211	19,735	738,946	10,197
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	346,752	271	347,023	(4,453)
Total expenditures	109,820,193	67,954,773	6,107,816	74,062,589	35,757,604
Revenues under expenditures	(107,633,455)	(67,942,514)	(6,102,257)	(74,044,771)	33,588,684

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, 2011

	Project Authorization	Total To Date	Actual		Variance Positive (Negative)
			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	66,308,078	78,154,188	2,937,125	81,091,313	14,783,235
Capital contributions - cash	2,859,786	2,234,175	117,064	2,351,239	(508,547)
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>107,633,455</u>	<u>115,299,810</u>	<u>3,054,189</u>	<u>118,353,999</u>	<u>10,720,544</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 47,357,296</u>	<u>(3,048,068)</u>	<u>\$ 44,309,228</u>	<u>\$ 44,309,228</u>
FUND BALANCE					
Beginning of year - July 1			<u>47,357,296</u>		
End of year - June 30			<u>\$ 44,309,228</u>		

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 2,655,495	\$ 2,206,277
Water and Sewer Capital Project Fund	<u>(3,048,068)</u>	<u>12,223,220</u>
Total	<u>(392,573)</u>	<u>14,429,497</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(189,594)	(217,807)
Amortization of G.O. bond, Revenue bond and State sanitary sewer loan issuance costs	(79,574)	(80,589)
Amortization of G.O. and Revenue bond premium	44,521	48,003
Amortization of G.O. bond gains and (losses) on refunding	(3,837)	(4,136)
Amortization of Revenue bond discount	(11,220)	(11,220)
G.O. bond and Revenue bond proceeds	-	(21,032,372)
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
Capitalized interest	457,472	330,771
Payment of debt principal	5,060,535	5,224,483
Decrease in compensated absences payable	10,537	17,680
(Increase) decrease in interest expense accrual	24,574	(30,680)
Decrease in inventories	(145,845)	(103,038)
Increase in allowance for uncollectible accounts	(115,814)	(39,623)
(Increase) decrease in net pension obligation	(16,841)	6,780
(Increase) decrease in net other post employment benefit obligation	20,193	(214,504)
Investment derivatives gains	428,809	117,950
Capital outlay	5,336,794	10,251,652
Acquisition payments on intangible asset - water rights	138,413	130,763
Gain on investment in joint venture	1,362,848	702,816
Loss on disposal of land	(83,442)	-
Net book value of capital assets disposed of	-	(2,083)
Capital contributions	1,578,828	1,866,985
Depreciation	<u>(10,121,978)</u>	<u>(9,905,433)</u>
Total	<u>3,695,379</u>	<u>(11,628,312)</u>
Change in net assets	<u>\$ 3,302,806</u>	<u>\$ 2,801,185</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 3,745,596	\$ 3,497,310	\$ (248,286)	\$ 3,555,315
Disposal fees	291,686	344,414	52,728	299,190
Other operating revenues	10,129	10,362	233	9,683
Total	<u>4,047,411</u>	<u>3,852,086</u>	<u>(195,325)</u>	<u>3,864,188</u>
Nonoperating revenues				
Investment earnings	62,000	60,138	(1,862)	111,129
Federal grant	-	-	-	10,000
Total	<u>62,000</u>	<u>60,138</u>	<u>(1,862)</u>	<u>121,129</u>
Total revenues	<u>4,109,411</u>	<u>3,912,224</u>	<u>(197,187)</u>	<u>3,985,317</u>
EXPENDITURES				
Administration	463,646	365,596	98,050	356,218
Solid waste landfill and satellite collections	4,340,477	3,573,405	767,072	3,938,390
Law enforcement litter patrol	77,977	72,788	5,189	68,381
Nondepartmental	21,491	-	21,491	-
Total expenditures	<u>4,903,591</u>	<u>4,011,789</u>	<u>891,802</u>	<u>4,362,989</u>
Revenues under expenditures	(794,180)	(99,565)	694,615	(377,672)
OTHER FINANCING SOURCES				
Transfers in				
Solid Waste Capital Reserve Fund	<u>574,490</u>	<u>-</u>	<u>(574,490)</u>	<u>465,970</u>
Revenues and other financing sources over (under) expenditures	(219,690)	(99,565)	120,125	88,298
APPROPRIATED FUND BALANCE				
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ (99,565)</u>	<u>\$ (99,565)</u>	<u>\$ 88,298</u>

Solid Waste Reserve Capital Fund
Schedule of Expenditures

For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
OTHER FINANCING USES		
Transfers out		
Solid Waste Operating Fund	<u>\$ -</u>	<u>\$ (465,970)</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (99,565)	\$ 88,298
Capital Reserve Fund	-	(465,970)
Total	<u>(99,565)</u>	<u>(377,672)</u>
Reconciling items:		
Decrease in compensated absences payable	11,315	14,040
Decrease in inventories	-	(5,454)
Increase in accrued landfill postclosure care costs	(40,088)	(47,535)
(Increase) decrease in allowance for uncollectible accounts	13,670	(9,903)
(Increase) decrease in net pension obligation	(2,147)	975
(Increase) decrease in net other post employment benefit obligation	4,622	(49,098)
Capital outlay	7,490	220,000
Depreciation	(171,936)	(180,271)
Total	<u>(177,074)</u>	<u>(57,246)</u>
Change in net assets	<u>\$ (276,639)</u>	<u>\$ (434,918)</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
EXPENDITURES				
Administration	\$ 337,553	\$ 192,388	\$ 145,165	\$ 205,816
OTHER FINANCING SOURCES				
Transfers in				
Water and Sewer Operating Fund	286,669	179,807	(106,862)	235,816
Other financing sources over (under) expenditures	(50,884)	(12,581)	38,303	30,000
APPROPRIATED FUND BALANCE	50,884	-	(50,884)	-
Other financing sources and appropriated fund balance over (under) expenditures	\$ -	\$ (12,581)	\$ (12,581)	\$ 30,000
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Other financing sources over (under) expenditures		\$ (12,581)		\$ 30,000
Reconciling items:				
Decrease in compensated absences payable		5,042		4,514
(Increase) decrease in net pension obligation		(597)		291
(Increase) decrease in net other post employment benefit obligation		89		(949)
Depreciation		(4,481)		(4,481)
Total		53		(625)
Change in net assets		\$ (12,528)		\$ 29,375

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 9,773,885	\$ 9,802,677	\$ 28,792	\$ 9,628,754
Insurance reimbursement	-	-	-	35
Total	<u>9,773,885</u>	<u>9,802,677</u>	<u>28,792</u>	<u>9,628,789</u>
Nonoperating revenues				
Investment earnings	<u>16,600</u>	<u>22,088</u>	<u>5,488</u>	<u>7,419</u>
Total revenues	<u>9,790,485</u>	<u>9,824,765</u>	<u>34,280</u>	<u>9,636,208</u>
EXPENDITURES				
Operating expenditures				
Health benefit claims and premiums	9,041,285	8,780,862	260,423	8,511,162
Other operating expenditures	<u>749,200</u>	<u>769,415</u>	<u>(20,215)</u>	<u>749,963</u>
Total expenditures	<u>9,790,485</u>	<u>9,550,277</u>	<u>240,208</u>	<u>9,261,125</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 274,488</u>	<u>\$ 274,488</u>	<u>\$ 375,083</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ 274,488		\$ 375,083
Reconciling items:				
(Increase) decrease in health benefit claims payable		<u>10,821</u>		<u>(60,563)</u>
Change in net assets		<u>\$ 285,309</u>		<u>\$ 314,520</u>

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 411,749	\$ 408,744	\$ (3,005)	\$ -
Insurance reimbursement	4,451	20,200	15,749	22,116
Total	416,200	428,944	12,744	22,116
Nonoperating revenues				
Investment earnings	6,800	1,666	(5,134)	2,398
Total revenues	423,000	430,610	7,610	24,514
EXPENDITURES				
Operating expenditures				
Workers' compensation claims	435,000	348,135	86,865	332,380
Other operating expenditures	126,800	195,436	(68,636)	154,145
Total expenditures	561,800	543,571	18,229	486,525
Revenues under expenditures	(138,800)	(112,961)	25,839	(462,011)
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance under expenditures	\$ -	\$ (112,961)	\$ (112,961)	\$ (462,011)
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues under expenditures		\$ (112,961)		\$ (462,011)
Reconciling items:				
Decrease in workers' compensation claims payable		183,167		155,491
Change in net assets		\$ 70,206		\$ (306,520)

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 573,224	\$ 593,091	\$ 19,867	\$ 738,887
Insurance reimbursement	-	810	810	2,006
Total	573,224	593,901	20,677	740,893
Nonoperating revenues				
Investment earnings	-	2,960	2,960	4,683
Total revenues	573,224	596,861	23,637	745,576
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	611,224	593,091	18,133	738,887
Revenues over (under) expenditures	(38,000)	3,770	41,770	6,689
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance over expenditure	38,000	-	(38,000)	-
	\$ -	\$ 3,770	\$ 3,770	\$ 6,689

