



**Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2013**



UNION COUNTY

NORTH CAROLINA

About the cover

This year's cover pays homage to Union County's agricultural community. As we live and travel through our County, one cannot help but notice the ever present beauty provided by acres of blooming cotton, corn, hay, etc... Since the inception of Union County, generations of farmers have devoted their lives to the production of crops used to sustain our families and the economy with almost 16 percent of Union County's total work force and over 15 percent of its gross domestic product coming through the agricultural sector. In 2011, the agricultural industry generated more than \$436 million in "farm gate receipts", ranking Union County as the 3rd strongest agricultural economy in North Carolina. We offer our sincere thanks to their dedication in preserving the heritage of Union County.

Photos compiled and presented by Rosemary Dodd, Union County Finance Department.

Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2013

Prepared by
Finance Department



Union County, North Carolina
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Introductory Section





UNION COUNTY DEPARTMENT OF ADMINISTRATIVE SERVICES

FINANCE DIVISION
500 NORTH MAIN ST., SUITE 700
MONROE, NC 28112

October 17, 2013

To the 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 (GAAP) in the United States of America 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, 2013.

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 Generally Accepted Accounting Principles (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, 2013. 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 include the schedules of financial assistance, findings and questioned costs, and the independent auditor's 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 210,410 residents.

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, Veterans 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 fund 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 (86 percent of value). The tax base does not exhibit a high degree of taxpayer concentration, with the top ten taxpayers representing a modest 2.54 percent of assessed value. ATI-Allvac and Tyson Farms, both manufacturers, and Harris Teeter, Inc., representing the trade industry, employ over 1,000 people within the County.

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.

The County's economic indicators are trending in a positive direction. Labor statistics show the County's unemployment rate declined by 1.2 percent year-over-year in August 2013 to 7.2 percent. North Carolina's unemployment rate was 8.7 percent in August, falling 0.9 percent from August 2012. Union County's unemployment rate ranked 18th lowest of the 100 North Carolina counties for the month of August 2013. Nationally, August's unemployment rate is 7.3 percent.¹

The North Carolina median household income has fallen from \$51,125 in 2000 to \$45,570 in 2010, a decline of 10.9 percent. Union County's median household income was \$65,906 in 2000 compared to \$63,386 in 2010, a reduction of 3.8 percent.²

Building activity in fiscal year 2013 continued to show signs of growth. For fiscal year 2013, there were 136 commercial and 1,756 residential construction permits issued county-wide, compared to

¹ North Carolina Department of Commerce - Labor and Economic Analysis Division, News Release, September 20, 2013

² U S Census Bureau

fiscal year 2012 of 131 commercial and 1,352 residential permits; showing a 27.58 percent increase. This trend is anticipated to continue into 2014.

Midway Aircraft Instrument Corporation, a company that performs maintenance and repairs on aircraft systems components, opened a new facility in fiscal year 2013. The company plans to create 36 jobs and invest \$2.3 million over the next three years in Monroe. Salaries will vary by job function.³

Carolinas Medical Center - Union is in the midst of a \$57.2 million expansion. The expansion will house the new Women's and Children's Center. The new pediatrics department will become an extension of Levine's Children Hospital. The expansion will also add more parking spaces in a more convenient place relative to the main entrance for both patients and visitors.⁴

Long-Term Financial Planning and Major Initiatives

The North Carolina State Demographics Unit expects the County's population to grow by another 26 percent or 52,401 residents between 2010 and 2020, reaching 253,693 residents by the year 2020. Public school enrollment, currently at approximately 40,357 students, is projected to increase to approximately 40,805 students by 2020.⁵ The County's utility system added an average of approximately 1,259 new water connections in fiscal years 2012 and 2013.

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, 34.9 percent or \$165.1 million of the County's tax supported debt will be retired during the next five years. Within the next ten years, 65.1 percent or \$307.8 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 Capital Improvement Plan (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.

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 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.

Needed capacity and system improvements for existing and future system conditions were identified and prioritized and compiled into a CIP for the 20-year planning horizon. The CIP is based on an

³ Thrive in North Carolina, North Carolina Department of Commerce, www.thrivenc.com, December 12, 2012

⁴ "\$57 million expansion remakes CMC-Union", The Enquirer-Journal, August 13, 2013

⁵ January 2013 Union County Public Schools Enrollment Forecast

assumption of an Inter-Basin Transfer (IBT) increase from five million gallons per day to ten million gallons per day 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.

Relevant Financial Policies

The investment policy of the County is guided in a large part by State statutes. 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 ensure 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: During fiscal year 2013 the County's general obligation bond ratings of Aa1/AA/AA+ were affirmed by the three national rating agencies of Moody's Investors Service, Standard & Poor's and Fitch, respectively. The enterprise system revenue bonds maintained ratings of Aa2/AA-/AA. The County's key financial ratios relating to tax-supported debt are summarized in the following table.

	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
Assessed Value	\$ 23,635,819,299	\$ 23,395,494,250	\$ 23,131,707,917	\$ 22,905,686,865	\$ 22,292,233,714
Net Tax Supported Debt	\$ 481,551,944	\$ 511,925,514	\$ 542,794,901	\$ 656,005,530	\$ 592,322,950
Net Tax Supported Debt as a Percentage of Assessed Value	2.04%	2.19%	2.35%	2.86%	2.66%
Debt Service as a Percentage of Expenditures	23.40%	23.40%	23.00%	23.00%	22.70%
Population	210,410	205,717	201,292	196,322	191,514
Debt Per Capita	\$ 2,289	\$ 2,488	\$ 2,697	\$ 3,341	\$ 3,093
Available Fund Balance as a Percentage of General Fund Expenditures	12.20%	7.20%	2.10%	0.90%	3.60%

The County continues to fulfill its pledged revenue coverage per the revenue bond indenture for its Water and Sewer Bonds. For fiscal year 2013 the County maintained its two-pronged test; one prong permits the inclusion of 20 percent of the balance of the Surplus Fund, \$6,075,579 from the prior fiscal year, with the other prong omitting the Surplus Fund and the coverage ratio (2.38 times and 1.79 times coverage respectively, as stated in Table 15 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 \$400,000 per occurrence for Law Enforcement/Firefighters and \$325,000 per occurrence for all other employees. 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 three years.

Pension plan: 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.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, the government was required to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Each County department's strong commitment to the goals, vision and mission statements of the County is reflected in its 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.

Preparation of this report would not have been possible without the dedicated efforts of the entire Finance Division staff. Special thanks are extended to Andrea Robinson and Beverly Liles who compiled and reviewed information needed to complete the Comprehensive Annual Financial Report.

We also wish to express appreciation to the Board of County Commissioners and County Manager, Cynthia Coto, for their continued support.

Respectfully submitted,



Jeffrey A. Yates
Executive Director of Administrative
Services/CFO



Deborah H. Cox, C.P.A.
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Union County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Union County, North Carolina
List of Principal Officials
June 30, 2013

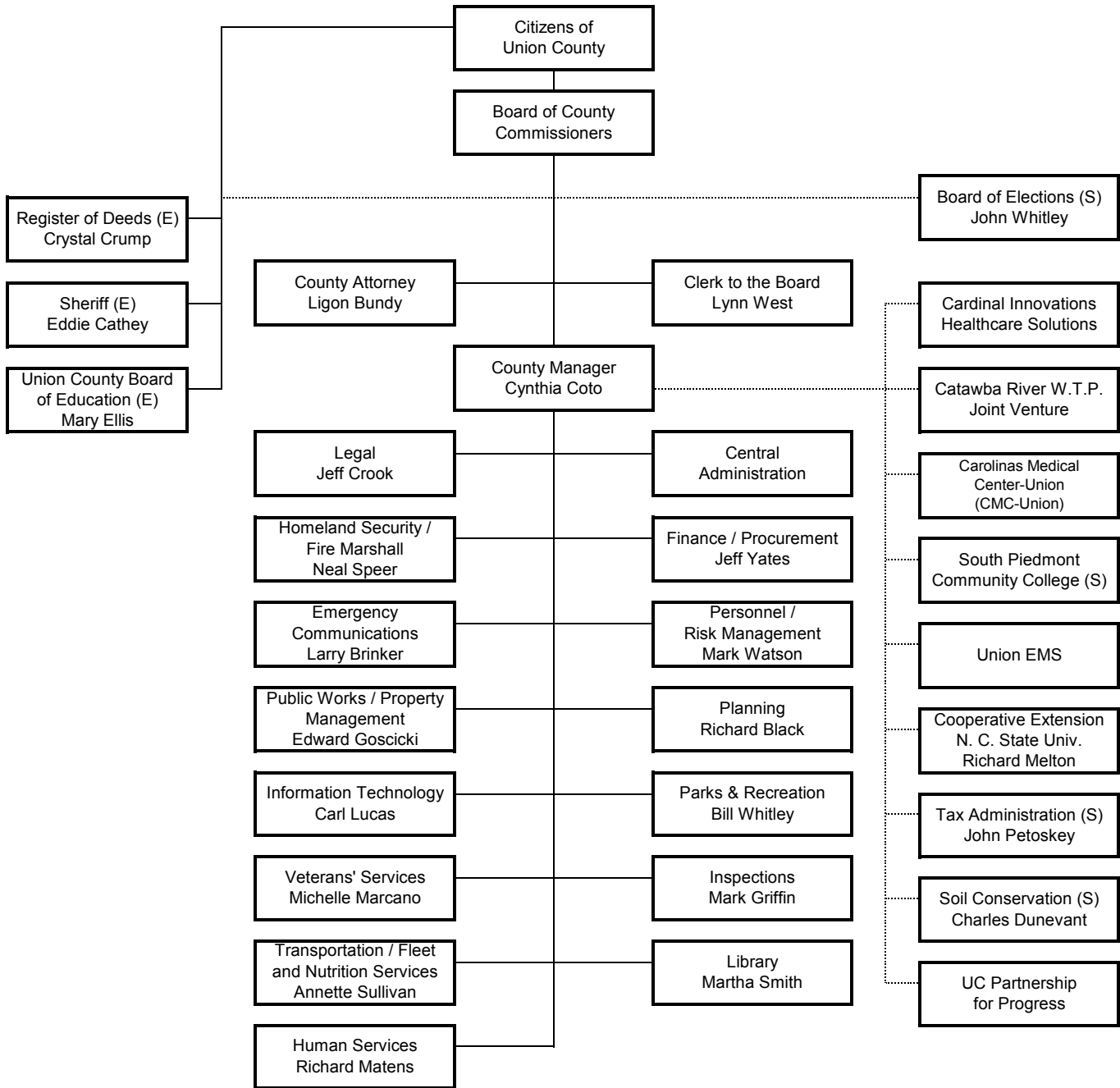
Board of County Commissioners

Jerry Simpson, Chairman
Todd Johnson, Vice-Chairman
Frank Aikmus
Richard B Helms, Sr.
Jonathan Thomas

County Officials

Cynthia Coto	County Manager
Matthew Delk	Assistant County Manager
Wesley Baker	Assistant to the County Manager
Jeffrey Yates	Finance Director
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
Richard Matens	Human Services Director
Carl Lucas	Information Technology Director
Mark Griffin	Inspections Director
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
Suzanne Moose	Social Services Director - Interim
Charles Dunevant	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, 2013



(S) Statutory Appt. Board
 (E) Elected Agency
 _____ Direct
 Support

Financial Section





POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Special Separation Allowance and the Other Postemployment Retiree Healthcare Benefits (OPEB) Schedules of Funding Progress and 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 generally 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.

Supplementary and Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of **Union County, North Carolina**. The introductory section, combining and individual fund financial statements and schedules, and statistical section as well as the accompanying Schedule of Expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, and schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 by us. In our opinion, based on our audit, the procedures performed as described above, 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 statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, 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 in considering **Union County's** internal control over financial reporting and compliance.

Patten : Company, P.A.

October 17, 2013
Monroe, North Carolina



Management's Discussion and Analysis

As management of Union County, we offer readers of Union County's financial statements this narrative overview and analysis of the financial activities of Union County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-7 of this report, and the County's financial statements, which follow this narrative.

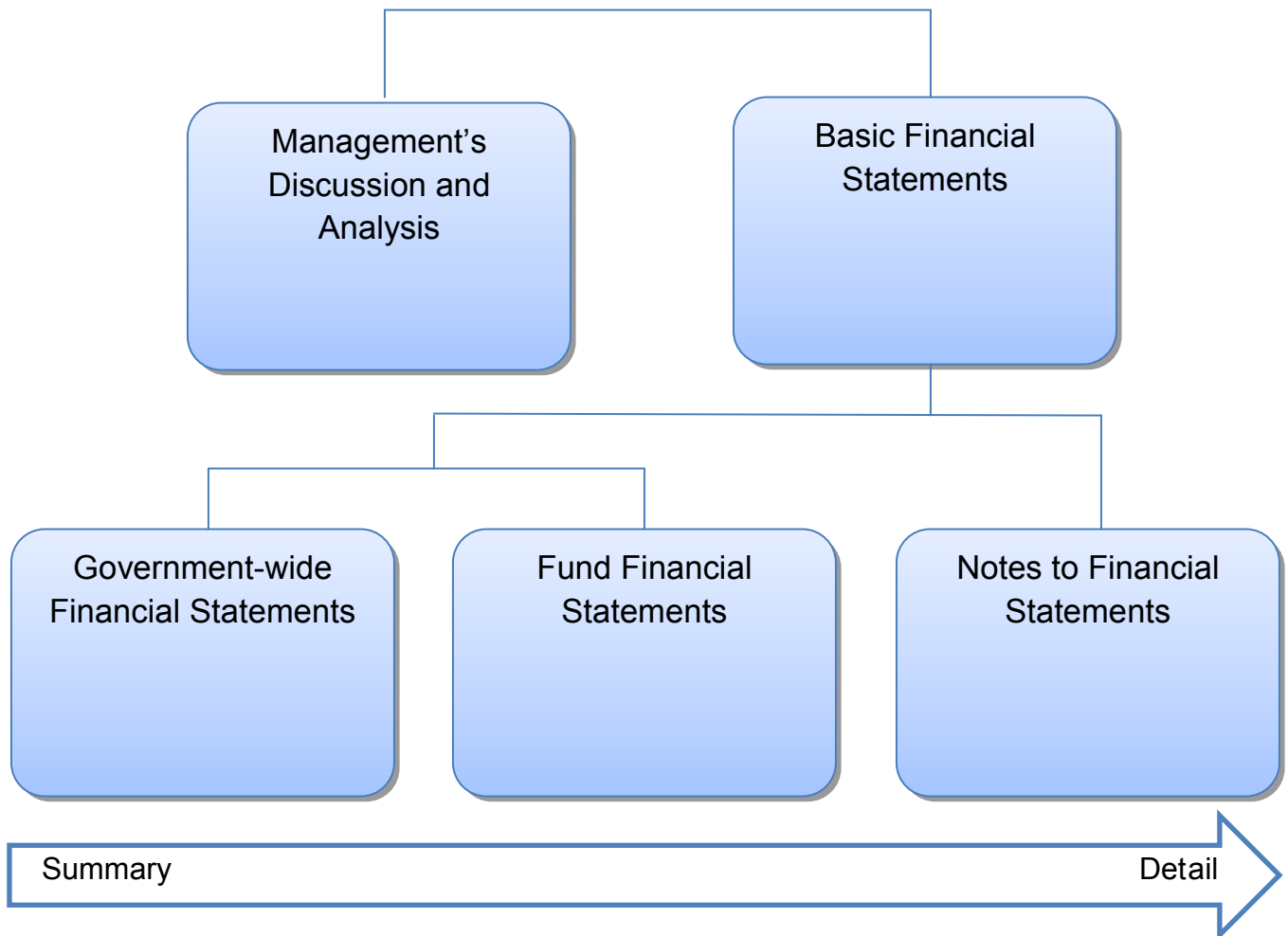
Financial Highlights

- The liabilities and deferred inflows of resources of Union County exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$21,970,419 (*net position*), an improvement of \$30,712,751 from the prior fiscal year.
- Union County's governmental activities' total net position reflected a deficit of \$271,121,799 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 \$128,567,208, a decrease of \$17,913,017 in comparison with the prior year. Approximately 48.4 percent of this amount \$62,284,839 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 \$66,046,229, or approximately 29.9 percent of total general fund expenditures for the fiscal year.
- Union County's total outstanding long-term debt decreased by \$34,519,741 or 5.97 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 maintained its rating of Aa2/AA-/AA for the enterprise system revenue bonds.

Overview of the Financial Statements

The discussion and analysis 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 North Carolina 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 position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position 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 North Carolina 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 be 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 Position* 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 ten 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, 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 35 through 37 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 47-98 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning 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, internal service funds, and fiduciary pension trust and agency 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 10 of this report.

Government-Wide Financial Analysis

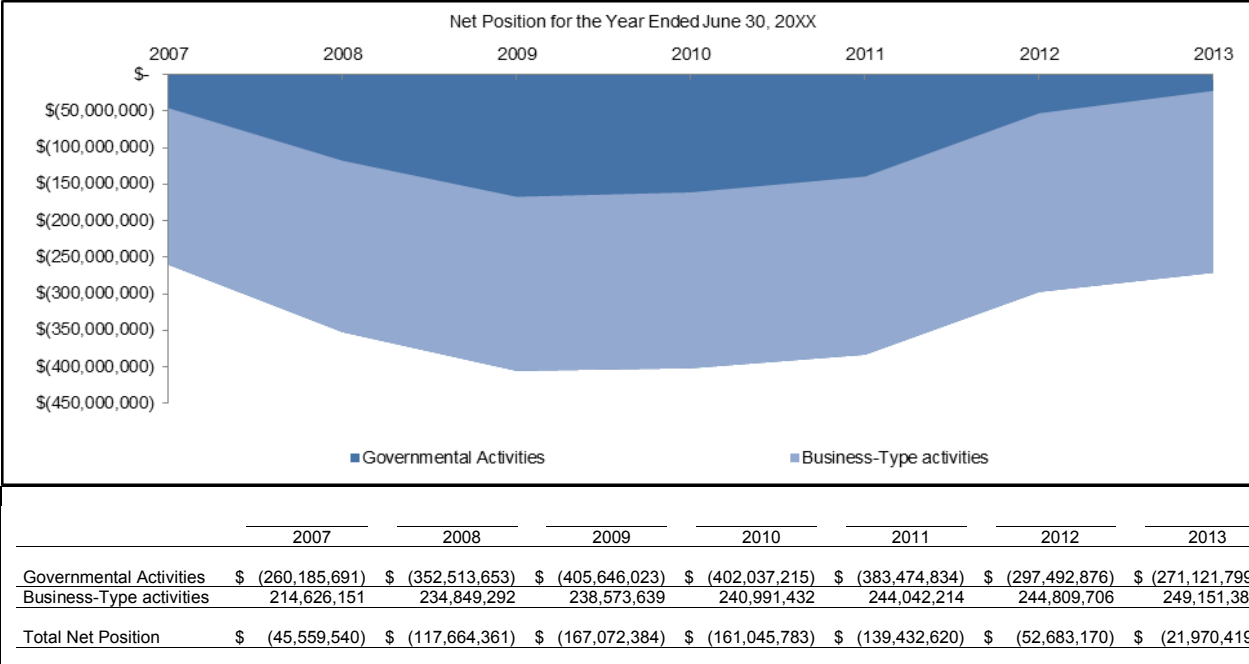
As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The liabilities and deferred inflows of resources of Union County exceeded assets and deferred outflows of resources by \$21,970,419 as of June 30, 2013. One of the largest portions, \$203,553,120, reflects the County's net 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 position, \$21,939,480, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$247,463,019 is unrestricted.

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

Union County, North Carolina Net Position June 30, 2013 and 2012						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 169,890,566	\$ 173,541,673	\$ 106,817,239	\$ 109,291,896	\$ 276,707,805	\$ 282,833,569
Capital Assets	67,059,248	68,811,416	215,338,148	212,417,225	282,397,396	281,228,641
Total Assets	236,949,814	242,353,089	322,155,387	321,709,121	559,105,201	564,062,210
Total Deferred Outflows of Resources	-	22,316,219	3,973,489	5,995,606	3,973,489	28,311,825
Long-Term Liabilities	464,008,272	517,118,904	68,125,883	73,936,273	532,134,155	591,055,177
Other Liabilities	43,756,258	44,702,101	7,297,768	7,653,289	51,054,026	52,355,390
Total Liabilities	507,764,530	561,821,005	75,423,651	81,589,562	583,188,181	643,410,567
Total Deferred Inflows of Resources	307,083	341,179	1,553,845	1,305,459	1,860,928	1,646,638
Net Position:						
Net investment in capital assets	44,668,785	44,186,127	158,884,335	152,962,211	203,553,120	197,148,338
Restricted	20,887,064	22,189,074	1,052,416	554,740	21,939,480	22,743,814
Unrestricted	(336,677,648)	(363,868,077)	89,214,629	91,292,755	(247,463,019)	(272,575,322)
Total net position	\$ (271,121,799)	\$ (297,492,876)	\$ 249,151,380	\$ 244,809,706	\$ (21,970,419)	\$ (52,683,170)

As with many counties in the State of North Carolina, the County’s Governmental Activities deficit in unrestricted net position in the amount of \$336,677,648 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.



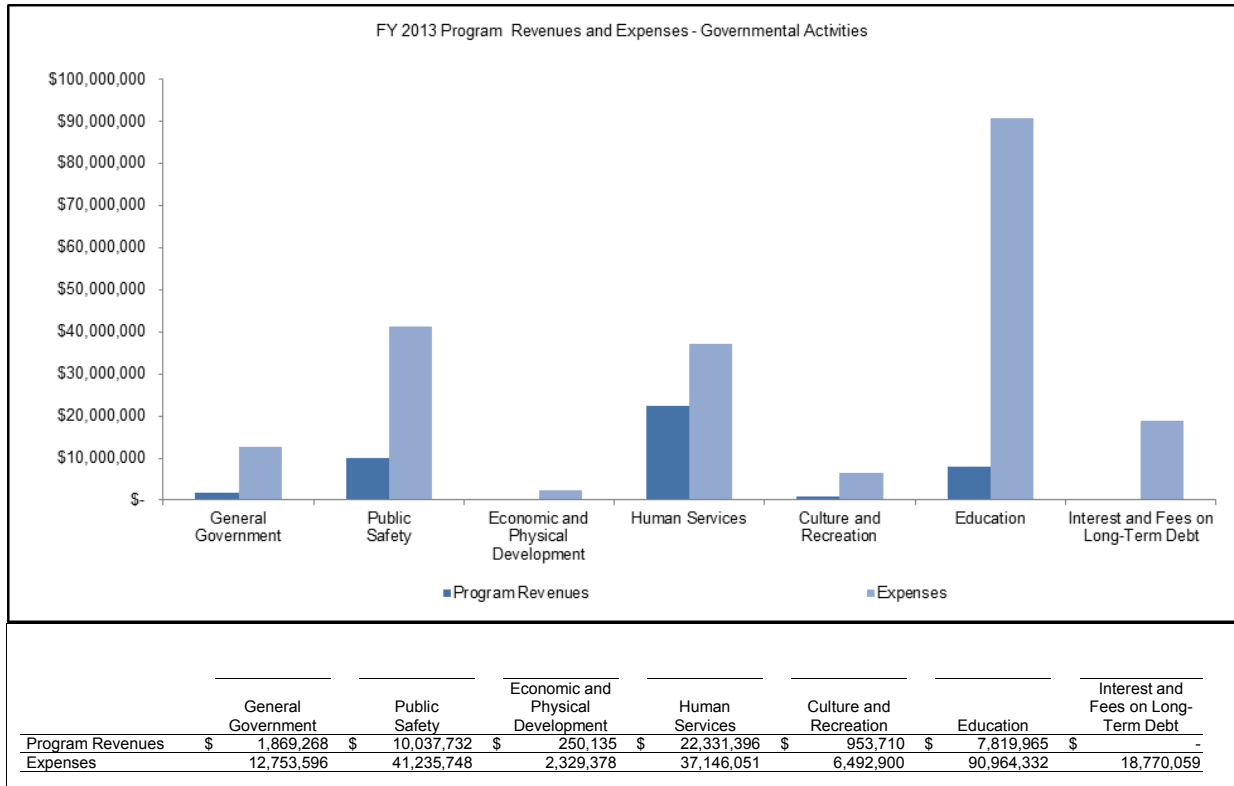
The County's overall net position increased \$30,712,751 from the prior fiscal year. The primary positive influence on the County's financial operations is that long-term debt decreased by \$34,519,741 or 5.97 percent during the current fiscal year. The key factor in this decrease was annual debt service payments.

Union County, North Carolina Changes in Net Position June 30, 2013 and 2012							
	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for Services	\$ 10,949,297	\$ 11,041,822	\$ 32,913,025	\$ 29,864,040	\$ 43,862,322	\$ 40,905,862	
Operating grants and contributions	32,162,830	31,686,778	362,703	372,658	32,525,533	32,059,436	
Capital grants and contributions	150,079	573,183	7,361,297	6,679,066	7,511,376	7,252,249	
General Revenues:							
Property taxes	161,590,726	160,375,634	-	-	161,590,726	160,375,634	
Other taxes	29,688,244	28,115,330	-	-	29,688,244	28,115,330	
Grants and contributions not restricted to a specific purpose	89,481	86,716	-	-	89,481	86,716	
Other	5,416,193	9,256,523	(173,304)	543,856	5,242,889	9,800,379	
Extraordinary item	-	54,000,000	-	-	-	54,000,000	
Total Revenues	240,046,850	295,135,986	40,463,721	37,459,620	280,510,571	332,595,606	
Expenses:							
General government	12,753,596	13,154,999	-	-	12,753,596	13,154,999	
Public safety	41,235,748	42,417,985	-	-	41,235,748	42,417,985	
Economic and physical Environment	2,329,378	2,930,309	-	-	2,329,378	2,930,309	
Human Services	37,146,051	38,855,691	-	-	37,146,051	38,855,691	
Cultural and recreational	6,492,900	6,432,361	-	-	6,492,900	6,432,361	
Education	90,964,332	83,419,258	-	-	90,964,332	83,419,258	
Interest and fees on long-term debt	18,770,059	21,943,425	-	-	18,770,059	21,943,425	
Water and sewer	-	-	30,349,615	29,762,394	30,349,615	29,762,394	
Solid waste	-	-	4,505,743	4,497,006	4,505,743	4,497,006	
Stormwater	-	-	200,613	148,634	200,613	148,634	
Total Expenses	209,692,064	209,154,028	35,055,971	34,408,034	244,748,035	243,562,062	
Increase in net position	30,354,786	85,981,958	5,407,750	3,051,586	35,762,536	89,033,544	
Net position as of July 1	(297,492,876)	(383,474,834)	244,809,706	244,042,214	(52,683,170)	(139,432,620)	
Prior Period Adjustment *	(3,983,709)	-	(1,066,076)	(2,284,094)	(5,049,785)	(2,284,094)	
Net position as of June 30	\$ (271,121,799)	\$ (297,492,876)	\$ 249,151,380	\$ 244,809,706	\$ (21,970,419)	\$ (52,683,170)	

* See Note 22

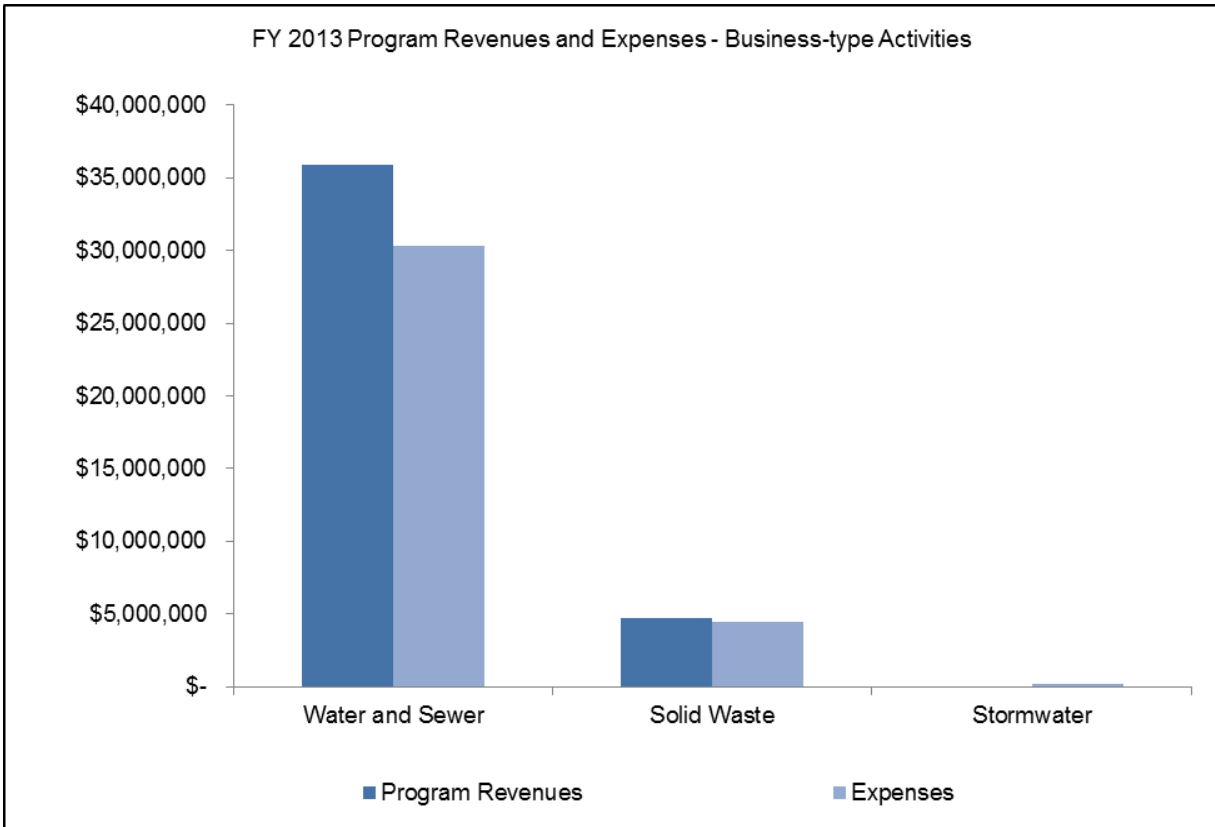
Governmental Activities – During the current fiscal year, net position for governmental activities increased by \$26,371,077, after prior period adjustment, to reach an ending negative balance of \$271,121,799. This is due primarily to previously mentioned annual debt service payments.

The majority of the County’s expenses are related to education, \$90,964,332 (43.4 percent); public safety, \$41,235,748 (19.7 percent); and human services, \$37,146,051 (17.7 percent).



