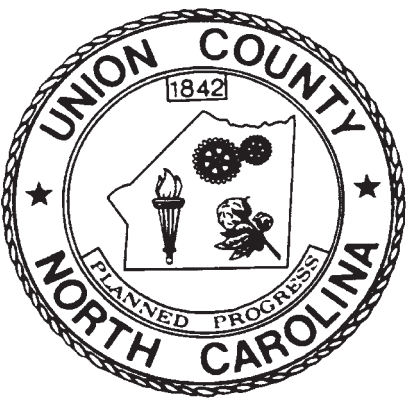




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

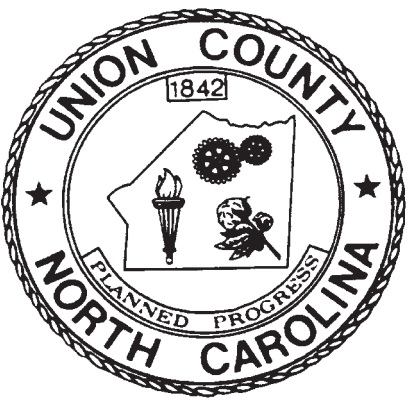


Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2012

Prepared by
Finance Department



Union County, North Carolina
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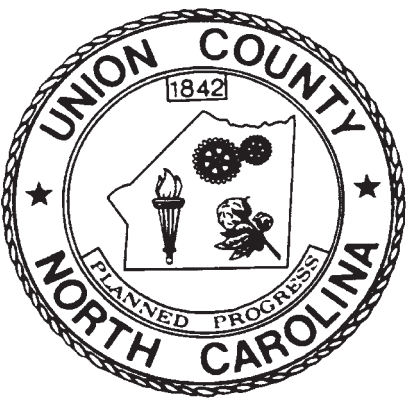
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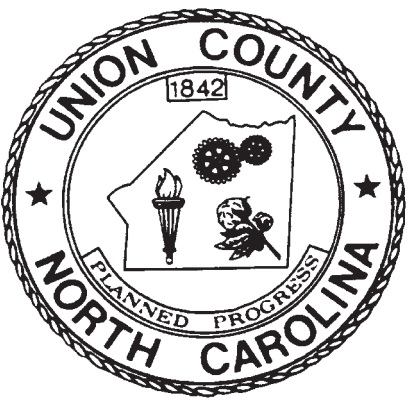
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Introductory Section





UNION COUNTY FINANCE DEPARTMENT

500 N. Main St., Suite. 709
Monroe, NC 28112
(704) 283-3813

November 13, 2012

To the Honorable Chairman, Members of the Board of Commissioners, and Citizens of Union County:

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 (the County) for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive framework of internal control that is designed to both 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. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Potter & Company, P.A., a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on Union County's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report. The audit was also designed to meet the requirements of the Federal Single Audit Act Amendment of 1996, as well as the State Single Audit Act, N.C.G.S. 159-34. The reports required by these ACTs are submitted as separate reports, which includes the schedules of financial assistance, findings and questioned costs, and the independent auditors' report on internal control and compliance.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Union County, established in 1842, is located in the south-central portion of North Carolina adjacent to Charlotte/Mecklenburg County and bordering South Carolina. The County currently occupies approximately 643 square miles and serves a population of about 205,717.

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, Veteran 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 board of County Commissioners is required to adopt an initial budget for the fiscal year no later than July 1. 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 which 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.

Local Economy

Union County's tax base is predominately residential (80 percent of value) with a sizable commercial component (20 percent of value). The tax base does not exhibit a high degree of taxpayer concentration, with the top ten taxpayers representing a modest 4 percent of assessed value. Manufacturing and agriculture remain an important part of the local economy, including the County's largest, non-governmental employers, ATI-Allvac Metals and Tyson Farms, each employing over 1,000 people in the County. Wealth levels exceed State averages, with a 2010 median family income (MFI) and per capita income of 144 percent and 113 percent of the State average, respectively.¹

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 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 previous decade.

Like most counties and local governments throughout the U.S., the County is still experiencing the effects of a slower economy. The County maintains lower unemployment rates (8.6 percent in July 2012) than the State (9.6 percent in July 2012), but currently has a higher rate of unemployment than the United States (8.3 percent in July 2012.)

Building activity in fiscal year 2012 showed signs of limited growth. For fiscal year 2012, there were 2,061 commercial and residential construction permits issued County-wide, compared to fiscal year

¹ 2012 Moody's Investor's Service, Inc. and/or its licensors and affiliates (collectively, MOODY'S).

2011 of 1,747; showing an 18 percent increase. This trend is anticipated to continue into the near future.

Monroe, the County seat, in winter of 2012, was named one of the top ten successful aviation and aerospace clusters in the south by "Southern Business and Development" magazine. Monroe's focus on aerospace recruitment began in 2002, resulting in nearly 3,000 jobs and almost \$600 million in aerospace related capital investment.

Long-Term Financial Planning

The North Carolina State Demographics Unit expects the County's population to grow, over the next ten years, by another 26 percent or 52,401 between 2010 and 2020, reaching 253,693 by the year 2020. Public school enrollment, currently at approximately 40,359 is projected to increase to approximately 40,696 by 2016.² The County's utility system added an average of approximately 1,827 new water connections in fiscal years 2011 and 2012.

Although it is anticipated the County will experience steady growth, maintenance of existing infrastructure and facilities will become an even greater challenge. While the County's current debt load is significant, during the next five years, 31.1 percent or \$152.8 million of the County's tax supported debt will be retired. Within the next ten years, 60.4 percent or \$296.5 million of the County's tax supported debt will be retired. This maturation of debt sets the stage for the next round of infrastructure and maintenance needs.

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 updated annually to reflect changing priorities and circumstances.

The current human services leased facility is outdated and inadequate. To address the changing needs of the clients and citizens of Union County, in the fall of 2012, the Board of County Commissioners approved preliminary design and permitting for the construction of a new 120,000 SF, approximately \$35 million new human services campus.

Union County Public Works retained the services of Black and Veatch to develop a Comprehensive Water and Wastewater Master Plan. The Plan provides for an assessment of each utility's service areas (water supply, water treatment and distribution, wastewater collection, wastewater treatment and disposal) and provides an integrated plan for a consolidated method for improving and expanding its water and wastewater systems. The integrated plan provides a comprehensive approach to Union County's water resources development and utilization and serves as a guide for future system development and investment decisions.

This plan included Community Outreach, Population & Demand/Flow Projections, System Performance Criteria, Water and Wastewater System Models, Future Water and Wastewater scenarios and a 20-year Capital Improvement Plan (CIP). Based on the service area projections and system evaluations and assessments the CIP defines the needed system improvements for the 20-year planning horizon.

Based on the service area projections and the system evaluations and assessments, needed capacity and system improvements for existing and future system conditions were identified and prioritized and compiled into a Capital Improvement Plan (CIP) for the 20-year planning horizon. The

² 2010 Union County Public Schools Enrollment Forecast.

CIP is based on an assumption of an Inter-Basin Transfer (IBT) increase from 5 mgd to 10 mgd granted by the State by 2017.

System improvement projects are categorized as water supply/treatment projects, wastewater treatment/disposal projects, water distribution projects, or wastewater collection projects. A project identification (ID) system defines the project location and type. System improvements and expansions will be funded through a combination of pay-as-you-go funding and revenue bonds supported through utility rates.

During the fiscal year 2014 operating budget and capital improvement planning process, the County-wide capital needs will be evaluated in light of the 6-year capital improvement plan.

Relevant Financial Policies

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. This approach allows the County to maximize financial return within the parameters of acceptable risk.

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 & Poor’s and Fitch respectively during fiscal year 2012; and upgraded ratings of Aa2/AA-/AA for the enterprise system revenue bonds. The County’s key financial ratios relating to tax-supported debt are summarized in the following table.

	<u>30-Jun-12</u>	<u>30-Jun-11</u>	<u>30-Jun-10</u>	<u>30-Jun-09</u>	<u>30-Jun-08</u>
Assessed Value	\$23,200,010,216	\$23,190,179,804	\$23,075,783,412	\$22,516,019,353	\$17,475,253,325
Net Tax Supported Debt	\$511,925,514	\$542,794,901	\$565,005,530	\$592,322,950	\$539,952,268
Net Tax Supported Debt as a Percentage of Assessed Value	2.21%	2.34%	2.45%	2.63%	3.09%
Debt Service as a Percent of Expenditures	23.90%	23.00%	23.00%	22.70%	19.80%
Population	205,717	201,292	196,322	191,514	182,360
Debt per Capita	\$2,488	\$2,697	\$2,878	\$3,093	\$2,961
Available Fund Balance as a Percent of General Fund Expenditures	23.70%	18.90%	18.10%	20.30%	16.50%

The County continues to fulfill its pledged revenue coverage per the revenue bond indenture for its Water and Sewer Bonds. For fiscal year 2012 the County maintained its two pronged test; one test which permits the inclusion of 20 percent of the balance of the Surplus Fund, \$5,623,708 from the prior fiscal year, with the other test omitting the Surplus Fund and the coverage ratio (2.6 times and 2.14 times coverage respectively, as stated in Table 14 of the Statistical Section).

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. Stop-loss insurance provides statutory workers’ compensation benefits above the County’s self-insurance limit of \$350,000 per occurrence. Claims are administered under contract with a third party administrator. Claim reserves are established

when an injury occurs and the ultimate expected exposure of each claim can be reasonably estimated by the third party claims administrator.

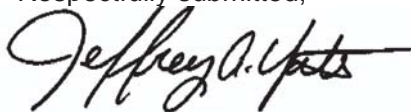
There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last 3-years.

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 citizens of Union County. We appreciate the cooperation of all County departments in conducting financial activities, including the preparation of this report.

We also wish to express appreciation to the Board of County Commissioners, County Manager Cynthia Coto, Interim Finance Director, Wes Baker and the entire Finance Department staff for making Union County a fiscally sound, well-governed organization.

Respectfully submitted,



Jeffrey A. Yates
Finance Director



Andrea A. Robinson
Assistant Finance Director

Union County, North Carolina
List of Principal Officials
June 30, 2012

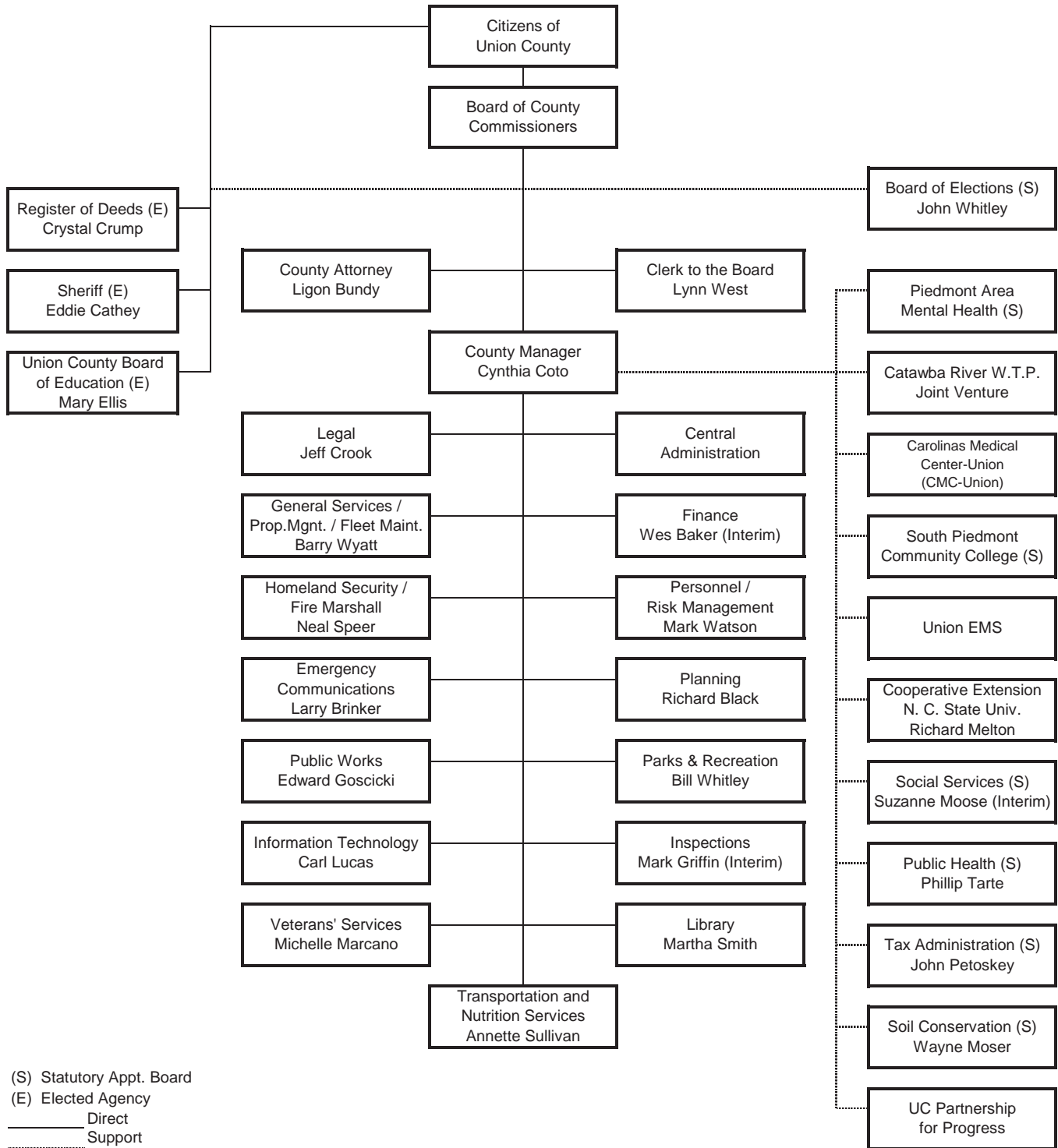
Board of County Commissioners

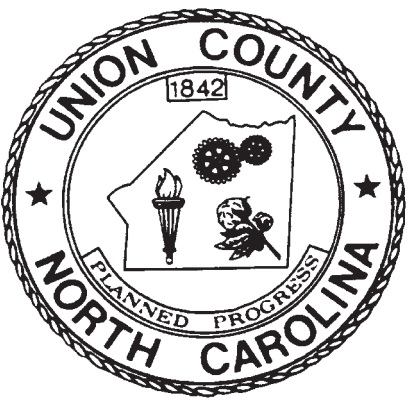
Jerry Simpson, Chairman
Todd Johnson, Vice-Chairman
Tracy Kuehler
Kim Rogers
Jonathan Thomas

County Officials

Cynthia Coto	County Manager
Matthew Delk	Assistant County Manager
Wesley Baker	Assistant to the County Manager - as of August 27, 2012
Jeffrey Yates	Finance Director - as of August 27, 2012
Wesley Baker	Finance Director - Interim until August 27, 2012
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
Neal Speer	Fire Marshall
Barry Wyatt	General Services Director
Carl Lucas	Information Technology Director
Mark Griffin	Inspections Director - as of September 8, 2012
Mark Griffin	Inspections Director - Interim until September 8, 2012
Wesley Baker	Internal Auditor - until June 30, 2012
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
Suzzane Moose	Social Services Director - Interim
Wayne Moser	Soil Conservation District Director
Jeff Crook	Staff Attorney
John Petoskey	Tax Administrator
Annette Sullivan	Transportation and Nutrition Services Director
Michelle Marciano	Veterans' Services Director

Union County, North Carolina
Organizational Chart
 June 30, 2012





Financial Section





POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, 2012, 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union County, North Carolina** as of June 30, 2012, 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 13, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Special Separation Allowance and the Other Postemployment Retiree Healthcare Benefits (OPEB) Schedules of Funding Progress and Schedules of Employer Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Union County's** basic financial statements. The introductory section, the combining and individual fund financial statements and schedules and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis 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, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

November 13, 2012
Monroe, North Carolina

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.

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, 2012. We encourage readers to consider 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.

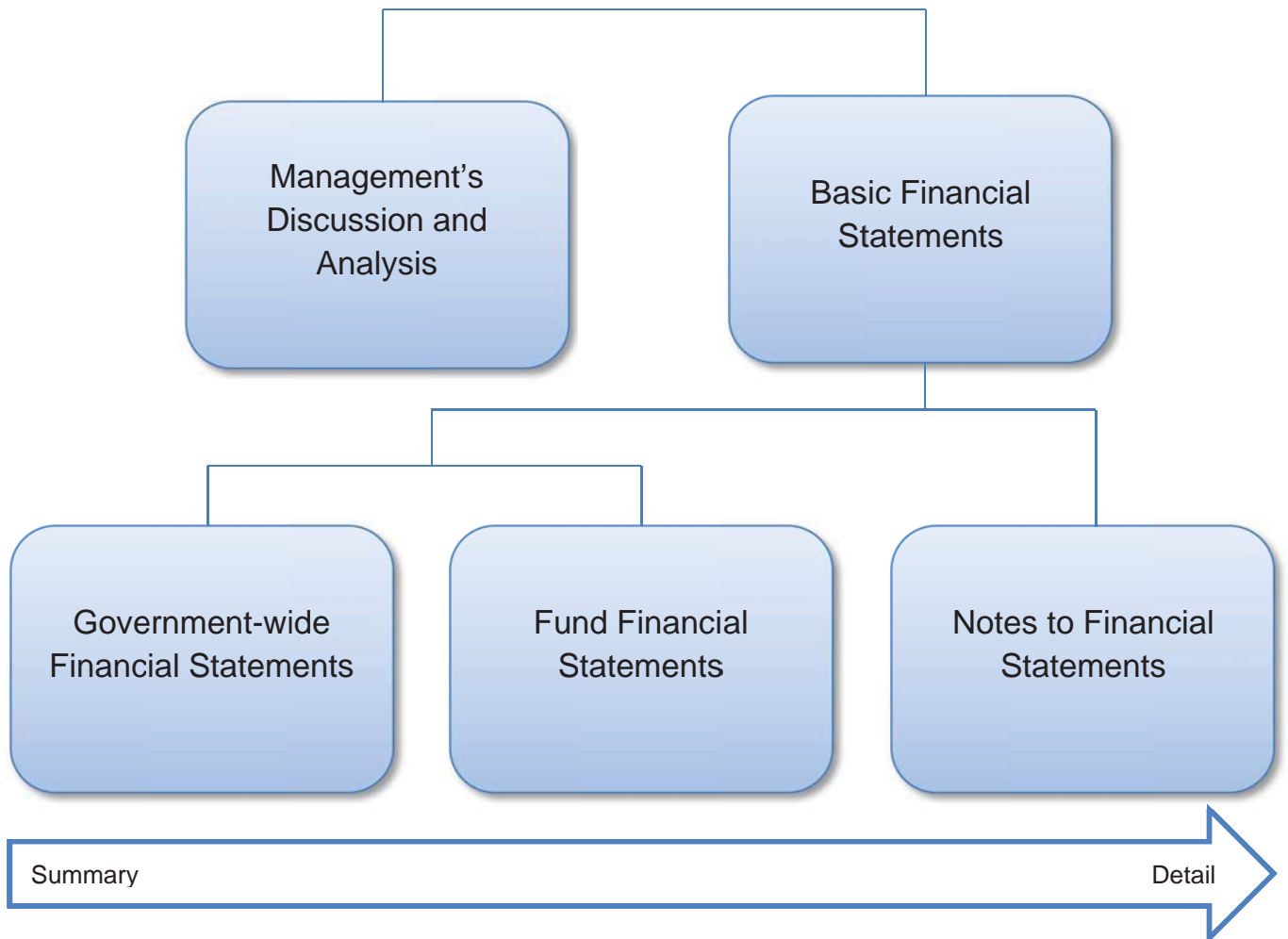
Financial Highlights

- The liabilities of Union County exceeded its assets at the close of the most recent fiscal year by \$52,683,170 (*net assets*), an improvement of \$86,749,450 from the prior fiscal year.
- Union County's governmental activities' total net assets reflected a deficit of \$297,492,876 largely because Union County recognizes the long-term liability for school related debt while the accompanying assets were transferred to the Union County Public Schools and South Piedmont Community College respectively. In accordance with North Carolina law, the County is financially responsible for funding school facilities and the issuance of any debt in connection with school facilities; however, since school assets are not reflected in the County's financial statements, school capital improvements are expensed.
- At the close of the current fiscal year, Union County's governmental funds reported combined fund balances of \$146,480,225, an increase of \$59,981,252 in comparison with the prior year. Approximately 35 percent of this amount (\$51,249,617) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$52,747,393, or approximately 23.9 percent of total general fund expenditures for the fiscal year.
- Union County's total outstanding long-term debt decreased by \$37,876,932 or 6.15 percent during the current fiscal year. The key factor in this decrease was annual debt service payments.
- Union County maintained its Aa1/AA/AA+ general obligation bond ratings and upgraded ratings of Aa2/AA-/AA for the enterprise system revenue bonds.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the 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 the Comprehensive Annual Financial Report (Figure 1)



Basic Financial Statements

The first two statements (Exhibits A & 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 and internal service funds, each of which are added together in separate

columns on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The *statement of net assets* presents financial information on all of the County's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 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 & 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 the General Statutes or the County's budget ordinance. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will available for spending in the next year. Governmental funds are

reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to 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*, Exhibits A and B) and governmental funds (Exhibits C and E) is described in reconciliations (Exhibits D and F) that are a part of the fund financial statements.

Union County adopts an annual budget for its General Fund, as required by the 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 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 *budgetary comparison statement* uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. 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.

Proprietary Funds – Union County maintains two different types of proprietary funds, Enterprise and Internal Service. *Enterprise funds* are used to 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 activity, solid waste activity, and stormwater activity.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for health benefits, worker's compensation, and property and casualty insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *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 the Stormwater operations. Conversely, the internal service funds are combined in a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements, in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found in Exhibits H through J of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Union County maintains eleven different fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Union County maintains two different types of fiduciary funds; *pension trust funds* and *agency funds*. Two *Pension Trust Funds* are used to report resources held in trust for qualified County retirees covered by the Special Separation Allowance Fund and the Other Postemployment Retiree Healthcare Benefits (OPEB) Fund.

The *Agency Funds* report resources held by Union County in a custodial capacity for individuals, private organizations or other governments. These funds include the Social Services Fund, Fines and Forfeitures Fund, Jail Inmate Fund, Monroe and Union County School District Funds, Municipal Tax Collection Fund, Deed of Trust Fee Fund, Gross Rental Receipts Tax Fund, and the Department of State Treasurer Motor Vehicle Tax Fund.

The basic fiduciary fund financial statements can be found in Schedules 34 through 36 of this report.

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 are found on pages 45-95 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Union County's progress in funding its obligation to provide separation allowance pension benefits to its employees and other postemployment retiree healthcare benefits (OPEB) to its retired employees. Required supplementary information regarding pension and OPEB funding can be found on Exhibits M through P of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on Schedules 1 through 8 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. The liabilities of Union County exceeded assets by \$52,683,170 as of June 30, 2012. One of the largest portions, \$197,148,338, reflects the County's investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt that was issued to acquire those assets. Union County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

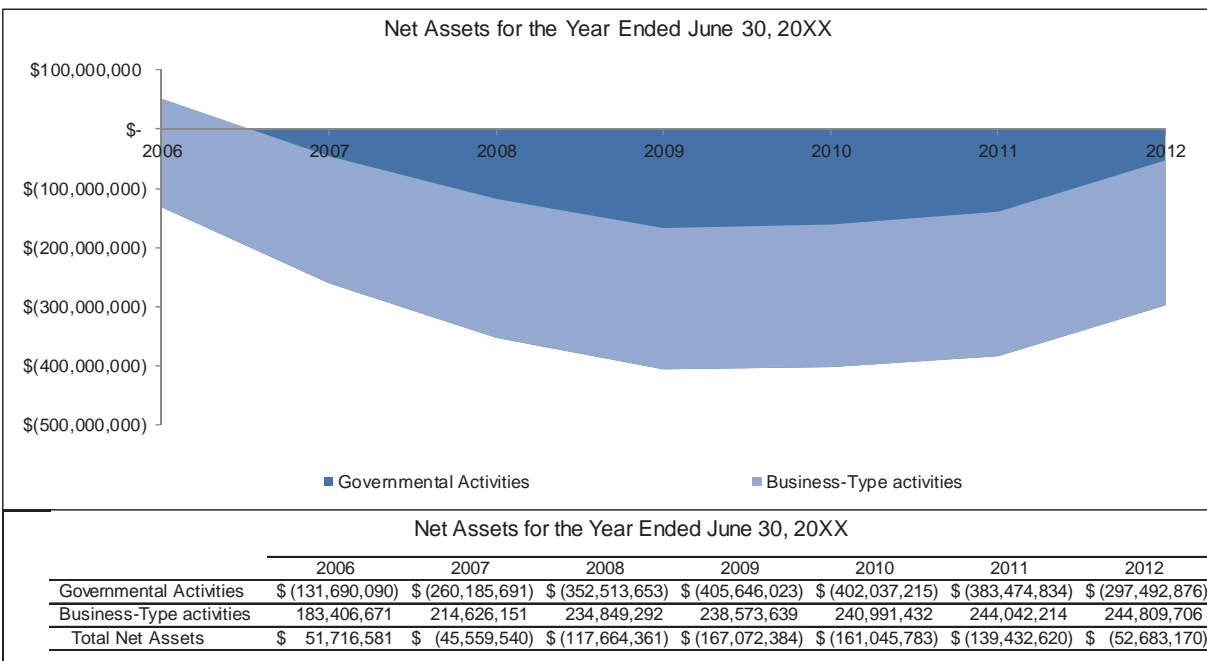
Although Union County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Union County's net assets, \$22,743,814, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$272,575,322 is unrestricted.

At the end of the current fiscal year, Union County reports a negative balance unrestricted category of net assets for governmental activities and positive balances for business-type activities. The same situation held true in prior fiscal years.

Union County, North Carolina
Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 195,857,892	\$ 126,298,926	\$ 115,287,502	\$ 112,889,577	\$ 311,145,394	\$ 239,188,503
Capital Assets	68,811,416	70,746,258	212,417,225	217,018,259	281,228,641	287,764,517
Total Assets	264,669,308	197,045,184	327,704,727	329,907,836	592,374,035	526,953,020
Long-Term Liabilities	517,118,904	534,546,342	75,241,732	79,477,199	592,360,636	614,023,541
Other Liabilities	45,043,280	45,973,676	7,653,289	6,388,423	52,696,569	52,362,099
Total Liabilities	562,162,184	580,520,018	82,895,021	85,865,622	645,057,205	666,385,640
Net Assets:						
Invested in capital assets, net of related debt	44,186,127	43,648,788	152,962,211	151,130,981	197,148,338	194,779,769
Restricted	22,189,074	24,290,336	554,740	2,880,533	22,743,814	27,170,869
Unrestricted	(363,868,077)	(451,413,958)	91,292,755	90,030,700	(272,575,322)	(361,383,258)
Total net assets	\$ (297,492,876)	\$ (383,474,834)	\$ 244,809,706	\$ 244,042,214	\$ (52,683,170)	\$ (139,432,620)

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets in the amount of \$363,868,077 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.



The County's overall net assets increased \$86,749,450 from the prior fiscal year. Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net assets.

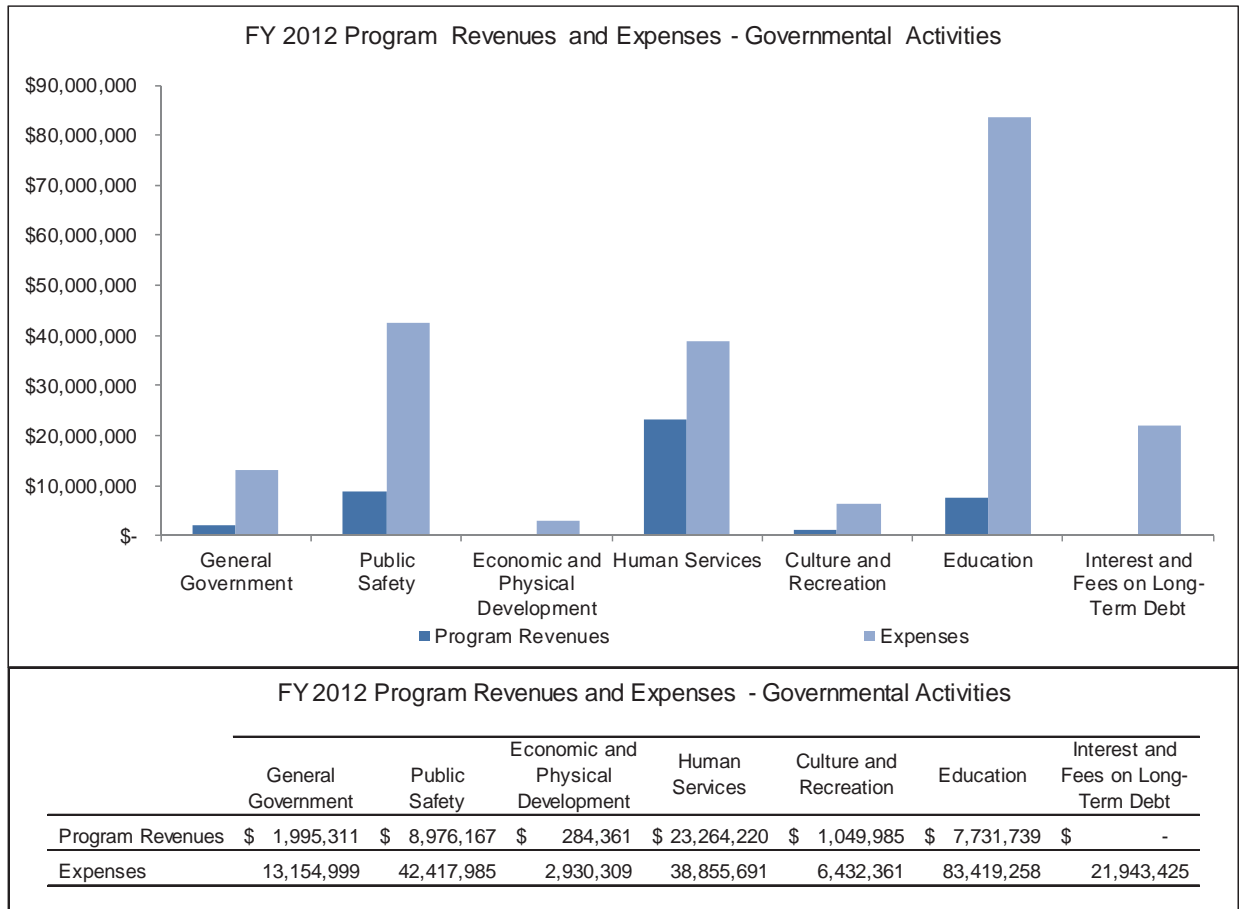
- Long-term debt decreased by \$37,876,932 or 6.15 percent during the current fiscal year. The key factor in this decrease was annual debt service payments.
- The County received \$54,000,000 as a one-time upfront lease payment from the County's hospital joint venture, Union Memorial Regional Medical Center, doing business as Carolinas Medical Center-Union (CMC-Union).

Union County, North Carolina						
Changes in Net Assets						
June 30, 2012 and 2011						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for Services	\$ 11,041,822	\$ 9,754,825	\$ 29,864,040	\$ 29,828,876	\$ 40,905,862	\$ 39,583,701
Operating grants and contributions	31,686,778	31,977,253	372,658	344,414	32,059,436	32,321,667
Capital grants and contributions	573,183	423,685	6,679,066	3,890,400	7,252,249	4,314,085
General Revenues:						
Property taxes	160,375,634	159,049,464	-	-	160,375,634	159,049,464
Other taxes	28,115,330	25,512,748	-	-	28,115,330	25,512,748
Grants and contributions not restricted to a specific purpose	86,716	108,028	-	-	86,716	108,028
Other	9,256,523	4,500,312	543,856	1,148,532	9,800,379	5,648,844
Extraordinary item	54,000,000	-	-	-	54,000,000	-
Total Revenues	295,135,986	231,326,315	37,459,620	35,212,222	332,595,606	266,538,537
Expenses:						
General government	13,154,999	12,770,039	-	-	13,154,999	12,770,039
Public safety	42,417,985	38,692,049	-	-	42,417,985	38,692,049
Economic and physical Environment	2,930,309	3,710,570	-	-	2,930,309	3,710,570
Human Services	38,855,691	37,806,928	-	-	38,855,691	37,806,928
Cultural and recreational	6,432,361	6,153,502	-	-	6,432,361	6,153,502
Education	83,419,258	90,656,362	-	-	83,419,258	90,656,362
Interest and fees on long-term debt	21,943,425	22,974,484	-	-	21,943,425	22,974,484
Water and sewer	-	-	29,762,394	27,785,295	29,762,394	27,785,295
Solid waste	-	-	4,497,006	4,184,286	4,497,006	4,184,286
Stormwater	-	-	148,634	191,859	148,634	191,859
Total Expenses	209,154,028	212,763,934	34,408,034	32,161,440	243,562,062	244,925,374
Increase in net assets	85,981,958	18,562,381	3,051,586	3,050,782	89,033,544	21,613,163
Net assets as of July 1	(383,474,834)	(402,037,215)	244,042,214	240,991,432	(139,432,620)	(161,045,783)
Prior Period Adjustment *	-	-	(2,284,094)	-	(2,284,094)	-
Net assets as of June 30	\$ (297,492,876)	\$ (383,474,834)	\$ 244,809,706	\$ 244,042,214	\$ (52,683,170)	\$ (139,432,620)

* See Note 23

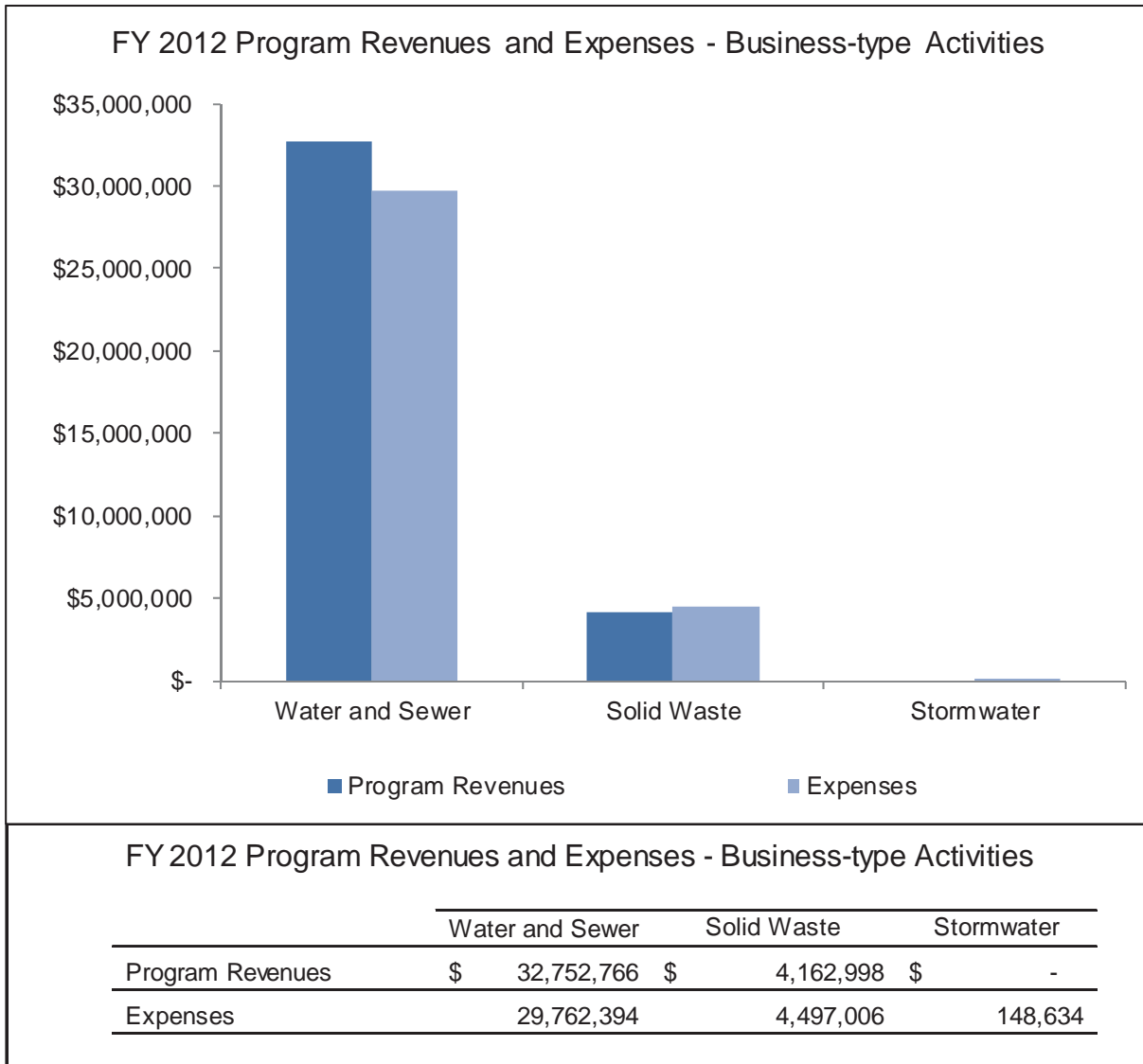
Governmental Activities – During the current fiscal year, net assets for governmental activities increased \$85,981,958 from the prior fiscal year for an ending negative balance of \$297,492,876. This is due to previously mentioned annual debt service payments and the one-time upfront lease payment from the hospital joint venture.

