

Union County, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



About the cover:

This year's cover is a tribute to the evolution of Union County's community. The diversity within the community from agriculture and quaint farmers markets, historic downtown, planned residential communities and parks, and the 21st century manufacturing. Agriculture was the economic engine of the County from its formation until the 1980's, when commercial and residential home expansion impeded the west side of the County. As of the latest information available, 2012, Union County's agri-business ranked 3rd in the state, generating over \$464 million for the local economy, a 6.4% increase over the prior year. To this day, 44% of the County is designated farm land, home to over 1,100 working farms.

The County has continued to evolve and become widely diverse, with the western region of the County commercialized and home to numerous residential housing communities. Monroe offers a historic downtown with the greatest diversity of commercial offerings, and is the geographic center of the County. The east side continues to offer the only University within the County, and is otherwise rural with the majority of farms.

Photos assembled and exhibited by Christopher Alexander, Union County Administrative Services/ Finance Division.

Thank you to Greiner Bio-One North America, Inc. for a picture of VACUETTE® tubes, manufactured in their Monroe, NC facility.

Union County, North Carolina

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014

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

November 5, 2014

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, 2014.

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 unmodified opinion on Union County's financial statements for the year ended June 30, 2014. 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 211,539 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 county employees. 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 County Commissioners, as well as the administration of the annual adopted budget.

The County provides a wide range of services including public safety, human services (Social Services, Health, Veterans' Services and Transportation), funds for education, cultural and recreational activities, and general administration functions. Additionally, the County owns and operates water, sewer, 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 service area basis for the general fund and at the fund level for the special revenue, debt service, enterprise (proprietary operating) and on a project basis for capital project (multi-year) funds. The County Manager is authorized to approve appropriation transfers within and between all service areas within a fund. The Board approves budget adjustments that increase 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 3.22 percent of assessed value. ATI-Allvac and Tyson Farms, both manufacturers, employ over 1,000 people within the County.¹

Contributing to the County's growth during the past decade is its proximity to the City of Charlotte and Mecklenburg County, which contain the largest population in the State and comprise the major urban center of North Carolina's piedmont crescent. The County's diverse economic base and the interdependence of the Charlotte-Gastonia-Concord Metropolitan Statistical Area or MSA are major factors that have contributed to the County's rapid growth during the previous decade.

The County's economic indicators are trending in a positive direction. Labor statistics show the County's unemployment rate declined by 1.0 percent year over year in August 2014 to 6.2 percent. North Carolina's statewide unemployment rate (not seasonally adjusted) was 7.0 percent in August. This was a 0.1 of a percentage-point increase from July's revised rate of 6.9 percent, and a .9 percentage-point decrease over the year. Over the month, the unemployment rate decreased in twelve counties, increased in eighty-six and remained the same in twelve. Forty counties had unemployment rates at or below the state's 7.0 percent rate.

The North Carolina median household income has fallen from \$51,125 in 2000 to \$46,450 in 2012, a decline of 9.1 percent. Union County's median household income was \$65,906 in 2000 compared to \$64,593 in 2012, a reduction of 1.4 percent.²

¹ ATI Allvac is now known as ATI Specialty Materials.

² North Carolina Department of Commerce - Labor and Economic Analysis Division, News Release, September 20, 2014

³ U S Census Bureau

Building activity in fiscal year 2014 continued to show signs of improvement. For fiscal year 2014, there were 400 commercial and 3,285 residential construction permits issued county-wide, compared to fiscal year 2013 of 255 commercial and 2,385 residential permits; showing a 39.58 percent increase in permits. This trend is anticipated to continue into 2015, albeit at a slower rate.

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 19.37 percent or 39,000 residents between 2010 and 2020, reaching 240,293 residents by the year 2020. Public school enrollment, currently at approximately 41,129 students, is projected to increase to approximately 42,484 students by 2023.⁵ The County's utility system added approximately 1,629 new water connections in fiscal year 2014.

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, 37.7 percent or \$166.4 million of the County's general fund principal will be retired during the next five years. Within the next ten years, 67.8 percent or \$299.2 million of the County's tax supported principal 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 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

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

⁵ November 2013, Union County Public Schools Population and Enrollment Forecasts 2013-2023

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 2014 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.

Union County, North Carolina Debt Statistics FY 2010 - FY 2014						
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	
Assessed Value	\$ 24,629,644,596	\$ 23,635,819,299	\$ 23,395,494,250	\$ 23,131,707,917	\$ 22,905,686,865	
Net Tax Supported Debt	\$ 446,026,148	\$ 481,551,944	\$ 511,925,514	\$ 542,794,901	\$ 656,005,530	
Net Tax Supported Debt as a Percentage of Assessed Value	1.81%	2.04%	2.19%	2.35%	2.86%	
Debt Service as a Percentage of Expenditures	19.50%	23.40%	23.40%	23.00%	23.00%	
Population	211,539	210,410	205,717	201,292	196,322	
Debt Per Capita	\$ 2,108	\$ 2,289	\$ 2,488	\$ 2,697	\$ 3,341	
Available Fund Balance as a Percentage of General Fund Expenditures	26.80%	29.90%	23.60%	18.80%	18.10%	

The County continues to fulfill its pledged revenue coverage per the revenue bond indenture for its Water and Sewer Bonds. For fiscal year 2014 the County maintained its two-pronged test; one prong permits the inclusion of 20 percent of the balance of the Surplus Fund, \$5,646,039 from the prior fiscal year, with the other prong omitting the Surplus Fund and the coverage ratio (3.52 times and 3.10 times coverage respectively, as stated in Table 16 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 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.

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.

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, 2013. 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.

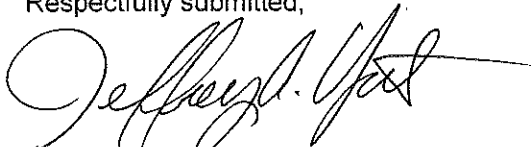
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine 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, Beverly Liles, Daniel Purser and Christopher Alexander 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

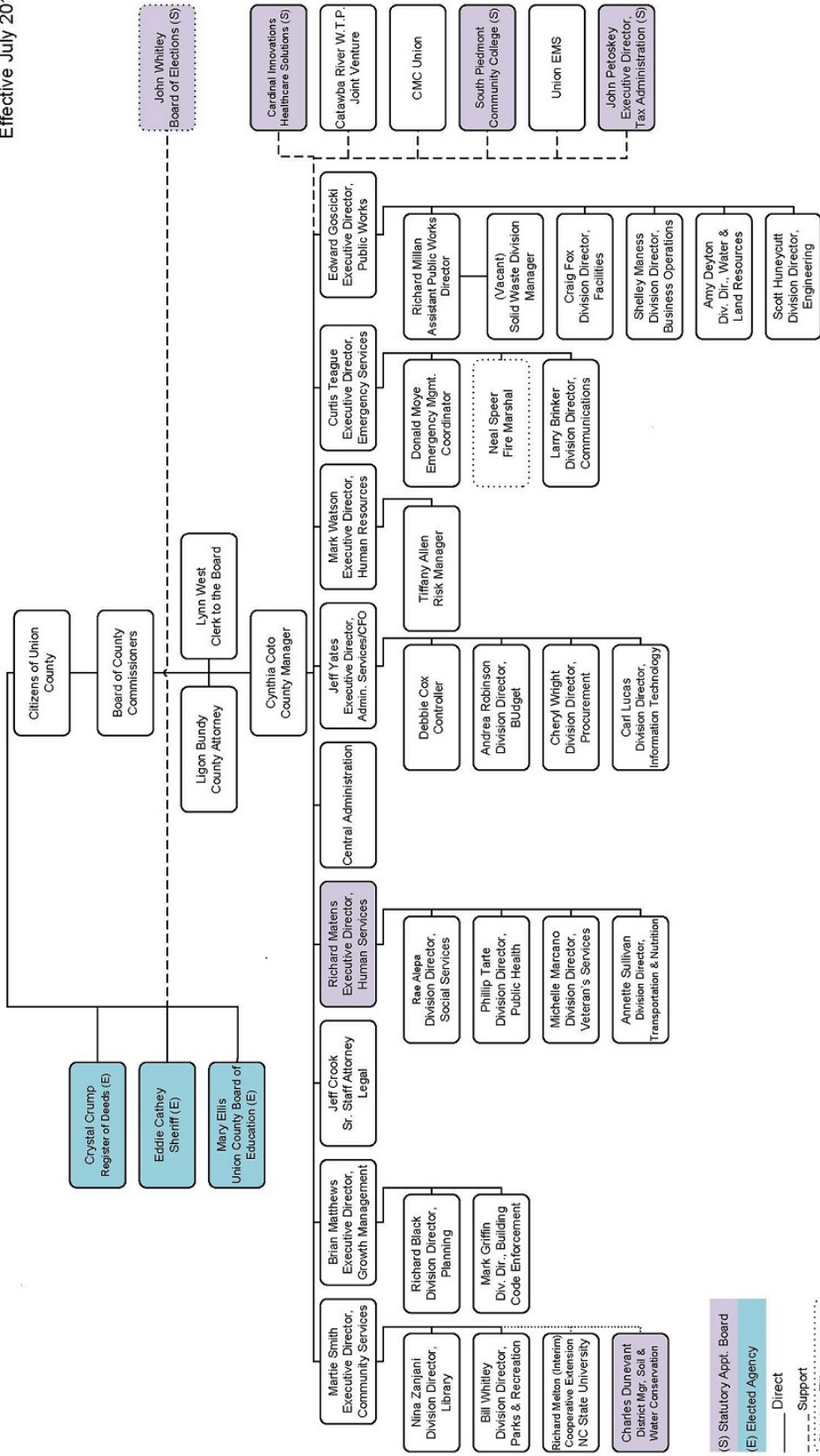
Presented to

**Union County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



(S) Statutory Appt. Board
 (E) Elected Agency
 — Direct
 - - - Support
 Statutory Title

Union County, North Carolina
List of Principal Officials
June 30, 2014

Board of County Commissioners

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

County Officials

Cynthia Coto	County Manager
Matthew Delk	Assistant County Manager
Wesley Baker	Assistant to the County Manager
John Whitley	Board of Elections
Lynn G. West	Clerk to the Board
Richard Melton	Cooperative Extension Service Division Director
Ligon Bundy	County Attorney
Jeffrey Yates	Executive Director, Administrative Services/CFO
Martha Smith	Executive Director, Community Services
Curtis Teague	Executive Director, Emergency Services
Brian Matthews	Executive Director, Growth Management
Mark Watson	Executive Director, Human Resources
Richard Matens	Executive Director, Human Services
Edward Goscicki	Executive Director, Public Works
John Petoskey	Executive Director, Tax Administrator
Crystal Crump	Register of Deeds
Eddie Cathey	Sheriff
Jeff Crook	Sr. Staff Attorney

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, 2014, and the related notes to the financial statements, which collectively comprise Union 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 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, 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, 2014, 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 Union County, North Carolina's basic financial statements. The introductory section, combining and individual fund financial statements, other 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, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate 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. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, other 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 do not express an opinion 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 November 5, 2014, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results 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.

Potter & Company

November 5, 2014
Monroe, North Carolina



Management's Discussion and Analysis

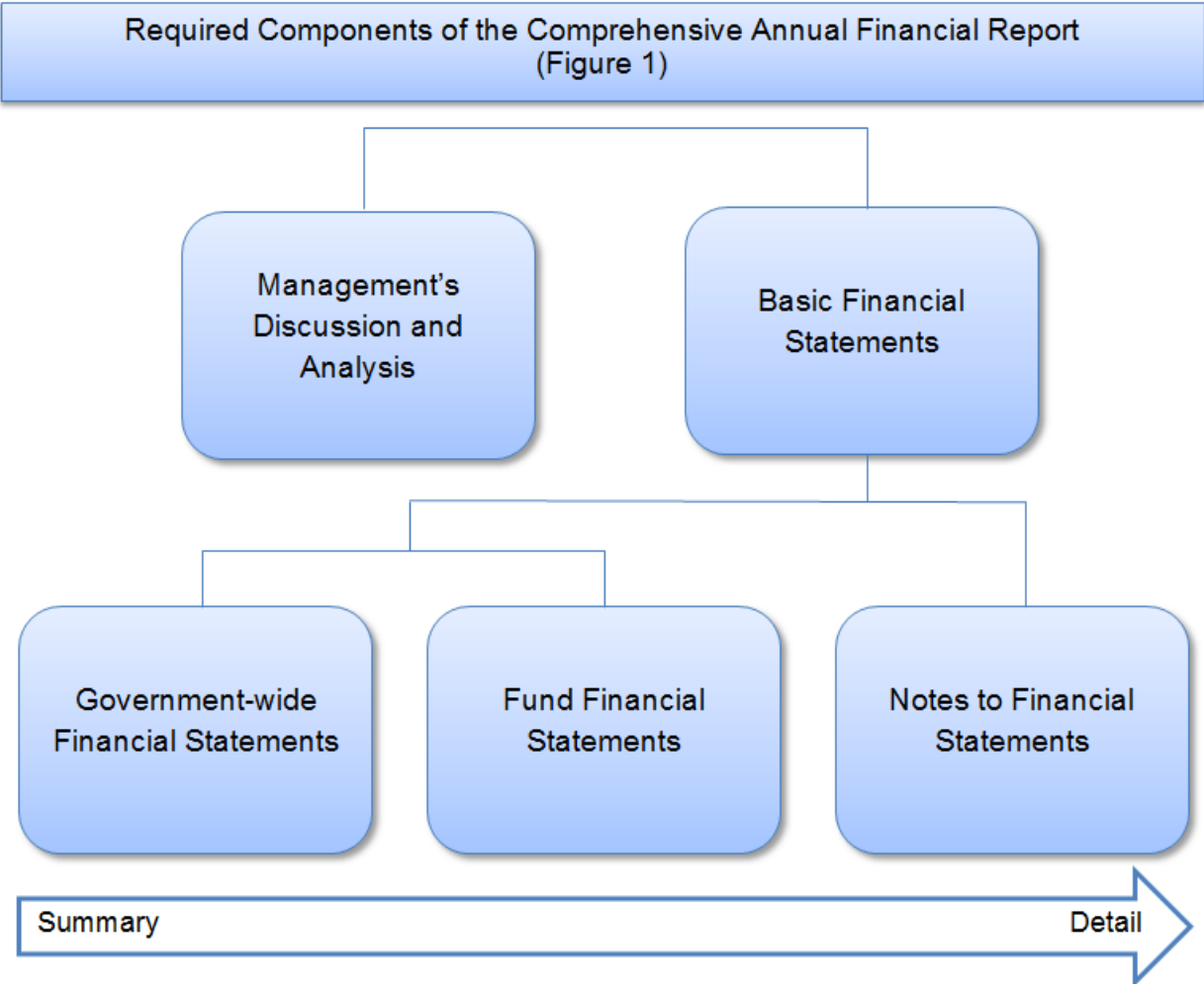
As management of Union County, we offer readers of Union County's financial statements this narrative overview and analysis of the financial activities of Union County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information 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 assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,198,909 (*net position*), an improvement of \$53,169,328 from the prior fiscal year.
- Union County's governmental activities' total net position reflected a deficit of \$230,556,850 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 general statutes, 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 \$140,262,754, an increase of \$11,695,546 in comparison with the prior year. Approximately 1.4 percent of this amount \$1,941,549 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 *committed, assigned and unassigned* components of *fund balance*) for the general fund was \$64,963,064, or approximately 28.9 percent of total general fund expenditures for FY 2014.
- Union County's total outstanding long-term debt decreased by \$38,566,541 or 7.09 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.



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 indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net 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 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 49-96 of this report.

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

The combining statements referred to earlier in connection with non-major governmental funds, 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

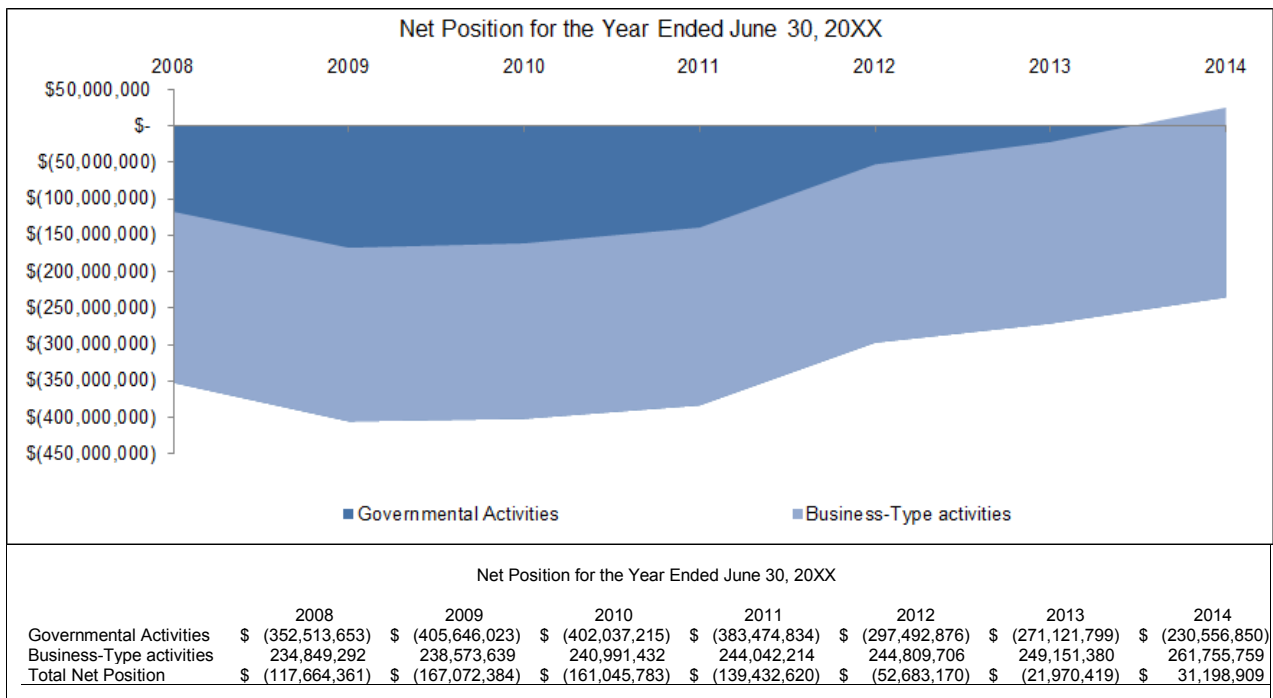
As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$31,198,909 as of June 30, 2014. One of the largest portions, \$208,388,912, reflects 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, \$35,356,060, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$212,546,063 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, 2014 and 2013						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 183,608,116	\$ 169,890,566	\$ 115,447,120	\$ 106,817,239	\$ 299,055,236	\$ 276,707,805
Capital Assets	64,977,594	67,059,248	216,421,165	215,338,148	281,398,759	282,397,396
Total Assets	248,585,710	236,949,814	331,868,285	322,155,387	580,453,995	559,105,201
Total Deferred Outflows of Resources	339,238	-	4,635,994	3,973,489	4,975,232	3,973,489
Long-Term Liabilities	426,998,945	464,008,272	64,769,147	68,125,883	491,768,092	532,134,155
Other Liabilities	48,151,634	43,756,258	8,115,755	7,297,768	56,267,389	51,054,026
Total Liabilities	475,150,579	507,764,530	72,884,902	75,423,651	548,035,481	583,188,181
Total Deferred Inflows of Resources	4,331,219	307,083	1,863,618	1,553,845	6,194,837	1,860,928
Net Position:						
Net investment in capital assets	44,817,727	44,668,785	163,571,185	158,884,335	208,388,912	203,553,120
Restricted	34,036,154	20,887,064	1,319,906	1,052,416	35,356,060	21,939,480
Unrestricted	(309,410,731)	(336,677,648)	96,864,668	89,214,629	(212,546,063)	(247,463,019)
Total net position	\$ (230,556,850)	\$ (271,121,799)	\$ 261,755,759	\$ 249,151,380	\$ 31,198,909	\$ (21,970,419)

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position in the amount of \$309,410,731 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 general statute, 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.