Business-type Activities – For Union County’s business-type activities, the results for the current fiscal year were positive in that overall net position increased by \$4,341,674, after period adjustment, to reach an ending balance of \$249,151,380.

The majority of the County’s business-type expenses are related to water and sewer, \$30,349,615 (86.6 percent) and solid waste, \$4,505,743 (12.9 percent).



FY 2013 Program Revenues and Expenses - Business-type Activities

	Water and Sewer	Solid Waste	Stormwater
Program Revenues	\$ 35,887,754	\$ 4,749,271	\$ -
Expenses	30,349,615	4,505,743	200,613

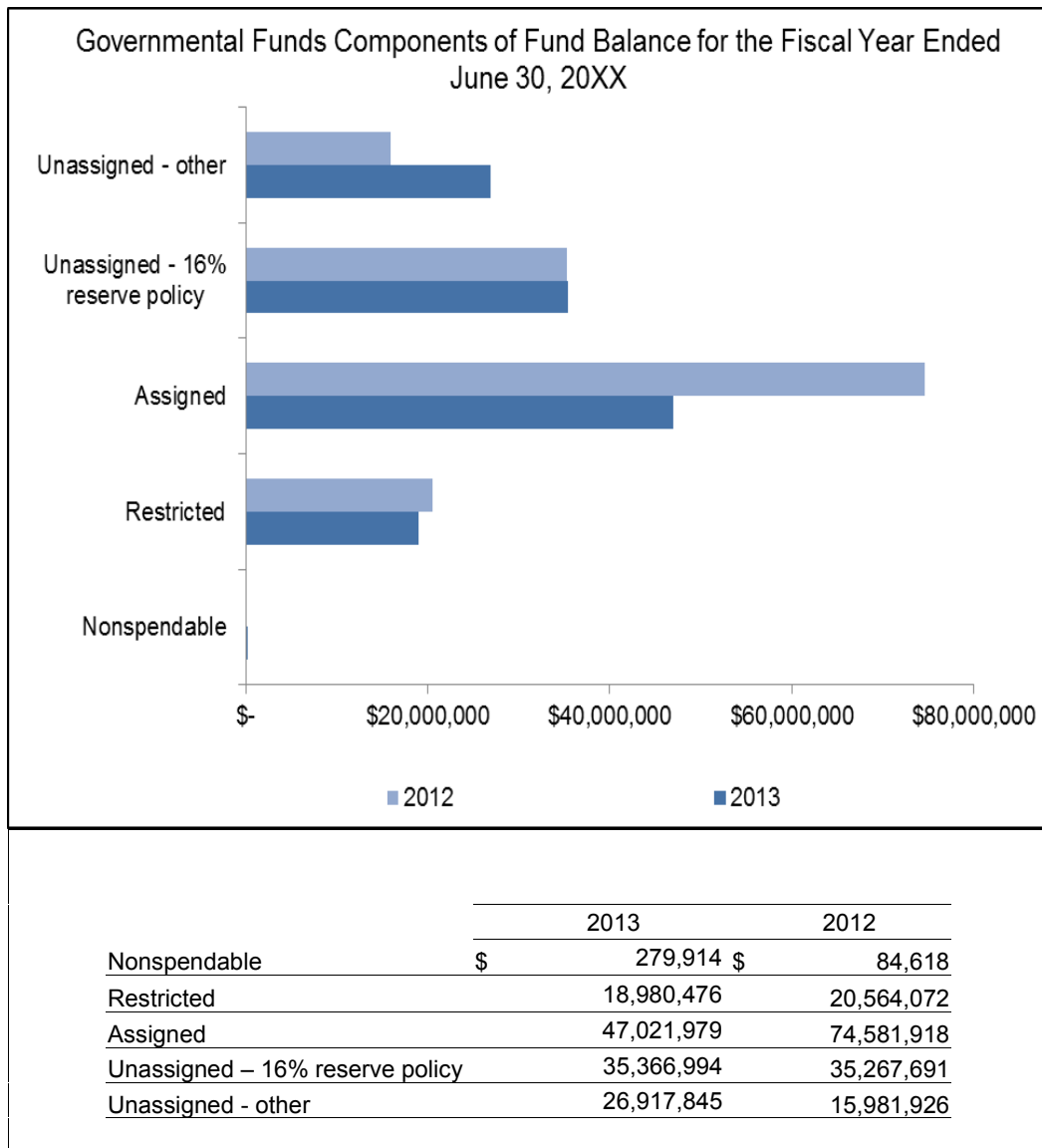
Financial Analysis of the County's Funds

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.

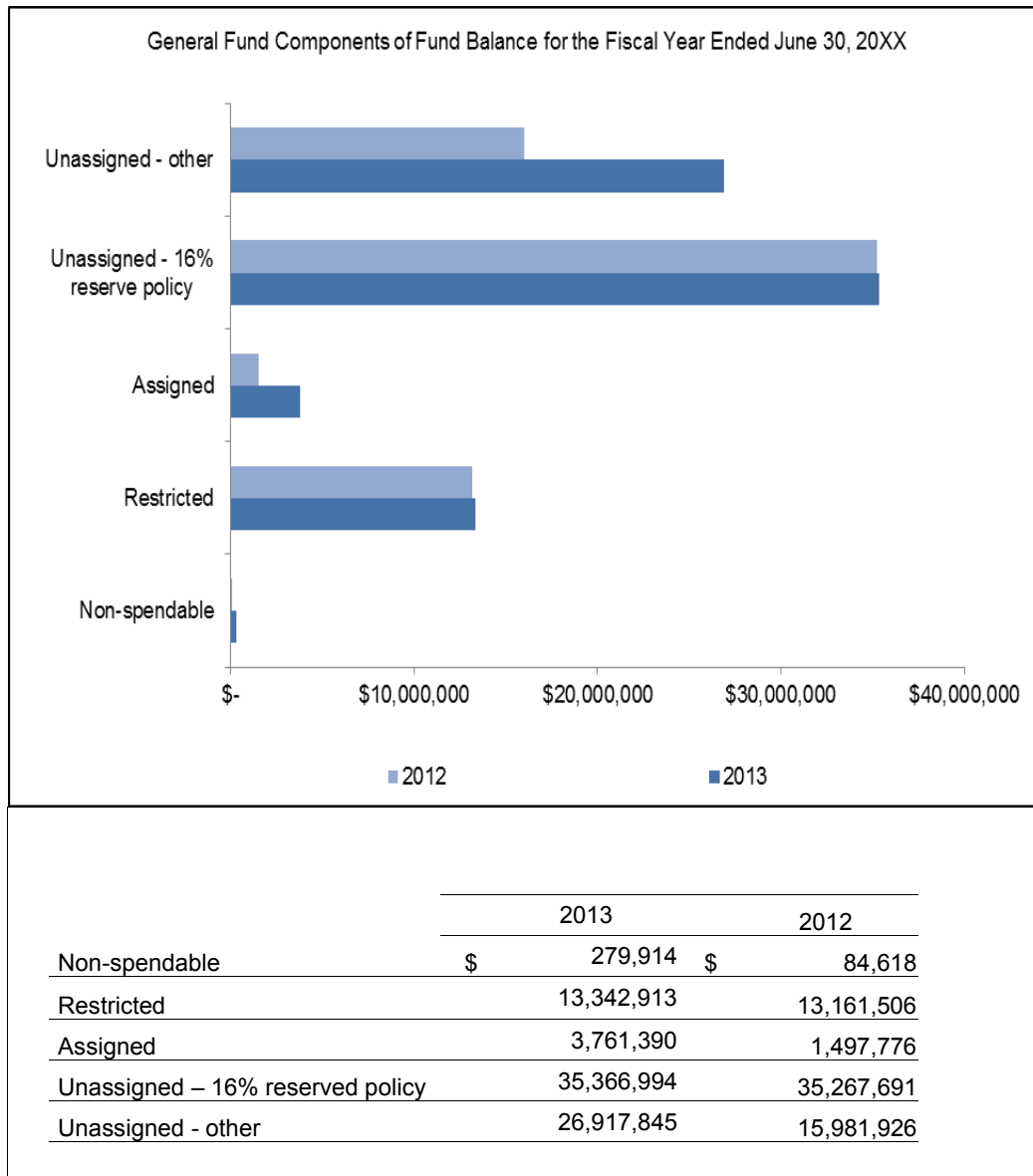
At June 30, 2013, Union County's governmental funds reported combined fund balances of \$128,567,208, a decrease of \$17,913,017 in comparison with the prior year. Approximately 48.4 percent of this amount (\$62,284,839) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either

nonspendable, restricted, or assigned to indicate that it is 1) non-spendable and not in a spendable form (\$279,914), 2) restricted to specific purposes as imposed by law (\$18,980,476), or 3) assigned and intended to be used for specific purposes (\$47,021,979).



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 \$62,284,839, while total fund balance increased by \$13,675,539, from \$65,993,517 to \$79,669,056. 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, 2013, the County has an unassigned fund balance of 28.2 percent of general fund expenditures, while total fund balances represents 36.0 percent of that same amount.



The increase was primarily due to greater than anticipated revenues of \$3.3 million of ad valorem taxes and fees, \$1.5 million of sales and services charges, and \$1.1 million in local option sales tax, as well as operational efficiencies and debt service expenditure savings due to refunding (refinancing) outstanding debt.

The fund balance of the General Capital Project Fund, a major fund, had a net decrease of \$31,042,683 to \$42,008,197 due in large part to an inter-fund transfer of \$20,023,787 to the General Fund to cover the cost of terminating interest rate swaps. There were also \$11,234,883 of capital and related expenditures during the current fiscal year. These expenditures primarily comprised of \$3,662,694 for Union County Public Schools regular capital outlay needs, \$3,500,000 for a South Piedmont Community College building purchase, and \$2,728,772 for government facility related renovations.

The School Bond Fund 55, the remaining major governmental fund, had a decrease in fund balance during the current year of \$802,851 to bring the year end fund balance to \$107,874. 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 position of the Water and Sewer Fund at the end of the year was \$84,931,611; a decrease of \$2,353,899. However, the overall net position of the Water and Sewer Fund increased by \$4,032,334 to \$243,121,586. A portion of the net position, net investment in capital assets, increased by \$5,888,557 to \$157,137,559 due primarily to pay-as-you-go capital program expenditures.

Unrestricted net position of the Solid Waste Fund at the end of the year was \$4,471,267; an increase of \$186,722. The increase was largely due to a net gain of \$220,289 for the current year, due primarily to higher operating revenues.

Unrestricted net position of the Stormwater Fund at the end of the year was \$49,827; an increase of \$7,003. This was a result of a higher operating transfer from the Water and Sewer Fund.

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 \$1,468,013 primarily due to the increases in human services and public safety. The General Fund final budget for revenue increased by \$998,672, primarily due to an increase in intergovernmental revenues from federal and State grants.

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

FY 2013 General Fund Revenue Compared to Estimates			
	Estimated	Actual	Differences
Ad valorem taxes	\$ 154,380,261	\$ 157,703,452	\$ 3,323,191
Local option sales tax	25,700,108	26,834,776	1,134,668
Other taxes and license	1,673,500	2,093,213	419,713
Intergovernmental	30,691,368	30,831,772	140,404
Permits and fees	2,573,492	4,063,547	1,490,055
Sales and services	4,559,025	4,383,686	(175,339)
Investment earnings	500,000	116,820	(383,180)
Miscellaneous	6,599,940	7,062,545	462,605

The surplus in the above revenue sources was reflective of a slowly 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, 2013, amounts to \$282,397,396 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and water and wastewater infrastructure. The total increase in capital assets for the current fiscal year was approximately 0.4 percent.

Union County, North Carolina Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012 (as restated)	2013	2012 (as restated)
Land	\$ 4,812,189	\$ 4,812,189	\$ 2,860,642	\$ 2,860,642	\$ 7,672,831	\$ 7,672,831
Buildings	43,711,638	42,772,318	799,801	842,556	44,511,439	43,614,874
Infrastructure	-	-	192,553,950	194,939,742	192,553,950	194,939,742
Improvements other than buildings	3,534,168	3,763,181	537,364	577,349	4,071,532	4,340,530
Machinery and equipment	12,145,007	13,318,300	1,233,486	931,571	13,378,493	14,249,871
Construction in progress	2,856,246	4,145,428	17,352,905	12,265,365	20,209,151	16,410,793
Total Capital Assets	\$ 67,059,248	\$ 68,811,416	\$ 215,338,148	\$ 212,417,225	\$ 282,397,396	\$ 281,228,641

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
- 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 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 Twelve Mile Creek sewer diversion to the Charlotte Mecklenburg Utility Department (CMUD)
- Engineering and design services for northern water supply (Yadkin)
- Receipt of contributed capital consisting of approximately \$3.5 million for water and sewer distribution and collection systems

Additional information on Union County’s capital assets can be found in Note 5 of this report.

Long-term Debt – At the end of the current fiscal year, the County had total debt outstanding of \$543,593,860. Of this amount, \$391,010,263 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, limited obligation bonds, revenue bonds, and State sanitary sewer loans (other).

Union County, North Carolina Outstanding Debt							
	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	
General Obligation Bonds	\$ 390,665,807	\$ 415,264,622	\$ 344,456	\$ 891,215	\$ 391,010,263	\$ 416,155,837	
Certificates of participation	84,833,828	89,729,408	-	-	84,833,828	89,729,408	
Installment financing	6,052,309	6,931,484	-	-	6,052,309	6,931,484	
Revenue Bonds	-	-	49,512,673	52,128,389	49,512,673	52,128,389	
Other	-	-	12,184,787	13,168,483	12,184,787	13,168,483	
Total	\$ 481,551,944	\$ 511,925,514	\$ 62,041,916	\$ 66,188,087	\$ 543,593,860	\$ 578,113,601	

Union County’s total debt decreased by \$34,519,741 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 \$1,418,002,988. The County has no authorized but unissued bonds as of June 30, 2013.

Additional information regarding Union County’s long-term debt can be found in Note 15 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 seasonally adjusted was 8.7 percent in August. This was a 0.2 of a percentage-point decrease from July’s revised rate of 8.9 percent, and a 0.9 percentage-point decrease over the year. Over the month, the unemployment rate (not seasonally adjusted) decreased in 98 counties, increased in one

and remained the same in one. Forty counties had unemployment rates at or below the state's 8.3 percent rate.¹

- The County's unemployment rate was 7.2 percent in August 2013. This was a 0.7 of a percentage-point decrease from July's revised rate of 7.9 percent and a decrease of 1.2 percent from August 2012. The County's unemployment rate is below the state's 8.3 percent rate.¹
- The Conference Board, a New York based private research group, announced Tuesday, September 24, 2013 that it's Consumer Confidence Index, which had increased slightly in August, decreased in September. The Index now stands at 79.7 (1985=100), down from 81.8 in August. The Present Situation Index grew to 73.2 from 70.9. The Expectations Index fell to 84.1 from 89.0 last month. The Conference Board also announced on Monday, September 09, 2013, that it's, Employment Trends Index (ETI) increased in August. The index now stands at 113.54, up from 112.80 (an upward revision) in July. The ETI figure for August is 4.5 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 2012 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 2012 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."³
- The County's housing data is also starting to show signs of economic improvements. For July and August 2013 there were 512 building permits issued county-wide, compared to July and August of 2012 492; showing a 4.0 percent increase. For July and August of 2011 there were 336 building permits issued county-wide.⁴

¹ North Carolina Employment Security Commission, NC Department of Commerce – Labor and Economic Analysis Division, News Release, October 2, 2013. 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 Ibid

⁴ The County's data includes permits issued by Union County, City of Monroe, and the Town of Waxhaw.

- 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. Current housing data is unavailable from the U.S. Census website due to the federal government shutdown.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities – Property taxes (reflective of economic conditions) and local option sales taxes are expected to lead the increase in revenue projections by 1.6 percent. Anticipated permits, fees and charges for services were also revised and increased by \$1.6 million. The County will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to increase approximately 2.0 percent; \$4,604,427. The largest portion of this increase was due to a \$3.0 million regular capital outlay contribution and a \$756,253 increase in current expense, both for the Union County Public Schools.

During the current fiscal year, the unassigned fund balance in the general fund was \$62,284,839. Union County has appropriated \$3,271,258 of fund balance for spending in the FY 2014 budget. This action was taken primarily to fund the previously mentioned \$3.0 million regular capital outlay contribution to the Union County Public Schools and the implementation year of the State of North Carolina's changes in funding of unemployment insurance benefits which impacts all local governments in North Carolina with paid employees.

Business-type Activities – On February 20, 2013 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 2013.

The water and sewer rates in the County have increased by 3.5 percent each fiscal year since fiscal year ending June 30, 2012, 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, Executive Director of Administrative Services/Chief Financial Officer, 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

Union County, North Carolina

Exhibit A

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 94,879,572	\$ 64,889,361	\$ 159,768,933
Property taxes receivable (net)	4,725,255	-	4,725,255
Accounts receivable (net)	13,214,807	4,789,720	18,004,527
Inventories	29,497	576,665	606,162
Internal balances	238,076	(238,076)	-
Prepaid Items	204,005	-	204,005
Cash and investments, restricted	1,218,131	1,052,415	2,270,546
Cash and investments, restricted-deposits	1,198,371	499,237	1,697,608
Total current assets	<u>115,707,714</u>	<u>71,569,322</u>	<u>187,277,036</u>
Noncurrent assets:			
Cash and investments	28,376,213	19,377,394	47,753,607
Accounts receivable	46,412	424,400	470,812
Net prepaid pension obligation	1,702,306	230,113	1,932,419
Unamortized swap termination costs	24,057,921	-	24,057,921
Investment in joint venture	-	15,216,010	15,216,010
Capital assets:			
Land and other assets not being depreciated	7,668,435	20,213,547	27,881,982
Buildings, equipment and infrastructure	59,390,813	195,124,601	254,515,414
Total noncurrent assets	<u>121,242,100</u>	<u>250,586,065</u>	<u>371,828,165</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	<u>-</u>	<u>3,973,489</u>	<u>3,973,489</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	9,283,399	2,981,625	12,265,024
Liabilities payable from restricted assets	75,061	-	75,061
Deposits	1,198,371	499,236	1,697,607
Workers' compensation claims	98,967	-	98,967
Health care benefits	803,134	-	803,134
Property and casualty claims payable	93,746	-	93,746
Current portion of long-term obligations	32,203,580	3,816,907	36,020,487
Total current liabilities	<u>43,756,258</u>	<u>7,297,768</u>	<u>51,054,026</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,208,305	4,208,305
Compensated absences	3,307,409	385,870	3,693,279
Net OPEB obligation	11,352,499	1,258,923	12,611,422
Derivative liability	-	4,047,776	4,047,776
Noncurrent portion of long-term obligations	449,348,364	58,225,009	507,573,373
Total noncurrent liabilities	<u>464,008,272</u>	<u>68,125,883</u>	<u>532,134,155</u>
DEFERRED INFLOWS OF RESOURCES			
Total liabilities and deferred inflows of resources	<u>307,083</u>	<u>1,553,845</u>	<u>1,860,928</u>
NET POSITION			
Net investment in capital assets	44,668,785	158,884,335	203,553,120
Restricted for:			
Stabilization by State Statute	15,381,709	-	15,381,709
General Government	34,330	-	34,330
Public safety	2,944,055	-	2,944,055
Economic and physical development	13,775	-	13,775
Human Services	208,621	-	208,621
Cultural and recreational	110,711	-	110,711
Education	491,557	-	491,557
Debt service	-	1,052,416	1,052,416
Pension benefits	1,702,306	-	1,702,306
Unrestricted	(336,677,648)	89,214,629	(247,463,019)
Total net position	<u>\$(271,121,799)</u>	<u>\$ 249,151,380</u>	<u>\$ (21,970,419)</u>

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

Union County, North Carolina

Exhibit B

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 12,753,596	\$ 1,394,315	\$ 474,953	\$ -	\$ (10,884,328)	\$ -	\$ (10,884,328)
Public safety	41,235,748	5,840,128	4,197,604	-	(31,198,016)	-	(31,198,016)
Economic and physical development	2,329,378	109,495	140,640	-	(2,079,243)	-	(2,079,243)
Human services	37,146,051	2,906,371	19,274,946	150,079	(14,814,655)	-	(14,814,655)
Cultural and recreational	6,492,900	698,988	254,722	-	(5,539,190)	-	(5,539,190)
Education	90,964,332	-	7,819,965	-	(83,144,367)	-	(83,144,367)
Interest and fees on long term debt	18,770,059	-	-	-	(18,770,059)	-	(18,770,059)
Total governmental activities	209,692,064	10,949,297	32,162,830	150,079	(166,429,858)	-	(166,429,858)
Business-type activities:							
Water and sewer	30,349,615	28,526,457	-	7,361,297	-	5,538,139	5,538,139
Solid waste	4,505,743	4,386,568	362,703	-	-	243,528	243,528
Stormwater	200,613	-	-	-	-	(200,613)	(200,613)
Total business-type activities	35,055,971	32,913,025	362,703	7,361,297	-	5,581,054	5,581,054
Total primary government	\$ 244,748,035	\$ 43,862,322	\$ 32,525,533	\$ 7,511,376	(166,429,858)	5,581,054	(160,848,804)
General revenues:							
Property taxes levied for general purposes					161,590,726	-	161,590,726
Local option sales tax					27,595,031	-	27,595,031
Other taxes and licenses					2,093,213	-	2,093,213
Grants and contributions not restricted to specific					89,481	-	89,481
Rent income not restricted to specific programs					6,100,000	-	6,100,000
Investment earnings, unrestricted					(687,300)	(193,033)	(880,333)
Miscellaneous, unrestricted					182,066	-	182,066
Gains on sales and disposals of capital assets					(178,573)	19,729	(158,844)
Total general revenues and extraordinary item					196,784,644	(173,304)	196,611,340
Change in net position					30,354,786	5,407,750	35,762,536
Net position - beginning as previously stated					(297,492,876)	244,809,706	(52,683,170)
Prior period adjustment (Note 22)					(3,983,709)	(1,066,076)	(5,049,785)
Net position - as restated					(301,476,585)	243,743,630	(57,732,955)
Net position - ending					\$(271,121,799)	\$ 249,151,380	\$ (21,970,419)

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

Union County, North Carolina

Exhibit C

Balance Sheet

Governmental Funds

June 30, 2013

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 71,940,645	\$ 42,028,784	\$ -	\$ 5,816,680	\$ 119,786,109
Property taxes receivable (net)	4,775,881	-	-	145,113	4,920,994
Accounts receivable (net)	12,384,284	-	-	417,077	12,801,361
Accounts receivable, long-term	46,412	-	-	-	46,412
Inventories	29,497	-	-	-	29,497
Prepaid Item	204,005	-	-	-	204,005
Cash and investments, restricted	46,820	383,683	175,133	612,495	1,218,131
Cash and investments, restricted-deposits	1,198,371	-	-	-	1,198,371
Total assets	\$ 90,625,915	\$ 42,412,467	\$ 175,133	\$ 6,991,365	\$ 140,204,880
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,624,410	\$ 404,270	\$ -	\$ 47,687	\$ 5,076,367
Liabilities payable from restricted assets	-	-	67,259	7,802	75,061
Deposits	1,198,371	-	-	-	1,198,371
Total liabilities	5,822,781	404,270	67,259	55,489	6,349,799
DEFERRED INFLOWS OF RESOURCES	5,134,078	-	-	153,795	5,287,873
FUND BALANCES					
Nonspendable	279,914	-	-	-	279,914
Restricted	13,342,913	2,295,462	107,874	3,234,227	18,980,476
Assigned	3,761,390	39,712,735	-	3,547,854	47,021,979
Unassigned - sixteen percent reserve policy	35,366,994	-	-	-	35,366,994
Unassigned - other	26,917,845	-	-	-	26,917,845
Total fund balances	79,669,056	42,008,197	107,874	6,782,081	128,567,208
Total liabilities, deferred inflows of resources and fund balances	\$ 90,625,915	\$ 42,412,467	\$ 175,133	\$ 6,991,365	\$ 140,204,880

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 Position

June 30, 2013

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

Ending fund balance - governmental funds	\$ 128,567,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,059,248
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.	1,702,306
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,725,255
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	59,794
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 position.	1,460,472
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 position.	683,286
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 position.	656,294
Internal balance due from Business Type Activities to Governmental Activities.	238,076
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(3,307,409)
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.	(11,352,499)
Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and, therefore, are not reported in the funds (principal and unamortized balances for governmental activities, per Note 15. A. 2, in the amount of \$481,551,994, as well as accrued interest payable of \$4,119,807 net unamortized swap termination costs of \$24,057,921).	(461,613,830)
Net position of governmental activities	<u>\$ (271,121,799)</u>

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

Union County, North Carolina

Exhibit E

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 157,703,452	\$ -	\$ -	\$ 4,444,002	\$ 162,147,454
Local option sales tax	26,834,776	-	-	760,255	27,595,031
Other taxes and licenses	2,093,213	-	-	975,743	3,068,956
Intergovernmental	30,831,772	164,008	-	134,422	31,130,202
Permits and fees	4,063,547	-	-	2,034,556	6,098,103
Sales and services	4,383,686	-	-	15,000	4,398,686
Investment earnings	116,820	-	-	5,814	122,634
Miscellaneous	7,062,545	-	-	109,411	7,171,956
Total revenues	233,089,811	164,008	-	8,479,203	241,733,022
EXPENDITURES					
Current:					
General government	10,780,114	601,432	-	111,838	11,493,384
Public safety	31,018,979	5,315	-	8,110,387	39,134,681
Economic and physical development	2,158,639	-	-	-	2,158,639
Human services	36,633,250	222,070	-	-	36,855,320
Cultural and recreational	5,791,576	-	-	-	5,791,576
Intergovernmental:					
Education	82,882,387	-	-	-	82,882,387
Capital outlay:					
General government	-	2,415,738	-	-	2,415,738
Public safety	-	137,731	-	-	137,731
Human services	-	676,657	-	-	676,657
Cultural and recreational	-	13,246	-	-	13,246
Education	-	7,162,694	802,851	-	7,965,545
Debt service:					
Principal retirement	30,542,075	-	-	-	30,542,075
Interest and fees	21,236,696	-	-	-	21,236,696
Total expenditures	221,043,716	11,234,883	802,851	8,222,225	241,303,675
Excess (deficiency) of revenues over (under) expenditures	12,046,095	(11,070,875)	(802,851)	256,978	429,347
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	20,023,787	51,979	-	-	20,075,766
Transfers to other funds	(51,979)	(20,023,787)	-	-	(20,075,766)
Proceeds from refunding general obligation bonds	42,890,000	-	-	-	42,890,000
Proceeds from refunding general obligation bonds issuance premium, etc.	3,918,850	-	-	-	3,918,850
Proceeds from refunding installment financing	29,310,000	-	-	-	29,310,000
Proceeds from refunding installment financing issuance premium, etc.	3,402,403	-	-	-	3,402,403
Proceeds from termination of derivatives	953,000	-	-	-	953,000
Payments to refunded bonds escrow agents	(46,481,216)	-	-	-	(46,481,216)
Payments to refunded installment financing escrow agents	(32,311,614)	-	-	-	(32,311,614)
Payments to terminate interest rate swaps	(20,023,787)	-	-	-	(20,023,787)
Total other financing sources (uses)	1,629,444	(19,971,808)	-	-	(18,342,364)
Net change in fund balances	13,675,539	(31,042,683)	(802,851)	256,978	(17,913,017)
FUND BALANCES					
Beginning	65,993,517	73,050,880	910,725	6,525,103	146,480,225
Ending	\$ 79,669,056	\$ 42,008,197	\$ 107,874	\$ 6,782,081	\$ 128,567,208

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, 2013

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

Net change in fund balances - total governmental funds	\$ (17,913,017)
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.	(1,447,659)
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.	(15,000)
Net book value of assets sold	(304,510)
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.	(556,728)
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.	(812,767)
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.	2,833
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 position. Also, governmental funds report the effect of 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.	49,829,830
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,000,241
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.	288,660
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.	175,919
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and casualty insurance program.	106,984
Change in net position of governmental activities	<u>\$ 30,354,786</u>

Union County, North Carolina

Exhibit G

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 154,380,261	\$ 154,380,261	\$ 157,703,452	\$ 3,323,191
Local option sales tax	25,700,108	25,700,108	26,834,776	1,134,668
Other taxes and licenses	1,673,500	1,673,500	2,093,213	419,713
Intergovernmental	29,837,424	30,691,368	30,831,772	140,404
Permits and fees	2,573,492	2,573,492	4,063,547	1,490,055
Sales and services	4,421,604	4,559,025	4,383,686	(175,339)
Investment earnings	500,000	500,000	116,820	(383,180)
Miscellaneous	6,592,633	6,599,940	7,062,545	462,605
Total revenues	<u>225,679,022</u>	<u>226,677,694</u>	<u>233,089,811</u>	<u>6,412,117</u>
EXPENDITURES				
Current:				
General government	11,672,419	12,394,781	10,780,114	1,614,667
Public safety	31,579,189	32,938,228	31,018,979	1,919,249
Economic and physical development	2,663,951	3,135,336	2,158,639	976,697
Human services	36,990,825	38,744,737	36,633,250	2,111,487
Cultural and recreational	5,756,403	6,153,208	5,791,576	361,632
Intergovernmental:				
Education	84,486,090	82,882,499	82,882,387	112
Debt service:				
Principal retirement	30,487,075	30,487,075	30,542,075	(55,000)
Interest and fees	21,439,525	22,134,148	21,236,696	897,452
Contingency	500,000	344,277	-	344,277
Nondepartmental	2,365,894	195,095	-	195,095
Total expenditures	<u>227,941,371</u>	<u>229,409,384</u>	<u>221,043,716</u>	<u>8,365,668</u>
Revenues over (under) expenditures	<u>(2,262,349)</u>	<u>(2,731,690)</u>	<u>12,046,095</u>	<u>14,777,785</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,650,000	21,500,000	20,023,787	(1,476,213)
Transfers to other funds	-	(51,979)	(51,979)	-
Proceeds from refunding general obligation bonds	-	158,805,000	42,890,000	(115,915,000)
Proceeds from refunding general obligation bonds issuance premium, etc.	-	3,918,850	3,918,850	-
Proceeds from refunding installment financing	-	29,310,000	29,310,000	-
Proceeds from refunding installment financing issuance premium, etc.	-	3,402,403	3,402,403	-
Proceeds from termination of derivatives	-	-	953,000	953,000
Payments to refunded bonds escrow agents	(400,000)	(162,796,216)	(46,481,216)	116,315,000
Payments to refunded installment financing escrow agents	-	(32,311,614)	(32,311,614)	-
Payments to terminate interest rate swaps	-	(21,500,000)	(20,023,787)	1,476,213
Total other financing sources (uses)	<u>1,250,000</u>	<u>276,444</u>	<u>1,629,444</u>	<u>1,353,000</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(1,012,349)</u>	<u>(2,455,246)</u>	<u>13,675,539</u>	<u>16,130,785</u>
APPROPRIATED FUND BALANCE	<u>(1,012,349)</u>	<u>(2,455,246)</u>	<u>-</u>	<u>2,455,246</u>
Revenues, other financing sources, and appropriated fund balance over expenditures and other financing uses	<u>\$ (2,024,698)</u>	<u>\$ (4,910,492)</u>	<u>13,675,539</u>	<u>\$ 18,586,031</u>
FUND BALANCES				
Beginning			<u>65,993,517</u>	
Ending			<u>\$ 79,669,056</u>	