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 564,349	\$ 631,086
Investment earnings	<u>1,771</u>	<u>16,079</u>
Total revenues	<u>566,120</u>	<u>647,165</u>
EXPENSES		
Operating expenses		
Employee benefits	<u>1,008,141</u>	<u>926,878</u>
Revenues under expenses	(442,021)	(279,713)
NET ASSETS		
Beginning of year-July 1	<u>1,354,045</u>	<u>1,633,758</u>
End of year-June 30	<u><u>\$ 912,024</u></u>	<u><u>\$ 1,354,045</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 2,930,712	\$ 652,840
Investment earnings	<u>215,317</u>	<u>23,269</u>
Total revenues	<u>3,146,029</u>	<u>676,109</u>
 NET ASSETS		
Beginning of year-July 1	1,036,877	360,768
End of year-June 30	<u><u>\$ 4,182,906</u></u>	<u><u>\$ 1,036,877</u></u>

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

For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 60,630	\$ 378,780	\$ 375,440	\$ 63,970
LIABILITIES				
Due to program participants	\$ 60,630	\$ 378,780	\$ 375,440	\$ 63,970
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ 53,456	\$ 753,453	\$ 806,909	\$ -
Accounts receivable (net)	49,523	61,153	49,523	61,153
Total assets	\$ 102,979	\$ 814,606	\$ 856,432	\$ 61,153
LIABILITIES				
Accounts payable and accrued liabilities	\$ 102,979	\$ 781,145	\$ 822,971	\$ 61,153
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 22,138	\$ 355,637	\$ 337,452	\$ 40,323
LIABILITIES				
Due to program participants	\$ 22,138	\$ 355,637	\$ 337,452	\$ 40,323
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 88	\$ 2,654	\$ 2,742	\$ -
Property taxes receivable (net)	2,941	14,877	3,186	14,632
Total assets	\$ 3,029	\$ 17,531	\$ 5,928	\$ 14,632
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,029	\$ 17,158	\$ 5,555	\$ 14,632
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 984	\$ 14,694	\$ 15,582	\$ 96
Property taxes receivable (net)	5,380	57,264	12,892	49,752
Total assets	\$ 6,364	\$ 71,958	\$ 28,474	\$ 49,848
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,364	\$ 65,132	\$ 21,648	\$ 49,848
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 124,787	\$ 3,007,034	\$ 2,919,310	\$ 212,511
LIABILITIES				
Accounts payable and accrued liabilities	\$ 124,787	\$ 3,007,034	\$ 2,919,310	\$ 212,511

Continued on next page.

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

For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>DEED OF TRUST FEE FUND</u>				
ASSETS				
Cash and investments	\$ 3,680	\$ 18,940	\$ 19,145	\$ 3,475
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,680	\$ 18,940	\$ 19,145	\$ 3,475
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 2,048	\$ 98,527	\$ 98,431	\$ 2,144
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,048	\$ 98,527	\$ 98,431	\$ 2,144
<u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX FUND</u>				
ASSETS				
Cash and investments	\$ 10,858	\$ 101,422	\$ 104,503	\$ 7,777
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,858	\$ 101,422	\$ 104,503	\$ 7,777
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 278,669	\$ 4,731,141	\$ 4,679,514	\$ 330,296
Property taxes receivable (net)	8,321	72,141	16,078	64,384
Accounts receivable (net)	49,523	61,153	49,523	61,153
Total assets	<u>\$ 336,513</u>	<u>\$ 4,864,435</u>	<u>\$ 4,745,115</u>	<u>\$ 455,833</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 253,745	\$ 4,089,358	\$ 3,991,563	\$ 351,540
Due to program participants	82,768	734,417	712,892	104,293
Total liabilities	<u>\$ 336,513</u>	<u>\$ 4,823,775</u>	<u>\$ 4,704,455</u>	<u>\$ 455,833</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, 2011**

Fiscal Year	Uncollected Balance June 30, 2010	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2011
2011-2012	\$ -	\$ 173,111	\$ 157,924	\$ 15,187
2010-2011	98,469	153,819,226	150,315,372	3,602,323
2009-2010	4,574,062	(49,181)	2,977,215	1,547,666
2008-2009	1,673,212	(17,132)	703,811	952,269
2007-2008	653,842	(10,435)	150,194	493,213
2006-2007	443,276	(18,678)	134,820	289,778
2005-2006	204,269	(27,993)	24,117	152,159
2004-2005	139,238	(17,574)	13,422	108,242
2003-2004	98,553	(12,601)	4,605	81,347
2002-2003	70,131	(9,783)	1,548	58,800
2001-2002	50,680	(6,230)	2,414	42,036
2000-2001	35,199	(3,719)	31,480	-
	<u>\$ 8,040,931</u>	<u>\$ 153,819,011</u>	<u>\$ 154,516,922</u>	<u>7,343,020</u>
Less: Releases on 2011-2012 registered motor vehicles				(1,581)
Less: Allowance for uncollectible ad valorem taxes receivable				(1,663,824)
Ad valorem taxes receivable (net)				<u>\$ 5,677,615</u>
Reconcilement with revenues				
Taxes - ad valorem				<u>\$ 155,408,714</u>
Reconciling items				
2011 tax prepayments				157,924
Write-offs per statute of limitations				30,596
Write-offs of uncollected 2006 motor vehicle tax				81,743
Collections in advance				(120,271)
Interest, advertising cost recovery and garnishments				(1,004,661)
Foreclosure fees and overpayments				8,423
Collections on written off motor vehicle amounts				(45,522)
Adjustment				(24)
Total reconciling items				(891,792)
Total collections and credits				<u>154,516,922</u>

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

For the Year Ended June 30, 2011

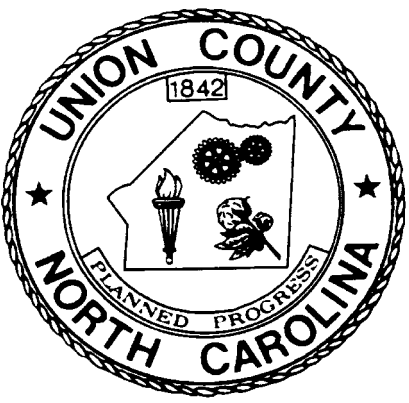
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	22,613,944,093	.6650	150,382,366	\$ 143,746,299	\$ 6,636,067
Motor vehicles taxed at prior year's rate	572,242,495	.6650	3,805,100	-	3,805,100
Motor vehicles taxed at prior year's rate	954,159	.6650	7,000	-	7,000
Motor vehicles taxed at prior year's rate	25,370	.7111	180	-	180
Motor vehicles taxed at prior year's rate	24,932	.6367	159	-	159
Motor vehicles taxed at prior year's rate	3,453	.5600	19	-	19
Total	23,187,194,502		154,194,824	143,746,299	10,448,525
Discoveries					
Property taxed at current year's rate	181,474,151	.6650	1,205,986	1,141,391	64,595
Motor vehicles taxed at prior year's rate	6,863,576	.6650	45,643	-	45,643
Motor vehicles taxed at prior year's rate	6,480	.6650	42	-	42
Motor vehicles taxed at prior year's rate	1,120	.7111	6	-	6
Total	188,345,327		1,251,677	1,141,391	110,286
Abatements					
Property taxed at current year's rate	225,844,578	.6650	1,507,826	1,347,358	160,468
Motor vehicles taxed at prior year's rate	17,914,559	.6650	118,973	-	118,973
Motor vehicles taxed at prior year's rate	56,362	.6650	375	-	375
Motor vehicles taxed at prior year's rate	12,960	.6367	82	-	82
Motor vehicles taxed at prior year's rate	3,453	.5600	19	-	19
Total	243,831,912		1,627,275	1,347,358	279,917
Total property valuation	23,131,707,917				
Net levy			153,819,226	143,540,332	10,278,894
Add: Uncollected taxes at June 30, 2010			98,469	98,469	-
Less: Uncollected taxes at June 30, 2011			(3,602,323)	(2,792,199)	(810,124)
Total collections and credits for 2010-2011			\$ 150,315,372	\$ 140,846,602	\$ 9,468,770
Percent current year collected			97.72%	98.12%	92.12%

SECONDARY MARKET DISCLOSURES

	County-wide				
	Property Valuation	Rate	Amount of Levy		
Assessed valuation					
Assessment ratio	100%				
Real property	19,890,549,781				
Personal property	1,337,550,721				
Public service companies	357,989,412				
	21,586,089,914	.6650	\$ 143,540,332		
Personal property-motor vehicles	983,483,752	.6650	6,540,194	2,010.00	
Personal property-motor vehicles	561,191,512	.6650	3,731,771	2,009.00	
Personal property-motor vehicles	897,797	.6650	6,625	2,008.00	
Personal property-motor vehicles	25,370	.7111	180	2,007.00	
Personal property-motor vehicles	18,452	.6367	117	2,006.00	
Personal property-motor vehicles	1,120	.5600	6	2,005.00	
	1,545,618,003		10,278,894		
Total	23,131,707,917		\$ 153,819,226		

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, 2011:

School districts	\$ 1,327
Fire protection districts	3,599,624
Total	\$ 3,600,951



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 Ten 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	2011
\$ 38,919,642	\$ 43,813,345	\$ 44,026,312	\$ 43,744,128	\$ 43,648,788
11,514,884	49,900,699	33,511,919	18,214,536	24,290,336
(310,620,217)	(446,227,697)	(484,507,872)	(463,995,879)	(451,413,958)
<u>\$ (260,185,691)</u>	<u>\$ (352,513,653)</u>	<u>\$ (406,969,641)</u>	<u>\$ (402,037,215)</u>	<u>\$ (383,474,834)</u>
\$ 144,908,774	\$ 156,680,551	\$ 161,451,399	\$ 157,759,859	\$ 151,130,981
2,842,695	2,885,491	2,770,308	2,819,884	2,880,533
66,874,682	75,283,250	74,375,814	80,411,689	90,030,700
<u>\$ 214,626,151</u>	<u>\$ 234,849,292</u>	<u>\$ 238,597,521</u>	<u>\$ 240,991,432</u>	<u>\$ 244,042,214</u>
\$ 183,828,416	\$ 200,493,896	\$ 205,477,711	\$ 201,503,987	\$ 194,779,769
14,357,579	52,786,190	36,282,227	21,034,420	27,170,869
(243,745,535)	(370,944,447)	(410,132,058)	(383,584,190)	(361,383,258)
<u>\$ (45,559,540)</u>	<u>\$ (117,664,361)</u>	<u>\$ (168,372,120)</u>	<u>\$ (161,045,783)</u>	<u>\$ (139,432,620)</u>

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

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

Table 2

Fiscal Year				
2007	2008	2009	2010	2011
\$ 12,086,962	\$ 15,436,928	\$ 13,262,354	\$ 11,936,694	\$ 12,770,039
31,462,968	34,470,213	35,654,917	36,887,177	38,692,049
1,872,376	2,287,932	2,209,346	2,388,964	3,710,570
37,498,643	40,185,620	38,883,954	37,060,432	37,806,928
6,548,274	7,217,315	6,790,945	6,277,980	6,153,502
216,024,115	189,941,022	161,488,954	105,000,374	90,656,362
14,991,616	22,947,274	25,079,081	23,915,195	22,974,484
<u>320,484,954</u>	<u>312,486,304</u>	<u>283,369,551</u>	<u>223,466,816</u>	<u>212,763,934</u>
25,381,231	26,223,999	27,277,258	27,421,775	27,785,295
4,084,887	4,271,774	4,772,424	4,420,864	4,184,286
38,162	213,187	211,501	207,437	191,859
<u>29,504,280</u>	<u>30,708,960</u>	<u>32,261,183</u>	<u>32,050,076</u>	<u>32,161,440</u>
<u>\$ 349,989,234</u>	<u>\$ 343,195,264</u>	<u>\$ 315,630,734</u>	<u>\$ 255,516,892</u>	<u>\$ 244,925,374</u>
\$ 8,915,705	\$ 5,837,190	\$ 3,659,533	\$ 3,510,111	\$ 4,370,029
6,065,107	6,057,364	4,723,863	3,383,886	3,512,006
2,620,659	2,374,633	2,031,547	1,837,864	1,872,790
				-
16,882,631	18,094,056	18,995,386	19,113,246	19,217,655
4,743,499	4,813,403	5,590,655	7,646,005	7,714,618
3,043,405	3,680,965	4,367,395	4,602,339	5,044,980
336,940	660,626	95,704	421,017	423,685
<u>42,607,946</u>	<u>41,518,237</u>	<u>39,464,083</u>	<u>40,514,468</u>	<u>42,155,763</u>
26,051,826	24,556,277	23,360,413	24,928,808	26,321,204
4,281,079	4,074,830	4,347,375	3,564,996	3,507,672
-	3,295	-	-	-
236,132	230,170	227,158	309,190	344,414
<u>26,878,466</u>	<u>19,989,669</u>	<u>6,504,645</u>	<u>4,373,167</u>	<u>3,890,400</u>
57,447,503	48,854,241	34,439,591	33,176,161	34,063,690
<u>\$ 100,055,449</u>	<u>\$ 90,372,478</u>	<u>\$ 73,903,674</u>	<u>\$ 73,690,629</u>	<u>\$ 76,219,453</u>
\$ (277,877,008)	\$ (270,968,067)	\$ (243,905,468)	\$ (182,952,348)	\$ (170,608,171)
27,943,223	18,145,281	2,178,408	1,126,085	1,902,250
<u>\$ (249,933,785)</u>	<u>\$ (252,822,786)</u>	<u>\$ (241,727,060)</u>	<u>\$ (181,826,263)</u>	<u>\$ (168,705,921)</u>
\$ 105,339,399	\$ 127,405,534	\$ 154,149,099	\$ 156,773,697	\$ 159,049,464
37,542,683	38,191,635	31,509,387	23,974,645	23,944,051
4,090,373	2,862,903	1,830,883	1,716,487	1,568,697
93,312	108,755	104,914	112,326	108,028
-	-	-	3,295,689	3,156,330
6,337,613	9,635,050	2,834,234	1,908,892	1,223,133
647,091	102,972	14,559	7,974	34,914
(300,000)	-	-	-	-
23,581	333,257	(993,597)	95,064	85,935
<u>153,774,052</u>	<u>178,640,106</u>	<u>189,449,479</u>	<u>187,884,774</u>	<u>189,170,552</u>
2,935,092	3,738,139	1,556,621	1,263,078	1,173,194
300,000	-	-	-	-
41,165	(160,735)	13,199	4,748	(24,662)
-	-	-	-	-
-	(1,499,544)	-	-	-
<u>3,276,257</u>	<u>2,077,860</u>	<u>1,569,820</u>	<u>1,267,826</u>	<u>1,148,532</u>
<u>\$ 157,050,309</u>	<u>\$ 180,717,966</u>	<u>\$ 191,019,299</u>	<u>\$ 189,152,600</u>	<u>\$ 190,319,084</u>
\$ (124,102,956)	\$ (92,327,961)	\$ (54,455,989)	\$ 4,932,426	\$ 18,562,381
31,219,480	20,223,141	3,748,228	2,393,911	3,050,782
<u>\$ (92,883,476)</u>	<u>\$ (72,104,820)</u>	<u>\$ (50,707,761)</u>	<u>\$ 7,326,337</u>	<u>\$ 21,613,163</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	8,246,337	20,393,554	10,674,614	10,485,321	13,092,816
Unreserved	54,689,383	41,614,180	49,687,704	53,912,165	36,515,103
Total general fund	62,935,720	62,007,734	60,362,318	64,397,486	49,607,919
All Other Governmental Funds					
Restricted:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned:					
Capital project funds	-	-	-	-	-
Reserved	1,133,182	913,885	6,018,831	3,259,684	3,384,994
Unreserved, reported in:					
Special revenue funds	1,866,861	2,091,086	1,494,329	1,890,668	2,595,842
Debt service funds	-	-	916,430	9,252,954	15,128,687
Capital project funds	30,873,437	42,034,198	(9,657,426)	52,857,335	5,520,867
Total all other governmental funds	\$ 33,873,480	\$ 45,039,169	\$ (1,227,836)	\$ 67,260,641	\$ 26,630,390

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Ad valorem taxes	\$ 46,033,769	\$ 49,734,498	\$ 58,785,139	\$ 72,807,526	\$ 84,128,412
Local option sales tax	16,547,946	19,572,632	22,112,952	25,331,315	29,128,130
Other taxes and licenses	2,291,166	2,418,782	2,929,526	3,457,706	4,111,779
Intergovernmental revenue	17,609,757	15,375,801	16,668,984	18,301,998	19,723,222
Permits and fees	4,893,937	6,340,538	8,453,285	9,905,175	11,013,811
Sales and services	3,439,979	3,348,469	3,434,662	3,561,745	4,237,737
Investment earnings	2,821,169	1,640,142	726,855	2,470,740	3,926,427
Miscellaneous	2,490,802	2,398,688	4,303,984	2,794,796	3,372,811
Total revenues	96,128,525	100,829,550	117,415,387	138,631,001	159,642,329
Expenditures					
General government	10,471,020	10,332,088	11,249,830	12,205,567	12,724,574
Public safety	20,625,497	20,219,360	23,850,472	27,029,852	27,910,690
Economic and physical development	1,066,406	1,136,928	1,183,641	1,073,782	1,208,568
Human services	27,139,488	27,374,397	28,845,735	31,293,129	33,773,032
Cultural and recreational	4,654,097	4,152,424	5,137,412	4,870,027	5,130,410
Education	23,288,195	21,196,766	24,963,887	26,440,438	32,142,098
Capital outlay	24,989,114	29,383,066	54,325,563	85,714,886	78,097,953
Debt service:					
Principal	7,430,864	7,390,004	8,497,421	8,727,796	13,730,879
Interest and fees	6,891,287	7,454,552	7,627,856	8,620,572	10,020,639
Total expenditures	126,555,968	128,639,585	165,681,817	205,976,049	214,738,843
Excess of revenues over (under) expenditures	(30,427,443)	(27,810,035)	(48,266,430)	(67,345,048)	(55,096,514)
Other financing sources (uses)					
Transfers from other funds	7,099,793	4,351,341	7,551,549	15,202,837	37,082,574
Transfers to other funds	(7,053,727)	(4,351,341)	(7,659,955)	(15,334,144)	(37,405,878)
Proceeds from borrowing	-	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)	-
Payments to terminate swaps	-	-	-	-	-
Total other financing sources (uses)	46,066	38,047,738	354,009	139,868,693	(323,304)
Net change in fund balances	\$ (30,381,377)	\$ 10,237,703	\$ (47,912,421)	\$ 72,523,645	\$ (55,419,818)
Debt service as a percentage of non-capital expenditures	11.6%	12.0%	10.3%	8.3%	9.8%