The majority of the County’s expenses are related to education, \$83,419,258 (39.9 percent); public safety, \$42,417,985 (20.3 percent); and human services, \$38,855,691 (18.6 percent).



Business-type Activities – For Union County’s business-type activities, the results for the current fiscal year were positive in that overall net assets increased by \$3,051,586 to reach an ending balance of \$244,809,706.

The majority of the County’s business-type expenses are related to water and sewer, \$29,762,394 (86.5 percent) and solid waste, \$4,497,006 (13.1 percent).



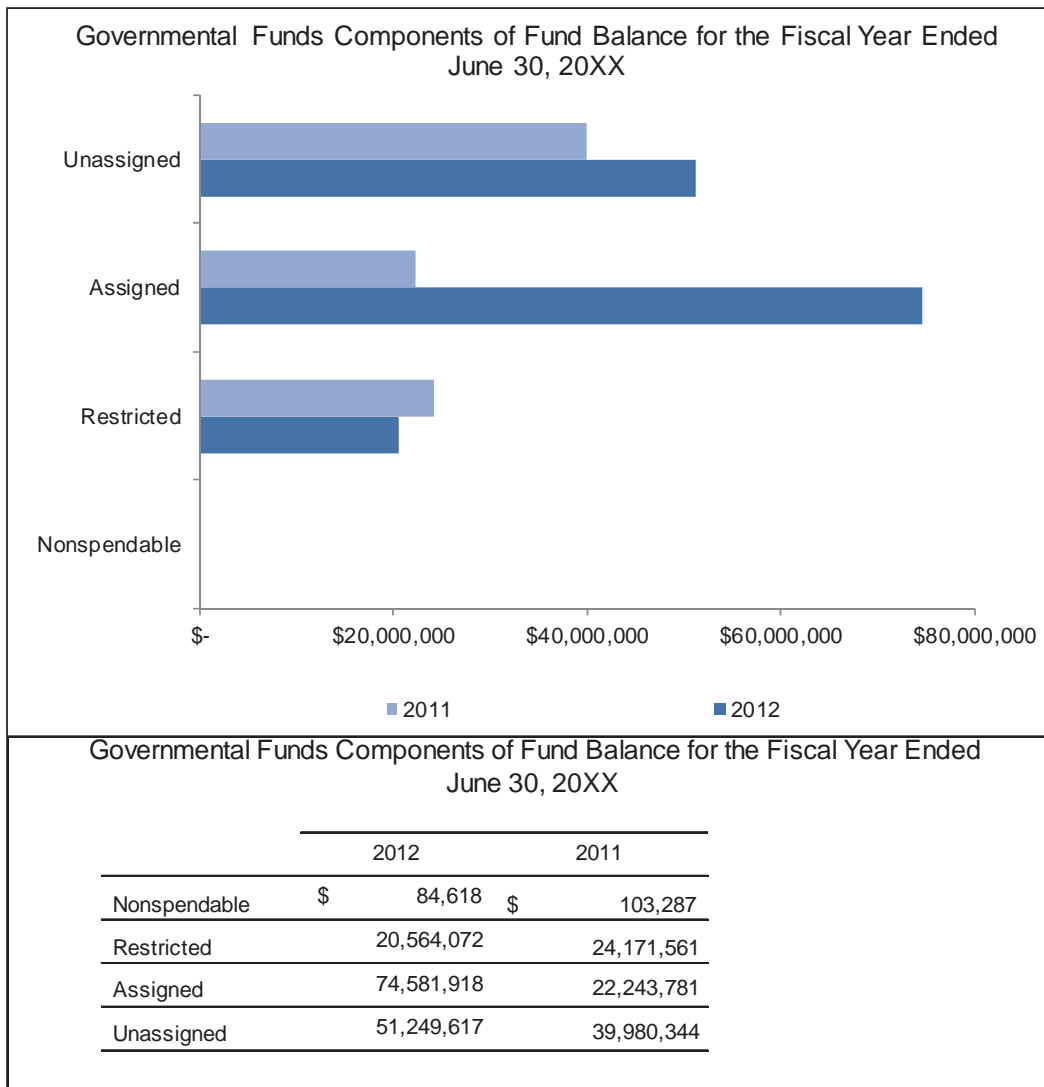
Financial Analysis of the County's Funds

As noted earlier, Union County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of Union County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance (fund balance available for appropriation), may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, Union County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by Union County's Board of Commissioners.

At June 30, 2012, Union County's governmental funds reported combined fund balances of \$146,480,225, an increase of \$59,981,252 in comparison with the prior year. Approximately

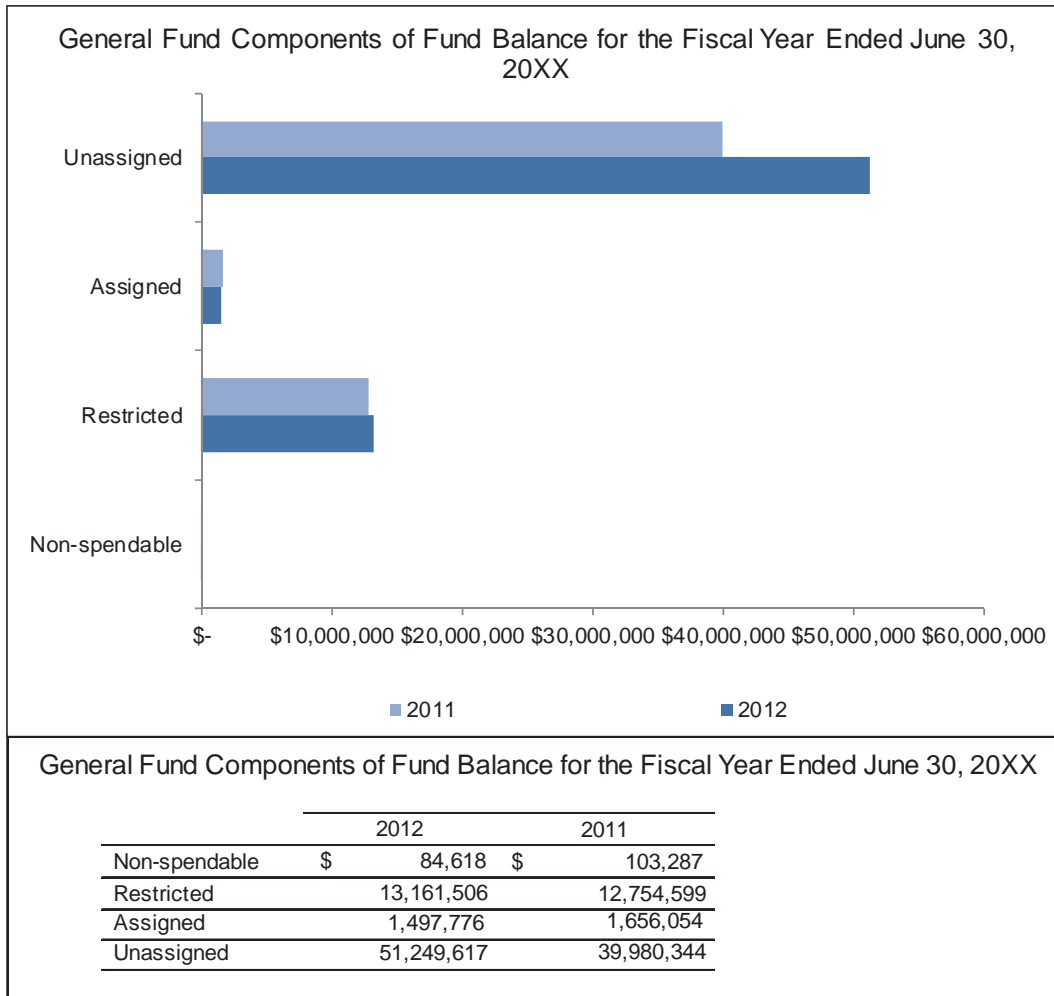
35.0 percent of this amount (\$51,249,617) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *non-spendable*, *restricted*, or *assigned* to indicate that it is 1) non-spendable and not in a spendable form (\$84,618), 2) restricted to specific purposes as imposed by law (\$20,564,072), or 3) assigned and intended to be used for specific purposes (\$74,581,918).



The General Fund is the chief operating fund of Union County. At the end of the current fiscal year, the County’s unassigned fund balance of the General Fund was \$51,249,617, while total fund balance increased by \$11,499,233, from \$54,494,284 to \$65,993,517. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

The Board of Commissioners has determined that the County should maintain an available unassigned fund balance of 16 percent of total expenditures including regular inter-fund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. As of June 30, 2012, the County has an unassigned fund balance of 23.3

percent of general fund expenditures, while total fund balances represents 29.9 percent of that same amount.



The increase was primarily due to \$4.7 million of hospital lease revenue, \$2.3 million in local option sales tax, and other revenues and efficiencies.

The fund balance of the General Capital Project Fund, a major fund, had a net increase of \$53,677,736 to \$73,050,880 due in large part to an inter-fund transfer from the General Fund of \$57,000,000. This was comprised of the \$54,000,000 received from the hospital joint venture and \$3,000,000 due to revenues and efficiencies of the General Fund.

The School Bond Fund 55, the remaining major governmental fund, had a decrease in fund balance during the current year of \$2,432,019 to bring the year end fund balance to \$910,725. The decrease essentially results from continued contributions to school related capital projects.

Proprietary Funds – Union 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 Water and Sewer Fund at the end of the year was \$87,285,510; an increase of \$1,386,876. The increase was primarily due to a rise in customer accounts, capacity fees and operating efficiencies.

Unrestricted net assets of the Solid Waste Fund at the end of the year was \$4,284,545; a decrease of \$143,170. The decrease was largely due to a net loss of \$289,776 for the current year, due primarily to higher operating expenses.

Unrestricted net assets of the Stormwater Fund at the end of the year was to \$42,824; an increase of \$13,032. This was a result of lower operating expenses.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget – During the year 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.

The General Fund final budget for expenditures increased \$9,831,281 primarily due to the increases in human services and public safety. The General Fund final budget for revenue increased by \$2,634,762, primarily due to an increase in intergovernmental revenues from federal and State grants. The \$54,000,000 extraordinary revenue from the joint venture with Union Memorial Regional Medical Center d/b/a Carolinas Medical Center-Union was appropriated as an inter-fund transfer to the General Capital Project Fund.

Final Budget Compared to Actual Results – The most significant differences between estimated revenues and actual revenues were as follows:

FY 2012 General Fund Revenue Compared to Estimates			
	Estimated	Actual	Differences
Ad valorem taxes	\$ 154,095,627	\$ 156,545,802	\$ 2,450,175
Local option sales tax	23,000,000	25,665,902	2,665,902
Other taxes and license	1,522,500	1,742,152	219,652
Intergovernmental	29,870,690	30,654,996	784,306
Permits and fees	2,424,696	3,014,314	589,618
Sales and services	5,334,000	5,266,772	(67,228)
Investment earnings	1,000,000	1,057,509	57,509
Miscellaneous	3,032,950	8,693,729	5,660,779
Extraordinary item	54,000,000	54,000,000	-

The surplus in the above revenue sources was reflective of an improving economy during the current year.

Capital Assets and Debt Administration

Capital Assets – Union County’s investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$281,228,641 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and water and wastewater infrastructure. The total decrease in capital assets for the current fiscal year was approximately 1.4 percent.

Union County, North Carolina Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011 (as restated)	2012	2011 (as restated)
Land	\$ 4,812,189	\$ 4,812,189	\$ 2,860,642	\$ 2,860,642	\$ 7,672,831	\$ 7,672,831
Buildings	42,772,318	42,490,635	842,556	966,338	43,614,874	43,456,973
Infrastructure	-	-	194,939,742	202,362,306	194,939,742	202,362,306
Improvements other than buildings	3,763,181	4,003,147	577,349	617,092	4,340,530	4,620,239
Machinery and equipment	13,318,300	15,062,649	931,571	1,067,303	14,249,871	16,129,952
Construction in progress	4,145,428	4,377,638	12,265,365	6,609,244	16,410,793	10,986,882
Total Capital Assets	\$ 68,811,416	\$ 70,746,258	\$ 212,417,225	\$ 214,482,925	\$ 281,228,641	\$ 285,229,183

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles and related mobile data equipment; and replacement of transportation vehicles
- Repainting the Historic Courthouse
- Continuation of the acquisition and installation of a public safety radio communications equipment
- Continuation of construction related to various Government Facility renovations
- Continuation of Jail roof replacement
- Continuation of Jail control system replacement
- Continuation of technology and related equipment improvements for the Information Technology, Inspections, and Social Services Departments
- Continuation of engineering and design services in connection with the Catawba River Water Treatment Plant (CRWTP) expansion
- Continuation of engineering and design services in connection with the Catawba River Water Treatment Plant (CRWTP) reservoir expansion from 40 MG to 850 MG
- Continuation of engineering and design services in connection with the Twelve Mile Creek Waste Water Treatment Plant (WWTP) expansion
- Continuation of construction of East Side sewer system improvements
- Continuation of construction of Tallwood WWTP replacement
- Continuation of construction of Olde Sycamore WWTP replacement
- Continuation of construction of Twelve Mile Creek sewer diversion to the Charlotte Mecklenburg Utility Department (CMUD)
- Receipt of contributed capital consisting of approximately \$2.0 million for water and sewer distribution and collection systems

Additional information on Union County's capital assets can be found in Note 6 of this report.

Long-term Debt – At the end of the current fiscal year, the County had total debt outstanding of \$578,113,601. Of this amount, \$416,155,837 is debt backed by the full faith and credit of the government. The remainder of Union County's long-term obligations is comprised of certificates of participation, installment financing, revenue bonds, and State sanitary sewer loans (other).

Union County, North Carolina Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$415,264,622	\$439,916,948	\$ 891,215	\$ 1,436,557	\$416,155,837	\$441,353,505
Certificates of participation	89,729,408	95,100,626	-	-	89,729,408	95,100,626
Installment financing	6,931,484	7,777,327	-	-	6,931,484	7,777,327
Revenue Bonds	-	-	52,128,389	57,606,895	52,128,389	57,606,895
Other	-	-	13,168,483	14,152,180	13,168,483	14,152,180
Total	\$511,925,514	\$542,794,901	\$ 66,188,087	\$ 73,195,632	\$578,113,601	\$615,990,533

Union County's total debt decreased \$37,876,932 during the past fiscal year, mainly due to annual debt service payments.

As mentioned in the financial highlights section of this document, Union County maintained its general obligation bond rating of Aa1 from Moody's Investor Services and AA from Standard and Poor's Corporation and AA+ from Fitch Ratings. The Enterprise System Revenue bond rating for the County is Aa2 from Moody's Investor Services and AA- from Standard and Poor's Corporation and AA from Fitch Ratings. These bond ratings are a clear indication of the sound financial condition of Union County. Union County is one of the few counties in the country that maintains high financial ratings from all major rating agencies. This achievement is a key factor in keeping interest costs low on the County's outstanding debt.

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 \$1,373,524,913. The County has no authorized but unissued bonds as of June 30, 2012.

Additional information regarding Union County's long-term debt can be found in Note 16 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect Union County and were considered during the development of the FY 2013 budget and rates:

- North Carolina's statewide unemployment rate (not seasonally adjusted) was 8.9 percent in September. This was a 0.8 of a percentage-point decrease from August's revised rate of 9.7 percent, and a 1.5 percentage-point decrease over the year. Over the month, the unemployment rate decreased in 97 counties, increased in one and remained the same

in two. Thirty-six counties had unemployment rates at or below the state's 8.9 percent rate.¹

- The County's unemployment rate was 7.6 percent in September 2012. This was a 0.7 of a percentage-point decrease from August's revised rate of 8.3 percent and a decrease of 1.5 percent from September 2011. The County's unemployment rate is below the state's 8.9 percent rate.²
- The Conference Board, a New York based private research group, announced Thursday, November 1, 2012, that it's Consumer Confidence Index, which had increased in September, improved again in October. The Index now stands at 72.2 (1985=100), up from 68.4 in September. The Present Situation Index increased to 56.2 from 48.7. The Expectations Index rose to 82.9 from 81.5 last month. The Conference Board also announced on Monday, November 05, 2012, that it's, Employment Trends Index (ETI) increased in October, following a decline in September. The index now stands at 108.16, up from the revised figure of 107.63 in September. The October figure remains 4.6 percent higher than a year ago.²
- Housing data continues to show a slow improvement. Concerning building permits, "Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 894,000. This is 11.6 percent ($\pm 1.1\%$) above the revised August rate of 801,000 and is 45.1 percent ($\pm 1.8\%$) above the September 2011 estimate of 616,000.
- Additionally, "Single-family authorizations in September were at a rate of 545,000; this is 6.7 percent ($\pm 0.9\%$) above the revised August figure of 511,000. Authorizations of units in buildings with five units or more were at a rate of 323,000 in September.
- Housing starts are also showing signs of economic improvements. "Privately-owned housing starts in September were at a seasonally adjusted annual rate of 872,000. This is 15.0 percent ($\pm 12.1\%$) above the revised August estimate of 758,000 and is 34.8 percent ($\pm 18.2\%$) above the September 2011 rate of 647,000"
- Additionally, "Single-family housing starts in September were at a rate of 603,000; this is 11.0 percent ($\pm 11.1\%$) above the revised August figure of 543,000. The September rate for units in buildings with five units or more was 260,000."
- The County's housing data is also starting to show signs of economic improvements. For September 2012 there were 177 building permits issued county-wide, compared to September 2011 of 137; showing a 29.2 percent increase. There were 669 building permits issued from July 2012 thru September 2012, compared to July 2011 thru September 2011 of 473; showing a 41.44 percent increase.³
- Housing data represents an indicator of overall economic health, as well as an indicator of the mind of the consumer. Increases nationally and locally in permits and starts demonstrate positive growth, which in turn leads to growth in other sectors. These indices have market impact as investors watch to attempt to forecast the economic future, thus moving markets higher or lower.

¹ North Carolina Employment Security Commission, NC Department of Commerce – Labor and Economic Analysis Division, News Release, November 2, 2012. This report can be found at <http://www.ncesc1.com/PMI/rates/ratesmain.asp#county>

² Additional information concerning The Conference Board and the ETI can be found at www.conference-board.org

³ The County's data includes permits issued by Union County, City of Monroe, and the Town of Waxhaw.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities – Property taxes (reflective of economic conditions) and local option sales taxes are expected to lead the increase in revenue projections by 1.7 percent. The County will use these increase in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decrease approximately 0.3 percent to \$646,267. The largest portion of this net decrease was due to declining public assistance costs.

During the current fiscal year, the unassigned fund balance in the general fund was \$51,249,617. Union County has appropriated \$1,012,349 of this amount for spending in the FY 2013 budget. This action was taken as an additional measure to mitigate the impact of the recession on the FY 2013 budget. In November 2012, Union County Public Schools returned \$1.65 million of funding originally intended for teachers' assistants that were subsequently funded by State funds.

Business-type Activities – On February 20, 2012 the Board of County Commissioners adopted an ordinance setting charges, fees, rates and deposits for public works customers and setting new water and sewer rates for a three year period beginning in April 2012.

The water and sewer rates in the County will increase by 3.5 percent, primarily to cover increased costs of operations and the *Comprehensive Water and Wastewater Master Plan*.

Request 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 request for additional information should be directed to Jeffrey Yates, Finance Director, Union County, 500 N. Main Street, Monroe, North Carolina. You can also call (704)-283-3631, visit our website at www.co.union.nc.us, or send an email to finance@co.union.nc.us for more information.

Basic Financial Statements

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and investments	\$ 38,016,236	\$ 68,665,694	\$ 106,681,930
Property taxes receivable (net)	5,281,983	-	5,281,983
Accounts receivable (net)	12,812,292	4,967,979	17,780,271
Inventories	22,506	613,605	636,111
Internal balances	320,124	(320,124)	-
Cash and investments, restricted	75,787,144	554,740	76,341,884
Cash and investments, restricted-deposits	946,265	373,664	1,319,929
Total current assets	<u>133,186,550</u>	<u>74,855,558</u>	<u>208,042,108</u>
Noncurrent assets:			
Cash and investments	29,495,387	17,888,552	47,383,939
Accounts receivable	62,112	424,400	486,512
Net prepaid pension obligation	1,399,487	188,170	1,587,657
Unamortized bond issuance cost	3,983,709	1,066,076	5,049,785
Unamortized swap termination costs	4,601,661	-	4,601,661
Derivative instrument investment	812,767	-	812,767
Deferred outflows on derivative instruments	22,316,219	5,995,606	28,311,825
Investment in joint venture	-	14,869,140	14,869,140
Capital assets:			
Land and other assets not being depreciated	8,957,617	15,126,007	24,083,624
Buildings, equipment and infrastructure,	59,853,799	197,291,218	257,145,017
Total noncurrent assets	<u>131,482,758</u>	<u>252,849,169</u>	<u>384,331,927</u>
Total assets	<u>264,669,308</u>	<u>327,704,727</u>	<u>592,374,035</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	10,868,513	3,133,453	14,001,966
Unearned revenue	341,179	-	341,179
Deposits	946,264	373,664	1,319,928
Current portion of long-term obligations	30,958,915	4,146,172	35,105,087
Liabilities payable from restricted assets	900,484	-	900,484
Workers' compensation claims	184,142	-	184,142
Health care benefits	843,783	-	843,783
Total current liabilities	<u>45,043,280</u>	<u>7,653,289</u>	<u>52,696,569</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,133,897	4,133,897
Water right acquisition obligation	-	155,081	155,081
Compensated absences	3,175,838	399,026	3,574,864
Net OPEB obligation	10,660,248	1,185,480	11,845,728
Unearned revenue	-	1,305,459	1,305,459
Derivative liability	22,316,219	6,020,874	28,337,093
Noncurrent portion of long-term obligations	480,966,599	62,041,915	543,008,514
Total noncurrent liabilities	<u>517,118,904</u>	<u>75,241,732</u>	<u>592,360,636</u>
Total liabilities	<u>562,162,184</u>	<u>82,895,021</u>	<u>645,057,205</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,186,127	152,962,211	197,148,338
Restricted for:			
Stabilization by State Statute	16,892,566	-	16,892,566
General Government	9,838	-	9,838
Public safety	2,584,506	-	2,584,506
Economic and physical development	29,021	-	29,021
Human Services	202,719	-	202,719
Cultural and recreational	113,834	-	113,834
Education	957,103	-	957,103
Debt service	-	554,740	554,740
Pension benefits	1,399,487	-	1,399,487
Unrestricted	(363,868,077)	91,292,755	(272,575,322)
Total net assets	<u>\$ (297,492,876)</u>	<u>\$ 244,809,706</u>	<u>\$ (52,683,170)</u>

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

Statement of Activities
For the Year Ended June 30, 2012

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	\$ 13,154,999	\$ 1,171,002	\$ 441,876	\$ 382,433	\$ (11,159,688)	\$ -	\$ (11,159,688)
Public safety	42,417,985	5,135,843	3,840,324	-	(33,441,818)	-	(33,441,818)
Economic and physical development	2,930,309	101,638	182,723	-	(2,645,948)	-	(2,645,948)
Human services	38,855,691	3,607,474	19,465,996	190,750	(15,591,471)	-	(15,591,471)
Cultural and recreational	6,432,361	704,547	345,438	-	(5,382,376)	-	(5,382,376)
Education	83,419,258	321,318	7,410,421	-	(75,687,519)	-	(75,687,519)
Interest and fees on long term debt	21,943,425	-	-	-	(21,943,425)	-	(21,943,425)
Total governmental activities	<u>209,154,028</u>	<u>11,041,822</u>	<u>31,686,778</u>	<u>573,183</u>	<u>(165,852,245)</u>	<u>-</u>	<u>(165,852,245)</u>
Business-type activities:							
Water and sewer	29,762,394	26,073,700	-	6,679,066	-	2,990,372	2,990,372
Solid waste	4,497,006	3,790,340	372,658	-	-	(334,008)	(334,008)
Stormwater	148,634	-	-	-	-	(148,634)	(148,634)
Total business-type activities	<u>34,408,034</u>	<u>29,864,040</u>	<u>372,658</u>	<u>6,679,066</u>	<u>-</u>	<u>2,507,730</u>	<u>2,507,730</u>
Total primary government	<u>\$ 243,562,062</u>	<u>\$ 40,905,862</u>	<u>\$ 32,059,436</u>	<u>\$ 7,252,249</u>	<u>(165,852,245)</u>	<u>2,507,730</u>	<u>(163,344,515)</u>
General revenues:							
Property taxes levied for general purposes					160,375,634	-	160,375,634
Local option sales tax					26,373,178	-	26,373,178
Other taxes and licenses					1,742,152	-	1,742,152
Grants and contributions not restricted to specific programs					86,716	-	86,716
Rent income not restricted to specific programs					7,666,879	-	7,666,879
Investment earnings, unrestricted					1,429,626	490,219	1,919,845
Miscellaneous, unrestricted					32,836	-	32,836
Gains on sales and disposals of capital assets					127,182	53,637	180,819
Total general revenues excluding extraordinary item					<u>197,834,203</u>	<u>543,856</u>	<u>198,378,059</u>
Extraordinary item - rent income (see Note 24)					54,000,000	-	54,000,000
Total general revenues and extraordinary item					<u>251,834,203</u>	<u>543,856</u>	<u>252,378,059</u>
Change in net assets					<u>85,981,958</u>	<u>3,051,586</u>	<u>89,033,544</u>
Net assets - beginning as previously stated					(383,474,834)	244,042,214	(139,432,620)
Prior period adjustment (see Note 23)					-	(2,284,094)	(2,284,094)
Net assets - beginning as restated					<u>(383,474,834)</u>	<u>241,758,120</u>	<u>(141,716,714)</u>
Net assets - ending					<u>\$ (297,492,876)</u>	<u>\$ 244,809,706</u>	<u>\$ (52,683,170)</u>

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

Balance Sheet
Governmental Funds
 June 30, 2012

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 59,207,244	\$ 73,366,989	\$ -	\$ 5,406,600	\$ 137,980,833
Property taxes receivable (net)	5,199,692	-	-	152,723	5,352,415
Accounts receivable (net)	12,204,036	-	-	267,142	12,471,178
Accounts receivable, long-term	62,112	-	-	-	62,112
Inventories	22,506	-	-	-	22,506
Cash and investments, restricted	33,082	46,378	1,441,971	898,724	2,420,155
Cash and investments, restricted-deposits	946,264	-	-	-	946,264
Total assets	<u>\$ 77,674,936</u>	<u>\$ 73,413,367</u>	<u>\$ 1,441,971</u>	<u>\$ 6,725,189</u>	<u>\$ 159,255,463</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 5,126,218	\$ 362,487	\$ -	\$ 33,882	\$ 5,522,587
Deferred revenue	5,199,692	-	-	152,723	5,352,415
Unearned revenue	409,245	-	-	6,730	415,975
Deposits	946,264	-	-	-	946,264
Liabilities payable from restricted assets	-	-	531,246	6,751	537,997
Total liabilities	<u>11,681,419</u>	<u>362,487</u>	<u>531,246</u>	<u>200,086</u>	<u>12,775,238</u>
FUND BALANCES					
Nonspendable	84,618	-	-	-	84,618
Restricted	13,161,506	3,514,592	910,725	2,977,249	20,564,072
Assigned	1,497,776	69,536,288	-	3,547,854	74,581,918
Unassigned	51,249,617	-	-	-	51,249,617
Total fund balances	<u>65,993,517</u>	<u>73,050,880</u>	<u>910,725</u>	<u>6,525,103</u>	<u>146,480,225</u>
Total liabilities and fund balances	<u>\$ 77,674,936</u>	<u>\$ 73,413,367</u>	<u>\$ 1,441,971</u>	<u>\$ 6,725,189</u>	<u>\$ 159,255,463</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, 2012

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

Ending fund balance - governmental funds	\$ 146,480,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,811,416
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.	1,399,487
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,281,986
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	74,796
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.	1,129,475
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.	485,250
Internal service funds are used by management to charge the costs of property and casualty insurance to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	528,881
Internal balance due from Business Type Activities to Governmental Activities.	320,124
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(3,175,838)
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.	(10,660,248)
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).	812,767
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>(508,981,197)</u>
Net assets of governmental activities	<u>\$ (297,492,876)</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, 2012

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 156,545,802	\$ -	\$ -	\$ 4,363,488	\$ 160,909,290
Local option sales tax	25,665,902	-	-	707,276	26,373,178
Other taxes and licenses	1,742,152	-	-	1,004,522	2,746,674
Intergovernmental	30,654,996	382,433	-	15,901	31,053,330
Permits and fees	3,014,314	-	-	2,085,215	5,099,529
Sales and services	5,266,772	-	-	15,000	5,281,772
Investment earnings	1,057,509	-	-	12,338	1,069,847
Miscellaneous	8,693,729	16,363	-	94,375	8,804,467
Total revenues	<u>232,641,176</u>	<u>398,796</u>	<u>-</u>	<u>8,298,115</u>	<u>241,338,087</u>
EXPENDITURES					
Current:					
General government	10,710,634	425,429	-	102,000	11,238,063
Public safety	30,509,746	32,421	-	9,454,902	39,997,069
Economic and physical development	2,734,165	-	-	-	2,734,165
Human services	37,773,782	22,242	-	-	37,796,024
Cultural and recreational	5,759,098	29,789	-	-	5,788,887
Intergovernmental:					
Education	80,562,304	-	-	-	80,562,304
Capital outlay:					
General government	-	1,665,395	-	-	1,665,395
Public safety	-	992,752	-	-	992,752
Human services	-	200,904	-	-	200,904
Cultural and recreational	-	20,828	-	-	20,828
Education	-	331,300	2,432,019	-	2,763,319
Debt service:					
Principal retirement	29,506,575	-	-	-	29,506,575
Interest and fees	22,861,021	-	-	-	22,861,021
Total expenditures	<u>220,417,325</u>	<u>3,721,060</u>	<u>2,432,019</u>	<u>9,556,902</u>	<u>236,127,306</u>
Excess (deficiency) of revenues over (under) expenditures	12,223,851	(3,322,264)	(2,432,019)	(1,258,787)	5,210,781
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,510,656	57,000,000	-	5,745	58,516,401
Transfers to other funds	(57,005,745)	-	-	(1,510,656)	(58,516,401)
Proceeds from refunding general obligation bonds	28,845,000	-	-	-	28,845,000
Proceeds from refunding general obligation bonds issuance premium, etc	3,491,145	-	-	-	3,491,145
Proceeds from refunding installment financing	40,240,000	-	-	-	40,240,000
Proceeds from refunding installment financing issuance premium, etc	3,864,556	-	-	-	3,864,556
Payments to refunded bonds escrow agents	(32,046,173)	-	-	-	(32,046,173)
Payments to refunded installment financing escrow agents	(43,624,057)	-	-	-	(43,624,057)
Total other financing sources (uses)	<u>(54,724,618)</u>	<u>57,000,000</u>	<u>-</u>	<u>(1,504,911)</u>	<u>770,471</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditure and other financing uses before extraordinary item	(42,500,767)	53,677,736	(2,432,019)	(2,763,698)	5,981,252
EXTRAORDINARY ITEM					
Miscellaneous revenue - rent income - see Note 24	54,000,000	-	-	-	54,000,000
Net change in fund balances	11,499,233	53,677,736	(2,432,019)	(2,763,698)	59,981,252
FUND BALANCES					
Beginning	54,494,284	19,373,144	3,342,744	9,288,801	86,498,973
Ending	<u>\$ 65,993,517</u>	<u>\$ 73,050,880</u>	<u>\$ 910,725</u>	<u>\$ 6,525,103</u>	<u>\$ 146,480,225</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, 2012

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

Net change in fund balances - total governmental funds	\$ 59,981,252
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.	(1,921,578)
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)
Net book value of assets sold	(13,264)
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.	(533,656)
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.	366,138
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.	(6,360)
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.	30,261,234
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,176,921)
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.	(1,668)
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.	41,740
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.	-
Change in net assets of governmental activities	<u>\$ 85,981,958</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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 154,015,627	\$ 154,095,627	\$ 156,545,802	\$ 2,450,175
Local option sales tax	23,000,000	23,000,000	25,665,902	2,665,902
Other taxes and licenses	1,522,500	1,522,500	1,742,152	219,652
Intergovernmental	27,451,461	29,870,690	30,654,996	784,306
Permits and fees	2,424,696	2,424,696	3,014,314	589,618
Sales and services	5,234,000	5,334,000	5,266,772	(67,228)
Investment earnings	1,000,000	1,000,000	1,057,509	57,509
Miscellaneous	2,997,417	3,032,950	8,693,729	5,660,779
Total revenues	<u>217,645,701</u>	<u>220,280,463</u>	<u>232,641,176</u>	<u>12,360,713</u>
EXPENDITURES				
Current:				
General government	10,875,873	11,834,726	10,710,634	1,124,092
Public safety	29,150,259	31,897,921	30,509,746	1,388,175
Economic and physical development	2,707,967	3,179,927	2,734,165	445,762
Human services	36,984,441	41,483,384	37,773,782	3,709,602
Cultural and recreational	5,476,849	6,241,730	5,759,098	482,632
Intergovernmental:				
Education	80,612,687	80,588,476	80,562,304	26,172
Debt service:				
Principal retirement	29,406,581	29,506,575	29,506,575	-
Interest and fees	22,879,545	23,496,600	22,861,021	635,579
Contingency	500,000	302,347	-	302,347
Nondepartmental	562,155	455,952	-	455,952
Total expenditures	<u>219,156,357</u>	<u>228,987,638</u>	<u>220,417,325</u>	<u>8,570,313</u>
Revenues over (under) expenditures	<u>(1,510,656)</u>	<u>(8,707,175)</u>	<u>12,223,851</u>	<u>20,931,026</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,510,656	1,510,656	1,510,656	-
Transfers to other funds	-	(57,005,745)	(57,005,745)	-
Proceeds from refunding general obligation bonds	-	28,845,000	28,845,000	-
Proceeds from refunding general obligation bonds issuance premium, etc	-	3,491,145	3,491,145	-
Proceeds from refunding installment financing	-	40,240,000	40,240,000	-
Proceeds from refunding installment financing issuance premium, etc	-	3,864,555	3,864,556	1
Payments to refunded bonds escrow agents	-	(32,046,175)	(32,046,173)	2
Payments to refunded installment financing escrow agents	-	(44,275,360)	(43,624,057)	651,303
Total other financing sources (uses)	<u>1,510,656</u>	<u>(55,375,924)</u>	<u>(54,724,618)</u>	<u>651,306</u>
Revenues and other financing sources over (under) expenditures and other financing uses before extraordinary item	-	(64,083,099)	(42,500,767)	21,582,332
EXTRAORDINARY ITEM				
Miscellaneous revenue - rent income - see Note 24	-	54,000,000	54,000,000	-
APPROPRIATED FUND BALANCE				
Revenues, other financing sources, extraordinary item and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>11,499,233</u>	<u>\$ 11,499,233</u>
FUND BALANCES				
Beginning			54,494,284	
Ending			<u>\$ 65,993,517</u>	