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

Union County, North Carolina

Exhibit H

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 58,112,453	\$ 6,722,554	\$ 54,354	\$ 64,889,361	\$ 3,469,677
Accounts receivable (net)	4,226,141	563,579	-	4,789,720	413,446
Inventories	576,665	-	-	576,665	-
Cash and investments, restricted	1,052,415	-	-	1,052,415	-
Cash and investments, restricted-deposits	495,357	3,880	-	499,237	-
Total current assets	64,463,031	7,290,013	54,354	71,807,398	3,883,123
Noncurrent assets:					
Cash and investments	17,399,789	1,961,752	15,853	19,377,394	-
Accounts receivable	424,400	-	-	424,400	-
Net prepaid pension obligation	194,210	31,075	4,828	230,113	-
Capital assets:					
Investment in joint venture	15,216,010	-	-	15,216,010	-
Land and other assets not being depreciated	19,879,290	334,257	-	20,213,547	-
Buildings, equipment, and infrastructure, net of depreciation	193,712,082	1,412,519	-	195,124,601	-
Total noncurrent assets	246,825,781	3,739,603	20,681	250,586,065	-
DEFERRED OUTFLOWS OF RESOURCES					
	3,973,489	-	-	3,973,489	-
Total assets and deferred outflows of resources	315,262,301	11,029,616	75,035	326,366,952	3,883,123
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,669,945	300,478	11,202	2,981,625	87,224
Deposits	495,356	3,880	-	499,236	-
Long-term liabilities, due within one year:					
General obligation bonds payable	142,895	-	-	142,895	-
Revenue bonds payable	2,690,315	-	-	2,690,315	-
State sanitary sewer loan payable	983,697	-	-	983,697	-
Workers' compensation claims payable	-	-	-	-	98,967
Health care benefits payable	-	-	-	-	803,134
Property and casualty claims payable	-	-	-	-	93,746
Total current liabilities	6,982,208	304,358	11,202	7,297,768	1,083,071
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,208,305	-	4,208,305	-
Compensated absences	327,208	45,516	13,146	385,870	-
Net OPEB obligation	1,004,669	253,394	860	1,258,923	-
Derivative liability	4,047,776	-	-	4,047,776	-
Long-term liabilities, due in more than one year:					
General obligation bonds	201,561	-	-	201,561	-
Revenue bonds	46,822,358	-	-	46,822,358	-
State sanitary sewer loan	11,201,090	-	-	11,201,090	-
Total noncurrent liabilities	63,604,662	4,507,215	14,006	68,125,883	-
DEFERRED INFLOWS OF RESOURCES					
	1,553,845	-	-	1,553,845	-
Total liabilities and deferred inflows of resources	72,140,715	4,811,573	25,208	76,977,496	1,083,071
NET POSITION					
Net investment in capital assets	157,137,559	1,746,776	-	158,884,335	-
Restricted for debt service	1,052,416	-	-	1,052,416	-
Unrestricted	84,931,611	4,471,267	49,827	89,452,705	2,800,052
Total net position	\$ 243,121,586	\$ 6,218,043	\$ 49,827	249,389,456	\$ 2,800,052

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

(238,076)

Net position of business-type activities

\$ 249,151,380

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

Union County, North Carolina

Exhibit I

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	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	\$ 25,870,267	\$ 4,377,360	\$ -	\$ 30,247,627	\$ -
Disposal fees	-	362,703	-	362,703	-
Interfund charges and employee contributions	-	-	-	-	12,131,912
Miscellaneous revenue	-	-	-	-	87,570
Other operating revenue	818,822	9,208	-	828,030	5,363
Total operating revenues	26,689,089	4,749,271	-	31,438,360	12,224,845
OPERATING EXPENSES					
Personnel	6,036,761	963,875	187,055	7,187,691	-
Operating expenses	10,956,823	3,314,126	14,886	14,285,835	1,161,127
Depreciation	10,812,228	168,224	-	10,980,452	-
Operating leases	381,341	-	-	381,341	-
Landfill closure	-	74,408	-	74,408	-
Worker's compensation claims	-	-	-	-	86,589
Health benefit claims and premiums	-	-	-	-	9,588,775
Property and casualty claims and premiums	-	-	-	-	734,743
Total operating expenses	28,187,153	4,520,633	201,941	32,909,727	11,571,234
Operating income (loss)	(1,498,064)	228,638	(201,941)	(1,471,367)	653,611
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	(184,684)	(8,349)	-	(193,033)	2,835
Federal grant capital	1,339,634	-	-	1,339,634	-
Gain (loss) on sale of capital assets	19,729	-	-	19,729	-
Interest and fees on long term debt	(2,077,428)	-	-	(2,077,428)	-
Gain on investment in joint venture	346,870	-	-	346,870	-
Total nonoperating revenue (expenses)	(555,879)	(8,349)	-	(564,228)	2,835
Income (loss) before contributions and transfers	(2,053,943)	220,289	(201,941)	(2,035,595)	656,446
TRANSFERS AND CONTRIBUTIONS					
Transfers from other enterprise funds	7,600,000	85,682	208,944	7,894,626	-
Transfer to Water and Sewer Capital Project Fund	(7,600,000)	-	-	(7,600,000)	-
Transfer to Stormwater Operating Fund	(208,944)	-	-	(208,944)	-
Transfers to Solid Waste Capital Reserve Fund	-	(85,682)	-	(85,682)	-
Capital contributions - cash	3,901,983	-	-	3,901,983	-
Capital contributions - non-cash	3,459,314	-	-	3,459,314	-
Total transfers and contributions	7,152,353	-	208,944	7,361,297	-
Change in net position	5,098,410	220,289	7,003	5,325,702	656,446
NET POSITION					
Beginning - as previously stated	239,089,252	5,997,754	42,824	-	2,143,606
Prior period adjustments (see Note 22)	(1,066,076)	-	-	-	-
Beginning - as restated	238,023,176	5,997,754	42,824	-	2,143,606
Ending	\$ 243,121,586	\$ 6,218,043	\$ 49,827		\$ 2,800,052
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				82,048	
Change in net position of business-type activities				\$ 5,407,750	

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

Union County, North Carolina

Exhibit J

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	Activities - Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 26,327,670	\$ 4,223,788	\$ -	\$ 30,551,458	\$ 12,059,579
Other operating revenue	818,822	371,911	-	1,190,733	92,933
Cash paid to employees	(5,893,520)	(929,863)	(181,859)	(7,005,242)	-
Cash paid for goods and services	(11,351,509)	(3,580,422)	(14,238)	(14,946,169)	(11,583,447)
Net cash provided (used) by operating activities	9,901,463	85,414	(196,097)	9,790,780	569,065
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other enterprise funds	-	-	208,944	208,944	-
Transfers to other enterprise funds	(208,944)	-	-	(208,944)	-
Net cash provided (used) by noncapital financing activities	(208,944)	-	208,944	-	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	21,845	-	-	21,845	-
Proceeds from capacity fees	3,901,983	-	-	3,901,983	-
Proceeds from capacity fees deferred	248,386	-	-	248,386	-
Proceeds from federal grant capital	1,339,634	-	-	1,339,634	-
Payments on general obligation bond debt	(542,100)	-	-	(542,100)	-
Payments on revenue bond debt	(2,700,000)	-	-	(2,700,000)	-
Payments on state sanitary loan	(983,696)	-	-	(983,696)	-
Interest paid on bonds and other debt	(2,530,315)	-	-	(2,530,315)	-
Acquisition and construction of capital assets	(9,709,874)	(201,791)	-	(9,911,665)	-
Acquisition payments on intangible asset - water rights	(155,081)	-	-	(155,081)	-
Net cash used by capital and related financing activities	(11,109,218)	(201,791)	-	(11,311,009)	-
INVESTING ACTIVITIES					
Investment earnings	(135,665)	(8,349)	-	(144,014)	2,835
Net increase (decrease) in cash and investments	(1,552,364)	(124,726)	12,847	(1,664,243)	571,900
CASH AND INVESTMENTS					
Beginning of year	78,612,378	8,812,912	57,360	87,482,650	2,897,778
End of year	\$ 77,060,014	\$ 8,688,186	\$ 70,207	\$ 85,818,407	\$ 3,469,677
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 58,112,453	\$ 6,722,554	54,354	\$ 64,889,361	\$ 3,469,677
Cash and investments, noncurrent	17,399,789	1,961,752	15,853	19,377,394	-
Cash and investments, restricted assets	1,052,415	-	-	1,052,415	-
Cash and investments, restricted assets-deposits	495,357	3,880	-	499,237	-
Total Statement of Net Position cash and cash equivalents	\$ 77,060,014	\$ 8,688,186	\$ 70,207	\$ 85,818,407	\$ 3,469,677
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,498,064)	\$ 228,638	\$ (201,941)	\$ (1,471,367)	\$ 653,611
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	10,812,228	168,224	-	10,980,452	-
Provision for uncollectible accounts	(1,215,773)	1,635	-	(1,214,138)	-
Landfill closure and post closure care costs	-	74,408	-	74,408	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	1,547,604	(155,207)	-	1,392,397	(72,333)
Decrease in inventories	36,940	-	-	36,940	-
Increase in net prepaid pension obligation (asset)	(35,990)	(4,691)	(1,262)	(41,943)	-
Increase (decrease) in accounts payable and accrued liabilities	89,361	(246,427)	5,238	(151,828)	(12,213)
Increase in deposits	125,572	-	-	125,572	-
(Decrease) increase in compensated absences payable	(18,405)	3,381	1,868	(13,156)	-
Increase in net other post employment benefit obligations	57,990	15,453	-	73,443	-
Total adjustments	11,399,527	(143,224)	5,844	11,262,147	(84,546)
Net cash provided (used) by operating activities	\$ 9,901,463	\$ 85,414	\$ (196,097)	\$ 9,790,780	\$ 569,065
Noncash investing, capital, and financing activities:					
Gain on investment in joint venture	\$ 346,870	\$ -	\$ -	\$ -	\$ -
Contribution of capital infrastructure	\$ 3,459,314	\$ -	\$ -	\$ -	\$ -
Capitalized interest	\$ 532,512	\$ -	\$ -	\$ -	\$ -
Investment derivative gains	\$ (49,019)	\$ -	\$ -	\$ -	\$ -

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

Union County, North Carolina

Exhibit K

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 11,773,361	\$ 360,813
Property taxes receivable (net)	-	40,688
Accounts receivable (net)	44,754	-
Total assets	<u>11,818,115</u>	<u>401,501</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	268,400
Due to Program Participants	-	133,101
Total liabilities	<u>-</u>	<u>\$ 401,501</u>
NET POSITION		
Employees' pension benefits	<u>11,818,115</u>	
Total net position	<u>\$ 11,818,115</u>	

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

Union County, North Carolina

Exhibit L

Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

For the Year Ended June 30, 2013

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 3,280,744
Net investment income	<u>635,963</u>
Total additions	<u>3,916,707</u>
DEDUCTIONS	
Benefits	<u>1,087,339</u>
Change in net position	2,829,368
NET POSITION	
Beginning	<u>8,988,747</u>
Ending	<u><u>\$ 11,818,115</u></u>

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



Union County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

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 position and the statement of activities display information about the primary government net position (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 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.

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 eight Agency Funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Union County Board of Education; the Jail Inmate Fund, which accounts for monies deposited and held for individual inmates in the Union County Jail; the Monroe and Union County School District Funds, which account for the ad valorem school tax assessed; the Municipal Tax Collection Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities within the County; the Gross Rental Receipts Tax Fund, which accounts for municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which serves as a substitute to the ad valorem tax previously levied on such property; and the Department of State Treasurer Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit monthly to the North Carolina Department of Motor Vehicles, pursuant to G.S. 105-330.4, for technology improvements within the Division of Motor Vehicles.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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 2012 through February 2013 apply

to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 position 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, 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, 2013. 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, Deferred Inflows and Outflows, 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 17.8953 per share and the Russell 3000 Alpha Tilts Fund B is priced at 38.4784 per share at June 30, 2013.

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, 2012.

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 and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion - a derivative of debt for cash flow hedging that had previously been classified as an asset. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only two items that meet the criterion for this category - prepaid taxes and deferred revenue on an inter-local agreement with the City of Monroe for a portion of a countywide water transmission main project.

9. 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 position. 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.

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave. The compensatory time policy for overtime hours worked provides for time off in lieu of immediate overtime pay for covered nonexempt employees at the option of the County Manager. Time off may be accrued at the rate of one and one-half hours for each hour of overtime worked. The maximum compensatory time that may be accrued by an affected employee shall be 480 hours (320 actual overtime hours) for nonexempt law enforcement and detention employees and 240 hours (160 actual overtime hours) for all other nonexempt employees. Once the maximums have been met, overtime compensation will be paid for any additional overtime hours worked.

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.

11. Sick Leave

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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.

Restricted 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.

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.

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

The County has a board adopted minimum fund balance policy for the General Fund. The target goal for fund balance, after restrictions, other commitments and assignments, is 16 percent of actual expenditures and recurring interfund transfers for the then completed fiscal year.

The following table provides the detailed fund balance information for fund balance amounts in Exhibit C and Schedule 11:

	Major			Non-major	Total Govern- mental Funds
	General Fund	Capital Project Fund	School Bond Fund 55	Other Govern- mental Funds	
Fund balances:					
Nonspendable:					
Long-term receivables	\$ 46,412	\$ -	\$ -	\$ -	\$ 46,412
Inventories	29,497	-	-	-	29,497
Prepaid items	204,005	-	-	-	204,005
Restricted:					
Stabilization by State Statute-accounts receivable	12,384,284	-	-	417,077	12,801,361
Stabilization by State Statute-encumbrances	659,821	1,911,779	-	8,747	2,580,347
General Government:					
Register of Deeds automation enhancement funds	-	-	-	34,330	34,330
Public Safety:					
Law enforcement JAG grant funds	472	-	-	-	472
Law enforcement SCAAP grant funds	25,718	-	-	-	25,718
Law enforcement alzheimer ankle/wrist bands program	(693)	-	-	-	(693)
Law enforcement federal forfeited property funds	-	-	-	452,478	452,478
Law enforcement controlled substance tax funds	-	-	-	137,613	137,613
Law enforcement GHSP grant (Indian Trail)	-	-	-	(98,589)	(98,589)
Emergency management Catawba Nuclear grant funds	-	-	-	82,600	82,600
Emergency management CERT grant funds	-	-	-	21,844	21,844
Communications PSAP funds	-	-	-	1,604,849	1,604,849
Fire protection	-	-	-	573,278	573,278
Economic and physical development:					
Cooperative extension service fee based programs' funds	13,775	-	-	-	13,775
Human Services:					
Health, QI project state funds	1,750	-	-	-	1,750
Health, Susan G. Komen breast cancer grant funds	(16,336)	-	-	-	(16,336)
Environmental health State funds	103,220	-	-	-	103,220
Social services contribution and donation programs' funds	66,850	-	-	-	66,850
Social services federal adoption assistance grant funds	53,137	-	-	-	53,137
Cultural and Recreational:					
Library contribution and donation program funds	50,915	-	-	-	50,915
Education:					
School regular capital outlay	-	383,683	-	-	383,683
School capital acquisition and construction projects	-	-	107,874	-	107,874
Assigned:					
General Government:					
Government facility renovation projects	-	516,754	-	-	516,754
Revolving energy fund	-	102,918	-	-	102,918
Historic courthouse renovation	-	75,000	-	-	75,000
Information technology infrastructure projects	-	802,236	-	-	802,236
Information technology phone system upgrade	-	(87,492)	-	-	(87,492)
Public Safety:					
Law enforcement jail expansion project	-	1	-	-	1
Law enforcement firearms range project	-	3,225,535	-	-	3,225,535
Law enforcement storage garage	-	250,000	-	-	250,000
Inspections mobile office project	-	15,784	-	-	15,784
Human Services:					
Public Health electronic medical records	-	175,000	-	-	175,000
Social services business automation system project	-	1,100	-	-	1,100
Social services business automation system project - II	-	459,940	-	-	459,940
Human service campus	-	34,975,390	-	-	34,975,390
Cultural and Recreational:					
Library facility improvement projects	-	-	-	43,433	43,433
Parks and recreation Jesse Helms park bridge project	-	107,138	-	-	107,138
Parks and recreation Jesse Helms passive area project	-	527,878	-	-	527,878
Parks and recreation comprehensive master plan	-	100,000	-	-	100,000
Subsequent year's expenditures	3,761,390	-	-	-	3,761,390
Nondepartmental pay-go-capital funds	-	(1,534,447)	-	3,504,421	1,969,974
Unassigned – sixteen percent reserve policy	35,366,994	-	-	-	35,366,994
Unassigned - other	26,917,845	-	-	-	26,917,845
Total	\$ 79,669,056	\$ 42,008,197	\$ 107,874	\$ 6,782,081	\$ 128,567,208

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 Nonmajor Govern- mental Funds
Fund balances:			
Restricted:			
Stabilization by State Statute-accounts receivable	\$ 417,077	\$ -	\$ 417,077
Stabilization by State Statute-encumbrances	8,747	-	8,747
General Government:			
Register of Deeds automation enhancement funds	34,330	-	34,330
Public Safety:			
Law enforcement federal forfeited property funds	452,478	-	452,478
Law enforcement controlled substance tax funds	137,613	-	137,613
Law enforcement GHSP grant (Indian Trail)	(98,589)	-	(98,589)
Emergency management Catawba Nuclear grant funds	82,600	-	82,600
Emergency management CERT grant funds	21,844	-	21,844
Communications PSAP funds	1,604,849	-	1,604,849
Fire protection	573,278	-	573,278
Assigned:			
Cultural and Recreational:			
Library facility improvement projects	-	43,433	43,433
Nondepartmental pay-go-capital funds	-	3,504,421	3,504,421
Total	<u>\$ 3,234,227</u>	<u>\$ 3,547,854</u>	<u>\$ 6,782,081</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 Enhance. Fund	Total Special Revenue Funds
Fund balances:										
Restricted:										
Stabilization by State Statute-accounts receivable	\$ 17,631	\$ 33,370	\$ 54,158	\$ 45,035	\$ 55,724	\$ -	\$ 162,624	\$ 48,535	\$ -	\$ 417,077
Stabilization by State Statute-encumbrances	-	-	-	-	-	-	-	8,747	-	8,747
General Government:										
Register of Deeds automation enhancement funds	-	-	-	-	-	-	-	-	34,330	34,330
Public Safety:										
Law enforcement federal forfeited property funds	-	-	-	-	-	-	-	452,478	-	452,478
Law enforcement controlled substance tax funds	-	-	-	-	-	-	-	137,613	-	137,613
Law enforcement GHSP grant (Indian Trail)	-	-	-	-	-	-	-	(98,589)	-	(98,589)
Emergency mgnt. Catawba Nuclear grant funds	-	-	-	-	-	-	-	82,600	-	82,600
Emergency management CERT grant funds	-	-	-	-	-	-	-	21,844	-	21,844
Communications PSAP funds	-	-	-	-	-	-	1,604,849	-	-	1,604,849
Fire protection	55,492	119,171	150,410	44,585	176,975	26,645	-	-	-	573,278
	<u>\$ 73,123</u>	<u>\$ 152,541</u>	<u>\$ 204,568</u>	<u>\$ 89,620</u>	<u>\$ 232,699</u>	<u>\$ 26,645</u>	<u>\$ 1,767,473</u>	<u>\$ 653,228</u>	<u>\$ 34,330</u>	<u>\$ 3,234,227</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 position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 \$461,613,830 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	\$ (481,551,944)
Accrued interest payable, net of unamortized bond issuance costs and unamortized swap termination costs	19,938,114
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (461,613,830)</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 for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$48,267,805 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,655,826
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.	(6,103,485)
Net book value of capital assets disposed of	(304,510)
<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 position. 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 position in the government-wide statements	30,542,075
Proceeds of debt instruments are reported as a source of funds on the fund statements but again affect only the statement of net position in the government-wide statements	(79,521,253)
Debt issuance premium amortization	2,171,237
Debt issuance gain amortization	162,117
Debt issuance loss amortization	(38,205)
Swap termination costs are recorded as a use of funds on the fund statements but again do not affect the Statement of Net Position in the government-wide statements until amortized	19,456,260
Remittance of funds to escrow agent to defease debt instruments	78,792,830
Defeasance amortization over remaining life of debt	(1,735,231)
<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)	1,521,246
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(131,571)
Net pension obligation	302,819
Net other post-employment obligation	(692,251)
<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 7/1/12	(5,281,983)
Recording of tax receipts deferred in the fund statements as of 6/30/13	4,920,995
Decrease in accrued taxes receivable for year ended 6/30/13	(195,740)
Derivative investment income	(812,767)
Internal service funds' net investment loss	2,833
Adjustment payment received on a deferred loan to an outside agency	(15,000)
Health and dental insurance costs, net of investment earnings	288,660
Workers' compensation costs, net of investment earnings	175,919
Property and casualty costs, net of investment earnings	106,984
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position-governmental activities	<u>\$ 48,267,805</u>

NOTE 3 - 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, 2013, the County's deposits had a carrying amount of \$46,686,682 and a bank balance of \$48,567,287. Of the bank balance, \$361,561 was covered by federal depository insurance and \$48,205,726 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2013, the County had \$7,930 cash on hand.

As of June 30, 2013, 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
NC Cash Management Trust - Cash Portfolio	\$ 112,951,869	\$ -	\$ -	\$ -	\$ -
US Government Agencies	52,778,557	-	5,024,950	29,243,014	18,510,593
Total:	<u>\$ 165,730,426</u>	<u>\$ -</u>	<u>\$ 5,024,950</u>	<u>\$ 29,243,014</u>	<u>\$ 18,510,593</u>

The cash and investments described above include those recorded in the County's Statement of Net Position (\$211,490,694); and Statement of Fiduciary Net Position for Special Separation Allowance Pension Trust Fund (\$573,530) and Agency Funds (\$360,813).

Also, at June 30, 2013, the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund deposits had a carrying amount and bank balance of \$11,199,831 as shown on the Statement of Fiduciary Net Position.

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, 2013, the County had no investments in commercial paper. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AA+ by Standard & Poor's as of June 30, 2013. The County's investment in the NC Capital Management Trust Term Portfolio has a duration of 0.3 years and is not rated. 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, 2013, 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 11.0%, 5.0%, and 7.7% respectively of the County's total investments.

At June 30, 2013 the County's Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund had \$9,012,049 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) 25.00%; State Treasurer's Long Term Investment Fund (LTIF) 9.54%; Black Rock's Global Ex-US Alpha Tilts Fund B 15.69 %; and Black Rock's Russell 3000 Alpha Tilts Fund B 49.77% (the equities were split with 75% in domestic securities and 25% in international securities).

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.6 years at June 30, 2013. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 15.9 years at June 30, 2013.

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 4 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2013, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 12,384,284	\$ 6,816,252	\$ 19,200,536
Special Revenue	417,077	145,113	562,190
Internal Service	413,446	-	413,446
Total Receivables	<u>13,214,807</u>	<u>6,961,365</u>	<u>20,176,172</u>
Allowance for doubtful accounts	-	(2,040,371)	(2,040,371)
Total-governmental activities	<u>\$ 13,214,807</u>	<u>\$ 4,920,994</u>	<u>\$ 18,135,801</u>
Business-type Activities:			
Water and Sewer	\$ 4,854,673	-	\$ 4,854,673
Solid Waste	586,272	-	586,272
Total Receivables	<u>5,440,945</u>	<u>-</u>	<u>5,440,945</u>
Allowance for doubtful accounts	(651,225)	-	(651,225)
Total-business-type activities	<u>\$ 4,789,720</u>	<u>\$ -</u>	<u>\$ 4,789,720</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
2010	2009	\$ 10,735,355	\$ 1,583,465	\$ 12,318,820
2011	2010	12,037,355	692,148	12,729,503
2012	2011	12,050,687	692,915	12,743,602
2013	2012	12,272,946	705,694	12,978,640
		<u>\$ 47,096,343</u>	<u>\$ 3,674,222</u>	<u>\$ 50,770,565</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2013 was as follows:

	Beginning		Retirements and		Ending
	Balances	Additions	Adjustments	Transfers	Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,812,189	\$ -	\$ -	\$ -	\$ 4,812,189
Construction in progress	4,145,428	3,347,200	196,279	(4,440,103)	2,856,246
Total capital assets not being depreciated	8,957,617	3,347,200	196,279	(4,440,103)	7,668,435
Capital assets being depreciated:					
Other improvements	6,745,795	32,100	-	-	6,777,895
Buildings	69,670,034	443,716	1,150,367	3,035,619	71,999,002
Furniture and equipment	28,058,778	26,548	1,188,625	1,404,484	28,301,185
Vehicles	7,720,974	1,167,214	516,505	-	8,371,683
Computer software	288,752	29,400	-	-	318,152
Total capital assets being depreciated	112,484,333	1,698,978	2,855,497	4,440,103	115,767,917
Less accumulated depreciation for:					
Other improvements	2,982,614	261,113	-	-	3,243,727
Buildings	26,897,716	2,301,900	912,252	-	28,287,364
Furniture and equipment	16,892,461	2,783,377	1,065,847	-	18,609,991
Vehicles	5,828,424	722,689	378,816	-	6,172,297
Computer software	29,319	34,406	-	-	63,725
Total accumulated depreciation	52,630,534	6,103,485	2,356,915	-	56,377,104
Total capital assets being depreciated, net	59,853,799	(4,404,507)	498,582	4,440,103	59,390,813
Governmental activities capital assets, net	\$ 68,811,416	\$ (1,057,307)	\$ 694,861	\$ -	\$ 67,059,248

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

General government	\$ 1,485,589
Public safety	3,262,736
Economic and physical development	177,034
Human services	437,128
Education	117,708
Cultural and recreational	623,290
Total depreciation expense	\$ 6,103,485

Capital asset activity for the business-type activities for the year ended June 30, 2013, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements and Adjustments	Transfers	Ending Balances
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 1,412,752	\$ -	\$ -	\$ -	\$ 1,412,752
Land - easements	1,113,633	-	-	-	1,113,633
Construction in progress	12,265,365	9,871,028	-	(4,783,487)	17,352,906
Total capital assets not being depreciated	14,791,750	9,871,028	-	(4,783,487)	19,879,291
Capital assets being depreciated:					
Plant and collection systems	164,861,785	1,950,794	-	4,162,682	170,975,261
Plant and distribution systems	125,088,792	1,508,520	-	620,805	127,218,117
Water rights (intangible asset)	1,902,757	-	-	-	1,902,757
Administration Building	1,073,611	-	-	-	1,073,611
Equipment	3,069,717	67,538	41,914	-	3,095,341
Vehicles	2,803,730	303,820	26,859	-	3,080,691
Computer Software	7,000	-	-	-	7,000
Total capital assets being depreciated	298,807,392	3,830,672	68,773	4,783,487	307,352,778
Less accumulated depreciation for:					
Plant and collection systems	53,915,220	5,979,011	-	-	59,894,231
Plant and distribution systems	42,526,430	4,526,833	-	-	47,053,263
Water rights intangible asset	963,271	47,569	-	-	1,010,840
Administration Building	231,055	42,755	-	-	273,810
Equipment	2,521,133	148,357	39,798	-	2,629,692
Vehicles	2,736,617	66,303	26,859	-	2,776,061
Computer Software	1,400	1,400	-	-	2,800
Total accumulated depreciation	102,895,126	10,812,228	66,657	-	113,640,697
Total capital assets being depreciated, net	195,912,266	(6,981,556)	2,116	4,783,487	193,712,081
Water and Sewer capital assets, net	210,704,016	2,889,472	2,116	-	213,591,372
Solid Waste					
Capital assets not being depreciated:					
Land	334,257	-	-	-	334,257
Capital assets being depreciated:					
Other improvements	809,939	-	-	-	809,939
Plant and collection systems	1,931,983	-	-	-	1,931,983
Equipment	1,850,366	201,791	-	-	2,052,157
Vehicles	963,272	-	-	-	963,272
Total capital assets being depreciated	5,555,560	201,791	-	-	5,757,351
Less accumulated depreciation for:					
Other improvements	232,590	-	-	-	232,590
Plant and collection systems	1,440,654	-	-	-	1,440,654
Equipment	1,545,698	168,224	-	-	1,713,922
Vehicles	957,666	-	-	-	957,666
Total accumulated depreciation	4,176,608	168,224	-	-	4,344,832
Total capital assets being depreciated, net	1,378,952	33,567	-	-	1,412,519
Solid Waste capital assets, net	1,713,209	33,567	-	-	1,746,776
Storm Water					
Capital assets being depreciated:					
Vehicles	33,197	-	-	-	33,197
Total capital assets being depreciated	33,197	-	-	-	33,197
Less accumulated depreciation for:					
Vehicles	33,197	-	-	-	33,197
Total accumulated depreciation	33,197	-	-	-	33,197
Total capital assets being depreciated, net	-	-	-	-	-
Storm Water capital assets, net	-	-	-	-	-
Business-type activities capital assets, net	\$ 212,417,225	\$ 2,923,039	\$ 2,116	\$ -	\$ 215,338,148

During the year \$532,512 of Water and Sewer Fund interest expense was capitalized.

NOTE 6 - LIABILITIES

Payables at the government-wide level at June 30, 2013, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental	Business	Total
	Activities	Type Activities	
Vendors	\$ 2,899,024	\$ 2,457,672	\$ 5,356,696
Salaries and benefits	2,339,629	323,165	2,662,794
Accrued Interest	4,119,807	200,788	4,320,595
Total	<u>\$ 9,358,460</u>	<u>\$ 2,981,625</u>	<u>\$ 12,340,085</u>

NOTE 7 - 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 6.74% and 6.77% 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, 2013, 2012, and 2011 were \$2,509,967, \$2,563,920, and \$2,381,456 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.

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.