Table 3

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 103,287
-	-	-	-	12,754,599
-	-	-	-	1,656,054
-	-	-	-	39,980,344
15,793,681	18,762,186	11,548,975	11,232,158	-
35,498,590	35,345,281	44,697,716	40,706,179	-
<u>51,292,271</u>	<u>54,107,467</u>	<u>56,246,691</u>	<u>51,938,337</u>	<u>54,494,284</u>
-	-	-	-	4,230,291
-	-	-	-	1,510,656
-	-	-	-	5,676,015
-	-	-	-	20,587,727
5,406,614	13,038,989	8,977,547	3,870,955	-
3,223,619	851,988	1,627,992	2,202,136	-
16,261,525	13,357,788	13,357,788	1,510,656	-
(65,362,904)	40,770,271	37,848,554	34,793,625	-
<u>\$ (40,471,146)</u>	<u>\$ 68,019,036</u>	<u>\$ 61,811,881</u>	<u>\$ 42,377,372</u>	<u>\$ 32,004,689</u>

Table 4

Fiscal Year				
2007	2008	2009	2010	2011
\$ 104,702,599	\$ 126,527,705	\$ 152,040,519	\$ 156,356,729	\$ 159,650,925
37,542,683	38,191,635	31,509,387	23,974,645	23,944,051
4,393,511	3,680,253	3,075,348	2,960,952	2,813,162
24,446,903	25,899,097	27,519,200	30,155,918	30,829,071
9,975,519	6,592,908	4,066,554	3,699,306	4,371,446
4,268,091	4,602,861	4,668,297	4,766,268	5,083,297
6,208,468	9,510,665	3,233,332	1,454,313	707,344
4,425,068	3,996,371	2,128,833	4,178,287	4,027,650
<u>195,962,842</u>	<u>219,001,495</u>	<u>228,241,470</u>	<u>227,546,418</u>	<u>231,426,946</u>
12,005,860	12,690,960	12,549,523	10,044,406	11,487,049
31,041,272	34,770,230	34,277,288	34,475,802	35,812,639
1,706,148	2,056,913	2,042,598	2,183,870	3,534,815
37,535,192	39,086,647	37,561,560	35,921,058	37,826,248
6,267,956	6,531,016	6,177,574	5,484,191	5,554,470
58,126,552	72,215,699	78,670,638	80,799,320	80,781,286
166,108,664	121,465,606	88,226,983	30,829,406	13,941,595
14,030,661	21,504,015	24,855,116	26,928,112	27,231,937
15,180,232	21,589,851	25,687,672	24,895,699	23,561,225
<u>342,002,537</u>	<u>331,910,937</u>	<u>310,048,952</u>	<u>251,561,864</u>	<u>239,731,264</u>
(146,039,695)	(112,909,442)	(81,807,482)	(24,015,446)	(8,304,318)
26,817,950	16,165,122	4,976,822	23,434,549	3,304,238
(27,117,950)	(16,165,122)	(4,976,822)	(23,434,549)	(3,304,238)
80,922,511	224,214,820	77,265,407	-	-
-	-	76,074,144	42,040,683	61,411,729
-	-	(75,600,000)	(41,768,100)	(55,380,000)
-	-	-	-	(5,544,147)
<u>80,622,511</u>	<u>224,214,820</u>	<u>77,739,551</u>	<u>272,583</u>	<u>487,582</u>
<u>\$ (65,417,184)</u>	<u>\$ 111,305,378</u>	<u>\$ (4,067,931)</u>	<u>\$ (23,742,863)</u>	<u>\$ (7,816,736)</u>
8.2%	12.7%	16.4%	19.4%	21.3%

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

Table 5

Fiscal Year Ended June 30	Tax Year	Real Property		Personal Property		Public Service Company Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Commercial	Residential	Motor Vehicles	Other			
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
2011	2010	2,632,122	17,258,428	1,545,618	1,337,551	357,989	23,131,708	.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 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
2011	2010	111.16%	17,893,622	1,545,618	1,337,551	357,989	21,134,780

Union County, North Carolina
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
 Last Ten Fiscal Years

Table 7

Fiscal Year Ended June 30	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax Year	2002	2003	2004	2005	2006	2007	2008	2008	2009	2010
Taxes Levied by Union County										
County-wide rate	.4705	.53	.525	.56	.6367	.7111	.665	.665	.665	.665
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	.07	.07	.07	.07	-	-	-	-	-	-
County Schools District	.07	.07	.07	.07	-	-	-	-	-	-
Supplemental Fire Districts										
Hemby VFD	.0376	.036	.0427	.0404	.0464	.377	.0493	.0493	.0493	.0476
Springs VFD	-	-	-	-	.0313	.0312	.0306	.0306	.0306	.03
Stallings VFD	.0342	.0392	.0492	.039	.0444	.0262	.0406	.0406	.0406	.0428
Waxhaw VFD	-	-	-	-	.0413	.0513	.0248	.0248	.0248	.037
Wesley VFD	-	.017	.014	.015	.0152	.0167	.0191	.0191	.0191	.022
Total County Rates										
Maximum	.5781	.6392	.6442	.6704	.6831	1.0881	.7143	.7143	.7143	.7126
Minimum	.5405	.6	.595	.63	.6367	.7111	.665	.665	.665	.665
Average	.5593	.6196	.6196	.6502	.6599	.8996	.6897	.6897	.6897	.6888
Overlapping Taxes Levied by Municipalities										
City of Monroe	.5	.5	.48	.49	.53	.55	.495	.495	.495	.555
Downtown Monroe District	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
Town of Fairview	.02	.02	.02	.02	.02	.02	.02	.02	.0151	.02
Town of Hemby Bridge	.05	.05	.03	.03	.03	.03	.025	.025	.025	.
Town of Indian Trail	.08	.08	.08	.08	.1	.15	.15	.15	.145	.145
Town of Marshville	.38	.38	.38	.38	.38	.38	.38	.38	.38	.41
Town of Mineral Springs	.03	.03	.03	.027	.027	.027	.025	.025	.025	.025
Town of Mint Hill	-	.275	.275	.275	.275	.275	.215	.215	.275	.275
Town of Stallings	.14	.16	.25	.25	.25	.25	.22	.22	.215	.215
Town of Unionville	.02	.02	.02	.02	.02	.02	.02	.02	.02	.02
Town of Waxhaw	.37	.37	.34	.34	.34	.34	.34	.34	.34	.34
Town of Weddington	.05	.04	.04	.03	.03	.03	.03	.03	.03	.03
Town of Wingate	.4	.36	.36	.36	.38	.39	.39	.39	.39	.39
Village of Lake Park	.18	.22	.22	.22	.23	.23	.21	.21	.23	.23
Village of Marvin	.0517	.0517	.052	.0517	.05	.05	.05	.05	.05	.05
Village of Wesley Chapel	.02	.02	.02	.02	.02	.02	.017	.017	.0165	.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
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
2011	210	56,050	1,537	134,358

Union County, North Carolina
Principal Property Taxpayers
 Last Ten Fiscal Years

Table 9

Taxpayer	Type of Business	June 30, 2011			June 30, 2002		
		2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2001 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Allegheny Technologies (Allvac)	Metals	\$ 316,413,338	1	1.37%	\$ 60,886,203	2	.64%
Charlotte Pipe & Foundry Co.	Plastics	111,122,130	2	.48%	106,081,827	1	1.12%
Union Electric Membership Corp.	Utility	109,496,250	3	.47%	51,943,134	3	.55%
Atlas Union SPE LLC	Banking	90,690,530	4	.39%	-	-	-
Duke Power Company	Utility	69,744,395	5	.30%	50,893,566	4	.54%
Piedmont Natural Gas Co.	Gas	64,836,108	6	.28%	-	-	-
Sandler at Kensington LLC	Home Builder	46,556,230	7	.20%	-	-	-
Pace/Dowd Properties LTD	Home Builder	38,860,705	8	.17%	-	-	-
Walmart Real Estate Trust	Retail	35,926,610	9	.16%	-	-	-
AEP Industries	Manufacturer	34,647,040	10	.15%	-	-	-
Verizon	Utility	-	-	-	41,816,990	5	.44%
Tyson Farms/Holly Farms	Poultry	-	-	-	37,020,295	6	.39%
Parkdale America	Manufacturer	-	-	-	33,443,706	7	.35%
Alltel Carolina Inc.	Utility	-	-	-	28,497,796	8	.30%
Boren Clay Products Co.	Bricks	-	-	-	25,841,397	9	.27%
Harris Teeter	Food Distributor	-	-	-	25,164,614	10	.27%
Total assessed valuation of top 10 taxpayers		<u>\$ 918,293,336</u>		<u>3.97%</u>	<u>\$ 461,589,528</u>		<u>4.87%</u>
Total county-wide assessed valuation		<u>\$ 23,131,707,907</u>			<u>\$ 9,477,686,944</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
2002	2001	\$ 45,121,626	\$ 43,614,686	96.7%	\$ 1,519,285	\$ 45,133,971	100.0%
2003	2002	48,236,344	46,932,728	97.3%	1,300,278	48,233,006	100.0%
2004	2003	57,215,563	55,711,807	97.4%	1,476,615	57,188,422	100.0%
2005	2004	70,887,314	68,927,427	97.2%	1,893,031	70,820,458	99.9%
2006	2005	82,178,522	80,035,351	97.4%	2,049,784	82,085,135	99.9%
2007	2006	102,215,838	99,609,887	97.5%	2,311,667	101,921,554	99.7%
2008	2007	124,278,642	121,081,881	97.4%	2,692,573	123,774,454	99.6%
2009	2008	150,164,635	145,163,046	96.7%	4,042,882	149,205,928	99.4%
2010	2009	152,594,106	148,012,751	97.0%	3,029,901	151,042,652	99.0%
2011	2010	154,037,967	150,315,372	97.6%	-	150,435,644	97.7%