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

Statement of Net Assets
Proprietary Funds

June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and investments	\$ 61,613,105	\$ 7,006,958	\$ 45,631	\$ 68,665,694	\$ 2,897,778
Accounts receivable (net)	4,557,972	410,007	-	4,967,979	341,112
Inventories	613,605	-	-	613,605	-
Cash and investments, restricted	554,740	-	-	554,740	-
Cash and investments, restricted-deposits	369,784	3,880	-	373,664	-
Total current assets	<u>67,709,206</u>	<u>7,420,845</u>	<u>45,631</u>	<u>75,175,682</u>	<u>3,238,890</u>
Noncurrent assets:					
Cash and investments	16,074,749	1,802,074	11,729	17,888,552	-
Accounts receivable	424,400	-	-	424,400	-
Net prepaid pension obligation	158,220	26,384	3,566	188,170	-
Unamortized bond issuance costs	1,066,076	-	-	1,066,076	-
Capital assets:				-	
Investment in joint venture	14,869,140	-	-	14,869,140	-
Deferred outflows on derivative instruments	5,995,606	-	-	5,995,606	-
Land and other assets not being depreciated	14,791,750	334,257	-	15,126,007	-
Buildings, equipment and infrastructure, net of depreciation	195,912,266	1,378,952	-	197,291,218	-
Total noncurrent assets	<u>249,292,207</u>	<u>3,541,667</u>	<u>15,295</u>	<u>252,849,169</u>	<u>-</u>
Total assets	<u>317,001,413</u>	<u>10,962,512</u>	<u>60,926</u>	<u>328,024,851</u>	<u>3,238,890</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,580,584	546,905	5,964	3,133,453	67,359
Deposits	369,784	3,880	-	373,664	-
Long-term liabilities, due within one year:					
General obligation bonds payable	546,759	-	-	546,759	-
Revenue bonds payable	2,615,716	-	-	2,615,716	-
State sanitary sewer loan payable	983,697	-	-	983,697	-
Workers' compensation claims payable	-	-	-	-	184,142
Health care benefits payable	-	-	-	-	843,783
Total current liabilities	<u>7,096,540</u>	<u>550,785</u>	<u>5,964</u>	<u>7,653,289</u>	<u>1,095,284</u>
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,133,897	-	4,133,897	-
Water right acquisition obligation	155,081	-	-	155,081	-
Compensated absences	345,613	42,135	11,278	399,026	-
Net OPEB obligation	946,679	237,941	860	1,185,480	-
Unearned revenue	1,305,459	-	-	1,305,459	-
Derivative liability	6,020,874	-	-	6,020,874	-
Long-term liabilities, due in more than one year:					
General obligation bonds	344,456	-	-	344,456	-
Revenue bonds	49,512,673	-	-	49,512,673	-
State sanitary sewer loan	12,184,786	-	-	12,184,786	-
Total noncurrent liabilities	<u>70,815,621</u>	<u>4,413,973</u>	<u>12,138</u>	<u>75,241,732</u>	<u>-</u>
Total liabilities	<u>77,912,161</u>	<u>4,964,758</u>	<u>18,102</u>	<u>82,895,021</u>	<u>1,095,284</u>
NET ASSETS					
Invested in capital assets, net of related debt	151,249,002	1,713,209	-	152,962,211	-
Restricted for debt service	554,740	-	-	554,740	-
Unrestricted	87,285,510	4,284,545	42,824	91,612,879	2,143,606
Total net assets	<u>\$ 239,089,252</u>	<u>\$ 5,997,754</u>	<u>\$ 42,824</u>	<u>245,129,830</u>	<u>\$ 2,143,606</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(320,124)	
Net assets of business-type activities				<u>\$ 244,809,706</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, 2012

	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	\$ 25,364,805	\$ 3,779,757	\$ -	\$ 29,144,562	\$ 11,759,079
Disposal fees	-	372,658	-	372,658	-
Other operating revenue	708,895	10,583	-	719,478	76,450
Total operating revenues	<u>26,073,700</u>	<u>4,162,998</u>	<u>-</u>	<u>30,236,698</u>	<u>11,835,529</u>
OPERATING EXPENSES					
Personnel	6,092,541	1,084,222	124,741	7,301,504	-
Operating expenses	9,981,958	3,157,641	20,637	13,160,236	867,644
Depreciation	10,761,635	170,808	3,361	10,935,804	-
Operating leases	255,858	-	-	255,858	-
Landfill closure	-	85,026	-	85,026	-
Workers' compensation claims	-	-	-	-	254,075
Health benefit claims and premiums	-	-	-	-	10,011,595
Property and casualty claims and premiums	-	-	-	-	656,827
Total operating expenses	<u>27,091,992</u>	<u>4,497,697</u>	<u>148,739</u>	<u>31,738,428</u>	<u>11,790,141</u>
Operating income (loss)	<u>(1,018,292)</u>	<u>(334,699)</u>	<u>(148,739)</u>	<u>(1,501,730)</u>	<u>45,388</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	445,296	44,923	-	490,219	(6,360)
Federal grant capital	164,734	-	-	164,734	-
Gain (loss) on sale of capital assets	53,637	-	-	53,637	-
Interest and fees on long term debt	(2,721,801)	-	-	(2,721,801)	-
Gain on investment in joint venture	46,878	-	-	46,878	-
Total nonoperating revenue (expenses)	<u>(2,011,256)</u>	<u>44,923</u>	<u>-</u>	<u>(1,966,333)</u>	<u>(6,360)</u>
Income (loss) before contributions and transfers	<u>(3,029,548)</u>	<u>(289,776)</u>	<u>(148,739)</u>	<u>(3,468,063)</u>	<u>39,028</u>
TRANSFERS AND CONTRIBUTIONS					
Transfers from other enterprise funds	-	-	158,410	158,410	-
Transfers to other enterprise funds	(158,410)	-	-	(158,410)	-
Capital contributions - cash	4,484,229	-	-	4,484,229	-
Capital contributions - non-cash	2,030,103	-	-	2,030,103	-
Total transfers and contributions	<u>6,355,922</u>	<u>-</u>	<u>158,410</u>	<u>6,514,332</u>	<u>-</u>
Change in net assets	<u>3,326,374</u>	<u>(289,776)</u>	<u>9,671</u>	<u>3,046,269</u>	<u>39,028</u>
NET ASSETS					
Beginning - as previously stated	238,046,972	6,287,530	33,153		2,104,578
Prior period adjustment (see Note 23)	<u>(2,284,094)</u>	<u>-</u>	<u>-</u>		<u>-</u>
Beginning - as restated	<u>235,762,878</u>	<u>6,287,530</u>	<u>33,153</u>		<u>2,104,578</u>
Ending	<u>\$ 239,089,252</u>	<u>\$ 5,997,754</u>	<u>\$ 42,824</u>		<u>\$ 2,143,606</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				5,317	
Change in net assets of business-type activities				<u>\$ 3,051,586</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, 2012

	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	\$ 25,521,251	\$ 3,832,527	\$ -	\$ 29,353,778	\$ 11,800,153
Other operating revenue	708,895	383,241	-	1,092,136	76,450
Cash paid to employees	(5,791,447)	(996,026)	(122,088)	(6,909,561)	-
Cash paid for goods and services	(9,319,290)	(2,916,207)	(22,998)	(12,258,495)	(11,901,352)
Net cash provided (used) by operating activities	11,119,409	303,535	(145,086)	11,277,858	(24,749)
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other enterprise funds	-	-	158,410	158,410	-
Transfers to other enterprise funds	(158,410)	-	-	(158,410)	-
Net cash provided (used) by noncapital financing activities	(158,410)	-	158,410	-	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from revenue bonds and general obligation refunding bonds	34,385,000	-	-	34,385,000	-
Premium from refunding bonds	2,035,424	-	-	2,035,424	-
Principal payments to escrow agents - refunding	(37,100,000)	-	-	(37,100,000)	-
Payments to escrow agents - refunding	(1,565,789)	-	-	(1,565,789)	-
Proceeds from sale of capital assets	60,618	-	-	60,618	-
Proceeds from capacity fees	4,484,229	-	-	4,484,229	-
Proceeds from capacity fees deferred	239,620	-	-	239,620	-
Proceeds from federal grant capital	164,734	-	-	164,734	-
Payments on general obligation bond debt	(548,425)	-	-	(548,425)	-
Payments on revenue bond debt	(2,695,000)	-	-	(2,695,000)	-
Payments on state sanitary loan	(983,697)	-	-	(983,697)	-
Bond issuance costs	(583,864)	-	-	(583,864)	-
Interest paid on bonds and other debt	(2,751,382)	-	-	(2,751,382)	-
Acquisition and construction of capital assets	(6,618,804)	(24,202)	-	(6,643,006)	-
Acquisition payments on intangible asset - water rights	(146,510)	-	-	(146,510)	-
Net cash used by capital and related financing activities	(11,623,846)	(24,202)	-	(11,648,048)	-
INVESTING ACTIVITIES					
Investment earnings	347,513	44,923	-	392,436	(6,360)
Net increase (decrease) in cash and investments	(315,334)	324,256	13,324	22,246	(31,109)
CASH AND INVESTMENTS					
Beginning of year	78,927,712	8,488,656	44,036	87,460,404	2,928,887
End of year	\$ 78,612,378	\$ 8,812,912	\$ 57,360	\$ 87,482,650	\$ 2,897,778
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 61,613,105	\$ 7,006,958	\$ 45,631	\$ 68,665,694	\$ 2,897,778
Cash and investments, noncurrent	16,074,749	1,802,074	11,729	17,888,552	-
Cash and investments, restricted assets	554,740	-	-	554,740	-
Cash and investments, restricted assets-deposits	369,784	3,880	-	373,664	-
Total Statement of Net Assets cash and cash equivalents	\$ 78,612,378	\$ 8,812,912	\$ 57,360	\$ 87,482,650	\$ 2,897,778
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,018,292)	\$ (334,699)	\$ (148,739)	\$ (1,501,730)	\$ 45,388
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	10,761,635	170,808	3,361	10,935,804	-
Provision for uncollectible accounts	106,077	2,910	-	108,987	-
Landfill closure and post closure care costs	-	85,026	-	85,026	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	56,996	49,860	-	106,856	41,074
Decrease in inventories	193,615	-	-	193,615	-
Increase in net prepaid pension obligation (asset)	(1,337)	(187)	(31)	(1,555)	-
Increase (decrease) in accounts payable and accrued liabilities	855,463	264,599	232	1,120,294	(111,211)
Decrease in deposits	(6,627)	-	-	(6,627)	-
(Decrease) increase in compensated absences payable	(44,816)	8,264	91	(36,461)	-
Increase in net other post employment benefit obligations	216,695	56,954	-	273,649	-
Total adjustments	12,137,701	638,234	3,653	12,779,588	(70,137)
Net cash provided (used) by operating activities	\$ 11,119,409	\$ 303,535	\$ (145,086)	\$ 11,277,858	\$ (24,749)
Noncash investing, capital, and financing activities:					
Gain on investment in joint venture	\$ 46,878	\$ -	\$ -	\$ 46,878	\$ -
Contribution of capital infrastructure	\$ 2,030,103	\$ -	\$ -	\$ 2,030,103	\$ -
Capitalized interest	\$ 203,978	\$ -	\$ -	\$ 203,978	\$ -
Investment derivative gains	\$ 97,783	\$ -	\$ -	\$ 97,783	\$ -

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 585,982	\$ 8,374,246	\$ 361,497
Property taxes receivable (net)	-	-	51,888
Accounts receivable (net)	28,699	-	-
Total assets	<u>614,681</u>	<u>8,374,246</u>	<u>\$ 413,385</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	180	-	\$ 330,628
Due to program participants	-	-	82,757
Total liabilities	<u>180</u>	<u>-</u>	<u>\$ 413,385</u>
NET ASSETS			
Held in Trust for:			
Employees' pension benefits	614,501	8,374,246	
Total net assets	<u>\$ 614,501</u>	<u>\$ 8,374,246</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, 2012

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Totals
ADDITIONS			
Employer contributions	\$ 723,890	\$ 4,132,943	\$ 4,856,833
Net investment income	8,779	58,397	67,176
Total additions	<u>732,669</u>	<u>4,191,340</u>	<u>4,924,009</u>
DEDUCTIONS			
Benefits	<u>1,030,192</u>	<u>-</u>	<u>1,030,192</u>
Change in net assets	(297,523)	4,191,340	3,893,817
NET ASSETS			
Beginning	912,024	4,182,906	5,094,930
Ending	<u>\$ 614,501</u>	<u>\$ 8,374,246</u>	<u>\$ 8,988,747</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, 2012

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 non-major 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues, such as investment earnings, are 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 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 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 nine 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, the General Special Revenue Fund, and the Automation Enhancement 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). The County has one non-major 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, retiree (under 65 years of age), 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 Retiree Healthcare Benefits (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 Retiree Healthcare Benefits (OPEB) Fund accounts for a portion of the County's contributions 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 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 non-operating 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 inter-fund 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 non-operating 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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, Emergency Telephone System, and Automation Enhancement 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 Water and Sewer Fund (enterprise operating fund) 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, 2012. 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 registered 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 15.2845 per share and the Russell 3000 Alpha Tilts Fund B is priced at 31.596 per share at June 30, 2012.

2. Cash and Investments

The County pools monies from several funds, except the Social Services Fund and the Jail Inmate Fund and the portion of the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund that has not yet been remitted to the OPEB Trust managed by the staff of the Department of the State Treasurer (as explained in Note 1. E. 1); to facilitate disbursement and investment and to 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 General Capital Project Fund are unexpended recurring capital contributions, from the General Fund, for educational purposes and facilities of the Union County Board of Education. 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.

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 on property, other than motor vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September

1 (lien date); 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, 2011.

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:

Non-spendable 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 tables 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 installment financing proceeds and pay-go funds from the Debt Service Fund for the Union County Board of Education.

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			Non-major	Total Govern- mental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Govern- mental Funds	
Fund balances:					
Nonspendable:					
Long-term receivables	\$ 62,112	\$ -	\$ -	\$ -	\$ 62,112
Inventories	22,506	-	-	-	22,506
Restricted:					
Stabilization by State Statute-accounts receivable	12,204,036	-	-	267,142	12,471,178
Stabilization by State Statute-encumbrances	650,072	3,468,214	-	303,102	4,421,388
General Government:					
Register of Deeds automation enhancement funds	-	-	-	9,838	9,838
Public Safety:					
Law enforcement JAG grant funds	25,950	-	-	-	25,950
Law enforcement JAG stimulus grant funds	10,669	-	-	-	10,669
Law enforcement alzheimers ankle/wrist bands program	1	-	-	-	1
Law enforcement federal forfeited property funds	-	-	-	542,873	542,873
Law enforcement controlled substance tax funds	-	-	-	127,431	127,431
Emergency management Catawba Nuclear grant funds	-	-	-	70,877	70,877
Emergency management CERT grant funds	-	-	-	21,844	21,844
Communications PSAP funds	-	-	-	1,338,733	1,338,733
Fire protection	-	-	-	295,409	295,409
Economic and physical development:					
Cooperative extension service fee based programs' funds	29,021	-	-	-	29,021
Human Services:					
Health, Tobacco Cessation grant funds	323	-	-	-	323
Health, Susan G. Komen breast cancer grant funds	17,734	-	-	-	17,734
Environmental health State funds	56,096	-	-	-	56,096
Social services contribution and donation programs' funds	65,888	-	-	-	65,888
Social services federal adoption assistance grant funds	62,678	-	-	-	62,678
Cultural and Recreational:					
Library contribution and donation program funds	39,038	-	-	-	39,038
Education:					
School regular capital outlay	-	46,378	-	-	46,378
School capital acquisition and construction projects	-	-	910,725	-	910,725
Assigned:					
General Government:					
Government facility renovation projects	-	1,317,325	-	-	1,317,325
ARRA / EECBG facility upfitting projects	-	(173,469)	-	-	(173,469)
Information technology infrastructure projects	-	573,681	-	-	573,681
Historic Post Office roof replacement	-	(15,400)	-	-	(15,400)
Garage expansion	-	(245,963)	-	-	(245,963)
Revolving energy fund	-	6,363	-	-	6,363
Public Safety:					
Law enforcement jail expansion project	-	(1,425,127)	-	-	(1,425,127)
Law enforcement firearms range project	-	653,710	-	-	653,710
Law enforcement FY2010 capital	-	25,188	-	-	25,188
Law enforcement FY2011 capital	-	38,092	-	-	38,092
Law enforcement jail roof replacement project	-	80,412	-	-	80,412
Communications op center, E911, fire service project	-	568,950	-	-	568,950
Communications E911/CAD RMS project	-	241,799	-	-	241,799
Communications radio phase I project	-	(389,140)	-	-	(389,140)
Communications radio phase II project	-	(1,117,553)	-	-	(1,117,553)
Inspections mobile office project	-	19,909	-	-	19,909
Human Services:					
Social services business automation system project	-	619,820	-	-	619,820
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 district/comm. parks project	-	12,500	-	-	12,500
Parks and recreation Jesse Helms park bridge project	-	51,707	-	-	51,707
Parks and recreation Jesse Helms passive area project	-	527,878	-	-	527,878
Subsequent year's expenditures (via original budget ordinance)	1,497,776	-	-	-	1,497,776
Nondepartmental pay-go-capital funds	-	68,153,106	-	-	68,153,106
Unassigned	51,249,617	-	-	-	51,249,617
	<u>\$ 65,993,517</u>	<u>\$ 73,050,880</u>	<u>\$ 910,725</u>	<u>\$ 6,525,103</u>	<u>\$ 146,480,225</u>

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

	Total Special Revenue Funds	Library Capital Project Fund	Total Non-major Govern- mental Funds
Fund balances:			
Restricted:			
Stabilization by State Statute-accounts receivable	\$ 267,142	\$ -	\$ 267,142
Stabilization by State Statute-encumbrances	303,102	-	303,102
General Government:			
Register of Deeds automation enhancement funds	9,838	-	9,838
Public Safety:			
Law enforcement federal forfeited property funds	542,873	-	542,873
Law enforcement controlled substance tax funds	127,431	-	127,431
Emergency management Catawba Nuclear grant funds	70,877	-	70,877
Emergency management CERT grant funds	21,844	-	21,844
Communications PSAP funds	1,338,733	-	1,338,733
Fire protection	295,409	-	295,409
Assigned:			
Cultural and Recreational:			
Library facility improvement projects	-	3,547,854	3,547,854
	<u>\$ 2,977,249</u>	<u>\$ 3,547,854</u>	<u>\$ 6,525,103</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	Automation Enhancement Fund	Total Special Revenue Funds
Fund balances:										
Restricted:										
Stabilization by State Statute-accounts receivable	\$14,242	\$ 28,532	\$ 45,634	\$ 41,309	\$ 53,527	\$ 188	\$ 83,710	\$ -	\$ -	\$ 267,142
Stabilization by State Statute-encumbrances	-	-	-	-	-	-	174,154	128,948	-	303,102
General Government:										
Register of Deeds automation enhancement funds	-	-	-	-	-	-	-	-	9,838	9,838
Public Safety:										
Law enforcement federal forfeited property funds	-	-	-	-	-	-	-	542,873	-	542,873
Law enforcement controlled substance tax funds	-	-	-	-	-	-	-	127,431	-	127,431
Emergency management Catawba Nuclear grant funds	-	-	-	-	-	-	-	70,877	-	70,877
Emergency management CERT grant funds	-	-	-	-	-	-	-	21,844	-	21,844
Communications PSAP funds	-	-	-	-	-	-	1,338,733	-	-	1,338,733
Fire protection	26,927	58,203	65,841	34,520	107,531	2,387	-	-	-	295,409
	<u>\$41,169</u>	<u>\$ 86,735</u>	<u>\$111,475</u>	<u>\$ 75,829</u>	<u>\$161,058</u>	<u>\$ 2,575</u>	<u>\$ 1,596,597</u>	<u>\$891,973</u>	<u>\$ 9,838</u>	<u>\$ 2,977,249</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 next 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 inter-fund

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 \$508,981,197 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	\$ (511,925,514)
Accrued interest payable, net of unamortized bond issuance costs and unamortized swap termination costs	2,944,317
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (508,981,197)</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 \$26,000,706 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,450,420
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.	(6,371,998)
Net book value of capital assets disposed of	(13,265)
<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	30,352,418
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	(76,440,701)
Debt issuance premium amortization	1,627,631
Debt issuance gain amortization	19,641
Debt issuance loss amortization	(47,364)
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	483,351
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	(475,967)
Remittance of funds to escrow agent to defease debt instruments	75,670,230
Defeasance amortization over remaining life of debt	(928,005)
<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)	506,473
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(118,823)
Net pension obligation	11,444
Net other post employment obligation	(2,576,015)
<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 7/1/11	(5,815,639)
Recording of tax receipts deferred in the fund statements as of 6/30/12	5,352,415
Decrease in accrued taxes receivable for year ended 6/30/12	(70,432)
Derivative investment income	366,138
Internal service funds' net investment loss	(6,359)
Adjustment payment received on a deferred loan to an outside agency	(14,959)
Health and dental insurance costs, net of investment earnings	(1,668)
Workers' compensation costs, net of investment earnings	41,740
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 26,000,706</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures relating to the General Fund Historical Properties program area exceeded budget appropriations by \$1,132; however, the General Services property management program had available budget to support this program expenditure overage that was due to higher than anticipated facility occupancy costs being applied to the Historical Properties program budget.

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 and the portion of the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund that has not yet been remitted to the OPEB Trust managed by the staff of the Department of the State Treasurer (as explained in Note 1. E. 1.). 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2012, the County's deposits had a carrying amount of \$119,700,790 and a bank balance of \$122,112,598. Of the bank balance, \$362,758 was covered by federal depository insurance and \$121,749,840 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2012, the County had \$7,380 cash on hand.

As of June 30, 2012, 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	\$ 42,979,204	\$27,992,704	\$ 14,986,500	\$ -	\$ -
NC Cash Management Trust - Cash Po	16,043,175	-	-	-	-
US Government Agencies	53,944,612	-	6,560,671	29,382,142	18,001,799
Total:	<u>\$ 112,966,991</u>	<u>\$27,992,704</u>	<u>\$ 21,547,171</u>	<u>\$29,382,142</u>	<u>\$18,001,799</u>

The cash and investments described above include those recorded in the County's Statement of Net Assets (\$231,727,682); and Statement of Fiduciary Net Assets for Special Separation Allowance Pension Trust Fund (\$585,982) and Agency Funds (\$361,497).

Also, at June 30, 2012, the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund deposits had a carrying amount and bank balance of \$8,374,246 as shown on the Statement of Fiduciary Net Assets.

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. As of June 30, 2012, 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, 2012. 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 AA+ 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, 2012, 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 9.5%, 2.4%, and 9.6% respectively of the County's total investments.

At June 30, 2012 the County's Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund had \$1,954,797 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 fair market value, represents a portion of the County's contribution to the net OPEB obligation. The State Treasurer's OPEB Trust 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 Trust was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 24.86%; State Treasurer's Long Term Investment Fund (LTIF) 11.08%; Black Rock's Global Ex-US Alpha Tilts Fund B 51.28 %; and Black Rock's Russell 3000 Alpha Tilts Fund B 12.78% (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, 2012. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 16.3 years at June 30, 2012.

Credit Risk: The County does not have a formal investment policy regarding credit risk for the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund invested in the State Treasurer's Local Government Other Post-Employment Benefits 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, 2012, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
<u>Governmental Activities:</u>			
General	\$ 12,266,150	\$ 7,050,151	\$ 19,316,301
Special Revenue	267,142	152,723	419,865
Internal Service	341,112	-	341,112
Total Receivables	<u>12,874,404</u>	<u>7,202,874</u>	<u>20,077,278</u>
Allowance for doubtful accounts	-	(1,920,891)	(1,920,891)
Total-governmental activities	<u>\$ 12,874,404</u>	<u>\$ 5,281,983</u>	<u>\$ 18,156,387</u>
<u>Business-type Activities:</u>			
Water and Sewer	\$ 6,826,678	\$ -	\$ 6,826,678
Solid Waste	431,065	-	431,065
Total Receivables	<u>7,257,743</u>	<u>-</u>	<u>7,257,743</u>
Allowance for doubtful accounts	(1,865,364)	-	(1,865,364)
Total-business-type activities	<u>\$ 5,392,379</u>	<u>\$ -</u>	<u>\$ 5,392,379</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
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
2012	2011	12,379,113	711,799	13,090,912
		<u>\$ 45,397,171</u>	<u>\$ 5,420,682</u>	<u>\$ 50,817,853</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements & Adjustments	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 4,812,189	\$ -	\$ -	\$ -	\$ 4,812,189
Construction in progress	4,377,638	2,591,415	-	(2,823,625)	4,145,428
Total capital assets not being depreciated	<u>9,189,827</u>	<u>2,591,415</u>	<u>-</u>	<u>(2,823,625)</u>	<u>8,957,617</u>
Capital assets being depreciated:					
Other improvements	6,745,795	-	-	-	6,745,795
Buildings	66,972,947	154,953	5,100	2,547,234	69,670,034
Furniture and equipment	27,046,853	935,113	199,579	276,391	28,058,778
Vehicles	8,086,830	597,310	963,166	-	7,720,974
Computer software	117,122	171,630	-	-	288,752
Total capital assets being depreciated	<u>108,969,547</u>	<u>1,859,006</u>	<u>1,167,845</u>	<u>2,823,625</u>	<u>112,484,333</u>
Less accumulated depreciation for:					
Other improvements	2,742,648	239,966	-	-	2,982,614
Buildings	24,482,312	2,420,504	5,100	-	26,897,716
Furniture and equipment	14,102,556	2,989,484	199,579	-	16,892,461
Vehicles	6,082,512	695,813	949,901	-	5,828,424
Computer software	3,088	26,231	-	-	29,319
Total accumulated depreciation	<u>47,413,116</u>	<u>6,371,998</u>	<u>1,154,580</u>	<u>-</u>	<u>52,630,534</u>
Total capital assets being depreciated, net	<u>61,556,431</u>	<u>(4,512,992)</u>	<u>13,265</u>	<u>2,823,625</u>	<u>59,853,799</u>
Governmental activities capital assets, net	<u>\$ 70,746,258</u>	<u>\$ (1,921,577)</u>	<u>\$ 13,265</u>	<u>\$ -</u>	<u>\$ 68,811,416</u>

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

General government	\$ 1,530,113
Public safety	3,507,945
Economic and physical development	177,953
Human services	427,412
Education	93,635
Cultural and recreational	634,940
Total depreciation expense	<u>\$ 6,371,998</u>

Capital asset activity for the business-type activities for the year ended June 30, 2012, was as follows:

Business-type activities:	Beginning Balances	Prior Period Adjustment	Amended Beginning Balances	Additions	Retirements and Adjustments	Transfers	Ending Balances
Water and Sewer							
Capital assets not being depreciated:							
Land	\$ 1,412,752	\$ -	\$ 1,412,752	\$ -	\$ -	\$ -	\$ 1,412,752
Land - easements	1,113,633	-	1,113,633	-	-	-	1,113,633
Construction in progress	15,512,516	(8,903,272)	6,609,244	6,913,283	226,603	(1,030,559)	12,265,365
Total capital assets not being depreciated	18,038,901	(8,903,272)	9,135,629	6,913,283	226,603	(1,030,559)	14,791,750
Capital assets being depreciated:							
Plant and collection systems	155,237,173	8,127,836	163,365,009	1,099,708	-	397,068	164,861,785
Plant and distribution systems	123,131,640	388,280	123,519,920	935,381	-	633,491	125,088,792
Water rights (intangible asset)	1,902,757	-	1,902,757	-	-	-	1,902,757
Administration Building	1,170,024	-	1,170,024	-	-	(96,413)	1,073,611
Equipment	2,913,632	-	2,913,632	124,115	64,443	96,413	3,069,717
Vehicles	3,049,200	-	3,049,200	-	245,470	-	2,803,730
Computer Software	-	-	-	7,000	-	-	7,000
Total capital assets being depreciated	287,404,426	8,516,116	295,920,542	2,166,204	309,913	1,030,559	298,807,392
Less accumulated depreciation for:							
Plant and collection systems	46,194,565	1,815,037	48,009,602	5,905,618	-	-	53,915,220
Plant and distribution systems	37,733,610	333,141	38,066,751	4,459,679	-	-	42,526,430
Water rights intangible asset	915,702	-	915,702	47,569	-	-	963,271
Administration Building	203,686	-	203,686	65,131	-	(37,762)	231,055
Equipment	2,353,993	-	2,353,993	186,841	57,463	37,762	2,521,133
Vehicles	2,886,688	-	2,886,688	95,399	245,470	-	2,736,617
Computer Software	-	-	-	1,400	-	-	1,400
Total accumulated depreciation	90,288,244	2,148,178	92,436,422	10,761,637	302,933	-	102,895,126
Total capital assets being depreciated, net	197,116,182	6,367,938	203,484,120	(8,595,433)	6,980	1,030,559	195,912,266
Water and Sewer capital assets, net	215,155,083	(2,535,334)	212,619,749	(1,682,150)	233,583	-	210,704,016
Solid Waste							
Capital assets not being depreciated:							
Land	334,257	-	334,257	-	-	-	334,257
Capital assets being depreciated:							
Other improvements	809,939	-	809,939	-	-	-	809,939
Plant and collection systems	1,931,983	-	1,931,983	-	-	-	1,931,983
Equipment	1,826,163	-	1,826,163	24,203	-	-	1,850,366
Vehicles	963,272	-	963,272	-	-	-	963,272
Total capital assets being depreciated	5,531,357	-	5,531,357	24,203	-	-	5,555,560
Less accumulated depreciation for:							
Other improvements	192,847	-	192,847	39,743	-	-	232,590
Plant and collection systems	1,365,308	-	1,365,308	75,346	-	-	1,440,654
Equipment	1,498,209	-	1,498,209	47,489	-	-	1,545,698
Vehicles	949,435	-	949,435	8,231	-	-	957,666
Total accumulated depreciation	4,005,799	-	4,005,799	170,809	-	-	4,176,608
Total capital assets being depreciated, net	1,525,558	-	1,525,558	(146,606)	-	-	1,378,952
Solid Waste capital assets, net	1,859,815	-	1,859,815	(146,606)	-	-	1,713,209
Storm Water							
Capital assets being depreciated:							
Vehicles	33,197	-	33,197	-	-	-	33,197
Total capital assets being depreciated	33,197	-	33,197	-	-	-	33,197
Less accumulated depreciation for:							
Vehicles	29,836	-	29,836	3,361	-	-	33,197
Total accumulated depreciation	29,836	-	29,836	3,361	-	-	33,197
Total capital assets being depreciated, net	3,361	-	3,361	(3,361)	-	-	-
Storm Water capital assets, net	3,361	-	3,361	(3,361)	-	-	-
Business-type activities capital assets, net	\$ 217,018,259	\$ (2,535,334)	214,482,925	\$(1,832,116)	\$ 233,584	\$ -	\$ 212,417,225

During the year \$203,978 of Water and Sewer Fund interest expense was capitalized.

NOTE 7 - LIABILITIES

Payables at the government-wide level at June 30, 2012, including liabilities payable from restricted assets, were as follows:

	Governmental	Business	
	Activities	Type	
Payables:		Activities	Total
Vendors	\$ 3,988,140	\$ 2,605,860	\$ 6,594,000
Salaries and benefits	2,139,804	313,265	2,453,069
Accrued Interest	5,641,053	214,328	5,855,381
Total	<u>\$ 11,768,997</u>	<u>\$ 3,133,453</u>	<u>\$ 14,902,450</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 6.96% and 7.05% 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, 2012, 2011, and 2010 were \$2,563,920, \$2,381,456, and \$1,819,022, 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	71
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	909
Total	<u>980</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 money market debt instruments, deposits, 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 \$723,890 or 1.97% 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, 2012 was determined as part of the December 31, 2010 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 4.25% to 7.85% per year for law enforcement officers and ranging from 4.25% to 7.75% per year for general employees. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was determined using market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 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	\$	695,688
Interest on net pension obligation		(78,733)
Adjustment to annual required contribution		93,936
Annual pension cost		<u>710,891</u>
Contributions made		<u>723,890</u>
Increase (decrease) in net pension obligation		(12,999)
Net pension obligation - beginning of year		(1,574,658)
Net pension obligation - end of year	\$	<u><u>(1,587,657)</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, 2010	\$ 564,533	112%	\$ (1,742,166)
June 30, 2011	731,520	77%	(1,574,658)
June 30, 2012	710,891	102%	(1,587,657)

As of December 31, 2011, the most recent actuarial valuation date, the plan was 9.47 percent funded. The actuarial accrued liability for benefits was \$7,808,146, and the actuarial value of assets was \$739,302, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,068,844. The covered payroll (annual payroll of active employees covered by the plan) was \$36,870,843, and the ratio of the UAAL to the covered payroll was 19.17 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, 2012 were \$2,790,420, which consisted of \$1,840,732 from the County and \$949,688 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, 2012, the County's required and actual contributions were \$20,037.

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. Other Postemployment Retiree Healthcare Benefits (OPEB)

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, 2011, 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 for their coverage and \$20.00 per month for spousal coverage, if elected.