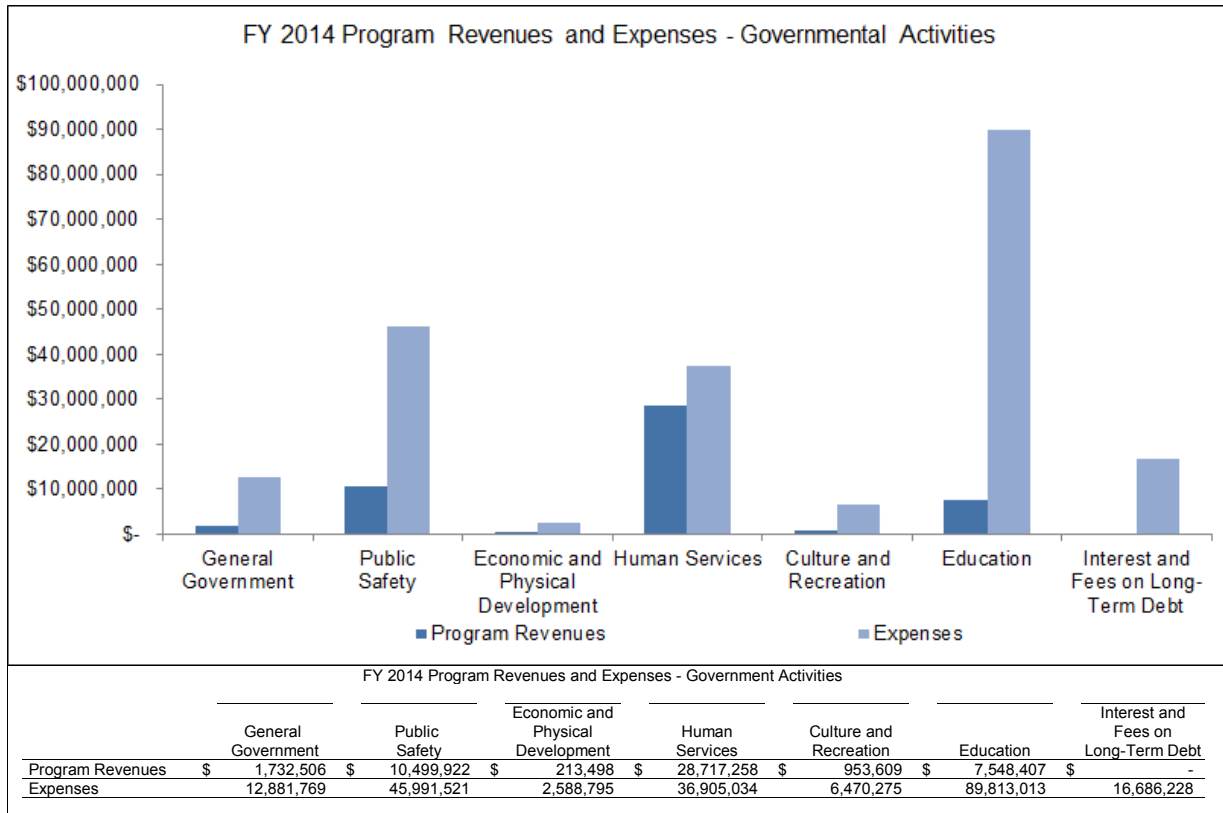


The County's overall net position increased \$53,169,328 from the prior fiscal year. The primary positive influence on the County's financial operations is that long-term debt decreased by \$38,566,541 or 7.09 percent during the current fiscal year. The key factor in this decrease was annual debt service payments.

Union County, North Carolina Changes in Net Position June 30, 2014 and 2013						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for Services	\$ 19,074,645	\$ 10,949,297	\$ 38,775,680	\$ 32,913,025	\$ 57,850,325	\$ 43,862,322
Operating grants and contributions	30,320,228	32,162,830	2,120,364	362,703	32,440,592	32,525,533
Capital grants and contributions	270,327	150,079	8,471,433	7,361,297	8,741,760	7,511,376
General Revenues:						
Property taxes	168,913,593	161,590,726	-	-	168,913,593	161,590,726
Other taxes	32,694,940	29,688,244	-	-	32,694,940	29,688,244
Grants and contributions not restricted to a specific purpose	75,773	89,481	-	-	75,773	89,481
Other	552,078	5,416,193	298,074	(173,304)	850,152	5,242,889
Total Revenues	251,901,584	240,046,850	49,665,551	40,463,721	301,567,135	280,510,571
Expenses:						
General government	12,881,769	12,753,596	-	-	12,881,769	12,753,596
Public safety	45,991,521	41,235,748	-	-	45,991,521	41,235,748
Economic and physical Environment	2,588,795	2,329,378	-	-	2,588,795	2,329,378
Human Services	36,905,034	37,146,051	-	-	36,905,034	37,146,051
Cultural and recreational	6,470,275	6,492,900	-	-	6,470,275	6,492,900
Education	89,813,013	90,964,332	-	-	89,813,013	90,964,332
Interest and fees on long-term debt	16,686,228	18,770,059	-	-	16,686,228	18,770,059
Water and sewer	-	-	32,291,195	30,349,615	32,291,195	30,349,615
Solid waste	-	-	4,534,458	4,505,743	4,534,458	4,505,743
Stormwater	-	-	235,519	200,613	235,519	200,613
Total Expenses	211,336,635	209,692,064	37,061,172	35,055,971	248,397,807	244,748,035
Increase in net position	40,564,949	30,354,786	12,604,379	5,407,750	53,169,328	35,762,536
Net position as of July 1	(271,121,799)	(297,492,876)	249,151,380	244,809,706	(21,970,419)	(52,683,170)
Prior Period Adjustment	-	(3,983,709)	-	(1,066,076)	-	(5,049,785)
Net position as of June 30	\$ (230,556,850)	\$ (271,121,799)	\$ 261,755,759	\$ 249,151,380	\$ 31,198,909	\$ (21,970,419)

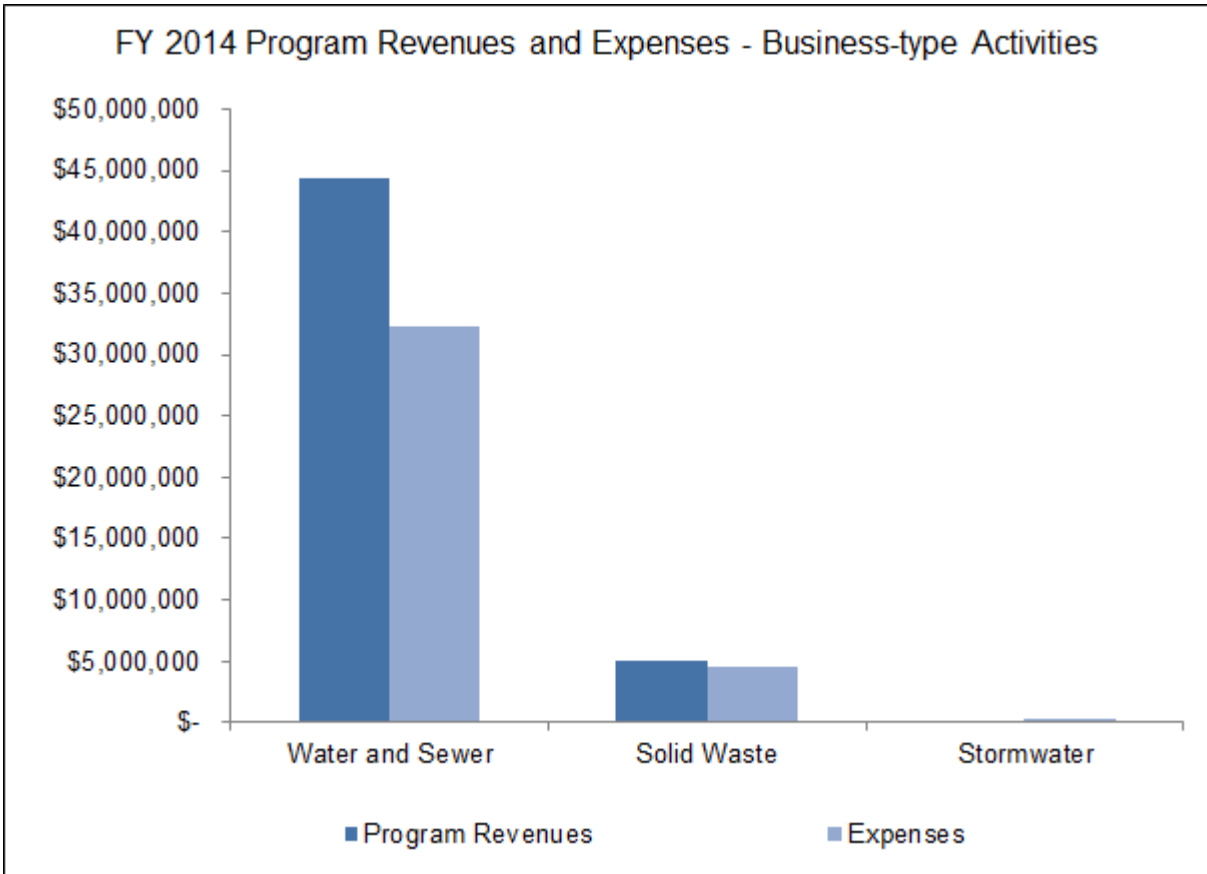
Governmental Activities – During the current fiscal year, net position for governmental activities increased by \$40,564,949, to reach an ending negative balance of \$230,556,850. This is due primarily to previously mentioned annual debt service payments.

The majority of the County's expenses are related to education, \$89,813,013 (42.5 percent); public safety, \$45,991,521 (21.8 percent); and human services, \$36,905,034 (17.5 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 \$12,604,379, to reach an ending balance of \$261,755,759.

The majority of the County’s business-type expenses are related to water and sewer, \$32,291,195 (87.1 percent) and solid waste, \$4,534,458 (12.2 percent).



	Water and Sewer	Solid Waste	Stormwater
Program Revenues	\$ 44,330,694	\$ 5,020,683	\$ 16,100
Expenses	32,291,195	4,534,458	235,519

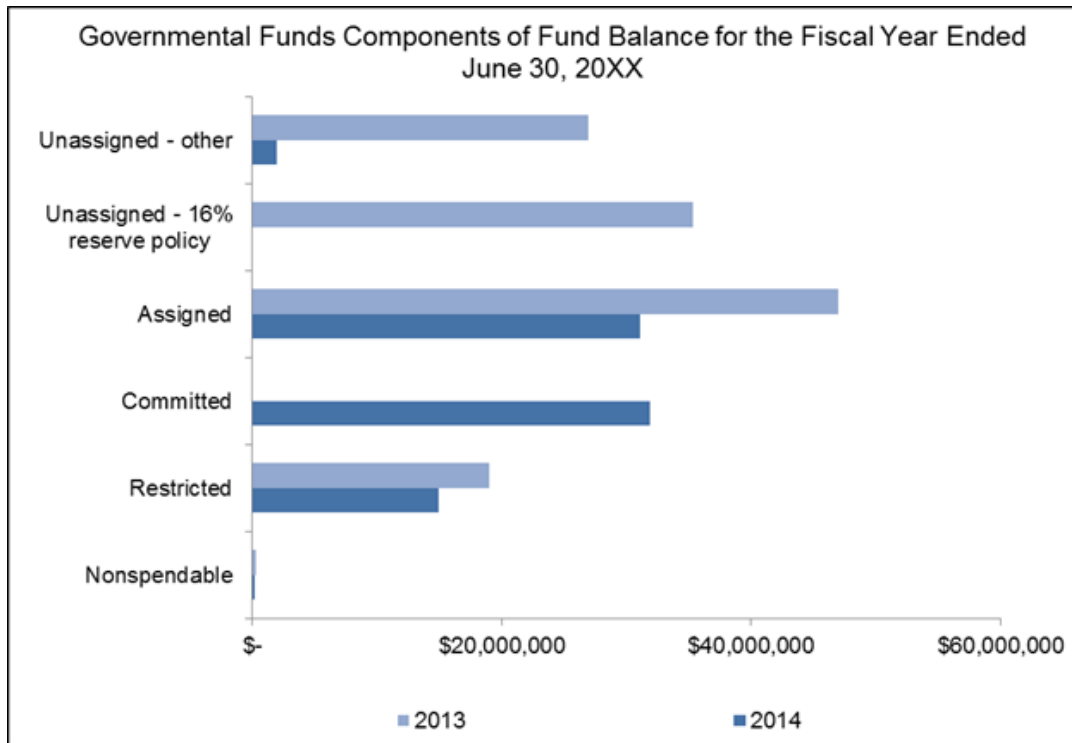
Financial Analysis of the County's Funds

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, 2014, Union County's governmental funds reported combined fund balances of \$140,262,754, an increase of \$11,695,546 in comparison with the prior year. Approximately 1.4 percent of this amount (\$1,941,549) constitutes *unassigned fund balance*, which is available for

spending at the government’s discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned* to indicate that it is 1) non-spendable and not in a spendable form (\$204,937), 2) restricted to specific purposes as imposed by law (\$33,867,703), 3) committed amounts that can be used only for the specific purposes determined by a formal action of the Board (\$31,916,595), or 4) assigned and intended to be used for specific purposes (\$72,331,970).

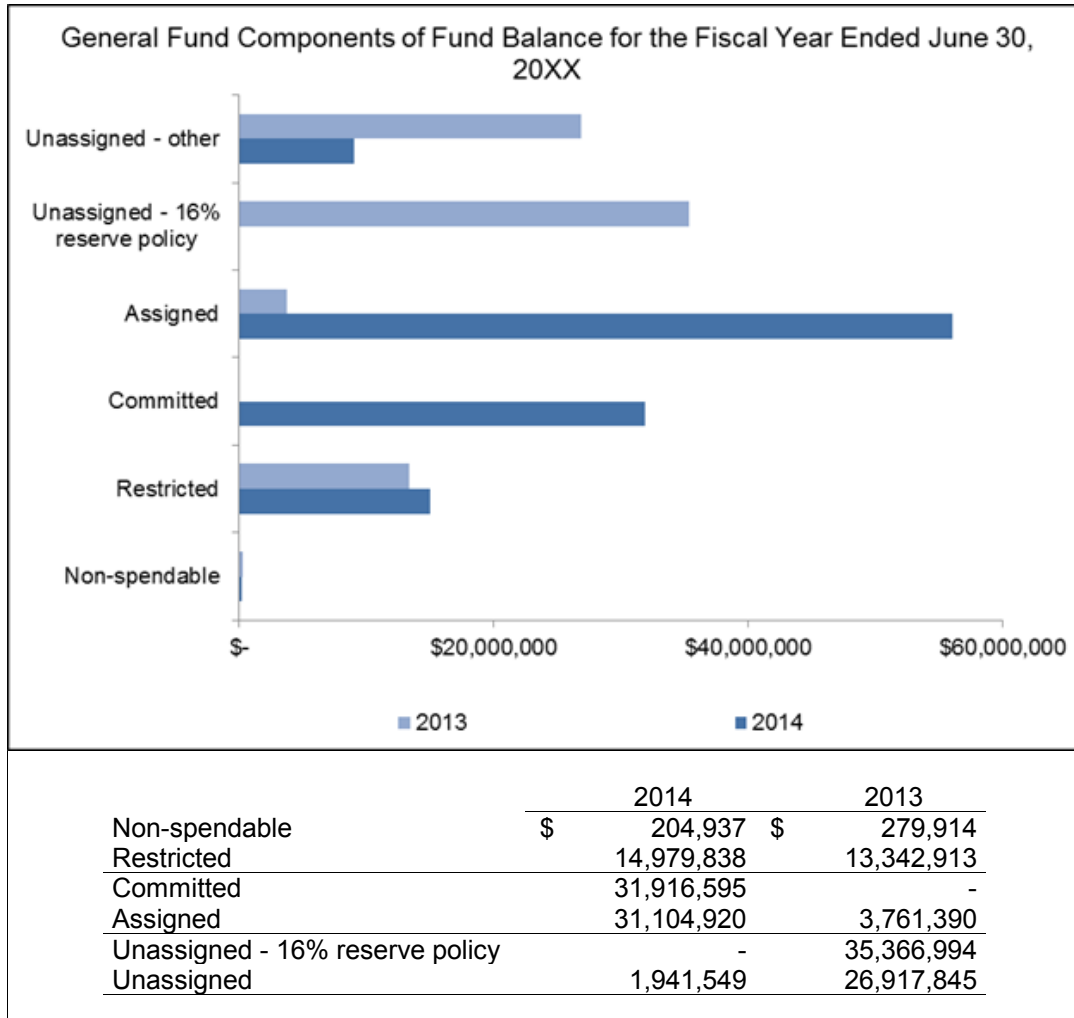


	2014	2013
Nonspendable	\$ 204,937	\$ 279,914
Restricted	33,867,703	18,980,476
Committed	31,916,595	-
Assigned	72,331,970	47,021,979
Unassigned - 16% reserve policy	-	35,366,994
Unassigned - other	1,941,549	26,917,845

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 \$1,941,549, while total fund balance increased by \$478,783, from \$79,669,056 to \$80,147,839. 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 unreserved 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, 2014, the County has an unassigned fund balance of 28.9 percent of general fund expenditures, while total fund balances represents 35.7 percent of that same amount.



The increase was primarily due to greater than anticipated revenues of \$8.9 million of ad valorem taxes and fees, and \$2.5 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 increase of \$14,518,741 to \$56,526,938. There were \$7,039,349 of capital and related expenditures during the current fiscal year. There were \$21,419,454 in transfers to other funds, a majority to the school district for capital improvements to existing structures.

The School Bond Fund 55, the remaining major governmental fund, had a decrease in fund balance during the current year of \$19,222 to bring the year end fund balance to \$88,652. 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 \$92,037,939; an increase of \$7,106,328. The overall net position of the Water and Sewer Fund increased by \$11,830,961 to \$254,952,547. A portion of the net position, net investment in capital assets, increased by \$4,457,193 to \$161,594,702 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 \$4,799,890; an increase of \$328,623. The increase was primarily due to higher operating revenues.

Unrestricted net position of the Stormwater Fund at the end of the year was \$148,273; an increase of \$98,446. 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 \$2,862,421 primarily due to the increases in human services and public safety. The General Fund final budget for revenue increased by \$359,686, 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 2014 General Fund Revenue Compared to Estimates			
	Estimated	Actual	Differences
Ad valorem taxes	\$ 156,081,812	\$ 165,029,949	8,948,137
Local option sales tax	26,948,400	29,449,464	2,501,064
Other taxes and license	1,888,300	2,410,251	521,951
Intergovernmental	30,277,892	29,430,618	(847,274)
Permits and fees	3,765,105	4,531,626	766,521
Sales and services	5,010,458	4,896,808	(113,650)
Investment earnings	500,000	391,547	(108,453)
Miscellaneous	6,682,251	7,075,903	393,652

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, 2014, amounts to \$281,398,759 (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	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,812,189	\$ 4,812,189	\$ 2,860,642	\$ 2,860,642	\$ 7,672,831	\$ 7,672,831
Buildings	41,863,441	43,711,638	757,045	799,801	42,620,486	44,511,439
Infrastructure	-	-	197,982,045	192,629,130	197,982,045	192,629,130
Improvements other than buildings	3,351,712	3,534,168	537,365	577,349	3,889,077	4,111,517
Machinery and equipment	11,224,751	12,145,007	1,748,406	1,118,320	12,973,157	13,263,327
Construction in progress	3,725,501	2,856,246	12,535,662	17,352,906	16,261,163	20,209,152
Total Capital Assets	\$ 64,977,594	\$ 67,059,248	\$ 216,421,165	\$ 215,338,148	\$ 281,398,759	\$ 282,397,396

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles and related mobile data equipment; and replacement of transportation, water and sewer operations, and solid waste operations vehicles
- Continuation of construction related improvements for various Government Facility renovations
- Continuation of human services automation, records management and related technology improvements
- Infrastructure and equipment related to phone system upgrade to voice over internet protocol (VoIP)
- Planning and design services related to the human services replacement facility and campus
- Planning, architectural, and engineering for firearms training and qualifications range
- Continuation of construction of East Side sewer system improvements
- Continuation of engineering and design of, and land purchase for New 880 Pressure Zone water system improvements
- Continuation of engineering and design of Twelve Mile Creek sewer system improvements
- Continuation of engineering and construction of Short Line Extensions water system improvements
- Continuation of construction of Town Center Sewer Development sewer system improvements
- Continuation of engineering and design of Public Works Operations Center Expansion
- Continuation of engineering and design of Yadkin River Water Supply water system improvements
- Continuation of construction of Water Rehabilitation and Replacement projects
- Continuation of engineering and design of Crooked Creek Basin Sewer Improvements

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 \$505,027,319. Of this amount, \$362,892,452 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		
	2014	2013	2014	2013	2014	2013	
General Obligation Bonds	\$ 362,892,452	\$ 390,665,807	\$ 201,561	\$ 344,456	\$ 363,094,013	\$ 391,010,263	
Certificates of participation	77,995,207	84,833,828	-	-	77,995,207	84,833,828	
Installment financing	5,138,489	6,052,309	-	-	5,138,489	6,052,309	
Revenue Bonds	-	-	47,598,520	49,512,673	47,598,520	49,512,673	
Other	-	-	11,201,090	12,184,787	11,201,090	12,184,787	
Total	446,026,148	481,551,944	59,001,171	62,041,916	505,027,319	543,593,860	

Union County's total debt decreased by \$38,566,541 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 \$1,529,214,621. The County has no authorized but unissued bonds as of June 30, 2014.