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			
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%	9.1%	3,026
2010	447,362,860	105,701,102	-	553,063,962	2.41%	n/a	2,817
2011	425,754,698	99,707,327	-	525,462,025	2.27%	n/a	2,610

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
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	10.1%	3,359
2010	2,922,140	60,640,000	15,135,877	78,698,017	631,761,979	n/a	3,218
2011	1,420,302	58,065,000	14,152,180	73,637,482	599,099,507	n/a	2,976

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Assessed value of taxable property (in 000's)	\$ 9,477,687	\$ 10,169,868	\$ 10,770,780	\$ 13,403,624	\$ 14,635,943
	x .08	x .08	x .08	x .08	x .08
Debt limit - 8 percent of assessed value	<u>758,214,956</u>	<u>813,589,404</u>	<u>861,662,385</u>	<u>1,072,289,950</u>	<u>1,170,875,447</u>
Gross debt					
General obligation debt	144,994,000	135,648,001	127,136,800	259,469,300	245,324,400
Bond anticipation notes	-	-	21,230,000	-	13,495,000
Authorized and unissued	25,000,000	95,000,000	180,000,000	110,730,000	97,235,000
Certificates of Participation	4,850,000	43,760,000	41,600,000	39,410,000	37,195,000
Installment Financing	3,677,300	-	306,170	243,898	181,626
NC Clean Water Revolving Loan	3,505,451	3,271,753	3,038,056	2,804,360	2,570,663
	<u>182,026,751</u>	<u>277,679,754</u>	<u>373,311,026</u>	<u>412,657,558</u>	<u>396,001,689</u>
Less: Water bonds issued and outstanding	(15,497,634)	(13,435,013)	(11,378,036)	(9,308,774)	(7,332,405)
Sewer bonds issued and outstanding	(7,494,752)	(6,576,709)	(5,807,927)	(4,905,212)	(4,190,288)
NC Clean Water Revolving Loan	(3,505,451)	(3,271,753)	(3,038,056)	(2,804,360)	(2,570,663)
Amount held in sinking fund	(676,269)	-	-	-	-
	<u>(27,174,106)</u>	<u>(23,283,475)</u>	<u>(20,224,019)</u>	<u>(17,018,346)</u>	<u>(14,093,356)</u>
Total amount of debt applicable to debt limit	<u>154,852,645</u>	<u>254,396,279</u>	<u>353,087,007</u>	<u>395,639,212</u>	<u>381,908,333</u>
Legal debt margin	<u>\$ 603,362,311</u>	<u>\$ 559,193,125</u>	<u>\$ 508,575,378</u>	<u>\$ 676,650,738</u>	<u>\$ 788,967,114</u>
Legal debt margin as a percentage of the debt limit	79.58%	68.73%	59.02%	63.10%	67.38%

Table 12

Fiscal Year				
2007	2008	2009	2010	2011
\$ 16,101,898	\$ 17,539,105	\$ 22,292,234	\$ 22,905,687	\$ 23,131,708
x .08	x .08	x .08	x .08	x .08
<u>1,288,151,840</u>	<u>1,403,128,400</u>	<u>1,783,378,720</u>	<u>1,832,454,960</u>	<u>1,850,536,640</u>
231,096,800	433,050,000	472,425,000	450,285,000	427,175,000
83,495,000	-	-	-	-
201,735,000	64,500,000	-	-	-
112,590,000	107,440,000	102,280,000	97,110,000	91,930,000
119,355	57,083	9,390,000	8,591,102	7,777,327
15,836,967	15,603,270	16,119,573	15,135,877	14,152,180
<u>644,873,122</u>	<u>620,650,353</u>	<u>600,214,573</u>	<u>571,121,979</u>	<u>541,034,507</u>
(5,455,173)	(3,585,416)	(2,157,116)	(854,064)	-
(3,563,309)	(2,948,009)	(2,489,342)	(2,068,076)	(1,420,302)
(15,836,967)	(15,603,270)	(16,119,573)	(15,135,877)	(14,152,180)
-	-	-	-	-
<u>(24,855,449)</u>	<u>(22,136,695)</u>	<u>(20,766,031)</u>	<u>(18,058,017)</u>	<u>(15,572,482)</u>
<u>620,017,673</u>	<u>598,513,658</u>	<u>579,448,542</u>	<u>553,063,962</u>	<u>525,462,025</u>
<u>\$ 668,134,167</u>	<u>\$ 804,614,742</u>	<u>\$ 1,203,930,178</u>	<u>\$ 1,279,390,998</u>	<u>\$ 1,325,074,615</u>
51.87%	57.34%	67.51%	69.82%	71.60%

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
					20% Preceding Year's Surplus	
2002	\$ 17,761,343	\$ 9,274,368	\$ 8,486,975		\$ 8,486,975	\$ 1,940,229
2003	26,044,846	9,414,336	16,630,510	\$ 5,738,188	22,368,698	1,506,033
2004	23,087,628	9,838,861	13,248,767	6,860,065	20,108,832	3,412,226
2005	28,258,771	10,426,862	17,831,909	5,261,847	23,093,756	3,487,927
2006	38,155,925	14,310,599	23,845,326	5,193,627	29,038,953	3,416,213
2007	41,922,974	15,502,443	26,420,531	4,809,250	31,229,781	3,745,682
2008	37,772,552	15,299,134	22,473,418	4,646,148	27,119,566	3,720,738
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
2011	29,346,454	16,397,633	12,948,821	5,411,524	18,360,345	4,836,739

Notes: 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	
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	28,258,771	10,426,862	17,831,909	1,570,000	1,917,927	5.11
2006	38,155,925	14,310,599	23,845,326	1,610,000	1,806,213	6.98
2007	41,922,974	15,502,443	26,420,531	2,055,000	1,690,682	7.05
2008	37,772,552	15,299,134	22,473,418	2,070,000	1,650,738	6.04
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
2011	29,346,454	16,397,633	12,948,821	2,575,000	2,261,739	2.68

Table 13

<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>	<u>Coverage of Total Debt Service Requirements</u>		
4.37	\$ 5,239,371	1.62		
<u>Subordinate Debt Service</u>	<u>Adj. Total Debt Service + 20% Senior Debt</u>	<u>Coverage Tests</u>		
		<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>	
\$ 4,514,193	6,020,226	\$ 6,321,433	3.54	2.76
4,320,053	7,732,279	8,414,724	2.39	1.71
4,136,339	7,624,266	8,306,711	2.78	2.34
3,704,345	7,120,558	7,803,801	3.72	3.35
3,380,148	7,125,830	7,874,966	3.97	3.71
3,228,049	6,948,787	7,692,935	3.53	3.23
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
2,963,395	7,800,134	8,767,482	2.09	1.66

Notes: FY2003 through FY2011

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)
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	31,067	28,815	4.5%	1,537,435
2006	159,800	5,619,235	32,635	31,580	4.3%	1,099,352
2007	169,262	6,216,320	33,697	34,564	4.3%	1,217,491
2008	182,360	6,530,416	33,766	37,110	5.8%	1,200,307
2009	191,514	6,602,954	33,240	38,554	10.7%	1,162,891
2010	196,322	n/a	n/a	39,366	9.7%	1,076,852
2011	201,292	n/a	n/a	39,900	9.5%	1,122,433

Sources:

- (1) Source: North Carolina State Demographic Unit
- (2) United States Dept of Commerce, Bureau of Economic Analysis
- (3) Amounts for fiscal years 2002-2006 use final ADM estimates provided by the State Board of Education and DPI. Amounts shown for fiscal years 2007-2011 is estimated by the School System.
- (4) North Carolina Employment Security Commission
 The data for the Fiscal Years 2002-2010 in the table above is the annual average unemployment rate. The data for Fiscal Year 2011 in the table above is the July 2011 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 Tax Agreement. In North Carolina, certain sales (for example, qualifying food items) are not subject to sales tax.