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

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

Membership of the RHCB Plan (County group health and dental plan and the Medicare Supplement plans) consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

	<u>Number of Participants</u>
Active Participants	838
Retired Participants	258
Covered Spouses of Retirees	<u>38</u>
Total	<u><u>1,134</u></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 16.3% of annual covered payroll. For the current year, the County contributed \$6,402,758 or 17.4% 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 RHCB 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 Fund, the Emergency Telephone System Fund, and the 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 RHCB 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	\$ 5,989,106
Interest on net OPEB obligation	817,888
Adjustment to annual required contribution	(869,043)
Annual OPEB cost (expense)	<u>5,937,951</u>
Contributions made	<u>(5,373,430)</u>
Increase (decrease) in net OPEB obligation	564,521
Net OPEB obligation, beginning of year	11,281,207
Net OPEB obligation, end of year	<u><u>\$ 11,845,728</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 thru 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 4,936,556	47.10%	\$ 9,240,560
2011	\$ 4,924,810	104.10%	\$ 11,281,207
2012	\$ 5,937,951	106.91%	\$ 11,845,728

Funded Status and Funding Progress. As of July 1, 2011 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 \$44,546,193. The covered payroll (annual payroll of active employees covered by the plan) was \$36,772,539 the ratio of the UAAL to the covered payroll was 121.14 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, 2011 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 9.50 to 5.00 percent annually and an inflation component of 2.50 percent. The UAAL is being amortized on a level dollar and open basis. The remaining amortization period at July 1, 2011, 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, 2012, the County made contributions to the State for death benefits of \$36,848. 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 \$4,133,897 reported as landfill closure and post closure care liability at June 30, 2012 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, 2012 there was an increase of \$85,026 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 \$7,312,617. 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, 2012. 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	\$ 369,121	\$ 147,368
Jail Control System	347,769	119,906
Jail Expansion	-	110,114
Jail Roof Replacement	506,248	2,750
Government Facility Renovations	1,633,637	2,395,506
Social Services Automation System	223,146	437,836
<u>Emergency Telephone System Fund:</u>		
Communications Equipment	-	164,554
<u>Water Capital Projects:</u>		
Water Main Relocation	16,255	560,971
Catawba River WTP Reservoir Expansion	478,534	1,001,968
Yadkin Water Supply	104,164	177,890
Weddington Elevated Storage Tank	48,154	829,566
<u>Sewer Capital Projects:</u>		
East Side Sewer Improvements	2,760,374	4,868,877
Tallwood WWTP Expansion	802,802	1,482,834
12 Mile Creek WWTP Expansion	1,708,706	2,036,524
Total	\$ 8,998,910	\$ 14,336,664

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 \$792,000 and expects the payments to be made over the next five 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 subject to insurance coverage 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; stop-loss insurance provides statutory worker compensation benefits above the County's self-insurance limit of \$350,000 per occurrence. Claims are administered under contract with a third party administrator. Claim reserves are established when an injury occurs and the ultimate expected exposure 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, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Unpaid Claims beginning of fiscal year	\$ 653,000	\$ 1,018,419	\$ 83,930	\$ 267,097	\$ -	\$ -
Incurred claims and premiums	10,202,378	8,404,622	354,287	(18,199)	656,827	593,091
Claims and premiums paid	(10,011,595)	(8,770,041)	(254,075)	(164,968)	(656,827)	(593,091)
Unpaid Claims end of fiscal year	<u>\$ 843,783</u>	<u>\$ 653,000</u>	<u>\$ 184,142</u>	<u>\$ 83,930</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, 2012. 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. The County has also entered into an a five year lease with Lancaster County Water and Sewer District (LCWSD) to utilize temporary 3 MGD (Millions of Gallons per Day) of excess allocated water capacity between Union and LCWSD, as stated in our Joint Venture Agreement. Under this lease, the County will be able to supply any anticipated demand in excess of the County's Allocated Capacity of 18 MGD. Rents paid under all operating leases totaled \$1,279,650 for the year ended June 30, 2012.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Lancaster County	Other
2013	\$ 164,154	\$ 325,217	\$ 220,092	\$ 688,116
2014	-	325,217	220,092	683,189
2015	-	325,217	220,092	687,189
2016	-	325,217	220,092	97,500
2017	-	325,217	128,387	97,500
2018-2022	-	1,626,084	-	357,500
2023-2027	-	1,312,816	-	-
2028-2032	-	598,805	-	-
2033-2037	-	598,805	-	-
2038-2039	-	239,522	-	-
	<u>\$ 164,154</u>	<u>\$ 6,002,117</u>	<u>\$ 1,008,755</u>	<u>\$ 2,610,994</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 Behavioral Healthcare (PBH) under a sublease agreement entered into on October 5, 1998. This agreement is coterminous with the July 17, 1997 lease agreement. The sub-lessee 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, 2012. During the remaining term of the sublease agreement, rent paid by sub-lessee 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, 2012 are reflected in the following table. Bonds and installment financings appearing in the table that have associated derivative products are denoted with a lower case letter of the alphabet in parenthesis. A detailed description of each corresponding derivative appears after the following tables.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2012	Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2012
1. General Obligation Bonds						
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	3.75% - 4.125%	\$ 14,976,804	\$ 3,953,123	\$ 3,953,123
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	4.00% - 4.50%	3,303,196	871,877	871,877
2004 School Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	40,325,407	40,325,407
2004 Law Enf. Facility - Series A (b, g)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,449,593	1,449,593
2004 Refunding Bonds - Series B (School Fac.) (b, g)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	15,970,000	15,970,000
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	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	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	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	50,000,000	50,000,000
2009 School Facility - Series A (c)	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	58,910,000	58,910,000
2009 Refunding Bonds (School Facility) - Series B (c)	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	61,715,000	61,715,000
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	35,240,000	35,240,000
2010 Refunding Bonds - Series A (School Facility)	July 08, 2010	March 01, 2022	3.00% - 5.00%	55,010,000	45,475,000	45,475,000
2012 Refunding Bonds (School Facility)	May 01, 2012	March 01, 2024	2.00% - 5.00%	28,845,000	28,845,000	28,845,000
					<u>404,260,000</u>	<u>404,260,000</u>
2. Installment Financing						
2003 Multi-purpose COP's	June 15, 2003	June 01, 2025	2.875% - 5.00%	43,760,000	3,790,000	3,790,000
2006 School COP's	Nov. 09, 2006	June 01, 2032	4.00% - 5.00%	77,640,000	43,865,000	43,865,000
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.9026%	9,390,000	6,931,484	6,931,484
2011 Limited Obligation Bonds (c)	December 01, 2011	June 01, 2020	2.2800%	12,390,000	12,290,000	12,290,000
2012 Limited Obligation Bonds	May 01, 2012	December 01, 2024	1.00% - 5.00%	27,850,000	27,850,000	27,850,000
					<u>94,726,484</u>	<u>94,726,484</u>
3. Revenue Bonds						
2003 Enterprise System - Series A (d)	June 12, 2003	June 01, 2029	3.00% - 5.00%	33,130,000	950,000	950,000
2009 Enterprise System (e, g)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	18,600,000	18,600,000
2011 Enterprise System (a, g)	August 04, 2011	December 21, 2028	Variable	11,425,000	10,145,000	10,145,000
2011 Enterprise System - Series A (d)	December 21, 2011	June 01, 2021	2.00% - 5.00%	22,960,000	22,960,000	22,960,000
					<u>52,655,000</u>	<u>52,655,000</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	1,168,483	1,168,483
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	2.265%	15,000,000	12,000,000	12,000,000
					<u>13,168,483</u>	<u>13,168,483</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 564,809,967</u>	<u>\$ 564,809,967</u>

2. Details regarding recent debt refundings are as follows:

On August 4, 2011, the County issued variable rate Enterprise Systems Revenue Refunding Bonds, Series 2011, totaling \$11,425,000 with a synthetically fixed interest rate of 3.923% (see Note 16. A. 3. (a)). The proceeds of the bonds were used to refund and retire on August 4, 2011, \$12,435,000 of the outstanding principal amount of the

County's variable rate Enterprise System Refunding Bonds, Series 2003B. As a result, the bonds described above are considered to be defeased and the liability for the defeased bonds has been removed from the balance sheet. The refunding reduced cash flow required for debt service on the revenue bonds by \$138,867. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$115,970. On June 30, the principal outstanding on the refunded bonds was zero and there were no amounts held in escrow by an escrow agent.

On December 9, 2011, the County issued Limited Obligation Refunding Bonds, Series 2011, totaling \$12,390,000 with an interest rate of 2.28% (and partially associated with a fixed spread basis swap, see Note 16. A. 3. (c)) to partially advance refund \$11,370,000 of the outstanding principal amount of the County's Certificates of Participation, Series 2003. The proceeds of the new bonds were used to purchase U.S. government securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded Certificates of Participation, Series 2003. As a result, the certificates of participation described above are considered to be defeased and the liability for the defeased portion of the certificates of participation has been removed from the balance sheet. The advance refunding reduced cash flow required for debt service on the debt by \$771,182. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$702,782. On June 30, the principal outstanding on the refunded certificates of participation was \$11,370,000 and the amount held in escrow by an escrow agent was \$12,034,265.

On December 21, 2011, the County issued Enterprise System Revenue Refunding Bonds, Series 2011A, totaling \$22,960,000 with an interest rate ranging from 2.00% to 5.00% to partially advance refund \$24,665,000 of the outstanding principal amount of the County's Enterprise System Revenue Bonds, Series 2003A. The proceeds of the new bonds were used to purchase U.S. government securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded Enterprise System Revenue Bonds, Series 2003A. As a result, the bonds described above are considered to be defeased 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 revenue bonds by \$3,343,791. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$2,207,279. On June 30, the principal outstanding on the refunded bonds was \$24,665,000 and the amount held in escrow by an escrow agent was \$25,748,939.

On May 1, 2012, the County issued General Obligation Refunding Bonds, Series 2012, totaling \$28,845,000 with an interest rate ranging from 2.00% to 5.00% to partially advance refund \$27,000,000 of the outstanding principal amount of the County's School General Obligation Bonds, Series 2007D. The proceeds of the new bonds were used to purchase U.S. government bonds and notes, and Israel bonds and notes (with ratings from Moody's of AAA). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded School General Obligation Bonds, Series 2007D. As a result, the bonds described above are considered to be defeased 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 \$1,100,508. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$969,200. On June 30, the principal outstanding on the refunded bonds was \$27,000,000 and the amount held in escrow by an escrow agent was \$32,177,495.

Also on May 1, 2012, the County issued Limited Obligation Refunding, Series 2012, totaling \$27,850,000 with an interest rate ranging from 1.00% to 5.00% to partially advance refund \$9,475,000 of the outstanding principal amount of the County's Certificates of Participation, Series 2003 and to partially advance refund \$18,235,000 of the outstanding principal amount of the County's Certificates of Participation, Series 2006. The proceeds of the new bonds were used to purchase U.S. government bonds, notes, securities (SLGS), and Egypt notes (with ratings from Standard & Poor's of AA+). Those securities were deposited in two irrevocable trusts with two escrow agents to provide for all future debt service payments on the advance refunded Certificates of Participation, Series 2003 and Certificates of Participation, Series 2006. As a result, the certificates of participation described above are considered to be defeased and the liability for the defeased portion of the certificates of participation has been removed from the balance sheet. The advance refunding reduced cash flow required for debt service on the debt by \$1,774,200. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,147,125. On June 30, the principal outstanding on the refunded debt was \$27,710,000 and the amount held in escrow by the escrow agent for the Certificates of Participation, Series 2003 was \$9,943,865 and by the escrow agent for the Certificates of Participation, Series 2006 was \$21,379,329.

3. Derivative Instruments outstanding at June 30, 2012, 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, 2011	June 30, 2012
(b)	\$14,436,250	Bank of America N.A.	3.435%	> of 67% LIBOR or 63% LIBOR + 0.20%	\$ (1,592,298)	\$ (2,512,168)
(b)	\$14,436,250	The Bank of New York Mellon	3.437%	> of 67% LIBOR or 63% LIBOR + 0.20%	(1,467,750)	(2,566,582)
(b)	\$28,872,500	Wells Fargo Bank N.A.	3.435%	> of 67% LIBOR or 63% LIBOR + 0.20%	(2,881,066)	(5,175,705)
(f)	\$ 7,496,614	The Bank of New York Mellon	3.673%	70% LIBOR	(1,008,751)	(2,130,523)
(f)	\$26,511,773	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(3,606,304)	(7,742,055)
(f)	\$ 7,496,614	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(1,108,002)	(2,189,186)
					<u>(11,664,170)</u>	<u>(22,316,219)</u>

Investment derivatives (B):

Pay floating-receive floating

(c)	\$57,990,000	Wells Fargo Bank N.A.	SIFMA Swap Index	67% LIBOR + 0.532%	446,629	812,767
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Business-type activities

Cash flow hedges (A):

Pay fixed-receive floating

(a)	\$10,145,000	The Bank of New York Mellon	3.923%	65% LIBOR + 1.14273%	(720,189)	(957,109)
(e)	\$18,600,000	The Bank of New York Mellon	3.820%	70% LIBOR	(2,669,681)	(5,038,497)
					<u>(3,389,870)</u>	<u>(5,995,606)</u>

Investment derivatives (B):

Pay floating-receive floating

(d)	\$23,910,000	The Bank of New York Mellon	SIFMA Swap Index	65% LIBOR + 0.4295%	(123,051)	(25,268)
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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, 2012, 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		Fair Value		Notional
	Classification	Amount	Classification	Amount	
Governmental activities					
Cash flow hedges:					
Pay fixed-receive floating (b)	Deferred outflow	\$ (4,313,341)	Debt	\$ (10,254,455)	\$ 57,745,000
Pay fixed-receive floating (f)	Deferred outflow	(6,338,708)	Debt	(12,061,764)	41,505,001
Investment derivatives:					
Pay floating-receive floating (c)	Investment revenue	366,138	Investment	812,767	57,990,000
Total Governmental activities		<u>(10,285,910)</u>		<u>(21,503,452)</u>	<u>157,240,001</u>
Business-type activities					
Cash flow hedges:					
Pay fixed-receive floating (a)	Deferred outflow	(236,920)	Debt	(957,109)	10,145,000
Pay fixed-receive floating (e)	Deferred outflow	(2,368,816)	Debt	(5,038,497)	18,600,000
Investment derivatives:					
Pay floating-receive floating (d)	Investment revenue	97,783	Investment	(25,268)	23,910,000
Total Business-type activities		<u>(2,507,953)</u>		<u>(6,020,874)</u>	<u>52,655,000</u>
Total interest rate swaps		<u>\$ (12,793,864)</u>		<u>\$ (27,524,326)</u>	<u>\$ 209,895,001</u>

As of June 30, 2011 and June 30, 2012, 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, 2012, these agreements had (i) a positive fair value of \$812,767 for governmental activities and (ii) a negative fair value of \$25,268 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, 2011 and June 30, 2012, 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, 2012 the agreements had negative fair values of \$10,254,455, \$12,061,764, \$957,109, and \$5,038,497. 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 \$22,316,219 and business type activities as \$5,995,606 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 (subsequently amended and restated on August 2, 2011) 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 entered into an interest rate swap in connection with its \$20,935,000 Variable Rate Enterprise Systems Revenue Refunding Bonds, Series 2003B. 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 and, subsequently, the New Bonds.

On August 4, 2011, the County issued Variable Rate Enterprise Systems Refunding Revenue Bonds, Series 2011, which refunded the Series 2003B Bonds. As such, the interest rate swap is now associated with the \$11,425,000 Variable Rate Enterprise Systems Refunding Revenue Bonds, Series 2011 (the "New 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 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 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.

Effective August 4, 2011, the Citibank and County amended and restated the original interest rate swap agreement by reducing the notional amount outstanding from \$12,435,000 to \$11,425,000, representing the par value of the New Bonds. Concurrently with the partial swap termination, the County priced its \$11,425,000 Variable Rate Enterprise Systems Refunding Revenue Bonds, Series 2011. The notional value of the swap and the principal amount of the New Bonds decline in unison over the term of the swap agreement and the New Bonds. In connection with the amended and restated swap agreements dated August 2, 2011, the County incurred a partial termination payment in the amount of \$98,500. In lieu of payment of the full partial termination amount, the County agreed to pay \$85,000 to the counterparty and further amend the swap by increasing the fixed rate on the swap from 2.995% to 3.923% for the remaining term of the swap and amending the variable rate the County receives from 61.5% of USD-LIBOR-BBA plus a fixed spread of 0.36% to 65% of USD-LIBOR-BBA plus a fixed spread of 1.14273% (the variable rate and spread on the New Bonds) effective August 4, 2011.

On August 22, 2011, the swap was transferred, "novated", from Citibank to The Bank of New York Mellon ("BNY Mellon") under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County's counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

As of June 30, 2012, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to BNY Mellon	Fixed	3.923%
Variable payment from BNY Mellon	65.0% LIBOR + 1.14273%	<u>(1.298%)</u>
Net interest rate swap payments		2.625%
Variable rate bond coupon payments	Bond Rate	<u>1.298%</u>
Synthetic interest rate on Bonds		<u>3.923%</u>

Fair Value. As of June 30, 2012, the agreement had a negative fair value of \$957,109. 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, 2012, 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 BNY Mellon 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. BNY Mellon, rated "Aa1" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2012, will collateralize any market value positive to the County over a predetermined threshold that varies depending on BNY Mellon's ratings. At BNY Mellon's current ratings, such threshold is Infinity.

Basis Risk. The County of Union receives 65.0% of USD-LIBOR-BBA plus a fixed spread of 1.14273% from BNY Mellon and 65% of USD-LIBOR-BBA plus a fixed spread of 1.14273% to bondholders. The County of Union is not exposed to basis risk.

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, 2012, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate	Total
	Principal	Interest	Sw aps, Net *	
2013	\$ 1,195,000	\$ 131,674	\$ 266,315	\$ 1,592,989
2014	1,180,000	116,164	234,945	1,531,109
2015	1,160,000	100,848	203,969	1,464,817
2016	1,195,000	85,792	173,518	1,454,310
2017	1,240,000	70,282	142,148	1,452,430
2018 - 2021	4,175,000	114,671	231,926	4,521,597
Total	<u>\$ 10,145,000</u>	<u>\$ 619,431</u>	<u>\$ 1,252,821</u>	<u>\$ 12,017,252</u>

* Computed using (3.923% - 1.298%) x (\$10,145,000 – annual reduction)

- (b) Derivative Disclosure - Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective December 14, 2004 (subsequently amended and restated on December 19, 2011) – 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 July 1, 2009 to the agreements' termination dates, 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.

On August 22, 2011, the swap originally entered into with Citibank was transferred, "novated", from Citibank to The Bank of New York Mellon ("BNY Mellon") under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County's counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

Effective December 15, 2011, the Counterparties and the County amended and restated the original interest rate swap agreements by changing the payment frequency on the swaps from a semiannual basis to the monthly basis. In connection with the amended and restated swap agreements, the fixed rate the County agreed to pay was amended to 3.435% for the Wells Fargo and Bank of America swaps, and to 3.437% for the BNY Mellon swap, all effective December 15, 2011.

As of June 30, 2012, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Counterparties *	Fixed *	3.436%
Variable payment from Counterparties	See above	<u>(0.355%)</u>
Net interest rate swap payments		3.081%
Variable rate bond coupon payments	Bond Rate	<u>0.150%</u>
Synthetic interest rate on Bonds		3.231%
Remarketing, Liquidity, Other		<u>0.575%</u>
Total Cost		<u>3.806%</u>

* Blended fixed rate as of December 15, 2011

Fair Value. As of June 30, 2012, the swap agreements had a negative fair value of \$10,254,455. 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, 2012, 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, 2012 are rated as follows:

Counterparty	Moody's	Standard &	
		Poor's	Fitch
Bank of America N.A.	A3	A	A
BNY Mellon	Aa1	AA-	AA-
Wells Fargo Bank N.A.	Aa3	AA-	AA-

To mitigate the potential for credit risk, if the Counterparties' credit quality falls below certain thresholds (Baa1/BBB+/BBB+ in respect to Bank of America, N.A. and A3/A-/A- in respect to BNY Mellon and Wells Fargo, N.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 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 if its 2004 Bonds begin to trade at a yield which exceeds Index II identified under *Terms*. At June 30, 2012, 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 (in respect to BNY Mellon and Bank of America, N.A.) 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, 2012, 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 Swaps, Net *	Remarketing Liquidity, Other	Total
	Principal	Interest			
2013	\$ 3,335,000	\$ 86,618	\$ 1,779,119	\$ 332,034	\$ 5,532,771
2014	3,310,000	81,615	1,676,368	312,858	5,380,841
2015	3,280,000	76,650	1,574,387	293,825	5,224,862
2016	3,245,000	71,730	1,473,331	274,965	5,065,026
2017	3,215,000	66,863	1,373,352	256,306	4,911,521
2018 - 2022	14,415,000	264,916	5,441,340	1,015,508	21,136,764
2023 - 2027	17,545,000	158,386	3,253,220	607,143	21,563,749
2028 - 2029	9,400,000	21,150	434,420	81,075	9,936,645
Total	\$ 57,745,000	\$ 827,928	\$ 17,005,537	\$ 3,173,713	\$ 78,752,178

* Computed using $(3.4355\% - 0.355\%) \times (\$57,745,000 - \text{annual reduction})$

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

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to the issuance of traditional fixed-rate or synthetic fixed rate refunding bonds in June 2005, the County entered into a fixed spread basis swap agreement for the purpose of generating savings on \$38,000,000 in callable maturities of its General Obligation Bonds, Series 2001 and \$22,740,000 in callable maturities of its Certificates of Participation, Series 2003 (collectively "the Bonds"). The intention of the fixed spread basis swap agreement was to effectively lower the County's interest rate on the Bonds and, subsequently, the New 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. In 2011, the County issued Limited Obligation Bonds, Series 2011 which refunded the Certificates of Participation, Series 2003. As such, the fixed spread basis swap is now associated with \$715,000 of the Limited Obligation Bonds, Series 2011, \$29,505,000 of the General Obligation Refunding Bonds, Series 2009B, and \$30,520,000 of the General Obligation Bonds, Series 2009A Bonds (collectively, 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, 2012, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	4.247%
Receive Floating Rate	67% LIBOR + 0.532%	(0.696%)
Pay Floating Rate	BMA Swap Index	<u>0.180%</u>
Net interest rate on Bonds		<u>3.731%</u>

Fair Value. As of June 30, 2012, the agreement had a positive fair value of \$812,767. 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, 2012, the County was exposed to credit risk in the amount of the derivative's fair value because the swap had a positive fair value. 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, 2012, Wells Fargo is rated "Aa3" 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, 2012, 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 *	
2013	\$ 2,750,000	\$ 2,469,652	\$ (299,413)	\$ 4,920,239
2014	6,195,000	2,359,652	(285,214)	8,269,438
2015	6,195,000	2,146,102	(253,228)	8,087,874
2016	6,645,000	1,870,652	(221,242)	8,294,410
2017	6,995,000	1,538,402	(186,933)	8,346,469
2018 - 2022	23,525,000	3,609,858	(432,158)	26,702,700
2023 - 2025	5,685,000	454,800	(58,705)	6,081,095
Total	<u>\$ 57,990,000</u>	<u>\$ 14,449,118</u>	<u>\$ (1,736,893)</u>	<u>\$ 70,702,225</u>

* Computed using (0.696% - 0.18%) x (\$57,990,000 – annual reduction)

- (d) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated October 11, 2005 (subsequently amended and restated on December 13, 2011) 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 and, subsequently, the New Bonds.

In 2011, the County issued Union County Revenue Refunding Bonds, Series 2011A which refunded the Water and Sewer Enterprise System Revenue Bonds, Series 2003A. As such, the fixed spread basis swap is now associated with the Union County Revenue Refunding Bonds, Series 2011A (the "New Bonds").

Terms. Under the terms of a fixed spread basis swap agreement effective October 13, 2005, Citibank, N.A. New York ("Citibank") pays the 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.

On August 22, 2011, the swap originally entered into with Citibank was transferred, "novated", from Citibank to The Bank of New York Mellon ("BNY Mellon") under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County's counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

Effective December 1, 2011, the Counterparty and the County amended and restated the original interest rate swap agreement by i) modifying the percentage of Libor paid by the BNY Mellon from 70% Libor to 65% Libor, ii) modifying the spread paid by BNY Mellon from 0.40% to 0.4295%, iii) amending the amortization schedule to match the scheduled principal payments on the New Bonds and, iv) amending the maturity date to December 1, 2028.

As of June 30, 2012, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	3.835%
Receive Floating Rate	65% LIBOR + 0.4295%	(0.585%)
Pay Floating Rate	SIFMA Swap Index	<u>0.180%</u>
Net interest rate on Bonds		<u>3.430%</u>

Fair Value. As of June 30, 2012, the agreement had a negative fair value of \$25,268. 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, 2012, 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 BNY Mellon 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. BNY Mellon, rated "Aa1" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2012, will collateralize any market value positive to the County over a predetermined threshold that varies depending on BNY Mellon's ratings. At BNY Mellon's current ratings, such threshold is Infinity.

Basis Risk. The County receives from BNY Mellon 65% of USD-LIBOR-BBA plus a fixed spread of 0.295% and pays to BNY Mellon the SIMFA Municipal Swap Index. The County is exposed to basis risk when SIFBA begins to trade at a yield which exceeds 65% of USD-LIBOR-BBA plus 0.295%. 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, 2012, 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		
2013	\$ 990,000	\$ 902,338	\$ (94,758)	\$ 1,797,580
2014	1,060,000	866,488	(90,610)	1,835,878
2015	1,100,000	823,288	(86,239)	1,837,049
2016	1,150,000	778,288	(81,686)	1,846,601
2017	1,200,000	731,288	(76,931)	1,854,356
2018 - 2022	6,630,000	3,004,388	(307,441)	9,326,946
2023 - 2027	8,070,000	1,559,481	(159,346)	9,470,136
2028 - 2029	3,710,000	144,863	(15,176)	3,839,687
Total	<u>\$ 23,910,000</u>	<u>\$ 8,810,419</u>	<u>\$ (912,186)</u>	<u>\$ 31,808,233</u>

* Computed using $(0.585\% - 0.18\%) \times (\$23,910,000 - \text{annual reduction})$

- (e) Derivative Disclosure – Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreement dated October 11, 2005 (subsequently amended and restated on May 3, 2007 and June 26, 2008) and effective June 15, 2009 – Assumptions

Objective of the interest rate swap. In order to protect against the potential of higher future interest rates in connection with its issuance of Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 ("Series 2009 Bonds"), the County entered into a pay-fixed, receive-variable interest rate swap on October 11, 2005 with an effective date of June 15, 2009. The forward swap agreement would effectively change the County's interest rate on the Series 2009 Bonds to a synthetic fixed rate of 3.82%, excluding liquidity, remarketing, and other fees associated with the Series 2009 Bonds. 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 ("Citibank") will pay the County 70% of USD-LIBOR-BBA semi-annually on the

notional amount of \$20,000,000. 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.

On August 22, 2011, the swap originally entered into with Citibank was transferred, "novated", from Citibank to The Bank of New York Mellon ("BNY Mellon") under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County's counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

As of June 30, 2012, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to BNY Mellon	Fixed	3.820%
Variable payment from BNY Mellon	70% LIBOR	<u>(0.167%)</u>
Net interest rate swap payments		3.653%
Variable rate bond coupon payments	Bond Rate	<u>0.230%</u>
Synthetic interest rate on Bonds		3.883%
Remarketing, Liquidity, Other		<u>1.310%</u>
Total Cost		<u>5.193%</u>

Fair Value. As of June 30, 2012, the agreement had a negative fair value of \$5,038,497. 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, 2012, 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. BNY Mellon, rated "Aa1" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2012, will collateralize any market value positive to the County of Union over a predetermined threshold that varies depending on BNY Mellon's ratings. At BNY Mellon's current ratings, such threshold is Infinity.

Basis Risk. The County receives from BNY Mellon 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, 2012, 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			
2013	\$ 515,000	\$ 42,780	\$ 679,435	\$ 243,660	\$ 1,480,875
2014	540,000	41,596	660,622	236,914	1,479,131
2015	560,000	40,354	640,897	229,840	1,471,090
2016	585,000	39,066	620,441	222,504	1,467,010
2017	615,000	37,720	599,072	214,840	1,466,632
2018 - 2022	3,500,000	166,118	2,638,290	946,148	7,250,555
2023 - 2027	4,355,000	122,142	1,939,858	695,676	7,112,675
2028 - 2032	5,415,000	67,379	1,070,110	383,765	6,936,253
2033 - 2034	2,515,000	8,740	138,809	49,780	2,712,329
Total	<u>\$ 18,600,000</u>	<u>\$ 565,892</u>	<u>\$ 8,987,534</u>	<u>\$ 3,223,124</u>	<u>\$ 31,376,550</u>

* Computed using $(3.82\% - 0.167\%) \times (\$18,600,000 - \text{annual reduction})$

- (f) Derivative Disclosure – Multiple Pay-Fixed, Receive-Floating Interest Rate Swap Agreements dated December 12, 2005 (subsequently amended and restated effective June 9, 2010) and effective September 6, 2007.

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 would effectively change the County’s interest rate on the 2007 Series Bonds to a synthetic fixed rate of 3.673%, excluding liquidity, remarketing, and other fees associated with the 2007 Series Bonds. The Series 2007 Bonds were issued September 6, 2007.

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.

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.

On August 22, 2011, the swap originally entered into with Citibank was transferred, “novated”, from Citibank to The Bank of New York Mellon (“BNY Mellon”) under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County’s counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

On February 8, 2012, the swap originally entered into with UBS was transferred, “novated”, from UBS to Wells Fargo under the terms of the Novation Confirmation dated February 8, 2012. The purpose of the novation was to increase the credit quality of the County’s counterparty to the swap. The terms of the

swap remained consistent to the County. The transferor, UBS, paid consideration to the County in consideration of the trade novation as more fully described in the Novation Confirmation.

As of June 30, 2012, 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>(0.172%)</u>
Net interest rate swap payments		3.501%
Variable rate bond coupon payments	Bond Rate*	<u>0.142%</u>
Synthetic interest rate on Bonds		3.643%
Remarketing, Liquidity, Other *		<u>0.679%</u>
Total Cost		<u>4.322%</u>

*Weighted Average

Fair Value. As of June 30, 2012, the amended and restated agreements had a negative fair value of \$12,061,764. 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, 2012, 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 could 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, 2012 are rated as follows:

<u>Counterparty</u>	Standard &		
	<u>Moody's</u>	<u>Poor's</u>	<u>Fitch</u>
Wells Fargo	Aa3	AA-	AA-
BNY Mellon	Aa1	AA-	AA-

To mitigate the potential for credit risk, if the Counterparties' credit quality falls below A3/A-/A-, the Counterparties are obligated to post collateral consisting of U.S. government securities for the fair value of the swap agreements. Collateral would be posted with a third party custodian.

Basis Risk. 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, 2012, 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	Remarketing	Total
	Principal	Interest	Sw aps, Net *	Liquidity, Other	
2013	\$ -	\$ 58,937	\$ 1,453,225	\$ 281,827	\$ 1,512,162
2014	-	58,937	1,453,225	281,827	1,512,162
2015	-	58,937	1,453,225	281,827	1,512,162
2016	-	58,937	1,453,225	281,827	1,512,162
2017	-	58,937	1,453,225	281,827	1,512,162
2018 - 2022	-	294,683	7,266,125	1,409,136	7,560,808
2023 - 2027	23,065,001	229,158	5,650,438	1,095,802	28,944,597
2028 - 2031	18,440,000	65,462	1,614,110	313,028	20,119,572
Total	<u>\$ 41,505,001</u>	<u>\$ 883,987</u>	<u>\$ 21,796,798</u>	<u>\$ 4,227,103</u>	<u>\$ 64,185,786</u>

* Computed using $(3.673\% - 0.172\%) \times (\$41,505,001 - \text{annual reduction})$

- (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 2012 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 2012, the County experienced similar liquidity fee levels compared to fiscal year 2011, 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 \$222,989,400. The general obligation bonds Series 2004A, 2004B, 67.5% of the 2007A, 2007B and 2007C and the revenue bonds Series 2009 and 2011 have been synthetically fixed as described in the previous paragraphs.

Debt Sub Note	Issue	Balance June 30, 2012	Standby	Fees Paid	Interest Rate
			Purchase Agreement Expiration	for the Fiscal Year 2012	June 30, 2012
General Obligation Bonds					
(b)	2004A	\$ 41,775,000	December 15, 2014	\$ 203,832	0.15%
(b)	2004B	15,970,000	December 15, 2014	76,753	0.15%
(f)	2007A	20,749,288	March 25, 2014	235,820	0.14%
(f)	2007B	12,451,286	March 25, 2014	144,556	0.14%
(f)	2007C	8,304,427	December 15, 2014	59,651	0.15%
Revenue Bonds					
(a)	2011	10,145,000	not applicable	-	1.30%
(e)	2009	18,600,000	August 20, 2012	257,930	0.23%

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

	Governmental	Business-type	Total
	Activities	Activities	
General Obligation Bonds	\$ 415,264,622	\$ 891,215	\$ 416,155,837
Certificates of Participation	89,729,408	-	89,729,408
Installment Financing	6,931,484	-	6,931,484
Revenue Bonds	-	52,128,389	52,128,389
N.C. Clean Water Revolving Loan	-	13,168,483	13,168,483
Total	<u>\$ 511,925,514</u>	<u>\$ 66,188,087</u>	<u>\$ 578,113,601</u>

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
<u>General Obligation Bonds</u>			
2004 Refunding Bonds (School Facilities)	\$ 4,651	\$ (92,498)	\$ (87,847)
2004 Refunding Bonds (Sanitary Sewer)	1,059	(20,397)	(19,338)
2004 Refunding Bonds (School Facilities)	456,340	-	456,340
2007 School Facility - Series D	-	(1,755,378)	(1,755,378)
2009 School Facility - Series A	-	(2,816,510)	(2,816,510)
2009 Refunding Bonds (School Facility) -	248,794	(3,431,697)	(3,182,903)
2009 Refunding Bonds (School Facility) -	1,826,491	(1,968,503)	(142,012)
2010 Refunding Bonds - Series A (School	246,750	(5,343,610)	(5,096,860)
2012 School Refunding	4,190,554	(3,441,883)	748,671
<u>Installment Financing</u>			
2003 Multi-purpose COP's	-	(86,984)	(86,984)
2006 Schools COP's	-	(1,843,547)	(1,843,547)
2011 Limited Obligation Bonds (Schools)	301,963	-	301,963
2011 Limited Obligation Bonds (Other)	540,074	-	540,074
2012 Limited Obligation Bonds (Schools)	2,316,586	(2,976,981)	(660,395)
2012 Limited Obligation Bonds (Other)	650,786	(836,305)	(185,519)
<u>Revenue Bonds</u>			
2003 Enterprise System - Series A	-	(22,560)	(22,560)
2003 Refunding Enterprise System -	-	-	-
2011 Refunding Enterprise System	1,056,834	-	1,056,834
2011A Refunding Enterprise System	1,464,307	(1,971,970)	(507,663)
Total	<u>\$ 13,305,189</u>	<u>\$ (26,608,823)</u>	<u>(13,303,634)</u>
Long-term Obligations (per Note 16, A)			<u>578,113,601</u>
Future Maturities of Long-term Obligations (per Note 16, B)			<u>\$ 564,809,967</u>

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					
2013	\$ 24,432,900	\$ 16,475,299	\$ 6,109,175	\$ 3,967,602	\$ 30,542,075	\$ 20,442,902
2014	24,881,765	15,683,706	6,208,820	3,618,499	31,090,585	19,302,205
2015	25,723,571	14,724,378	6,249,830	3,359,577	31,973,401	18,083,955
2016	25,704,887	13,658,294	6,242,260	3,148,168	31,947,147	16,806,462
2017	25,750,000	12,514,020	6,231,164	2,935,835	31,981,164	15,449,855
2018-2022	118,450,000	46,458,630	27,410,234	11,268,648	145,860,234	57,727,278
2023-2027	93,205,000	24,102,373	20,750,000	6,320,931	113,955,000	30,423,305
2028-2032	60,240,000	6,993,557	15,525,000	2,251,125	75,765,000	9,244,682
2033-2034	5,000,000	200,000	-	-	5,000,000	200,000
	<u>\$ 403,388,123</u>	<u>\$ 150,810,257</u>	<u>\$ 94,726,484</u>	<u>\$ 36,870,386</u>	<u>\$ 498,114,607</u>	<u>\$ 187,680,643</u>

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Business-type Activities							
2013	\$ 542,100	\$ 35,806	\$ 2,700,000	\$ 2,026,996	\$ 983,697	\$ 311,879	\$ 4,225,797	\$ 2,374,681
2014	138,235	14,122	2,780,000	1,908,443	983,697	286,876	3,901,932	2,209,440
2015	136,429	7,901	2,820,000	1,798,324	983,697	261,872	3,940,126	2,068,097
2016	55,113	2,273	2,930,000	1,686,425	983,697	236,869	3,968,810	1,925,567
2017	-	-	3,055,000	1,570,198	983,697	211,866	4,038,697	1,782,064
2018-2022	-	-	14,305,000	6,109,980	3,750,000	764,438	18,055,000	6,874,417
2023-2027	-	-	12,425,000	3,588,092	3,750,000	339,750	16,175,000	3,927,842
2028-2032	-	-	9,125,000	1,263,932	750,000	16,988	9,875,000	1,280,919
2033-2034	-	-	2,515,000	145,160	-	-	2,515,000	145,160
	<u>\$ 871,877</u>	<u>\$ 60,102</u>	<u>\$ 52,655,000</u>	<u>\$ 20,097,549</u>	<u>\$ 13,168,483</u>	<u>\$ 2,430,537</u>	<u>\$ 66,695,360</u>	<u>\$ 22,588,187</u>

Total Long-term Obligations for Governmental and Business-type Activities \$ 564,809,967 \$ 210,268,831

As of June 30, 2012, Union County had no general obligation bonds authorized but unissued, and had a legal debt margin of \$1,373,524,913.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012 (and agrees to table in Note 16 part A):

	Balance June 30, 2011	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2012	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 439,916,948	\$ 28,845,000	\$ 72,551,575	\$ (2,285,751)	\$ 393,924,622	\$ 24,811,555
Certificates of participation	95,100,626	40,240,000	23,035,000	(1,236,218)	111,069,408	5,268,185
Installment financing	7,777,327	-	845,843	-	6,931,484	879,175
	<u>542,794,901</u>	<u>69,085,000</u>	<u>96,432,418</u>	<u>(3,521,969)</u>	<u>511,925,514</u>	<u>30,958,915</u>
Compensated absences	3,057,015	3,322,737	3,203,914	-	3,175,839	-
Net OPEB obligation	8,084,233	2,576,015	-	-	10,660,248	-
Net pension obligation	(1,388,045)	-	11,442	-	(1,399,487)	-
	<u>\$ 552,548,104</u>	<u>\$ 74,983,752</u>	<u>\$ 99,647,774</u>	<u>\$ (3,521,969)</u>	<u>\$ 524,362,114</u>	<u>\$ 30,958,915</u>
By Purpose:						
General government	\$ 11,267,137	\$ 9,430,519	\$ 9,497,130	\$ (383,107)	\$ 10,817,419	\$ 857,133
Public safety	11,005,711	-	1,790,452	(333,605)	8,881,654	919,948
Economic/physical development	2,832,852	2,954,886	2,972,279	154,919	2,970,378	268,569
Human services	33,734	-	33,189	(435)	110	-
Education	515,617,287	55,030,277	80,415,207	(2,891,362)	487,340,995	28,761,544
Cultural and recreational	2,038,180	1,669,318	1,724,161	(68,379)	1,914,958	151,721
Compensated absences	3,057,015	3,322,737	3,203,914	-	3,175,839	-
Net OPEB obligation	8,084,233	2,576,015	-	-	10,660,248	-
Net pension obligation	(1,388,045)	-	11,442	-	(1,399,487)	-
	<u>\$ 552,548,104</u>	<u>\$ 74,983,752</u>	<u>\$ 99,647,774</u>	<u>\$ (3,521,969)</u>	<u>\$ 524,362,114</u>	<u>\$ 30,958,915</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 1,436,557	\$ -	\$ 548,425	\$ 3,083	\$ 891,215	\$ 546,759
Revenue bonds	57,606,895	34,385,000	39,795,000	(68,506)	52,128,389	2,615,716
NC Clean Water Revolving Loan	14,152,180	-	983,697	-	13,168,483	983,697
	<u>73,195,632</u>	<u>34,385,000</u>	<u>41,327,122</u>	<u>(65,423)</u>	<u>66,188,087</u>	<u>4,146,172</u>
Compensated absences	435,487	416,139	452,600	-	399,026	-
Net OPEB obligation	911,831	273,649	-	-	1,185,480	-
Net pension obligation	(186,615)	-	1,555	-	(188,170)	-
	<u>\$ 74,356,335</u>	<u>\$ 35,074,788</u>	<u>\$ 41,781,277</u>	<u>\$ (65,423)</u>	<u>\$ 67,584,423</u>	<u>\$ 4,146,172</u>
By Purpose:						
Water and sewer systems	\$ 73,195,632	\$ 34,385,000	\$ 41,327,122	\$ (65,423)	\$ 66,188,087	\$ 4,146,172
Compensated absences	435,487	416,139	452,600	-	399,026	-
Net OPEB obligation	911,831	273,649	-	-	1,185,480	-
Net pension obligation	(186,615)	-	1,555	-	(188,170)	-
	<u>\$ 74,356,335</u>	<u>\$ 35,074,788</u>	<u>\$ 41,781,277</u>	<u>\$ (65,423)</u>	<u>\$ 67,584,423</u>	<u>\$ 4,146,172</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, 2012.