All permanent full-time and permanent part-time County employees are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	76
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>925</u>
Total	<u><u>1,001</u></u>

Summary of Significant Accounting Policies

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

Investments are reported at fair value. Short-term 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 \$1,092,962 or 2.935% 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, 2013 was determined as part of the December 31, 2011 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, 2011 was 19 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	\$ 728,783
Interest on net pension obligation	(79,383)
Adjustment to annual required contribution	98,802
Annual pension cost	<u>748,202</u>
Contributions made	1,092,962
Increase (decrease) in net pension obligation	<u>(344,760)</u>
Net pension obligation - beginning of year	(1,587,657)
Net pension obligation - end of year	<u><u>\$ (1,932,417)</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, 2011	\$ 731,520	77%	\$ (1,574,658)
June 30, 2012	710,891	102%	(1,587,657)
June 30, 2013	748,202	146%	(1,932,417)

As of December 31, 2012, the most recent actuarial valuation date, the plan was 7.00 percent funded. The actuarial accrued liability for benefits was \$8,065,452, and the actuarial value of assets was \$564,674, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,500,778. The covered payroll (annual payroll of active employees covered by the plan) was \$37,225,200, and the ratio of the UAAL to the covered payroll was 20.15 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, 2013 were \$2,881,829, which consisted of \$1,858,199 from the County and \$1,023,630 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, 2013, the County's required and actual contributions were \$24,191.

NOTE 8 - 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 9 – 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, 2012, 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 RHCBC Plan (County group health and dental plan and the Medicare Supplement plans) consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

	Number of Participants
Active Participants	855
Retired Participants	279
Covered Spouses of Retirees	44
Total	<u>1,178</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 17.3% of annual covered payroll. For the current year, the County contributed \$4,168,996 or 11.7% of annual covered payroll. The County healthcare benefits for the County group health and dental plans are self-insured with specific and aggregate stop-loss coverage provided through re-insurers. Claims are administered under a contract with a third party administrator. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to RHCBC Plan is established and may be amended, subject to certain limitations, by the County.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General 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 RHCBC Plan with the objective of funding the Annual Required Contribution by fiscal year 2014. A portion of the contributions above the modified accrual expenditures are being set aside to pay for the future benefits and administration costs.

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

Annual required contribution	\$ 6,182,123
Interest on net OPEB obligation	858,815
Adjustment to annual required contribution	(912,531)
Annual OPEB cost (expense)	<u>6,128,407</u>
Contributions made	(5,362,713)
Increase (decrease) in net OPEB obligation	765,694
Net OPEB obligation, beginning of year	11,845,728
Net OPEB obligation, end of year	<u>\$ 12,611,422</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 2013 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	90.49%	\$ 11,845,728
2013	\$ 6,128,407	87.50%	\$ 12,611,422

Funded Status and Funding Progress. As of July 1, 2012 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 \$41,528,877. The covered payroll (annual payroll of active employees covered by the plan) was \$35,782,839 the ratio of the UAAL to the covered payroll was 116.1 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, 2012 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 8.50 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, 2012, 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, 2013, the County made contributions to the State for

death benefits of \$37,310. 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 10 - 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 \$4,208,305 reported as landfill closure and post closure care liability at June 30, 2013 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, 2013 there was an increase of \$74,408 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 \$7,398,299. 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 11 - COMMITMENTS

A. Contractual Commitments

The County had several outstanding projects as of June 30, 2013. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Capital Projects Fund:</u>		
Jail Expansion	\$ -	\$ 3,070,271
Law Enforcement Firearms Range	15,075	3,226,708
Fire Service Relocation	-	568,950
E911 CAD/RMS	-	241,799
JHP Bridge	13,247	132,829
JHP Passive Area	-	1,027,878
Communications Radio Project	-	158,320
Phone System Upgrade	-	414,992
I.T. Infrastructure	246,444	327,237
Government Facility Renovations	2,076,048	2,543,216
Social Services Automation System	898,726	210,909
<u>Water & Sewer Capital Projects:</u>		
Facility Renovations	-	690,000
Operations Center Expansion	47,500	8,742,211
<u>Water Capital Projects:</u>		
Water Line Replacements	49,127	1,099,404
Hwy 84 Water Line Relocation	37,789	397,898
762 Zone Transmission Bypass	825	114,900
Short Line Extensions	55,820	1,154,180
Catawba River WTP Reservoir Expansion	674,715	18,270,576
CRWTP Plant Expansion	53,247	3,889,829
Yadkin Water Supply	348,249	1,559,642
Development of Pressure Zone	19,600	5,106,600
Marshville Water Tank Restoration	7,250	596,000
Weddington Elevated Storage Tank	46,961	7,413,537
<u>Sewer Capital Projects:</u>		
East Side Sewer Improvements	3,763,468	1,324,210
12 Mile Creek WWTP Design & Improvements	152,404	6,186,337
East Fork 12M Creek Parallel Trunk	223,031	6,939,569
Stallings Collection System	64,200	1,122,700
Mineral Springs Collection System	61,740	1,205,500
CC I&I Study & Remediation	121,500	1,648,750
12 Mile Creek WWTP Expansion	1,646,834	968,721
Total	\$ 10,623,800	\$ 80,353,673

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 \$492,696 and expects the payments to be made over the next five years.

NOTE 12 - 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 \$500,000 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 June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2012
Unpaid Claims beginning of fiscal year \$	843,783	\$ 653,000	\$ 184,142	\$ 83,930	\$ -	\$ -
Incurred claims and premiums	9,548,126	10,202,378	100,991	354,287	734,743	656,827
Claims and premiums paid	<u>(9,588,775)</u>	<u>(10,011,595)</u>	<u>(186,166)</u>	<u>(254,075)</u>	<u>(640,997)</u>	<u>(656,827)</u>
Unpaid Claims end of fiscal year	<u>\$ 803,134</u>	<u>\$ 843,783</u>	<u>\$ 98,967</u>	<u>\$ 184,142</u>	<u>\$ 93,746</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 13 - CLAIMS AND JUDGEMENTS

The County was a defendant in various matters of litigation as of June 30, 2013. While any litigation contains an element of uncertainty, County officials believe the outcome of any lawsuit or claim which is pending, with the exception of the Union County Board of Education v. Union County Board of Commissioners as noted below, or all of them combined, will not have a materially adverse effect on the County's financial condition or operations.

During its meeting of June 18, 2013, the Union County Board of Education voted 7-2 to file for mediation against Union County Board of County Commissioners, in an effort to seek additional funds above the appropriated amounts. On July 31, 2013, the mediation process was declared an impasse, and on August 1, 2013, the Board of Education filed a suit against Union County.

On October 10, 2013, a jury composed of Union County citizens delivered a verdict in the trial of Union County Board of Education vs. the Union County Board of Commissioners. The basis of the trial was to determine whether the Board of County Commissioners has adequately funded the Public Schools. The jury awarded the school system \$4,973,134 in additional current expense funds and an additional \$86,184,005 in Capital funding to the Board of Education. The Board of County Commissioners on October 17, 2013, filed a "notice of appeal" to begin the appellate process. The final outcome of the appellate process and ultimately what portion, if any, of the jury award that is paid to the Board of Education is undetermined at this time.

NOTE 14 - 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 paid the last installment payment on the Anson County lease during fiscal year ending June 30, 2013. 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 \$1,429,370 for the year ended June 30, 2013.

Minimum future lease payments are as follows:

Year Ending June 30	CMUD	Lancaster County	Other
2014	\$ 325,217	\$ 220,092	\$ 692,551
2015	325,217	220,092	696,551
2016	325,217	220,092	637,257
2017	325,217	128,387	641,257
2018	325,217	-	101,466
2019-2023	1,626,084	-	294,600
2024-2028	1,107,360	-	-
2023-2033	598,805	-	-
2034-2038	598,805	-	-
2039	119,761	-	-
	<u>\$ 5,676,900</u>	<u>\$ 788,663</u>	<u>\$ 3,063,682</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, 2017, 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, 2013. 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 15 - 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 15. E.

1. Long-term obligations at June 30, 2013 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	Due	Interest	Original	Principal	Principal and Unamortized Balances (See Note 15.A.3.)
	Date	Serially To	Rate	Issue	June 30, 2013	June 30, 2013
1. General Obligation Bonds						
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	3.75% - 4.125%	\$ 14,976,804	\$ 1,495,223	\$ 1,561,869
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	4.00% - 4.50%	3,303,196	329,777	344,456
2004 School Facility - Series A	Dec. 14,2004	March 01, 2029	1.400%	48,265,000	39,191,180	39,191,180
2004 Law Enf. Facility - Series A	Dec. 14,2004	March 01, 2029	1.400%	1,735,000	1,408,820	1,408,820
2004 Refunding Bonds - Series B (School Fac.)	Dec. 14,2004	March 01, 2020	1.400%	21,630,000	13,810,000	13,487,034
2007 School Facility - Series A	Sept. 06, 2007	March 01, 2033	1.400%	65,365,000	30,745,000	30,745,000
2007 School Facility - Series B	Sept. 06, 2007	March 01, 2033	Variable	39,200,000	18,465,000	18,465,000
2007 School Facility - Series C	Sept. 06, 2007	March 01, 2033	1.400%	26,145,000	12,295,000	12,295,000
2007 School Facility - Series D	Sept. 06, 2007	March 01, 2029	4.25% - 5.00%	90,000,000	29,000,000	30,045,339
2009 School Facility - Series A	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	55,580,000	58,227,531
2009 Refunding Bonds (School Facility) - Series B	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	36,715,000	38,668,273
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	32,325,000	32,672,404
2010 Refunding Bonds - Series A (School Facility)	July 08, 2010	March 01, 2022	3.00% - 5.00%	55,010,000	40,875,000	45,463,021
2012 Refunding Bonds (School Facility)	May 01, 2012	March 01, 2024	2.00% - 5.00%	28,845,000	28,480,000	27,998,432
2013A Refunding Bonds (School Facility)	March 19, 2013	March 01, 2029	1.50%-5.00%	42,890,000	42,890,000	40,436,904
					<u>383,605,000</u>	<u>391,010,263</u>
2. Installment Financing						
2003 Multi-purpose COP's (c)	June 15, 2003	June 01, 2025	2.875% - 5.00%	43,760,000	1,895,000	1,936,662
2006 School COP's	Nov. 09, 2006	June 01, 2032	4.00% - 5.00%	77,640,000	12,420,000	13,008,516
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.9026%	9,390,000	6,052,309	6,052,309
2011 Limited Obligation Bonds	December 01, 2011	June 01, 2020	2.2800%	12,390,000	12,090,000	11,437,690
2012 Limited Obligation Bonds	May 01, 2012	December 01, 2024	1.00% - 5.00%	27,850,000	27,820,000	28,575,870
2013 Limited Obligation Bonds	March 19, 2013	December 01, 2031	2.00-5.00%	29,310,000	29,310,000	29,875,090
					<u>89,587,309</u>	<u>90,886,137</u>
3. Revenue Bonds						
2009 Enterprise System (e, g)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	18,085,000	18,085,000
2011 Enterprise System (a, g)	August 04, 2011	December 21, 2028	Variable	11,425,000	8,950,000	8,011,646
2011 Enterprise System - Series A (d)	December 21, 2011	June 01, 2021	2.00% - 5.00%	22,960,000	22,920,000	23,416,027
					<u>49,955,000</u>	<u>49,512,673</u>
4. Other Long-term Obligations (Note 15. E.)						
1998 North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	3.43%	4,673,933	934,787	934,787
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	2.265%	15,000,000	11,250,000	11,250,000
					<u>12,184,787</u>	<u>12,184,787</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 535,332,096</u>	<u>\$ 543,593,860</u>

2. Details regarding recent debt refundings are as follows:

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 zero and there were no amounts held in escrow by an escrow agent.

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 zero and there were no amounts held in escrow by an escrow agent.

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 \$31,164,520.

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 \$18,235,000 and the amount held in escrow by the escrow agent for the Certificates of Participation, Series 2003 was zero and by the escrow agent for the Certificates of Participation, Series 2006 was \$20,606,862.

On March 19, 2013, the County issued Limited Obligation Refunding Bonds, Series 2013, totaling \$29,310,000 with an interest rate ranging from 2.00% to 5.00% to partially advance refund \$28,340,000 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. Treasury Notes. 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 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 \$1,236,760. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,150,247. On June 30, the principal outstanding on the refunded debt was \$28,340,000 and the amount held in escrow by the escrow agent was \$31,838,681.

Also, on March 19, 2013 the County issued General Obligation Refunding Bonds, Series 2013A, totaling \$42,890,000 with an interest rate ranging from 1.50% to 5.00% to partially advance refund \$17,000,000 of the outstanding amount of the County's School General Obligation Bonds, Series 2007D and to partially advance refund \$21,570,000 of the outstanding principal amount of the County's School General Obligation Bonds, Series 2009B. The proceeds of the new bonds were used to purchase U.S. Treasury Notes and Resolution Funding Strips, obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the timely payment of the principal of and interest on is fully guaranteed as a full faith and credit obligation of the United States of America. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded General Obligation Bonds, Series 2007D and Series 2009B. 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 \$1,620,100. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,638,456. On June 30, the principal outstanding on the refunded debt was \$38,570,000 and the amount held in escrow by an escrow agent was \$45,444,465.

On May 29, 2013 the County converted and amended certain General Obligation Bonds, totaling \$115,915,000 by entering into a Bank Purchase Agreement with US Bank. This issuance converted and amended the General Obligation Variable Rate Bonds Series 2004A, 2004B, 2007A, and 2007C to fixed rate mode for a six year period with an interest rate of 1.40%. The General Obligation Variable Rate Bond Series 2007B was converted to a Bank Purchase Agreement with US Bank as well with a variable interest rate of SIFMA plus a spread through final maturity equal to 1.16%. The net effect terminated derivative products associated with the Series 2004 (A&B) and 2007 (A, B &C) GO debt. Prior to the termination, the County had \$20,000,000 in exposure to unhedged variable rate GO debt, and as a result of the conversion and amendment, the County has limited that to \$18,465,000 (Series 2007B). The conversion and amendment resulted in a current economic loss of \$360,063. (The difference between the present value of the debt service payments on the old and new debt) There is no amount held by an escrow agent.

3. Derivative Instruments outstanding at June 30, 2013, 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):

Item Description in Notes	Amortized Notional Value	Counterparty	Pay	Receive	Value due from / (to) counterparty June 30, 2012	Value due from / (to) counterparty June 30, 2013
Pay fixed-receive floating						
(b)	\$ -	Bank of America N.A.	3.435%	> of 67% LIBOR or 63% LIBOR + 0.20%	\$ (2,512,168)	\$ -
(b)	\$ -	The Bank of New York Mellon	3.437%	> of 67% LIBOR or 63% LIBOR + 0.20%	(2,566,582)	-
(b)	\$ -	Wells Fargo Bank N.A.	3.435%	> of 67% LIBOR or 63% LIBOR + 0.20%	(5,175,705)	-
(f)	\$ -	The Bank of New York Mellon	3.673%	70% LIBOR	(2,130,523)	-
(f)	\$ -	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(7,742,055)	-
(f)	\$ -	Wells Fargo Bank N.A.	3.673%	70% LIBOR	(2,189,186)	-
					<u>(22,316,219)</u>	<u>-</u>

Investment derivatives (B):

Pay floating-receive floating						
(c)	\$ -	Wells Fargo Bank N.A.	SIFMA Swap Index	67% LIBOR + 0.532%	812,767	-

Business-type activities

Cash flow hedges (A):

Pay fixed-receive floating						
(a)	\$ 8,950,000	The Bank of New York Mellon	3.923%	65% LIBOR + 1.14273%	(957,109)	(646,544)
(e)	\$ 18,085,000	The Bank of New York Mellon	3.820%	70% LIBOR	(5,038,497)	(3,326,945)
					<u>(5,995,606)</u>	<u>(3,973,489)</u>

Investment derivatives (B):

Pay floating-receive floating						
(d)	\$ 22,920,000	The Bank of New York Mellon	SIFMA Swap Index	65% LIBOR + 0.4295%	(25,268)	(74,287)

(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 instruments (b), (f) and (c) were terminated prior to June 30, 2013 and therefore do not reflect a value. Derivative instrument (d) is a pay floating-receive floating swap on fixed rate debt obligations. As such, the derivative instrument does not qualify as a hedging derivative under GASB 53. Therefore, for accounting and financial reporting purposes, this derivative instrument is considered an investment derivative instrument. All other derivative instruments are considered hedging derivative instruments.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

Business-type Activities	Changes in Fair Value since June 30, 2012		Fair Value at June 30, 2013		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed-receive floating (a)	Deferred outflow	\$ 310,564	Debt	\$ (646,544)	\$ 8,950,000
Pay fixed-receive floating (e)	Deferred outflow	1,711,553	Debt	(3,326,945)	18,085,000
Investment derivatives:					
Pay floating-receive floating (d)	Investment revenue	(49,019)	Investment	(74,287)	22,920,000
Total Business-type activities		<u>1,973,098</u>		<u>(4,047,776)</u>	<u>49,955,000</u>
Total interest rate swaps		<u>\$ 1,973,098</u>		<u>\$ (4,047,776)</u>	<u>\$ 49,955,000</u>

As of June 30, 2012 and June 30, 2013, the County determined that the pay floating-receive floating interest rate swap listed as an investment derivative instrument under business-type activities did not meet the criteria for a hedging derivative. Accordingly, the accumulated changes in fair value of this swap has been recorded in investment derivative income/ (loss) within the investment earnings, unrestricted category of the Statement of Activities. As of June 30, 2013, this agreement had a negative fair value of \$74,287 for business type activities and this amount is included in the derivative liability category on the Statement of Net Assets. 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 15., A., 3., (d).

As of June 30, 2012 and June 30, 2013, the County determined that the pay fixed-receive floating interest rate swaps listed as cash flow hedge derivative instruments under business-type activities did meet the criteria for effectiveness. The County used regression analysis to measure the effectiveness of its cash flow hedges as they do not qualify for effectiveness under the consistent critical terms method. Accordingly, the accumulated changes in fair value of these swaps have been recorded in deferred outflows on derivative instruments (asset) and the derivative liability category on the Statement of Net Position. As of June 30, 2013, the agreements had negative fair values of \$646,544, and \$3,326,945. These amounts are included in the deferred outflows on derivative instruments (asset) and derivative liability categories on the Statement of Net Position business type activities as \$3,973,489. 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 15. A., 3., (a) and (e).

- (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.

On August 2, 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. Effective August 4, 2011, 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. On a semiannual basis, the County pays Citibank interest at the fixed rate of 3.923%. The County receives 65% of USD-LIBOR-BBA plus a fixed spread of 1.14273% (the variable rate and spread on the New Bonds). 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.

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, 2013, 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% LIBOR + 1.14273%	<u>(1.269%)</u>
Net interest rate swap payments		2.654%
Variable rate bond coupon payments	Bond Rate	<u>1.269%</u>
Synthetic interest rate on Bonds		<u>3.923%</u>

Fair Value. As of June 30, 2013, the agreement had a negative fair value of \$646,544. 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, 2013, 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, 2013, 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% of USD-LIBOR-BBA plus a fixed spread of 1.14273% from BNY Mellon and pays 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, 2013, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2014	\$ 1,180,000	\$ 113,547	\$ 237,561	\$ 1,531,108
2015	1,160,000	98,577	206,240	1,464,817
2016	1,195,000	83,860	175,450	1,454,310
2017	1,240,000	68,699	143,731	1,452,430
2018	1,280,000	52,968	110,818	1,443,786
2019 - 2021	2,895,000	59,121	123,691	3,077,812
Total	<u>\$ 8,950,000</u>	<u>\$ 476,772</u>	<u>\$ 997,491</u>	<u>\$ 10,424,263</u>

* Computed using $(3.923\% - 1.269\%) \times (\$8,950,000 - \text{annual reduction})$

- (b) Derivative Disclosure - Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective December 14, 2004 and terminated on May 7, 2013 – 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.

The County deemed it advisable to terminate these swaps in connection with the reissuance of the Series 2004 Bonds. Therefore, on May 7, 2013 the County terminated the swaps originally entered into in association with the Series 2004 Bonds. The County paid \$9,025,787 in total to the various counterparties to terminate the swaps, inclusive of accrued interest through the termination date. The County used cash-on-hand to fund the termination payments.

- (c) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated and effective June 13, 2005 and terminated on July 12, 2012 – 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.

The County deemed it advisable to terminate this swap while the transaction reflected a positive value for the County. Therefore, on July 12, 2012 the County terminated the swap. The County received \$953,000 to terminate the swap, inclusive of accrued interest through the termination date.

- (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.

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. On August 22, 2011, the swap originally entered into with Citibank was transferred, "novated", from Citibank to The Bank of New York Mellon ("Counterparty") 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 Counterparty from 70% Libor to 65% Libor, ii) modifying the spread paid by Counterparty 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. Union County pays Counterparty 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 New Bonds decline in unison over the term of the fixed spread basis swap agreement and the New Bonds. The notional amount of the swap reduces annually; the reductions begin on June 1, 2012, and end on December 1, 2028.

As of June 30, 2013, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	3.873%
Receive Floating Rate	65% LIBOR + 0.4295%	(0.555%)
Pay Floating Rate	SIFMA Swap Index	<u>0.060%</u>
Net interest rate on Bonds		<u>3.378%</u>

Fair Value. As of June 30, 2013, the agreement had a negative fair value of \$74,287. 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, 2013, 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, 2013, 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 0.4295% and pays to BNY Mellon the SIFMA Municipal Swap Index. The County is exposed to basis risk when SIFMA begins to trade at a yield which exceeds 65% of USD-LIBOR-BBA plus 0.4295%. 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, 2013, 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 *	
2014	\$ 1,060,000	\$ 866,488	\$ (110,933)	\$ 1,815,555
2015	1,100,000	823,288	(105,582)	1,817,706
2016	1,150,000	778,288	(100,008)	1,828,280
2017	1,200,000	731,288	(94,186)	1,837,101
2018	1,235,000	694,938	(88,154)	1,841,783
2019 - 2023	6,880,000	2,746,538	(342,931)	9,283,607
2024 - 2028	8,400,000	1,234,094	(154,285)	9,479,808
2029 - 2029	<u>1,895,000</u>	<u>33,163</u>	<u>(4,694)</u>	<u>1,923,468</u>
Total	<u>\$ 22,920,000</u>	<u>\$ 7,908,085</u>	<u>\$ (1,000,773)</u>	<u>\$ 29,827,308</u>

* Computed using $(0.555\% - 0.06\%) \times (\$22,920,000 - \text{annual reduction})$

- (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, 2013, 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>(0.136%)</u>
Net interest rate swap payments		3.684%
Variable rate bond coupon payments	Bond Rate	<u>0.060%</u>
Synthetic interest rate on Bonds		3.744%
Remarketing, Liquidity, Other		<u>0.515%</u>
Total Cost		<u>4.259%</u>

Fair Value. As of June 30, 2013, the agreement had a negative fair value of \$3,326,945. 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, 2013, 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, 2013, 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, 2013, 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			
2014	\$ 540,000	\$ 10,851	\$ 666,315	\$ 93,138	\$ 1,310,304
2015	560,000	10,527	646,420	90,357	1,307,304
2016	585,000	10,191	625,788	87,473	1,308,452
2017	615,000	9,840	604,234	84,460	1,313,534
2018	640,000	9,471	581,575	81,293	1,312,339
2019 - 2023	3,655,000	41,235	2,532,072	353,934	6,582,241
2024 - 2028	4,550,000	29,250	1,796,122	251,063	6,626,435
2029 - 2033	5,655,000	14,328	879,824	122,982	6,672,134
2034 - 2034	1,285,000	771	47,344	6,618	1,339,733
Total	\$ 18,085,000	\$ 136,464	\$ 8,379,694	\$ 1,171,318	\$ 27,772,476

* Computed using $(3.82\% - 0.136\%) \times (\$18,085,000 - \text{annual reduction})$

- (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.

- (g) The County has issued variable rate bonds. The County has remarketing agreements and standby bond 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 2013 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 2013, the County had a slight reduction in the liquidity fees as compared to fiscal year 2012, as a result of a liquidity substitution with a less expensive provider and the termination of five standby bond purchase agreements. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be \$27,292,800. The standby bond purchase agreements associated with the general obligation bonds Series 2004A, 2004B, 2007A, 2007B, and 2007C were terminated on May 29, 2013 when the bonds were refunded with a Direct Placement as described in the previous paragraphs. The revenue bonds Series 2009 and 2011 have been synthetically fixed as described in the previous paragraphs.

Debt Sub Note	Issue	Balance June 30, 2013	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2013	Interest Rate June 30, 2013
(f)	2007B	18,465,000	not applicable	-	0.51%
Revenue Bonds					
(a)	2011	8,950,000	not applicable	-	1.30%
(e)	2009	18,085,000	August 20, 2015	235,638	0.375%

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 390,665,807	\$ 344,456	\$ 391,010,263
Certificates of Participation	84,833,828	-	84,833,828
Installment Financing	6,052,309	-	6,052,309
Revenue Bonds	-	49,512,673	49,512,673
N.C. Clean Water Revolving Loan	-	12,184,787	12,184,787
Total	<u>\$ 481,551,944</u>	<u>\$ 62,041,916</u>	<u>\$ 543,593,860</u>

5. The table in Note 15 part A differs from the long-term obligations in Note 15 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) (b)	\$ 2,326	\$ (68,972)	\$ (66,646)
2004 Refunding Bonds (Sanitary Sewer) (b)	529	(15,208)	(14,679)
2004 Refunding Bonds (School Facilities) (c,e)	322,966	-	322,966
2007 School Facility - Series D	-	(1,045,339)	(1,045,339)
2009 School Facility - Series A	-	(2,647,531)	(2,647,531)
2009 Refunding Bonds (School Facility) - Series B	152,685	(2,105,958)	(1,953,273)
2009 Refunding Bonds (School Facility) - Series C	1,364,422	(1,711,826)	(347,404)
2010 Refunding Bonds - Series A (School Fac.)	221,228	(4,809,249)	(4,588,021)
2012 School Refunding	3,628,484	(3,146,916)	481,568
2013A School Refunding	6,302,002	(3,848,906)	2,453,096
<u>Installment Financing</u>			
2003 Multi-purpose COP's	-	(41,662)	(41,662)
2006 Schools COP's	-	(588,516)	(588,516)
2011 Limited Obligation Bonds (Schools)	233,926	-	233,926
2011 Limited Obligation Bonds (Other)	418,384	-	418,384
2012 Limited Obligation Bonds (Schools)	2,147,220	(2,737,320)	(590,100)
2012 Limited Obligation Bonds (Other)	603,208	(768,978)	(165,770)
2013 Limited Obligation Bonds (Schools)	2,785,520	(3,350,610)	(565,090)
<u>Revenue Bonds</u>			
2011 Refunding Enterprise System	938,354	-	938,354
2011A Refunding Enterprise System	1,355,859	(1,851,886)	(496,027)
Total	<u>\$ 20,477,113</u>	<u>\$ (28,738,877)</u>	<u>(8,261,764)</u>
Long-term Obligations (per Note 15, A)			<u>543,593,860</u>
Future Maturities of Long-term Obligations (per Note 15, B)			<u>\$ 535,332,096</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						
2014	\$ 25,456,765	\$ 12,189,179	\$ 6,248,820	\$ 3,507,093	\$ 31,705,585	\$ 15,696,272
2015	27,078,571	11,747,054	6,289,830	3,247,371	33,368,401	14,994,425
2016	27,009,887	10,724,383	6,282,260	3,016,149	33,292,147	13,740,532
2017	26,980,000	10,700,660	6,271,164	2,779,991	33,251,164	13,480,651
2018	26,865,000	9,674,300	6,336,602	2,502,114	33,201,602	12,176,414
2019-2023	116,625,000	33,193,058	26,053,633	9,542,664	142,678,633	42,735,722
2024-2028	86,245,000	13,181,639	19,445,000	4,400,375	105,690,000	17,582,014
2029-2033	47,015,000	2,039,210	12,660,000	784,850	59,675,000	2,824,060
	<u>\$ 383,275,223</u>	<u>\$ 103,449,483</u>	<u>\$ 89,587,309</u>	<u>\$ 29,780,607</u>	<u>\$ 472,862,532</u>	<u>\$ 133,230,090</u>

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Business-type Activities								
2014	\$ 138,235	\$ 14,122	\$ 2,780,000	\$ 1,856,264	\$ 983,697	\$ 286,876	\$ 3,901,932	\$ 2,157,261
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	-	-	3,155,000	1,461,710	750,000	186,863	3,905,000	1,648,572
2019-2023	-	-	13,430,000	5,554,644	3,750,000	679,500	17,180,000	6,234,144
2024-2028	-	-	12,950,000	3,096,344	3,750,000	254,813	16,700,000	3,351,156
2029-2033	-	-	7,550,000	945,379	-	-	7,550,000	945,379
2034-2035	-	-	1,285,000	49,087	-	-	1,285,000	49,087
	<u>\$ 329,777</u>	<u>\$ 24,296</u>	<u>\$ 49,955,000</u>	<u>\$ 18,018,375</u>	<u>\$ 12,184,788</u>	<u>\$ 2,118,659</u>	<u>\$ 62,469,565</u>	<u>\$ 20,161,327</u>

Total Long-term Obligations for Governmental and Business-type Activities

\$ 535,332,096 \$ 153,391,420

As of June 30, 2013, Union County had no general obligation bonds authorized but unissued, and had a legal debt margin of \$1,418,002,988.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2013 (and agrees to table in Note 15 part A):

	Balance June 30, 2012	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2013	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 415,264,622	\$ 42,890,000	\$ 63,002,900	\$ (4,485,915)	\$ 390,665,807	\$ 25,956,221
Certificates of participation	89,729,408	29,310,000	33,570,000	(635,580)	84,833,828	5,333,539
Installment financing	6,931,484	-	879,175	-	6,052,309	913,820
	<u>511,925,514</u>	<u>72,200,000</u>	<u>97,452,075</u>	<u>(5,121,495)</u>	<u>481,551,944</u>	<u>32,203,580</u>
Compensated absences	3,175,839	3,516,939	3,385,368	-	3,307,409	-
Net OPEB obligation	10,660,248	692,251	-	-	11,352,499	-
Net pension obligation	(1,399,487)	-	302,817	-	(1,702,304)	-
	<u>\$ 524,362,114</u>	<u>\$ 76,409,190</u>	<u>\$ 101,140,260</u>	<u>\$ (5,121,495)</u>	<u>\$ 494,509,548</u>	<u>\$ 32,203,580</u>
By Purpose:						
General government	\$ 10,817,419	\$ -	\$ 906,030	\$ 49,007	\$ 9,960,396	\$ 849,415
Public safety	8,881,654	-	919,948	-	7,961,706	961,359
Economic/physical development	2,970,378	-	283,889	15,320	2,701,809	266,151
Human services	110	-	-	(110)	-	-
Education	487,340,995	72,200,000	95,181,832	(5,194,367)	459,164,796	29,976,299
Cultural and recreational	1,914,958	-	160,376	8,655	1,763,237	150,356
Compensated absences	3,175,839	3,516,939	3,385,368	-	3,307,409	-
Net OPEB obligation	10,660,248	692,251	-	-	11,352,499	-
Net pension obligation	(1,399,487)	-	302,817	-	(1,702,304)	-
	<u>\$ 524,362,114</u>	<u>\$ 76,409,190</u>	<u>\$ 101,140,260</u>	<u>\$ (5,121,495)</u>	<u>\$ 494,509,548</u>	<u>\$ 32,203,580</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 891,215	\$ -	\$ 542,100	\$ (4,659)	\$ 344,456	\$ 142,895
Revenue bonds	52,128,389	-	2,700,000	84,284	49,512,673	2,690,315
NC Clean Water Revolving Loan	<u>13,168,483</u>	<u>-</u>	<u>983,696</u>	<u>-</u>	<u>12,184,787</u>	<u>983,697</u>
	66,188,087	-	4,225,796	79,625	62,041,916	3,816,907
Compensated absences	399,026	432,401	445,557	-	385,869	-
Net OPEB obligation	1,185,480	73,443	-	-	1,258,923	-
Net pension obligation	(188,170)	-	41,943	-	(230,113)	-
	<u>\$ 67,584,423</u>	<u>\$ 505,844</u>	<u>\$ 4,713,296</u>	<u>\$ 79,625</u>	<u>\$ 63,456,595</u>	<u>\$ 3,816,907</u>
By Purpose:						
Water and sewer systems	\$ 66,188,087	\$ -	\$ 4,225,796	\$ 79,625	\$ 62,041,916	\$ 3,816,907
Compensated absences	399,026	432,401	445,557	-	385,869	-
Net OPEB obligation	1,185,480	73,443	-	-	1,258,923	-
Net pension obligation	(188,170)	-	41,943	-	(230,113)	-
	<u>\$ 67,584,423</u>	<u>\$ 505,844</u>	<u>\$ 4,713,296</u>	<u>\$ 79,625</u>	<u>\$ 63,456,595</u>	<u>\$ 3,816,907</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, 2013.