Union County, North Carolina
Principal Employers
 Current Year

Table 16

Employer	Type of Business	June 30, 2011	
		Employees	Rank
Union County Schools	Education & Health Services	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2
Union Memorial Medical Center	Education & Health Services	1,000+	3
ATI-Allvac	Manufacturing	1,000+	4
County of Union	Public Administration	1,000+	5
Wal-Mart Associates Inc	Trade, Transportation & Utilities	500-999	6
Harris Teeter Inc	Trade, Transportation & Utilities	500-999	7
City of Monroe	Public Administration	500-999	8
Charlotte Pipe & Foundry Company	Manufacturing	500-999	9
Scott Technologies Inc	Manufacturing	250-499	10

Source: North Carolina Department of Commerce

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
General government										
Board of Commissioners	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Central Administration	7.0	7.7	7.2	8.2	8.2	8.2	8.1	6.1	6.2	6.3
Internal Audit	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal	2.0	2.8	2.8	2.8	2.8	2.8	3.1	3.0	3.0	3.0
Personnel	6.0	6.1	6.0	6.0	6.0	7.0	8.0	7.0	7.0	6.0
Finance	10.0	10.0	10.2	9.2	9.2	10.2	10.2	9.0	8.0	8.0
Tax Administration	45.0	45.9	46.2	47.8	51.8	51.8	56.3	44.5	44.5	42.5
Elections	4.0	10.4	10.8	10.9	11.6	11.6	10.3	10.3	13.4	12.0
Register of Deeds	10.0	10.3	11.3	11.3	12.5	12.5	13.5	12.0	12.0	9.0
Information Systems (and GIS)	12.0	12.0	12.0	12.0	11.0	11.0	11.0	10.0	10.0	10.0
General Services	12.0	14.4	13.7	13.7	13.0	11.0	11.5	10.0	10.0	10.0
Public safety										
Law Enforcement (and AC)	174.0	176.6	191.2	217.6	218.7	234.6	242.2	248.6	261.6	261.1
Communications	23.5	21.5	30.4	35.6	45.8	44.7	45.7	41.4	41.4	41.4
Homeland Security	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0	3.0
Fire Services	5.5	5.5	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0
Inspection	29.0	29.0	29.0	28.0	28.0	28.0	27.5	16.0	16.0	12.0
Economic and physical development										
Planning	5.0	5.0	4.0	4.0	4.0	5.0	6.0	4.0	4.0	4.0
Economic Development	2.0	2.0	2.0	-	-	-	-	0.0	0.0	0.0
Cooperative Extension	10.0	10.0	10.0	10.0	12.0	12.0	12.5	11.0	11.0	11.0
Soil Conservation	3.0	3.0	3.0	3.0	2.0	2.0	1.0	1.0	1.0	1.0
Human services										
Public Health	84.0	100.8	91.2	93.5	97.5	102.6	104.7	101.7	100.0	100.2
Social Services	177.0	185.3	191.4	191.1	194.1	199.6	199.7	200.4	200.4	197.4
Transportation and Nutrition	11.0	22.2	27.9	28.1	30.0	30.1	31.0	30.0	30.3	30.9
Veterans' Services	2.0	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Cultural and recreational										
Library	40.5	55.0	64.2	65.1	64.5	65.9	66.0	55.7	55.7	56.2
Parks and Recreation	14.0	23.6	23.4	23.4	25.4	27.4	27.9	26.9	23.7	23.7
Sub-total	<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>	<u>862.7</u>
Business-type activities:										
Water and Sewer	88.4	88.6	89.1	89.1	94.2	99.3	109.1	92.8	93.6	94.0
Solid Waste	13.7	20.4	21.8	21.6	21.6	21.7	21.5	20.6	20.8	20.4
Stormwater	-	-	1.3	1.3	1.3	1.3	2.1	2.1	2.1	2.1
Sub-total	<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>	<u>116.4</u>
Total	<u>799.5</u>	<u>879.6</u>	<u>918.1</u>	<u>951.3</u>	<u>983.2</u>	<u>1,018.3</u>	<u>1,046.7</u>	<u>980.9</u>	<u>992.5</u>	<u>979.1</u>

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

Table 18

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Personnel										
Number of full-time employees	747	743	796	825	844	879	977	921	933	910
Number of part-time employees	165	142	145	151	174	223	67	55	55	49
Elections										
Number of registered voters	78,643	78,567	82,305	92,313	97,003	102,969	113,057	119,538	123,132	125,401
Information Systems (and GIS)										
Number of people in system	488	581	814	1,120	1,169	1,226	1,282	1,234	1,232	1,214
General Services										
Number of vehicle service requests	847	883	877	970	643	549	1,077	1,093	990	1,040
Public safety										
Fire Services										
Number of volunteer fire personnel	n/a	485	500	525	610	640	645	560	560	550
Inspection										
Number of inspections	3,403	3,529	4,025	4,585	5,100	4,347	713	1,341	1,070	1,201
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	13,426
Number of visits	30,248	32,061	31,920	32,300	29,779	33,507	29,026	31,745	36,857	25,907
Social Services										
Number of client visits	n/a	n/a	34,194	34,452	n/a	37,824	44,446	52,953	55,102	56,601
Transportation and Nutrition										
Number of trips	47,408	54,475	63,996	68,023	73,345	73,725	85,199	87,929	85,907	86,067
Congregate, home delivered and supplemental meals	96,634	96,622	88,716	81,034	92,491	96,359	107,034	96,117	86,772	82,324
Veterans' Services										
Number of visitors	2,868	3,363	3,204	3,583	4,096	4,417	3,197	3,049	2,820	3,431
Number of phone calls	5,686	5,718	5,996	7,841	8,356	8,329	8,685	8,246	9,880	11,155
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	228,169
Education										
Number of licensed employees	1,586	1,543	1,672	2,233	2,455	2,593	3,531	2,990	2,585	2,834
Number of students	24,149	25,680	27,031	28,815	31,580	34,564	36,952	38,554	39,366	39,900
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	11,420
Number of water service connections	20,844	24,823	26,564	28,922	32,629	36,276	38,192	38,913	39,320	39,710
Number of sewer service connections	12,173	15,546	17,028	19,246	22,732	26,113	27,040	27,432	27,760	28,452

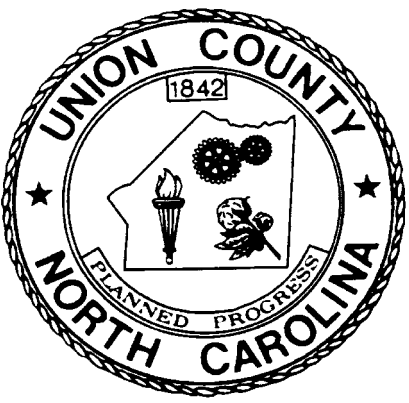
Union County, North Carolina
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Table 19

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	107,287
Elections										
Number of precincts	n/a	44	46	49	51	50	50	50	52	52
Public safety										
Law Enforcement (and AC)										
Number of stations	8	8	8	8	8	8	8	8	8	8
Number of patrol units	219	219	236	245	267	295	308	301	314	309
Fire Services										
Number of stations-main	18	18	18	18	18	18	18	18	18	18
Number of stations-sub	7	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	3
Parks and Recreation										
Number of parks	3	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	1,290
Number of acres in lakes	350	350	350	350	350	350	350	350	350	350
Education										
Number of schools	34	34	34	36	40	44	48	53	53	53
Number of classrooms	1,560	1,126	1,201	1,316	1,440	1,540	2,139	2,322	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	4,559
Miles of water mains	543	560	585	610	650	700	726	759	963	972
Miles of sewer mains	325	330	439	450	465	500	539	592	606	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, 2011, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 30, 2011. 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

Management of Union County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Union County's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Union County, in a separate letter dated November 30, 2011.

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.

November 30, 2011
Monroe, North Carolina

Potter & 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 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, 2011. **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 are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as item [11-1].

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 the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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, 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 the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item [11-1]. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Union 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 the response.

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.

November 30, 2011
Monroe, North Carolina

The image shows a handwritten signature in cursive script that reads "Potter & Company". The signature is written in dark ink and is positioned to the right of the date and location text.



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 are applicable to each of its major State programs for the year ended June 30, 2011. **Union County's** major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of **Union County's** management. Our responsibility is to express an opinion on **Union County's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about **Union County's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Union County's** compliance with those requirements.

In our opinion, **Union County** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as item [11-1].

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 requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item [11-1]. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Union 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 the response.

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.

November 30, 2011
Monroe, North Carolina



UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

Schedule 38

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses X yes 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>
10.551, 10.561	Food Stamp Cluster
93.778	Title XIX – Medicaid
93.558	Temporary Assistance for Needy Families/ Work First Program
93.558, 93.575, 93.596	Subsidized Child Care Cluster
93.767	State Children's Insurance Program – N.C. Health Choice

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

Auditee qualified as low-risk auditee? X yes no

UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

Schedule 38
(continued)

State Awards

Internal control over major State programs:

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

Identification of major State programs:

Program Name

The only major State programs for Union County are Title XIX – Medicaid, the State Children's Insurance Program – N.C. Health Choice and the Subsidized Child Care Cluster - SmartStart. Therefore, these programs have been included in the list of major federal programs above.