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, 2012 is as follows:

Revenues	\$ 30,976,060
Current Expenses	<u>16,476,867</u>
Net revenues available for debt service	14,499,193
Add: 20% of preceding year's Surplus Fund	<u>5,608,788</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 20,107,981</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 4,810,493
Subordinate debt service:	
Debt service, principal and interest paid	<u>1,926,747</u>
Total debt service:	
Total debt service, principal and interest paid	6,737,240
Add: 20% of senior debt service	<u>962,099</u>
Adjusted debt service requirements	<u>\$ 7,699,339</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	2.61
Coverage Test 2	
Net revenues / total debt service	2.15

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, 2012. The amount outstanding at June 30, 2012 is \$ 1,168,483. 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, 2012. The amount outstanding at June 30, 2012 is \$12,000,000. 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
2013	\$ 233,696	\$ 40,079	\$ 750,000	\$ 271,800
2014	233,696	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	233,697	8,016	750,000	203,850
2018-2022	-	-	3,750,000	764,438
2023-2027	-	-	3,750,000	339,750
2028	-	-	750,000	16,988
Total	<u>\$ 1,168,483</u>	<u>\$ 120,237</u>	<u>\$ 12,000,000</u>	<u>\$ 2,310,300</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, or 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, 2012, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$12,100,000.

NOTE 17 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of inter-fund balances as of June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 266,425	Note 1
General Fund	Solid Waste Fund	47,499	Note 1
General Fund	Stormwater Fund	6,200	Note 1
		<u>\$ 320,124</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:				Business Type Activities
	Governmental Activities				
	General Fund	Emergency Telephone System Fund	General Capital Project Fund	Total Governmental Funds	
Governmental activities:					Stormwater Fund
Debt Service	\$ 1,510,656	\$ -	\$ -	\$ 1,510,656	\$ -
General Fund	-	5,745	57,000,000	57,005,745	-
Total governmental activities	1,510,656	5,745	57,000,000	58,516,401	-
Business type activities:					
Water & Sewer Fund	-	-	-	-	158,410
Total transfers out	<u>\$ 1,510,656</u>	<u>\$ 5,745</u>	<u>\$ 57,000,000</u>	<u>\$ 58,516,401</u>	<u>\$ 158,410</u>

Note 1: The transfer from the Debt Service Fund was to provide funding for the School Debt Service for FY 2012. This transfer will also close the Debt Service Fund.

Note 2: The transfer from the General Fund to the Emergency Telephone System Fund was to provide funding for fiscal year 2011 Emergency Telephone System Fund expenditures that were determined to not be applicable to the Emergency Telephone System Public Safety Answering Point revenue source.

Note 3: The transfers from the General Fund to the General Capital Project Fund were for CIP reserve funds.

Note 4: 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)	\$ -	\$ 334,449	\$ 334,449
Prepaid taxes not yet earned (Special Revenue)	-	6,730	6,730
Grant revenue not yet earned (General)	-	-	-
Taxes receivable, net (General)	5,199,692	-	5,199,692
Taxes receivable, net (Special Revenue)	152,723	-	152,723
Accounts receivable, long term (General)	-	74,796	74,796
Totals - Exhibit C	<u>\$ 5,352,415</u>	<u>415,975</u>	<u>\$ 5,768,390</u>
Accounts receivable, long term (General)		(74,796)	
Total - Exhibit A		<u>\$ 341,179</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 \$1,986,663 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, 2012 was \$14,869,140. This included the County's recognized gain of \$25,521, 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	\$ 1,490,259
Other assets	28,437,655
Total assets	<u>\$ 29,927,914</u>
Total liabilities	\$ 189,634
Total net assets	29,738,280
Total liabilities and net assets	<u>\$ 29,927,914</u>
Total revenues	\$ 3,438,967
Total expenses	(4,321,956)
Capital contributions	934,032
Net increase in net assets	<u>\$ 51,043</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. A new amendment was negotiated and entered into effective January 1, 2012 and remaining in effect until December 31, 2061. The new amended agreement with CMC-Union requires an annual payment of lease to the County of \$6,100,000 per year payable on or before January 15th of each year. The new lease payment of \$6,100,000 per year increases by one percent (1%) on January 1, 2017, and on the first January 1 of each five (5) year period thereafter. In addition to the annual lease for 2012, CHS paid the remainder of the annual rent under the old lease (\$1,566,879). Under the new amendment, in addition to the annual lease, CHS paid the County an upfront lease payment in the amount of \$54,000,000. 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, \$3,169,848 in debt is still outstanding. The County contributed \$1,098,827 to South Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2012. In addition, the County made debt service payments of \$255,063 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, 2012. 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 Behavioral Healthcare and Cardinal Innovations Healthcare Solutions

The County also participates in a joint venture to operate Piedmont Behavioral Healthcare (PBH) with five other counties; Cabarrus, Davidson, Rowan, Stanly, and Union counties. PBH provides mental health, intellectual/other developmental disability treatment, and substance abuse services for the residents these counties. Each participating government appoints four board members to the 20 member board. The County has an ongoing financial responsibility for the joint venture because PBH's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in PBH, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$707,939 to PBH to supplement its activities for the year ended June 30, 2012. Complete financial statements for PBH can be obtained from PBH's offices at 245 LePhillip Court, NE, Concord, NC 28025.

On June 23, 2011, the State of North Carolina passed Session Law 2011-264, which requires state wide expansion of the 1915 (b)/(c) Medicaid waiver to be managed by area authorities operating as managed care organizations. In response, PBH and four local management entities (LME's) comprised of 15 counties, negotiated to merge the counties of each LME into one organization. The four LME's are comprised of (1) Alamance-Caswell (counties), (2) Five County (consisting of Franklin, Granville, Halifax, Vance and Warren counties), (3) Orange-Person-Chatham (counties), and (4) the PBH LME (consisting of Cabarrus, Davidson, Rowan, Stanly and Union counties). The merger allows for the expansion of the Medicaid waivers, and will meet minimum population requirements as established by the North Carolina General Assembly. Over the past several months, each of the 15 county's Board of Commissioners have adopted a resolution to be served by a single area authority operating as a managed care organization which is now known as Cardinal Innovations Healthcare Solutions ("Cardinal Innovations"). The Union County Board of Commissioners adopted this resolution on June 4th, 2012. The joint resolution became effective July 1, 2012. On October 11, 2012, PBH announced that it was rebranding to (becoming) Cardinal Innovations Healthcare Solutions. This area authority is comprised of a single Governing Board and four Community Oversight Boards (COB); one for each Community Operations Center previously served by the four LME's. The COB's will be responsible for recommending priorities for expenditure of state/county funds for development of the annual budget, determine local priorities for inclusion in the area wide strategic plan, identify community needs and concerns, and monitor resolution of issues. Each COB will consist of the following members: a local Consumer and Family Advisory Committee (CFAC) Chair or designee and three members from each county appointed by the County Commission (County Commissioner or designee, consumer of family member, other citizen or stakeholder). The Governing Board will consist of 13 members with one representative from each of the four COB's, two at large

County Commissioners from among the counties, one representative for the Regional CFAC and six members with special expertise in healthcare, insurance, finance and health/behavioral health, intellectual/developmental disabilities, physician or other profession.

As with PBH, the County has an ongoing financial responsibility for the Cardinal Innovations joint venture because its continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Cardinal Innovations, so no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for Cardinal Innovations can be obtained from the same address of the PBH's offices; 245 LePhillip 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 \$53,704 during the fiscal year ended June 30, 2012. The County was the sub-recipient of a grant for \$855,604 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	\$ 766,717	\$ -
AFDC Payments and Penalties	(43)	(12)
Energy Assistance Payment	(573)	-
Refugee Assistance Payment	4,798	-
CWS Adoption Subsidy and Vendor	-	343,098
IV-E Adoption Subsidy and Vendor	423,563	114,297
State/County Special Assistance for Adults Women, Infants and Children	-	801,893
Medical Assistance Program	3,237,808	-
Food Stamp Program-Noncash	83,905,845	47,535,828
Food Distribution	36,553,989	-
Health Choice	-	-
	4,594,278	1,482,809
	<u>\$ 129,486,382</u>	<u>\$ 50,277,913</u>

NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 23 – PRIOR PERIOD ADJUSTMENTS

Beginning net assets were restated for the Business Type Activity, Water and Sewer Fund. During the implementation of a new capital asset software program, it was determined that several large assets had cumulative depreciation calculation errors in the previous software program and a corresponding adjustment was made. It was also determined that three capital projects that were believed to be in progress (construction-work-in-progress, CWIP) at June 30, 2011 were actually completed several months prior to the end of 2011. These projects were the Twelve Mile Creek Phosphorus Removal project, Twelve Mile Creek Odor Control project, and the Circle Drive/Younts Road Water Main Extension project. Corresponding adjustments were made for capitalized interest and depreciation expense as of June 30, 2011. Also during fiscal year 2012, the County received a reimbursement from the Charlotte Mecklenburg Utility Department (CMUD) for a three year period of excess billings related to the County’s sewage treatment at the CMUD McAlpine Wastewater Treatment Facility. A corresponding adjustment was made to net assets for the County’s wastewater treatment expense. The adjustments to beginning net assets are as follows:

	Business-type Activities <u>Water and Sewer Fund</u>
Net assets, June 30, 2011 as previously reported	\$ 238,046,972
Adjustments:	
Depreciation adjustment due to change in software	(1,633,677)
Capitalize CWIP as of June 30, 2011:	
Remove applicable capitalized interest for June 30, 2011	(387,157)
Record applicable depreciation for June 30, 2011	(514,502)
Wastewater treatment billing error reimbursement:	
Amount applicable to June 30, 2009	76,449
Amount applicable to June 30, 2010	90,568
Amount applicable to June 30, 2011	84,225
Total adjustments	<u>(2,284,094)</u>
Net assets, June 30, 2011 as restated	<u>\$ 235,762,878</u>

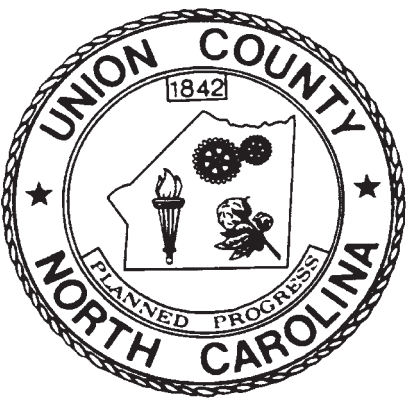
NOTE 24 – EXTRAORDINARY ITEM

As noted in Note 19. B. regarding the Union Regional Medical Center joint venture, the County received an upfront lease payment in the amount of \$54,000,000 pursuant to a new amendment to the lease agreement that was negotiated and entered into effective January 1, 2012. This is reported as a one-time extraordinary item in both the statement of activities and the statement of revenues, expenditures and changes in fund balances.

NOTE 25 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On July 12, 2012, the County terminated a Tax-Supported Basis Swap in the amount of \$57,999,000, dated June 13, 2005. The swap counter party was Wells Fargo. Under this basis swap, the County paid a variable rate equal to the SIFMA index and received a variable rate equal to 67% of LIBOR plus a spread of 0.532%. The termination of the swap reduced the swap exposure for the County and generated a swap termination payment, in the amount of \$953,000, paid to the County.

On August 20 2012, the County replaced the Letter of Credit and Remarketing provider, Bank of America, on the 2009 Enterprise System Revenue Bonds. The outstanding notional amount as of June 30, 2012 was \$18,600,000. The bonds require that the County have either a Letter of Credit or a Standby Bond Purchase Agreement (SBPA) in place. US Bank will now serve as the Liquidity Facility and Remarketing provider for a three year term. US Bank will save the County over the next three years 62.5 basis points over the current prior fees of 110 basis points.



Required Supplementary Information

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

Special Separation Allowance

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to the Required Schedules

Other Postemployment Retiree Healthcare Benefits (OPEB)

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to the Required Schedules

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date - Year Ended December 31	Actuarial Value of Assets	Actuarial Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll for Year Ending on Valuation Date	UAAL as a Percentage of Covered Payroll (3) / (5)
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%
2011	739,302	7,808,146	7,068,844	9.47%	36,870,843	19.17%

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>
2007	\$ 450,003	184.00%
2008	477,327	188.51%
2009	527,637	173.00%
2010	580,462	111.79%
2011	725,358	77.10%
2012	695,688	101.83%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2011	19 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 Retiree Healthcare Benefits (OPEB)
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	0.0%	\$ 34,875,562	101.5%
2008	-	38,487,574	38,487,574	0.0%	37,669,545	102.2%
2009	360,768	39,703,931	39,343,163	0.9%	38,200,120	103.0%
2010	1,035,514	40,378,677	39,343,163	2.6%	36,938,542	106.5%
2011	1,896,400	46,153,290	44,256,890	4.1%	37,007,819	119.6%
2012	5,031,521	49,577,714	44,546,193	10.1%	36,772,539	121.1%

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%
2012	5,989,106	106.9%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period at July 1, 2011	30 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.25%
Annual expense inflation rate	2.50%
Payroll Growth	3.50%
Projected salary increases	4.50%
Health care cost trend rate	9.5% - 5%



Combining and Individual Fund Statements

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2012

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 1,852,155	\$ -	\$ 3,554,445	\$ 5,406,600
Property taxes receivable (net)	152,723	-	-	152,723
Accounts receivable (net)	267,142	-	-	267,142
Cash and investments, restricted	898,724	-	-	898,724
Total assets	<u>\$ 3,170,744</u>	<u>\$ -</u>	<u>\$ 3,554,445</u>	<u>\$ 6,725,189</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 27,291	\$ -	\$ 6,591	\$ 33,882
Deferred revenue	152,723	-	-	152,723
Unearned revenue	6,730	-	-	6,730
Liabilities payable from restricted assets	6,751	-	-	6,751
Total liabilities	<u>193,495</u>	<u>-</u>	<u>6,591</u>	<u>200,086</u>
FUND BALANCES				
Restricted	2,977,249	-	-	2,977,249
Assigned	-	-	3,547,854	3,547,854
Total fund balances	<u>2,977,249</u>	<u>-</u>	<u>3,547,854</u>	<u>6,525,103</u>
Total liabilities and fund balances	<u>\$ 3,170,744</u>	<u>\$ -</u>	<u>\$ 3,554,445</u>	<u>\$ 6,725,189</u>

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

For The Year Ended June 30, 2012

	Special Revenue Funds	Debt Service Fund	Library Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 4,363,488	\$ -	\$ -	\$ 4,363,488
Local option sales tax	707,276	-	-	707,276
Other taxes and licenses	1,004,522	-	-	1,004,522
Intergovernmental	15,901	-	-	15,901
Permits and fees	2,085,215	-	-	2,085,215
Sales and services	15,000	-	-	15,000
Investment earnings	12,338	-	-	12,338
Miscellaneous	94,375	-	-	94,375
Total revenues	<u>8,298,115</u>	<u>-</u>	<u>-</u>	<u>8,298,115</u>
EXPENDITURES				
Current:				
Public safety	9,454,902	-	-	9,454,902
General governmental	102,000	-	-	102,000
Total expenditures	<u>9,556,902</u>	<u>-</u>	<u>-</u>	<u>9,556,902</u>
Deficiency of revenues under expenditures	(1,258,787)	-	-	(1,258,787)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	5,745	(1,510,656)	-	(1,504,911)
Net change in fund balances	(1,253,042)	(1,510,656)	-	(2,763,698)
FUND BALANCES				
Beginning	4,230,291	1,510,656	3,547,854	9,288,801
Ending	<u>\$ 2,977,249</u>	<u>\$ -</u>	<u>\$ 3,547,854</u>	<u>\$ 6,525,103</u>

Union County, North Carolina

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2012

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
ASSETS				
Cash and investments	\$ 27,740	\$ 59,227	\$ 67,637	\$ 35,608
Property taxes receivable (net)	19,799	28,326	43,402	39,321
Accounts receivable (net)	14,242	28,532	45,634	41,309
Cash and investments, restricted	-	-	-	-
Total assets	<u>\$ 61,781</u>	<u>\$ 116,085</u>	<u>\$ 156,673</u>	<u>\$ 116,238</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	19,799	28,326	43,402	39,321
Unearned revenue	813	1,024	1,796	1,088
Liabilities payable from restricted assets	-	-	-	-
Total liabilities	<u>20,612</u>	<u>29,350</u>	<u>45,198</u>	<u>40,409</u>
FUND BALANCES				
Restricted	<u>41,169</u>	<u>86,735</u>	<u>111,475</u>	<u>75,829</u>
Total liabilities and fund balances	<u>\$ 61,781</u>	<u>\$ 116,085</u>	<u>\$ 156,673</u>	<u>\$ 116,238</u>

Schedule 3

Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Automation Enhancement Fund	Total Nonmajor Special Revenue Funds
\$ 109,540	\$ 10,592	\$ 1,531,973	\$ -	\$ 9,838	\$ 1,852,155
21,875	-	-	-	-	152,723
53,527	188	83,710	-	-	267,142
-	-	-	898,724	-	898,724
<u>\$ 184,942</u>	<u>\$ 10,780</u>	<u>\$ 1,615,683</u>	<u>\$ 898,724</u>	<u>\$ 9,838</u>	<u>\$ 3,170,744</u>
\$ -	\$ 8,205	\$ 19,086	\$ -	\$ -	\$ 27,291
21,875	-	-	-	-	152,723
2,009	-	-	-	-	6,730
-	-	-	6,751	-	6,751
<u>23,884</u>	<u>8,205</u>	<u>19,086</u>	<u>6,751</u>	<u>-</u>	<u>193,495</u>
<u>161,058</u>	<u>2,575</u>	<u>1,596,597</u>	<u>891,973</u>	<u>9,838</u>	<u>2,977,249</u>
<u>\$ 184,942</u>	<u>\$ 10,780</u>	<u>\$ 1,615,683</u>	<u>\$ 898,724</u>	<u>\$ 9,838</u>	<u>\$ 3,170,744</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, 2012

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
REVENUES				
Ad valorem taxes	\$ 347,102	\$ 690,930	\$ 1,095,610	\$ 946,910
Local option sales tax	54,467	109,801	179,054	154,596
Other taxes and licenses	-	-	-	-
Intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>401,569</u>	<u>800,731</u>	<u>1,274,664</u>	<u>1,101,506</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	387,091	775,515	1,264,433	1,099,024
Total expenditures	<u>387,091</u>	<u>775,515</u>	<u>1,264,433</u>	<u>1,099,024</u>
Excess (deficiency) of revenues over (under) expenditures	14,478	25,216	10,231	2,482
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	-	-
Net change in fund balances	14,478	25,216	10,231	2,482
FUND BALANCES				
Beginning	26,691	61,519	101,244	73,347
Ending	<u>\$ 41,169</u>	<u>\$ 86,735</u>	<u>\$ 111,475</u>	<u>\$ 75,829</u>

Schedule 4

Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Automation Enhancement Fund	Total Nonmajor Special Revenue Funds
\$ 1,282,936	\$ -	\$ -	\$ -	\$ -	\$ 4,363,488
209,358	-	-	-	-	707,276
-	-	1,004,522	-	-	1,004,522
-	-	-	15,901	-	15,901
-	1,973,377	-	-	111,838	2,085,215
-	-	-	15,000	-	15,000
-	-	9,374	2,964	-	12,338
-	-	-	94,375	-	94,375
<u>1,492,294</u>	<u>1,973,377</u>	<u>1,013,896</u>	<u>128,240</u>	<u>111,838</u>	<u>8,298,115</u>
-	-	-	-	102,000	102,000
<u>1,427,808</u>	<u>2,057,966</u>	<u>2,358,605</u>	<u>84,460</u>	<u>-</u>	<u>9,454,902</u>
<u>1,427,808</u>	<u>2,057,966</u>	<u>2,358,605</u>	<u>84,460</u>	<u>102,000</u>	<u>9,556,902</u>
64,486	(84,589)	(1,344,709)	43,780	9,838	(1,258,787)
-	-	5,745	-	-	5,745
64,486	(84,589)	(1,338,964)	43,780	9,838	(1,253,042)
96,572	87,164	2,935,561	848,193	-	4,230,291
<u>\$ 161,058</u>	<u>\$ 2,575</u>	<u>\$ 1,596,597</u>	<u>\$ 891,973</u>	<u>\$ 9,838</u>	<u>\$ 2,977,249</u>

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

June 30, 2012

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,689,025	\$ 680,392	\$ 528,361	\$ 2,897,778
Accounts receivable (net)	339,520	1,072	520	341,112
Total current assets	<u>2,028,545</u>	<u>681,464</u>	<u>528,881</u>	<u>3,238,890</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	55,287	12,072	-	67,359
Workers' compensation claims payable	-	184,142	-	184,142
Health care benefits payable	843,783	-	-	843,783
Total current liabilities	<u>899,070</u>	<u>196,214</u>	<u>-</u>	<u>1,095,284</u>
NET ASSETS				
Unrestricted	<u>\$ 1,129,475</u>	<u>\$ 485,250</u>	<u>\$ 528,881</u>	<u>\$ 2,143,606</u>

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

For the Year Ended June 30, 2012

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 10,713,854	\$ 388,398	\$ 656,827	\$ 11,759,079
Other operating revenue	53,607	22,843	-	76,450
Total operating revenues	<u>10,767,461</u>	<u>411,241</u>	<u>656,827</u>	<u>11,835,529</u>
OPERATING EXPENSES				
Operating expenses	757,747	109,897	-	867,644
Workers' compensation claims	-	254,075	-	254,075
Health benefit claims and premiums	10,011,595	-	-	10,011,595
Property and casualty claims and premiums	-	-	656,827	656,827
Total operating expenses	<u>10,769,342</u>	<u>363,972</u>	<u>656,827</u>	<u>11,790,141</u>
Operating income (loss)	(1,881)	47,269	-	45,388
NONOPERATING REVENUES				
Investment earnings (losses)	<u>(865)</u>	<u>(7,248)</u>	<u>1,753</u>	<u>(6,360)</u>
Change in net assets	(2,746)	40,021	1,753	39,028
NET ASSETS				
Beginning	1,132,221	445,229	527,128	2,104,578
Ending	<u>\$ 1,129,475</u>	<u>\$ 485,250</u>	<u>\$ 528,881</u>	<u>\$ 2,143,606</u>



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

For the Year Ended June 30, 2012

	<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	\$ 10,754,152	\$ 388,822	\$ 657,179	\$ 11,800,153
Other operating revenue	53,607	22,843	-	76,450
Cash paid for goods and services	<u>(10,988,249)</u>	<u>(256,276)</u>	<u>(656,827)</u>	<u>(11,901,352)</u>
Net cash provided (used) by operating activities	(180,490)	155,389	352	(24,749)
INVESTING ACTIVITIES				
Investment earnings (losses)	<u>(865)</u>	<u>(7,248)</u>	<u>1,753</u>	<u>(6,360)</u>
Net increase (decrease) in cash and investments	(181,355)	148,141	2,105	(31,109)
CASH AND INVESTMENTS				
Beginning of year	1,870,380	532,251	526,256	2,928,887
End of year	<u>\$ 1,689,025</u>	<u>\$ 680,392</u>	<u>\$ 528,361</u>	<u>\$ 2,897,778</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ (1,881)</u>	<u>\$ 47,269</u>	<u>\$ -</u>	<u>\$ 45,388</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Decrease in accounts receivable	40,298	424	352	41,074
Increase (decrease) in accounts payable and accrued liabilities	<u>(218,907)</u>	<u>107,696</u>	<u>-</u>	<u>(111,211)</u>
Total adjustments	<u>(178,609)</u>	<u>108,120</u>	<u>352</u>	<u>(70,137)</u>
Net cash provided (used) by operating activities	<u>\$ (180,490)</u>	<u>\$ 155,389</u>	<u>\$ 352</u>	<u>\$ (24,749)</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2012

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
ASSETS				
Cash and investments	\$ 49,020	\$ 89,463	\$ 33,737	\$ -
Property taxes receivable (net)	-	-	-	10,982
Total assets	<u>\$ 49,020</u>	<u>\$ 89,463</u>	<u>\$ 33,737</u>	<u>\$ 10,982</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 89,463	\$ -	\$ 10,982
Due to program participants	49,020	-	33,737	-
Total liabilities	<u>\$ 49,020</u>	<u>\$ 89,463</u>	<u>\$ 33,737</u>	<u>\$ 10,982</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
\$ 702	\$ 178,161	\$ -	\$ 2,562	\$ 7,852	\$ 361,497
40,906	-	-	-	-	51,888
<u>\$ 41,608</u>	<u>\$ 178,161</u>	<u>\$ -</u>	<u>\$ 2,562</u>	<u>\$ 7,852</u>	<u>\$ 413,385</u>
\$ 41,608	\$ 178,161	\$ -	\$ 2,562	\$ 7,852	\$ 330,628
-	-	-	-	-	82,757
<u>\$ 41,608</u>	<u>\$ 178,161</u>	<u>\$ -</u>	<u>\$ 2,562</u>	<u>\$ 7,852</u>	<u>\$ 413,385</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, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash and investments	\$ 59,207,244	\$ 48,034,527
Property taxes receivable (net)	5,199,692	5,677,615
Accounts receivable (net)	12,204,036	12,130,763
Accounts receivable, long-term	62,112	77,171
Inventories	22,506	26,116
Cash and investments, restricted	33,082	1
Cash and investments, restricted-deposits	946,264	875,888
Total assets	<u>\$ 77,674,936</u>	<u>\$ 66,822,081</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,126,218	\$ 5,223,370
Deferred revenue	5,199,692	5,677,615
Unearned revenue	409,245	550,924
Deposits	946,264	875,888
Total liabilities	<u>11,681,419</u>	<u>12,327,797</u>
FUND BALANCE		
Nonspendable	84,618	103,287
Restricted	13,161,506	12,754,599
Assigned	1,497,776	1,656,054
Unassigned	51,249,617	39,980,344
Total fund balance	<u>65,993,517</u>	<u>54,494,284</u>
Total liabilities and fund balance	<u>\$ 77,674,936</u>	<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, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 149,812,927	\$ 152,186,072	\$ 2,373,145	\$ 150,435,645
Prior years' levy	3,287,000	3,158,223	(128,777)	3,959,296
Penalties and interest	995,700	1,201,507	205,807	1,013,773
Total	154,095,627	156,545,802	2,450,175	155,408,714
Local option sales tax	23,000,000	25,665,902	2,665,902	23,351,825
Other taxes and licenses	1,522,500	1,742,152	219,652	1,568,697
Intergovernmental	29,870,690	30,654,996	784,306	30,600,312
Permits and fees	2,424,696	3,014,314	589,618	2,551,468
Sales and services	5,334,000	5,266,772	(67,228)	5,068,297
Investment earnings	1,000,000	1,057,509	57,509	697,055
Miscellaneous	3,032,950	8,693,729	5,660,779	3,859,352
Total revenues	220,280,463	232,641,176	12,360,713	223,105,720
EXPENDITURES				
General Government				
Board of Commissioners	438,213	385,240	52,973	376,865
Central Administration	763,828	741,837	21,991	860,613
County Dues and Memberships	93,044	93,027	17	91,869
Internal Audit	101,858	93,407	8,451	92,879
Legal	367,700	357,660	10,040	332,133
Personnel	707,039	680,941	26,098	666,411
Finance	957,402	866,603	90,799	845,894
Tax Administration	3,757,942	3,599,871	158,071	3,575,350
Court Facilities	770,352	687,887	82,465	586,182
Elections	1,129,215	848,585	280,630	904,952
Register of Deeds	873,088	847,283	25,805	909,214
Information Systems	1,554,865	1,311,367	243,498	1,309,319
G.I.S. Department	235,809	215,359	20,450	210,201
General Services	84,371	(18,433)	102,804	301,079
Total General Government	11,834,726	10,710,634	1,124,092	11,062,961
Public Safety				
Law Enforcement	23,044,955	21,908,964	1,135,991	20,079,609
Communications	3,445,296	3,316,324	128,972	2,633,055
Homeland Security	186,474	120,159	66,315	156,810
Fire Services	779,738	762,420	17,318	900,784
Inspection	1,379,380	1,352,388	26,992	1,370,336
Other Public Safety Outside Agencies				
Medical Examiner	50,800	35,624	15,176	45,919
Emergency Medical Services	2,925,203	2,931,367	(6,164)	2,926,538
Juvenile Detention	80,425	77,850	2,575	63,621
American Red Cross	4,650	4,650	-	4,875
Other Public Safety	1,000	-	1,000	-
Total Public Safety	31,897,921	30,509,746	1,388,175	28,181,547

Continued on next page.

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 810,866	\$ 604,209	\$ 206,657	\$ 418,381
Economic Development Commission	1,342,088	1,249,610	92,478	2,223,860
Cooperative Extension Service	868,697	734,925	133,772	737,617
Soil Conservation	85,146	82,864	2,282	80,278
Other Economic and Physical Dev. Outside Agencies				
Forest Management	70,208	62,557	7,651	65,679
New Ventures Business Development	2,922	-	2,922	9,000
<i>Total Economic and Physical Development</i>	<u>3,179,927</u>	<u>2,734,165</u>	<u>445,762</u>	<u>3,534,815</u>
Human Services				
Health	8,901,231	8,397,819	503,412	8,349,037
Social Services	28,057,520	25,292,849	2,764,671	25,319,422
Transportation and Nutrition	1,796,677	1,567,091	229,586	1,698,243
Veterans' Service	287,450	263,153	24,297	264,219
Other Human Services Outside Agencies				
Mental Health	898,408	891,880	6,528	883,281
Health Quest	21,375	21,375	-	22,500
United Family Services	21,375	21,375	-	22,500
Charlotte Area Transportation	89,887	89,887	-	111,921
JJDP - Programs	289,971	277,626	12,345	265,844
Turning Point	21,375	21,375	-	22,500
UDI (Sheltered Workshop)	19,950	19,950	-	21,000
Community Shelter	10,688	10,688	-	11,250
Community Action	65,269	65,269	-	68,704
Council on Aging	374,760	374,762	(2)	348,354
CMC-Union	488,617	323,145	165,472	285,701
Criminal Justice Partnership	135,356	135,356	-	130,749
Other Human Services	3,475	182	3,293	1,023
<i>Total Human Services</i>	<u>41,483,384</u>	<u>37,773,782</u>	<u>3,709,602</u>	<u>37,826,248</u>
Cultural and Recreational				
Library	4,194,484	4,011,552	182,932	4,059,772
Parks and Recreation	1,969,418	1,668,611	300,807	1,425,264
Other Cultural and Recreational Outside Agencies				
Arts Council	47,025	47,025	-	49,500
Historical Properties	26,528	27,660	(1,132)	15,434
A. J. Historical Foundation	4,275	4,250	25	4,500
<i>Total Cultural and Recreational</i>	<u>6,241,730</u>	<u>5,759,098</u>	<u>482,632</u>	<u>5,554,470</u>
Education				
Public Schools - current expense	79,304,155	79,304,155	-	79,504,155
Public Schools - current expense (occupancy cost)	180,574	165,184	15,390	174,881
Subtotal	<u>79,484,729</u>	<u>79,469,339</u>	<u>15,390</u>	<u>79,679,036</u>
Community College	10,782	-	10,782	-
Community College - operations	1,090,827	1,090,827	-	1,100,000
Literacy Efforts	2,138	2,138	-	2,250
<i>Total Education</i>	<u>80,588,476</u>	<u>80,562,304</u>	<u>26,172</u>	<u>80,781,286</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, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 27,556,825	\$ 27,556,825	\$ -	\$ 24,670,865
Interest and fees	22,548,240	21,931,639	616,601	22,274,006
Total	<u>50,105,065</u>	<u>49,488,464</u>	<u>616,601</u>	<u>46,944,871</u>
General Debt Service				
Principal retirement	1,949,750	1,949,750	-	2,561,072
Interest and fees	948,360	929,382	18,978	1,287,219
Total	<u>2,898,110</u>	<u>2,879,132</u>	<u>18,978</u>	<u>3,848,291</u>
Total Debt Service	<u>53,003,175</u>	<u>52,367,596</u>	<u>635,579</u>	<u>50,793,162</u>
Contingency	<u>302,347</u>	-	<u>302,347</u>	-
Nondepartmental	<u>455,952</u>	-	<u>455,952</u>	-
Total expenditures	<u>228,987,638</u>	<u>220,417,325</u>	<u>8,570,313</u>	<u>217,734,489</u>
Revenues over (under) expenditures	<u>(8,707,175)</u>	<u>12,223,851</u>	<u>20,931,026</u>	<u>5,371,231</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Emergency Telephone System Fund	-	-	-	686
Debt service fund	1,510,656	1,510,656	-	-
Transfers to other funds:				
General Capital Project Fund	(57,000,000)	(57,000,000)	-	(3,303,552)
Emergency Telephone System Fund	(5,745)	(5,745)	-	-
Proceeds from refunding general obligation bonds	28,845,000	28,845,000	-	55,010,000
Proceeds from refunding general obligation bonds issuance premium, etc	3,491,145	3,491,145	-	6,401,729
Proceeds from refunding installment financing	40,240,000	40,240,000	-	-
Proceeds from refunding installment financing issuance premium, etc	3,864,555	3,864,556	1	-
Payments to refunded bonds escrow agents	(32,046,175)	(32,046,173)	2	(55,380,000)
Payments to refunded installment financing escrow agents	(44,275,360)	(43,624,057)	651,303	-
Payments to terminate interest rate swaps	-	-	-	(5,544,147)
Total other financing sources (uses)	<u>(55,375,924)</u>	<u>(54,724,618)</u>	<u>651,306</u>	<u>(2,815,284)</u>
Revenues and other financing sources over (under) expenditures and other financing uses before extraordinary item	<u>(64,083,099)</u>	<u>(42,500,767)</u>	<u>21,582,332</u>	<u>2,555,947</u>
EXTRAORDINARY ITEM				
Miscellaneous revenue - rent income - see Note 24	54,000,000	54,000,000	-	-
APPROPRIATED FUND BALANCE				
Revenues, other financing sources, extra- ordinary item and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>11,499,233</u>	<u>\$ 11,499,233</u>	<u>2,555,947</u>
FUND BALANCE				
Beginning		54,494,284		51,938,337
Ending		<u>\$ 65,993,517</u>		<u>\$ 54,494,284</u>

Special Revenue Funds

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

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

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

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

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

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

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

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

General Special Revenue Fund - This multi-year fund accounts for multi-year special revenues.