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, 2013 is as follows:

Revenues	\$	28,950,896
Current Expenses		<u>17,316,934</u>
Net revenues available for debt service		11,633,962
Add: 20% of preceding year's Surplus Fund		<u>6,075,579</u>
Adjusted net revenues available for debt service per Rate Covenant	\$	<u><u>17,709,541</u></u>
Senior debt service coverage:		
Debt service, principal and interest paid	\$	4,628,653
Subordinate debt service:		
Debt service, principal and interest paid		<u>1,872,481</u>
Total debt service:		
Total debt service, principal and interest paid		6,501,134
Add: 20% of senior debt service		<u>925,731</u>
Adjusted debt service requirements	\$	<u><u>7,426,865</u></u>
Coverage Test 1		
Adjusted net revenues / adjusted debt service		2.38
Coverage Test 2		
Net revenues / total debt service		1.79

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, 2013. The amount outstanding at June 30, 2013 is \$ 934,787. 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, 2013. The amount outstanding at June 30, 2013 is \$11,250,000. 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		2007 NC Clean Water	
	Revolving Loan		Revolving Loan	
	Principal	Interest	Principal	Interest
2014	\$ 233,696	\$ 32,063	\$ 750,000	\$ 254,813
2015	233,696	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	-	-	750,000	186,862
2019-2023	-	-	3,750,000	679,500
2024-2028	-	-	3,750,000	254,813
Total	\$ 934,786	\$ 80,158	\$ 11,250,000	\$ 2,038,500

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, 2013, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$11,100,000.

G. Debt Related to Capital Activities

As of June 30, 2013 of the total Governmental Activities debt listed, only \$22,387,148 relates to assets the County holds title to. As of June 30, 2013 there is no unspent restricted cash related to this debt amount. The remaining \$459,164,796 in outstanding debt is for Union County Public Schools Facilities and South Piedmont Community College. The County does not hold title to these assets.

NOTE 16 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of inter-fund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 200,595	Note 1
General Fund	Solid Waste Fund	32,608	Note 1
General Fund	Stormwater Fund	4,873	Note 1
		<u>\$ 238,076</u>	

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

B. INTERFUND ACTIVITY

<u>Transfer Out:</u>	<u>Transfers In:</u>				<u>Business Type Activities</u>
	<u>Governmental Activities</u>				
	<u>General Fund</u>	<u>Emergency Telephone System Fund</u>	<u>General Capital Project Fund</u>	<u>Total Governmental Funds</u>	
Governmental activities:					
General Capital Project Fund	\$ 20,023,787	\$ -	\$ -	\$ 20,023,787	\$ -
General Fund	-	-	51,979	51,979	-
Total governmental activities	20,023,787	-	51,979	20,075,766	-
Business type activities:					
Water & Sewer Fund	-	-	-	-	208,944
Total transfers out	<u>\$ 20,023,787</u>	<u>\$ -</u>	<u>\$ 51,979</u>	<u>\$ 20,075,766</u>	<u>\$ 208,944</u>

Note 1: The transfer from the General Capital Project Fund to the General Fund was to provide funding for the cost of terminating interest rate swaps.

Note 2: The transfers from the General Fund to the General Capital Project Fund were for the Department of Social Service business automation project.

Note 3: The transfer from the Water & Sewer Fund to the Stormwater Fund was to provide for the stormwater planning program.

NOTE 17 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The amount of deferred outflows of resources is a derivative of debt for cash flow hedging of \$3,973,489.

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 298,401
Prepaid taxes not yet earned (Special Revenue)	-	8,682
Grant revenue not yet earned (General)	-	-
Taxes receivable, net (General)	4,775,881	-
Taxes receivable, net (Special Revenue)	145,113	-
Accounts receivable, long term (General)	-	59,796
Total	<u>\$ 4,920,994</u>	<u>\$ 366,879</u>

NOTE 18 - 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 \$1,950,109 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, 2013 was \$15,216,010. This included the County's recognized gain of \$346,870, 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, 2013, is as follows:

Cash and investments	\$ 1,665,630
Other assets	29,096,099
Total assets	<u>\$ 30,761,729</u>
Total liabilities	\$ 329,710
Total net assets	30,432,019
Total liabilities and net assets	<u>\$ 30,761,729</u>
Total revenues	\$ 3,418,372
Total expenses	(4,180,558)
Capital contributions	1,455,924
Net increase in net assets	<u>\$ 693,738</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, \$2,909,200 in debt is still outstanding. The County contributed \$1,107,189 to South Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2013. In addition, the County made debt service payments of \$362,479 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, 2013. 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, 2013. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$709,298 to PBH to supplement its activities for the year ended June 30, 2013. 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 4, 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, 2013. 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 19 - 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 \$53,304 during the fiscal year ended June 30, 2013. The County was the sub-recipient of a grant for \$860,840 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 20 - 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	\$ 712,876	\$ -
AFDC Payments and Penalties	(926)	-
Refugee Assistance Payment	3,258	-
CWS Adoption Subsidy and Vendor	-	319,695
IV-E Adoption Subsidy and Vendor	442,757	117,139
State/County Special Assistance for Adults	-	740,137
Women, Infants and Children	3,120,878	-
Medical Assistance Program	87,787,951	48,053,595
Health Choice	4,927,977	1,571,597
	<u>\$ 96,994,771</u>	<u>\$ 50,802,163</u>

NOTE 21 - 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 22 – PRIOR PERIOD ADJUSTMENTS

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

The County implemented GASB 65 which requires the deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance cost, which were previously deferred and amortized, must be included in current expenditures. Previously deferred bond issuance costs of \$3,983,709 for Governmental Activities and \$1,066,076 for Business Type Activities, were recognized as an expenditure in the prior year. As a result, the beginning net position for Governmental Activities decreased from a negative \$297,492,876 to a negative \$301,476,585 and Business Activities decreased from \$244,809,706 to \$243,743,630.

NOTE 23 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On October 10, 2013, a jury composed of Union County citizens delivered a verdict in the trial of Union County Board of Education vs. the Union County Board of Commissioners. The basis of the trial was to determine whether the Board of County Commissioners has adequately funded the Public Schools. The jury awarded the school system \$4,973,134 in additional current expense funds and an additional \$86,184,005 in Capital funding to the Board of Education. The Board of County Commissioners on October 17, 2013, filed a “notice of appeal” to begin the appellate process. The final outcome of the appellate process and ultimately what portion, if any, of the jury award that is paid to the Board of Education is undetermined at this time

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 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)
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
2012	564,674	8,065,452	7,500,778	7.00 %	37,225,200	20.15

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**

Fiscal Year	Annual Required Contribution	Percentage Contributed
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	728,783	101.83 %
2013	903,943	146.08 %

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2012	18 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 -	Actuarial	Actuarial Liability (AAL)	Unfunded	Funded	Covered Payroll for Year Ending	UAAL as a Percentage of Covered Payroll
Year Ended July 1	Value of Assets	- Projected Unit Credit	AAL (UAAL) (2) - (1)	Ratio (1) / (2)	on Valuation Date	(3) / (5)
2007	\$ -	\$ 35,415,051	\$ 35,415,051	- %	\$ 34,875,562	101.5 %
2008	-	38,487,574	38,487,574	- %	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 %
2013	9,012,049	50,540,926	41,528,877	17.8 %	35,782,839	116.1 %

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 Retiree 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 Retiree Healthcare Benefits (OPEB)
 Required Supplementary Information
 Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Percentage Contributed
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	5,937,951	90.5 %
2013	6,128,407	87.5 %

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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period at July 1, 2013	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	8.5% - 5%



Combining and Individual Fund Statements

Union County, North Carolina

Schedule 1

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds	Library Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 2,262,235	\$ 3,554,445	\$ 5,816,680
Property taxes receivable (net)	145,113	-	145,113
Accounts receivable (net)	417,077	-	417,077
Cash and investments, restricted	612,495	-	612,495
Total assets	<u>\$ 3,436,920</u>	<u>\$ 3,554,445</u>	<u>\$ 6,991,365</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 41,096	\$ 6,591	\$ 47,687
Liabilities payable from restricted assets	7,802	-	7,802
Total liabilities	<u>48,898</u>	<u>6,591</u>	<u>55,489</u>
DEFERRED INFLOWS OF RESOURCES	<u>153,795</u>	<u>-</u>	<u>153,795</u>
FUND BALANCES			
Restricted	3,234,227	-	3,234,227
Assigned	-	3,547,854	3,547,854
Total fund balances	<u>3,234,227</u>	<u>3,547,854</u>	<u>6,782,081</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,436,920</u>	<u>\$ 3,554,445</u>	<u>\$ 6,991,365</u>

Union County, North Carolina

Schedule 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds	Library Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,444,002	\$ -	\$ 4,444,002
Local option sales tax	760,255	-	760,255
Other taxes and licenses	975,743	-	975,743
Intergovernmental	134,422	-	134,422
Permits and fees	2,034,556	-	2,034,556
Sales and services	15,000	-	15,000
Investment earnings	5,814	-	5,814
Miscellaneous	109,411	-	109,411
Total revenues	8,479,203	-	8,479,203
EXPENDITURES			
Current:			
General government	111,838	-	111,838
Public safety	8,110,387	-	8,110,387
Total expenditures	8,222,225	-	8,222,225
Net change in fund balances	256,978	-	256,978
FUND BALANCES			
Beginning	2,977,249	3,547,854	6,525,103
Ending	\$ 3,234,227	\$ 3,547,854	\$ 6,782,081

Union County, North Carolina

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
ASSETS				
Cash and investments	\$ 56,019	\$ 122,019	\$ 152,439	\$ 46,268
Property taxes receivable (net)	19,118	27,583	43,734	36,028
Accounts receivable (net)	17,631	33,370	54,158	45,035
Cash and investments, restricted	-	-	-	-
Total assets	<u>\$ 92,768</u>	<u>\$ 182,972</u>	<u>\$ 250,331</u>	<u>\$ 127,331</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Liabilities payable from restricted assets	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>19,645</u>	<u>30,431</u>	<u>45,763</u>	<u>37,711</u>
FUND BALANCES				
Restricted	<u>73,123</u>	<u>152,541</u>	<u>204,568</u>	<u>89,620</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 92,768</u>	<u>\$ 182,972</u>	<u>\$ 250,331</u>	<u>\$ 127,331</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
\$ 178,570	\$ 38,243	\$ 1,634,347	\$ -	\$ 34,330	\$ 2,262,235
18,650	-	-	-	-	145,113
55,724	-	162,624	48,535	-	417,077
-	-	-	612,495	-	612,495
<u>\$ 252,944</u>	<u>\$ 38,243</u>	<u>\$ 1,796,971</u>	<u>\$ 661,030</u>	<u>\$ 34,330</u>	<u>\$ 3,436,920</u>
\$ -	\$ 11,598	\$ 29,498	\$ -	\$ -	\$ 41,096
-	-	-	7,802	-	7,802
-	11,598	29,498	7,802	-	48,898
20,245	-	-	-	-	153,795
232,699	26,645	1,767,473	653,228	34,330	3,234,227
<u>\$ 252,944</u>	<u>\$ 38,243</u>	<u>\$ 1,796,971</u>	<u>\$ 661,030</u>	<u>\$ 34,330</u>	<u>\$ 3,436,920</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, 2013

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
REVENUES				
Ad valorem taxes	\$ 397,112	\$ 733,550	\$ 1,198,592	\$ 952,872
Local option sales tax	60,930	119,833	192,353	170,574
Other taxes and licenses	-	-	-	-
Intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>458,042</u>	<u>853,383</u>	<u>1,390,945</u>	<u>1,123,446</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	<u>426,088</u>	<u>787,577</u>	<u>1,297,852</u>	<u>1,109,655</u>
Total expenditures	<u>426,088</u>	<u>787,577</u>	<u>1,297,852</u>	<u>1,109,655</u>
Net change in fund balances	31,954	65,806	93,093	13,791
FUND BALANCES				
Beginning	<u>41,169</u>	<u>86,735</u>	<u>111,475</u>	<u>75,829</u>
Ending	<u>\$ 73,123</u>	<u>\$ 152,541</u>	<u>\$ 204,568</u>	<u>\$ 89,620</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
\$ 1,161,876	\$ -	\$ -	\$ -	\$ -	\$ 4,444,002
216,565	-	-	-	-	760,255
-	-	975,743	-	-	975,743
-	-	-	134,422	-	134,422
-	1,898,226	-	-	136,330	2,034,556
-	-	-	15,000	-	15,000
-	-	4,035	1,779	-	5,814
-	-	-	109,411	-	109,411
<u>1,378,441</u>	<u>1,898,226</u>	<u>979,778</u>	<u>260,612</u>	<u>136,330</u>	<u>8,479,203</u>
-	-	-	-	111,838	111,838
1,306,800	1,874,156	808,902	499,357	-	8,110,387
<u>1,306,800</u>	<u>1,874,156</u>	<u>808,902</u>	<u>499,357</u>	<u>111,838</u>	<u>8,222,225</u>
71,641	24,070	170,876	(238,745)	24,492	256,978
161,058	2,575	1,596,597	891,973	9,838	2,977,249
<u>\$ 232,699</u>	<u>\$ 26,645</u>	<u>\$ 1,767,473</u>	<u>\$ 653,228</u>	<u>\$ 34,330</u>	<u>\$ 3,234,227</u>

Union County, North Carolina

Schedule 5

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,928,130	\$ 791,862	\$ 749,685	\$ 3,469,677
Accounts receivable (net)	412,654	437	355	413,446
Total current assets	<u>2,340,784</u>	<u>792,299</u>	<u>750,040</u>	<u>3,883,123</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	77,178	10,046	-	87,224
Workers' compensation claims payable	-	98,967	-	98,967
Health care benefits payable	803,134	-	-	803,134
Property and casualty claims payable	-	-	93,746	93,746
Total current liabilities	<u>880,312</u>	<u>109,013</u>	<u>93,746</u>	<u>1,083,071</u>
NET POSITION				
Unrestricted	<u>\$ 1,460,472</u>	<u>\$ 683,286</u>	<u>\$ 656,294</u>	<u>\$ 2,800,052</u>

Union County, North Carolina

Schedule 6

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2013

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 10,862,745	\$ 406,770	\$ 862,397	\$ 12,131,912
Miscellaneous revenue	87,570	-	-	87,570
Other operating revenue	-	5,363	-	5,363
Total operating revenues	<u>10,950,315</u>	<u>412,133</u>	<u>862,397</u>	<u>12,224,845</u>
OPERATING EXPENSES				
Operating expenses	1,035,723	125,404	-	1,161,127
Worker's compensation claims	-	86,589	-	86,589
Health benefit claims and premiums	9,588,775	-	-	9,588,775
Property and casualty claims and premiums	-	-	734,743	734,743
Total operating expenses	<u>10,624,498</u>	<u>211,993</u>	<u>734,743</u>	<u>11,571,234</u>
Operating income	<u>325,817</u>	<u>200,140</u>	<u>127,654</u>	<u>653,611</u>
NONOPERATING REVENUES				
Investment earnings	5,180	(2,104)	(241)	2,835
Change in net position	330,997	198,036	127,413	656,446
NET POSITION				
Beginning	1,129,475	485,250	528,881	2,143,606
Ending	<u>\$ 1,460,472</u>	<u>\$ 683,286</u>	<u>\$ 656,294</u>	<u>\$ 2,800,052</u>



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

For the Year Ended June 30, 2013

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 10,789,612	\$ 407,405	\$ 862,562	\$ 12,059,579
Other operating revenue	87,570	5,363	-	92,933
Cash paid for goods and services	<u>(10,643,256)</u>	<u>(299,194)</u>	<u>(640,997)</u>	<u>(11,583,447)</u>
Net cash provided (used) by operating activities	233,926	113,574	221,565	569,065
INVESTING ACTIVITIES				
Investment earnings	<u>5,180</u>	<u>(2,104)</u>	<u>(241)</u>	<u>2,835</u>
Net increase (decrease) in cash and investments	239,106	111,470	221,324	571,900
CASH AND INVESTMENTS				
Beginning of year	1,689,025	680,392	528,361	2,897,778
End of year	<u>\$ 1,928,130</u>	<u>\$ 791,862</u>	<u>\$ 749,685</u>	<u>\$ 3,469,677</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 325,817	\$ 200,140	\$ 127,654	\$ 653,611
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Increase (decrease) in accounts receivable	(73,133)	635	165	(72,333)
Increase (decrease) in accounts payable and accrued liabilities	<u>(18,758)</u>	<u>(87,201)</u>	<u>93,746</u>	<u>(12,213)</u>
Total adjustments	<u>(91,891)</u>	<u>(86,566)</u>	<u>93,911</u>	<u>(84,546)</u>
Net cash provided (used) by operating activities	<u>\$ 233,926</u>	<u>\$ 113,574</u>	<u>\$ 221,565</u>	<u>\$ 569,065</u>

Union County, North Carolina

Schedule 8

Combining Statement of Fiduciary Net Position - Pension Trust Funds

June 30, 2013

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
ASSETS			
Cash and investments	\$ 573,530	\$ 11,199,831	\$ 11,773,361
Accounts receivable (net)	44,754	-	44,754
	<u>\$ 618,284</u>	<u>\$ 11,199,831</u>	<u>\$ 11,818,115</u>
Total assets	<u>\$ 618,284</u>	<u>\$ 11,199,831</u>	<u>\$ 11,818,115</u>
NET POSITION			
Employees' pension benefits	<u>\$ 618,284</u>	<u>\$ 11,199,831</u>	<u>\$ 11,818,115</u>

Union County, North Carolina

Schedule 9

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds

For the Year Ended June 30, 2013

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
ADDITIONS			
Employer contributions	\$ 1,092,962	\$ 2,187,782	\$ 3,280,744
Net investment income	(1,840)	637,803	635,963
Total additions	<u>1,091,122</u>	<u>2,825,585</u>	<u>3,916,707</u>
DEDUCTIONS			
Benefits	1,087,339	-	1,087,339
Change in net position	3,783	2,825,585	2,829,368
NET POSITION			
Beginning	614,501	8,374,246	8,988,747
Ending	<u>\$ 618,284</u>	<u>\$ 11,199,831</u>	<u>\$ 11,818,115</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2013

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
ASSETS				
Cash and investments	\$ 56,000	\$ 51,540	\$ 25,561	\$ -
Property taxes receivable (net)	-	-	-	8,133
Total assets	<u>56,000</u>	<u>51,540</u>	<u>25,561</u>	<u>8,133</u>
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	8,133
Due to Program Participants	<u>56,000</u>	<u>51,540</u>	<u>25,561</u>	-
Total liabilities	<u>\$ 56,000</u>	<u>\$ 51,540</u>	<u>\$ 25,561</u>	<u>\$ 8,133</u>

Schedule 10

Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Dept. of State Treas. Motor Vehicle Tax Fund	Total
\$ -	\$ 216,371	\$ 3,757	\$ 7,584	\$ 360,813
32,555	-	-	-	40,688
32,555	216,371	3,757	7,584	401,501
32,555	216,371	3,757	7,584	268,400
-	-	-	-	133,101
\$ 32,555	\$ 216,371	\$ 3,757	\$ 7,584	\$ 401,501



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.



Union County, North Carolina

Schedule 11

General Fund

Balance Sheet

June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS		
Cash and investments	\$ 71,940,645	\$ 59,207,244
Property taxes receivable (net)	4,775,881	5,199,692
Accounts receivable (net)	12,384,284	12,204,036
Accounts receivable, long-term	46,412	62,112
Inventories	29,497	22,506
Prepaid Item	204,005	-
Cash and investments, restricted	46,820	33,082
Cash and investments, restricted-deposits	1,198,371	946,264
	<u>90,625,915</u>	<u>77,674,936</u>
Total assets	<u>\$ 90,625,915</u>	<u>\$ 77,674,936</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,624,410	\$ 5,126,218
Deposits	1,198,371	946,264
Total liabilities	<u>5,822,781</u>	<u>6,072,482</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,134,078</u>	<u>5,608,937</u>
FUND BALANCE		
Nonspendable	279,914	84,618
Restricted	13,342,913	13,161,506
Assigned	3,761,390	1,497,776
Unassigned - sixteen percent reserve policy	35,366,994	35,267,691
Unassigned - other	26,917,845	15,981,926
	<u>79,669,056</u>	<u>65,993,517</u>
Total fund balance	<u>79,669,056</u>	<u>65,993,517</u>
Total liabilities and fund balance	<u>\$ 90,625,915</u>	<u>\$ 77,674,936</u>

Union County, North Carolina

Schedule 12

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 154,380,261	\$ 157,703,452	\$ 3,323,191	\$ 156,545,802
Local option sales tax	25,700,108	26,834,776	1,134,668	25,665,902
Other taxes and licenses	1,673,500	2,093,213	419,713	1,742,152
Intergovernmental	30,691,368	30,831,772	140,404	30,654,996
Permits and fees	2,573,492	4,063,547	1,490,055	3,014,314
Sales and services	4,559,025	4,383,686	(175,339)	5,266,772
Investment earnings	500,000	116,820	(383,180)	1,057,509
Miscellaneous	6,599,940	7,062,545	462,605	8,693,729
Total revenues	226,677,694	233,089,811	6,412,117	232,641,176
EXPENDITURES				
General Government				
Board of Commissioners	420,198	270,775	149,423	385,240
Central Administration	925,303	864,056	61,247	741,827
County Dues and Memberships	98,153	95,907	2,246	93,027
Internal Audit	-	-	-	93,409
Legal	432,599	356,312	76,287	357,660
Personnel	694,801	694,720	81	680,940
Finance	1,101,361	957,963	143,398	866,603
Tax Administration	3,872,213	3,581,960	290,253	3,599,873
Court Facilities	910,901	814,188	96,713	687,889
Elections	1,162,012	981,323	180,689	848,586
Register of Deeds	895,294	895,229	65	847,282
Information Systems	1,623,712	1,345,326	278,386	1,311,368
G.I.S. Department	234,981	217,112	17,869	215,359
General Services	23,253	(294,757)	318,010	(18,429)
Total General Government	12,394,781	10,780,114	1,614,667	10,710,634
Public Safety				
Law Enforcement	23,005,530	21,673,473	1,332,057	21,860,320
Communications	3,541,899	3,198,735	343,164	3,364,978
Homeland Security	215,323	144,740	70,583	120,159
Fire Services	837,204	827,076	10,128	762,422
Inspection	1,394,636	1,310,498	84,138	1,352,376
Other Public Safety Outside Agencies				
Medical Examiner	47,605	47,604	1	35,624
Emergency Medical Services	3,816,619	3,744,882	71,737	2,931,367
Juvenile Detention	74,669	67,228	7,441	77,850
American Red Cross	4,743	4,743	-	4,650
Total Public Safety	32,938,228	31,018,979	1,919,249	30,509,746

Continued on next page.

Union County, North Carolina

Schedule 12 (continued)

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
Economic and Physical Development				
Planning	\$ 1,112,981	\$ 653,885	\$ 459,096	\$ 604,208
Economic Development Commission	979,696	580,560	399,136	1,249,610
Cooperative Extension Service	886,800	788,865	97,935	734,925
Soil Conservation	83,774	71,744	12,030	82,865
Other Economic and Physical Dev. Outside Agencies				
Forest Management	72,085	63,585	8,500	62,557
Total Economic and Physical Development	3,135,336	2,158,639	976,697	2,734,165
Human Services				
Health	9,027,197	8,539,056	488,141	8,397,817
Social Services	25,741,016	24,453,687	1,287,329	25,292,855
Transportation and Nutrition	1,858,210	1,544,318	313,892	1,567,091
Veterans' Services	321,395	300,972	20,423	263,152
Other Human Services Outside Agencies				
Mental Health	890,145	888,773	1,372	891,877
Health Quest	21,375	21,375	-	21,375
Safe Alliance	21,800	21,800	-	-
United Family Services	-	-	-	21,375
Charlotte Area Transportation	87,744	87,744	-	89,887
DJJDP - Programs	292,971	292,668	303	-
JJDP - Programs	-	-	-	277,626
Turning Point	21,375	21,375	-	21,375
UDI (Sheltered Workshop)	-	-	-	19,950
Community Shelter	10,900	10,900	-	10,688
Community Action	66,574	66,574	-	65,269
Council of Aging	383,710	383,706	4	374,762
CMC-Union	-	-	-	323,145
Criminal Justice Partnership	-	-	-	135,356
Other Human Services	325	302	23	182
Total Human Services	38,744,737	36,633,250	2,111,487	37,773,782
Cultural and Recreational				
Library	4,231,204	4,099,166	132,038	4,011,549
Parks and Recreation	1,852,959	1,629,396	223,563	1,668,614
Other Cultural and Recreational Outside Agencies				
Arts Council	47,025	47,025	-	47,025
Historical Properties	17,685	15,989	1,696	27,660
A.J. Historical Foundation	4,335	-	4,335	4,250
Total Cultural and Recreational	6,153,208	5,791,576	361,632	5,759,098
Education				
Public Schools - current expense	81,504,155	81,504,155	-	79,304,155
Public Schools - current expense (occupancy cost)	245,555	245,465	90	165,184
Public Schools - other costs	25,600	25,578	22	-
Subtotal	81,775,310	81,775,198	112	79,469,339
Community College - operations	1,107,189	1,107,189	-	1,090,827
Literacy Efforts	-	-	-	2,138
Total Education	82,882,499	82,882,387	112	80,562,304

Union County, North Carolina

Schedule 12 (continued)

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Debt Service				
Principal retirement	\$ 30,487,075	\$ 30,542,075	\$ (55,000)	\$ 29,506,575
Interest and fees	22,134,148	21,236,696	897,452	22,861,021
Total Debt Service	52,621,223	51,778,771	842,452	52,367,596
Contingency	344,277	-	344,277	-
Nondepartmental	195,095	-	195,095	-
Total expenditures	229,409,384	221,043,716	8,365,668	220,417,325
Revenues over (under) expenditures	(2,731,690)	12,046,095	14,777,785	12,223,851
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	21,500,000	20,023,787	(1,476,213)	1,510,656
Transfers to other funds	(51,979)	(51,979)	-	(57,005,745)
Proceeds from refunding general obligation bonds	158,805,000	42,890,000	(115,915,000)	28,845,000
Proceeds from refunding general obligation bonds issuance premiums, etc	3,918,850	3,918,850	-	3,491,145
Proceeds from refunding installment financing	29,310,000	29,310,000	-	40,240,000
Proceeds from refunding installment financing issuance premium, etc.	3,402,403	3,402,403	-	3,864,556
Proceeds from termination of derivatives	-	953,000	953,000	-
Payments to refunded bonds escrow agents	(162,796,216)	(46,481,216)	116,315,000	(32,046,173)
Payments to refunded installment financing escrow agents	(32,311,614)	(32,311,614)	-	(43,624,057)
Payments to terminate interest rate swaps	(21,500,000)	(20,023,787)	1,476,213	-
Total other financing sources (uses)	276,444	1,629,444	1,353,000	(54,724,618)
Revenues and other financing sources over (under) expenditures and other financing uses before extraordinary item	(2,455,246)	13,675,539	58,631,552	(42,500,767)
EXTRAORDINARY ITEM				
Miscellaneous revenue - rent income	-	-	-	54,000,000
APPROPRIATED FUND BALANCE	2,455,246	-	(2,455,246)	-
Revenues, other financing sources, extraordinary item and appropriated fund balance over expenditures and other financing uses	\$ -	13,675,539	\$ 13,675,539	11,499,233
FUND BALANCE				
Beginning		65,993,517		54,494,284
Ending		\$ 79,669,056		\$ 65,993,517

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 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.