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding: 11-1

SIGNIFICANT DEFICIENCY

Criteria: Notice of Transportation Rights forms should be signed and filed upon initial receipt of benefits for the Title XIX – Medicaid Program.

Condition: In one file selected for testing, the form for Notice of Transportation Rights was not completed and maintained in the Medicaid record.

Effect: Proper records were not maintained in the Medicaid record.

Cause: The caseworker did not follow-up on the completeness of all necessary paperwork in the case record.

Recommendation: All case records should be reviewed upon initial eligibility for benefits as well as during the re-application process, to make sure all necessary forms are included.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Caseworkers will review case records upon initial eligibility and re-application for benefits to ensure all necessary forms are maintained.

Section IV – State Awards Findings and Questioned Costs

Finding: 11-1

SIGNIFICANT DEFICIENCY

See above detail in Section III – Federal Award Findings and Questioned Costs

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding: 11-1

Name of contact person: Suzanne Moose, Interim Social Services Director

Corrective Action: Medicaid caseworkers will review case records upon initial eligibility and re-application for benefits to ensure that all necessary forms are maintained.

Proposed Completion Date: The above corrective action will be implemented immediately.

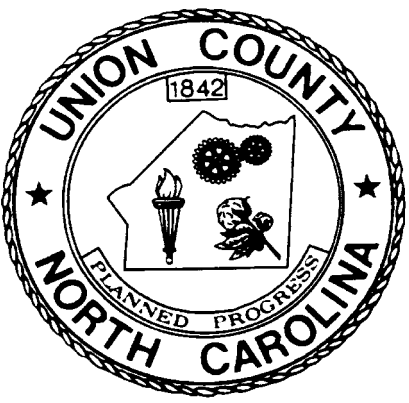
Section IV – State Awards Findings and Questioned Costs

Finding: 11-1

Name of contact person: Suzanne Moose, Interim Social Services Director

Corrective Action: Medicaid caseworkers will review case records upon initial eligibility and re-application for benefits to ensure that all necessary forms are maintained.

Proposed Completion Date: The above corrective action will be implemented immediately.



UNION COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011

Schedule 40

Finding: 10-1
Status: Corrected.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
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: Supplemental Nutrition Assistance Program (SNAP) Cluster	
SNAP-Direct Benefit Payments	10.551
Department of Revenue (DOR) Retention	10.551
Tax Offset Program (TOP) Retention	10.551
SNAP - Cash Incentive Retention	10.561
State Administrative Matching Grants for the SNAP Program	10.561
SNAP - 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
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	
U.S. DEPARTMENT OF ENERGY	
Department of Energy: Energy Efficiency and Conservation Block Grant Program	81.128

Schedule 41

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 179,954	\$ -	\$ -	\$ 179,954
	34,204,905	-	-	34,204,905
	1,836	-	-	1,836
	13,850	-	-	13,850
	11,590	-	-	11,590
	932,313	-	846,232	1,778,545
	(123)	-	(123)	(246)
	<u>35,164,371</u>	<u>-</u>	<u>846,109</u>	<u>36,010,480</u>
1575-5767-W0	607	-	-	607
1540-5403-GA	112,246	-	37,792	150,038
1540-5403-GB	206,707	-	-	206,707
1540-5404-GA	82,949	-	4,809	87,758
1540-5404-GB	161,388	-	-	161,388
1540-5405-GA	21,297	-	2,161	23,458
1540-5405-GB	39,480	-	-	39,480
1540-5409-GA	7,674	-	5,090	12,764
1540-5409-GB	17,308	-	-	17,308
1540-570E-JQ	13,132	-	2,606	15,738
	<u>2,901,497</u>	<u>-</u>	<u>-</u>	<u>2,901,497</u>
	<u>3,564,285</u>	<u>-</u>	<u>52,458</u>	<u>3,616,743</u>
	<u>3,767</u>	<u>-</u>	<u>-</u>	<u>3,767</u>
	<u>38,912,377</u>	<u>-</u>	<u>898,567</u>	<u>39,810,944</u>
DE-SC0001314	<u>205,358</u>	<u>-</u>	<u>-</u>	<u>205,358</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
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 Byrne Memorial Justice Assistance Grant	16.738
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
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
2010-BOB-X1-005-2039	\$ 11,407	\$ -	\$ -	\$ 11,407
2010-APB-X0-106	67,788	-	-	67,788
2010-DJB-X1-131	52,729	-	-	52,729
	<u>131,924</u>	<u>-</u>	<u>-</u>	<u>131,924</u>
EMPG-2010-37179	<u>47,726</u>	<u>-</u>	<u>-</u>	<u>47,726</u>
11-CT-089 Admin	146,621	9,164	27,491	183,276
11-CT-089 Capital	194,068	24,259	24,259	242,586
	<u>340,689</u>	<u>33,423</u>	<u>51,750</u>	<u>425,862</u>
	14,626	-	-	14,626
	39,011	-	-	39,011
	33,689	965	-	34,654
	213,956	12,623	-	226,579
	<u>164,990</u>	<u>9,649</u>	<u>-</u>	<u>174,639</u>
	<u>466,272</u>	<u>23,237</u>	<u>-</u>	<u>489,509</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

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:	
Adoption/Foster Care	93.558
Special Children Adoption	93.558
Family Preservation	93.556
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	
AFDC Incentives	N/A
TANF Incentives	N/A
TANF Domestic Violence	93.558
Work First Administration	93.558
Work First Service	93.558
Work First Demonstration Grant	93.558
Direct Benefit Payments:	
Temporary Assistance for Needy Families Payments & Penalties	93.558
Refugee Assistance-Direct Benefit Payments	93.566
Family Violence and Prevention Services	93.671
Child Welfare Services:	
Permanency Planning-Special	93.645
LINKS	93.674
LINKS-Independent Living/Transitional Funds	93.674
Low Income Home Energy Assistance Block Grant:	
Administration	93.568
Energy Assistance-Direct Benefit Payments	93.568
Crisis Intervention Program	93.568
NC Child Support Enforcement	93.563
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	

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 79,099	\$ -	\$ 4,919	\$ 84,018
	21,600	-	-	21,600
	5,930	-	-	5,930
	21,784	-	7,261	29,045
	255,316	-	255,316	510,632
	116,890	26,374	30,249	173,513
	6,447	-	-	6,447
	92,668	21,599	24,129	138,396
	9,247	4,624	4,624	18,495
	-	-	-	-
	413	-	221	634
	252,727	91,172	161,555	505,454
	2,568	-	856	3,424
	70,955	-	70,955	141,910
	12,475	-	-	12,475
	425,683	96,314	96,314	618,311
	1,373,802	240,083	656,399	2,270,284
	(274)	6	-	(268)
	-	829	-	829
	33,060	-	-	33,060
	279,858	-	291,495	571,353
	1,374,619	-	979,150	2,353,769
	(400)	-	-	(400)
	769,896	-	1,487	771,383
	3,801	-	-	3,801
	4,634	-	-	4,634
	53,510	(2,368)	20,794	71,936
	14,252	3,563	-	17,815
	14,886	-	-	14,886
	73,247	-	-	73,247
	866,496	-	-	866,496
	644,265	-	-	644,265
	1,264,823	-	699,943	1,964,766
	105,961	-	15,137	121,098
	6,465	-	923	7,388
	35,698	18,475	7,739	61,912
	25,699	17,129	6,118	48,946
	264,691	23,728	96,140	384,559
	7,208,989	301,445	2,775,325	10,285,759