Automation Enhancement Fund - This fund accounts for ten percent (10%) of the fees collected, by the County's Register of Deeds, pursuant to G.S. 161-10 and retained by the county, or three dollars and twenty cents (\$3.20) in the case of a fee collected pursuant to G.S. 161-10(a)(1a) for the first page of a deed of trust or mortgage, which is set aside annually and placed in a nonreverting Automation Enhancement (and Preservation) Fund, the proceeds of which shall be expended on computer or imaging technology and needs associated with the preservation and storage of public records in the office of the register of deeds.

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

For the Year Ended June 30, 2012

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

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 331,786	\$ 337,950	\$ 6,164	\$ 317,335
Prior years' levy	-	7,026	7,026	9,209
Penalties and interest	-	2,126	2,126	2,551
Total	<u>331,786</u>	<u>347,102</u>	<u>15,316</u>	<u>329,095</u>
Local option sales tax	<u>47,432</u>	<u>54,467</u>	<u>7,035</u>	<u>50,079</u>
Total revenues	<u>379,218</u>	<u>401,569</u>	<u>22,351</u>	<u>379,174</u>
EXPENDITURES				
Current				
Public Safety	<u>387,422</u>	<u>387,091</u>	<u>331</u>	<u>367,035</u>
Revenues over (under) expenditures	(8,204)	14,478	22,682	12,139
APPROPRIATED FUND BALANCE	<u>8,204</u>	<u>-</u>	<u>(8,204)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	14,478	<u>\$ 14,478</u>	12,139
FUND BALANCE				
Beginning of year - July 1		<u>26,691</u>		<u>14,552</u>
End of year - June 30		<u>\$ 41,169</u>		<u>\$ 26,691</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 651,829	\$ 671,119	\$ 19,290	\$ 642,549
Prior years' levy	-	16,748	16,748	15,899
Penalties and interest	-	3,063	3,063	4,052
Total	<u>651,829</u>	<u>690,930</u>	<u>39,101</u>	<u>662,500</u>
Local option sales tax	<u>92,689</u>	<u>109,801</u>	<u>17,112</u>	<u>72,254</u>
Total revenues	<u>744,518</u>	<u>800,731</u>	<u>56,213</u>	<u>734,754</u>
EXPENDITURES				
Current				
Public Safety	<u>776,386</u>	<u>775,515</u>	<u>871</u>	<u>683,167</u>
Revenues over (under) expenditures	(31,868)	25,216	57,084	12,139
APPROPRIATED FUND BALANCE	<u>31,868</u>	<u>-</u>	<u>(31,868)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	25,216	<u>\$ 25,216</u>	51,587
FUND BALANCE				
Beginning of year - July 1		<u>61,519</u>		<u>9,932</u>
End of year - June 30		<u>\$ 86,735</u>		<u>\$ 61,519</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 1,059,139	\$ 1,075,268	\$ 16,129	\$ 1,026,794
Prior years' levy	-	16,471	16,471	19,249
Penalties and interest	-	3,871	3,871	4,730
Total	<u>1,059,139</u>	<u>1,095,610</u>	<u>36,471</u>	<u>1,050,773</u>
Local option sales tax	<u>153,742</u>	<u>179,054</u>	<u>25,312</u>	<u>163,886</u>
Total revenues	<u>1,212,881</u>	<u>1,274,664</u>	<u>61,783</u>	<u>1,214,659</u>
EXPENDITURES				
Current				
Public Safety	<u>1,266,035</u>	<u>1,264,433</u>	<u>1,602</u>	<u>1,162,301</u>
Revenues over (under) expenditures	(53,154)	10,231	63,385	52,358
APPROPRIATED FUND BALANCE	<u>53,154</u>	<u>-</u>	<u>(53,154)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	10,231	<u>\$ 10,231</u>	52,358
FUND BALANCE				
Beginning of year - July 1		<u>101,244</u>		<u>48,886</u>
End of year - June 30		<u>\$ 111,475</u>		<u>\$ 101,244</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 917,991	\$ 930,159	\$ 12,168	\$ 919,968
Prior years' levy	-	12,946	12,946	13,458
Penalties and interest	-	3,805	3,805	3,408
Total	917,991	946,910	28,919	936,834
Local option sales tax	136,349	154,596	18,247	135,750
Total revenues	1,054,340	1,101,506	47,166	1,072,584
EXPENDITURES				
Current				
Public Safety	1,100,460	1,099,024	1,436	1,020,566
Revenues over (under) expenditures	(46,120)	2,482	48,602	52,018
APPROPRIATED FUND BALANCE	46,120	-	(46,120)	-
Revenues and appropriated fund balance over expenditures	\$ -	2,482	\$ 2,482	52,018
FUND BALANCE				
Beginning of year - July 1		73,347		21,329
End of year - June 30		\$ 75,829		\$ 73,347

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 1,229,498	\$ 1,263,846	\$ 34,348	\$ 1,239,292
Prior years' levy	-	15,480	15,480	18,838
Penalties and interest	-	3,610	3,610	4,879
Total	<u>1,229,498</u>	<u>1,282,936</u>	<u>53,438</u>	<u>1,263,009</u>
Local option sales tax	<u>181,171</u>	<u>209,358</u>	<u>28,187</u>	<u>170,257</u>
Total revenues	<u>1,410,669</u>	<u>1,492,294</u>	<u>81,625</u>	<u>1,433,266</u>
EXPENDITURES				
Current				
Public Safety	<u>1,429,282</u>	<u>1,427,808</u>	<u>1,474</u>	<u>1,396,397</u>
Revenues over (under) expenditures	(18,613)	64,486	83,099	36,869
APPROPRIATED FUND BALANCE	<u>18,613</u>	<u>-</u>	<u>(18,613)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>64,486</u>	<u>\$ 64,486</u>	<u>36,869</u>
FUND BALANCE				
Beginning of year - July 1		<u>96,572</u>		<u>59,703</u>
End of year - June 30		<u>\$ 161,058</u>		<u>\$ 96,572</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 2,073,581	\$ 1,973,377	\$ (100,204)	\$ 1,819,978
EXPENDITURES				
Current				
Public Safety	<u>2,073,581</u>	<u>2,057,966</u>	<u>15,615</u>	<u>1,785,108</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(84,589)</u>	<u>\$ (84,589)</u>	<u>34,870</u>
FUND BALANCE				
Beginning of year - July 1		<u>87,164</u>		<u>52,294</u>
End of year - June 30		<u>\$ 2,575</u>		<u>\$ 87,164</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 1,004,522	\$ 1,004,522	\$ -	\$ 1,244,465
Investment earnings	2,000	9,374	7,374	7,415
Total revenues	<u>1,006,522</u>	<u>1,013,896</u>	<u>7,374</u>	<u>1,251,880</u>
EXPENDITURES				
Current				
Public Safety				
Implemental functions	125,373	123,313	2,060	118,420
Repairs and maintenance	254,829	154,192	100,637	158,764
Training	18,450	8,949	9,501	15,523
Supplies and materials	15,777	14,712	1,065	3,008
Contracted services	35,930	30,701	5,229	-
Telecommunication services	297,800	225,791	72,009	248,617
Capital outlay	884,317	686,940	197,377	-
Contingency	1,089	-	1,089	-
Debt Service (S.L. 2010-158 Expenditures)				
Principal retirement	845,843	845,843	-	-
Interest and fees	268,506	268,164	342	-
	<u>2,747,914</u>	<u>2,358,605</u>	<u>389,309</u>	<u>544,332</u>
Revenues over (under) expenditures	(1,741,392)	(1,344,709)	396,683	707,548
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
General Fund	-	5,745	5,745	(686)
Revenues, other financing sources over (under) expenditures and other financing uses	(1,741,392)	(1,338,964)	402,428	706,862
APPROPRIATED FUND BALANCE	<u>1,741,392</u>	<u>-</u>	<u>(1,741,392)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,338,964)</u>	<u>\$ (1,338,964)</u>	<u>706,862</u>
FUND BALANCE				
Beginning of year - July 1		<u>2,935,561</u>		<u>2,228,699</u>
End of year - June 30		<u>\$ 1,596,597</u>		<u>\$ 2,935,561</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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 651,001	\$ 680,747	\$ 15,901	\$ 696,648	\$ 45,647
Sales and services	15,000	75,000	15,000	90,000	75,000
Investment earnings	46,285	50,100	2,964	53,064	6,779
Miscellaneous	717,002	925,266	94,375	1,019,641	302,639
Total revenues	<u>1,429,288</u>	<u>1,731,113</u>	<u>128,240</u>	<u>1,859,353</u>	<u>430,065</u>
EXPENDITURES					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	839,465	435,360	40,393	475,753	363,712
Law Enforcement-controlled sub. tax	317,958	196,312	41,475	237,787	80,171
Homeland Security-Catawba Nuclear	30,575	32,107	2,592	34,699	(4,124)
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>1,052,044</u>	<u>84,460</u>	<u>1,136,504</u>	<u>450,677</u>
Revenues over (under) expenditures	(157,893)	679,069	43,780	722,849	880,742
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>\$ 848,193</u>	43,780	<u>\$ 891,973</u>	<u>\$ 891,973</u>
FUND BALANCE					
Beginning of year - July 1			<u>848,193</u>		
End of year - June 30			<u>\$ 891,973</u>		

Automation Enhancement Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2012

	2012		Variance Positive (Negative)
	Final Budget	Actual	
REVENUES			
Permits and fees	\$ 102,000	111,838	\$ 9,838
EXPENDITURES			
General Government	102,000	102,000	-
Revenues over expenditures	<u>\$ -</u>	9,838	<u>\$ 9,838</u>
FUND BALANCE			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 9,838</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, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
OTHER FINANCING USES				
Transfers out				
General Fund	\$ (1,510,656)	\$ (1,510,656)	\$ -	\$ -
APPROPRIATED FUND BALANCE	<u>1,510,656</u>	<u>-</u>	<u>(1,510,656)</u>	
Appropriated fund balance over (under) other financing sources	<u>\$ -</u>	<u>(1,510,656)</u>	<u>\$ (1,510,656)</u>	<u>-</u>
FUND BALANCE				
Beginning of year - July 1		<u>1,510,656</u>		<u>1,510,656</u>
End of year - June 30		<u>\$ -</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, as well as general obligation 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 for the Union County Public Schools. These improvements are financed with installment financing(s) and pay-go transfers from the General Fund and the Debt Service Fund.

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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 1,251,800	\$ 404,627	\$ 382,433	\$ 787,060	\$ (464,740)
Investment earnings	813,926	905,301	-	905,301	91,375
Miscellaneous	-	-	16,363	16,363	16,363
Total revenues	<u>2,065,726</u>	<u>1,309,928</u>	<u>398,796</u>	<u>1,708,724</u>	<u>(357,002)</u>
EXPENDITURES					
Capital outlay					
General Government					
Government Facility Renovations	14,839,179	9,602,364	1,643,637	11,246,001	3,593,178
EECBG Facility Efficiency Improvements	751,800	228,686	369,121	597,807	153,993
Information Technology Infrastructure	774,000	145,383	54,936	200,319	573,681
Historic Post Office Roof Replacement	150,000	-	7,150	7,150	142,850
Garage Expansion	267,438	-	15,980	15,980	251,458
Public Safety					
Law Enforcement-Jail Expansion	4,882,900	1,812,629	-	1,812,629	3,070,271
Law Enforcement-Jail Roof Replacement	605,727	16,317	506,248	522,565	83,162
Law Enforcement-Jail Control System	467,675	-	347,769	347,769	119,906
Law Enforcement-Firearms Range	1,855,665	1,198,367	7,315	1,205,682	649,983
Law Enforcement-FY2010 Capital	1,115,895	1,090,706	-	1,090,706	25,189
Law Enforcement-FY2011 Capital	886,747	780,605	68,050	848,655	38,092
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	9,786,929	-	9,786,929	9,437
Communications-Radio Project-Phase II	1,475,143	1,316,823	-	1,316,823	158,320
Inspections Department Mobile Office	123,400	-	95,791	95,791	27,609
Human Services					
Social Services Business Automation Sys.	1,280,802	-	223,146	223,146	1,057,656
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	532,684	36,736	569,420	146,076
Parks & Recreation-J. Helms Park-Passive	1,303,946	262,188	13,881	276,069	1,027,877
Education					
School Capital Outlay-FY2008 Allocation	11,000,000	10,980,616	19,383	10,999,999	1
School Capital Outlay-FY2009 Allocation	4,625,558	4,625,415	143	4,625,558	-
School Capital Outlay-FY2010 Allocation	2,344,169	2,335,694	8,475	2,344,169	-
School Capital Outlay-FY2011 Allocation	1,303,552	1,156,272	100,903	1,257,175	46,377
School Capital Outlay-FY11 Capital Exp.	202,396	-	202,396	202,396	-
SPCC-Multi-Purpose Building	900,000	900,000	-	900,000	-
Total expenditures	<u>64,094,321</u>	<u>48,354,461</u>	<u>3,721,060</u>	<u>52,075,521</u>	<u>12,018,800</u>
Revenues under expenditures	<u>(62,028,595)</u>	<u>(47,044,533)</u>	<u>(3,322,264)</u>	<u>(50,366,797)</u>	<u>11,661,798</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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
OTHER FINANCING SOURCES					
Transfers in					
General Fund	\$ 41,448,774	\$ 51,695,899	\$ 57,000,000	\$ 108,695,899	\$ 67,247,125
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>62,028,595</u>	<u>66,417,677</u>	<u>57,000,000</u>	<u>123,417,677</u>	<u>61,389,082</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 19,373,144</u>	53,677,736	<u>\$ 73,050,880</u>	<u>\$ 73,050,880</u>
FUND BALANCE					
Beginning of year - July 1			<u>19,373,144</u>		
End of year - June 30			<u>\$ 73,050,880</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, 2012

	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>51,333</u>	<u>-</u>	<u>51,333</u>	<u>3,634,167</u>
Revenues under expenditures	<u>(3,514,500)</u>	<u>(51,333)</u>	<u>-</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 expenditures	<u>\$ -</u>	<u>\$ 3,547,854</u>	<u>-</u>	<u>\$ 3,547,854</u>	<u>\$ 3,547,854</u>
FUND BALANCE					
Beginning of year - July 1			<u>3,547,854</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, 2012

	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					
Stallings ES (J)	14,901,066	14,901,067	-	14,901,067	(1)
New Elementary School, Cox Rd area (N)	3,969,763	3,969,763	-	3,969,763	-
New Salem ES Additions/Renovations	2,945,159	2,945,158	-	2,945,158	1
Western Union ES Additions/Renovations	1,305,704	1,305,704	-	1,305,704	-
Monroe HS Arch., Constr., & Eng. Academy	485,067	485,067	-	485,067	-
Piedmont HS Additions/Renovations	5,324,807	5,120,476	204,330	5,324,806	1
Sun Valley MS Additions/Renovations	2,317,397	2,317,397	-	2,317,397	-
Sun Valley HS Additions/Renovations	294,974	294,974	-	294,974	-
Sun Valley HS land purchase	346,084	346,084	-	346,084	-
Mobile Classrooms (2006-2007)	2,316,048	2,316,048	-	2,316,048	-
Transportation/Maintenance Facility	1,793,434	1,793,434	-	1,793,434	-
School administrative costs	3,693,817	3,693,817	-	3,693,817	-
Category I - Mobile Units	1,664,775	1,664,774	-	1,664,774	1
Category I - Blitz projects	10,630,626	10,629,133	1,494	10,630,627	(1)
Category I - Blitz projects' chillers	488,711	488,711	-	488,711	-
Category III - Buses	4,750,421	4,492,852	257,568	4,750,420	1
Bond savings/administration (2010)	3,216,117	2,754,114	462,003	3,216,117	-
Capital Expenditures (FY2011)	4,943,801	2,908,447	1,506,624	4,415,071	528,730
Contingency / inflation	381,996	-	-	-	381,996
Debt Service					
Debt Issuance	2,292,955	2,292,955	-	2,292,955	-
Total expenditures	68,062,722	64,719,975	2,432,019	67,151,994	910,728
Revenues under expenditures	(65,344,316)	(62,001,570)	(2,432,019)	(64,433,589)	910,727
OTHER FINANCING SOURCES (USES)					
Transfers in					
Debt Service Fund	11,847,133	11,847,132	-	11,847,132	(1)
Transfers out					
General Fund	(1,357,002)	(1,357,002)	-	(1,357,002)	-
Proceeds from installment financing debt	54,854,185	54,854,184	-	54,854,184	(1)
Total other financing sources (uses)	65,344,316	65,344,314	-	65,344,314	(2)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,342,744	(2,432,019)	\$ 910,725	\$ 910,725
FUND BALANCE					
Beginning of year - July 1			3,342,744		
End of year - June 30			\$ 910,725		



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, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual (as restated)
REVENUES				
Operating revenues				
Water sales	\$ 14,788,712	\$ 13,819,950	\$ (968,762)	\$ 14,346,887
Sewer sales	11,462,045	11,544,855	82,810	11,286,356
Other operating revenues	671,536	696,395	24,859	687,961
Total	<u>26,922,293</u>	<u>26,061,200</u>	<u>(861,093)</u>	<u>26,321,204</u>
Nonoperating revenues				
Investment earnings	500,000	347,513	(152,487)	678,688
Proceeds from sale of capital assets	-	60,618	60,618	58,780
Total	<u>500,000</u>	<u>408,131</u>	<u>(91,869)</u>	<u>737,468</u>
Total revenues	<u>27,422,293</u>	<u>26,469,331</u>	<u>(952,962)</u>	<u>27,058,672</u>
EXPENDITURES				
Administration	4,422,770	3,877,013	545,757	3,807,196
Water system operations	3,942,516	3,792,158	150,358	3,601,006
Water system maintenance and repairs	2,307,752	2,190,896	116,856	1,886,770
Sewer-county customers system operations	3,784,170	3,402,487	381,683	3,501,115
Sewer-county customers system maintenance and repairs	2,227,490	1,818,862	408,628	1,697,801
Sewer-Marshville/Monroe system operations	550,899	654,654	(103,755)	589,145
Sewer-Marshville/Monroe system maintenance and repairs	249,454	210,365	39,089	211,583
Nondepartmental	2,472,925	-	2,472,925	-
Contingency	100,029	-	100,029	-
Debt Service				
General obligation bonds - principal	548,425	548,425	-	1,501,838
Revenue bonds - principal	2,695,000	2,695,000	-	2,575,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	4,288,659	3,361,120	927,539	3,041,377
Total expenditures	<u>28,573,786</u>	<u>23,534,677</u>	<u>5,039,109</u>	<u>23,396,528</u>
Revenues over (under) expenditures	<u>(1,151,493)</u>	<u>2,934,654</u>	<u>4,086,147</u>	<u>3,662,144</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Water and Sewer Capital Project Fund	(1,773,671)	(4,186,445)	(2,412,774)	(2,937,125)
Stormwater Operating Fund	(271,224)	(158,410)	112,814	(179,807)
Capital contributions - cash	1,779,806	3,542,788	1,762,982	2,194,508
Proceeds from refunding revenue bonds	34,385,000	34,397,500	12,500	-
Proceeds from refunding revenue proceeds premium	2,049,355	2,035,424	(13,931)	-
Payments to refunded bonds escrow agent	(38,731,500)	(38,665,789)	65,711	-
Total other financing sources (uses)	<u>(2,562,234)</u>	<u>(3,034,932)</u>	<u>(472,698)</u>	<u>(922,424)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,713,727)</u>	<u>(100,278)</u>	<u>3,613,449</u>	<u>2,739,720</u>
APPROPRIATED FUND BALANCE	<u>3,713,727</u>	<u>-</u>	<u>(3,713,727)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (100,278)</u>	<u>\$ (100,278)</u>	<u>\$ 2,739,720</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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 2,132,498	\$ -	\$ 164,734	\$ 164,734	\$ (1,967,764)
Investment earnings	4	17,818	-	17,818	17,814
Total revenues	<u>2,132,502</u>	<u>17,818</u>	<u>164,734</u>	<u>182,552</u>	<u>(1,949,950)</u>
EXPENDITURES					
Administration capital outlay					
Government Facility Renovations	1,386,276	1,136,276	-	1,136,276	250,000
Expand Operations Center	94,000	37,709	11,680	49,389	44,611
Comp. Water/Wastewater Master Plan	870,000	850,012	19,988	870,000	-
Water and Sewer Capital Outlay					
Misc. Water Line Replacement	246,266	-	-	-	246,266
Misc. Water Hwy 84 24" Line Relocation	229,162	29,162	-	29,162	200,000
Misc. Water Resource Model On-Call Srv	65,000	61,171	-	61,171	3,829
Misc. Water Hemby Bridge Main Replace.	386,216	380,791	5,426	386,217	(1)
Misc. Water 42" Water Main Relocation	688,000	32,636	16,255	48,891	639,109
Misc. Water 762 Zone Trans. Main (Bypass)	73,800	-	72,975	72,975	825
Misc. Sewer Rehab I & I	40,016	-	-	-	40,016
Misc. Self Help: Contingency	90,111	-	-	-	90,111
Misc. Self Help: Oak Brook	193,587	191,587	-	191,587	2,000
Misc. Self Help: Cyrus Lee Lane	61,747	62,751	-	62,751	(1,004)
Misc. Self Help: Polk Mountain	207,285	208,284	-	208,284	(999)
Misc. Self Help: Wellington Woods I	138,441	139,988	-	139,988	(1,547)
Misc. Self Help: Lake Providence East	117,748	97,974	266	98,240	19,508
Misc. Self Help: Greyland	159,079	120,149	344	120,493	38,586
Misc. Self Help: Wellington Woods II & III	253,203	238,577	583	239,160	14,043
Water capital outlay					
CRWTP Reservoir Expansion	4,477,207	2,593,957	478,534	3,072,491	1,404,716
CRWTP Expansion	2,640,000	370,492	22,472	392,964	2,247,036
Northern Union County Water	519,510	237,455	104,164	341,619	177,891
Bulk Water Stations	23,936	19,148	-	19,148	4,788
Dodge City Water	171,198	26,763	144,459	171,222	(24)
Hwy 74/75 Pump Station Generator	345,000	-	-	-	345,000
Weddington Elevated Storage Tank	3,190,000	298,745	48,154	346,899	2,843,101
Sewer capital outlay					
East Side Improvements	8,447,421	715,310	2,760,374	3,475,684	4,971,737
Hunley Creek Off Line	1,443,102	1,443,102	-	1,443,102	-
IBT Permitting	27,578	27,578	-	27,578	-
12M Creek Beneficial Re-Use	1,777,650	115,980	-	115,980	1,661,670
Future 12M Creek WWTP Expansion	2,450,000	319,037	237,437	556,474	1,893,526
12M WWTP Phosphorus Removal	2,931,137	2,910,295	1,850	2,912,145	18,992
12M WWTP Odor Control	5,249,780	5,045,202	(58,969)	4,986,233	263,547
Tallwood WWTP Replacement	2,454,960	165,220	802,802	968,022	1,486,938
Olde Sycamore WWTP Replacement	360,000	10,293	301,502	311,795	48,205
12M Creek Sewer Diversion to CMUD	4,671,285	347,023	1,708,706	2,055,729	2,615,556
Total expenditures	<u>46,479,701</u>	<u>18,232,667</u>	<u>6,679,002</u>	<u>24,911,669</u>	<u>21,568,032</u>
Revenues under expenditures	<u>(44,347,199)</u>	<u>(18,214,849)</u>	<u>(6,514,268)</u>	<u>(24,729,117)</u>	<u>19,618,082</u>

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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
OTHER FINANCING SOURCES					
Transfers from other funds:					
General Fund	\$ 616,911	\$ 500,000	\$ -	\$ 500,000	\$ (116,911)
Water and Sewer Operating Fund	19,320,643	40,151,448	4,186,445	44,337,893	25,017,250
Capital contributions - cash	2,028,802	2,167,064	941,441	3,108,505	1,079,703
Proceeds from revenue bonds	22,380,843	19,705,565	-	19,705,565	(2,675,278)
Total other financing sources	<u>44,347,199</u>	<u>62,524,077</u>	<u>5,127,886</u>	<u>67,651,963</u>	<u>23,304,764</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 44,309,228</u>	<u>\$ (1,386,382)</u>	<u>\$ 42,922,846</u>	<u>\$ 42,922,846</u>
FUND BALANCE					
Beginning of year - July 1			<u>44,309,228</u>		
End of year - June 30			<u>\$ 42,922,846</u>		

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

For the Year Ended June 30, 2012

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

	2012	2011 (As restated)
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (100,278)	\$ 2,739,720
Water and Sewer Capital Project Fund	(1,386,382)	(3,048,068)
Total	<u>(1,486,660)</u>	<u>(308,348)</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(75,429)	(189,594)
Amortization of G.O. bond, Revenue bond and State sanitary sewer loan issuance costs	(86,011)	(79,574)
Amortization of G.O. and Revenue bond premium	95,182	44,521
Amortization of G.O. and revenue bond gains and (losses) on refunding	(107,066)	(3,837)
Amortization of Revenue bond discount	(1,073)	(11,220)
Refunding revenue bond proceeds	(34,385,000)	-
Refunding revenue bond premium	(2,035,424)	-
Payment of refunding revenue bonds to escrow agent	38,665,789	-
Refunding revenue bond issuance costs	583,864	-
Capitalized interest	203,978	70,315
Payment of debt principal	4,227,122	5,060,535
Decrease in compensated absences payable	44,816	10,537
Decrease in interest expense accrual	25,874	24,574
Decrease in inventories	(193,615)	(145,845)
Increase in allowance for uncollectible accounts	(106,077)	(115,814)
(Increase) decrease in net pension obligation	1,337	(16,841)
(Increase) decrease in net other post employment benefit obligation	(216,695)	20,193
Investment derivatives gains	97,783	428,809
Capital outlay	6,618,804	5,336,794
Acquisition payments on intangible asset - water rights	146,510	138,413
Gain on investment in joint venture	46,878	1,362,848
Loss on disposal of land	-	(83,442)
Net book value of capital assets disposed of	(6,981)	-
Capital contributions	2,030,103	1,578,828
Depreciation	(10,761,635)	(10,636,480)
Total	<u>4,813,034</u>	<u>2,793,720</u>
Change in net assets	<u>\$ 3,326,374</u>	<u>\$ 2,485,372</u>

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

For The Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 3,543,384	\$ 3,779,757	\$ 236,373	\$ 3,497,310
Disposal fees	266,698	372,658	105,960	344,414
Other operating revenues	9,000	10,583	1,583	10,362
Total	<u>3,819,082</u>	<u>4,162,998</u>	<u>343,916</u>	<u>3,852,086</u>
Nonoperating revenues				
Investment earnings	62,000	44,923	(17,077)	60,138
Total revenues	<u>3,881,082</u>	<u>4,207,921</u>	<u>326,839</u>	<u>3,912,224</u>
EXPENDITURES				
Administration	636,259	581,159	55,100	365,596
Solid waste landfill and satellite collections	5,805,416	3,543,281	2,262,135	3,573,405
Law enforcement litter patrol	78,917	73,684	5,233	72,788
Nondepartmental	20,765	-	20,765	-
Total expenditures	<u>6,541,357</u>	<u>4,198,124</u>	<u>2,343,233</u>	<u>4,011,789</u>
Revenues over (under) expenditures	(2,660,275)	9,797	2,670,072	(99,565)
OTHER FINANCING SOURCES				
Transfers in				
Solid Waste Capital Reserve Fund	2,361,000	33,770	(2,327,230)	-
Revenues and other financing sources over (under) expenditures	(299,275)	43,567	342,842	(99,565)
APPROPRIATED FUND BALANCE				
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 43,567</u>	<u>\$ 43,567</u>	<u>\$ (99,565)</u>

**Solid Waste Reserve Capital Fund
Schedule of Expenditures**

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
OTHER FINANCING USES				
Transfers out				
Solid Waste Operating Fund	\$ (2,361,000)	\$ (33,770)	\$ 2,327,230	\$ -
APPROPRIATED FUND BALANCE	<u>2,361,000</u>	<u>-</u>	<u>(2,361,000)</u>	<u>-</u>
Appropriated fund balance (under) other financing uses	<u>\$ -</u>	<u>\$ (33,770)</u>	<u>\$ (33,770)</u>	<u>\$ -</u>

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

For the Year Ended June 30, 2012

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

	<u>2012</u>	<u>2011</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 43,567	\$ (99,565)
Capital Reserve Fund	(33,770)	-
Total	<u>9,797</u>	<u>(99,565)</u>
Reconciling items:		
(Increase) decrease in compensated absences payable	(8,264)	11,315
Decrease in inventories	-	-
Increase in accrued landfill postclosure care costs	(85,026)	(40,088)
(Increase) decrease in allowance for uncollectible accounts	(2,910)	13,670
(Increase) decrease in net pension obligation	187	(2,147)
(Increase) decrease in net other post employment benefit obligation	(56,954)	4,622
Capital outlay	24,202	7,490
Depreciation	(170,808)	(171,936)
Total	<u>(299,573)</u>	<u>(177,074)</u>
Change in net assets	<u>\$ (289,776)</u>	<u>\$ (276,639)</u>

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
EXPENDITURES				
Administration	\$ 377,034	\$ 145,318	\$ 231,716	\$ 192,388
OTHER FINANCING SOURCES				
Transfers in				
Water and Sewer Operating Fund	367,034	158,410	(208,624)	179,807
Other financing sources over (under) expenditures	(10,000)	13,092	23,092	(12,581)
APPROPRIATED FUND BALANCE	10,000	-	(10,000)	-
Other financing sources and appropriated fund balance over (under) expenditures	\$ -	\$ 13,092	\$ 13,092	\$ (12,581)
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Other financing sources over (under) expenditures		\$ 13,092		\$ (12,581)
Reconciling items:				
(Increase) decrease in compensated absences payable		(91)		5,042
(Increase) decrease in net pension obligation		31		(597)
Decrease in net other post employment benefit obligation		-		89
Depreciation		(3,361)		(4,481)
Total		(3,421)		53
Change in net assets		\$ 9,671		\$ (12,528)

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, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 9,590,905	\$ 10,713,854	\$ 1,122,949	\$ 9,802,677
Miscellaneous revenue	-	53,607	53,607	-
Total	9,590,905	10,767,461	1,176,556	9,802,677
Nonoperating revenues				
Investment earnings	4,266	(865)	(5,131)	22,088
Total revenues	9,595,171	10,766,596	1,171,425	9,824,765
EXPENDITURES				
Operating expenditures				
Health benefit claims and premiums	8,966,722	10,171,895	(1,205,173)	8,780,862
Other operating expenditures	828,972	757,747	71,225	769,415
Total expenditures	9,795,694	10,929,642	(1,133,948)	9,550,277
Revenues over (under) expenditures	(200,523)	(163,046)	37,477	274,488
APPROPRIATED FUND BALANCE				
	200,523	-	(200,523)	-
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ (163,046)	\$ (163,046)	\$ 274,488
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ (163,046)		\$ 274,488
Reconciling items:				
Decrease in health benefit claims payable		160,300		10,821
Change in net assets		\$ (2,746)		\$ 285,309

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 402,808	\$ 388,398	\$ (14,410)	\$ 408,744
Insurance reimbursement	250	22,843	22,593	20,200
Total	403,058	411,241	8,183	428,944
Nonoperating revenues				
Investment earnings	1,650	(7,248)	(8,898)	1,666
Total revenues	404,708	403,993	(715)	430,610
EXPENDITURES				
Operating expenditures				
Workers' compensation claims	349,485	153,863	195,622	348,135
Other operating expenditures	130,815	109,897	20,918	195,436
Total expenditures	480,300	263,760	216,540	543,571
Revenues over (under) expenditures	(75,592)	140,233	215,825	(112,961)
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance over (under) expenditures	75,592	-	(75,592)	-
	\$ -	\$ 140,233	\$ 140,233	\$ (112,961)
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 140,233		\$ (112,961)
Reconciling items:				
(Increase) decrease in workers' compensation claims payable		(100,212)		183,167
Change in net assets		\$ 40,021		\$ 70,206

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

For the Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 750,482	\$ 656,827	\$ (93,655)	\$ 593,091
Insurance reimbursement	-	-	-	810
Total	<u>750,482</u>	<u>656,827</u>	<u>(93,655)</u>	<u>593,901</u>
Nonoperating revenues				
Investment earnings	<u>2,647</u>	<u>1,753</u>	<u>(894)</u>	<u>2,960</u>
Total revenues	753,129	658,580	(94,549)	596,861
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	<u>753,129</u>	<u>656,827</u>	<u>96,302</u>	<u>593,091</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 1,753</u>	<u>\$ 1,753</u>	<u>\$ 3,770</u>

Fiduciary Funds

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

Pension Trust Fund

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

Other Postemployment Retiree Healthcare Benefits (OPEB) 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 Treasurer 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, 2012

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

	<u>2012</u>	<u>2011</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 723,890	\$ 564,349
Investment earnings	<u>8,779</u>	<u>1,771</u>
Total revenues	<u>732,669</u>	<u>566,120</u>
EXPENSES		
Operating expenses		
Employee benefits	<u>1,030,192</u>	<u>1,008,141</u>
Revenues under expenses	(297,523)	(442,021)
NET ASSETS		
Beginning of year-July 1	912,024	1,354,045
End of year-June 30	<u>\$ 614,501</u>	<u>\$ 912,024</u>

Other Postemployment Retiree Healthcare Benefits (OPEB) Fund
Schedule of Revenues and Changes in
Fiduciary Net Assets - Pension Trust Fund

For the Year Ended June 30, 2012

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

	<u>2012</u>	<u>2011</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 4,132,943	\$ 2,930,712
Investment earnings	<u>58,397</u>	<u>215,317</u>
Total revenues	<u>4,191,340</u>	<u>3,146,029</u>
 NET ASSETS		
Beginning of year-July 1	<u>4,182,906</u>	<u>1,036,877</u>
End of year-June 30	<u><u>\$ 8,374,246</u></u>	<u><u>\$ 4,182,906</u></u>

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

For The Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 63,970	\$ 330,569	\$ 345,519	\$ 49,020
LIABILITIES				
Due to program participants	\$ 63,970	\$ 330,569	\$ 345,519	\$ 49,020
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ -	\$ 874,088	\$ 784,625	\$ 89,463
Accounts receivable (net)	61,153	-	61,153	-
Total assets	\$ 61,153	\$ 874,088	\$ 845,778	\$ 89,463
LIABILITIES				
Accounts payable and accrued liabilities	\$ 61,153	\$ 812,935	\$ 784,625	\$ 89,463
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 40,323	\$ 354,206	\$ 360,792	\$ 33,737
LIABILITIES				
Due to program participants	\$ 40,323	\$ 354,206	\$ 360,792	\$ 33,737
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ -	\$ 4,409	\$ 4,409	\$ -
Property taxes receivable (net)	14,632	-	3,650	10,982
Total assets	\$ 14,632	\$ 4,409	\$ 8,059	\$ 10,982
LIABILITIES				
Accounts payable and accrued liabilities	\$ 14,632	\$ 4,409	\$ 8,059	\$ 10,982
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 96	\$ 9,980	\$ 9,374	\$ 702
Property taxes receivable (net)	49,752	-	8,846	40,906
Total assets	\$ 49,848	\$ 9,980	\$ 18,220	\$ 41,608
LIABILITIES				
Accounts payable and accrued liabilities	\$ 49,848	\$ 9,374	\$ 17,614	\$ 41,608
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 212,511	\$ 3,065,969	\$ 3,100,319	\$ 178,161
LIABILITIES				
Accounts payable and accrued liabilities	\$ 212,511	\$ 3,065,969	\$ 3,100,319	\$ 178,161

Continued on next page.