Union County, North Carolina

Schedule 13

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 378,981	\$ 397,112	\$ 18,131	\$ 347,102
Local option sales tax	47,432	60,930	13,498	54,467
Total revenues	<u>426,413</u>	<u>458,042</u>	<u>31,629</u>	<u>401,569</u>
EXPENDITURES				
Public safety	<u>426,413</u>	<u>426,088</u>	<u>325</u>	<u>387,091</u>
Total expenditures	<u>426,413</u>	<u>426,088</u>	<u>325</u>	<u>387,091</u>
Revenues over expenditures	<u>\$ -</u>	<u>31,954</u>	<u>\$ 31,954</u>	<u>14,478</u>
FUND BALANCE				
Beginning of year - July 1		<u>41,169</u>		<u>26,691</u>
End of year - June 30		<u>\$ 73,123</u>		<u>\$ 41,169</u>

Union County, North Carolina

Schedule 14

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 695,328	\$ 733,550	\$ 38,222	\$ 690,930
Local option sales tax	92,689	119,833	27,144	109,801
Total revenues	<u>788,017</u>	<u>853,383</u>	<u>65,366</u>	<u>800,731</u>
EXPENDITURES				
Public safety	<u>788,017</u>	<u>787,577</u>	<u>440</u>	<u>775,515</u>
Total expenditures	<u>788,017</u>	<u>787,577</u>	<u>440</u>	<u>775,515</u>
Revenues over expenditures	<u>\$ -</u>	<u>65,806</u>	<u>\$ 65,806</u>	<u>25,216</u>
FUND BALANCE				
Beginning of year - July 1		<u>86,735</u>		<u>61,519</u>
End of year - June 30		<u>\$ 152,541</u>		<u>\$ 86,735</u>

Union County, North Carolina

Schedule 15

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,144,874	\$ 1,198,592	\$ 53,718	\$ 1,095,610
Local option sales tax	153,742	192,353	38,611	179,054
Total revenues	<u>1,298,616</u>	<u>1,390,945</u>	<u>92,329</u>	<u>1,274,664</u>
EXPENDITURES				
Public safety	<u>1,298,616</u>	<u>1,297,852</u>	<u>764</u>	<u>1,264,433</u>
Total expenditures	<u>1,298,616</u>	<u>1,297,852</u>	<u>764</u>	<u>1,264,433</u>
Revenues over expenditures	<u>\$ -</u>	<u>93,093</u>	<u>\$ 93,093</u>	<u>10,231</u>
FUND BALANCE				
Beginning of year - July 1		<u>111,475</u>		<u>101,244</u>
End of year - June 30		<u>\$ 204,568</u>		<u>\$ 111,475</u>

Union County, North Carolina

Schedule 16

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 973,700	\$ 952,872	\$ (20,828)	\$ 946,910
Local option sales tax	136,349	170,574	34,225	154,596
Total revenues	<u>1,110,049</u>	<u>1,123,446</u>	<u>13,397</u>	<u>1,101,506</u>
EXPENDITURES				
Public safety	<u>1,110,049</u>	<u>1,109,655</u>	<u>394</u>	<u>1,099,024</u>
Total expenditures	<u>1,110,049</u>	<u>1,109,655</u>	<u>394</u>	<u>1,099,024</u>
Revenues over expenditures	<u>\$ -</u>	<u>13,791</u>	<u>\$ 13,791</u>	<u>2,482</u>
FUND BALANCE				
Beginning of year - July 1		<u>75,829</u>		<u>73,347</u>
End of year - June 30		<u>\$ 89,620</u>		<u>\$ 75,829</u>

Union County, North Carolina

Schedule 17

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,126,055	\$ 1,161,876	\$ 35,821	\$ 1,282,936
Local option sales tax	181,171	216,565	35,394	209,358
Total revenues	<u>1,307,226</u>	<u>1,378,441</u>	<u>71,215</u>	<u>1,492,294</u>
EXPENDITURES				
Public safety	<u>1,307,226</u>	<u>1,306,800</u>	<u>426</u>	<u>1,427,808</u>
Total expenditures	<u>1,307,226</u>	<u>1,306,800</u>	<u>426</u>	<u>1,427,808</u>
Revenues over expenditures	<u>\$ -</u>	<u>71,641</u>	<u>\$ 71,641</u>	<u>64,486</u>
FUND BALANCE				
Beginning of year - July 1		<u>161,058</u>		<u>96,572</u>
End of year - June 30		<u>\$ 232,699</u>		<u>\$ 161,058</u>

Union County, North Carolina

Schedule 18

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Permits and fees	\$ 1,955,571	\$ 1,898,226	\$ (57,345)	\$ 1,973,377
Total revenues	<u>1,955,571</u>	<u>1,898,226</u>	<u>(57,345)</u>	<u>1,973,377</u>
EXPENDITURES				
Public safety	<u>1,955,571</u>	<u>1,874,156</u>	<u>81,415</u>	<u>2,057,966</u>
Total expenditures	<u>1,955,571</u>	<u>1,874,156</u>	<u>81,415</u>	<u>2,057,966</u>
Revenues over expenditures	<u>\$ -</u>	<u>24,070</u>	<u>\$ 24,070</u>	<u>(84,589)</u>
FUND BALANCE				
Beginning of year - July 1		<u>2,575</u>		<u>87,164</u>
End of year - June 30		<u>\$ 26,645</u>		<u>\$ 2,575</u>

Union County, North Carolina

Schedule 19

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 975,743	\$ 975,743	\$ -	\$ 1,004,522
Investment earnings	-	4,034	4,034	9,374
Total revenues	<u>975,743</u>	<u>979,777</u>	<u>4,034</u>	<u>1,013,896</u>
EXPENDITURES				
Current				
Public Safety				
Implemental functions	122,796	123,288	(492)	123,313
Repairs and maintenance	288,048	266,153	21,895	154,192
Training	18,800	19,408	(608)	8,949
Supplies and materials	5,950	4,764	1,186	14,712
Contracted services	-	-	-	30,701
Telecommunication services	250,000	230,736	19,264	225,791
Capital outlay	524,554	164,555	359,999	686,940
Contingency	-	-	-	-
Debt Service (S.L. 2010-158 Expenditures)				
Principal retirement	-	-	-	845,843
Interest and fees	-	-	-	268,164
	<u>1,210,148</u>	<u>808,904</u>	<u>401,244</u>	<u>2,358,605</u>
Revenues over (under) expenditures	234,405	170,873	405,278	(1,344,709)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
General Fund	-	-	-	5,745
Revenues, other financing sources over (under) expenditures and other financing uses	741,338	170,873	405,278	(1,338,964)
APPROPRIATED FUND BALANCE	<u>234,405</u>	<u>-</u>	<u>(234,405)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	170,873	<u>\$ 170,873</u>	(1,338,964)
FUND BALANCE				
Beginning of year - July 1		<u>1,596,597</u>		<u>2,935,561</u>
End of year - June 30		<u>\$ 1,767,473</u>		<u>\$ 1,596,597</u>

Union County, North Carolina

Schedule 20

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 930,617	\$ 696,648	\$ 134,422	\$ 831,070	\$ (99,547)
Sales and services	15,000	90,000	15,000	105,000	90,000
Investment earnings	46,285	53,064	1,779	54,843	8,558
Miscellaneous	717,002	1,019,641	109,411	1,129,052	412,050
Total revenues	<u>1,708,904</u>	<u>1,859,353</u>	<u>260,612</u>	<u>2,119,965</u>	<u>411,061</u>
EXPENDITURES					
Cert Grant Program	18,500	7,582	-	7,582	10,918
Controlled Substance Tax	317,958	237,787	18,653	256,440	61,518
Federal Forfeited Property	839,465	475,753	323,422	799,175	40,290
Homeland Security-Catawba Nuclear	30,575	34,699	3,276	37,975	(7,400)
Homeland Security-FY 03 US Grant	380,683	380,683	-	380,683	-
Indian Trail GHSP Grant	279,616	-	153,008	153,008	126,608
Indian Trail GHSP Grant Contr	-	-	998	998	(998)
Total expenditures	<u>1,866,797</u>	<u>1,136,504</u>	<u>499,357</u>	<u>1,635,861</u>	<u>230,936</u>
Revenues over (under) expenditures	<u>(157,893)</u>	<u>722,849</u>	<u>(238,745)</u>	<u>484,104</u>	<u>641,997</u>
OTHER FINANCING SOURCES					
Transfers from other funds	<u>157,893</u>	<u>169,124</u>	<u>-</u>	<u>169,124</u>	<u>11,231</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 891,973</u>	<u>(238,745)</u>	<u>\$ 653,228</u>	<u>\$ 653,228</u>
FUND BALANCE					
Beginning of year - July 1			<u>891,973</u>		
End of year - June 30			<u>\$ 653,228</u>		

Union County, North Carolina

Schedule 21

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 102,000	\$ 136,330	\$ 34,330	\$ 111,838
Total revenues	102,000	136,330	34,330	111,838
EXPENDITURES				
General government	111,838	111,838	-	102,000
Total expenditures	111,838	111,838	-	102,000
Revenues over expenditures	\$ (9,838)	\$ 24,492	\$ 34,330	\$ 9,838
APPROPRIATED FUND BALANCE	9,838	-	(9,838)	-
Revenues over expenditures	\$ -	24,492	\$ 24,492	9,838
FUND BALANCE				
Beginning of year - July 1		9,838		-
End of year - June 30		\$ 34,330		\$ 9,838

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).

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.

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

Union County, North Carolina

Schedule 22

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, 2013

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 1,211,740	\$ 587,792	\$ 164,008	\$ 751,800	\$ (459,940)
Investment earnings	898,684	897,511	-	897,511	(1,173)
Miscellaneous	16,363	16,363	-	16,363	-
Total revenues	<u>2,126,787</u>	<u>1,501,666</u>	<u>164,008</u>	<u>1,665,674</u>	<u>(461,113)</u>
EXPENDITURES					
EECBG Grant Project	751,800	613,893	137,907	751,800	-
I.T. Infrastructure	1,249,000	200,319	246,444	446,763	802,237
Historic Post Office Roof Replacement	150,000	7,150	138,064	145,214	4,786
Garage Expansion	267,438	15,980	244,340	260,320	7,118
Law Enforcement-Jail Expansion	1,922,745	1,812,629	-	1,812,629	110,116
Jail Roof Replacement	605,727	522,565	2,750	525,315	80,412
Jail Control System	467,675	347,769	119,906	467,675	-
Law Enforcement-Firearms Range	4,555,665	1,205,682	15,075	1,220,757	3,334,908
Inspections Mobile Office	123,400	95,791	5,315	101,106	22,294
Jesse Helms Park	803,946	276,068	-	276,068	527,878
Jesse Helms Park Bridge	715,496	569,420	13,247	582,667	132,829
Schools Capital Outlay FY 11	1,303,552	1,257,175	22,720	1,279,895	23,657
SPCC Building Purchase	3,500,000	-	3,500,000	3,500,000	-
DSS Business Automation	1,332,781	223,146	898,726	1,121,872	210,909
DSS Business Automation Ph 2	919,880	-	-	-	919,880
Electronic Medical Records	175,000	-	-	-	175,000
Energy Savings Projects	122,675	10,000	9,757	19,757	102,918
Historic Courthouse Renovation	75,000	-	-	-	75,000
Human Services Campus	35,150,000	-	164,610	164,610	34,985,390
Law Enforcement - Storage Garage	250,000	-	-	-	250,000
Parks & Rec Comp Master Plan	100,000	-	-	-	100,000
Phone System Upgrade	655,000	-	-	-	655,000
Schools Capital Outlay FY 13	4,000,000	-	3,639,974	3,639,974	360,026
Schools Capital Outlay FY 14 - Facilities/IT/ADA	230,791	-	-	-	230,791
Schools Capital Outlay FY 14 - PHS Stadium	1,742,334	-	-	-	1,742,334
Schools Capital Outlay FY 14 - Safety/Security	1,026,875	-	-	-	1,026,875
Government Facilities Renovations	14,839,179	11,219,916	2,076,048	13,295,964	1,543,215
Total expenditures	<u>77,035,959</u>	<u>18,377,503</u>	<u>11,234,883</u>	<u>29,612,386</u>	<u>47,423,573</u>
Revenues under expenditures	<u>(74,909,172)</u>	<u>(16,875,837)</u>	<u>(11,070,875)</u>	<u>(27,946,712)</u>	<u>46,962,460</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	95,416,672	88,934,217	51,979	88,986,196	(6,430,476)
Transfers to other funds	(21,500,000)	-	(20,023,787)	(20,023,787)	1,476,213
Proceeds from general obligation bonds	992,500	992,500	-	992,500	-
Total other financing sources (uses)	<u>74,909,172</u>	<u>89,926,717</u>	<u>(19,971,808)</u>	<u>69,954,909</u>	<u>(4,954,263)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 73,050,880</u>	<u>(31,042,683)</u>	<u>\$ 42,008,197</u>	<u>\$ 42,008,197</u>
FUND BALANCE					
Beginning of year - July 1			<u>73,050,880</u>		
End of year - June 30			<u>\$ 42,008,197</u>		

Union County, North Carolina

Schedule 23

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, 2013

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 2,718,406	\$ 2,718,405	\$ -	\$ 2,718,405	\$ (1)
Total revenues	2,718,406	2,718,405	-	2,718,405	(1)
EXPENDITURES					
Stallings Elementary School "J"	14,901,066	14,901,066	-	14,901,066	-
Cox Rd Elementary School "N"	3,969,763	3,969,763	-	3,969,763	-
New Salem ES Additions & Renovations	2,945,159	2,945,159	-	2,945,159	-
Western Union ES Additions & Renovations	1,305,704	1,305,704	-	1,305,704	-
Monroe High	485,067	485,067	-	485,067	-
Piedmont HS Additions & Renovations	5,324,807	5,324,807	(8,824)	5,315,983	8,824
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	-
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	10,630,626	-	10,630,626	-
Category I - Blitz projects chillers	488,711	488,711	-	488,711	-
Category III - Buses	4,750,421	4,750,420	-	4,750,420	1
Bond Savings/Adm - 2010	3,216,117	3,216,117	-	3,216,117	-
Fy2011 Capital Expenditures	5,325,797	4,415,071	811,675	5,226,746	99,051
New Transportation Fac & Maint	1,793,434	1,793,434	-	1,793,434	-
UCPS Mobile Classrooms (2006-2007)	2,316,048	2,316,048	-	2,316,048	-
Interest and fees	2,292,955	2,292,955	-	2,292,955	-
Total expenditures	68,062,722	67,151,994	802,851	67,954,845	107,877
Revenues under expenditures	(65,344,316)	(64,433,589)	(802,851)	(65,236,440)	107,876
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	11,847,133	11,847,132	-	11,847,132	(1)
Transfers to other funds	(1,357,002)	(1,357,002)	-	(1,357,002)	-
Proceeds from installment financing	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	\$ -	\$ 910,725	(802,851)	\$ 107,874	\$ 107,874
FUND BALANCE					
Beginning of year - July 1			910,725		
End of year - June 30			\$ 107,874		

Union County, North Carolina

Schedule 24

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, 2013

	Project Authorization	Prior Years	Actual	Total To Date	Variance from Final Budget Favorable (Unfavorable)
EXPENDITURES					
South West Union Library	\$ 94,766	\$ 51,333	\$ -	\$ 51,333	\$ 43,433
Total expenditures	<u>94,766</u>	<u>51,333</u>	<u>-</u>	<u>51,333</u>	<u>43,433</u>
OTHER FINANCING SOURCES					
Transfers from other funds	<u>94,766</u>	<u>3,599,187</u>	<u>-</u>	<u>3,599,187</u>	<u>3,504,421</u>
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>		

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.



Union County, North Carolina

Schedule 25

Water and Sewer Fund

Schedule of Revenues and Expenditures -

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)	2012 Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 27,953,840	\$ 25,870,267	\$ (2,083,573)	\$ 25,364,805
Other operating revenue	690,670	818,822	128,152	696,395
Total	<u>28,644,510</u>	<u>26,689,089</u>	<u>(1,955,421)</u>	<u>26,061,200</u>
Nonoperating Revenues				
Investment earnings (loss)	325,000	(135,666)	(460,666)	347,513
Proceeds from sale of capital assets	-	21,845	21,845	60,618
Total	<u>325,000</u>	<u>(113,821)</u>	<u>(438,821)</u>	<u>408,131</u>
Total revenues	<u>28,969,510</u>	<u>26,575,268</u>	<u>(2,394,242)</u>	<u>26,469,331</u>
EXPENDITURES				
Administration	6,467,798	4,416,619	2,051,179	3,877,013
Water system operations	5,491,616	5,614,769	(123,153)	3,792,158
Water system maintenance and repairs	1,435,230	1,783,914	(348,684)	2,190,896
Sewer-county customer system operations	6,009,033	5,577,004	432,029	3,402,487
Sewer-county customers system maintenance and repairs	1,740,223	1,402,008	338,215	1,818,862
Sewer-Marshville/Monroe system operations	235,723	270,306	(34,583)	654,654
Sewer-Marshville/Monroe system maintenance and repairs	25,000	11,979	13,021	210,365
General obligation bonds - principal	542,100	542,100	-	548,425
Revenue bonds - principal	2,700,000	2,700,000	-	2,695,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	3,302,662	2,543,855	758,807	3,361,120
Total expenditures	<u>28,933,082</u>	<u>25,846,251</u>	<u>3,086,831</u>	<u>23,534,677</u>
Revenues over expenditures	<u>36,428</u>	<u>729,017</u>	<u>692,589</u>	<u>2,934,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Water and Sewer Capital Project Fund	(4,425,570)	(7,600,000)	(3,174,430)	(4,186,445)
Stormwater Operating Fund	(329,938)	(208,944)	120,994	(158,410)
Capital contributions - cash	4,438,040	2,946,232	(1,491,808)	3,542,788
Proceeds from refunding revenue bonds	-	-	-	34,397,500
Proceeds from refunding revenue bonds premium	-	-	-	2,035,424
Payments to refunded bonds escrow agent	-	-	-	(38,665,789)
Total other financing sources (uses)	<u>(317,468)</u>	<u>(4,862,712)</u>	<u>(4,545,244)</u>	<u>(3,034,932)</u>
APPROPRIATED FUND BALANCE	<u>281,040</u>	<u>-</u>	<u>(281,040)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (4,133,695)</u>	<u>\$ (4,133,695)</u>	<u>\$ (100,278)</u>

Union County, North Carolina

Schedule 26

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, 2013

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 2,132,498	\$ 164,734	\$ 1,339,634	\$ 1,504,368	\$ (628,130)
Total revenues	2,132,498	164,734	1,339,634	1,504,368	(628,130)
EXPENDITURES					
Administrative capital outlay					
Government Facility Renovations	1,826,276	1,136,276	-	1,136,276	\$ 690,000
Expand Operations Center	8,839,100	49,389	47,500	96,889	8,742,211
Water and Sewer Capital Outlay					
Misc. Water Line Replacement	1,148,531	-	49,127	49,127	1,099,404
Hwy84 24" Line Relocation	464,848	29,162	37,789	66,951	397,897
Water R&R Program	412,000	-	-	-	412,000
42" Water Main Relocation & SC 5	616,892	48,892	568,000	616,892	-
762 Zone Transmission Main (Bypass)	188,700	72,975	825	73,800	114,900
Self Help: Wellington Woods Ph. 2&3	-	239,161	-	239,161	(239,161)
Water capital outlay					
CRWTP Reservoir Expansion	22,017,780	3,072,490	674,716	3,747,206	18,270,574
CRWTP Plant Expansion	5,263,040	392,964	53,247	446,211	4,816,829
Bulk Water Stations	23,936	19,148	-	19,148	4,788
Dodge City Water	171,198	171,221	-	171,221	(23)
Hwy 75 BPS Rehab	1,037,900	-	-	-	1,037,900
Weddington Elevated Storage Tank	7,807,397	346,899	46,961	393,860	7,413,537
Sewer capital outlay					
East Side Improvements	8,563,362	3,475,684	3,763,468	7,239,152	1,324,210
12 Mile Creek WWTP Expansion	2,101,200	-	-	-	2,101,200
Tallwood WWTP Replacement	2,454,960	968,023	1,362,145	2,330,168	124,792
12ML CK Sewer Diversion To CMUD	4,671,285	2,055,729	1,646,834	3,702,563	968,722
12 ML WWTP Design & Interim Improv	6,895,215	556,474	152,404	708,878	6,186,337
853 South Zone Tank	412,000	-	-	-	412,000
Capital Payment Per Anson Agreement	3,100,000	-	-	-	3,100,000
Collection System SSES & Rehab	500,000	-	-	-	500,000
Crooked CK Headwork Improvements	659,200	-	-	-	659,200
Crooked CK I&I Study & Remediation	1,770,250	-	121,500	121,500	1,648,750
Crooked CK Interceptor Improvements	257,500	-	-	-	257,500
Development Of 880 Pressure Zone	5,126,200	-	19,600	19,600	5,106,600
Distribution System Imp Anson	41,200	-	-	-	41,200
East Fork 12M Creek Parallel Trunk	7,162,600	-	223,031	223,031	6,939,569

Continued on next page.

Union County, North Carolina

Schedule 26 (continued)

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, 2013

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
Fairview Downtown WW Service	206,000	-	-	-	206,000
Indian Trail Additional Tank	412,000	-	-	-	412,000
Marshville Water Tank Rehab	603,250	-	7,250	7,250	596,000
Mineral Springs-Collection System	1,267,240	-	61,740	61,740	1,205,500
New Additional Marshville Tank	412,000	-	-	-	412,000
Rays Fork Interceptor	280,000	-	34,112	34,112	245,888
Short Line Extensions Water	1,210,000	-	55,820	55,820	1,154,180
Solid Waste Replacement Vehicles	300,000	-	-	-	300,000
Stallings- Collection System	1,186,900	-	64,200	64,200	1,122,700
Unionville Community Center WW Service	103,000	-	-	-	103,000
Wastewater Pump Station Improvement	92,700	-	-	-	92,700
Wastewater R&R Program	2,233,000	-	-	-	2,233,000
West Fork 12ML Interceptor Improvements	741,600	-	-	-	741,600
Yadkin Water Supply	2,249,510	341,619	348,249	689,868	1,559,642
Total expenditures	104,829,770	12,976,106	9,338,518	22,314,624	82,515,146
Revenues over (under) expenditures	102,697,272	(12,881,372)	(7,998,884)	(20,810,256)	(81,887,016)
OTHER FINANCING SOURCES					
Transfer from other funds:					
General Fund	\$ -	\$ (72,000)	\$ -	\$ (72,000)	\$ 72,000
Water and Sewer Operating Fund	49,378,322	52,949,014	7,600,000	60,549,014	11,170,692
Proceeds from revenue bonds	49,420,430	-	-	-	(49,420,430)
Capital contributions - cash	3,898,520	2,713,204	955,751	3,668,955	(229,565)
Total other financing sources (uses)	102,697,272	55,734,218	8,555,751	64,289,969	38,407,303
Revenues and other financing sources over expenditures	\$ -	\$ 42,922,846	556,867	\$ 43,479,713	\$ 43,479,713
FUND BALANCE					
Beginning of year - July 1			42,922,846		
End of year - June 30			\$ 43,479,713		

Union County, North Carolina

Schedule 27

Water and Sewer Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013	2012 (As restated)
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (4,133,695)	\$ (100,278)
Water and Sewer Capital Project Fund	556,867	(1,386,382)
Total	<u>(3,576,828)</u>	<u>(1,486,660)</u>
Reconciling items		
Amortization of G.O. and revenue bond defeasance	(112,009)	(75,429)
Amortization of G.O, Revenue Bond and State sanitary sewer loan issuance cost	-	(1,152,087)
Amortization of G.O. and revenue bond premium	147,833	95,182
Amortization of G.O. and revenue bond gains and (losses) on refunding	(115,449)	(107,066)
Amortization of Revenue Bond discounts	-	(1,073)
Refunding revenue bond proceeds	-	(34,385,000)
Refunding revenue bond premium	-	(2,035,424)
Refunding revenue bond issuance cost	-	583,864
Payment of refunding revenue bonds to escrow agent	-	38,665,789
Capitalized interest	532,512	203,978
Payment of debt principal	4,225,797	4,227,122
Increase (decrease) in compensated absences payable	18,405	44,816
Increase (decrease) in interest expense accrual	13,540	25,874
Increase (decrease) in inventories	(36,940)	(193,615)
Decrease in allowance for uncollectible accounts	1,215,773	(106,077)
Increase (decrease) in net pension obligation	35,990	1,337
Increase (decrease) in net other post-employment benefit obligation	(57,990)	(216,695)
Investment derivatives gains	(49,019)	97,783
Capital Outlay	9,709,874	6,618,804
Capital contributions	3,459,314	2,030,103
Acquisition payments on intangible asset -water rights	155,081	146,510
Gain on investment in joint venture	346,870	46,878
Loss on disposal of land	(2,116)	(6,981)
Depreciation	<u>(10,812,228)</u>	<u>(10,761,635)</u>
Total	<u>8,675,238</u>	<u>3,746,958</u>
Change in net position	<u>\$ 5,098,410</u>	<u>\$ 2,260,298</u>

Union County, North Carolina

Schedule 28

Solid Waste Fund

Schedule of Revenues and Expenditures -

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)	2012 Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 3,877,710	\$ 4,377,360	\$ 499,650	\$ 3,779,757
Disposal fees	322,800	362,703	39,903	372,658
Other operating revenue	9,000	9,208	208	10,583
Total	<u>4,209,510</u>	<u>4,749,271</u>	<u>539,761</u>	<u>4,162,998</u>
Nonoperating Revenue				
Investment earnings	35,000	(8,349)	(43,349)	44,923
Total revenues	<u>4,244,510</u>	<u>4,740,922</u>	<u>496,412</u>	<u>4,207,921</u>
EXPENDITURES				
Personnel	988,681	949,732	38,949	1,019,190
Operating expense	<u>3,752,195</u>	<u>3,514,282</u>	<u>237,913</u>	<u>3,543,281</u>
Total expenditures	<u>4,740,876</u>	<u>4,464,014</u>	<u>276,862</u>	<u>4,198,921</u>
Revenues over (under) expenditures	<u>(496,366)</u>	<u>276,908</u>	<u>773,274</u>	<u>9,797</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Solid Waste Capital Reserve Fund	-	(85,682)	(85,682)	-
Transfers in				
Solid Waste Capital Reserve Fund	<u>261,000</u>	<u>-</u>	<u>(261,000)</u>	<u>33,770</u>
Total other financing sources (uses)	<u>261,000</u>	<u>-</u>	<u>(346,682)</u>	<u>33,770</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(235,366)</u>	<u>191,226</u>	<u>426,592</u>	<u>9,797</u>
APPROPRIATED FUND BALANCE	<u>235,366</u>	<u>-</u>	<u>(235,366)</u>	<u>-</u>
Revenues and other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$</u>	<u>\$ 191,226</u>	<u>\$ 191,226</u>	<u>\$ 43,567</u>

Union County, North Carolina

Schedule 29

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)	2012 Actual
OTHER FINANCING USES				
Transfers in				
Solid Waste Operating Fund	\$ -	\$ 85,682	\$ 85,682	\$ -
Transfers out				
Solid Waste Operating Fund	-	-	-	(33,770)
Total other financing sources (uses)	\$ -	\$ 85,682	\$ 85,682	\$ (33,770)

Union County, North Carolina

Schedule 30

Solid Waste Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 191,226	\$ 43,567
Capital Reserve Fund	85,682	(33,770)
Total	<u>276,908</u>	<u>9,797</u>
Reconciling items		
Increase (decrease) in compensated absences payable	(3,381)	(8,264)
Decrease in allowance for uncollectible accounts	(1,635)	(2,910)
Increase (decrease) in net pension obligation	4,691	187
Increase (decrease) in net other post-employment benefit obligation	(15,453)	(56,954)
Capital Outlay	201,791	24,202
Depreciation	(168,224)	(170,808)
Increase in accrued landfill postclosure care costs	<u>(74,408)</u>	<u>(85,026)</u>
Total	<u>(56,619)</u>	<u>(299,573)</u>
Change in net position	<u>\$ 220,289</u>	<u>\$ (289,776)</u>

Union County, North Carolina

Schedule 31

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)	2012 Actual
EXPENDITURES				
Administration	\$ 381,334	\$ 201,335	\$ 179,999	\$ 145,318
OTHER FINANCING SOURCES				
Transfers in				
Water and Sewer Operating Fund	329,938	208,944	(120,994)	158,410
Other financing sources over (under) expenditures	51,396	7,609	59,005	13,092
APPROPRIATED FUND BALANCE	(51,396)	-	51,396	-
Other financing sources and appropriated fund balance over (under) expenditures	\$ -	\$ 7,609	\$ 7,609	\$ 13,092
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Other financing sources over (under) expenditures		\$ 7,609		\$ 13,092
Reconciling items:				
(Increase) in compensated absences payable		(1,868)		(91)
Decrease in net pension obligation		1,262		31
Depreciation		-		(3,361)
Total		(606)		(3,421)
Change in net position		\$ 7,003		\$ 9,671

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.

Union County, North Carolina

Schedule 32

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Financial Plan	Actual		Actual
REVENUES				
Operating revenues:				
Interfund charges and employee contribution	\$ 11,497,440	\$ 10,862,745	\$ (634,695)	\$ 10,713,854
Miscellaneous revenue	-	87,570	87,570	53,607
Total	11,497,440	10,950,315	(547,125)	10,767,461
Nonoperating revenue:				
Investment earnings	-	5,180	5,180	(865)
Total revenues	11,497,440	10,955,495	(541,945)	10,766,596
EXPENDITURES				
Operating expenditures:				
Health benefit claims and premium:	10,379,759	9,634,601	(745,158)	10,171,895
Other operating expenditure:	1,119,027	1,035,723	(83,304)	757,747
Total expenditures:	11,498,786	10,670,324	(828,462)	10,929,642
Revenues over (under) expenditures	(1,346)	285,171	286,517	(163,046)
APPROPRIATED FUND BALANCE	1,346	-	(1,346)	-
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ 285,171	\$ 285,171	\$ (163,046)
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 285,171		\$ (163,046)
Reconciling items:				
Increase in health benefit claims payable		45,826		160,300
Change in net position		\$ 330,997		\$ (2,746)

Union County, North Carolina

Schedule 33

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Financial Plan	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 430,203	\$ 406,770	\$ (23,433)	\$ 388,398
Insurance reimbursement	-	5,363	5,363	-
Other operating revenue	250	-	(250)	22,843
Total	<u>430,453</u>	<u>412,133</u>	<u>(18,320)</u>	<u>411,241</u>
Nonoperating revenues				
Investment earnings	800	(2,104)	(2,904)	(7,248)
Total revenues	<u>431,253</u>	<u>410,029</u>	<u>(21,224)</u>	<u>403,993</u>
EXPENDITURES				
Operating expenditures				
Workers' compensation claims	350,000	223,353	126,647	153,863
Other operating expenditures	148,300	73,815	74,485	109,897
Total expenditures	<u>498,300</u>	<u>297,168</u>	<u>201,132</u>	<u>263,760</u>
Revenues over (under) expenditures	(67,047)	112,861	179,908	140,233
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 112,861</u>	<u>\$ 112,861</u>	<u>\$ 140,233</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 112,861		\$ 140,233
Reconciling items:				
Increase (decrease) in workers' compensation claims payable		<u>85,175</u>		<u>(100,212)</u>
Change in net position		<u>\$ 198,036</u>		<u>\$ 40,021</u>

Union County, North Carolina

Schedule 34

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Financial Plan	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges	\$ 748,610	\$ 862,397	\$ (113,787)	\$ 656,827
Insurance reimbursement	-	-	-	-
Total	<u>748,610</u>	<u>862,397</u>	<u>(113,787)</u>	<u>656,827</u>
Nonoperating revenues				
Investment earnings	-	(241)	241	1,753
Total revenues	748,610	862,156	(113,546)	658,580
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	<u>748,610</u>	<u>640,997</u>	<u>(107,613)</u>	<u>656,827</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 221,159</u>	<u>\$ (221,159)</u>	<u>\$ 1,753</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 221,159		
Reconciling items:				
(Increase) in property and casualty claims payable		<u>(93,746)</u>		
Change in net position		<u>\$ 127,413</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.