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

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect Union County and were considered during the development of the FY 2014 budget and rates:

- North Carolina's statewide unemployment rate (not seasonally adjusted) was 7.0 percent in August. This was a 0.1 of a percentage-point increase from July's revised rate of 6.9 percent, and a .9 percentage-point decrease over the year. Over the month, the unemployment rate decreased in twelve counties, increased in eighty-six and remained the same in twelve. Forty counties had unemployment rates at or below the state's 7.0 percent rate.¹
- The County's unemployment rate was 6.2 percent in August 2014. This was a .2 of a percentage-point increase from July's revised rate of 6.0 percent and a decrease of 1.0 percent from August 2013. The County's unemployment rate in July was below the state's 7.0 percent rate.¹
- The Conference Board, a New York based private research group, announced Tuesday, September 30, 2014, that it's Consumer Confidence Index had decreased in September, after improving in August. The Index now stands at 86.0 (1985=100), down from 93.4 in September.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 998,000. This is 5.6 percent ($\pm 1.4\%$) below the revised July rate of 1,057,000 but is 5.3 percent ($\pm 1.8\%$) above the August 2013 estimate of 948,000."²
- Additionally, "Single-family authorizations in September were at a rate of 626,000; this is 0.8 percent ($\pm 0.9\%$) below the revised August figure of 631,000. Authorizations of units in buildings with five units or more were at a rate of 343,000 in August."
- Housing starts are also showing signs of economic improvements. "Privately-owned housing starts in September were at a seasonally adjusted annual rate of 956,000. This is 14.4 percent ($\pm 7.9\%$) below the revised July estimate of 1,117,000 but is 8.0 percent ($\pm 11.2\%$) above the August 2013 rate of 885,000."
- Additionally, "Single-family housing starts in September were at a rate of 643,000; this is 2.4 percent ($\pm 9.7\%$) below the revised July figure of 659,000. The August rate for units in buildings with five units or more was 304,000."³
- The County's housing data is also starting to show signs of economic improvements. There were 400 commercial and 3,285 residential building permits issued during FY 2014, compared to FY 2013 where there were 255 commercial and 2,385 residential permits; showing a 39.58 percent increase in the total count.⁴
- 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, 2015

Governmental Activities – Property taxes (reflective of economic conditions) and local option sales taxes are expected to lead the increase in revenue projections by 18.3% and 11.7% respectively. Anticipated permits, fees and charges for services were also revised and increased by \$1.4 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 4.5 percent; \$6.9 million. This is the first year of a bifurcated budget process whereby the General Fund has been separated into the General Fund and the Schools Budgetary Fund.

During the current fiscal year, the unassigned fund balance in the general fund was \$1,941,549. Union County has appropriated \$1,927,000 of fund balance for spending on SPCC and Register of Deeds in the FY 2015 budget.

Business-type Activities – On April 21, 2014 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 July 2014.

The water and sewer rates in the County increased by 6.5 percent in July, 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.

¹ North Carolina Employment Security Commission, NC Department of Commerce – Labor and Economic Analysis Division, News Release, September 19, 2014. 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.

Basic Financial Statements



Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 108,877,930	\$ 72,465,648	\$ 181,343,578
Property taxes receivable (net)	4,225,101	-	4,225,101
Accounts receivable (net)	14,889,595	5,195,076	20,084,671
Inventories	24,537	487,061	511,598
Internal balances	121,434	(121,434)	-
Prepaid items	148,988	-	148,988
Cash and investments, restricted	-	1,319,906	1,319,906
Cash and investments, restricted-deposits	1,261,696	457,745	1,719,441
Total current assets	<u>129,549,281</u>	<u>79,804,002</u>	<u>209,353,283</u>
Noncurrent assets:			
Cash and investments	29,543,283	19,914,641	49,457,924
Accounts receivable	31,412	424,400	455,812
Net prepaid pension obligation	1,915,583	259,537	2,175,120
Unamortized swap termination costs	22,568,557	-	22,568,557
Investment in joint venture	-	15,044,540	15,044,540
Capital assets:			
Land and other assets not being depreciated	8,537,690	15,396,304	23,933,994
Buildings, equipment and infrastructure	56,439,904	201,024,861	257,464,765
Total noncurrent assets	<u>119,036,429</u>	<u>252,064,283</u>	<u>371,100,712</u>
DEFERRED OUTFLOWS OF RESOURCES			
	339,238	4,635,994	4,975,232
Total assets and deferred outflows of resources	<u>248,924,948</u>	<u>336,504,279</u>	<u>585,429,227</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	11,918,288	3,689,456	15,607,744
Deposits	1,261,696	457,746	1,719,442
Workers' compensation claims	108,160	-	108,160
Health care benefits	1,069,343	-	1,069,343
Property and casualty claims payable	80,813	-	80,813
Current portion of long-term obligations	33,713,334	3,968,553	37,681,887
Total current liabilities	<u>48,151,634</u>	<u>8,115,755</u>	<u>56,267,389</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,271,429	4,271,429
Compensated absences	4,059,265	430,603	4,489,868
Net OPEB obligation	10,626,866	1,181,939	11,808,805
Derivative liability	-	3,852,558	3,852,558
Noncurrent portion of long-term obligations	412,312,814	55,032,618	467,345,432
Total noncurrent liabilities	<u>426,998,945</u>	<u>64,769,147</u>	<u>491,768,092</u>
DEFERRED INFLOWS OF RESOURCES			
	4,331,219	1,863,618	6,194,837
Total liabilities and deferred inflows of resources	<u>479,481,798</u>	<u>74,748,520</u>	<u>554,230,318</u>
NET POSITION			
Net investment in capital assets	44,817,727	163,571,185	208,388,912
Restricted for:			
Stabilization by State Statute	16,410,108	-	16,410,108
Public safety	3,302,075	-	3,302,075
Economic and physical development	19,503	-	19,503
Human Services	339,162	-	339,162
Cultural and recreational	77,703	-	77,703
Education	13,887,603	-	13,887,603
Debt service	-	1,319,906	1,319,906
Unrestricted	(309,410,731)	96,864,668	(212,546,063)
Total net position	<u>\$ (230,556,850)</u>	<u>\$ 261,755,759</u>	<u>\$ 31,198,909</u>

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

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 12,881,769	\$ 1,285,773	\$ 427,698	\$ 19,035	\$ (11,149,263)	\$ -	\$ (11,149,263)
Public safety	45,991,521	7,104,127	3,395,795	-	(35,491,599)	-	(35,491,599)
Economic and physical development	2,588,795	153,046	60,452	-	(2,375,297)	-	(2,375,297)
Human services	36,905,034	9,795,257	18,670,709	251,292	(8,187,776)	-	(8,187,776)
Cultural and recreational	6,470,275	736,437	217,172	-	(5,516,666)	-	(5,516,666)
Education	89,813,013	5	7,548,402	-	(82,264,606)	-	(82,264,606)
Interest and fees on long term debt	16,686,228	-	-	-	(16,686,228)	-	(16,686,228)
Total governmental activities	211,336,635	19,074,645	30,320,228	270,327	(161,671,435)	-	(161,671,435)
Business-type activities:							
Water and sewer	32,291,195	34,120,018	1,739,243	8,471,433	-	12,039,499	12,039,499
Solid waste	4,534,458	4,639,562	381,121	-	-	486,225	486,225
Stormwater	235,519	16,100	-	-	-	(219,419)	(219,419)
Total business-type activities	37,061,172	38,775,680	2,120,364	8,471,433	-	12,306,305	12,306,305
Total primary government	\$ 248,397,807	\$ 57,850,325	\$ 32,440,592	\$ 8,741,760	(161,671,435)	12,306,305	(149,365,130)
General revenues:							
Property taxes levied for general purposes					168,913,593	-	168,913,593
Local option sales tax					30,284,689	-	30,284,689
Other taxes and licenses					2,410,251	-	2,410,251
Grants and contributions not restricted to specific programs					75,773	-	75,773
Investment earnings, unrestricted					420,138	232,586	652,724
Miscellaneous, unrestricted					8,380	-	8,380
Gains on sales and disposals of capital assets					123,560	65,488	189,048
Total general revenues and extraordinary item					202,236,384	298,074	202,534,458
Change in net position					40,564,949	12,604,379	53,169,328
Net position - beginning					(271,121,799)	249,151,380	(21,970,419)
Net position - ending					\$ (230,556,850)	\$ 261,755,759	\$ 31,198,909

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

Balance Sheet
Governmental Funds

June 30, 2014

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 72,209,474	\$ 58,256,310	\$ 88,652	\$ 3,232,237	\$ 133,786,673
Property taxes receivable (net)	4,092,865	-	-	132,236	4,225,101
Accounts receivable (net)	14,058,347	-	-	316,469	14,374,816
Accounts receivable, long-term	31,412	-	-	-	31,412
Inventories	24,537	-	-	-	24,537
Prepaid Item	148,988	-	-	-	148,988
Cash and investments, restricted-deposits	1,261,696	-	-	-	1,261,696
Total assets	<u>\$ 91,827,319</u>	<u>\$ 58,256,310</u>	<u>\$ 88,652</u>	<u>\$ 3,680,942</u>	<u>\$ 153,853,223</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 5,972,026	\$ 1,729,372	\$ -	\$ 43,172	\$ 7,744,570
Deposits	1,261,696	-	-	-	1,261,696
Total liabilities	<u>7,233,722</u>	<u>1,729,372</u>	<u>-</u>	<u>43,172</u>	<u>9,006,266</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,445,758</u>	<u>-</u>	<u>-</u>	<u>138,445</u>	<u>4,584,203</u>
FUND BALANCES					
Nonspendable	204,937	-	-	-	204,937
Restricted	14,979,838	15,307,670	88,652	3,491,543	33,867,703
Committed	31,916,595	-	-	-	31,916,595
Assigned	31,104,920	41,219,268	-	7,782	72,331,970
Unassigned - other	1,941,549	-	-	-	1,941,549
Total fund balances	<u>80,147,839</u>	<u>56,526,938</u>	<u>88,652</u>	<u>3,499,325</u>	<u>140,262,754</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 91,827,319</u>	<u>\$ 58,256,310</u>	<u>\$ 88,652</u>	<u>\$ 3,680,942</u>	<u>\$ 153,853,223</u>

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

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

June 30, 2014

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

Ending fund balance - governmental funds	\$ 140,262,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,977,594
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.	1,915,583
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,928,748
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	44,796
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net position.	2,299,515
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.	894,420
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.	635,619
Internal balance due from Business Type Activities to Governmental Activities.	121,434
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(4,059,265)
Long-term liabilities for net other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(10,626,866)
Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and, therefore, are not reported in the funds (principal and unamortized balances for governmental activities, per Note 16. A. 2, in the amount of \$446,026,148, as well as accrued interest payable of \$4,112,269, deferred outflows and inflows of unamortized gains or losses on refunded debt in the amount of \$3,381,322, net unamortized swap termination costs of \$22,568,557).	(430,951,182)
Net position of governmental activities	<u>\$ (230,556,850)</u>

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

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

For the Year Ended June 30, 2014

	Major			Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 165,029,949	\$ -	\$ -	\$ 4,680,151	\$ 169,710,100
Local option sales tax	29,449,464	-	-	835,225	30,284,689
Other taxes and licenses	2,410,251	-	-	1,081,898	3,492,149
Intergovernmental	29,430,618	138,636	-	110,688	29,679,942
Permits and fees	4,531,626	-	-	2,450,653	6,982,279
Sales and services	4,896,808	-	-	15,000	4,911,808
Investment earnings	391,547	-	-	6,271	397,818
Miscellaneous	7,075,903	-	-	174,100	7,250,003
Total revenues	243,216,166	138,636	-	9,353,986	252,708,788
EXPENDITURES					
Current:					
General government	11,475,464	-	-	148,807	11,624,271
Public safety	35,031,914	-	-	8,948,749	43,980,663
Economic and physical development	2,383,306	-	-	-	2,383,306
Human services	37,430,037	-	-	-	37,430,037
Cultural and recreational	5,944,127	-	-	62,087	6,006,214
Intergovernmental:					
Education	85,180,373	-	-	-	85,180,373
Capital outlay:					
General government	-	1,231,538	-	-	1,231,538
Public safety	-	119,402	-	-	119,402
Economic and physical development	-	47,107	-	-	47,107
Human services	-	1,066,095	-	-	1,066,095
Cultural and recreational	-	54,022	-	-	54,022
Education	-	4,521,185	19,222	-	4,540,407
Debt service:					
Principal retirement	31,705,585	-	-	-	31,705,585
Interest and fees	15,643,292	-	-	-	15,643,292
Nondepartmental	930	-	-	-	930
Total expenditures	224,795,028	7,039,349	19,222	9,159,643	241,013,242
Excess (deficiency) of revenues over (under) expenditures	18,421,138	(6,900,713)	(19,222)	194,343	11,695,546
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,576	21,419,454	-	7,477	21,428,507
Transfers to other funds	(17,943,931)	-	-	(3,484,576)	(21,428,507)
Total other financing sources (uses)	(17,942,355)	21,419,454	-	(3,477,099)	-
Net change in fund balances	478,783	14,518,741	(19,222)	(3,282,756)	11,695,546
FUND BALANCES					
Beginning	79,669,056	42,008,197	107,874	6,782,081	128,567,208
Ending	\$ 80,147,839	\$ 56,526,938	\$ 88,652	\$ 3,499,325	\$ 140,262,754

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, 2014

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

Net change in fund balances - total governmental funds	\$ 11,695,546
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 depreciation exceeded capital outlays in the current period.	(2,063,632)
Revenues in the Statement of Activities from donated capital that does not provide current financial resources are not reported as revenues in the funds.	19,035
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.	(37,057)
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.	(796,507)
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.	22,324
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	30,655,109
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.	207,668
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.	730,606
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.	167,366
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.	(20,509)
Change in net position of governmental activities	<u>\$ 40,564,949</u>

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

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

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 156,081,812	\$ 156,081,812	\$ 165,029,949	\$ 8,948,137
Local option sales tax	26,948,400	26,948,400	29,449,464	2,501,064
Other taxes and licenses	1,826,000	1,888,300	2,410,251	521,951
Intergovernmental	29,985,506	30,277,892	29,430,618	(847,274)
Permits and fees	3,765,105	3,765,105	4,531,626	766,521
Sales and services	5,010,458	5,010,458	4,896,808	(113,650)
Investment earnings	500,000	500,000	391,547	(108,453)
Miscellaneous	6,677,251	6,682,251	7,075,903	393,652
Total revenues	<u>230,794,532</u>	<u>231,154,218</u>	<u>243,216,166</u>	<u>12,061,948</u>
EXPENDITURES				
Current:				
General government	12,083,694	12,606,801	11,475,464	1,131,337
Public safety	35,424,189	36,358,841	35,031,914	1,326,927
Economic and physical development	2,460,436	2,859,815	2,383,306	476,509
Human services	39,253,882	40,212,899	37,430,037	2,782,862
Cultural and recreational	6,048,181	6,370,712	5,944,127	426,585
Intergovernmental:				
Education	83,699,235	85,210,686	85,180,373	30,313
Debt service:				
Principal retirement	32,870,585	32,870,585	31,705,585	1,165,000
Interest and fees	16,613,929	16,613,929	15,643,292	970,637
Contingency	651,697	170,531	-	170,531
Nondepartmental	1,951,550	645,000	930	644,070
Total expenditures	<u>231,057,378</u>	<u>233,919,799</u>	<u>224,795,028</u>	<u>9,124,771</u>
Revenues over (under) expenditures	<u>(262,846)</u>	<u>(2,765,581)</u>	<u>18,421,138</u>	<u>21,186,719</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	1,576	1,576
Transfers to other funds	(3,008,412)	(17,952,343)	(17,943,931)	8,412
Total other financing sources (uses)	<u>(3,008,412)</u>	<u>(17,952,343)</u>	<u>(17,942,355)</u>	<u>9,988</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(3,271,258)</u>	<u>(20,717,924)</u>	<u>478,783</u>	<u>21,196,707</u>
APPROPRIATED FUND BALANCE	<u>3,271,258</u>	<u>20,717,924</u>	<u>-</u>	<u>(20,717,924)</u>
Revenues, other financing sources, and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,783</u>	<u>\$ 478,783</u>

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

Statement of Net Position

Proprietary Funds

June 30, 2014

	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	\$ 65,100,567	\$ 7,233,182	\$ 131,899	\$ 72,465,648	\$ 4,634,539
Accounts receivable (net)	4,746,513	448,563	-	5,195,076	514,781
Inventories	487,061	-	-	487,061	-
Cash and investments, restricted	1,319,906	-	-	1,319,906	-
Cash and investments, restricted-deposits	453,865	3,880	-	457,745	-
Total current assets	72,107,912	7,685,625	131,899	79,925,436	5,149,320
Noncurrent assets:					
Cash and investments	17,938,028	1,941,233	35,380	19,914,641	-
Accounts receivable	424,400	-	-	424,400	-
Net prepaid pension obligation	219,659	34,080	5,798	259,537	-
Capital assets:					
Investment in joint venture	15,044,540	-	-	15,044,540	-
Land and other assets not being depreciated	15,062,047	334,257	-	15,396,304	-
Buildings, equipment, and infrastructure, net of depreciation	199,376,051	1,642,226	6,584	201,024,861	-
Total noncurrent assets	248,064,725	3,951,796	47,762	252,064,283	-
DEFERRED OUTFLOWS OF RESOURCES					
Total assets and deferred outflows of resources	324,808,631	11,637,421	179,661	336,625,713	5,149,320
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,372,902	303,199	13,355	3,689,456	61,450
Deposits	453,866	3,880	-	457,746	-
Long-term liabilities, due within one year:					
General obligation bonds payable	141,618	-	-	141,618	-
Revenue bonds payable	2,843,238	-	-	2,843,238	-
State sanitary sewer loan payable	983,697	-	-	983,697	-
Workers' compensation claims payable	-	-	-	-	108,160
Health care benefits payable	-	-	-	-	1,069,343
Property and casualty claims payable	-	-	-	-	80,813
Total current liabilities	7,795,321	307,079	13,355	8,115,755	1,319,766
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,271,429	-	4,271,429	-
Compensated absences	368,086	45,344	17,173	430,603	-
Net OPEB obligation	943,883	237,196	860	1,181,939	-
Derivative liability	3,852,558	-	-	3,852,558	-
Long-term liabilities, due in more than one year:					
General obligation bonds	59,943	-	-	59,943	-
Revenue bonds	44,755,282	-	-	44,755,282	-
State sanitary sewer loan	10,217,393	-	-	10,217,393	-
Total noncurrent liabilities	60,197,145	4,553,969	18,033	64,769,147	-
DEFERRED INFLOWS OF RESOURCES					
Total liabilities and deferred inflows of resources	69,856,084	4,861,048	31,388	74,748,520	1,319,766
NET POSITION					
Net investment in capital assets	161,594,702	1,976,483	-	163,571,185	-
Restricted for debt service	1,319,906	-	-	1,319,906	-
Unrestricted	92,037,939	4,799,890	148,273	96,986,102	3,829,554
Total net position	\$ 254,952,547	\$ 6,776,373	\$ 148,273	261,877,193	\$ 3,829,554
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(121,434)	
Net position of business-type activities				\$261,755,759	

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

Statement of Revenues, Expenses, and Changes in Fund Net Position**Proprietary Funds**

For the Year Ended June 30, 2014

	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	\$ 28,898,478	\$ 4,568,689	\$ 16,100	\$ 33,483,267	\$ -
Disposal fees	-	381,121	-	381,121	-
Interfund charges and employee contributions	-	-	-	-	13,835,850
Other operating revenue	875,258	70,873	-	946,131	5,864
Total operating revenues	<u>29,773,736</u>	<u>5,020,683</u>	<u>16,100</u>	<u>34,810,519</u>	<u>13,841,714</u>
OPERATING EXPENSES					
Personnel	6,473,386	927,791	219,180	7,620,357	-
Operating expenses	12,127,282	3,364,149	18,367	15,509,798	1,330,523
Depreciation	11,379,315	193,218	-	11,572,533	-
Operating leases	489,026	-	-	489,026	-
Landfill closure	-	63,124	-	63,124	-
Worker's compensation claims	-	-	-	-	111,580
Health benefit claims and premiums	-	-	-	-	10,750,929
Property and casualty claims and premiums	-	-	-	-	641,504
Total operating expenses	<u>30,469,009</u>	<u>4,548,282</u>	<u>237,547</u>	<u>35,254,838</u>	<u>12,834,536</u>
Operating income (loss)	<u>(695,273)</u>	<u>472,401</u>	<u>(221,447)</u>	<u>(444,319)</u>	<u>1,007,178</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	205,915	26,670	-	232,585	22,324
Intergovernmental	1,898,883	-	-	1,898,883	-
Proceeds from sale of capital assets	6,229	59,259	-	65,488	-
Interest and fees on long term debt	(1,794,671)	-	-	(1,794,671)	-
Gain (loss) on investment in joint venture	(171,470)	-	-	(171,470)	-
Total nonoperating revenue (expenses)	<u>144,886</u>	<u>85,929</u>	<u>-</u>	<u>230,815</u>	<u>22,324</u>
Income (loss) before contributions and transfers	<u>(550,387)</u>	<u>558,330</u>	<u>(221,447)</u>	<u>(213,504)</u>	<u>1,029,502</u>
TRANSFERS AND CONTRIBUTIONS					
Transfers from other enterprise funds	4,362,470	816,252	319,893	5,498,615	-
Transfer to Water and Sewer Capital Project Fund	(4,362,470)	-	-	(4,362,470)	-
Transfer to Stormwater Operating Fund	(319,893)	-	-	(319,893)	-
Transfers to other enterprise funds	-	(816,252)	-	(816,252)	-
Capital contributions - cash	8,471,433	-	-	8,471,433	-
Capital contributions - non-cash	4,229,808	-	-	4,229,808	-
Total transfers and contributions	<u>12,381,348</u>	<u>-</u>	<u>319,893</u>	<u>12,701,241</u>	<u>-</u>
Change in net position	<u>11,830,961</u>	<u>558,330</u>	<u>98,446</u>	<u>12,487,737</u>	<u>1,029,502</u>
NET POSITION					
Beginning	<u>243,121,586</u>	<u>6,218,043</u>	<u>49,827</u>		<u>2,800,052</u>
Ending	<u>\$ 254,952,547</u>	<u>\$ 6,776,373</u>	<u>\$ 148,273</u>		<u>\$ 3,829,554</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				116,641	
Change in net position of business-type activities				<u>\$12,604,378</u>	