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>DEED OF TRUST FEE FUND</u>				
ASSETS				
Cash and investments	\$ 3,475	\$ 10,010	\$ 13,485	\$ -
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,475	\$ 10,010	\$ 13,485	\$ -
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 2,144	\$ 108,730	\$ 108,312	\$ 2,562
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,144	\$ 108,730	\$ 108,312	\$ 2,562
<u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX FUND</u>				
ASSETS				
Cash and investments	\$ 7,777	\$ 95,808	\$ 95,733	\$ 7,852
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,777	\$ 95,808	\$ 95,733	\$ 7,852
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 330,296	\$ 4,853,769	\$ 4,822,568	\$ 361,497
Property taxes receivable (net)	64,384	-	12,496	51,888
Accounts receivable (net)	61,153	-	61,153	-
Total assets	<u>\$ 455,833</u>	<u>\$ 4,853,769</u>	<u>\$ 4,896,217</u>	<u>\$ 413,385</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 351,540	\$ 4,107,235	\$ 4,128,147	\$ 330,628
Due to program participants	104,293	684,775	706,311	82,757
Total liabilities	<u>\$ 455,833</u>	<u>\$ 4,792,010</u>	<u>\$ 4,834,458</u>	<u>\$ 413,385</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, 2012**

Fiscal Year	Uncollected Balance June 30, 2011	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2012
2012-2013	\$ -	\$ 190,161	\$ 119,735	\$ 70,426
2011-2012	13,606	155,144,776	152,028,139	3,130,243
2010-2011	3,602,323	(57,745)	2,241,459	1,303,119
2009-2010	1,547,666	(25,377)	542,496	979,793
2008-2009	952,269	(6,006)	231,240	715,023
2007-2008	493,213	(12,874)	175,679	304,660
2006-2007	289,778	(13,166)	16,460	260,152
2005-2006	152,159	(10,939)	7,170	134,050
2004-2005	108,242	(2,028)	11,164	95,050
2003-2004	81,347	(588)	6,108	74,651
2002-2003	58,800	(144)	3,241	55,415
2001-2002	42,036	(206)	41,830	-
	<u>\$ 7,341,439</u>	<u>\$ 155,205,864</u>	<u>\$ 155,424,721</u>	<u>7,122,582</u>
Less: Releases on 2012-2013 registered motor vehicles				(1,999)
Less: Allowance for uncollectible ad valorem taxes receivable				(1,920,891)
Ad valorem taxes receivable (net)				<u>\$ 5,199,692</u>
Reconcilement with revenues				
Taxes - ad valorem				<u>\$ 156,545,802</u>
Reconciling items				
2012 tax prepayments				119,735
Write-offs per statute of limitations				39,246
Write-offs of uncollected 2007 motor vehicle tax				109,072
Recognition of previously collected 2011-2012 ad valorem taxes on annually registered vehicles				284,021
Collections in advance				(441,945)
Interest, advertising cost recovery and garnishments				(1,185,182)
Foreclosure fees and overpayments				242
Collections on written off motor vehicle amounts				(46,262)
Motor vehicle tax refund adjustment				(9)
Adjustment				1
Total reconciling items				<u>(1,121,081)</u>
Total collections and credits				<u>\$ 155,424,721</u>

Analysis of Current Tax Levy

County-wide Levy

For the Year Ended June 30, 2012

	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	22,795,368,465	.6650	\$ 151,585,700	\$ 144,464,061	\$ 7,121,639
Motor vehicles taxed at prior year's rate	606,751,940	.6650	4,034,900	-	4,034,900
Motor vehicles taxed at prior year's rate	416,886	.6650	2,772	-	2,772
Motor vehicles taxed at prior year's rate	8,220	.6650	55	-	55
Total	<u>23,402,545,511</u>		<u>155,623,427</u>	<u>144,464,061</u>	<u>11,159,366</u>
Discoveries					
Property taxed at current year's rate	349,227,903	.6650	2,074,832	1,982,519	92,313
Total	<u>349,227,903</u>		<u>2,074,832</u>	<u>1,982,519</u>	<u>92,313</u>
Abatements					
Property taxed at current year's rate	356,279,164	.6650	2,553,483	2,304,422	249,061
Total	<u>356,279,164</u>		<u>2,553,483</u>	<u>2,304,422</u>	<u>249,061</u>
Total property valuation	<u>23,395,494,250</u>				
Net levy			155,144,776	144,142,158	11,002,618
Add: Uncollected taxes at June 30, 2011			13,606	15,187	(1,581)
Less: Uncollected taxes at June 30, 2012			(3,130,243)	(2,258,481)	(871,762)
Total collections and credits for 2011-2012			<u>\$ 152,028,139</u>	<u>\$ 141,898,864</u>	<u>\$ 10,129,275</u>
Percent current year collected			97.99%	98.44%	92.06%

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	20,092,153,689		
Personal property	1,297,412,614		
Public service companies	351,398,876		
	<u>21,740,965,179</u>	.6650	\$ 144,142,158
Personal property-motor vehicles	1,047,352,025	.6650	6,964,891
Personal property-motor vehicles	606,751,940	.6650	4,034,900
Personal property-motor vehicles	416,886	.6650	2,772
Personal property-motor vehicles	8,220	.6650	55
	<u>1,654,529,071</u>		<u>11,002,618</u>
Total	<u>23,395,494,250</u>		<u>\$ 155,144,776</u>

In addition to the county-wide rate, the following table lists the levies by the county on behalf of school districts and fire protection districts for the fiscal year ended June 30, 2012:

School districts	\$ 213
Fire protection districts	4,345,654
Total	<u>\$ 4,345,867</u>



Statistical Section

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

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

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

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

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

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

Ratios of Outstanding Debt by Type	Table 11
Ratios of General Bonded Debt Outstanding	Table 12
Legal Debt Margin Information	Table 13
Pledged Revenue Coverage per Revenue Bond Indenture - Water and Sewer Bonds	Table 14
Pledged Revenue Coverage - Water and Sewer Bonds	Table 15

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 16
Principal Employers	Table 17

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 18
Operating Indicators by Function/Program	Table 19
Capital Asset Statistics by Function/Program	Table 20



Table 1

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets,										
net of related debt	\$ 31,763,862	\$ 34,098,609	\$ 31,209,271	\$ 31,857,056	\$ 38,919,642	\$ 43,813,345	\$ 44,026,312	\$ 43,744,128	\$ 43,648,788	\$ 44,186,127
Restricted	33,500,043	7,659,736	55,565,377	9,948,350	11,514,884	49,900,699	33,511,919	18,214,536	24,290,336	22,189,074
Unrestricted	(79,263,380)	(86,021,934)	(184,091,155)	(177,888,141)	(310,620,217)	(446,227,697)	(484,507,872)	(463,995,879)	(451,413,958)	(363,868,077)
Total governmental activities net assets	\$ (13,999,475)	\$ (44,263,589)	\$ (97,316,507)	\$ (136,082,735)	\$ (260,185,691)	\$ (352,513,653)	\$ (406,969,641)	\$ (402,037,215)	\$ (383,474,834)	\$ (297,492,876)
Business-type activities:										
Invested in capital assets,										
net of related debt	\$ 51,981,910	\$ 68,120,172	\$ 82,495,496	\$ 128,539,817	\$ 144,908,774	\$ 156,680,551	\$ 161,451,399	\$ 157,759,859	\$ 151,130,981	\$ 152,962,211
Restricted	2,882,255	2,882,435	2,836,676	2,767,983	2,842,695	2,885,491	2,770,308	2,819,884	2,880,533	554,740
Unrestricted	47,069,467	50,157,942	58,410,989	52,098,871	66,874,682	75,283,250	74,375,814	80,411,689	90,030,700	91,292,755
Total business-type activities net assets	\$ 101,933,632	\$ 121,160,549	\$ 143,743,161	\$ 183,406,671	\$ 214,626,151	\$ 234,849,292	\$ 238,597,521	\$ 240,991,432	\$ 244,042,214	\$ 244,809,706
Primary government:										
Invested in capital assets,										
net of related debt	\$ 83,745,772	\$ 102,218,781	\$ 113,704,767	\$ 160,396,873	\$ 183,828,416	\$ 200,493,896	\$ 205,477,711	\$ 201,503,987	\$ 194,779,769	\$ 197,148,338
Restricted	36,382,298	10,542,171	58,402,053	12,716,333	14,357,579	52,786,190	36,282,227	21,034,420	27,170,869	22,743,814
Unrestricted	(32,193,913)	(35,863,992)	(125,680,166)	(125,789,270)	(243,745,535)	(370,944,447)	(410,132,058)	(383,584,190)	(361,383,258)	(272,575,322)
Total primary government net assets	\$ 87,934,157	\$ 76,896,960	\$ 46,426,654	\$ 47,323,936	\$ (45,559,540)	\$ (117,664,361)	\$ (168,372,120)	\$ (161,045,783)	\$ (139,432,620)	\$ (52,683,170)

Table 2

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
Government	\$ 10,560,289	\$ 11,459,194	\$ 12,168,603	\$ 13,575,128	\$ 12,086,962	\$ 15,436,928	\$ 13,262,354	\$ 11,936,694	\$ 12,770,039	\$ 13,154,999
Public safety	21,273,554	24,044,141	26,502,956	28,007,624	31,462,968	34,470,213	35,654,917	36,887,177	38,692,049	42,417,985
Economic and physical development	1,168,550	1,230,445	1,077,860	1,329,057	1,872,376	2,287,932	2,209,346	2,388,964	3,710,570	2,930,309
Human services	27,692,374	29,193,590	31,101,517	33,834,557	37,498,643	40,185,620	38,883,954	37,060,432	37,806,928	38,855,691
Cultural and recreational	4,892,846	5,236,775	5,221,262	6,086,733	6,548,274	7,217,315	6,790,945	6,277,980	6,153,502	6,432,361
Education	46,645,607	68,849,627	103,593,493	101,687,523	216,024,115	189,941,022	161,488,954	105,000,374	90,656,362	83,419,258
Interest and fees on long term debt	6,509,457	7,069,573	9,673,057	9,566,434	14,991,616	22,947,274	25,079,081	23,915,195	22,974,484	21,943,425
Total Governmental Activities	118,742,677	147,082,345	189,338,748	194,087,056	320,484,954	312,486,304	283,369,551	223,466,816	212,763,934	209,154,028
Business-type Activities:										
Water and sewer	14,765,162	16,964,489	19,402,159	23,455,824	25,381,231	26,223,999	27,277,258	27,421,775	27,785,295	29,762,394
Solid waste	3,150,037	2,669,162	3,060,595	3,239,497	4,084,887	4,271,774	4,772,424	4,420,864	4,184,286	4,497,006
Stormwater	-	65,485	101,610	115,546	38,162	213,187	211,501	207,437	191,859	148,634
Total Business-type Activities	17,915,199	19,699,136	22,564,364	26,810,867	29,504,280	30,708,960	32,261,183	32,050,076	32,161,440	34,408,034
Total Expenses	\$ 136,657,876	\$ 166,781,481	\$ 211,903,112	\$ 220,897,923	\$ 349,989,234	\$ 343,195,264	\$ 315,630,734	\$ 255,516,892	\$ 244,925,374	\$ 243,562,062
Program Revenues										
Governmental Activities:										
Charges for services:	\$ 5,122,180	\$ 7,235,368	\$ 8,840,025	\$ 9,937,362	\$ 8,915,705	\$ 5,837,190	\$ 3,659,533	\$ 3,510,111	\$ 4,370,029	\$ 5,135,843
Public safety	4,198,542	4,726,273	4,884,808	5,810,110	6,065,107	6,057,364	4,723,863	3,383,886	3,512,006	3,607,474
Human services	2,351,997	2,189,719	2,139,956	2,500,518	2,620,659	2,374,633	2,031,547	1,837,864	1,872,790	2,298,505
Operating grants and contributions:	12,643,288	13,166,262	14,484,307	14,919,404	16,882,631	18,094,056	18,995,386	19,113,246	19,217,655	19,465,996
Education	549,522	1,164,474	1,469,609	1,947,466	4,743,499	4,813,403	5,590,655	7,714,618	7,410,421	7,410,421
Other activities	1,564,924	2,050,000	2,579,212	3,056,676	3,043,405	3,680,965	4,367,395	4,602,339	5,044,980	4,810,361
Capital grants and contributions	898,117	513,875	156,953	246,468	336,940	660,626	95,704	421,017	423,685	573,183
Total Governmental Activities	27,318,570	31,045,971	34,554,870	38,418,004	42,607,946	41,518,237	39,464,083	40,514,468	42,155,763	43,301,783
Business-type Activities:										
Charges for services:	13,805,194	15,710,423	17,731,789	22,588,615	26,051,826	24,556,277	23,360,413	24,928,808	26,321,204	26,073,700
Water and sewer	2,567,151	2,624,962	2,924,730	3,759,326	4,281,079	4,074,830	4,347,375	3,564,996	3,507,672	3,790,340
Stormwater	-	-	-	-	-	3,295	-	-	-	-
Operating grants and contributions:	182,406	298,135	200,383	218,447	236,132	230,170	227,158	309,190	344,414	372,658
Capital grants and contributions:	13,547,273	19,350,880	22,965,192	37,738,174	26,878,466	19,989,669	6,504,645	4,373,167	3,890,400	6,679,066
Water and sewer	30,092,024	37,984,400	43,822,094	64,304,562	57,447,503	48,854,241	34,439,591	33,176,161	34,063,690	36,915,764
Total Business-type Activities	\$ 57,410,594	\$ 69,030,371	\$ 78,376,964	\$ 102,722,566	\$ 100,055,449	\$ 90,372,478	\$ 73,903,674	\$ 73,690,629	\$ 76,219,453	\$ 80,217,547
Total Primary Revenues	\$ 85,129,164	\$ 100,076,342	\$ 112,931,834	\$ 141,140,570	\$ 142,663,395	\$ 131,890,715	\$ 113,367,757	\$ 114,205,137	\$ 120,375,217	\$ 123,519,330
Net (Expense)/Revenue	\$ (91,424,107)	\$ (116,036,374)	\$ (154,783,878)	\$ (155,669,052)	\$ (277,877,008)	\$ (270,968,067)	\$ (243,905,468)	\$ (182,952,348)	\$ (170,608,171)	\$ (165,852,245)
Governmental Activities	12,176,825	18,285,264	21,257,730	37,493,695	27,943,223	18,145,281	2,178,408	1,126,085	1,902,250	2,507,730
Business-type Activities	\$ (79,247,282)	\$ (97,751,110)	\$ (133,526,148)	\$ (118,175,357)	\$ (249,933,785)	\$ (252,822,786)	\$ (241,727,060)	\$ (181,826,263)	\$ (168,705,921)	\$ (163,344,515)
Total primary government net expense										

Table 2 (continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues										
Governmental Activities:										
Property taxes levied for general purposes	\$ 49,606,797	\$ 59,050,897	\$ 73,145,208	\$ 84,444,843	\$ 105,339,399	\$ 127,405,534	\$ 154,149,099	\$ 156,773,697	\$ 159,049,464	\$ 160,375,634
Local option sales tax	18,384,358	22,112,952	25,331,315	29,128,130	37,542,683	38,191,635	31,509,387	23,974,645	23,944,051	26,373,178
Other taxes and licenses	2,248,330	2,742,045	3,249,325	3,848,241	4,090,373	2,862,903	1,830,883	1,716,487	1,568,697	1,742,152
Unrestricted grants and contributions	60,838	63,719	57,091	56,129	93,312	108,755	104,914	112,326	108,028	86,716
Unrestricted rental income	-	-	-	-	-	-	-	3,295,689	3,156,330	7,666,879
Unrestricted investment earnings	1,709,041	749,085	2,539,072	4,020,584	6,337,613	9,635,050	2,834,234	1,908,892	1,223,133	1,429,626
Unrestricted miscellaneous	37,492	42,687	31,929	17,661	647,091	102,972	14,559	7,974	34,914	32,836
Transfers in/out	-	(108,406)	(131,307)	(323,304)	(300,000)	-	-	-	-	-
Gain / (loss) on sale of capital assets	154,562	(68,993)	(2,491,673)	(4,289,460)	23,581	333,257	(993,597)	95,064	85,935	127,182
Extraordinary item	-	-	-	-	-	-	-	-	-	54,000,000
Total general revenues and transfers	72,201,418	84,583,986	101,730,960	116,902,824	153,774,052	178,640,106	189,449,479	187,884,774	189,170,552	251,834,203
Business-type Activities:										
Unrestricted investment earnings	690,069	469,966	1,332,311	1,778,463	2,935,092	3,738,139	1,556,621	1,263,078	1,173,194	490,219
Transfers	-	108,406	131,307	323,304	300,000	-	-	-	-	-
Gain / (loss) on sale of capital assets	51,425	(24,393)	(138,738)	68,048	41,165	(160,735)	13,199	4,748	(24,662)	53,637
Special item	7,077,140	-	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	(1,499,544)	-	-	-	-
Total Business-type activities	7,818,634	553,979	1,324,880	2,169,815	3,276,257	2,077,860	1,569,820	1,267,826	1,148,532	543,856
Total primary government	\$ 80,020,052	\$ 85,137,965	\$ 103,055,840	\$ 119,072,639	\$ 157,050,309	\$ 180,717,966	\$ 191,019,299	\$ 189,152,600	\$ 190,319,084	\$ 252,378,059
Change in Net Assets										
Governmental Activities	\$ (19,222,689)	\$ (31,452,388)	\$ (53,052,918)	\$ (38,766,228)	\$ (124,102,956)	\$ (92,327,961)	\$ (54,455,989)	\$ 4,932,426	\$ 18,562,381	\$ 85,981,958
Business-type Activities	19,995,459	18,839,243	22,582,610	39,663,510	31,219,480	20,223,141	3,748,228	2,393,911	3,050,782	3,051,586
Total Change in Net Assets	\$ 772,770	\$ (12,613,145)	\$ (30,470,308)	\$ 897,282	\$ (92,883,476)	\$ (72,104,820)	\$ (50,707,761)	\$ 7,326,337	\$ 21,613,163	\$ 89,033,544

Table 3

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,287	\$ 84,618
Restricted	-	-	-	-	-	-	-	-	12,754,599	13,161,506
Assigned	-	-	-	-	-	-	-	-	1,656,054	1,497,776
Unassigned	-	-	-	-	-	-	-	-	39,980,344	51,249,617
Reserved	20,393,554	10,674,614	10,485,321	13,092,816	15,793,681	18,762,186	11,548,975	11,232,158	-	-
Unreserved	41,614,180	49,687,704	53,912,165	36,515,103	35,498,590	35,345,281	44,697,716	40,706,179	-	-
Total general fund	\$62,007,734	\$ 60,362,318	\$64,397,486	\$ 49,607,919	\$ 51,292,271	\$ 54,107,467	\$ 56,246,691	\$ 51,938,337	\$ 54,494,284	\$ 65,993,517
All other governmental funds										
Restricted:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,230,291	\$ 2,977,249
Debt service funds	-	-	-	-	-	-	-	-	1,510,656	-
Capital project funds	-	-	-	-	-	-	-	-	5,676,015	4,425,317
Assigned:										
Capital project funds	-	-	-	-	-	-	-	-	20,587,727	73,084,142
Reserved	913,885	6,018,831	3,259,684	3,384,994	5,406,614	13,038,989	8,977,547	3,870,955	-	-
Unreserved, reported in:										
Special revenue funds	2,091,086	1,494,329	1,890,668	2,595,842	3,223,619	851,988	1,627,992	2,202,136	-	-
Debt service funds	-	916,430	9,252,954	15,128,687	16,261,525	13,357,788	13,357,788	1,510,656	-	-
Capital project funds	42,034,198	(9,657,426)	52,857,335	5,520,867	(65,362,904)	40,770,271	37,848,554	34,793,625	-	-
Total all other governmental funds	\$45,039,169	\$ (1,227,836)	\$67,260,641	\$ 26,630,390	\$ (40,471,146)	\$ 68,019,036	\$ 61,811,881	\$ 42,377,372	\$ 32,004,689	\$ 80,486,708

Table 4

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 49,734,498	\$ 58,785,139	\$ 72,807,526	\$ 84,128,412	\$ 104,702,599	\$ 126,527,705	\$ 152,040,519	\$ 156,356,729	\$ 159,650,925	\$ 160,909,290
Local option sales tax	19,572,632	22,112,952	25,331,315	29,128,130	37,542,683	38,191,635	31,509,387	23,974,645	23,944,051	26,373,178
Other taxes and licenses	2,418,782	2,929,526	3,457,706	4,111,779	4,393,511	3,680,253	3,075,348	2,960,952	2,813,162	2,746,674
Intergovernmental revenue	15,375,801	16,668,984	18,301,998	19,723,222	24,446,903	25,899,097	27,519,200	30,155,918	30,829,071	31,053,330
Permits and fees	6,340,538	8,453,285	9,905,175	11,013,811	9,975,519	6,592,908	4,066,554	3,699,306	4,371,446	5,099,529
Sales and services	3,348,469	3,434,662	3,561,745	4,237,737	4,268,091	4,602,861	4,668,297	4,766,268	5,083,297	5,281,772
Investment earnings	1,640,142	726,855	2,470,740	3,926,427	6,208,468	9,510,665	3,233,332	1,454,313	707,344	1,069,847
Miscellaneous	2,398,688	4,303,984	2,794,796	3,372,811	4,425,068	3,996,371	2,128,833	4,178,287	4,027,650	8,804,467
Extraordinary item	-	-	-	-	-	-	-	-	-	54,000,000
Total Revenues	100,829,550	117,415,387	138,631,001	159,642,329	195,962,842	219,001,495	228,241,470	227,546,418	231,426,946	295,338,087
Expenditures										
Current:										
General government	10,332,088	11,249,830	12,205,567	12,724,574	12,005,860	12,690,960	12,549,523	10,044,406	11,487,049	11,238,063
Public safety	20,219,360	23,850,472	27,029,852	27,910,690	31,041,272	34,770,230	34,277,288	34,475,802	35,812,639	39,997,069
Economic and physical development	1,136,928	1,183,641	1,073,782	1,208,568	1,706,148	2,056,913	2,042,598	2,183,870	3,534,815	2,734,165
Human services	27,374,397	28,845,735	31,293,129	33,773,032	37,535,192	39,086,647	37,561,560	35,921,058	37,826,248	37,796,024
Cultural and recreational	4,152,424	5,137,412	4,870,027	5,130,410	6,267,956	6,531,016	6,177,574	5,484,191	5,554,470	5,788,887
Education	21,196,766	24,963,887	26,440,438	32,142,098	58,126,552	72,215,699	78,670,638	80,799,320	80,781,286	80,562,304
Debt Service:										
Principal	7,390,004	8,497,421	8,727,796	13,730,879	14,030,661	21,504,015	24,855,116	26,928,112	27,231,937	29,506,575
Interest and fiscal charges	7,454,552	7,627,856	8,620,572	10,020,639	15,180,232	21,589,851	25,687,672	24,895,699	23,561,225	22,861,021
Capital Outlay	29,383,066	54,325,563	85,714,886	78,097,953	166,108,664	121,465,606	88,226,983	30,829,406	13,941,595	5,643,198
Total Expenditures	128,639,585	165,681,817	205,976,049	214,738,843	342,002,537	331,910,937	310,048,952	251,561,864	239,731,264	236,127,306
Excess (Deficiency) of Revenues over (under) Expenditures	(27,810,035)	(48,266,430)	(67,345,048)	(55,096,514)	(146,039,695)	(112,909,442)	(81,807,482)	(24,015,446)	(8,304,318)	59,210,781
Other Financing Sources (Uses)										
Transfers from other funds	4,351,341	7,551,549	15,202,837	37,082,574	26,817,950	16,165,122	4,976,822	23,434,549	3,304,238	58,516,401
Transfers to other funds	(4,351,341)	(7,659,955)	(15,334,144)	(37,405,878)	(27,117,950)	(16,165,122)	(4,976,822)	(23,434,549)	(3,304,238)	(58,516,401)
Proceeds from borrowing	38,584,310	306,170	140,000,000	-	80,922,511	224,214,820	77,265,407	-	-	-
Proceeds from refunding	7,116,113	15,294,474	21,630,000	-	-	-	76,074,144	42,040,683	61,411,729	76,440,701
Payments to escrow agent	(7,652,685)	(15,138,229)	(21,630,000)	-	-	-	(75,600,000)	(41,768,100)	(55,380,000)	(75,670,230)
Payments to terminate swaps	-	-	-	-	-	-	-	-	(5,544,147)	-
Total Other Financing Sources (Uses)	38,047,738	354,009	139,868,693	(323,304)	80,622,511	224,214,820	77,739,551	272,583	487,582	770,471
Net change in fund balances	\$ 10,237,703	\$ (47,912,421)	\$ 72,523,645	\$ (55,419,818)	\$ (65,417,184)	\$ 111,305,378	\$ (4,067,931)	\$ (23,742,863)	\$ (7,816,736)	\$ 59,981,252
Debt service as a percentage of non-capital expenditures	12.0%	10.3%	8.3%	9.8%	8.2%	12.7%	16.4%	19.4%	21.3%	18.0%

Table 5

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

Fiscal Year	Tax Year	Real Property		Personal Property		Public Service Company Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Commercial	Residential	Motor Vehicles	Other			
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
2012	2011	2,639,194	17,452,960	1,654,529	1,297,412	351,399	23,395,494	.665

Source: County Assessor's Office

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.

Table 6

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

Fiscal Year	Tax Year	Sales Assessment Ratio	Personal Property			Public Service Company Property	Estimated Actual Taxable Value
			Real Property	Motor Vehicles	Other		
2003	2002	94.25%	\$ 8,477,824	\$ 1,084,822	\$ 872,219	\$ 10,657,343	
2004	2003	88.73%	9,651,260	1,130,588	843,687	11,858,477	
2005	2004	97.53%	11,374,031	1,210,622	855,271	13,684,563	
2006	2005	93.12%	12,892,631	1,469,931	905,633	15,522,956	
2007	2006	90.96%	14,525,217	1,584,861	1,028,755	17,414,978	
2008	2007	84.03%	17,128,119	1,716,434	1,116,150	20,274,465	
2009	2008	96.45%	19,978,269	1,499,935	1,206,628	23,001,463	
2010	2009	96.00%	20,507,573	1,554,412	1,317,492	23,725,990	
2011	2010	106.46%	18,683,590	1,545,618	1,337,551	21,924,748	
2012	2011	111.16%	18,074,986	1,654,529	1,297,412	21,378,326	

Source: County Assessor's Office

Table 7

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

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>2010</u>	<u>2011</u>	<u>2012</u>
Tax Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	.0476	.0493
Springs VFD	-	-	-	-	.0313	.0312	.0306	.0306	.03	.0315
Stallings VFD	.0342	.0392	.0492	.039	.0444	.0262	.0406	.0406	.0428	.0428
Waxhaw VFD	-	-	-	-	.0413	.0513	.0248	.0248	.037	.0372
Wesley VFD	-	.017	.014	.015	.0152	.0167	.0191	.0191	.022	.022
Total County Rates										
Maximum	.5781	.6392	.6442	.6704	.6831	1.0881	.7143	.7143	.7126	.7143
Minimum	.5405	.6	.595	.63	.6367	.7111	.665	.665	.665	.665
Average	.5593	.6196	.6196	.6502	.6599	.8996	.6897	.6897	.6888	.6897
Overlapping Taxes Levied by Municipalities										
City of Monroe	.5	.5	.48	.49	.53	.55	.495	.495	.555	.555
Downtown Monroe District	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
Town of Fairview	.02	.02	.02	.02	.02	.02	.02	.0151	.02	.02
Town of Hemby Bridge	.05	.05	.03	.03	.03	.03	.025	.025	.	.
Town of Indian Trail	.08	.08	.08	.08	.1	.15	.15	.145	.145	.145
Town of Marshville	.38	.38	.38	.38	.38	.38	.38	.38	.41	.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	.275	.275	.27
Town of Stallings	.14	.16	.25	.25	.25	.25	.22	.215	.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	.23	.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	.0165	.0165	.0165

Table 8

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

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
2003	295	\$ 67,040	3,643	\$ 398,515
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
2012	232	66,330	1,829	178,837

Table 9

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

Taxpayer	Type of Business	June 30, 2012			June 30, 2003		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Allegheny Technologies (Allvac)	Metals	\$ 267,197,234	1	1.14%	\$ 58,668,723	2	.58%
Charlotte Pipe & Foundry Co.	Plastics	114,495,285	2	.49%	111,678,876	1	1.10%
Union Electric Membership Corp.	Utility	110,733,265	3	.47%	58,440,355	3	.57%
Duke Power Company	Utility	68,472,891	4	.29%	52,487,859	4	.52%
Piedmont Natural Gas Co.	Gas	64,926,191	5	.28%	-	-	-
WSLD Millbridge VI LLC	Home Builder	47,251,270	6	.20%	-	-	-
Turbomeca Manufacturing INC	Home Builder	40,376,192	7	.17%	-	-	-
Walmart Real Estate Trust	Retail	35,926,610	8	.15%	-	-	-
AEP Industries	Manufacturer	35,508,456	9	.15%	-	-	-
Atlas Union SPE LLC	Banking	29,357,600	10	.13%	-	-	-
Tyson Farms/Holly Farms	Poultry	-	-	-	44,844,439	5	.44%
Verizon	Utility	-	-	-	39,603,374	6	.39%
Alltel Carolina Inc.	Utility	-	-	-	34,319,021	7	.34%
NC Natural Gas Corporation	Gas	-	-	-	26,739,352	8	.26%
Harris Teeter	Food Distributor	-	-	-	26,276,896	9	.26%
Wampler Foods, Inc.	Poultry	-	-	-	26,141,685	10	.26%
Total assessed valuation of top 10 taxpayers		\$ 814,244,994		3.48%	\$ 479,200,580		4.71%
Total county-wide assessed valuation		\$ 23,395,494,250			\$ 10,169,867,554		

Source: County Assessor's Office.