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.

Union County, North Carolina

Schedule 35

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013	2012
ADDITIONS		
Operating revenues		
Employer contributions	\$ 1,092,962	\$ 723,890
Investment earnings	(1,840)	8,779
Total revenues	<u>1,091,122</u>	<u>732,669</u>
DEDUCTIONS		
Operating expenses		
Employee benefits	<u>1,087,339</u>	<u>1,030,192</u>
Change in net position	3,783	(297,523)
NET POSITION		
Beginning of year-July 1	614,501	912,024
End of year-June 30	<u>\$ 618,284</u>	<u>\$ 614,501</u>

Union County, North Carolina

Schedule 36

Other Postemployment Retiree Healthcare Benefits (OPEB) Fund

Schedule of Revenues and Changes in

Fiduciary Net Position - Pension Trust Fund

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
ADDITIONS		
Operating revenues		
Employer contributions	\$ 2,187,782	\$ 4,132,943
Investment earnings	637,803	58,397
Total revenues	<u>2,825,585</u>	<u>4,191,340</u>
NET POSITION		
Beginning of year-July 1	8,374,246	4,182,906
End of year-June 30	<u>\$ 11,199,831</u>	<u>\$ 8,374,246</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
 For The Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 49,020	\$ 324,030	\$ 317,050	\$ 56,000
LIABILITIES				
Due to program participants	\$ 49,020	\$ 373,050	\$ 366,070	\$ 56,000
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ 89,463	\$ 781,720	\$ 819,643	\$ 51,540
LIABILITIES				
Accounts payable and accrued liabilities	\$ 89,463	\$ 781,732	\$ 819,655	\$ 51,540
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 33,737	\$ 378,670	\$ 386,846	\$ 25,561
LIABILITIES				
Due to program participants	\$ 33,737	\$ 412,408	\$ 420,584	\$ 25,561
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ -	\$ 1,629	\$ 1,629	\$ -
Property taxes receivable (net)	10,982	4	2,853	8,133
Total assets	\$ 10,982	\$ 1,633	\$ 4,482	\$ 8,133
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,982	\$ 10,986	\$ 13,835	\$ 8,133
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ 702	\$ 5,814	\$ 6,516	\$ -
Property taxes receivable (net)	40,906	1,411	9,762	32,555
Total assets	\$ 41,608	\$ 7,225	\$ 16,278	\$ 32,555
LIABILITIES				
Accounts payable and accrued liabilities	\$ 41,608	\$ 42,544	\$ 51,597	\$ 32,555
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 178,161	\$ 3,879,662	\$ 3,841,452	\$ 216,371
LIABILITIES				
Accounts payable and accrued liabilities	\$ 178,161	\$ 6,721,461	\$ 6,683,251	\$ 216,371

Union County, North Carolina

Schedule 37
(continued)

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 2,562	\$ 116,454	\$ 115,259	\$ 3,757
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,562	\$ 124,391	\$ 123,196	\$ 3,757
<u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX FUND</u>				
ASSETS				
Cash and investments	\$ 7,852	\$ 118,693	\$ 118,961	\$ 7,584
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,852	\$ 126,544	\$ 126,812	\$ 7,584
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 361,497	\$ 5,606,672	\$ 5,607,356	\$ 360,813
Property taxes receivable (net)	51,888	1,415	12,615	40,688
Total assets	<u>\$ 413,385</u>	<u>\$ 5,608,087</u>	<u>\$ 5,619,971</u>	<u>\$ 401,501</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 330,628	\$ 7,807,658	\$ 7,818,346	\$ 319,940
Due to program participants	82,757	785,458	786,654	81,561
Total liabilities	<u>\$ 413,385</u>	<u>\$ 8,593,116</u>	<u>\$ 8,605,000</u>	<u>\$ 401,501</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

Union County, North Carolina

Schedule 38

Schedule of Ad Valorem Taxes Receivable - General Fund June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2013
2013-2014	\$ -	\$ 270,836	\$ 74,179	\$ 196,657
2012-2013	68,427	156,026,344	153,431,297	2,663,474
2011-2012	3,130,243	(40,505)	1,994,364	1,095,374
2010-2011	1,303,119	(14,819)	429,259	859,041
2009-2010	979,793	(7,810)	238,582	733,401
2008-2009	715,023	(5,087)	218,606	491,330
2007-2008	304,660	(2,915)	43,396	258,349
2006-2007	260,152	(2,953)	17,993	239,206
2005-2006	134,050	(2,200)	9,859	121,991
2004-2005	95,050	(306)	5,212	89,532
2003-2004	74,651	(376)	4,831	69,444
2002-2003	55,415	(93)	55,322	-
	<u>\$ 7,120,583</u>	<u>\$ 156,220,116</u>	<u>\$ 156,522,900</u>	<u>6,817,799</u>

Less: Releases on 2013-2014 registered motor vehicles	(1,547)
Less: Allowance for uncollectible ad valorem taxes receivable	(2,040,371)
Ad valorem taxes receivable (net)	<u>\$ 4,775,881</u>

Reconcilement with revenues	
Taxes - ad valorem	<u>\$ 157,703,452</u>

Reconciling items	
2013 tax prepayments	74,178
Write-offs per statute of limitations	52,271
Write-offs of uncollected 2008 motor vehicle tax	99,569
Recognition of previously collected 2012-2013 ad valorem taxes on annually registered vehicles	207,905
Collections in advance	(327,639)
Interest, advertising cost recovery and garnishments	(1,253,295)
Foreclosure fees and overpayments	291
Collections on written off motor vehicle amounts	(35,189)
Reconciling item - Bankruptcy	1,367
Collection on prior year pet fees	(10)
Total reconciling items	<u>(1,180,552)</u>

Total collections and credits	<u>\$ 156,522,900</u>
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Union County, North Carolina

Schedule 39

Analysis of Current Tax Levy County-wide Levy For the Year Ended June 30, 2013

	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	23,011,110,360	0.6600	\$ 151,870,964	\$ 144,239,809	\$ 7,631,155
Motor vehicles taxed at prior year's rate	645,409,367	0.6650	4,292,001	-	4,292,001
Motor vehicles taxed at prior year's rate	583,213	0.6650	3,878	-	3,878
Total	<u>23,657,102,940</u>		<u>156,166,843</u>	<u>144,239,809</u>	<u>11,927,034</u>
Discoveries					
Property taxed at current year's rate	85,995,346	0.6600	567,739	473,682	94,057
Total	<u>85,995,346</u>		<u>567,739</u>	<u>473,682</u>	<u>94,057</u>
Abatements					
Property taxed at current year's rate	107,278,987	0.6600	708,238	443,253	264,985
Total	<u>107,278,987</u>		<u>708,238</u>	<u>443,253</u>	<u>264,985</u>
Total property valuation	<u>23,635,819,299</u>				
Net levy			156,026,344	144,270,238	11,756,106
Add: Uncollected taxes at June 30, 2012			68,428	70,426	(1,998)
Less: Uncollected taxes at June 30, 2013			(2,663,475)	(1,813,841)	(849,634)
Total collections and credits for 2012-2013			<u>\$ 153,431,297</u>	<u>\$ 142,526,823</u>	<u>\$ 10,904,474</u>
Percent current year collected			0.9834	0.9879	0.9276

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	20,209,528,754		
Personal property	1,292,083,159		
Public service companies	357,877,749		
Total	<u>21,859,489,662</u>	0.6600	\$ 144,270,237
Personal property-motor vehicles	1,130,337,057	0.6600	7,460,227
Personal property-motor vehicles	645,409,367	0.6650	4,292,001
Personal property-motor vehicles	583,213	0.6650	3,879
Total	<u>1,776,329,637</u>		<u>11,756,107</u>
Total	<u>23,635,819,299</u>		<u>\$ 156,026,344</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, 2013:

School districts	\$ -
Fire protection districts	4,423,773
Total	<u>\$ 4,423,773</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 Position by Component	Table 1
Changes in Net Position	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

Ad Valorem Taxes	Table 5
Assessed Value of Taxable Property	Table 6
Estimated Actual Value of Taxable Property	Table 7
Property Tax Rates – Direct and Overlapping Governments	Table 8
Construction Information	Table 9
Principal Property Taxpayers	Table 10
Property Tax Levies and Collections	Table 11

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 12
Ratios of General Bonded Debt Outstanding	Table 13
Legal Debt Margin Information	Table 14
Pledged Revenue Coverage per Revenue Bond Indenture – Water and Sewer Bonds	Table 15
Pledged Revenue Coverage – Water and Sewer Bonds	Table 16

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 17
Principal Employers	Table 18

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 19
Operating Indicators by Function/Program	Table 20
Capital Asset Statistics by Function/Program	Table 21



Table 1

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 44,668,785
Restricted	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	20,887,064
Unrestricted	(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)	(336,677,648)
Total governmental activities net position	\$ (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)	\$ (271,121,799)
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 158,884,335
Restricted	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	1,052,416
Unrestricted	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	89,214,629
Total business-type activities net position	\$ 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	\$ 249,151,380
Primary government:										
Net investment in capital assets	\$ 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	\$ 203,553,120
Restricted	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	21,939,480
Unrestricted	(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)	(247,463,019)
Total primary government net position	\$ 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)	\$ (21,970,419)

Table 2

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 12,753,596
Public safety	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	41,235,748
Economic and physical development	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	2,329,378
Human services	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	37,146,051
Cultural and recreational	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	6,492,900
Education	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	90,964,332
Interest and fees on long term debt	7,068,573	9,673,057	9,566,434	14,991,616	22,947,274	25,079,081	23,915,195	22,974,484	21,943,425	18,770,059
Total Governmental Activities	<u>147,082,345</u>	<u>189,338,748</u>	<u>194,087,056</u>	<u>320,484,954</u>	<u>312,486,304</u>	<u>283,369,551</u>	<u>223,466,816</u>	<u>212,763,934</u>	<u>209,154,028</u>	<u>209,692,064</u>
Business-type Activities:										
Water and sewer	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	30,349,615
Solid waste	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	4,505,743
Stormwater	65,485	101,610	115,546	38,162	213,187	211,501	207,437	191,859	148,634	200,613
Total Business-type Activities	<u>19,699,136</u>	<u>22,564,364</u>	<u>26,810,867</u>	<u>29,504,280</u>	<u>30,708,960</u>	<u>32,261,183</u>	<u>32,050,076</u>	<u>32,161,440</u>	<u>34,408,034</u>	<u>35,055,971</u>
Total Expenses	<u>\$ 166,781,481</u>	<u>\$ 211,903,112</u>	<u>\$ 220,897,923</u>	<u>\$ 349,989,234</u>	<u>\$ 343,195,264</u>	<u>\$ 315,630,734</u>	<u>\$ 255,516,892</u>	<u>\$ 244,925,374</u>	<u>\$ 243,562,062</u>	<u>\$ 244,748,035</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Public safety	\$ 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	\$ 5,840,128
Human services	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	2,906,371
Other activities	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	2,202,798
Operating grants and contributions:										
Human services	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	19,274,946
Education	1,164,474	1,469,609	1,947,466	4,743,499	4,813,403	5,590,655	7,646,005	7,714,618	7,410,421	7,819,965
Other activities	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	5,067,919
Capital grants and contributions	513,875	156,953	246,468	336,940	660,626	95,704	421,017	423,685	573,183	150,079
Total Governmental Activities	<u>31,045,971</u>	<u>34,554,870</u>	<u>38,418,004</u>	<u>42,607,946</u>	<u>41,518,237</u>	<u>39,464,083</u>	<u>40,514,468</u>	<u>42,155,763</u>	<u>43,301,783</u>	<u>43,262,206</u>
Business-type Activities:										
Charges for services:										
Water and sewer	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	28,526,457
Solid waste	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	4,386,568
Stormwater	-	-	-	-	3,295	-	-	-	-	-
Operating grants and contributions	298,135	200,383	218,447	236,132	230,170	227,158	309,190	344,414	372,658	362,703
Capital grants and contributions:										
Water and sewer	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	7,361,297
Total Business-type Activities	<u>37,984,400</u>	<u>43,822,094</u>	<u>64,304,562</u>	<u>57,447,503</u>	<u>48,854,241</u>	<u>34,439,591</u>	<u>33,176,161</u>	<u>34,063,690</u>	<u>36,915,764</u>	<u>40,637,025</u>
Total Primary Revenues	<u>\$ 69,030,371</u>	<u>\$ 78,376,964</u>	<u>\$ 102,722,566</u>	<u>\$ 100,055,449</u>	<u>\$ 90,372,478</u>	<u>\$ 73,903,674</u>	<u>\$ 73,690,629</u>	<u>\$ 76,219,453</u>	<u>\$ 80,217,547</u>	<u>\$ 83,899,231</u>
Net (Expense) /Revenue										
Governmental Activities	\$ (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)	\$ (166,429,858)
Business-type Activities	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	5,581,054
Total primary government net expense	<u>\$ (97,751,110)</u>	<u>\$ (133,526,148)</u>	<u>\$ (118,175,357)</u>	<u>\$ (249,933,785)</u>	<u>\$ (252,822,786)</u>	<u>\$ (241,727,060)</u>	<u>\$ (181,826,263)</u>	<u>\$ (168,705,921)</u>	<u>\$ (163,344,515)</u>	<u>\$ (160,848,804)</u>

Table 2 (continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues										
Governmental Activities:										
Property taxes levied for general purposes	\$ 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	\$ 161,590,726
Local option sales tax	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	27,595,031
Other taxes and licenses	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	2,093,213
Unrestricted grants and contributions	63,719	57,091	56,129	93,312	108,755	104,914	112,326	108,028	86,716	89,481
Unrestricted rental income	-	-	-	-	-	-	3,295,689	3,156,330	7,666,879	6,100,000
Unrestricted investment earnings	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	(687,300)
Unrestricted miscellaneous	42,687	31,929	17,661	647,091	102,972	14,559	7,974	34,914	32,836	182,066
Transfers in/out	(108,406)	(131,307)	(323,304)	(300,000)	-	-	-	-	-	-
Gain / (loss) on sale of capital assets	(68,993)	(2,491,673)	(4,289,460)	23,581	333,257	(993,597)	95,064	85,935	127,182	(178,573)
Extraordinary item	-	-	-	-	-	-	-	-	54,000,000	-
Total general revenues and transfers	<u>84,583,986</u>	<u>101,730,960</u>	<u>116,902,824</u>	<u>153,774,052</u>	<u>178,640,106</u>	<u>189,449,479</u>	<u>187,884,774</u>	<u>189,170,552</u>	<u>251,834,203</u>	<u>196,784,644</u>
Business-type Activities:										
Unrestricted investment earnings	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	(193,033)
Transfers	108,406	131,307	323,304	300,000	-	-	-	-	-	-
Gain / (loss) on sale of capital assets	(24,393)	(138,738)	68,048	41,165	(160,735)	13,199	4,748	(24,662)	53,637	19,729
Special item	-	-	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	(1,499,544)	-	-	-	-	-
Total Business-type activities	<u>553,979</u>	<u>1,324,880</u>	<u>2,169,815</u>	<u>3,276,257</u>	<u>2,077,860</u>	<u>1,569,820</u>	<u>1,267,826</u>	<u>1,148,532</u>	<u>543,856</u>	<u>(173,304)</u>
Total primary government	<u>\$ 85,137,965</u>	<u>\$ 103,055,840</u>	<u>\$ 119,072,639</u>	<u>\$ 157,050,309</u>	<u>\$ 180,717,966</u>	<u>\$ 191,019,299</u>	<u>\$ 189,152,600</u>	<u>\$ 190,319,084</u>	<u>\$ 252,378,059</u>	<u>\$ 196,611,340</u>
Change in Net Position										
Governmental Activities	\$ (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	\$ 30,354,786
Business-type Activities	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	5,407,750
Total Change in Net Position	<u>\$ (12,613,145)</u>	<u>\$ (30,470,308)</u>	<u>\$ 897,282</u>	<u>\$ (92,883,476)</u>	<u>\$ (72,104,820)</u>	<u>\$ (50,707,761)</u>	<u>\$ 7,326,337</u>	<u>\$ 21,613,163</u>	<u>\$ 89,033,544</u>	<u>\$ 35,762,536</u>

Table 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,287	\$ 84,618	\$ 279,914
Restricted	-	-	-	-	-	-	-	12,754,599	13,161,506	13,342,913
Assigned	-	-	-	-	-	-	-	1,656,054	1,497,776	3,761,390
Unassigned	-	-	-	-	-	-	-	39,980,344	51,249,617	62,284,839
Reserved	10,674,614	10,485,321	13,092,816	15,793,681	18,762,186	11,548,975	11,232,158	-	-	-
Unreserved	49,687,704	53,912,165	36,515,103	35,498,590	35,345,281	44,697,716	40,706,179	-	-	-
Total general fund	<u>\$ 60,362,318</u>	<u>\$ 64,397,486</u>	<u>\$ 49,607,919</u>	<u>\$ 51,292,271</u>	<u>\$ 54,107,467</u>	<u>\$ 56,246,691</u>	<u>\$ 51,938,337</u>	<u>\$ 54,494,284</u>	<u>\$ 65,993,517</u>	<u>\$ 79,669,056</u>
All other governmental funds										
Restricted:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,230,291	\$ 2,977,249	\$ 3,234,227
Debt service funds	-	-	-	-	-	-	-	1,510,656	-	-
Capital project funds	-	-	-	-	-	-	-	5,676,015	4,425,317	2,403,336
Assigned:										
Capital project funds	-	-	-	-	-	-	-	20,587,727	73,084,142	43,260,589
Reserved	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	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	(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	<u>\$ (1,227,836)</u>	<u>\$ 67,260,641</u>	<u>\$ 26,630,390</u>	<u>\$ (40,471,146)</u>	<u>\$ 68,019,036</u>	<u>\$ 61,811,881</u>	<u>\$ 42,377,372</u>	<u>\$ 32,004,689</u>	<u>\$ 80,486,708</u>	<u>\$ 48,898,152</u>

Table 4

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad valorem taxes	\$ 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	\$ 162,147,454
Local option sales tax	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	27,595,031
Other taxes and licenses	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	3,068,956
Intergovernmental revenue	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	31,130,202
Permits and fees	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	6,098,103
Sales and services	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	4,398,686
Investment earnings	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	122,634
Miscellaneous	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	7,171,956
Extraordinary item	-	-	-	-	-	-	-	-	54,000,000	-
Total Revenues	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	241,733,022
Expenditures										
Current:										
General government	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	11,493,384
Public safety	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	39,134,681
Economic and physical development	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	2,158,639
Human services	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	36,855,320
Cultural and recreational	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	5,791,576
Education	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	82,882,387
Debt Service:										
Principal	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	30,542,075
Interest and fiscal charges	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	21,236,696
Capital Outlay	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	11,208,917
Total Expenditures	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	241,303,675
Excess (Deficiency) of Revenues over (under) Expenditures	(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	429,347
Other Financing Sources (Uses)										
Transfers from other funds	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	20,075,766
Transfers to other funds	(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)	(20,075,766)
Proceeds from borrowing	306,170	140,000,000	-	80,922,511	224,214,820	77,265,407	-	-	-	-
Proceeds from refunding	15,294,474	21,630,000	-	-	-	76,074,144	42,040,683	61,411,729	76,440,701	79,521,253
Proceeds from termination	-	-	-	-	-	-	-	-	-	953,000
Payments to escrow agent	(15,138,229)	(21,630,000)	-	-	-	(75,600,000)	(41,768,100)	(55,380,000)	(75,670,230)	(78,792,830)
Payments to terminate swaps	-	-	-	-	-	-	-	(5,544,147)	-	(20,023,787)
Total Other Financing Sources (Uses)	354,009	139,868,693	(323,304)	80,622,511	224,214,820	77,739,551	272,583	487,582	770,471	(18,342,364)
Net change in fund balances	\$ (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	\$ (17,913,017)
Debt service as a percentage of non-capital expenditures	10.3%	8.3%	9.8%	8.2%	12.7%	16.4%	19.4%	21.3%	18.0%	20.1%

Table 5

**Union County, North Carolina
Ad Valorem Taxes - General Fund
Last Ten Fiscal Years
(in thousands of dollars)**

	<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>	<u>2013</u>
REVENUES											
Ad Valorem Taxes											
Current year levy	\$ 47,254,415	\$ 56,004,211	\$ 69,333,521	\$ 80,484,050	\$ 99,572,553	\$ 121,074,196	\$ 145,202,930	\$ 148,045,812	\$ 150,435,645	\$ 152,186,072	\$ 153,550,056
Prior years' levy	1,325,682	1,218,533	1,459,728	1,598,916	2,071,323	2,256,679	2,482,963	3,666,239	3,959,296	3,158,223	2,888,114
Penalties and interest	443,853	476,317	510,411	477,173	558,956	622,522	736,108	886,268	1,013,773	1,201,507	1,265,282
Total	<u>\$ 49,023,950</u>	<u>\$ 57,699,061</u>	<u>\$ 71,303,660</u>	<u>\$ 82,560,139</u>	<u>\$ 102,202,832</u>	<u>\$ 123,953,397</u>	<u>\$ 148,422,001</u>	<u>\$ 152,598,319</u>	<u>\$ 155,408,714</u>	<u>\$ 156,545,802</u>	<u>\$ 157,703,452</u>

Table 6

**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			
2004	2003	1,322,250	7,241,313	1,130,588	843,687	232,942	10,770,780	0.53
2005	2004	1,625,571	9,467,521	1,210,622	855,271	244,639	13,403,624	0.525
2006	2005	1,620,411	10,385,207	1,469,931	905,633	254,761	14,635,943	0.56
2007	2006	1,717,083	11,495,054	1,584,861	1,028,755	276,145	16,101,898	0.6367
2008	2007	1,773,675	12,619,083	1,716,434	1,116,150	313,762	17,539,104	0.7111
2009	2008	2,538,940	16,730,100	1,499,935	1,206,628	316,631	22,292,234	0.665
2010	2009	2,570,973	17,116,297	1,554,412	1,317,492	346,513	22,905,687	0.665
2011	2010	2,632,122	17,258,428	1,545,618	1,337,551	357,989	23,131,708	0.665
2012	2011	2,639,194	17,452,960	1,654,529	1,297,412	351,399	23,395,494	0.665
2013	2012	2,656,787	17,536,158	1,718,147	1,281,969	357,878	23,550,939	0.66

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 7

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	Real Property	Personal Property		Public Service Company Property	Estimated Actual Taxable Value
				Motor Vehicles	Other		
2004	2003	88.73%	9,651,260	1,130,588	843,687	232,942	11,858,477
2005	2004	97.53%	11,374,031	1,210,622	855,271	244,639	13,684,563
2006	2005	93.12%	12,892,631	1,469,931	905,633	254,761	15,522,956
2007	2006	90.96%	14,525,217	1,584,861	1,028,755	276,145	17,414,978
2008	2007	84.03%	17,128,119	1,716,434	1,116,150	313,762	20,274,465
2009	2008	96.45%	19,978,269	1,499,935	1,206,628	316,631	23,001,463
2010	2009	96.00%	20,507,573	1,554,412	1,317,492	346,513	23,725,990
2011	2010	106.46%	18,683,590	1,545,618	1,337,551	357,989	21,924,748
2012	2011	111.16%	18,074,986	1,654,529	1,297,412	351,399	21,378,326
2013	2012	119.78%	16,872,206	1,776,330	1,292,083	357,878	20,298,497

Source: County Assessor's Office

Table 8

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

Fiscal Year Ended June 30	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Taxes Levied by Union County										
County-wide rate	.53	.525	.56	.6367	.7111	.665	.665	.665	.665	.660
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	.07	.07	.07	-	-	-	-	-	-	-
County Schools District	.07	.07	.07	-	-	-	-	-	-	-
Supplemental Fire Districts										
Hemby VFD	.036	.0427	.0404	.0464	.377	.0493	.0493	.0476	.0493	.0526
Springs VFD	-	-	-	.0313	.0312	.0306	.0306	.03	.0315	.0355
Stallings VFD	.0392	.0492	.039	.0444	.0262	.0406	.0406	.0428	.0428	.0428
Waxhaw VFD	-	-	-	.0413	.0513	.0248	.0248	.037	.0372	.0386
Wesley VFD	.017	.014	.015	.0152	.0167	.0191	.0191	.022	.022	.0241
Total County Rates										
Maximum	.6392	.6442	.6704	.6831	1.0881	.7143	.7143	.7126	.7143	.7126
Minimum	.6	.595	.63	.6367	.7111	.665	.665	.665	.665	.660
Average	.6196	.6196	.6502	.6599	.8996	.6897	.6897	.6888	.6897	.6863
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	.185
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	-
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	.052
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 9

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
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
2013	255	150,362	2,385	269,294

Table 10

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

Taxpayer	Type of Business	June 30, 2013			June 30, 2004		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Allegheny Technologies (Allvac)	Metals	\$ 262,462,404	1	1.11 %	\$ 51,689,024	4	0.39 %
Union Electric Membership Corp	Utility	113,558,681	2	0.48	63,614,916	2	0.47 %
Charlotte Pipe & Foundry Co.	Plastics	101,893,473	3	0.43 %	113,082,701	1	0.84 %
Duke Power Company	Utility	72,909,373	4	0.31 %	53,414,289	3	0.40 %
Piedmont Natural Gas	Gas	67,988,817	5	0.29 %	-	-	-
Turbomeca Manufacturing INC	Manufacturer	44,585,438	6	0.19 %	-	-	-
WSLD Millbridge VI LLC	Home Builder	43,781,010	7	0.19 %	-	-	-
Wal-Mart Real Estate Business	Retail	35,926,610	8	0.15 %	-	-	-
Lennar Carolinas LLC	Home Builder	35,806,420	9	0.15 %	-	-	-
AEP Industries Inc	Manufacturer	34,448,067	10	0.15 %	-	-	-
Tyson Foods/ Holly Farms	Poultry	-	-	-	46,481,620	5	0.35 %
Verizon South Inc.	Utility	-	-	-	38,420,783	6	0.29 %
Alltell Carolina Inc.	Utility	-	-	-	33,903,914	7	0.25 %
NC Natural Gas Corporation	Gas	-	-	-	32,011,232	8	0.24 %
Pilgrim Pride	Poultry	-	-	-	30,289,409	9	0.23 %
Harris Teeter	Distribution of Food	-	-	-	27,718,183	10	0.21 %
Pilgrim Pride	Poultry	-	-	-	30,289,409	9	0.23 %
Total assessed valuation of top 10 taxpayers		<u>\$ 813,360,293</u>		<u>3.44 %</u>	<u>\$ 520,915,480</u>		<u>3.89 %</u>
Total county-wide assessed valuation		<u>\$ 23,635,819,299</u>			<u>\$ 13,403,624,378</u>		

Source: County Assessor's Office.