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



Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 28,336,616	\$ 4,683,705	\$ 16,100	\$ 33,036,421	\$ 13,734,514
Other operating revenue	875,258	451,994	-	1,327,252	5,864
Cash paid to employees	(6,379,509)	(924,632)	(211,067)	(7,515,208)	-
Cash paid for goods and services	(11,962,981)	(3,383,962)	(21,270)	(15,368,213)	(12,597,840)
Net cash provided (used) by operating activities	10,869,384	827,105	(216,237)	11,480,252	1,142,538
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other enterprise funds	-	-	319,893	319,893	-
Transfers to other enterprise funds	(319,893)	-	-	(319,893)	-
Net cash provided (used) by noncapital financing activities	(319,893)	-	319,893	-	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	136,851	60,061	-	196,912	-
Proceeds from capacity fees	8,471,433	-	-	8,471,433	-
Proceeds from capacity fees deferred	266,061	-	-	266,061	-
Proceeds from federal grant capital	159,640	-	-	159,640	-
Proceeds from other governmental units	1,739,243	-	-	1,739,243	-
Payments on general obligation bond debt	(138,235)	-	-	(138,235)	-
Payments on revenue bond debt	(2,780,000)	-	-	(2,780,000)	-
Payments on state sanitary loan	(983,697)	-	-	(983,697)	-
Interest paid on bonds and other debt	(2,197,071)	-	-	(2,197,071)	-
Acquisition and construction of capital assets	(7,639,430)	(423,727)	(6,584)	(8,069,741)	-
Net cash used by capital and related financing activities	(2,965,205)	(363,666)	(6,584)	(5,074,698)	-
INVESTING ACTIVITIES					
Investment earnings	168,066	26,670	-	194,736	22,324
Net increase (decrease) in cash and investments	7,752,352	490,109	97,072	8,339,533	1,164,862
CASH AND INVESTMENTS					
Beginning of year	77,060,014	8,688,186	70,207	85,818,407	3,469,677
End of year	\$ 84,812,366	\$ 9,178,295	\$ 167,279	\$ 94,157,940	\$ 4,634,539
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 65,100,567	\$ 7,233,182	131,899	\$ 72,465,648	\$ 4,634,539
Cash and investments, noncurrent	17,938,028	1,941,233	35,380	19,914,641	-
Cash and investments, restricted assets	1,319,906	-	-	1,319,906	-
Cash and investments, restricted assets-deposits	453,865	3,880	-	457,745	-
Total Statement of Net Position cash and cash equivalents	\$ 84,812,366	\$ 9,178,295	\$ 167,279	\$ 94,157,940	\$ 4,634,539
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (695,273)	\$ 472,401	\$ (221,447)	\$ (444,319)	\$ 1,007,178
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	11,379,315	193,218	-	11,572,533	-
Provision for uncollectible accounts	(21,530)	294,839	-	273,309	-
Landfill closure and post closure care costs	-	63,124	-	63,124	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	(498,842)	(179,823)	-	(678,665)	(101,336)
Decrease in inventories	89,604	-	-	89,604	-
Increase in net prepaid pension obligation (asset)	(25,449)	(3,005)	(970)	(29,424)	-
Increase (decrease) in accounts payable and accrued liabilities	702,957	2,721	2,153	707,831	236,696
Increase in deposits	(41,490)	-	-	(41,490)	-
(Decrease) increase in compensated absences payable	40,878	(172)	4,027	44,733	-
Increase in net other post employment benefit obligations	(60,786)	(16,198)	-	(76,984)	-
Total adjustments	11,564,657	354,704	5,210	11,924,571	135,360
Net cash provided (used) by operating activities	\$ 10,869,384	\$ 827,105	\$ (216,237)	\$ 11,480,252	\$ 1,142,538
Noncash investing, capital, and financing activities:					
Loss on investment in joint venture	\$ (171,470)	\$ -	\$ -	\$ -	\$ -
Contribution of capital infrastructure	\$ 4,229,808	\$ -	\$ -	\$ -	\$ -
Capitalized interest	\$ 487,425	\$ -	\$ -	\$ -	\$ -
Investment derivative gains	\$ 37,849	\$ -	\$ -	\$ -	\$ -

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

Statement of Fiduciary Net Position**Fiduciary Funds**

June 30, 2014

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 15,124,831	\$ 238,701
Property taxes receivable (net)	-	28,646
Accounts receivable (net)	546	-
Total assets	<u>15,125,377</u>	<u>267,347</u>
LIABILITIES		
Accounts payable and accrued liabilities	12,537	124,002
Due to Program Participants	-	143,345
Total liabilities	<u>12,537</u>	<u>267,347</u>
NET POSITION		
Employees' pension benefits	15,112,840	
Total net position	<u>\$ 15,112,840</u>	

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

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

For the Year Ended June 30, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Employer contributions	\$ 2,690,451
Net investment income	<u>1,774,851</u>
Total additions	<u>4,465,302</u>
DEDUCTIONS	
Benefits	<u>1,170,577</u>
Change in net position	3,294,725
NET POSITION	
Beginning	<u>11,818,115</u>
Ending	<u><u>\$ 15,112,840</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, 2014

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 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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 State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in 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 service area (executive department) level for the General Fund; at the fund level for the Special Revenue and Enterprise Funds; at the project level for the General Capital Project Fund; and at the program level for water and sewer Capital Project Funds. The County Manager is authorized by resolution to approve transfers of appropriations in an amount up to \$100,000 within a service area within the same fund. The County Manager is authorized to transfer necessary amounts from all reserves for contingencies, within funds, except the General Fund reserve for contingencies. A report of all budget ordinance transfers, appropriations and adjustments is provided to the Commission at its next regular meeting. The County Manager is authorized to approve contracts in an amount up to \$100,000. The County Manager may also approve the lease of County-owned real property, provided that the duration of such lease is one year or less and that such lease does not exceed \$100,000. A report of such contracts is provided to the Commission at its next regular meeting. The County Manager is also authorized to approve grant agreements, for which the Commission has previously approved application, unless otherwise required by the grantor organization; and insurance agreements, regardless of amount, provided sufficient funds have been appropriated. The Union County Board of Education may make maximum annual cumulative transfer totaling up to ten percent of the amounts appropriated by purpose code to another purpose code. A report of such transfers is provided to the Commission at its next regular meeting. 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, 2014. 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 22.196 per share and the Russell 3000 Alpha Tilts Fund B is priced at 48.3524 per share at June 30, 2014.

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.

Restricted Cash

Governmental Activities:		
General Fund	Security Deposits	<u>\$ 1,261,696</u>
Business-Type Activities:		
Water and Sewer Fund	2003 revenue bond parity reserve	1
Water and Sewer Fund	2009 revenue bond debt service reserve	386,343
Water and Sewer Fund	2011 revenue bond debt service reserve	221,437
Water and Sewer Fund	2011A revenue bond debt service reserve	712,125
Water and Sewer Fund	Customer deposits	<u>453,865</u>
		<u>1,773,771</u>
Solid Waste Fund	Customer deposits	<u>3,880</u>
Total Restricted Cash		<u><u>\$ 3,039,347</u></u>

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, 2013.

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 a derivative of debt for cash flow hedging that had previously been classified as an asset and unamortized loss on refunded debt that meets this criteria. 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 several items that meet the criterion for this category - prepaid taxes, deferred revenue on an inter-local agreement with the City of Monroe for a portion of a countywide water transmission main project, deferred revenue from developers for capital contribution on future water and sewer capital projects, and unamortized gains on refunded debt.

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.

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.

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.

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

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

	Major			Non-major	Total Govern- mental Funds
	General Fund	General Capital Project Fund	School Bond Fund 55	Other Govern- mental Funds	
Fund balances:					
Nonspendable:					
Long-term receivables	\$ 31,412	\$ -	\$ -	\$ -	\$ 31,412
Inventories	24,537	-	-	-	24,537
Prepaid items	148,988	-	-	-	148,988
Restricted:					
Stabilization by State Statute-accounts receivable	14,058,349	-	-	316,469	14,374,818
Stabilization by State Statute-encumbrances	485,746	1,508,719	-	92,976	2,087,441
Public Safety:					
Law enforcement SCAAP grant funds	42,827	-	-	-	42,827
Law enforcement Alzheimer's ankle/wrist bands program	1,344	-	-	-	1,344
Law enforcement federal forfeited property funds	-	-	-	505,381	505,381
Law enforcement controlled substance tax funds	-	-	-	119,995	119,995
Law enforcement GHSP grant (Indian Trail)	-	-	-	(107,501)	(107,501)
Emergency management Catawba Nuclear grant funds	-	-	-	93,979	93,979
Emergency management CERT grant funds	-	-	-	21,844	21,844
Communications PSAP funds	-	-	-	2,053,214	2,053,214
Fire protection	-	-	-	395,186	395,186
Economic and physical development:					
Cooperative extension service fee based programs' funds	19,503	-	-	-	19,503
Human Services:					
Health, Susan G. Komen breast cancer grant funds	38,125	-	-	-	38,125
Environmental Health State funds	116,286	-	-	-	116,286
Social services contribution and donation programs' funds	63,418	-	-	-	63,418
Social services federal adoption assistance grant funds	121,333	-	-	-	121,333
Cultural and Recreational:					
Library contribution and donation program funds	32,907	-	-	-	32,907
Education:					
School regular capital outlay	-	2,547,984	-	-	2,547,984
School capital acquisition and construction projects	-	11,250,967	88,652	-	11,339,619
Committed:					
Twenty percent reserve policy - General Fund	31,916,595	-	-	-	31,916,595
Assigned:					
General Government:					
Government facility renovation projects	-	727,537	-	-	727,537
Revolving energy fund	-	97,218	-	-	97,218
Historic courthouse renovation	-	75,000	-	-	75,000
Information technology infrastructure projects	-	635,021	-	-	635,021
Information technology phone system upgrade	-	(87,492)	-	-	(87,492)
Public Safety:					
Law enforcement jail expansion project	-	1	-	-	1
Law enforcement firearms range project	-	2,699,997	-	-	2,699,997
Law enforcement storage garage	-	250,000	-	-	250,000
Inspections mobile office project	-	11,092	-	-	11,092
Economic and Physical Development:					
4H pavilion and ancillary facilities	-	11,000	-	-	11,000
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	-	(308,993)	-	-	(308,993)
Human service campus	-	34,448,445	-	-	34,448,445
Cultural and Recreational:					
Library facility improvement projects	-	-	-	7,782	7,782
Parks and recreation Jesse Helms park bridge project	-	81,988	-	-	81,988
Parks and recreation Jesse Helms passive area project	-	527,878	-	-	527,878
Parks and recreation comprehensive master plan	-	5,923	-	-	5,923
Nondepartmental pay-go-capital funds	-	1,868,553	-	-	1,868,553
Twenty percent reserve policy - Schools Budgetary Fund	21,675,293	-	-	-	21,675,293
Subsequent year's expenditures	9,429,627	-	-	-	9,429,627
Unassigned	1,941,549	-	-	-	1,941,549
Total	\$ 80,147,839	\$ 56,526,938	\$ 88,652	\$ 3,499,325	\$ 140,262,754

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	\$ 316,469	\$ -	\$ 316,469
Stabilization by State Statute-encumbrances	92,976	-	92,976
Public Safety:			
Law enforcement federal forfeited property funds	505,381	-	505,381
Law enforcement controlled substance tax funds	119,995	-	119,995
Law enforcement GHSP grant (Indian Trail)	(107,501)	-	(107,501)
Emergency management Catawba Nuclear grant funds	93,979	-	93,979
Emergency management CERT grant funds	21,844	-	21,844
Communications PSAP funds	2,053,214	-	2,053,214
Fire protection	395,186	-	395,186
Assigned:			
Cultural and Recreational:			
Library facility improvement projects	-	7,782	7,782
Total	<u>\$ 3,491,543</u>	<u>\$ 7,782</u>	<u>\$ 3,499,325</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- ment Fund	Total Special Revenue Funds
Fund balances:										
Restricted:										
Stabilization by State Statute-accounts receivable	\$ 19,852	\$ 37,971	\$ 61,125	\$ 48,123	\$ 59,239	\$ 1	\$ 90,158	\$ -	\$ -	\$ 316,469
Stabilization by State Statute-encumbrances	-	-	-	-	-	-	52,151	40,825	-	92,976
Public Safety:										
Law enforcement federal forfeited property funds	-	-	-	-	-	-	-	505,381	-	505,381
Law enforcement controlled substance tax funds	-	-	-	-	-	-	-	119,995	-	119,995
Law enforcement GHSP grant (Indian Trail)	-	-	-	-	-	-	-	(107,501)	-	(107,501)
Emergency mgmt. Catawba Nuclear grant funds	-	-	-	-	-	-	-	93,979	-	93,979
Emergency management CERT grant funds	-	-	-	-	-	-	-	21,844	-	21,844
Communications PSAP funds	-	-	-	-	-	-	2,053,214	-	-	2,053,214
Fire protection	29,332	79,555	100,085	33,873	74,154	78,187	-	-	-	395,186
	<u>\$ 49,184</u>	<u>\$ 117,526</u>	<u>\$ 161,210</u>	<u>\$ 81,996</u>	<u>\$ 133,393</u>	<u>\$ 78,188</u>	<u>\$ 2,195,523</u>	<u>\$ 674,523</u>	<u>\$ -</u>	<u>\$ 3,491,543</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.

Union County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that the fund balance policy level is at least equal to or greater than 20% of the FY 2015 adopted General Fund budget. Furthermore, on August 18th, 2014, the policy was amended so that the fund balance policy level of the General Fund is at least equal to or greater than 20% of the combined FY 2015 adopted General Fund and Schools Budgetary Fund budgets. Any portion of the General Fund unassigned fund

balance above the fund balance policy level of 20% of the combined budgeted expenditures may be appropriated for one-time expenditures or to reduce long-term liabilities.

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 other revenue sources. 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 \$430,951,182 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	\$ (446,026,148)
Accrued interest payable, net of deferred outflows and inflows of unamortized gains and losses, and unamortized swap termination costs	15,074,966
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (430,951,182)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$28,869,403 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,274,946
Contributed capital assets	19,035
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	(6,338,578)
Net book value of capital assets disposed of	(37,057)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences are as follows:</p>	
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	31,705,585
Debt issuance premium amortization	2,552,257
Debt issuance deferred inflows of gain amortization	279,560
Debt issuance deferred outflows of loss amortization	(34,675)
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	(1,489,364)
Defeasance amortization over remaining life of debt	(2,358,253)
<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)	7,542
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(738,784)
Net pension obligation	213,277
Net other post employment obligation	725,633
<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 7/1/13	(4,725,255)
Recording of tax receipts deferred in the fund statements as of 6/30/14	4,225,101
Decrease in accrued taxes receivable for year ended 6/30/14	(296,353)
Internal service funds' net investment loss	22,323
Adjustment payment received on a deferred loan to an outside agency	(15,000)
Health and dental insurance costs, net of investment earnings	730,606
Workers' compensation costs, net of investment earnings	167,366
Property and casualty costs, net of investment earnings	(20,509)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position-governmental activities	<u>\$ 28,869,403</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures relating to the Fee Supported Fire District Fund exceeded budget appropriations by \$671; however, restricted fire fees were available to support the program expenditure. Expenditures relating to the Property and Casualty Fund exceeded budget appropriations by \$3,647 due to a larger than estimated claims liability at year end. The Property and Casualty Fund is an Internal Service Fund and the County will take appropriate actions to fund the deficit in the subsequent year.

NOTE 4 - DEPOSITS AND INVESTMENTS

The County pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash and maximize investment income. The Central Depository is used by all funds except the Social Services Fund and the Jail Inmate Fund and the portion of the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund that has not yet been remitted to the OPEB Trust managed by the staff of the Department of the State Treasurer (as explained in Note 1. E. 1.). Each fund owns a pro rata share of the cash and investments, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its pro rata share.

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

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$38,650,666 and a bank balance of \$38,422,665. Of the bank balance, \$15,353,073 was covered by federal depository insurance and \$23,069,592 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2014, the County had \$8,380 cash on hand.

As of June 30, 2014, 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	\$ 142,994,701	\$ -	\$ -	\$ -	\$ -
US Government Agencies	52,425,803	977,404	1,990,475	34,460,352	14,997,572
Total:	<u>\$ 195,420,504</u>	<u>\$ 977,404</u>	<u>\$ 1,990,475</u>	<u>\$ 34,460,352</u>	<u>\$ 14,997,572</u>

The cash and investments described above include those recorded in the County's Statement of Net Position (\$233,840,849); and Statement of Fiduciary Net Position for Special Separation Allowance Pension Trust Fund (\$667,848) and Agency Funds (\$238,701).

Also, at June 30, 2014, the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund deposits had a carrying amount and bank balance of \$14,456,983 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, 2014, 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 AAAM by Standard & Poor's as of June 30, 2014. The County's investment in the NC Capital Management Trust Term Portfolio has a duration of 0.23 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, 2014, the County was not holding more than 10 percent of the total cash and investments portfolio in any one issuer of commercial paper.

Concentration of Credit Risk – Investments. More than 5 percent of the County's investments are in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. These investments are 9.8%, 3.5%, and 7.8% respectively of the County's total investments.

At June 30, 2014 the County's Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund had \$14,456,983 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) 23.50%; State Treasurer's Long Term Investment Fund (LTIF) 9.76%; Black Rock's Global Ex-US Alpha Tilts Fund B 16.52 %; and Black Rock's Russell 3000 Alpha Tilts Fund B 50.21% (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 1.3 years at June 30, 2014. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 16.3 years at June 30, 2014.

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

NOTE 5 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2014, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 14,058,345	\$ 6,103,747	\$ 20,162,092
Special Revenue	316,469	132,236	448,705
Internal Service	514,781	-	514,781
Total Receivables	14,889,595	6,235,983	21,125,578
Allowance for doubtful accounts	-	(2,010,882)	(2,010,882)
Total-governmental activities	<u>\$ 14,889,595</u>	<u>\$ 4,225,101</u>	<u>\$ 19,114,696</u>
Business-type Activities:			
Water and Sewer	\$ 5,353,514	\$ -	\$ 5,353,514
Solid Waste	766,095	-	766,095
Total Receivables	6,119,609	-	6,119,609
Allowance for doubtful accounts	(924,533)	-	(924,533)
Total-business-type activities	<u>\$ 5,195,076</u>	<u>\$ -</u>	<u>\$ 5,195,076</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
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
2014	2013	12,617,350	725,498	13,342,848
		<u>\$ 48,978,338</u>	<u>\$ 2,816,255</u>	<u>\$ 51,794,593</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2014 was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements & Adjustments	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 4,812,189	\$ -	\$ -	\$ -	\$ 4,812,189
Construction in progress	2,856,246	2,331,908	-	(1,462,653)	3,725,501
Total capital assets not being depreciated	<u>7,668,435</u>	<u>2,331,908</u>	<u>-</u>	<u>(1,462,653)</u>	<u>8,537,690</u>
Capital assets being depreciated:					
Other improvements	6,777,895	56,600	-	-	6,834,495
Buildings	71,999,002	288,949	155,283	268,495	72,401,163
Furniture and equipment	28,301,185	311,927	1,796,146	1,213,026	28,029,992
Vehicles	8,371,683	1,264,396	1,516,353	94,609	8,214,335
Computer software	318,152	40,200	-	35,000	393,352
Total capital assets being depreciated	<u>115,767,917</u>	<u>1,962,072</u>	<u>3,467,782</u>	<u>1,611,130</u>	<u>115,873,337</u>
Less accumulated depreciation for:					
Other improvements	3,243,727	239,056	-	-	3,482,783
Buildings	28,287,364	2,302,615	52,257	-	30,537,722
Furniture and equipment	18,609,991	2,926,377	1,807,447	-	19,728,921
Vehicles	6,172,297	833,531	1,422,545	-	5,583,283
Computer software	63,725	36,999	-	-	100,724
Total accumulated depreciation	<u>56,377,104</u>	<u>6,338,578</u>	<u>3,282,249</u>	<u>-</u>	<u>59,433,433</u>
Total capital assets being depreciated, net	<u>59,390,813</u>	<u>(4,376,506)</u>	<u>185,533</u>	<u>1,611,130</u>	<u>56,439,904</u>
Governmental activities capital assets, net	<u>\$ 67,059,248</u>	<u>\$ (2,044,598)</u>	<u>\$ 185,533</u>	<u>\$ 148,477</u>	<u>\$ 64,977,594</u>

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

General government	\$ 1,514,374
Public safety	3,266,221
Economic and physical development	177,034
Human services	660,425
Education	91,975
Cultural and recreational	628,549
Total depreciation expense	<u>\$ 6,338,578</u>

Capital asset activity for the business-type activities for the year ended June 30, 2014, 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	17,352,906	7,479,706	-	(12,296,950)	12,535,662
Total capital assets not being depreciated	19,879,291	7,479,706	-	(12,296,950)	15,062,047
Capital assets being depreciated:					
Plant and collection systems	170,975,261	2,325,340	1	11,221,341	184,521,943
Plant and distribution systems	127,218,117	1,904,467	-	1,075,609	130,198,193
Water rights (intangible asset)	1,902,757	-	-	-	1,902,757
Administration Building	1,073,611	-	-	-	1,073,611
Equipment	3,095,341	125,471	550,621	(53,868)	2,616,323
Vehicles	3,080,691	446,765	733,528	(105,567)	2,688,361
Computer Software	7,000	74,913	-	-	81,913
Total capital assets being depreciated	307,352,778	4,876,956	1,284,150	12,137,515	323,083,101
Less accumulated depreciation for:					
Plant and collection systems	59,894,231	6,436,593	-	-	66,330,824
Plant and distribution systems	47,053,263	4,614,500	-	-	51,667,763
Water rights intangible asset	1,010,840	47,569	-	-	1,058,409
Administration Building	273,810	42,756	-	-	316,566
Equipment	2,629,692	113,886	534,261	-	2,209,317
Vehicles	2,776,061	121,315	778,701	-	2,118,675
Computer Software	2,800	2,696	-	-	5,496
Total accumulated depreciation	113,640,697	11,379,315	1,312,962	-	123,707,050
Total capital assets being depreciated, net	193,712,081	(6,502,359)	(28,812)	12,137,515	199,376,051
Water and Sewer capital assets, net	213,591,372	977,347	(28,812)	(159,435)	214,438,098
Solid Waste					
Capital assets not being depreciated:					
Land	334,257	-	-	-	334,257
Total capital assets no being depreciated	334,257	-	-	-	334,257
Capital assets being depreciated:					
Other improvements	809,939	-	(1)	-	809,938
Plant and collection systems	1,931,983	-	-	-	1,931,983
Equipment	2,052,157	128,942	506,060	-	1,675,039
Vehicles	963,272	294,785	423,579	21,750	856,228
Total capital assets being depreciated	5,757,351	423,727	929,638	21,750	5,273,188
Less accumulated depreciation for:					
Other improvements	232,590	39,984	-	-	272,574
Plant and collection systems	1,440,654	75,180	-	-	1,515,834
Equipment	1,713,922	65,771	506,060	-	1,273,633
Vehicles	957,666	12,283	401,028	-	568,921
Total accumulated depreciation	4,344,832	193,218	907,088	-	3,630,962
Total capital assets being depreciated, net	1,412,519	230,509	22,550	21,750	1,642,226
Solid Waste capital assets, net	1,746,776	230,509	22,550	21,750	1,976,483
Storm Water					
Capital assets being depreciated:					
Vehicles	33,197	-	-	(10,792)	22,405
Computer Software	-	6,584	-	-	6,584
Total capital assets being depreciated	33,197	6,584	-	(10,792)	28,989
Less accumulated depreciation for:					
Vehicles	33,197	-	(10,792)	-	43,989
Total accumulated depreciation	33,197	-	(10,792)	-	43,989
Total capital assets being depreciated, net	-	6,584	10,792	(10,792)	6,584
Storm Water capital assets, net	-	6,584	10,792	(10,792)	6,584
Business-type activities capital assets, net	\$ 215,338,148	\$ 1,214,440	\$ 4,530	\$ (148,477)	\$ 216,421,165

During the year \$487,426 of Water and Sewer Fund interest expense was capitalized.