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families (continued):	
Passed-through N.C. Department of Health and Human Services:	
Subsidized Child Care Cluster:	
Child Care Development Fund Cluster:	
Division of Child Development:	
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 -Discretionary	93.575
Child Care Development Fund-Mandatory	93.596
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-State Match	N/A
Child Care Development Fund-State Match	N/A
Child Care Development -Smart Start	N/A
Child Care Development -Smart Start TANF	N/A
Child Care 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 State Maintenance of Effort	N/A
Child Care State Maintenance of Effort	N/A
Division of Social Services:	
Child Care Development Fund-Administration	93.596
Total Child Care Development Fund Cluster	
Temporary Assistance for Needy Families (TANF) Child Care Cluster:	
TANF Child Care	93.558
TANF Child Care	93.558
TANF Emergency Contingency	93.714
Total TANF Child Care Cluster	
Social Services Block Grant	93.667
Total Subsidized Child Care Cluster	
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
1R04-1R10-UU	\$ 41,349	\$ -	\$ -	\$ 41,349
1380-1810-DW	82,127	-	-	82,127
1811-1810-DW	207,341	-	-	207,341
1811-1810-DT	276,132	-	-	276,132
1380-1810-TB	75,477	-	-	75,477
1811-1810-TB	1,007,194	-	-	1,007,194
1811-1810-MM	213,322	-	-	213,322
1811-1810-MN	436,058	-	-	436,058
1380-1810-MN	70,270	-	-	70,270
1811-1810-V8	93,923	51,469	-	145,392
1811-1810-V9	1,769	970	-	2,739
1811-1810-VB	681,191	371,492	-	1,052,683
1380-1810-VR	8,443	4,604	-	13,047
1380-1812-00	-	19,785	-	19,785
1811-1812-00	-	285,074	-	285,074
1711-1740-40	-	384,712	-	384,712
1380-1740-TM	-	95,548	-	95,548
1711-1740-T6	-	271,846	-	271,846
1711-1740-VB	-	574,087	-	574,087
1711-1740-V9	-	1,466	-	1,466
1811-1810-V8	-	77,842	-	77,842
1380-1740-VR	-	7,115	-	7,115
1380-1810-T6	-	66,820	-	66,820
1811-1810-T6	-	80,660	-	80,660
	249,172	-	-	249,172
	<u>3,443,768</u>	<u>2,293,490</u>	<u>-</u>	<u>5,737,258</u>
1811-1810-T2	533,004	-	-	533,004
1380-1810-T2	76,013	-	-	76,013
1R24-1810-LG	323,719	-	-	323,719
	<u>932,736</u>	<u>-</u>	<u>-</u>	<u>932,736</u>
1811-1812-Q4	19,854	-	-	19,854
	<u>4,396,358</u>	<u>2,293,490</u>	<u>-</u>	<u>6,689,848</u>
	<u>11,605,347</u>	<u>2,594,935</u>	<u>2,775,325</u>	<u>16,975,607</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Centers for Medicare and Medicaid Services:	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Administration:	
Adult Care Home Case Management/Special	93.778
Medical Assistance Expansion (Note 3)	93.778
Medical Assistance Administration (Note 3)	93.778
Medical/Healthchoice Interpreting	93.778
Medical Transportation Services	93.778
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767
Direct Benefit Payments:	
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767
Total Division of Social Services	
Division of Medical Assistance:	
Medical Assistance Program (Note 3)	93.778
Direct Benefit Payments:	
Medical Assistance Program (Note 3)	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
Preventive Health and Health Services Block Grant	93.283
Chronic Disease	93.283
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
Immunization Action	93.268
Immunization Action	93.268
Total Centers for Disease Control	
Health Resources and Services Administration:	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Family Planning Services Title X	93.218
Family Planning Services Title X	93.218
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	

Schedule 41
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 77,587	\$ 32,218	\$ 45,369	\$ 155,174
	17,029	17,029	-	34,058
	1,568,945	-	1,568,945	3,137,890
	135,015	-	45,005	180,020
	42,491	-	42,491	84,982
	100,584	4,903	26,904	132,391
	<u>4,274,153</u>	<u>1,396,741</u>	<u>-</u>	<u>5,670,894</u>
	6,215,804	1,450,891	1,728,714	9,395,409
	199,276	64,547	-	263,823
	<u>90,086,475</u>	<u>35,209,308</u>	<u>22,461</u>	<u>125,318,244</u>
	<u>96,501,555</u>	<u>36,724,746</u>	<u>1,751,175</u>	<u>134,977,476</u>
1551-5503-PH	13,001	-	115,845	128,846
1551-330B-J7	971	-	(972)	(1)
1551-540B-99	108	27	-	135
1551-540C-KK	1,480	-	-	1,480
1552-310C-EK	2,380	-	35,517	37,897
1552-310D-EK	22,127	-	-	22,127
1551-360B-WA	854	-	-	854
1551-360C-WA	11,366	-	10,039	21,405
1531-5318-AP	19,213	14,412	-	33,625
1561-793A-HN	17,056	-	-	17,056
1561-260A-HN	12,564	-	-	12,564
1561-2680-EN	31,952	-	19,138	51,090
1561-2680-EZ	16,863	-	-	16,863
1570-631C-EJ	25,713	-	326,491	352,204
1570-631D-EJ	15,515	-	-	15,515
	<u>191,163</u>	<u>14,439</u>	<u>506,058</u>	<u>711,660</u>
1511-592D-FP	3,413	-	-	3,413
1511-592E-FP	52,418	-	711,795	764,213
1511-5151-TA	12,115	-	-	12,115
1505-5735-AP	37,448	28,089	1,093,160	1,158,697
1505-5740-AP	26,384	19,790	1,259,465	1,305,639
1505-5745-AP	21,277	15,960	98,253	135,490
1535-5351-AP	922	692	-	1,614
	<u>153,977</u>	<u>64,531</u>	<u>3,162,673</u>	<u>3,381,181</u>
	<u>108,918,314</u>	<u>39,421,888</u>	<u>8,195,231</u>	<u>156,535,433</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
FEDERAL AWARDS (CONTINUED):	
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 Planning Grant	45.31
Total federal awards	
STATE AWARDS:	
N.C. DEPARTMENT OF CULTURAL RESOURCES	
Division of State Library:	
State Aid to Public Libraries	N/A
N.C. DEPARTMENT OF CORRECTIONS	
Division of Community Corrections:	
Criminal Justice Partnership Program	N/A
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Passed-through North Carolina Partnership for Children, Incorporated	
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
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
Title II	\$ 152,231	\$ -	\$ -	\$ 152,231
Title II	89,767	-	-	89,767
	<u>241,998</u>	<u>-</u>	<u>-</u>	<u>241,998</u>
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u>148,818,386</u>	<u>39,455,311</u>	<u>9,145,548</u>	<u>197,419,245</u>
	<u>-</u>	<u>187,373</u>	<u>-</u>	<u>187,373</u>
90-0710-I-A	<u>-</u>	<u>130,749</u>	<u>-</u>	<u>130,749</u>
	-	41,956	18	41,974
	-	143,589	15,848	159,437
	-	71,676	-	71,676
	<u>-</u>	<u>257,221</u>	<u>15,866</u>	<u>273,087</u>
	-	85,791	-	85,791
	-	201,895	-	201,895
	-	39,398	-	39,398
	<u>-</u>	<u>41,087</u>	<u>-</u>	<u>41,087</u>
	<u>-</u>	<u>368,171</u>	<u>-</u>	<u>368,171</u>
	-	255,362	-	255,362
	-	4,717	-	4,717
	-	29,133	-	29,133
	-	-	1,823,572	1,823,572
	-	-	1,463,090	1,463,090
	-	4,462	2,389	6,851
	-	8,088	-	8,088
	-	25,879	25,879	51,758
	-	51,708	51,708	103,416
	-	302,204	124,633	426,837
	-	-	109,426	109,426
	<u>-</u>	<u>854,499</u>	<u>854,499</u>	<u>1,708,998</u>
	<u>-</u>	<u>1,536,052</u>	<u>4,455,196</u>	<u>5,991,248</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>
STATE AWARDS (CONTINUED):	
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):	
Division of Public Health:	
Aid to Counties-Health Administration	N/A
Breast and Cervical Cancer	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
General Aid to Counties	N/A
High Risk Maternity Clinics	N/A
Interpreter Services	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	
Juvenile Crime Prevention Council	N/A
Project Challenge	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	
N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Division of Soil and Water Conservation:	
Soil and Water Conservation	N/A
Division of Parks and Recreation:	
Adopt a Trail	N/A
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
1410-4110-00	\$ -	\$ 101,388	\$ 603,180	\$ 704,568
1552-5599-00	-	6,375	-	6,375
1451-4510-00	-	7,416	411,226	418,642
1461-4536-BN	-	2,500	-	2,500
1461-4536-RR	-	10,000	21,962	31,962
1451-4551-00	-	914	47	961
4751-78	-	21,422	1,525,975	1,547,397
2117-1530-04	-	99,648	-	99,648
1505-5746-00	-	60,293	-	60,293
1410-4181-00	-	19,000	-	19,000
1551-5503-00	-	4,838	-	4,838
1451-4551-00	-	3,810	56,712	60,522
1511-6010-FR	-	12,328	-	12,328
	-	<u>349,932</u>	<u>2,619,102</u>	<u>2,969,034</u>
	-	<u>2,511,376</u>	<u>7,090,164</u>	<u>9,601,540</u>
	-	618	-	618
	-	<u>3,295,908</u>	<u>-</u>	<u>3,295,908</u>
	-	<u>3,296,526</u>	<u>-</u>	<u>3,296,526</u>
290000	-	7,218	-	7,218
290023	-	80,277	-	80,277
290011	-	68,000	-	68,000
290018	-	110,349	-	110,349
	-	<u>265,844</u>	<u>-</u>	<u>265,844</u>
DOT-16CL	-	130,478	-	130,478
DOT-16CL	-	196,123	-	196,123
DOT-16CL	-	66,733	-	66,733
	-	<u>393,334</u>	<u>-</u>	<u>393,334</u>
	-	25,500	52,213	77,713
3526	-	4,959	-	4,959
	-	<u>30,459</u>	<u>52,213</u>	<u>82,672</u>
	-	<u>2,000</u>	<u>254,532</u>	<u>256,532</u>
	-	<u>6,817,661</u>	<u>7,396,909</u>	<u>14,214,570</u>
	<u>\$ 148,818,386</u>	<u>\$ 46,272,972</u>	<u>\$ 16,542,457</u>	<u>\$ 211,633,815</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2011

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		
Juvenile Crime Prevention Council	290000	\$ 7,218
Project Challenge	290023	80,277
Shelter Care	290011	68,000
Youth and Family Services	290018	110,349
		\$ 265,844

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

Medical Assistance
 State Children's Insurance Program – N.C. Healthchoice