Table 10

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

Fiscal Year	Tax Year	Total Tax Levy for Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy	Percentage of Levy		Amount Collected	Percentage of Levy
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	99,609,888	97.5%	2,311,666	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%	120,272	150,435,644	97.7%
2012	2011	155,317,887	152,028,139	97.9%	-	152,186,063	98.0%

Table 11

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

Fiscal Year	Governmental Activities										Business-Type Activities				Total Primary Government			
	General Obligation Bonds	C.O.P.'s and Installment Financing	G.O. C.P. B.A.N.'s	Total Governmental Activities	Debt to Assessed Value	Percentage of Personal Income	Debt Per Capita	General Obligation Bonds	Revenue Bonds	Other Long-term Obligations	Total Business-Type Activities	Debt Per Water Connections	Total Primary Government	Percentage of Personal Income	Debt Per Capita			
2003	\$ 115,636,279	\$ 43,760,000	\$ -	\$ 159,396,279	1.57%	4.1%	\$ 1,152	\$ 54,065,000	\$ 3,627,714	\$ -	\$ 77,704,436	0.03%	\$ 237,100,715	6.1%	\$ 1,714			
2004	109,950,837	41,906,170	21,230,000	173,087,007	1.61%	4.1%	1,203	52,550,000	3,257,689	3,257,689	72,993,652	0.04%	246,080,659	5.9%	1,710			
2005	245,255,314	39,653,898	-	284,909,212	2.13%	6.1%	1,890	50,980,000	2,879,159	68,073,145	68,073,145	0.04%	352,982,357	7.6%	2,342			
2006	233,801,707	37,376,626	13,495,000	284,673,333	1.95%	5.5%	1,781	49,370,000	2,570,663	63,463,356	63,463,356	0.05%	348,136,689	6.7%	2,179			
2007	222,078,318	112,709,355	83,495,000	418,282,673	2.60%	7.3%	2,471	47,315,000	15,836,967	72,170,449	72,170,449	0.05%	490,453,122	8.6%	2,898			
2008	426,516,575	107,497,083	-	534,013,658	3.04%	8.5%	2,928	45,245,000	15,603,270	67,381,695	67,381,695	0.06%	601,395,353	9.6%	3,298			
2009	467,778,542	111,670,000	-	579,448,542	2.60%	9.2%	3,026	43,165,000	16,119,573	63,931,031	63,931,031	0.06%	643,379,573	10.2%	3,359			
2010	447,362,860	105,701,102	-	553,063,962	2.41%	8.2%	2,817	60,640,000	15,135,877	78,698,017	78,698,017	0.05%	631,761,979	9.4%	3,218			
2011	425,754,698	99,707,327	-	525,462,025	2.27%	n/a	2,610	58,065,000	14,152,180	73,637,482	73,637,482	0.05%	599,099,507	n/a	2,976			
2012	403,388,123	94,726,484	-	498,114,607	2.13%	n/a	2,421	52,655,000	13,168,483	66,695,360	66,695,360	0.06%	564,809,967	n/a	2,746			

Table 12

**Union County, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Obligation Debt									
	Total General Obligation Bonds	Total G.O. C.P. B.A.N.'s	Total General Obligation Debt	Debt to Assessed Value	Percentage of Actual Taxable Value of Property	Debt Per Capita				
2003	\$ 135,648,001	\$ -	\$ 135,648,001	1.33%	7.50%	\$ 980				
2004	127,136,800	21,230,000	148,366,800	1.38%	7.26%	1,031				
2005	259,469,300	-	259,469,300	1.94%	5.17%	1,721				
2006	245,324,400	13,495,000	258,819,400	1.77%	5.65%	1,620				
2007	231,096,800	83,495,000	314,591,800	1.95%	5.12%	1,859				
2008	433,050,000	-	433,050,000	2.47%	4.05%	2,375				
2009	472,425,000	-	472,425,000	2.12%	4.72%	2,467				
2010	450,285,000	-	450,285,000	1.97%	5.09%	2,294				
2011	427,175,000	-	427,175,000	1.85%	5.42%	2,122				
2012	404,260,000	-	404,260,000	1.73%	5.79%	1,965				

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Table 13

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value of taxable property (in 000's)	\$ 10,169,868	\$ 10,770,780	\$ 13,403,624	\$ 14,635,943	\$ 16,101,898	\$ 17,539,105	\$ 22,292,234	\$ 22,905,687	\$ 23,131,708	\$ 23,395,494
Applicable percentage:	x .08	x .08	x .08	x .08	x .08	x .08	x .08	x .08	x .08	x .08
Debt limit - 8 percent of assessed value	813,589,404	861,662,385	1,072,289,950	1,170,875,447	1,288,151,840	1,403,128,400	1,783,378,720	1,832,454,960	1,850,536,640	1,871,639,520
Gross debt	135,648,001	127,136,800	259,469,300	245,324,400	231,096,800	433,050,000	472,425,000	450,285,000	427,175,000	404,260,000
General obligation debt	-	21,230,000	-	13,495,000	83,495,000	-	-	-	-	-
Bond anticipation notes	95,000,000	180,000,000	110,730,000	97,235,000	201,735,000	64,500,000	-	-	-	-
Authorized and unissued	43,760,000	41,600,000	39,410,000	37,195,000	112,590,000	107,440,000	102,280,000	97,110,000	91,930,000	87,795,000
Certificates of Participation	-	306,170	243,898	181,626	119,355	57,083	9,390,000	8,591,102	7,777,327	6,931,484
Installment Financing	3,271,753	3,038,056	2,804,360	2,570,663	15,836,967	15,603,270	16,119,573	15,135,877	14,152,180	13,168,483
NC Clean Water Revolving Loan	277,679,754	373,311,026	412,657,558	396,001,689	644,873,122	620,650,353	600,214,573	571,121,979	541,034,507	512,154,967
Less: Water bonds issued and outstanding	(13,435,013)	(11,378,036)	(9,308,774)	(7,332,405)	(5,455,173)	(3,585,416)	(2,157,116)	(854,064)	-	-
Sewer bonds issued and outstanding	(6,576,709)	(5,807,927)	(4,905,212)	(4,190,288)	(3,563,309)	(2,948,009)	(2,489,342)	(2,068,076)	(1,420,302)	(871,877)
NC Clean Water Revolving Loan	(3,271,753)	(3,038,056)	(2,804,360)	(2,570,663)	(15,836,967)	(15,603,270)	(16,119,573)	(15,135,877)	(14,152,180)	(13,168,483)
	(23,283,475)	(20,224,019)	(17,018,346)	(14,093,356)	(24,855,449)	(22,136,695)	(20,766,031)	(18,058,017)	(15,572,482)	(14,040,360)
Total amount of debt applicable to debt limit	254,396,279	353,087,007	395,639,212	381,908,333	620,017,673	598,513,658	579,448,542	553,063,962	525,462,025	498,114,607
Legal debt margin	\$ 559,193,125	\$ 508,575,378	\$ 676,650,738	\$ 788,967,114	\$ 668,134,167	\$ 804,614,742	\$ 1,203,930,178	\$ 1,279,390,998	\$ 1,325,074,615	\$ 1,373,524,913
Legal debt margin as a percentage of the debt limit	68.73%	59.02%	63.10%	67.38%	51.87%	57.34%	67.51%	69.82%	71.60%	73.39%

Table 14

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

Fiscal Year	Net Revenues										Adj. Total Debt		Coverage Tests	
	Revenues	Current Expenses	Available for Debt Service	20% Preceding Year's Surplus	Senior Debt Service	Subordinate Debt Service	Total Debt Service	Senior Debt Service + 20% Senior Debt	Adj. Net Rev / Adj. Dbt. Svc.	Net Rev / Total Dbt. Svc.				
2003	\$ 26,044,846	\$ 9,414,336	\$ 16,630,510	\$ 5,738,188	\$ 1,506,033	\$ 4,514,193	\$ 6,020,226	\$ 6,321,433	3.54	2.76				
2004	23,087,628	9,838,861	13,248,767	6,860,065	3,412,226	4,320,053	7,732,279	8,414,724	2.39	1.71				
2005	28,258,771	10,426,862	17,831,909	5,261,847	3,487,927	4,136,339	7,624,266	8,306,711	2.78	2.34				
2006	38,155,925	14,310,599	23,845,326	5,193,627	3,416,213	3,704,345	7,120,558	7,803,801	3.72	3.35				
2007	41,922,974	15,502,443	26,420,531	4,809,250	3,745,682	3,380,148	7,125,830	7,874,966	3.97	3.71				
2008	37,772,552	15,299,134	22,473,418	4,646,148	3,720,738	3,228,049	6,948,787	7,692,935	3.53	3.23				
2009	28,969,915	15,460,067	13,509,848	4,909,333	3,838,514	3,540,105	7,378,619	8,146,322	2.26	1.83				
2010	28,473,735	15,236,732	13,237,003	5,038,363	4,829,920	3,276,731	8,106,651	9,072,635	2.01	1.63				
2011	29,346,454	16,397,633	12,948,821	5,411,524	4,836,739	2,963,395	7,800,134	8,767,482	2.09	1.66				
2012	30,976,060	16,476,867	14,499,193	5,608,788	4,810,493	1,926,747	6,737,240	7,699,339	2.61	2.15				

Notes: FY2003 through FY2012

In FY2003, the County issued its 2003 Revenue Bonds and authorized its Series Indenture, Number 2. The Indenture modified certain rate covenants contained in the General Indenture by providing for a two prong test - one test which permits the inclusion of 20% of the balance in the Surplus Fund from the prior fiscal year with other test omitting the Surplus Fund. In FY2003, the State Loan Agreement was subordinated to senior debt service.

Table 15

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

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service		Coverage
				Principal	Interest	
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
2012	30,976,060	16,476,867	14,499,193	2,695,000	2,115,493	3.01

Table 16

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

Fiscal Year	Personal					
	Population (1)	Income (thousands of dollars) (2)	Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)	Sales (5) (thousands of dollars)
2003	138,355	\$ 4,019,969	\$ 27,868	25,680	5.8%	\$ 1,425,656
2004	143,869	4,414,219	29,145	27,031	5.2%	1,458,866
2005	150,737	4,987,416	31,013	28,815	4.8%	1,537,435
2006	159,800	5,619,235	32,570	31,580	4.2%	1,099,352
2007	169,262	6,216,320	33,641	34,564	4.1%	1,217,491
2008	182,360	6,676,075	34,470	37,110	5.5%	1,200,307
2009	191,514	6,552,283	33,003	38,554	11.0%	1,162,891
2010	196,322	6,912,014	34,184	39,366	10.1%	1,076,852
2011	201,292	n/a	n/a	39,900	9.6%	1,122,433
2012	205,717	n/a	n/a	40,359	8.6%	1,197,951

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 2007-2012 are estimated by the School System.
- (4) North Carolina Employment Security Commission
The data for the Fiscal Years 2003-2010 in the table above is the annual average unemployment rate. The data for Fiscal Years 2011-2012 in the table above is the July unemployment rate.
- (5) North Carolina Department of Revenue
The data for the Fiscal Years 2003-2005 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.

Table 17

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

<u>Employer</u>	<u>Type of Business</u>	2012		2003	
		<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Union County Schools	Education & Health Services	1,000+	1	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2	1,000+	2
Union Memorial Medical Center	Education & Health Services	1,000+	3	1,000+	3
ATI-Allvac	Manufacturing	1,000+	4	1,000+	4
County of Union	Public Administration	1,000+	5	500-999	6
Wal-Mart Associates Inc	Trade, Transportation & Utilities	500-999	6	500-999	10
Harris Teeter Inc	Trade, Transportation & Utilities	500-999	7	-	-
City of Monroe	Public Administration	500-999	8	500-999	9
Wingate University	Education & Health Services	250-499	9	-	-
Scott Technologies Inc	Manufacturing	250-499	10	-	-
McGee Brothers	Construction			500-999	5
Pilgrim's Pride Corporation	Manufacturing			500-999	7
Charlotte Pipe & Foundry Company	Manufacturing			500-999	8

Source: North Carolina Department of Commerce

Table 18

Union County, North Carolina
Full-time Equivalent Employees by Function / Program
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	7.7	7.2	8.2	8.2	8.2	8.1	6.1	6.2	6.3	6.1
Internal Audit	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal	2.8	2.8	2.8	2.8	2.8	3.1	3.0	3.0	3.0	3.5
Personnel	6.1	6.0	6.0	6.0	7.0	8.0	7.0	7.0	6.0	6.0
Finance	10.0	10.2	9.2	9.2	10.2	10.2	9.0	8.0	8.0	8.0
Tax Administration	45.9	46.2	47.8	51.8	51.8	56.3	44.5	44.5	42.5	42.5
Elections	10.4	10.8	10.9	11.6	11.6	10.3	10.3	13.4	12.0	18.8
Register of Deeds	10.3	11.3	11.3	12.5	12.5	13.5	12.0	12.0	9.0	9.1
Information Systems (and GIS)	12.0	12.0	12.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0
General Services	14.4	13.7	13.7	13.0	11.0	11.5	10.0	10.0	10.0	10.0
Public safety										
Law Enforcement (and AC)	176.6	191.2	217.6	218.7	234.6	242.2	248.6	261.6	261.1	262.3
Communications	21.5	30.4	35.6	45.8	44.7	45.7	41.4	41.4	41.4	42.1
Homeland Security	3.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0	3.0	3.0
Fire Services	5.5	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Inspection	29.0	29.0	28.0	28.0	28.0	27.5	16.0	16.0	12.0	12.0
Economic and physical development										
Planning	5.0	4.0	4.0	4.0	5.0	6.0	4.0	4.0	4.0	4.0
Economic Development	2.0	2.0	-	-	-	-	-	-	-	-
Cooperative Extension	10.0	10.0	10.0	12.0	12.0	12.5	11.0	11.0	11.0	10.0
Soil Conservation	3.0	3.0	3.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Human services										
Public Health	100.8	91.2	93.5	97.5	102.6	104.7	101.7	100.0	100.2	93.2
Social Services	185.3	191.4	191.1	194.1	199.6	199.7	200.4	200.4	197.4	188.1
Transportation and Nutrition	22.2	27.9	28.1	30.0	30.1	31.0	30.0	30.3	30.9	30.0
Veterans' Services	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5
Cultural and recreational										
Library	55.0	64.2	65.1	64.5	65.9	66.0	55.7	55.7	56.2	54.6
Parks and Recreation	23.6	23.4	23.4	25.4	27.4	27.9	26.9	23.7	23.7	23.7
Sub-total	<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>	<u>852.4</u>
Business-type activities:										
Water and Sewer	88.6	89.1	89.1	94.2	99.3	109.1	92.8	93.6	94.0	93.6
Solid Waste	20.4	21.8	21.6	21.6	21.7	21.5	20.6	20.8	20.4	18.8
Stormwater	-	1.3	1.3	1.3	1.3	2.1	2.1	2.1	2.1	2.1
Sub-total	<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>	<u>114.4</u>
Total	<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>	<u>966.8</u>

Table 19

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Personnel										
Number of full-time employees	743	796	825	844	879	977	921	933	910	899
Number of part-time employees	142	145	151	174	223	67	55	55	49	56
Elections										
Number of registered voters	78,567	82,305	92,313	97,003	102,969	113,057	119,538	123,132	125,401	129,821
Information Systems (and GIS)										
Number of people in system	581	814	1,120	1,169	1,226	1,282	1,234	1,232	1,214	1,230
General Services										
Number of vehicle service requests	883	877	970	643	549	1,077	1,093	990	1,040	1,031
Public safety										
Fire Services										
Number of volunteer fire personnel	485	500	525	610	640	645	560	560	550	550
Inspection										
Number of inspections	3,529	4,025	4,585	5,100	4,347	713	1,341	1,070	1,201	2,057
Human services										
Public Health										
Number of patients	14,238	14,592	16,171	13,085	9,371	13,939	13,657	18,350	13,426	11,952
Number of visits	32,061	31,920	32,300	29,779	33,507	29,026	31,745	36,857	25,907	23,869
Social Services										
Number of client visits	n/a	34,194	34,452	n/a	37,824	44,446	52,953	55,102	56,601	57,985
Transportation and Nutrition										
Number of trips	54,475	63,996	68,023	73,345	73,725	85,199	87,929	85,907	86,067	78,156
Congregate, home delivered and supplemental meals	96,622	88,716	81,034	92,491	96,359	107,034	96,117	86,772	82,324	71,276
Veterans' Services										
Number of visitors	3,363	3,204	3,583	4,096	4,417	3,197	3,049	2,820	3,431	3,178
Number of phone calls	5,718	5,996	7,841	8,356	8,329	8,685	8,246	9,880	11,155	11,907
Cultural and recreational										
Library										
Number of volumes	194,105	180,193	214,212	200,740	229,812	219,255	210,457	216,363	228,169	225,174
Education										
Number of licensed employees	1,543	1,672	2,233	2,455	2,593	3,531	2,990	2,585	2,834	2,555
Number of students	25,680	27,031	28,815	31,580	34,564	36,952	38,554	39,366	39,900	40,359
Business-type Activities:										
Water and Sewer										
Average daily consumption in gallons (in 000's)	6,621	7,272	7,062	8,870	11,840	9,617	8,659	9,395	11,420	11,280
Number of water service connections	24,823	26,564	28,922	32,629	36,276	38,192	38,913	39,320	39,710	41,147
Number of sewer service connections	15,546	17,028	19,246	22,732	26,113	27,040	27,432	27,760	28,452	29,110

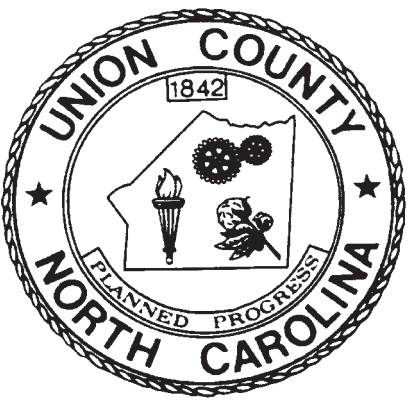
Source: Various county departments

Table 20

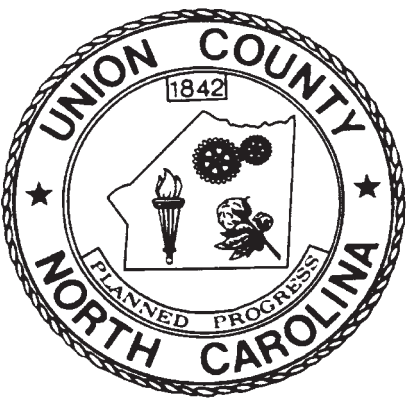
Union County, North Carolina
Capital Asset Statistics by Function / Program
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Tax Administration										
Number of tax parcels	86,059	85,885	97,078	98,640	102,639	105,714	106,749	107,406	107,287	108,297
Elections										
Number of precincts	44	46	49	51	50	50	50	52	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	236	245	267	295	308	301	314	309	318
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	5	5	5	5	5	5	4	4	3	4
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	1,290	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	36	40	44	48	53	53	53	53
Number of classrooms	1,126	1,201	1,316	1,440	1,540	2,139	2,322	2,322	2,322	2,322
Business-type activities:										
Water and Sewer										
Number of fire hydrants	2,465	2,490	2,530	2,680	3,700	3,850	4,280	4,490	4,559	4,579
Miles of water mains	560	585	610	650	700	726	759	963	972	980
Miles of sewer mains	330	439	450	465	500	539	592	606	606	607

Source: Various county departments



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**

INDEPENDENT AUDITORS' REPORT

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, 2012, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 13, 2012. 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 13, 2012.

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 13, 2012
Monroe, North Carolina

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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**

INDEPENDENT AUDITORS' REPORT

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 the County's major federal programs for the year ended June 30, 2012. **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, 2012. 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 items [12-1] and [12-2].

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 items [12-1] and [12-2]. 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 13, 2012
Monroe, North Carolina

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

INDEPENDENT AUDITORS' REPORT

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, 2012. **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, 2012. 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 items [12-1] and [12-2].

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 items [12-1] and [12-2]. 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 13, 2012
Monroe, North Carolina

A handwritten signature in black ink that reads "Potter & Company". The signature is written in a cursive, flowing style.

Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2012

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:

CFDA Numbers	Name of Federal Program
93.778	Title XIX – Medicaid
93.568	Low Income Home Energy Assistance Block Grant
93.563	Child Support Enforcement
93.044, 93.045, 93.667	Aging Cluster
81.128	Energy Efficiency and Conservation Block Grant Program

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

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

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditors' Results (continued)

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

- Program Name
- State/County Special Assistance for Adults
- Public School Building Capital Fund
- Rural Operating Assistance Program (ROAP)

The only other major State programs for Union County are Title XIX – Medicaid and the Aging Cluster. 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: 12-1

SIGNIFICANT DEFICIENCY

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

Condition: During our testing, it was noted that a file selected was missing the signed application form and the form for Notice of Transportation Rights were 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.

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

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

Finding: 12-2

SIGNIFICANT DEFICIENCY

Criteria: Court order establishing the agreement for support should be signed and filed for the Child Support Enforcement Program.

Condition: During our testing, it was noted that a file selected was missing the court order establishing the agreement for support was not completed and maintained in the Child Support Enforcement record.

Effect: Proper records were not maintained in the Child Support Enforcement 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: 12-1

SIGNIFICANT DEFICIENCY

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

Finding: 12-2

SIGNIFICANT DEFICIENCY

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

Corrective Action Plan

For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding: 12-1

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.

Finding: 12-2

Name of contact person:	Suzanne Moose, Interim Social Services Director
Corrective Action:	Child Support Enforcement 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: 12-1

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.

Finding: 12-2

Name of contact person:	Suzanne Moose, Interim Social Services Director
Corrective Action:	Child Support Enforcement 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.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2012

Finding: 11-1

Status: Corrected.

Schedule 42

**Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012**

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS:						
<u>NATIONAL ENDOWMENTS FOR THE ARTS</u>						
Passed-through Arts Midwest						
Promotion of the Arts-Grants to Organizations or Individuals	45.024		\$ 15,600	-	-	\$ 15,600
<u>US DEPARTMENT OF AGRICULTURE</u>						
<u>Food and Nutrition Services</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
Supplemental Nutrition Assistance Program (SNAP) Cluster						
Department of Revenue (DOR) Retention	10.551		1,155	-	-	1,155
Tax Offset Program (TOP) Retention	10.551		20,076	-	-	20,076
SNAP - Cash Incentive Retention	10.561		9,372	-	-	9,372
State Administrative Matching Grants for the SNAP Program	10.561		928,692	-	937,352	1,866,044
Total Passed-through N.C. Department of Health and Human Services: Food Stamp Cluster			959,295	-	937,352	1,896,647
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program						
Women, Infants and Children-Client Services	10.557	13A2-5403-GB	74,035	-	-	74,035
Women, Infants and Children-Client Services	10.557	13A2-5403-GC	269,064	-	46,724	315,788
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GB	56,868	-	-	56,868
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GC	183,154	-	22,649	205,803
Women, Infants and Children-Administration	10.557	13A2-5405-GB	14,441	-	-	14,441
Women, Infants and Children-Administration	10.557	13A2-5405-GC	43,975	-	5,337	49,312
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GB	4,975	-	-	4,975
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GC	18,688	-	880	19,568
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570E-JQ	2,934	-	-	2,934
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570F-JQ	12,773	-	216	12,989
Direct Benefit Payments:						
Special Supplemental Nutrition Program for:						
Women, Infants and Children	10.557		3,237,808	-	-	3,237,808
Total Passed-through N.C. Dept. of Health and Human Services: Division of Public Health			3,918,715	-	75,806	3,994,521
Total U.S. Department of Agriculture			4,878,010	-	1,013,158	5,891,168
<u>U.S. DEPARTMENT OF ENERGY</u>						
Department of Energy:						
Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC0001314	382,434	-	-	382,434

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS (CONTINUED):						
U.S. DEPARTMENT OF JUSTICE						
Department of Justice: Bureau of Justice Assistance			\$	\$	\$	\$
Bullet Proof Vest Partnership Program	16.607	2011-BUB-X1-005-2039	11,194	-	-	11,194
State Criminal Alien Assistance Program	16.606	2011-APB-X0-421	91,930	-	-	91,930
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJB-X2-295	26,303	-	-	26,303
Total U.S. Department of Justice			129,427	-	-	129,427
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed-through N. C. Department of Commerce:						
Division of Community Assistance	14.228	09-C-2019	164,734	-	-	164,734
Community Development Block Grant						
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed-through N. C. Department of Crime Control and Public Safety:						
Division of Emergency Management:	97.042	EMPG-2011-37179	49,636	-	-	49,636
Emergency Management Assistance						
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	11-CT-089 Capital	28,227	3,528	3,528	35,283
Formula Grants for Other than Urbanized Areas	20.509	12-CT-089 Admin	146,610	9,163	27,492	183,265
Formula Grants for Other than Urbanized Areas	20.509	12-CT-089 Capital	141,330	17,665	17,668	176,663
Highway Planning and Construction	20.205-1	R-9999-J	19,954	4,988	-	24,942
State Planning and Research	20.205-5	STP-DA-39225-19	71,282	-	-	71,282
Total U.S. Department of Transportation			407,403	35,344	48,688	491,435
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Administration on Aging:						
Division of Aging and Adult Services:						
Passed-through Centralina Council of Governments:						
Aging Cluster:						
Nutrition Services Incentive Program	93.053		31,978	-	-	31,978
Social Services Block Grant-In Home Aide	93.667		34,510	988	-	35,498
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Center	93.044		219,167	12,931	-	232,098
Special Programs for the Aging-Title III C						
Nutrition Services	93.045		169,008	9,863	-	178,891
Total Administration on Aging: Aging Cluster			454,663	23,802	-	478,465

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
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:						
<u>Foster Care and Adoption Cluster:</u>						
Adoption/Foster Care	93.558		\$ 65,675	\$ -	\$ 1,808	\$ 67,483
Family Preservation	93.556		5,953	-	-	5,953
Title IV-E Foster Care Training	93.658		22,642	-	7,547	30,189
Title IV-E Foster Care Officer Training	93.658		259,689	-	259,688	519,377
Title IV-E Foster Care	93.658		101,660	27,117	27,172	155,949
ARRA - Title IV-E Foster Care	93.658		141	-	-	141
Title IV-E Foster Care In Excess	93.658		129,473	34,400	34,512	198,385
IV-E Admin County Paid to CCI	93.658		556	278	278	1,112
IV-E Family Foster Care Max	93.658		5,995	-	3,189	9,184
IV-E Family Foster Care Max Level III	93.658		501	-	267	768
IV-E Child Protective Services	93.658		338,351	95,289	243,063	676,703
Title IV-E Adoption Training	93.659		493	-	164	657
Title IV-E Optional Adoption Training	93.659		70,755	-	70,755	141,510
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments	93.659		423,563	114,297	114,297	652,157
Total Foster Care and Adoption Cluster			1,425,447	271,381	762,740	2,459,568
<u>Temporary Assistance for Needy Families (TANF) Cluster:</u>						
TANF/Work First - Direct Benefit Payments	93.558		766,717	-	7,240	773,957
TANF Incentives	N/A		-	303	-	303
TANF Administration	93.558		268,533	-	-	268,533
TANF Services	93.558		1,405,795	-	-	1,405,795
TANF Domestic Violence	93.558		27,365	-	-	27,365
Work First Administration	93.558		-	-	221,295	221,295
Work First Service	93.558		-	-	968,129	968,129
Total TANF Cluster			2,468,410	303	1,196,664	3,665,377
NC Child Support Enforcement	93.563		1,356,867	-	738,655	2,095,522
Direct Benefit Payments:			(43)	(12)	-	(55)
AFDC Payments & Penalties	93.560		4,798	-	-	4,798
Refugee Assistance-Direct Benefit Payments	93.566		3,918	-	-	3,918
Family Violence and Prevention Services	93.671		-	-	1,306	1,306
Child Welfare Services:						
Permanency Planning-Regular	93.645		4,043	-	1,348	5,391
Permanency Planning-Special LINKS	93.645		72,366	-	24,122	96,488
LINKS-Independent Living/Transitional Funds	93.674		18,746	4,686	-	23,432
	93.674		19,860	-	-	19,860

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS (CONTINUED):						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Low Income Home Energy Assistance Block Grant:						
Administration	93.568		\$ 322,182	-	-	\$ 322,182
Energy Assistance Payments-Direct Benefit Payments	93.568		(573)	-	1,285	712
Crisis Intervention Program	93.568		702,788	-	-	702,788
SSBG - In Home Services Fund	93.667		67,343	-	9,620	76,963
SSBG - Adult Day Care	93.667		22,775	34,798	8,225	65,798
SSBG - Adult Day Care Over 60	93.667		7,700	13,559	3,037	24,296
SSBG - Adult Day Care Professional Services	93.667		25,678	-	8,559	34,237
SSBG - Other Services and Training	93.667		301,042	26,456	107,892	435,390
Total Division of Social Services			6,823,347	351,171	2,863,453	10,037,971
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	93.575	1380-1810-DY	541,080	-	-	541,080
Child Care Development Fund -Discretionary	93.575	1380-1810-DT	7,041	-	-	7,041
Child Care Development Fund -Discretionary	93.575	1380-1810-DW	276,323	-	-	276,323
Child Care Development Fund -TANF to CCDF Discretionary	93.575	1380-1810-TB	1,111,833	-	-	1,111,833
Child Care Development Fund-Mandatory	93.596	1380-1810-MN	81,278	-	-	81,278
Child Care Development Fund-Mandatory	93.596	1380-1810-MP	612,928	-	-	612,928
Child Care Development Fund-Match	93.596	1380-1810-VB	149,456	81,507	-	230,963
Child Care Development Fund-Match	93.596	1380-1810-VD	482,925	256,850	-	739,775
Child Care Development Fund-Match	93.596	1380-1810-V1	155,103	82,494	-	237,597
Child Care Development Fund-State Funding	N/A	1380-1812-00	-	331,195	-	331,195
Child Care Development Fund-State Match	N/A	1381-1740-VB	-	125,957	-	125,957
Child Care Development Fund-State Match	N/A	1381-1740-VD	-	393,459	-	393,459
Child Care Development -Smart Start	N/A	1381-1740-40	-	2,470	-	2,470
Child Care Development -Smart Start TANF	N/A	1381-1740-TM	-	376,642	-	376,642
Child Care State Maintenance of Effort	N/A	1380-1810-T6	-	136,563	-	136,563
Division of Social Services:						
Child Care Development Fund-Administration	93.596		278,939	-	-	278,939
Total Child Care Development Fund Cluster			3,696,906	1,787,137	-	5,484,043
Temporary Assistance for Needy Families (TANF) Child Care Cluster:						
TANF Child Care	93.558	1380-1810-T2	827,914	-	-	827,914
TANF ARRA Swap	93.714	1R24-1740-LG	84,004	-	-	84,004
Total TANF Child Care Cluster			911,918	-	-	911,918
IV - Foster Care	93.658	1380-1817-K5	22,246	-	-	22,246
Total Subsidized Child Care Cluster			4,631,070	1,787,137	-	6,418,207
Total Administration for Children and Families			11,454,417	2,138,308	2,863,453	16,456,178

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
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		\$ 80,371	\$ 35,043	\$ 45,328	\$ 160,742
Medical Assistance Expansion (Note 3)	93.778		15,113	15,113	-	30,226
Medical Assistance Administration (Note 3)	93.778		1,644,578	-	1,644,578	3,289,156
Medical/Healthchoice Interpreting	93.778		83,728	-	27,909	111,637
Medical Transportation Administration	93.778		49,749	-	49,749	99,498
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		98,746	6,412	25,245	130,403
Direct Benefit Payments:						
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		4,594,278	1,482,809	-	6,077,087
Total Division of Social Services			6,566,563	1,539,377	1,792,809	9,898,749
Division of Medical Assistance:						
Medical Assistance Program	93.778		196,797	94,824	-	291,621
Medical Assistance Program (Note 3)	93.778		75,235	29,026	53,796	158,057
Medical Assistance Program (Note 3)	93.778	1110				
Direct Benefit Payments:						
Medical Assistance Program (Note 3)	93.778		83,905,845	47,535,828	6,229	131,447,902
Medical Assistance Program (Note 3)			90,744,440	49,199,055	1,852,834	141,796,329
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:						
ARRA - Preventing Healthcare Associated Infections	93.717		2,550	-	476,830	479,380
Prevention Investigations and Technical Assistance	93.283		1,769	-	119,390	121,159
Prevention Investigations and Technical Assistance	93.283		24	-	-	24
Breast & Cervical Cancer	93.283		1,805	-	-	1,805
Breast & Cervical Cancer	93.283		19,860	-	49,015	68,875
Wise Women Bioterrorism Grant	93.283		1,833	-	-	1,833
Wise Women Bioterrorism Grant	93.283		10,771	-	12,277	23,048
Public Health Emergency Preparedness	93.069		2,707	-	-	2,707
Public Health Emergency Preparedness	93.069		37,632	-	2,843	40,475
Immunization Action	93.268		29,868	-	358,095	387,963
Immunization Action	93.268		15,515	-	-	15,515
Total Centers for Disease Control			124,334	-	1,018,450	1,142,784

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**Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012**

**Schedule 42
(continued)**

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS (CONTINUED):						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Health Resources and Services Administration:						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Family Planning Services Title X	93.217	13A1-592A-FP	\$ 51,799	-	\$ 778,073	\$ 829,872
Family Planning Services Title X	93.217	1511-592E-FP	3,413	-	-	3,413
TANF-Family Planning	93.558	13A1-5151-T2	12,115	-	-	12,115
Women's Preventive Health-MCH Services Block Grant	93.994	13A1-5735-AP	37,448	28,089	-	65,537
Maternal Health-MCH Services Block Grant	93.994	13A1-5740-AP	26,384	19,790	1,217,194	1,263,368
Care Coordination for Children-MCH Services Block Grant	93.994	1271-5318-AP	19,213	14,412	276,565	310,190
Child Health-MCH Services Block Grant	93.994	1271-5745-AP	21,277	15,960	1,197,716	1,234,953
Child Health-MCH Services Block Grant	93.994	1271-5351-AP	838	628	-	1,466
Child Health-MCH Services Block Grant	93.994	1271-5021-AP	1,956	1,467	-	3,423
Total Health Resources and Services Administration			174,443	80,346	3,469,548	3,724,337
Total U. S. Department of Health and Human Services			102,952,297	51,441,511	9,204,285	163,598,093
U.S. ELECTION ASSISTANCE COMMISSION						
Help America Vote Act	39.011	Title I	7,092	-	-	7,092
Passed-through N.C. State Board of Elections: Election Reform						
U.S. INSTITUTE OF MUSEUM & LIBRARY SERVICES						
Library Services & Technology Act (LSTA)	45.310		20,000	-	-	20,000
Passed-through N.C. Department of Cultural Resources LSTA Planning Grant						
Total federal awards			109,006,633	51,476,855	10,266,131	170,749,619
STATE AWARDS:						
N.C. DEPARTMENT OF CULTURAL RESOURCES						
Division of State Library: State Aid to Public Libraries	N/A		-	179,621	-	179,621
N.C. DEPARTMENT OF CORRECTIONS						
Division of Community Corrections: Criminal Justice Partnership Program	N/A	90-0711-I-A	-	135,356	-	135,356

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
STATE AWARDS (CONTINUED):						
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed-through North Carolina Partnership for Children, Incorporated						
Health Library	N/A		\$ -	\$ 131,820	\$ 20,229	\$ 152,049
Total Passed-through North Carolina Partnership for Children, Incorporated	N/A		-	78,049	-	78,049
Division of Aging and Adult Services:						
Aging Cluster:						
90% State Funds - Access	N/A		-	87,881	-	87,881
90% State Funds - In-Home Services	N/A		-	206,813	-	206,813
90% State Funds - Congregate Nutrition	N/A		-	40,358	-	40,358
90% State Funds - Home Delivered Meals	N/A		-	42,087	-	42,087
Total Division of Aging and Adult Services: Aging Cluster			-	377,139	-	377,139
Division of Social Services Programs:						
DCD Smart Start	N/A		-	145,274	-	145,274
Share the Warmth	N/A		-	5,757	-	5,757
County Funded	N/A		-	-	1,454,033	1,454,033
Work First Non-Reimbursable	N/A		-	-	1,768,956	1,768,956
Foster Care Special Provisions	N/A		-	1,819	-	1,819
State Foster Home Fund Maximization	N/A		-	128,363	128,363	256,726
State Foster Home	N/A		-	56,403	-	56,403
CWS Adoption Subsidy and Vendor Payments-Direct Benefit Payments	N/A		-	343,098	72,157	415,255
State/County Special Assistance For Adults	N/A		-	-	105,644	105,644
State/County Special Assistance For Adults-Direct Benefit Payments	N/A		-	801,893	801,893	1,603,786
Total Division of Social Services			-	1,482,607	4,331,046	5,813,653
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):						
Division of Public Health:						
Aid to Counties-Health Administration	N/A	1410-4110-00	-	115,110	224,195	339,305
Breast and Cervical Cancer	N/A	1320-5599-00	-	7,650	-	7,650
Communicable Disease	N/A	1175-4510-00	-	7,416	-	7,416
Communicable Disease-Aids	N/A	1311-4536-BN	-	10,000	24,024	34,024
Communicable Disease-Aids	N/A	1311-4536-RQ	-	2,500	-	2,500
Communicable Disease-Tuberculosis	N/A	1460-4551-00	-	3,810	54,580	58,390
Environmental Health	N/A	1153-4751-00	-	5,330	-	5,330
Food and Lodging Fees	N/A	1153-4752-04	-	19,716	1,425,806	1,445,522
General Aid to Counties	N/A	2117-1530-04	-	29,397	-	29,397
High Risk Maternity Clinics	N/A	13A1-5746-00	-	60,293	-	60,293
Lead Prevention Aid-to-County	N/A	1153-4760-WG	-	936	270	1,206
Risk Reduction/Health Promotion	N/A	1261-5503-00	-	4,983	-	4,983
School Nurse	N/A	1332-5358-00	-	50,000	-	50,000
Tuberculosis	N/A	1460-4554-00	-	916	310	1,226
Women's Preventative Health	N/A	13A1-6012-FR	-	12,328	-	12,328
Total Division of Public Health			-	330,385	1,729,185	2,059,570
Total N.C. Department of Health and Human Services			-	2,400,000	6,080,460	8,480,460

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Union County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2012

Schedule 42
 (continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
STATE AWARDS (CONTINUED):						
<u>N.C. DEPARTMENT OF PUBLIC INSTRUCTION</u>						
Public School Building Capital Fund-Lottery Fund	N/A		\$ -	\$ 2,500,290	\$ -	\$ 2,500,290
<u>N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION</u>						
McArthur	N/A		-	2,000	-	2,000
Juvenile Crime Prevention Council	N/A	290000	-	9,058	-	9,058
Project Challenge	N/A	290023	-	91,317	-	91,317
Shelter Care	N/A	290011	-	93,238	-	93,238
Youth and Family Services	N/A	290018	-	82,642	-	82,642
Total Department of Juvenile Justice and Delinquency Prevention			-	278,255	-	278,255
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>						
Rural Operating Assistance Program (ROAP)						
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	106,264	-	106,264
ROAP Rural General Public Program		DOT-16CL	-	143,972	-	143,972
ROAP Work First Transitional - Employment		DOT-16CL	-	73,561	-	73,561
Total N.C. Department of Transportation			-	323,797	-	323,797
<u>N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Division of Soil and Water Conservation:						
Soil and Water Conservation	N/A		-	26,345	56,519	82,864
<u>N.C. DEPARTMENT OF ADMINISTRATION</u>						
Veteran's Service	N/A		-	1,452	261,701	263,153
Total State awards			-	5,845,116	6,398,680	12,243,796
Total federal, State and local awards			\$ 109,006,633	\$ 57,321,971	\$ 16,664,811	\$ 182,993,415

**Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012**

**Schedule 42
(continued)**

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

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

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

Grantor/Pass Through Grantor/Program Title	Pass-Through Grantor's Number	State Expenditures
N.C. DEPARTMENT OF HUMAN RESOURCES		
Department of Juvenile Justice and Delinquency Prevention		\$ 2,000
McArthur		9,058
Juvenile Crime Prevention Council	290000	91,317
Project Challenge	290023	93,238
Shelter Care	290011	82,642
Youth and Family Services	290018	<u>278,255</u>
		<u>\$ 278,255</u>

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

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