NOTE 7 - LIABILITIES

Payables at the government-wide level at June 30, 2014, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 5,104,331	\$ 2,877,096	\$ 7,981,427
Salaries and benefits	2,701,690	624,804	3,326,494
Accrued Interest	4,112,267	187,556	4,299,823
Total	\$ 11,918,288	\$ 3,689,456	\$ 15,607,744

NOTE 8 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees' Retirement System

Description

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

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.28% and 7.07% 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, 2014, 2013, and 2012 were \$2,834,318, \$2,509,967, and \$2,563,920 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.

The eligibility of local law enforcement officers for special separation allowance shall be determined in accordance with North Carolina General Statute 143-166.42.

All permanent full-time and permanent part-time County employees employed before July 1, 2013 are covered by the Separation Allowance. To qualify for the allowance the employee must have completed 30 years or more of creditable service or, b) have attained 55 years of age and completed five or more years of creditable service; and not have attained 62 years of age; and have completed at least five years of continuous service preceding a service retirement.

At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	82
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>634</u>
Total	<u><u>716</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 \$1,207,462 or 4.442% 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, 2014 was determined as part of the December 31, 2012 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, 2012 was 18 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	\$ 903,943
Interest on net pension obligation	(96,621)
Adjustment to annual required contribution	157,439
Annual pension cost	<u>964,761</u>
Contributions made	1,207,462
Increase (decrease) in net pension obligation	(242,701)
Net pension obligation - beginning of year	<u>(1,932,419)</u>
Net pension obligation - end of year	<u>\$ (2,175,120)</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, 2012	\$ 710,891	102%	\$ (1,587,657)
June 30, 2013	748,202	146%	(1,932,419)
June 30, 2014	964,761	125%	(2,175,120)

As of December 31, 2013, the most recent actuarial valuation date, the plan was 5.17 percent funded. The actuarial accrued liability for benefits was \$9,642,541, and the actuarial value of assets was \$498,905, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,143,636. The covered payroll (annual payroll of active employees covered by the plan) was \$27,184,187, and the ratio of the UAAL to the covered payroll was 33.64 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, 2014 were \$2,986,475, which consisted of \$1,983,968 from the County and \$1,002,507 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, 2014, the County's required and actual contributions were \$20,473.

NOTE 9 - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation distribution is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

A. Other Postemployment Retiree Healthcare Benefits (OPEB)

Plan Description - Eligibility. Under the terms of a County resolution, the County administers a single-employer defined benefit Retiree Healthcare Benefits Plan (the RHCB Plan). As of July 1, 2008, this plan provides postemployment healthcare benefits to retirees of the County who (1) 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 (2) immediately prior to such retirement earns 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. Employees hired on or after July 1, 2013, are not be eligible to participate in the Retiree Healthcare Benefits Plan.

Plan Description – Benefits Covered. Eligible retirees younger than age 65 and their eligible dependents receive the same medical benefits (including prescription drug and vision benefits) as active, full-time employees through the County group health and dental plan. Retirees pay the same monthly premium(s) for coverage as active employees.

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 group health and dental plan ends for eligible dependents upon the death of an eligible retiree who had not attained age 65.

Upon attaining age 65, eligible retirees are enrolled by the County in a Supplement to Medicare plan that is combined with a prescription Part D plan. These plans are sponsored and premium is paid by the County. Retiree participants do not contribute towards the premium cost of these plans. Spouses of post-65 retirees are not eligible for coverage in either supplemental plan. All employees hired on or after July 1, 2013, are not be eligible to receive Supplement to Medicare Benefit.

Membership of the RHCBS Plan (County group health and dental plan and the Medicare Supplement plans) consisted of the following at June 30, 2014, the date of the latest actuarial valuation:

	<u>Number of Participants</u>
Active Participants	733
Retired Participants	311
Covered Spouses of Retirees	<u>55</u>
Total	<u><u>1,099</u></u>

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

The current ARC rate is 14.2% of annual covered payroll. For the current year, the County contributed \$6,398,387 or 16.1% of annual covered payroll. The County healthcare benefits for the County group health and dental plans are self-insured with specific and aggregate stop-loss coverage provided through re-insurers. Claims are administered under a contract with a third party administrator. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to RHCBS Plan is established and may be amended, subject to certain limitations, by the County.

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

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

Annual required contribution	\$ 5,652,958
Interest on net OPEB obligation	914,328
Adjustment to annual required contribution	<u>(971,516)</u>
Annual OPEB cost (expense)	5,595,770
Contributions made	<u>(6,398,387)</u>
Increase (decrease) in net OPEB obligation	(802,617)
Net OPEB obligation, beginning of year	<u>12,611,422</u>
Net OPEB obligation, end of year	<u>\$ 11,808,805</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 thru 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 5,937,951	90.5%	\$ 11,845,728
2013	\$ 6,128,407	87.5%	\$ 12,611,422
2014	\$ 5,595,770	114.3%	\$ 11,808,805

Funded Status and Funding Progress. As of June 30, 2014, 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 \$41,854,283. The covered payroll (annual payroll of active employees covered by the plan) was \$39,719,155 the ratio of the UAAL to the covered payroll was 105.4 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 June 30, 2014 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 7.50 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 June 30, 2014 was 30 years.

As of June 30, 2014, the most recent actuarial valuation date, the plan was 25.7 percent funded. The actuarial accrued liability for benefits was \$56,311,261, and the actuarial value of assets was \$14,456,978, resulting in an unfunded actuarial accrued liability (UAAL), of \$41,854,283. The covered payroll (annual payroll of active employees covered by the plan) was \$39,719,155, and the ratio of the UAAL to the covered payroll was 105.4 percent.

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, 2014, the County made contributions to the State for death benefits of \$39,677. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

NOTE 11 - CLOSURE AND POST CLOSURE CARE COSTS - LANDFILL FACILITY

State and federal laws and regulations required the County to place a final cover on its landfill facility when it stopped accepting municipal solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure of the municipal solid waste collection cell. The County has continued to collect construction and demolition waste in different cells which are opened based on demand and closed when each cell reaches its capacity. Closure and post closure care costs have been accumulated up to the dates of closure for each of the cells; therefore, the County has reported these closure and post closure care costs as an operating expense in each prior period based on landfill capacity used as of each balance sheet date. The County stopped accepting municipal solid waste into its Austin-Chaney Road facility, permit number 90-01, on December 31, 1997. The site still serves as a transfer station for the collection of local municipal solid waste, which is transported to other sites outside of the County. The \$4,271,429 reported as landfill closure and post closure care liability at June 30, 2014 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, 2014 there was an increase of \$63,124 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 \$7,281,067. The County expects that future inflation costs will be paid from the interest earnings on these remaining funds. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future transfer station users or by future tax revenues.

NOTE 12 - COMMITMENTS

A. Contractual Commitments

The County had several outstanding projects as of June 30, 2014. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Capital Projects Fund:</u>		
Law Enforcement Jail Expansion	\$ 1,812,629	\$ 110,114
Law Enforcement Firearms Range	1,328,957	525,538
Human Services Campus	318,997	371,440
<u>Water & Sewer Capital Projects:</u>		
Operations Center Expansion	623,967	199,870
<u>Water Capital Projects:</u>		
CRWTP Plant Expansion	463,100	319,440
CRWTP Reservoir Expansion	2,353,795	950,002
Development of Pressure Zone	216,500	232,100
Short Line Extensions	370,510	307,749
Weddington Elevated Storage Tank	502,450	144,126
Yadkin Water Supply	1,015,528	989,275
<u>Sewer Capital Projects:</u>		
12 Mile Creek WWTP Expansion	1,262,591	159,246
CC Headworks Improvements	90,000	567,858
East Fork 12M Creek Parallel Trunk	511,249	601,902
East Side Improvements	8,220,762	227,063
Mineral Springs Collection System	711,134	515,812
Stallings Collection System	64,200	324,000
Total	<u>\$ 19,866,369</u>	<u>\$ 6,545,535</u>

The General capital projects are commitments of the General Capital Projects Fund and are funded by a combination of certificates of participation, installment financing, general obligation bonds, grants and General Fund monies. The Emergency Telephone System Fund capital projects are funded by the Public Safety Answering Point revenue (E911-PSAP). The Water and Sewer Capital Projects are commitments of the County's Water and Sewer Capital Projects Fund and are funded by a combination of revenue bonds and other enterprise fund monies.

B. Other Commitments

The County has an economic development and incentive grants program that is offered to companies meeting certain agreed upon criteria. Amounts to be paid in the future under these agreements are not readily determinable; however, management and internal audit estimates an amount of up to \$719,836 and expects the payments to be made over the next five years.

NOTE 13 - RISK MANAGEMENT

The County is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss, with the exception of injuries to employees. The County self-insures workers' compensation, medical and dental claims and purchases stop-loss insurance for workers' compensation and medical claims that exceed certain amounts.

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

The County has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of contributions from the County, the County's employees, and unrestricted net assets to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net assets to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with County operations and the availability of unrestricted net assets to fund projected claims.

The County's medical and Rx benefits are partially self-insured. Individual member claims are self-insured up to \$150,000 annually. Specific Stop-Loss Insurance is purchased to cover individual member claims in excess of the self-insured retention. In addition, Aggregate Stop-Loss Insurance is purchased to cover the combined eligible claims expense of all members in excess of 120% of expected eligible claims incurred and paid during the coverage period. Claims paid through an individual member HRA (Health Reimbursement Account) are excluded from specific and aggregate stop loss coverage. Claims are administered under contract with a third party administrator. Claim reserves are established at the end of the plan year (currently June 30) based on a combination of insurance industry standards, the County and third party administrator's analysis of claims submission, processing and payment.

The County's workers' compensation is self-insured; stop-loss insurance provides statutory worker compensation benefits above the County's self-insurance limit of \$400,000 per occurrence for police/fire employees and \$325,000 per occurrence for all other employees. A "buffer" layer of insurance provides coverage of \$100,000 over the \$400,000 limit for police/fire employees and \$175,000 over the \$325,000 for all other employees. An excess workers' compensation carrier provides coverage in excess over \$500,000. 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, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013
Unpaid Claims beginning of fiscal year	\$ 803,134	\$ 843,783	\$ 98,967	\$ 184,142	\$ 93,746	\$ -
Incurred claims and premiums	11,017,138	9,548,126	120,773	100,991	628,571	734,743
Claims and premiums paid	(10,750,929)	(9,588,775)	(111,580)	(186,166)	(641,504)	(640,997)
Unpaid Claims end of fiscal year	<u>\$ 1,069,343</u>	<u>\$ 803,134</u>	<u>\$ 108,160</u>	<u>\$ 98,967</u>	<u>\$ 80,813</u>	<u>\$ 93,746</u>

The County carries commercial insurance for its exposure to various risks related to torts, theft, damage to and destruction of assets and errors and omissions. The finance officer is bonded at \$100,000, the tax administrator is bonded at \$60,000, the sheriff is bonded at \$5,000, and the register of deeds is bonded at \$25,000. The remaining employees are covered by a crime insurance policy with limits of \$500,000 per loss. The County, in conjunction with its insurance broker, has researched its existing real property locations. No buildings owned by the County of material value were found to be located in either the 100 or 500 year old flood plains. Therefore, it is believed that the County has limited exposure to a flood loss and flood insurance has not been purchased.

NOTE 14 - CLAIMS AND JUDGEMENTS

The County was a defendant in various matters of litigation as of June 30, 2014. 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 pursue mediation with the 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 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. It is anticipated that the appellate court will hear the appeal some time during the fourth quarter of 2014 or first quarter of 2015. During FY 2014 and after the appeal had been filed, the Board of County Commissioners appropriated \$5,357,859 for general capital projects and \$9,578,595 for emergency roofing repairs. In the event the Board of Commissioners does not prevail in its appeal on that portion of the judgment related to capital outlay, the \$14,936,454 additional capital funding is expected to reduce the amount of the final judgment for capital to \$71,247,551. The final outcome of the appellate process and ultimately what portion, if any, of the remaining jury award that is paid to the Board of Education is undetermined at this time.

NOTE 15 - OPERATING LEASES

The County has 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 \$1,259,346 for the year ended June 30, 2014.

Minimum future lease payments are as follows:

Year Ending June 30	CMUD	Lancaster County	Other
2015	\$ 325,217	\$ 314,712	\$ 696,551
2016	325,217	314,712	637,257
2017	325,217	223,007	641,257
2018	325,217	94,620	101,466
2019	325,217	94,620	99,600
2020-2024	1,547,767	473,100	195,000
2025-2029	980,221	473,100	-
2030-2034	598,805	473,100	-
2035-2039	598,805	-	-
	\$ 5,351,683	\$ 2,460,971	\$ 2,371,131

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, 2014. During the remaining term of the sublease agreement, rent paid by sub-lessee shall be increased or decreased based on the rent paid as of the expiration of the preceding one-year period in the same percentage as the percentage change in the cost of living index for the month of June just prior to the preceding one-year term until the month of June just prior to the current term. The cost of living index shall be measured by the Personal Consumption Expenditure (PCE) index as published in The Wall Street Journal.

NOTE 16 - LONG - TERM OBLIGATIONS

A. General Obligation Bonds, Certificates of Participation, Revenue Bonds' Indebtedness, and Derivatives

The general obligation bonds, installment financing and certificates of participation (COPs) for school facilities and various general government capital projects and items are serviced by the General Fund. The general obligation bonds and revenue bonds issued to finance the construction of facilities or purchase equipment utilized in the operations of the water and sewer systems are being retired by their resources. Principal and interest requirements are appropriated when due for all debt. The general obligation bonds are collateralized by the full faith, credit and taxing power of the County. The revenue bonds are secured by the pledge of net revenues derived from the acquired or constructed assets of the water and sewer system. The derivatives are interest swap agreements with the objective of protecting Union County against the risk of interest rate changes in connection with variable rate debt and to effect lower debt service costs on the County's fixed rate debt. Any derivative that the County enters into must first have the approval of the Local Government Commission (LGC) and the County Commissioners. The COPs and Installment Financing are collateralized by the assets financed and are not secured by the taxing power of the County. The COPs require the County to follow customary covenants including providing insurance certificates, budget data and financial information on an annual basis. The other long-term obligations, the North Carolina Clean Water Revolving Loans, are described further in Note 16. E.

1. Long-term obligations at June 30, 2014 are reflected in the following table. Bonds and installment financings appearing in the table that have associated derivative products are denoted with a lower case letter of the alphabet in parenthesis. A detailed description of each corresponding derivative appears after the following tables.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2014
1. General Obligation Bonds					
2004 Refunding Bonds (School Facilities)	June 01, 2004	June 01, 2016	3.75% - 4.125%	\$ 14,976,804	\$ 868,458
2004 Refunding Bonds (Sanitary Sewer)	June 01, 2004	June 01, 2016	4.00% - 4.50%	3,303,196	191,542
2004 School Facility - Series A	Dec. 14,2004	March 01, 2029	1.400%	48,265,000	37,868,719
2004 Law Enf. Facility - Series A	Dec. 14,2004	March 01, 2029	1.400%	1,735,000	1,361,281
2004 Refunding Bonds - Series B (School Fac.)	Dec. 14,2004	March 01, 2020	1.400%	21,630,000	11,675,000
2007 School Facility - Series A	Sept. 06, 2007	March 01, 2033	1.400%	65,365,000	30,745,000
2007 School Facility - Series B	Sept. 06, 2007	March 01, 2033	Variable	39,200,000	18,465,000
2007 School Facility - Series C	Sept. 06, 2007	March 01, 2033	1.400%	26,145,000	12,295,000
2007 School Facility - Series D	Sept. 06, 2007	March 01, 2029	4.25% - 5.00%	90,000,000	24,000,000
2009 School Facility - Series A	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	52,260,000
2009 Refunding Bonds (School Facility) - Series B	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	33,285,000
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	27,900,000
2010 Refunding Bonds - Series A (School Facility)	July 08, 2010	March 01, 2022	3.00% - 5.00%	55,010,000	36,305,000
2012 Refunding Bonds (School Facility)	May 01, 2012	March 01, 2024	2.00% - 5.00%	28,845,000	28,280,000
2013A Refunding Bonds (School Facility)	March 19, 2013	March 01, 2029	1.50%-5.00%	42,890,000	42,510,000
					<u>358,010,000</u>
2. Installment Financing					
2006 School COP's	Nov. 09, 2006	June 01, 2032	4.00% - 5.00%	77,640,000	9,315,000
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.9026%	9,390,000	5,138,489
2011 Limited Obligation Bonds	December 01, 2011	June 01, 2020	2.2800%	12,390,000	11,885,000
2012 Limited Obligation Bonds	May 01, 2012	December 01, 2024	1.00% - 5.00%	27,850,000	27,730,000
2013 Limited Obligation Bonds	March 19, 2013	December 01, 2031	2.00-5.00%	29,310,000	29,270,000
					<u>83,338,489</u>
3. Revenue Bonds					
2009 Enterprise System (b, d)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	17,545,000
2011 Enterprise System (a, d)	August 04, 2011	December 21, 2028	Variable	11,425,000	7,770,000
2011 Enterprise System - Series A (c)	December 21, 2011	June 01, 2021	2.00% - 5.00%	22,960,000	21,860,000
					<u>47,175,000</u>
4. Other Long-term Obligations (Note 16. E.)					
1998 North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	3.43%	4,673,933	701,090
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	2.265%	15,000,000	10,500,000
					<u>11,201,090</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 499,724,579</u>

2. Details regarding recent debt refundings are as follows:

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 statement of net position. 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. At June 30, 2014, \$27,000,000 of defeased bonds remain in escrow.

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 statement of net position. 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. At June 30, 2014, \$18,235,000 of defeased bonds remain in escrow.

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 statement of net position. 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, 2014, \$28,340,000 of defeased bonds remain in escrow.

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 an 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 thereon 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 statement of net position. 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. At June 30, 2014 \$38,570,000 of defeased bonds remain in escrow.

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 for a fixed 6 year term with an interest rate of 1.40%, after which the balance of the transaction will need to be refunded, renewed or reissued. 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 May 28, 2018 equal to 1.16%, after which the balance of the transaction will need to be refunded, renewed or reissued. 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, 2014, 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.