Table 11

**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 Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date		
			Amount Collected	Percentage of Levy			Amount Collected	Percentage of Levy	
2004	2003	\$ 57,214,599	\$ 55,711,807	97.4	%	\$ 1,487,554	\$ 57,199,361	100.0	%
2005	2004	70,884,980	68,927,427	97.2	%	1,909,407	70,836,834	99.9	%
2006	2005	82,165,383	80,035,351	97.4	%	2,066,813	82,102,164	99.9	%
2007	2006	102,199,719	99,609,888	97.5	%	2,346,119	101,956,007	99.8	%
2008	2007	124,262,853	121,081,881	97.4	%	2,911,648	123,993,529	99.8	%
2009	2008	150,153,542	145,163,046	96.7	%	4,492,728	149,655,774	99.7	%
2010	2009	152,560,919	148,012,751	97.0	%	3,810,979	151,823,730	99.5	%
2011	2010	153,965,403	150,315,372	97.6	%	549,531	150,864,903	98.0	%
2012	2011	155,277,382	152,028,139	97.9	%	2,152,288	154,180,427	99.3	%
2013	2012	156,216,505	153,431,297	98.2	%	-	153,551,031	98.3	%

Table 12

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

Fiscal Year	Governmental Activities							Debt Per Capita
	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		
2004	\$ 109,950,837	\$ 41,906,170	\$ 21,230,000	\$ 173,087,007	1.61 %	4.1	\$ 1,203	
2005	245,255,314	39,653,898	-	284,909,212	2.13 %	6.1	1,890	
2006	233,801,707	37,376,626	13,495,000	284,673,333	1.95 %	5.5	1,781	
2007	222,078,318	112,709,355	83,495,000	418,282,673	2.60 %	7.3	2,471	
2008	426,516,575	107,497,083	-	534,013,658	3.04 %	8.5	2,928	
2009	467,778,542	111,670,000	-	579,448,542	2.60 %	9.2	3,026	
2010	447,362,860	105,701,102	-	553,063,962	2.41 %	8.2	2,817	
2011	425,754,698	99,707,327	-	525,462,025	2.27 %	7.3	2,610	
2012	403,388,123	94,726,484	-	498,114,607	2.13 %	n/a	2,421	
2013	383,275,223	89,587,309	-	472,862,532	2.00 %	n/a	2,247	

Fiscal Year	Business-Type Activities				Total Primary Government			
	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
2004	\$ 17,185,963	\$ 52,550,000	\$ 3,257,689	\$ 72,993,652	0.04 %	\$ 246,080,659	5.9 %	\$ 1,710
2005	14,213,986	50,980,000	2,879,159	68,073,145	0.04 %	352,982,357	7.6 %	2,342
2006	11,522,693	49,370,000	2,570,663	63,463,356	0.05 %	348,136,689	6.7 %	2,179
2007	9,018,482	47,315,000	15,836,967	72,170,449	0.05 %	490,453,122	8.6 %	2,898
2008	6,533,425	45,245,000	15,603,270	67,381,695	0.06 %	601,395,353	9.6 %	3,298
2009	4,646,458	43,165,000	16,119,573	63,931,031	0.06 %	643,379,573	10.2 %	3,359
2010	2,922,140	60,640,000	15,135,877	78,698,017	0.05 %	631,761,979	9.4 %	3,218
2011	1,420,302	58,065,000	14,152,180	73,637,482	0.05 %	599,099,507	8.4 %	2,976
2012	871,877	52,655,000	13,168,483	66,695,360	0.06 %	564,809,967	n/a %	2,746
2013	329,777	49,955,000	12,184,787	62,469,564	0.07 %	560,584,170	n/a %	2,725

Table 13

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 Assesed Value	Percentage of Actual Taxable Value of Property	Debt Per Capita
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
2013	383,605,000	-	383,605,000	1.62 %	6.16 %	1,823

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

Table 14

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value of taxable property (in 000's)	\$ 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	\$ 23,635,819
Applicable percentage:	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08	x 0.08
Debt limit - 8 percent of assessed value	861,662,400	1,072,289,920	1,170,875,440	1,288,151,840	1,403,128,400	1,783,378,720	1,832,454,960	1,850,536,640	1,871,639,520	1,890,865,520
Gross debt										
General obligation debt	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	383,605,000
Bond anticipation notes	21,230,000	-	13,495,000	83,495,000	-	-	-	-	-	-
Authorized and unissued	180,000,000	110,730,000	97,235,000	201,735,000	64,500,000	-	-	-	-	-
Certificates of Participation	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	83,535,000
Installment Financing	306,170	243,898	181,626	119,355	57,083	9,390,000	8,591,102	7,777,327	6,931,484	6,052,309
NC Clean Water Revolving Loan	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	12,184,787
	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	485,377,096
Less: Water bonds issued and outstanding	(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	(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)	(329,777)
NC Clean Water Revolving Loan	(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)	(12,184,787)
Amount held in sinking fund	-	-	-	-	-	-	-	-	-	-
	(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)	(12,514,564)
Total amount of debt applicable to debt limit	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	472,862,532
Legal debt margin	\$ 508,575,393	\$ 676,650,708	\$ 788,967,107	\$ 668,134,167	\$ 804,614,742	\$ 1,203,930,178	\$ 1,279,390,998	\$ 1,325,074,615	\$ 1,373,524,913	\$ 1,418,002,988
Legal debt margin as a percentage of the debt limit	59.02%	63.10%	67.38%	51.87%	57.34%	67.51%	69.82%	71.60%	73.39%	74.99%

Table 15

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

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	20% Preceding Year's Surplus	Senior Debt Service	Subordinate Debt Service	Total Debt Service	Adj. Total Debt Service + 20% Senior Debt	Coverage Tests	
									Adj. Net Rev / Adj. Dbt. Svc.	Net Rev / Total Dbt. Svc.
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
2013	28,950,896	17,316,934	11,633,962	6,075,579	4,628,653	1,872,481	6,501,134	7,426,865	2.38	1.79

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 16

**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	
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
2013	28,950,896	17,316,934	11,633,962	2,700,000	1,928,653	3

Table 17

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

Fiscal Year	Personal						Sales (5) (thousands of dollars)
	Population (1)	Income (thousands of dollars) (2)	Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)		
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	7,304,614	35,552	39,900	9.6	%	1,122,433
2012	205,717	n/a	n/a	40,359	8.6	%	1,197,951
2013	210,410	n/a	n/a	40,958	8.0	%	1,321,781

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 2007-2013 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 2012-2013 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 18

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

Employer	Type of Business	2013		2004	
		Employees	Rank	Employees	Rank
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	5
Harris Teeter Inc	Trade, Transportation & Utilities	1,000+	6	-	-
Walmart Associates Inc.	Trade, Transportation & Utilities	500-999	7	500-999	8
City of Monroe	Public Administration	500-999	8	500-999	10
Wingate University	Education & Health Services	500-999	9	-	-
Pilgrim's Pride Corporation	Manufacturing	500-999	10	500-999	7
McGee Brothers	Construction	500-999	-	500-999	6
Charlotte Pipe & Foundry Company	Manufacturing	500-999	-	500-999	9

Source: North Carolina Department of Commerce

Table 19

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	7.2	8.2	8.2	8.2	8.1	6.1	6.2	6.3	6.1	7.05
Internal Audit	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	3.1	3.0	3.0	3.0	3.5	4.0
Personnel	6.0	6.0	6.0	7.0	8.0	7.0	7.0	6.0	6.0	6.0
Finance	10.2	9.2	9.2	10.2	10.2	9.0	8.0	8.0	8.0	8.8
Tax Administration	46.2	47.8	51.8	51.8	56.3	44.5	44.5	42.5	42.5	46.73
Elections	10.8	10.9	11.6	11.6	10.3	10.3	13.4	12.0	18.8	12.67
Register of Deeds	11.3	11.3	12.5	12.5	13.5	12.0	12.0	9.0	9.1	10.48
Information Systems (and GIS)	12.0	12.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.10
General Services	13.7	13.7	13.0	11.0	11.5	10.0	10.0	10.0	10.0	-
Purchasing & Contract Admin.										3.1
Public safety										
Law Enforcement (and AC)	191.2	217.6	218.7	234.6	242.2	248.6	261.6	261.1	262.3	284.46
Communications	30.4	35.6	45.8	44.7	45.7	41.4	41.4	41.4	42.1	43.37
Homeland Security	3.0	3.0	3.0	4.0	4.0	3.0	3.0	3.0	3.0	2.34
Fire Services	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	4.33
Inspection	29.0	28.0	28.0	28.0	27.5	16.0	16.0	12.0	12.0	17.75
Economic and physical development										
Planning	4.0	4.0	4.0	5.0	6.0	4.0	4.0	4.0	4.0	4.25
Economic Development	2.0	-	-	-	-	-	-	-	-	-
Cooperative Extension	10.0	10.0	12.0	12.0	12.5	11.0	11.0	11.0	10.0	9.82
Soil Conservation	3.0	3.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Human services										
Public Health	91.2	93.5	97.5	102.6	104.7	101.7	100.0	100.2	93.2	90.1
Social Services	191.4	191.1	194.1	199.6	199.7	200.4	200.4	197.4	188.1	193.56
Transportation and Nutrition	27.9	28.1	30.0	30.1	31.0	30.0	30.3	30.9	30.0	34.58
Veterans' Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	4.02
Cultural and recreational										
Library	64.2	65.1	64.5	65.9	66.0	55.7	55.7	56.2	54.6	55.13
Parks and Recreation	23.4	23.4	25.4	27.4	27.9	26.9	23.7	23.7	23.7	24.18
Sub-total	<u>805.9</u>	<u>839.3</u>	<u>866.1</u>	<u>896.0</u>	<u>914.2</u>	<u>865.6</u>	<u>876.2</u>	<u>862.7</u>	<u>852.5</u>	<u>882.82</u>
Business-type activities:										
Water and Sewer	89.1	89.1	94.2	99.3	109.1	92.8	93.6	94.0	93.6	104.82
Solid Waste	21.8	21.6	21.6	21.7	21.5	20.6	20.8	20.4	18.8	19.44
Stormwater	1.3	1.3	1.3	1.3	2.1	2.1	2.1	2.1	2.1	2.10
Sub-total	<u>112.2</u>	<u>112.0</u>	<u>117.1</u>	<u>122.3</u>	<u>132.7</u>	<u>115.5</u>	<u>116.5</u>	<u>116.5</u>	<u>114.5</u>	<u>126.36</u>
Total	<u><u>918.1</u></u>	<u><u>951.3</u></u>	<u><u>983.2</u></u>	<u><u>1,018.3</u></u>	<u><u>1,046.9</u></u>	<u><u>981.1</u></u>	<u><u>992.7</u></u>	<u><u>979.2</u></u>	<u><u>967.0</u></u>	<u><u>1,009.18</u></u>

Table 20

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Personnel										
Number of full-time employees	796	825	844	879	977	921	933	910	899	931
Number of part-time employees	145	151	174	223	67	55	55	49	56	73
Elections										
Number of registered voters	82,305	92,313	97,003	102,969	113,057	119,538	123,132	125,401	129,821	136,500
Information Systems (and GIS)										
Number of people in system	814	1,120	1,169	1,226	1,282	1,234	1,232	1,214	1,230	1,313
General Services										
Number of vehicle service requests	877	970	643	549	1,077	1,093	990	1,040	1,031	1,113
Public safety										
Fire Services										
Number of volunteer fire personnel	500	525	610	640	645	560	560	550	550	550
Inspection	4,025	4,585	5,100	4,347	713	1,341	1,070	1,201	2,057	2,640
Human services										
Public Health										
Number of patients	14,592	16,171	13,085	9,371	13,939	13,657	18,350	13,426	11,952	9,408
Number of visits	31,920	32,300	29,779	33,507	29,026	31,745	36,857	25,907	23,869	23,650
Social Services										
Number of client visits	34,194	34,452	n/a	37,824	44,446	52,953	55,102	56,601	57,985	57,351
Transportation and Nutrition										
Number of trips	63,996	68,023	73,345	73,725	85,199	87,929	85,907	86,067	78,156	84,623
Congregate, home delivered and supplemental meals	88,716	81,034	92,491	96,359	107,034	96,117	86,772	82,324	71,276	69,835
Veterans' Services										
Number of visitors	3,204	3,583	4,096	4,417	3,197	3,049	2,820	3,431	3,178	3,451
Number of phone calls	5,996	7,841	8,356	8,329	8,685	8,246	9,880	11,155	11,907	12,374
Cultural and recreational										
Library										
Number of volumes	180,193	214,212	200,740	229,812	219,255	210,457	216,363	228,169	225,174	225,788
Parks and Recreation										
Education										
Number of licensed employees	1,672	2,233	2,455	2,593	3,531	2,990	2,585	2,834	2,555	3,192
Number of students	27,031	28,815	31,580	34,564	36,952	38,554	39,366	39,900	40,359	40,958
Business-type Activities:										
Water and Sewer										
Average daily consumption in gallons (in 000's)	7,272	7,062	8,870	11,840	9,617	8,659	9,395	11,420	11,280	11,100
Number of water service connections	26,564	28,922	32,629	36,276	38,192	38,913	39,320	39,710	41,147	42,406
Number of sewer service connections	17,028	19,246	22,732	26,113	27,040	27,432	27,760	28,452	29,110	30,306

Source: Various county departments

Table 21

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Tax Administration										
Number of tax parcels	85,885	97,078	98,640	102,639	105,714	106,749	107,406	107,287	108,297	108,297
Elections										
Number of precincts	46	49	51	50	50	50	52	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	236	245	267	295	308	301	314	309	318	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	4	4	3	4	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	1,290	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	36	40	44	48	53	53	53	53	53
Number of classrooms	1,201	1,316	1,440	1,540	2,139	2,322	2,322	2,322	2,322	2,322
Business-type activities:										
Water and Sewer										
Number of fire hydrants	2,490	2,530	2,680	3,700	3,850	4,280	4,490	4,559	4,579	4,571
Miles of water mains	585	610	650	700	726	759	963	972	980	980
Miles of sewer mains	439	450	465	500	539	592	606	606	607	610

Source: Various county departments

Compliance Section





POTTER & COMPANY
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Union County's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Union County's** financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D. Ha ; Company, P.A.

October 17, 2013
Monroe, North Carolina



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON 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

Report on Compliance for Each Major Federal Program

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 **Union County's** major federal programs for the year ended June 30, 2013. **Union County's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Union County's** major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of **Union County's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Union County** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Union County's** internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 **Union County's** internal control over compliance.

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

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

P. H. : Company, P.A.

October 17, 2013
Monroe, North Carolina



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON 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

Report on Compliance for Each Major State Program

We have audited **Union County**, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of **Union County's** major state programs for the year ended June 30, 2013. **Union County's** major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Union County's** major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 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 on compliance for each major state program. However, our audit does not provide a legal determination of **Union County's** compliance.

Opinion on Each Major State Program

In our opinion, **Union County** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of **Union County** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Union County's** internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 **Union 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Patten & Company, P.A.

October 17, 2013
Monroe, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

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 yes X no

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.557	Supplemental Nutrition Program for Women, Infants and Children
93.556, 93.558, 93.659	Foster Care and Adoption Cluster
93.778	Medical Assistance 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, 2013

State Awards

Internal control over major State programs:

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

Identification of major State programs:

Program Name

CWS Adoption Subsidy and Vendor Payments

The only other major state program for Union County is the Medical Assistance Program. Therefore, this program has 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

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

Corrective Action Plan

For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

Summary Schedule for Prior Year's Audit Findings

For the Fiscal Year Ended June 30, 2013

Finding: 12-1

Status: Corrected.

Finding: 12-2

Status: Corrected.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

Schedule 43

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS:						
<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:						
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster</u>						
Department of Revenue (DOR) Retention	10.551		\$ 1,123	\$ -	\$ -	\$ 1,123
Tax Offset Program (TOP) Retention	10.551		19,980	-	-	19,980
SNAP - Cash Incentive Retention	10.561		11,902	-	-	11,902
State Administrative Matching Grants for the SNAP Program	10.561		1,148,551	-	1,165,224	2,313,775
Total Passed-through N.C. Department of Health and Human Services: Food Stamp Cluster			<u>1,181,556</u>	<u>-</u>	<u>1,165,224</u>	<u>2,346,780</u>
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
<u>Special Supplemental Nutrition Program for</u>						
Women, Infants and Children-Client Services	10.557	13A2-5403-GC	77,376	-	34,415	111,791
Women, Infants and Children-Client Services	10.557	13A2-5403-GD	268,571	-	-	268,571
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GC	56,929	-	13,748	70,677
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GD	193,577	-	-	193,577
Women, Infants and Children-Administration	10.557	13A2-5405-GC	13,676	-	2,473	16,149
Women, Infants and Children-Administration	10.557	13A2-5405-GD	49,530	-	-	49,530
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GC	4,357	-	1,667	6,024
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GD	31,168	-	-	31,168
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570E-JQ	1,964	-	710	2,674
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570F-JQ	8,205	-	-	8,205
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570G-JQ	13,466	-	-	13,466
Summer Food Services Program for Children	10.559	1272-5767-W2	248	-	-	248
Direct Benefit Payments:						
<u>Special Supplemental Nutrition Program for:</u>						
Women, Infants and Children	10.557		3,120,878	-	-	3,120,878
Total Passed-through N.C. Dept. of Health and Human Services: Division of Public Health			<u>3,839,945</u>	<u>-</u>	<u>53,013</u>	<u>3,892,958</u>
Total U.S. Department of Agriculture			<u>5,021,501</u>	<u>-</u>	<u>1,218,237</u>	<u>6,239,738</u>
<u>U.S. DEPARTMENT OF ENERGY</u>						
Department of Energy:						
Energy Efficiency and Conservation Block Grant Program (ARRA)	81.128	DE-SC0001314	164,008	-	-	164,008
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Department of Justice: Bureau of Justice Assistance						
State Criminal Alien Assistance Program	16.606	2012-APB-X0-438	56,197	-	-	56,197
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Passed-through N. C. Department of Commerce:						
Division of Community Assistance						
Community Development Block Grant	14.228	09-C-2019	6,487	-	-	6,487

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Schedule 43
(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>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Passed-through N. C. Department of Crime Control and Public Safety:						
Division of Emergency Management:						
Emergency Management Assistance	97.042	EMPG-2012-37179	\$ 77,321	\$ -	\$ -	\$ 77,321
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Federal Transit Administration:						
Passed-through N. C. Department of Transportation:						
Department of Transportation:						
Formula Grants for Other than Urbanized Areas	20.509	13-CT-089 Admin	145,763	9,109	27,334	182,206
Formula Grants for Other than Urbanized Areas	20.509	13-CT-089 Capital	21,175	2,646	2,649	26,470
Formula Grants for Other than Urbanized Areas	20.509	11-CT-089 Capital	112,229	14,029	14,029	140,287
Governor's Highway Safety Program	20.609	K4-2013-04-06	105,926	-	-	105,926
State Planning and Research	20.205-5	STP-DA-39225-19	88,459	-	-	88,459
Total U.S. Department of Transportation			<u>473,552</u>	<u>25,784</u>	<u>44,012</u>	<u>543,348</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Administration of Aging:						
Division of Aging and Adult Services:						
Passed-through Centralina Council of Governments:						
<u>Aging Cluster:</u>						
Nutrition Services Incentive Program	93.053		30,485	-	-	30,485
Social Services Block Grant-In Home Aide	93.667		34,792	996	-	35,788
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Center	93.044		220,957	13,037	-	233,994
Special Programs for the Aging-Title III C						
Nutrition Services	93.045		170,389	9,964	-	180,353
Administration of Aging: Aging Cluster			<u>456,623</u>	<u>23,997</u>	<u>-</u>	<u>480,620</u>
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		\$ 127,019	\$ -	\$ 285,443	\$ 412,462
Special Children Adoption	93.558					-
Family Preservation	93.556		27,266	-	-	27,266
Title IV-E Administration Foster Care	93.658					-
Title IV-E Foster Care Training	93.658		26,111	-	8,704	34,815
Title IV-E Foster Care Officer Training	93.658		225,965	-	225,965	451,930
Title IV-E Foster Care	93.658		105,530	27,861	27,862	161,253
Title IV-E Foster Care In Excess	93.658		154,803	40,960	40,960	236,723
IV-E Admin County Paid to CCI	93.658		8,308	4,154	4,154	16,616
IV-E Family Foster Care Max	93.658		1,514	-	800	2,314
IV-E Family Foster Care Max Level III	93.658		2,946	-	1,551	4,497
IV-E Child Protective Services	93.658		183,260	81,434	101,826	366,520
Title IV-E Adoption Training	93.659		1,179	-	393	1,572
Title IV-E Optional Adoption Training	93.659		89,301	-	89,301	178,602
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments	93.659		442,757	117,139	117,139	677,035
Total Foster Care and Adoption Cluster			<u>1,395,959</u>	<u>271,548</u>	<u>904,098</u>	<u>2,571,605</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

Schedule 43
(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>Temporary Assistance for Needy Families (TANF) Cluster:</u>						
TANF/Work First - Direct Benefit Payments	93.558		\$ 712,876	\$ -	\$ -	\$ 712,876
TANF Incentives		N/A	-	1,339	-	1,339
TANF Administration	93.558		302,182	-	-	302,182
TANF Services	93.558		1,285,147	-	-	1,285,147
Work First Administration	93.558		-	-	405,094	405,094
Work First Service	93.558		1,472	-	1,070,101	1,071,573
Total TANF Cluster			2,301,677	1,339	1,475,195	3,778,211
NC Child Support Enforcement	93.563		1,338,356	-	728,688	2,067,044
Direct Benefit Payments:						
AFDC Payments & Penalties	93.560		(926)	-	-	(926)
Refugee Assistance-Direct Benefit Payments	93.566		3,258	-	-	3,258
Child Welfare Services:						
Permanency Planning-Regular	93.645		18,925	-	6,308	25,233
Permanency Planning-Special	93.645		66,703	-	22,234	88,937
LINKS	93.674		16,901	4,225	-	21,126
LINKS-Independent Living/Transitional Funds	93.674		8,971	-	-	8,971
Low Income Home Energy Assistance Block Grant:						
Administration	93.568		389,188	-	-	389,188
Crisis Intervention Program	93.568		676,255	-	-	676,255
SSBG - In Home Services Fund	93.667		12,717	-	1,817	14,534
SSBG - Adult Day Care	93.667		38,428	20,254	8,383	67,065
SSBG - Adult Day Care Over 60	93.667		23,527	11,437	4,995	39,959
SSBG - Adult Day Care Professional Services	93.667		24,619	-	8,206	32,825
SSBG - Other Services and Training	93.667		392,635	-	127,910	520,545
Total Division of Social Services			6,707,193	308,803	3,287,834	10,303,830

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Schedule 43
(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 (continued):						
Passed-through N.C. Department of Health and Human Services:						
Subsidized Child Care Cluster:						
Child Care Development Fund Cluster:						
Division of Child Development:						
Child Care Development Fund -Discretionary	93.575	1380-1810-DQ	\$ 404,531	\$ -	\$ -	\$ 404,531
Child Care Development Fund -Discretionary	93.575	1380-1810-DY	37,178	-	-	37,178
Child Care Development Fund -Discretionary	93.575	1381-1810-DQ	70,450	-	-	70,450
Child Care Development Fund -TANF to CCDF Discretionary	93.575	1380-1810-TB	1,071,581	-	-	1,071,581
Child Care Development Fund -TANF	93.575	1380-1810-TK	39,818	-	-	39,818
Child Care Development Fund-Mandatory	93.596	1380-1810-ML	521,839	-	-	521,839
Child Care Development Fund-Mandatory	93.596	1380-1810-MP	178,802	-	-	178,802
Child Care Development Fund-Match	93.596	1380-1810-VD	164,838	87,671	-	252,509
Child Care Development Fund-Match	93.596	1380-1810-V1	127,279	67,695	-	194,974
Child Care Development Fund-Match	93.596	1380-1810-VZ	526,827	277,366	-	804,193
Child Care Development Fund-State Funding	N/A	1380-1812-00	-	243,918	-	243,918
Child Care Development Fund-State Match	N/A	1381-1740-VD	-	134,301	-	134,301
Child Care Development Fund-State Match	N/A	1381-1740-VZ	-	423,395	-	423,395
Child Care Development -Smart Start	N/A	1381-1740-40	-	63,250	-	63,250
Child Care Development -Smart Start TANF	N/A	1381-1740-TM	-	317,516	-	317,516
Child Care State Maintenance of Effort	N/A	1380-1810-T6	-	135,537	-	135,537
Division of Social Services:						
Child Care Development Fund-Administration	93.596		166,485	-	-	166,485
Social Services Block Grant	93.667		14,070	-	-	14,070
Total Child Care Development Fund Cluster			3,323,698	1,750,649	-	5,074,347
Temporary Assistance for Needy Families (TANF) Child Care Cluster:						
TANF Child Care	93.558	1380-1810-T2	857,120	-	-	857,120
Total TANF Child Care Cluster			857,120	-	-	857,120
Foster Care Child Care Cluster:						
IV- Foster Care	93.658	1380-1817-K4	29,307	15,430	-	44,737
IV- Foster Care	93.658	1380-1817-K5	11,658	4,357	-	16,015
Total TANF Child Care Cluster			40,965	19,787	-	60,752
Total Subsidized Child Care Cluster			4,221,783	1,770,436	-	5,992,219
Total Administration for Children and Families			10,928,976	2,079,239	3,287,834	16,296,049

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Schedule of Expenditures of Federal and State Awards
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Schedule 43
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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		\$ 39,089	\$ 19,544	\$ 19,544	\$ 78,177
State/County Special Assistance	93.778		30,271	-	30,271	60,542
Medical Assistance Expansion (Note 3)	93.778		19,516	19,516	-	39,032
Medical Assistance Administration (Note 3)	93.778		1,815,322	-	1,815,322	3,630,644
Medical/Healthchoice Interpreting	93.778		69,550	-	23,183	92,733
Medical Transportation Administration	93.778		30,411	-	30,411	60,822
Medical Transportation Services	93.778		28,291	14,895	-	43,186
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		200,981	3,960	54,751	259,692
Direct Benefit Payments:						
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		4,927,977	1,571,597	-	6,499,573
Total Division of Social Services			7,161,408	1,629,512	1,973,482	10,764,401
Division of Medical Assistance:						
Medical Assistance Program (Note 3)	93.778		202,886	107,087	-	309,973
Direct Benefit Payments:						
Medical Assistance Program (Note 3)	93.778		87,787,951	48,053,594	47,963	135,889,509
Total Centers for Medicare and Medicaid Services			95,152,244	49,790,193	2,021,445	146,963,883
Centers for Disease Control						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Prevention Investigations and Technical Assistance	93.283	1551-540D-KK	-	-	129,592	129,592
Prevention Investigations and Technical Assistance	93.283	1271-330D-J7	2,476	-	-	2,476
Breast & Cervical Cancer	93.919	1320-310A-EK	20,904	-	53,365	74,269
Breast & Cervical Cancer - Supplemental	93.744	1320-311A-KS	761	-	-	761
Wise Women Bioterrorism Grant	93.283	1313-360E-WA	11,750	-	12,368	24,118
Public Health Emergency Preparedness	93.069	1264-2680-EQ	1,203	-	-	1,203
Public Health Emergency Preparedness	93.069	1264-2680-EU	10,091	-	-	10,091
Public Health Emergency Preparedness	93.069	1264-2680-ET	32,930	-	5,925	38,855
Immunization Action	93.268	1331-631A-EJ	7,706	-	-	7,706
Immunization Action	93.268	1331-631E-EJ	29,898	-	344,448	374,346
Total Centers for Disease Control			117,719	-	545,698	663,417
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	13A1-592B-FP	42,744	-	-	42,744
TANF-Family Planning	93.558	13A1-5151-T2	9,995	-	-	9,995
Women's Preventive Health-MCH Services Block Grant	93.994	13A1-5735-AP	31,539	23,657	-	55,196
Maternal Health-MCH Services Block Grant	93.994	13A1-5740-AP	26,384	19,790	-	46,174
Care Coordination for Children-MCH Services Block Grant	93.994	1271-5318-AP	19,213	14,412	341,393	375,018
Child Health-MCH Services Block Grant	93.994	1271-5745-AP	27,186	20,392	1,211,714	1,259,292
Child Health-MCH Services Block Grant	93.994	1271-5351-AP	838	628	-	1,466
Total Health Resources and Services Administration			157,899	78,879	1,553,107	1,789,885
Total U. S. Department of Health and Human Services			106,813,461	51,972,308	7,408,084	166,193,854

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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. ELECTION ASSISTANCE COMMISSION						
Help America Vote Act Passed-through N.C. State Board of Elections: Election Reform	39.011	Title I	\$ 12,748	\$ -	\$ -	\$ 12,748
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Passed-through N.C. Department of Environmental and Natural Resources Division of Water Quality: Congressionally Mandated Projects	66.202	STAG-XP-95437909-0	1,333,147	-	2,430,321	3,763,468
Total federal awards			113,958,422	51,998,092	11,100,654	177,057,169
STATE AWARDS:						
N.C. DEPARTMENT OF CULTURAL RESOURCES						
Division of State Library: State Aid to Public Libraries	N/A		-	179,296	-	179,296
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed-through North Carolina Partnership for Children, Incorporated Department of Social Services	N/A		-	74,941	14	74,955
Health	N/A		-	105,395	50,234	155,629
Library	N/A		-	54,850	19,580	74,430
Total Passed-through North Carolina Partnership for Children, Incorporated			-	235,186	69,828	305,014
Division of Aging and Adult Services:						
Aging Cluster:						
90% State Funds - Access	N/A		-	88,599	-	88,599
90% State Funds - In-Home Services	N/A		-	208,503	-	208,503
90% State Funds - Congregate Nutrition	N/A		-	40,687	-	40,687
90% State Funds - Home Delivered Meals	N/A		-	42,431	-	42,431
Total Division of Aging and Adult Services: Aging Cluster			-	380,220	-	380,220
Division of Social Services Programs:						
DCD Smart Start	N/A		-	251,428	-	251,428
SSBG State	N/A		-	36,726	12,242	48,968
Share the Warmth	N/A		-	5,866	-	5,866
State Adult Protective Services	N/A		-	-	-	-
State Aid to Counties	N/A		-	-	-	-
County Funded	N/A		-	-	3,238,078	3,238,078
Work First Non-Reimbursable	N/A		-	-	198,925	198,925
Foster Care At Risk Maximization	N/A		-	1,462	770	2,232
State Foster Home Fund Maximization	N/A		-	70,549	70,549	141,098
State Foster Home	N/A		-	53,024	53,024	106,048
CWS Adoption Subsidy and Vendor Payments-Direct Benefit Payments	N/A		-	319,695	66,509	386,204
Special Assistance For Adults	N/A		-	-	54,331	54,331
State/County Special Assistance For Adults-Direct Benefit Payments	N/A		-	740,137	740,137	1,480,274
Total Division of Social Services			-	1,478,887	4,434,565	5,913,452

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Schedule of Expenditures of Federal and State Awards
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Schedule 43
(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 HEALTH AND HUMAN SERVICES (CONTINUED):</u>						
Division of Public Health:						
Aid to Counties-Health Administration	N/A	1161-4110-00	\$ -	\$ 82,608	\$ 415,633	\$ 498,241
Breast and Cervical Cancer	N/A	1320-5599-00	-	7,650	-	7,650
Communicable Disease	N/A	1175-4510-00	-	7,416	448,747	456,163
Communicable Disease-Aids	N/A	1311-4536-RR	-	2,500	8,043	10,543
Communicable Disease-Aids	N/A	1311-4536-RQ	-	10,000	-	10,000
Communicable Disease-Tuberculosis	N/A	1460-4551-00	-	3,810	-	3,810
Environmental Health	N/A	1153-4751-00	-	8,000	1,377,726	1,385,726
Food and Lodging Fees	N/A	1153-4752-04	-	50,992	-	50,992
High Risk Maternity Clinics	N/A	13A1-5746-00	-	60,293	1,132,179	1,192,472
School Nurse	N/A	1332-5358-00	-	-	50,000	50,000
Tuberculosis	N/A	1460-4554-00	-	1,055	78	1,133
Women's Preventative Health	N/A	13A1-6013-FR	-	12,955	738,833	751,788
Total Division of Public Health			-	247,279	4,171,239	4,418,518
Total N.C. Department of Health and Human Services			-	2,341,572	8,675,632	11,017,204
<u>N.C. DEPARTMENT OF PUBLIC INSTRUCTION</u>						
Public School Building Capital Fund-Lottery Fund	N/A		-	2,715,280	-	2,715,280
Total N.C. Department of Public Instruction			-	2,715,280	-	2,715,280
<u>N.C. DEPARTMENT OF PUBLIC SAFETY</u>						
Division of Juvenile Justice - Community Programs Section						
Juvenile Crime Prevention Council	N/A	290000	-	8,950	-	8,950
Project Challenge	N/A	290023	-	78,594	-	78,594
Shelter Care	N/A	290011	-	122,686	-	122,686
Youth and Family Services	N/A	290018	-	82,741	-	82,741
Total Department of Public Safety			-	292,971	-	292,971
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>						
Rural Operating Assistance Program (ROAP)						
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	98,023	-	98,023
ROAP Rural General Public Program		DOT-16CL	-	165,898	-	165,898
ROAP Work First Transitional - Employment		DOT-16CL	-	57,011	-	57,011
Total N.C. Department of Transportation			-	320,932	-	320,932
<u>N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Division of Soil and Water Conservation:						
Soil and Water Conservation	N/A		-	29,100	42,644	71,744
Total N.C. Department of Environment and Natural Resources			-	29,100	42,644	71,744
<u>N.C. DEPARTMENT OF ADMINISTRATION</u>						
Veteran's Service	N/A		-	1,452	299,520	300,972
Total State awards			-	5,880,603	9,017,796	14,898,399
Total federal, State and local awards			\$ 113,958,422	\$ 57,878,695	\$ 20,118,450	\$ 191,955,568

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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:

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>State Expenditures</u>
N.C. DEPARTMENT OF HUMAN RESOURCES		
Department of Juvenile Justice and Delinquency Prevention		
Juvenile Crime Prevention Council	290000	8,950
Project Challenge	290023	78,594
Shelter Care	290011	122,686
Youth and Family Services	290018	82,741
		<u>\$ 292,971</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