Business-type activities						Value due from /	Value due from /
Cash flow hedges (A):						(to) counterparty	(to) counterparty
Pay fixed-receive floating						June 30, 2013	June 30, 2014
Description	Item	Amortized Notional	Counterparty	Pay	Receive		
in Notes		Value					
(a)	\$	7,770,000	The Bank of New York Mellon	3.923%	65% LIBOR + 1.14273%	\$ (646,544)	\$ (509,933)
(b)	\$	17,545,000	The Bank of New York Mellon	3.820%	70% LIBOR	\$ (3,326,945)	\$ (3,306,187)
						(3,973,489)	(3,816,120)
Investment derivatives (B):							
Pay floating-receive floating							
(c)	\$	21,860,000	The Bank of New York Mellon	SIFMA Swap Index	65% LIBOR + 0.4295%	\$ (74,287)	\$ (36,438)

(A) Cash flow hedges require County to pay fixed payer rate and receive % of LIBOR index

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

Derivative instrument (c) 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, 2014, classified by type and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

	Changes in Fair Value since June 30, 2013		Fair Value at June 30, 2014		Notional
	Classification	Amount	Classification	Amount	
Business-type activities					
Cash flow hedges:					
Pay fixed-receive floating (a)	Deferred outflow	136,611	Debt	(509,933)	7,770,000
Pay fixed-receive floating (b)	Deferred outflow	20,758	Debt	(3,306,187)	17,545,000
Investment derivatives:					
Pay floating-receive floating (c)	Investment revenue	37,849	Investment	(36,438)	21,860,000
Total Business-type activities		<u>195,218</u>		<u>(3,852,558)</u>	<u>47,175,000</u>
Total interest rate swaps		<u>\$ 195,218</u>		<u>\$ (3,852,558)</u>	<u>\$ 47,175,000</u>

As of June 30, 2013 and June 30, 2014, 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, 2014, this agreement had a negative fair value of \$36,438 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 counter parties, representing estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date. See details in Note 16., A., 3., (c).

As of June 30, 2013 and June 30, 2014, 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 Assets. As of June 30, 2014, the agreements had negative fair values of \$509,933, and \$3,306,187. These amounts are included in the deferred outflows on derivative instruments (asset) and derivative liability categories on the Statement of Net Assets business type activities as \$3,816,120. These mark-to-market valuations were established by market quotations obtained by the counter parties, representing

estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date. See details in Note 16., A., 3., (a) and (b).

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

Terms. 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, 2014, 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>(1.241%)</u>
Net interest rate swap payments		2.682%
Variable rate bond coupon payments	Bond Rate	<u>1.241%</u>
Synthetic interest rate on Bonds		3.923%

Fair Value. As of June 30, 2014, the agreement had a negative fair value of \$509,933. This mark-to-market valuation was established by market quotations obtained by the counter party, 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, 2014, 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 "Aa2" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2014, 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, 2014, 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	Remarketing	Total
	Principal	Interest	Sw aps, Net *	Liquidity, Other	
2015	\$ 1,160,000	96,416	208,401	-	1,464,817
2016	1,195,000	82,022	177,288	-	1,454,310
2017	1,240,000	67,194	145,237	-	1,452,431
2018	1,280,000	51,807	111,979	-	1,443,786
2019	1,325,000	35,923	77,647	-	1,438,570
2020 - 2021	1,570,000	21,902	47,339	-	1,639,241
Total	<u>\$ 7,770,000</u>	<u>\$ 355,264</u>	<u>\$ 767,891</u>	<u>\$ -</u>	<u>\$ 8,893,155</u>

* Computed using $(3.923\% - 1.241\%) \times (\$7,770,000 - \text{annual reduction})$

- (b) 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, 2014, 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>(0.106%)</u>
Net interest rate swap payments		3.714%
Variable rate bond coupon payments	Bond Rate	<u>0.050%</u>
Synthetic interest rate on Bonds		3.764%
Remarketing, Liquidity, Other		<u>0.530%</u>
Total Cost		<u>4.294%</u>

Fair Value. As of June 30, 2014, the agreement had a negative fair value of \$3,306,187. 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, 2014, 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 “Aa2” by Moody’s Investor’s Service, “AA-” by Standard and Poor’s Ratings Services, and “AA-” by Fitch Ratings as of June 30, 2014, 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, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, are reflected in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate	Remarketing	Total
	Principal	Interest	Sw aps, Net *	Liquidity, Other	
2015	\$ 560,000	\$ 8,773	\$ 651,674	\$ 92,989	\$ 1,313,435
2016	585,000	8,493	630,874	90,021	1,314,387
2017	615,000	8,200	609,145	86,920	1,319,265
2018	640,000	7,893	586,302	83,661	1,317,855
2019	670,000	7,573	562,531	80,269	1,320,372
2020 - 2024	3,815,000	32,535	2,416,895	344,871	6,609,301
2025 - 2029	4,755,000	22,100	1,641,720	234,260	6,653,080
2030 - 2034	5,905,000	9,113	676,931	96,593	6,687,636
Total	\$ 17,545,000	\$ 104,678	\$ 7,776,072	\$ 1,109,582	\$ 26,535,331

* Computed using $(3.82\% - 0.106\%) \times (\$17,545,000 - \text{annual reduction})$

- (c) 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-SIFMA 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, 2014, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	3.867%
Receive Floating Rate	65% LIBOR + 0.4295%	(0.528%)
Pay Floating Rate	SIFMA Swap Index	<u>0.06%</u>
Net interest rate on Bonds		<u>3.399%</u>

Fair Value. As of June 30, 2014, the agreement had a negative fair value of \$36,438. 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, 2014, 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 "Aa2" by Moody's Investor's Service, "AA-" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings as of June 30, 2014, 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, 2014, 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	Sw aps, Net *	
2015	\$ 1,100,000	\$ 823,288	\$ (99,656)	\$ 1,823,631
2016	1,150,000	778,288	(94,395)	1,833,892
2017	1,200,000	731,288	(88,900)	1,842,387
2018	1,235,000	694,938	(83,207)	1,846,731
2019	1,270,000	657,188	(77,349)	1,849,838
2020 - 2024	7,160,000	2,465,738	(290,855)	9,334,883
2025 - 2028	8,745,000	890,869	(105,537)	9,530,332
Total	<u>\$ 21,860,000</u>	<u>\$ 7,041,594</u>	<u>\$ (839,899)</u>	<u>\$ 28,061,694</u>

* Computed using $(0.528\% - 0.06\%) \times (\$21,860,000 - \text{annual reduction})$

(d) 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 2014 pursuant to these agreements, and the interest rate at year-end for these issues. Interest rates may change pursuant to the terms of the remarketing agreements based on market conditions. The interest rates, per the remarketing agreements, cannot exceed 12% through May 28, 2018. The revenue bonds Series 2009 and 2011 have been synthetically fixed as described in the previous paragraphs.

Debt Sub Note	Issue	Balance June 30, 2014	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2014	Interest Rate June 30, 2014
(d)	General Obligation 2007B	18,465,000	not applicable	575	0.51%
(a)	Revenue Bonds 2011	7,770,000	not applicable	10,375	1.241%
(b)	2009	17,545,000	August 20, 2015	110,003	0.05%

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 362,892,452	\$ 201,561	\$ 363,094,013
Certificates of Participation	77,995,207	-	77,995,207
Installment Financing	5,138,489	-	5,138,489
Revenue Bonds	-	47,598,520	47,598,520
N.C. Clean Water Revolving Loan	-	11,201,090	11,201,090
Total	\$ 446,026,148	\$ 59,001,171	\$ 505,027,319

5. The table in Note 16 part A differs from the long-term obligations in Note 16 part B due to the following:

	Unamortized Deferred Loss on Defeasance	Unamortized Premium	Total
General Obligation Bonds			
2004 Refunding Bonds (School Facilities) (b)	\$ -	\$ (45,446)	\$ (45,446)
2004 Refunding Bonds (Sanitary Sewer) (b)	-	(10,019)	(10,019)
2004 Refunding Bonds (School Facilities) (c,e)	211,165	-	211,165
2007 School Facility - Series D	-	(821,261)	(821,261)
2009 School Facility - Series A	-	(2,478,552)	(2,478,552)
2009 Refunding Bonds (School Facility) - Series B	-	(1,979,609)	(1,979,609)
2009 Refunding Bonds (School Facility) - Series C	976,361	(1,455,149)	(478,788)
2010 Refunding Bonds - Series A (School Fac.)	-	(4,274,888)	(4,274,888)
2012 School Refunding	3,929,748	(2,851,949)	1,077,799
2013A School Refunding	7,318,849	(3,603,263)	3,715,586
Installment Financing			
2003 Multi-purpose COP's	-	-	-
2006 Schools COP's	-	(441,387)	(441,387)
2011 Limited Obligation Bonds (Schools)	166,424	-	166,424
2011 Limited Obligation Bonds (Other)	297,657	-	297,657
2012 Limited Obligation Bonds (Schools)	2,228,567	(2,497,659)	(269,092)
2012 Limited Obligation Bonds (Other)	626,060	(701,651)	(75,591)
2013 Limited Obligation Bonds (Schools)	3,695,494	(3,168,712)	526,782
Revenue Bonds			
2011 Refunding Enterprise System	-	-	-
2011A Refunding Enterprise System	1,308,282	(1,731,802)	(423,520)
Total	\$ 20,758,607	\$ (26,061,347)	(5,302,740)
Long-term Obligations (per Note 16, A)			505,027,319
Future Maturities of Long-term Obligations (per Note 16, B)			\$ 499,724,579

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							
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	26,830,000	8,611,833	6,273,633	2,300,870	33,103,633	10,912,703		
2020-2024	108,050,000	28,448,250	24,710,000	8,535,194	132,760,000	36,983,444		
2025-2029	82,360,000	10,348,868	17,745,000	3,470,625	100,105,000	13,819,493		
2030-2033	32,645,000	1,004,956	9,430,000	421,200	42,075,000	1,426,156		
	\$ 357,818,458	\$ 91,260,304	\$ 83,338,489	\$ 26,273,514	\$ 441,156,947	\$ 117,533,818		
Business-type Activities	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	983,696	211,866	4,038,696	1,782,064
2018	-	-	3,155,000	1,461,710	750,000	186,863	3,905,000	1,648,573
2019	-	-	3,265,000	1,349,297	750,000	169,875	4,015,000	1,519,172
2020-2024	-	-	12,545,000	5,020,652	3,750,000	594,563	16,295,000	5,615,215
2025-2029	-	-	13,500,000	2,579,309	3,000,000	169,875	16,500,000	2,749,184
2030-2034	-	-	5,905,000	696,195	-	-	5,905,000	696,195
	\$ 191,542	\$ 10,174	\$ 47,175,000	\$ 16,162,110	\$ 11,201,090	\$ 1,831,783	\$ 58,567,632	\$ 18,004,067
Total Long-term Obligations for Governmental and Business-type Activities							\$ 499,724,579	\$ 135,537,885

As of June 30, 2014, Union County had no general obligation bonds authorized but unissued, and had a legal debt margin of \$1,529,214,621.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014 (and agrees to table in Note 16 part A):

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Bonds Payable					
General obligation bonds	\$ 383,275,223	\$ -	\$ 25,456,765	\$ 357,818,458	\$ 27,078,571
Certificates of participation	83,535,000	-	5,335,000	78,200,000	5,340,000
Installment financing	6,052,309	-	913,820	5,138,489	949,830
Defeasance	(21,808,578)	-	(2,358,253)	(19,450,325)	(2,165,662)
Premium	26,871,783	-	2,552,257	24,319,526	2,510,595
Total Bonds Payable	<u>477,925,737</u>	<u>-</u>	<u>31,899,589</u>	<u>446,026,148</u>	<u>33,713,334</u>
Compensated absences	3,307,409	5,044,583	4,292,727	4,059,265	-
Net OPEB obligation	11,352,499	-	725,633	10,626,866	-
Net pension obligation	(1,702,306)	(213,277)	-	(1,915,583)	-
Government activities long term liabilities	<u>\$ 490,883,339</u>	<u>\$ 4,831,306</u>	<u>\$ 36,917,949</u>	<u>\$ 458,796,696</u>	<u>\$ 33,713,334</u>
Business-type Activities:					
Bonds Payable					
General obligation bonds	\$ 329,777	\$ -	\$ 138,235	\$ 191,542	\$ 136,429
Revenue bonds	49,955,000	-	2,780,000	47,175,000	2,820,000
NC Clean Water Revolving Loan	12,184,787	-	983,697	11,201,090	983,697
Defeasance	(1,403,131)	-	(94,849)	(1,308,282)	(96,846)
Premium	1,867,094	-	125,273	1,741,821	125,273
Total Bonds Payable	<u>62,933,527</u>	<u>-</u>	<u>3,932,356</u>	<u>59,001,171</u>	<u>3,968,553</u>
Compensated absences	385,869	667,925	623,191	430,603	-
Net OPEB obligation	1,258,923	-	76,984	1,181,939	-
Net pension obligation	(230,113)	(29,424)	-	(259,537)	-
Business-type activities long term liabilities	<u>\$ 64,348,206</u>	<u>\$ 638,501</u>	<u>\$ 4,632,531</u>	<u>\$ 60,354,176</u>	<u>\$ 3,968,553</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, 2014.

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, 2014 is as follows:

Revenues	\$ 38,601,784
Current Expenses	20,513,746
Net revenues available for debt service	<u>18,088,038</u>
Add: 20% of preceding year's Surplus Fund	5,646,039
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 23,734,077</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 4,565,677
Subordinate debt service:	
Debt service, principal and interest paid	<u>1,270,573</u>
Total debt service:	
Total debt service, principal and interest paid	5,836,250
Add: 20% of senior debt service	913,135
Adjusted debt service requirements	<u>\$ 6,749,385</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	3.52
Coverage Test 2	
Net revenues / total debt service	3.10

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, 2014. The amount outstanding at June 30, 2014 is \$ 701,090. 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, 2014. The amount outstanding at June 30, 2014 is \$10,500,000. These funds are being used for the 12 Mile Creek Sewer Plant 6 MGD Expansion project of the County's Water and Sewer Enterprise Fund.

The following table summarizes the annual requirements to amortize the long-term debt associated with these loans.

Year Ending	1998 NC Clean Water Revolving Loan		2007 NC Clean Water Revolving Loan	
	Principal	Interest	Principal	Interest
June 30				
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	186,863
2019	-	-	750,000	169,875
2020-2024	-	-	3,750,000	594,563
2025-2028	-	-	3,000,000	169,875
Total	<u>\$ 701,090</u>	<u>\$ 48,095</u>	<u>\$ 10,500,000</u>	<u>\$ 1,783,688</u>

F. Conduit Debt Obligations

Union County Industrial Facility and Pollution Control Financing Authority (the Authority) has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, or any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$10,400,000.

G. Debt Related to Capital Activities

As of June 30, 2014 of the total Governmental Activities debt listed only \$20,159,865 relates to assets the County holds title to. As of June 30, 2014 there are no unspent restricted cash related to this debt amount.

The remaining \$429,247,605 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 17 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of inter-fund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 99,805	Note 1
General Fund	Solid Waste Fund	18,784	Note 1
General Fund	Stormwater Fund	2,845	Note 1
		<u>\$ 121,434</u>	

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

B. INTERFUND ACTIVITY

Transfer Out:	Transfers In:				Business Type
	Governmental Activities				Activities
	General Fund	Emergency Telephone System Fund	General Capital Project Fund	Total Governmental Funds	Stormwater Fund
Governmental activities:					
Library Capital Project Fund	\$ 1,576	\$ -	\$ 3,483,000	\$ 3,484,576	\$ -
General Fund	-	7,477	17,936,454	17,943,931	-
Total governmental activities	1,576	7,477	21,419,454	21,428,507	-
Business type activities:					
Water & Sewer Fund	-	-	-	-	319,893
Total transfers out	\$ 1,576	\$ 7,477	\$ 21,419,454	\$ 21,428,507	\$ 319,893

Note 1: The transfer from the Library Capital Project Fund to the General Fund and to the General Capital

Note 2: The transfer from the General Fund to the Emergency Telephone System Fund was to provide County funding as required by the 911 PSAP Board.

Note 2: The transfers from the General Fund to the General Capital Project Fund were for Union County Public Schools Capital Projects.

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

NOTE 18 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The amount of deferred outflows of resources for Governmental Activities is an unamortized loss on refunded debt of \$339,238. The amount of deferred outflows of resources for Business Activities are a derivative of debt for cash flow hedging of \$3,816,120 and an unamortized deferred loss on refunded debt of \$819,874.

The amount of deferred inflows of resources are as follows:

	Unavailable Revenue	Unearned Revenue
<u>Governmental Activities:</u>		
Prepaid taxes not yet earned (General)	\$ -	\$ 472,214
Prepaid taxes not yet earned (Special Revenue)	-	138,445
Taxes receivable, net (General)	4,445,758	-
Taxes receivable, net (Special Revenue)	138,445	-
Unamortized Gain on Debt Refundings (Gov't)	-	3,720,560
<u>Business-Type Activities:</u>		
Capital Contribution not yet earned (W&S)	-	25,030
Prepaid intergovernmental not yet earned (W&S)	-	1,794,876
Unamortized Gain on Debt Refundings (W&S)	-	43,712
Total	\$ 4,584,203	\$ 6,194,837

NOTE 19 - JOINT VENTURES

A. Catawba River Treatment Plant

Union County and Lancaster County Water and Sewer District (district) constructed a water impoundment and treatment facility on the Catawba River in Lancaster County. The joint venture is known as the Catawba River Water Treatment Plant (the "CRWTP"). The agreement between the two parties called for the payment of one-half the audited and agreed upon costs of acquiring, constructing

and equipping the project. The County has a 50% undivided interest in the facility. Management of the facility is the responsibility of a joint board. The joint board is composed of an equal number of members from the district and County. A minimum of three (3) members from the district and County each serve on the joint board. The district has responsibility for operating the facility under the joint board's direction.

The agreement further calls for an annual audit each June 30 to determine actual expenses and gallons used. A final settlement will be made each year based on audited amounts. Operating costs of the facility will be split between the parties based on metered gallons drawn by each. The joint venture serves only the County and district as customers. All purchases of water are considered to be related party transactions. During the year, the County purchased \$2,191,258 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, 2014 was \$15,044,539. This included the County's recognized loss of \$171,471, 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, 2014, is as follows:

Cash and investments	\$	457,939
Other assets		29,974,634
Total assets	\$	<u>30,432,573</u>
Total liabilities	\$	343,495
Total net assets		3,089,078
Total liabilities and net assets	\$	<u>3,432,573</u>
Total revenues	\$	3,861,835
Total expenses		(4,425,646)
Capital contributions		220,870
Net increase in net assets	\$	<u>(342,941)</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, \$2,645,392 in debt is still outstanding. The County contributed \$1,207,189 to South Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2014. In addition, the County made debt service payments of \$353,705 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, 2014. 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, 2014. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$711,999 to PBH to supplement its activities for the year ended June 30, 2014. Complete financial statements for PBH can be obtained from PBH's offices at 245 LePhillip Court, NE, Concord, NC 28025.

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

As with PBH, the County has an ongoing financial responsibility for the Cardinal Innovations joint venture because its continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Cardinal Innovations, so no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for Cardinal Innovations can be obtained from the same address of the PBH's offices; 245 LePhillip Court, NE, Concord, NC 28025.

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of nine County governments and seventy municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The County paid membership dues of \$54,310 during the fiscal year ended June 30, 2014. The County was the sub-recipient of a grant for \$842,529 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

NOTE 21 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
TANF Payments and Penalties	\$ 711,126	\$ -
Refugee Assistance Payment	1,431	-
CWS Adoption Subsidy and Vendor	-	313,391
IV-E Adoption Subsidy and Vendor	485,994	127,177
State/County Special Assistance for Adults	-	700,338
Women, Infants and Children	3,005,554	-
Medical Assistance Program	90,784,002	48,424,146
Health Choice	3,908,183	1,233,994
	<u>\$ 98,896,290</u>	<u>\$ 50,799,046</u>

NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

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)
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
2013	498,905	9,642,541	9,143,636	5.17 %	27,184,187	33.64

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
2009	527,637	169.04 %
2010	580,462	108.72 %
2011	725,358	77.80 %
2012	695,688	104.05 %
2013	728,783	149.97 %
2014	903,943	133.58 %

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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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 July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll for Year Ending on Valuation Date	UAAL as a Percentage of Covered Payroll (3) / (5)
2007	\$ -	\$ 35,415,051	\$ 35,415,051	- %	\$ 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 %	37,255,775	111.5 %
2014	14,456,978	56,311,261	41,854,283	25.7 %	39,719,155	105.4 %

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
2009	5,067,038	38.3 %
2010	4,966,681	47.1 %
2011	4,966,681	58.1 %
2012	5,989,106	89.7 %
2013	6,182,123	86.7 %
2014	5,652,958	113.2 %

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	June 30, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	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	7.5% - 5%



Combining and Individual Fund Statements

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds	Library Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 3,224,455	\$ 7,782	\$ 3,232,237
Property taxes receivable (net)	132,236	-	132,236
Accounts receivable (net)	316,469	-	316,469
Total assets	<u>\$ 3,673,160</u>	<u>\$ 7,782</u>	<u>\$ 3,680,942</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 43,172	\$ -	\$ 43,172
Total liabilities	<u>43,172</u>	<u>-</u>	<u>43,172</u>
DEFERRED INFLOWS OF RESOURCES	<u>138,445</u>	<u>-</u>	<u>138,445</u>
FUND BALANCES			
Restricted	3,491,543	-	3,491,543
Assigned	-	7,782	7,782
Total fund balances	<u>3,491,543</u>	<u>7,782</u>	<u>3,499,325</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,673,160</u>	<u>\$ 7,782</u>	<u>\$ 3,680,942</u>

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

For the Year Ended June 30, 2014

	Special Revenue Funds	Library Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,680,151	\$ -	\$ 4,680,151
Local option sales tax	835,225	-	835,225
Other taxes and licenses	1,081,898	-	1,081,898
Intergovernmental	110,688	-	110,688
Permits and fees	2,450,653	-	2,450,653
Sales and services	15,000	-	15,000
Investment earnings	6,271	-	6,271
Miscellaneous	167,509	6,591	174,100
Total revenues	<u>9,347,395</u>	<u>6,591</u>	<u>9,353,986</u>
EXPENDITURES			
Current:			
General government	148,807	-	148,807
Public safety	8,948,749	-	8,948,749
Cultural and recreational	-	62,087	62,087
Total expenditures	<u>9,097,556</u>	<u>62,087</u>	<u>9,159,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>249,839</u>	<u>(55,496)</u>	<u>194,343</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	7,477	-	7,477
Transfers to other funds	-	(3,484,576)	(3,484,576)
Total other financing sources (uses)	<u>7,477</u>	<u>(3,484,576)</u>	<u>(3,477,099)</u>
Net change in fund balances	257,316	(3,540,072)	(3,282,756)
FUND BALANCES			
Beginning	<u>3,234,227</u>	<u>3,547,854</u>	<u>6,782,081</u>
Ending	<u>\$ 3,491,543</u>	<u>\$ 7,782</u>	<u>\$ 3,499,325</u>

Union County, North Carolina

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2014

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
ASSETS				
Cash and investments	\$ 29,429	\$ 79,879	\$ 100,398	\$ 33,988
Property taxes receivable (net)	17,803	24,077	37,857	38,786
Accounts receivable (net)	19,852	37,971	61,125	48,123
Total assets	<u>\$ 67,084</u>	<u>\$ 141,927</u>	<u>\$ 199,380</u>	<u>\$ 120,897</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 82	\$ 302	\$ 314	\$ 59
DEFERRED INFLOWS OF RESOURCES	<u>17,818</u>	<u>24,099</u>	<u>37,856</u>	<u>38,842</u>
FUND BALANCES				
Restricted	<u>49,184</u>	<u>117,526</u>	<u>161,210</u>	<u>81,996</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,084</u>	<u>\$ 141,927</u>	<u>\$ 199,380</u>	<u>\$ 120,897</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
\$ 80,444	\$ 78,254	\$ 2,140,296	\$ 681,767	\$ -	\$ 3,224,455
13,713	-	-	-	-	132,236
59,239	1	90,158	-	-	316,469
<u>\$ 153,396</u>	<u>\$ 78,255</u>	<u>\$ 2,230,454</u>	<u>\$ 681,767</u>	<u>\$ -</u>	<u>\$ 3,673,160</u>
\$ 174	\$ 66	\$ 34,931	\$ 7,244	\$ -	\$ 43,172
19,829	1	-	-	-	138,445
<u>133,393</u>	<u>78,188</u>	<u>2,195,523</u>	<u>674,523</u>	<u>-</u>	<u>3,491,543</u>
<u>\$ 153,396</u>	<u>\$ 78,255</u>	<u>\$ 2,230,454</u>	<u>\$ 681,767</u>	<u>\$ -</u>	<u>\$ 3,673,160</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, 2014

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
REVENUES				
Ad valorem taxes	\$ 410,404	\$ 791,186	\$ 1,271,738	\$ 991,902
Local option sales tax	74,069	138,382	219,867	184,011
Other taxes and licenses	-	-	-	-
Intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>484,473</u>	<u>929,568</u>	<u>1,491,605</u>	<u>1,175,913</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	508,412	964,583	1,534,963	1,183,537
Total expenditures	<u>508,412</u>	<u>964,583</u>	<u>1,534,963</u>	<u>1,183,537</u>
Excess (deficiency) of revenues over (under) expenditures	(23,939)	(35,015)	(43,358)	(7,624)
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	-	-
Net change in fund balances	(23,939)	(35,015)	(43,358)	(7,624)
FUND BALANCES				
Beginning	<u>73,123</u>	<u>152,541</u>	<u>204,568</u>	<u>89,620</u>
Ending	<u>\$ 49,184</u>	<u>\$ 117,526</u>	<u>\$ 161,210</u>	<u>\$ 81,996</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
\$ 1,214,921	\$ -	\$ -	\$ -	\$ -	\$ 4,680,151
218,896	-	-	-	-	835,225
-	-	1,081,898	-	-	1,081,898
-	-	-	110,688	-	110,688
-	2,336,176	-	-	114,477	2,450,653
-	-	-	15,000	-	15,000
-	-	4,770	1,501	-	6,271
-	-	-	167,509	-	167,509
<u>1,433,817</u>	<u>2,336,176</u>	<u>1,086,668</u>	<u>294,698</u>	<u>114,477</u>	<u>9,347,395</u>
-	-	-	-	148,807	148,807
<u>1,533,123</u>	<u>2,284,633</u>	<u>666,095</u>	<u>273,403</u>	<u>-</u>	<u>8,948,749</u>
<u>1,533,123</u>	<u>2,284,633</u>	<u>666,095</u>	<u>273,403</u>	<u>148,807</u>	<u>9,097,556</u>
(99,306)	51,543	420,573	21,295	(34,330)	249,839
-	-	7,477	-	-	7,477
<u>(99,306)</u>	<u>51,543</u>	<u>428,050</u>	<u>21,295</u>	<u>(34,330)</u>	<u>257,316</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>
<u>\$ 133,393</u>	<u>\$ 78,188</u>	<u>\$ 2,195,523</u>	<u>\$ 674,523</u>	<u>\$ -</u>	<u>\$ 3,491,543</u>

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

June 30, 2014

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 2,898,682	\$ 1,012,732	\$ 723,125	\$ 4,634,539
Accounts receivable (net)	513,183	959	639	514,781
Total current assets	<u>3,411,865</u>	<u>1,013,691</u>	<u>723,764</u>	<u>5,149,320</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	43,007	11,111	7,332	61,450
Workers' compensation claims payable	-	108,160	-	108,160
Health care benefits payable	1,069,343	-	-	1,069,343
Property and casualty claims payable	-	-	80,813	80,813
Total current liabilities	<u>1,112,350</u>	<u>119,271</u>	<u>88,145</u>	<u>1,319,766</u>
NET POSITION				
Unrestricted	<u>\$ 2,299,515</u>	<u>\$ 894,420</u>	<u>\$ 635,619</u>	<u>\$ 3,829,554</u>

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

For the Year Ended June 30, 2014

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 12,768,985	\$ 449,666	\$ 617,199	\$ 13,835,850
Other operating revenue	-	5,864	-	5,864
Total operating revenues	<u>12,768,985</u>	<u>455,530</u>	<u>617,199</u>	<u>13,841,714</u>
OPERATING EXPENSES				
Operating expenses	1,191,427	139,096	-	1,330,523
Worker's compensation claims	-	111,580	-	111,580
Health benefit claims and premiums	10,750,929	-	-	10,750,929
Property and casualty claims and premiums	-	-	641,504	641,504
Total operating expenses	<u>11,942,356</u>	<u>250,676</u>	<u>641,504</u>	<u>12,834,536</u>
Operating income	826,629	204,854	(24,305)	1,007,178
NONOPERATING REVENUES				
Investment earnings	<u>12,414</u>	<u>6,280</u>	<u>3,630</u>	<u>22,324</u>
Change in net position	839,043	211,134	(20,675)	1,029,502
NET POSITION				
Beginning	1,460,472	683,286	656,294	2,800,052
Ending	<u>\$ 2,299,515</u>	<u>\$ 894,420</u>	<u>\$ 635,619</u>	<u>\$ 3,829,554</u>



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

For the Year Ended June 30, 2014

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 12,668,455	\$ 449,144	\$ 616,915	\$ 13,734,514
Other operating revenue	-	5,864	-	5,864
Cash paid for goods and services	(11,710,317)	(240,418)	(647,105)	(12,597,840)
Net cash provided (used) by operating activities	958,138	214,590	(30,190)	1,142,538
INVESTING ACTIVITIES				
Investment earnings	12,414	6,280	3,630	22,324
Net increase (decrease) in cash and investments	970,552	220,870	(26,560)	1,164,862
CASH AND INVESTMENTS				
Beginning of year	1,928,130	791,862	749,685	3,469,677
End of year	<u>\$ 2,898,682</u>	<u>\$ 1,012,732</u>	<u>\$ 723,125</u>	<u>\$ 4,634,539</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 826,629	\$ 204,854	\$ (24,305)	\$ 1,007,178
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities				
Increase (decrease) in accounts receivable	(100,530)	(522)	(284)	(101,336)
Increase (decrease) in accounts payable and accrued liabilities	232,039	10,258	(5,601)	236,696
Total adjustments	<u>131,509</u>	<u>9,736</u>	<u>(5,885)</u>	<u>135,360</u>
Net cash provided (used) by operating activities	<u>\$ 958,138</u>	<u>\$ 214,590</u>	<u>\$ (30,190)</u>	<u>\$ 1,142,538</u>

Combining Statement of Fiduciary Net Position - Pension Trust Funds

June 30, 2014

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 667,848	\$ 14,456,983	\$ 15,124,831
Accounts receivable (net)	546	-	546
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 668,394</u>	<u>\$ 14,456,983</u>	<u>\$ 15,125,377</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 12,537	\$ -	\$ 12,537
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>12,537</u>	<u>-</u>	<u>12,537</u>
NET POSITION			
Employees' pension benefits	<u>\$ 655,857</u>	<u>\$ 14,456,983</u>	<u>\$ 15,112,840</u>

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

For the Year Ended June 30, 2014

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
ADDITIONS			
Employer contributions	\$ 1,207,462	\$ 1,482,989	\$ 2,690,451
Net investment income	688	1,774,163	1,774,851
Total additions	<u>1,208,150</u>	<u>3,257,152</u>	<u>4,465,302</u>
DEDUCTIONS			
Benefits	<u>1,170,577</u>	-	<u>1,170,577</u>
Change in net position	37,573	3,257,152	3,294,725
NET POSITION			
Beginning	<u>618,284</u>	<u>11,199,831</u>	<u>11,818,115</u>
Ending	<u>\$ 655,857</u>	<u>\$ 14,456,983</u>	<u>\$ 15,112,840</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2014

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
ASSETS				
Cash and investments	\$ 55,276	\$ 60,888	\$ 27,181	\$ -
Property taxes receivable (net)	-	-	-	5,802
	<u>55,276</u>	<u>60,888</u>	<u>27,181</u>	<u>5,802</u>
Total assets	<u>55,276</u>	<u>60,888</u>	<u>27,181</u>	<u>5,802</u>
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	5,802
Due to Program Participants	55,276	60,888	27,181	-
	<u>55,276</u>	<u>60,888</u>	<u>27,181</u>	<u>5,802</u>
Total liabilities	<u>55,276</u>	<u>60,888</u>	<u>27,181</u>	<u>5,802</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
\$ 3	\$ 92,389	\$ 2,853	\$ 111	\$ 238,701
<u>22,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,646</u>
<u>22,847</u>	<u>92,389</u>	<u>2,853</u>	<u>111</u>	<u>267,347</u>
22,847	92,389	2,853	111	124,002
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,345</u>
<u>\$ 22,847</u>	<u>\$ 92,389</u>	<u>\$ 2,853</u>	<u>\$ 111</u>	<u>\$ 267,347</u>



General Fund

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



General Fund**Balance Sheet**

June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and investments	\$ 72,209,474	\$ 71,940,645
Property taxes receivable (net)	4,092,865	4,775,881
Accounts receivable (net)	14,058,347	12,384,284
Accounts receivable, long-term	31,412	46,412
Inventories	24,537	29,497
Prepaid Item	148,988	204,005
Cash and investments, restricted	-	46,820
Cash and investments, restricted-deposits	1,261,696	1,198,371
Total assets	<u>\$ 91,827,319</u>	<u>\$ 90,625,915</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,972,026	\$ 4,624,410
Deposits	1,261,696	1,198,371
Total liabilities	<u>7,233,722</u>	<u>5,822,781</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,445,758</u>	<u>5,134,078</u>
FUND BALANCE		
Nonspendable	204,937	279,914
Restricted	14,979,838	13,342,913
Committed	31,916,595	-
Assigned	31,104,920	3,761,390
Unassigned - sixteen percent reserve policy	-	35,366,994
Unassigned - other	1,941,549	26,917,845
Total fund balance	<u>80,147,839</u>	<u>79,669,056</u>
Total liabilities and fund balance	<u>\$ 91,827,319</u>	<u>\$ 90,625,915</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 156,081,812	\$ 165,029,949	\$ 8,948,137	\$ 157,703,452
Local option sales tax	26,948,400	29,449,464	2,501,064	26,834,776
Other taxes and licenses	1,888,300	2,410,251	521,951	2,093,213
Intergovernmental	30,277,892	29,430,618	(847,274)	30,831,772
Permits and fees	3,765,105	4,531,626	766,521	4,063,547
Sales and services	5,010,458	4,896,808	(113,650)	4,383,686
Investment earnings	500,000	391,547	(108,453)	116,820
Miscellaneous	6,682,251	7,075,903	393,652	7,062,545
<i>Total revenues</i>	<u>231,154,218</u>	<u>243,216,166</u>	<u>12,061,948</u>	<u>233,089,811</u>
EXPENDITURES				
General Government				
Board of Commissioners	252,078	237,216	14,862	270,775
Central Administration	1,037,689	938,461	99,228	864,056
County Dues and Memberships	101,590	99,459	2,131	95,907
Legal	446,905	437,265	9,640	356,312
Human Resources	724,840	705,296	19,544	694,720
Finance	1,042,079	1,022,134	19,945	957,963
Tax Administration	3,920,405	3,948,656	(28,251)	3,581,960
Court Facilities	1,001,087	978,177	22,910	814,188
Board of Elections	1,097,897	889,464	208,433	981,323
Register of Deeds	902,602	895,375	7,227	895,229
Information Technology	1,766,045	1,295,261	470,784	1,345,326
G.I.S. Department	254,171	221,060	33,111	217,112
Procurement	291,977	267,399	24,578	-
General Services	-	-	-	(294,757)
Fleet Management	14,709	16,349	(1,640)	-
Property Management	(247,273)	(476,108)	228,835	-
<i>Total General Government</i>	<u>12,606,801</u>	<u>11,475,464</u>	<u>1,131,337</u>	<u>10,780,114</u>
Public Safety				
Law Enforcement	25,010,583	24,133,173	877,410	21,673,473
911 Communications	3,649,736	3,353,801	295,935	3,198,735
Emergency Management	144,926	148,484	(3,558)	144,740
Fire Marshal's Office	1,006,578	954,819	51,759	827,076
Building Code Enforcement	1,920,061	1,879,004	41,057	1,310,498
Other Public Safety Outside Agencies				
Medical Examiner	94,500	67,474	27,026	47,604
Emergency Medical Services	4,450,957	4,417,681	33,276	3,744,882
Juvenile Detention	76,716	72,694	4,022	67,228
American Red Cross	4,784	4,784	-	4,743
<i>Total Public Safety</i>	<u>36,358,841</u>	<u>35,031,914</u>	<u>1,326,927</u>	<u>31,018,979</u>

Continued on next page.

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
Economic and Physical Development				
Planning	\$ 939,939	\$ 778,741	\$ 161,198	\$ 653,885
Cooperative Extension Service	1,140,345	847,422	292,923	788,865
Soil and Water Conservation	78,537	63,083	15,454	71,744
Other Economic and Physical Dev. Outside Agencies				
Economic Development	605,940	605,785	155	580,560
Forest Resources	95,054	88,275	6,779	63,585
<i>Total Economic and Physical Development</i>	<u>2,859,815</u>	<u>2,383,306</u>	<u>476,509</u>	<u>2,158,639</u>
Human Services				
Public Health	9,340,112	8,694,199	645,913	8,539,056
Social Services	26,770,178	24,789,313	1,980,865	24,453,687
Transportation and Nutrition	1,958,804	1,824,242	134,562	1,544,318
Veterans' Services	342,336	322,962	19,374	300,972
Other Human Services Outside Agencies				
Mental Health	898,188	897,274	914	888,773
Health Quest	21,561	21,561	-	21,375
Safe Alliance	21,990	21,990	-	21,800
Charlotte Area Transportation	97,705	97,704	1	87,744
DJJDP - Programs	287,971	286,413	1,558	292,668
Turning Point	21,375	21,375	-	21,375
Community Shelter	10,995	10,994	1	10,900
Community Action	66,574	66,574	-	66,574
Council of Aging	374,760	375,320	(560)	383,706
Other Human Services	350	116	234	302
<i>Total Human Services</i>	<u>40,212,899</u>	<u>37,430,037</u>	<u>2,782,862</u>	<u>36,633,250</u>
Cultural and Recreational				
Library	4,322,917	4,129,935	192,982	4,099,166
Parks and Recreation	1,976,774	1,743,171	233,603	1,629,396
Other Cultural and Recreational Outside Agencies				
Arts Council	47,434	47,434	-	47,025
Historical Properties	19,214	19,214	-	15,989
A.J. Historical Foundation	4,373	4,373	-	-
<i>Total Cultural and Recreational</i>	<u>6,370,712</u>	<u>5,944,127</u>	<u>426,585</u>	<u>5,791,576</u>
Education				
Public Schools - current expense	83,021,859	83,021,859	-	81,504,155
Public Schools - current expense (occupancy cost)	229,481	229,481	-	245,465
Public Schools - other costs	750,000	719,687	30,313	25,578
Subtotal	<u>84,001,340</u>	<u>83,971,027</u>	<u>30,313</u>	<u>81,775,198</u>
Community College - operations	1,207,189	1,207,189	-	1,107,189
Literacy Council	2,157	2,157	-	-
<i>Total Education</i>	<u>85,210,686</u>	<u>85,180,373</u>	<u>30,313</u>	<u>82,882,387</u>

Continued on next page.

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
Debt Service				
Principal retirement	\$ 32,870,585	\$ 31,705,585	\$ 1,165,000	\$ 30,542,075
Interest and fees	16,613,929	15,643,292	970,637	21,236,696
<i>Total Debt Service</i>	<u>49,484,514</u>	<u>47,348,877</u>	<u>2,135,637</u>	<u>51,778,771</u>
Contingency	170,531	-	170,531	-
Nondepartmental	645,000	930	644,070	-
Total expenditures	<u>233,919,799</u>	<u>224,795,028</u>	<u>9,124,771</u>	<u>221,043,716</u>
Revenues over (under) expenditures	<u>(2,765,581)</u>	<u>18,421,138</u>	<u>21,186,719</u>	<u>12,046,095</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	1,576	1,576	20,023,787
Transfers to other funds	(17,952,343)	(17,943,931)	8,412	(51,979)
Proceeds from refunding general obligation bonds	-	-	-	42,890,000
Proceeds from refunding general obligation bonds issuance premiums, etc.	-	-	-	3,918,850
Proceeds from refunding installment financing	-	-	-	29,310,000
Proceeds from refunding installment financing issuance premium, etc.	-	-	-	3,402,403
Proceeds from termination of derivatives	-	-	-	953,000
Payments to refunded bonds escrow agents	-	-	-	(46,481,216)
Payments to refunded installment financing escrow agents	-	-	-	(32,311,614)
Payments to terminate interest rate swaps	-	-	-	(20,023,787)
Total other financing sources (uses)	<u>(17,952,343)</u>	<u>(17,942,355)</u>	<u>9,988</u>	<u>1,629,444</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(20,717,924)</u>	<u>478,783</u>	<u>21,196,707</u>	<u>13,675,539</u>
APPROPRIATED FUND BALANCE	<u>20,717,924</u>	<u>-</u>	<u>(20,717,924)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>478,783</u>	<u>\$ 478,783</u>	<u>13,675,539</u>
FUND BALANCE				
Beginning		<u>79,669,056</u>		<u>65,993,517</u>
Ending		<u>\$ 80,147,839</u>		<u>\$ 79,669,056</u>

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

For the Year Ended June 30, 2014

	2014		
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 156,081,812	\$ 165,029,949	\$ 8,948,137
Local option sales tax	26,948,400	29,449,464	2,501,064
Other taxes and licenses	1,888,300	2,410,251	521,951
Intergovernmental	30,277,892	29,430,618	(847,274)
Permits and fees	3,765,105	4,531,626	766,521
Sales and services	5,010,458	4,896,808	(113,650)
Investment earnings	500,000	391,547	(108,453)
Miscellaneous	6,682,251	7,075,903	393,652
Total revenues	<u>231,154,218</u>	<u>243,216,166</u>	<u>12,061,948</u>
EXPENDITURES			
Administrative Services	3,354,272	2,805,854	548,418
Board of Elections	1,097,897	889,464	208,433
Community Services	8,122,497	7,387,839	734,658
Emergency Services	10,395,384	10,015,971	379,413
General County Administration	7,299,038	6,367,283	931,755
Growth Management	2,860,000	2,657,745	202,255
Human Services	38,426,139	35,647,065	2,779,074
Outside Partners and Community Agencies	6,556,124	6,483,927	72,197
Public Works	(247,273)	(476,108)	228,835
Register of Deeds	902,602	895,375	7,227
Sheriff's Office	25,095,009	24,195,670	899,339
Union County Public Schools	148,010,453	145,868,874	2,141,579
Total expenditures and other financing uses	<u>251,872,142</u>	<u>242,738,959</u>	<u>9,133,183</u>
Revenues over (under) expenditures	<u>(20,717,924)</u>	<u>477,207</u>	<u>(20,240,717)</u>
OTHER FINANCING SOURCES(USES):			
Transfer from other funds	-	1,576	1,576
Total other financing sources (uses)	<u>-</u>	<u>1,576</u>	<u>1,576</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(20,717,924)</u>	<u>478,783</u>	<u>21,196,707</u>
APPROPRIATED FUND BALANCE	<u>20,717,924</u>	<u>-</u>	<u>(20,717,924)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 478,783</u>	<u>\$ 478,783</u>



Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 387,262	\$ 410,404	\$ 23,142	\$ 397,112
Local option sales tax	54,466	74,069	19,603	60,930
Total revenues	<u>441,728</u>	<u>484,473</u>	<u>42,745</u>	<u>458,042</u>
EXPENDITURES				
Public safety	<u>509,547</u>	<u>508,412</u>	<u>1,135</u>	<u>426,088</u>
Total expenditures	<u>509,547</u>	<u>508,412</u>	<u>1,135</u>	<u>426,088</u>
Revenues over (under) expenditures	(67,819)	(23,939)	43,880	31,954
APPROPRIATED FUND BALANCE				
	<u>67,819</u>	-	<u>(67,819)</u>	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(23,939)</u>	<u>\$ (23,939)</u>	<u>31,954</u>
FUND BALANCE				
Beginning of year - July 1		<u>73,123</u>		<u>41,169</u>
End of year - June 30		<u>\$ 49,184</u>		<u>\$ 73,123</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 713,627	\$ 791,186	\$ 77,559	\$ 733,550
Local option sales tax	109,800	138,382	28,582	119,833
Total revenues	<u>823,427</u>	<u>929,568</u>	<u>106,141</u>	<u>853,383</u>
EXPENDITURES				
Public safety	<u>965,602</u>	<u>964,583</u>	<u>1,019</u>	<u>787,577</u>
Total expenditures	<u>965,602</u>	<u>964,583</u>	<u>1,019</u>	<u>787,577</u>
Revenues over (under) expenditures	(142,175)	(35,015)	107,160	65,806
APPROPRIATED FUND BALANCE				
	<u>142,175</u>	<u>-</u>	<u>(142,175)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(35,015)</u>	<u>\$ (35,015)</u>	<u>65,806</u>
FUND BALANCE				
Beginning of year - July 1		<u>152,541</u>		<u>86,735</u>
End of year - June 30		<u>\$ 117,526</u>		<u>\$ 152,541</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 1,168,267	\$ 1,271,738	\$ 103,471	\$ 1,198,592
Local option sales tax	179,054	219,867	40,813	192,353
Total revenues	<u>1,347,321</u>	<u>1,491,605</u>	<u>144,284</u>	<u>1,390,945</u>
EXPENDITURES				
Public safety	<u>1,536,753</u>	<u>1,534,963</u>	<u>1,790</u>	<u>1,297,852</u>
Total expenditures	<u>1,536,753</u>	<u>1,534,963</u>	<u>1,790</u>	<u>1,297,852</u>
Revenues over (under) expenditures	(189,432)	(43,358)	146,074	93,093
APPROPRIATED FUND BALANCE				
	<u>189,432</u>	<u>-</u>	<u>(189,432)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(43,358)</u>	<u>\$ (43,358)</u>	<u>93,093</u>
FUND BALANCE				
Beginning of year - July 1		<u>204,568</u>		<u>111,475</u>
End of year - June 30		<u>\$ 161,210</u>		<u>\$ 204,568</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 926,616	\$ 991,902	\$ 65,286	\$ 952,872
Local option sales tax	154,595	184,011	29,416	170,574
Total revenues	<u>1,081,211</u>	<u>1,175,913</u>	<u>94,702</u>	<u>1,123,446</u>
EXPENDITURES				
Public safety	<u>1,184,411</u>	<u>1,183,537</u>	<u>874</u>	<u>1,109,655</u>
Total expenditures	<u>1,184,411</u>	<u>1,183,537</u>	<u>874</u>	<u>1,109,655</u>
Revenues over (under) expenditures	(103,200)	(7,624)	95,576	13,791
APPROPRIATED FUND BALANCE				
	<u>103,200</u>	<u>-</u>	<u>(103,200)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(7,624)</u>	<u>\$ (7,624)</u>	<u>13,791</u>
FUND BALANCE				
Beginning of year - July 1		<u>89,620</u>		<u>75,829</u>
End of year - June 30		<u>\$ 81,996</u>		<u>\$ 89,620</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 1,138,025	\$ 1,214,921	\$ 76,896	\$ 1,161,876
Local option sales tax	209,358	218,896	9,538	216,565
Total revenues	<u>1,347,383</u>	<u>1,433,817</u>	<u>86,434</u>	<u>1,378,441</u>
EXPENDITURES				
Public safety	<u>1,534,551</u>	<u>1,533,123</u>	<u>1,428</u>	<u>1,306,800</u>
Total expenditures	<u>1,534,551</u>	<u>1,533,123</u>	<u>1,428</u>	<u>1,306,800</u>
Revenues over (under) expenditures	(187,168)	(99,306)	87,862	71,641
APPROPRIATED FUND BALANCE				
	<u>187,168</u>	<u>-</u>	<u>(187,168)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(99,306)</u>	<u>\$ (99,306)</u>	<u>71,641</u>
FUND BALANCE				
Beginning of year - July 1		<u>232,699</u>		<u>161,058</u>
End of year - June 30		<u>\$ 133,393</u>		<u>\$ 232,699</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 2,283,962	\$ 2,336,176	\$ 52,214	\$ 1,898,226
Total revenues	<u>2,283,962</u>	<u>2,336,176</u>	<u>52,214</u>	<u>1,898,226</u>
EXPENDITURES				
Public safety	<u>2,283,962</u>	<u>2,284,633</u>	<u>(671)</u>	<u>1,874,156</u>
Total expenditures	<u>2,283,962</u>	<u>2,284,633</u>	<u>(671)</u>	<u>1,874,156</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>51,543</u>	<u>\$ 51,543</u>	<u>24,070</u>
FUND BALANCE				
Beginning of year - July 1		<u>26,645</u>		<u>2,575</u>
End of year - June 30		<u>\$ 78,188</u>		<u>\$ 26,645</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Other taxes and licenses	\$ 1,081,898	\$ 1,081,898	\$ -	\$ 975,743
Investment earnings	-	4,770	4,770	4,035
Total revenues	<u>1,081,898</u>	<u>1,086,668</u>	<u>4,770</u>	<u>979,778</u>
EXPENDITURES				
Implemental Functions	126,225	114,027	12,198	123,287
Repairs and maintenance	304,295	225,199	79,096	266,153
Training	25,550	23,834	1,716	19,408
Supplies and materials	79,365	17,019	62,346	4,763
Telecommunication services	260,265	216,731	43,534	230,736
Capital outlay	420,000	69,285	350,715	164,555
Total expenditures	<u>1,215,700</u>	<u>666,095</u>	<u>549,605</u>	<u>808,902</u>
Revenues over (under) expenditures	(133,802)	420,573	554,375	170,876
OTHER FINANCING SOURCES				
Transfers from other funds	-	7,477	7,477	-
APPROPRIATED FUND BALANCE	<u>133,802</u>	<u>-</u>	<u>(133,802)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>428,050</u>	<u>\$ 428,050</u>	<u>170,876</u>
FUND BALANCE				
Beginning of year - July 1		<u>1,767,473</u>		<u>1,596,597</u>
End of year - June 30		<u>\$ 2,195,523</u>		<u>\$ 1,767,473</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 1,014,642	\$ 831,070	\$ 110,688	\$ 941,758	\$ (72,884)
Sales and services	120,000	105,000	15,000	120,000	-
Investment earnings	54,842	54,843	1,501	56,344	1,502
Miscellaneous	1,172,405	1,129,052	167,509	1,296,561	124,156
Total revenues	<u>2,361,889</u>	<u>2,119,965</u>	<u>294,698</u>	<u>2,414,663</u>	<u>52,774</u>
EXPENDITURES					
Cert Grant Program	18,500	7,581	-	7,581	10,919
Controlled Substance Tax	403,629	256,441	50,073	306,514	97,115
Federal Forfeited Property	1,301,779	799,175	74,637	873,812	427,967
Homeland Security-Catawba Nuclear	135,575	37,975	3,620	41,595	93,980
Homeland Security-FY 03 US Grant	380,683	380,683	-	380,683	-
Indian Trail GHSP Grant	279,616	154,006	145,073	299,079	(19,463)
Total expenditures	<u>2,519,782</u>	<u>1,635,861</u>	<u>273,403</u>	<u>1,909,264</u>	<u>610,518</u>
Revenues over (under) expenditures	(157,893)	484,104	21,295	505,399	663,292
OTHER FINANCING SOURCES					
Transfers from other funds	157,893	169,124	-	169,124	11,231
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 653,228</u>	21,295	<u>\$ 674,523</u>	<u>\$ 674,523</u>
FUND BALANCE					
Beginning of year - July 1			653,228		
End of year - June 30			<u>\$ 674,523</u>		

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Permits and fees	\$ 133,400	\$ 114,477	\$ (18,923)	\$ 136,330
Total revenues	<u>133,400</u>	<u>114,477</u>	<u>(18,923)</u>	<u>136,330</u>
EXPENDITURES				
General government	167,730	148,807	18,923	111,838
Total expenditures	<u>167,730</u>	<u>148,807</u>	<u>18,923</u>	<u>111,838</u>
Revenues over (under) expenditures	(34,330)	(34,330)	-	24,492
APPROPRIATED FUND BALANCE				
	<u>34,330</u>	<u>-</u>	<u>(34,330)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(34,330)</u>	<u>\$ (34,330)</u>	<u>24,492</u>
FUND BALANCE				
Beginning of year - July 1		<u>34,330</u>		<u>9,838</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 34,330</u>

Capital Project Funds

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

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

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.

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, 2014

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 512,205	\$ -	\$ 138,636	\$ 138,636	\$ (373,569)
Investment earnings	898,684	897,512	-	897,512	(1,172)
Miscellaneous	16,363	16,363	-	16,363	-
Total revenues	<u>1,427,252</u>	<u>913,875</u>	<u>138,636</u>	<u>1,052,511</u>	<u>(374,741)</u>
EXPENDITURES					
Capital outlay					
General Government					
Government Facilities Renovations	14,774,263	13,295,964	631,671	13,927,635	846,628
County Facility Repairs	125,000	-	-	-	125,000
I.T. Infrastructure	1,588,238	446,763	100,868	547,631	1,040,607
Historic Courthouse Renovation	75,000	-	-	-	75,000
Energy Savings Projects	122,675	19,757	1,500	21,257	101,418
Register of Deeds Redaction	177,000	-	-	-	177,000
Phone System Upgrade	655,000	-	331,994	331,994	323,006
Public Safety					
Law Enforcement-Jail Expansion	1,922,745	1,812,629	-	1,812,629	110,116
Law Enforcement-Firearms Range	6,555,665	1,220,757	108,200	1,328,957	5,226,708
Law Enforcement - Storage Garage	250,000	-	-	-	250,000
Inspections Mobile Office	123,400	101,106	11,202	112,308	11,092
Human Services					
Human Services Campus	42,150,000	164,610	165,505	330,115	41,819,885
DSS Business Automation	1,332,781	1,121,873	209,809	1,331,682	1,099
DSS Business Automation Ph 2	1,024,410	-	856,286	856,286	168,124
Electronic Medical Records	175,000	-	-	-	175,000
Cultural and Recreation					
Community Services Facility Repair	125,000	-	-	-	125,000
Jesse Helms Park	803,946	276,068	-	276,068	527,878
Jesse Helms Park Bridge	715,496	582,667	36,280	618,947	96,549
Monroe Library Chiller Replacement	200,000	-	-	-	200,000
Parks & Rec Comp Master Plan	100,000	-	17,742	17,742	82,258
Economic and Physical Development					
4H Pavilion	80,000	-	47,107	47,107	32,893
Education					
Benton Heights Roof Repair	505,395	-	-	-	505,395
East Union Roof Repair	326,970	-	-	-	326,970
Forest Hills Roof Repair	406,485	-	-	-	406,485
Hemby Bridge Roof Repair	307,350	-	9,200	9,200	298,150
Indian Trail Roof Repair	355,065	-	4,000	4,000	351,065
Marshville Roof Repair	425,685	-	-	-	425,685
Monroe High Roof Repair	300,050	-	8,400	8,400	291,650
Monroe Middle Roof Repair	157,410	-	4,600	4,600	152,810
New Salem Roof Repair	312,150	-	9,200	9,200	302,950
Piedmont Middle Roof Repair	34,950	-	-	-	34,950
Piedmont High Roof Repair	136,000	-	3,400	3,400	132,600
Parkwood High Roof Repair	563,940	-	366,825	366,825	197,115
Parkwood Middle Roof Repair	1,477,380	-	-	-	1,477,380
Sun Valley High Roof Repair	503,200	-	16,000	16,000	487,200
Sun Valley Middle Roof Repair	1,091,400	-	-	-	1,091,400
South Providence Roof Repair	487,140	-	-	-	487,140
Technical Services Roof Repair	204,315	-	6,100	6,100	198,215
Unionville Roof Repair	13,680	-	-	-	13,680
Walter Bicket Education Center Roof Repair	622,440	-	18,400	18,400	604,040
Schools Capital Outlay FY 14 - PHS Stadium	1,742,334	-	730,767	730,767	1,011,567
Wesley Chapel Elementary Roof Repair	39,300	-	4,000	4,000	35,300
Weddington Middle/Elementary Roof Repair	349,665	-	-	-	349,665

Continued on next page.

General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
Western Union Roof Repair	288,500	-	-	-	288,500
Schools Capital Outlay FY 15 - Bus	84,444	-	-	-	84,444
Schools Capital Outlay FY 15 - Technology	377,359	-	-	-	377,359
Schools Capital Outlay FY 14 - Additional Funds	5,357,859	-	2,914,227	2,914,227	2,443,632
Schools Capital Outlay FY 14 - Facilities/IT/ADA	230,791	-	16,955	16,955	213,836
Schools Capital Outlay FY 14 - Safety/Security	1,026,875	-	129,780	129,780	897,095
Schools Capital Outlay FY 13	4,000,000	3,639,974	255,674	3,895,648	104,352
Schools Capital Outlay FY 11	1,303,552	1,279,895	23,657	1,303,552	-
Schools Capital Outlay FY 15 - Facilities	19,069,779	-	-	-	19,069,779
SPCC Capital Maintenance	1,600,000	-	-	-	1,600,000
SPCC Welding Lab	150,000	-	-	-	150,000
Total expenditures	<u>117,597,207</u>	<u>23,962,063</u>	<u>7,039,349</u>	<u>31,001,412</u>	<u>86,595,795</u>
Revenues under expenditures	<u>(116,169,955)</u>	<u>(23,048,188)</u>	<u>(6,900,713)</u>	<u>(29,948,901)</u>	<u>86,221,054</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	107,849,955	64,063,885	21,419,454	85,483,339	(22,366,616)
Transfer in-Water and Sewer Fund	327,500	-	-	-	(327,500)
Proceeds from general obligation bonds	<u>7,992,500</u>	<u>992,500</u>	-	<u>992,500</u>	<u>(7,000,000)</u>
Total other financing sources (uses)	<u>116,169,955</u>	<u>65,056,385</u>	<u>21,419,454</u>	<u>86,475,839</u>	<u>(29,694,116)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 42,008,197</u>	14,518,741	<u>\$ 56,526,938</u>	<u>\$ 56,526,938</u>
FUND BALANCE					
Beginning of year - July 1			<u>42,008,197</u>		
End of year - June 30			<u>\$ 56,526,938</u>		

School Bond Fund 55**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

From Inception and for the Year Ended June 30, 2014

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 2,718,406	\$ 2,718,405	\$ -	\$ 2,718,405	\$ (1)
Total revenues	<u>2,718,406</u>	<u>2,718,405</u>	<u>-</u>	<u>2,718,405</u>	<u>(1)</u>
EXPENDITURES					
Capital outlay					
Education					
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	5,315,983	-	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	-
UCPS Mobile Classrooms (2006-2007)	2,316,048	2,316,048	-	2,316,048	-
New Transportation Fac & Maint	1,793,434	1,793,434	-	1,793,434	-
School Administrative Costs	3,693,817	3,693,817	-	3,693,817	-
Category I - Mobile Units	1,664,775	1,664,774	-	1,664,774	1
Category I - Blitz projects	10,648,655	10,630,626	-	10,630,626	18,029
Category I - Blitz projects chillers	470,682	488,711	-	488,711	(18,029)
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	-
FY 2011 Capital Expenditures	5,325,797	5,226,746	19,222	5,245,968	79,829
Debt Service					
Interest and fees	2,292,955	2,292,955	-	2,292,955	-
Total expenditures	<u>68,062,722</u>	<u>67,954,845</u>	<u>19,222</u>	<u>67,974,067</u>	<u>88,655</u>
Revenues under expenditures	<u>(65,344,316)</u>	<u>(65,236,440)</u>	<u>(19,222)</u>	<u>(65,255,662)</u>	<u>88,654</u>
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)	<u>65,344,316</u>	<u>65,344,314</u>	<u>-</u>	<u>65,344,314</u>	<u>(2)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 107,874</u>	<u>(19,222)</u>	<u>\$ 88,652</u>	<u>\$ 88,652</u>
FUND BALANCE					
Beginning of year - July 1			<u>107,874</u>		
End of year - June 30			<u>\$ 88,652</u>		

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual	Total To Date	Variance from Final Budget Favorable (Unfavorable)
REVENUES					
Miscellaneous	\$ -	\$ -	\$ 6,591	\$ 6,591	\$ 6,591
Total revenues	<u>-</u>	<u>-</u>	<u>6,591</u>	<u>6,591</u>	<u>6,591</u>
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
Misc. Library Capital Project	69,870	-	62,087	62,087	7,783
South West Union Library	51,333	51,333	-	51,333	-
Total expenditures	<u>121,203</u>	<u>51,333</u>	<u>62,087</u>	<u>113,420</u>	<u>7,783</u>
Revenues under expenditures	<u>(121,203)</u>	<u>(51,333)</u>	<u>(55,496)</u>	<u>(106,829)</u>	<u>14,374</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	3,607,203	3,599,187	-	3,599,187	(8,016)
Transfers to other funds	(3,486,000)	-	(3,484,576)	(3,484,576)	1,424
Total other financing sources and uses	<u>121,203</u>	<u>3,599,187</u>	<u>(3,484,576)</u>	<u>114,611</u>	<u>(6,592)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,547,854</u>	<u>(3,540,072)</u>	<u>\$ 7,782</u>	<u>\$ 7,782</u>
FUND BALANCE					
Beginning of year - July 1			<u>3,547,854</u>		
End of year - June 30			<u>\$ 7,782</u>		



Enterprise Funds

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

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

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

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



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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)	2013 Actual
REVENUES				
Operating revenues				
Charges for services	\$ 28,255,708	\$ 28,898,478	\$ 642,770	\$ 25,870,267
Other operating revenue	768,450	875,258	106,808	818,822
Total	<u>29,024,158</u>	<u>29,773,736</u>	<u>749,578</u>	<u>26,689,089</u>
Nonoperating revenues				
Investment earnings	338,444	168,066	(170,378)	(135,666)
Intergovernmental	-	1,739,243	1,739,243	-
Proceeds from sale of capital assets	-	136,851	136,851	23,961
Total	<u>338,444</u>	<u>2,044,160</u>	<u>1,705,716</u>	<u>(111,705)</u>
Total revenues	<u>29,362,602</u>	<u>31,817,896</u>	<u>2,455,294</u>	<u>26,577,384</u>
EXPENDITURES				
Administration	6,351,799	5,643,757	708,042	4,416,619
Water system operations	5,364,365	5,046,993	317,372	5,614,769
Water system maintenance and repairs	1,547,436	1,909,670	(362,234)	1,783,914
Sewer-county customers system operations	6,583,358	5,531,817	1,051,541	5,577,004
Sewer-county customers system maint and repairs	1,680,262	1,385,460	294,802	1,402,008
Sewer-Marshville/Monroe system operations	210,985	190,098	20,887	270,306
Sewer-Marshville/Monroe system maint and repairs	18,000	6,240	11,760	11,979
General obligation bonds - principal	138,235	138,235	-	542,100
Revenue bonds - principal	2,780,000	2,780,000	-	2,700,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	2,730,442	2,210,303	520,139	2,543,855
Total expenditures	<u>28,388,579</u>	<u>25,826,270</u>	<u>2,562,309</u>	<u>25,846,251</u>
Revenues over (under) expenditures	<u>974,023</u>	<u>5,991,626</u>	<u>5,017,603</u>	<u>731,133</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Water and Sewer Capital Project Fund	(4,362,470)	(4,362,470)	-	(7,600,000)
Stormwater Operating Fund	(319,893)	(319,893)	-	(208,944)
Capital contributions - cash	3,246,225	8,444,133	5,197,908	2,946,232
Total other financing sources (uses)	<u>(1,436,138)</u>	<u>3,761,770</u>	<u>5,197,908</u>	<u>(4,862,712)</u>
APPROPRIATED FUND BALANCE	<u>462,115</u>	<u>-</u>	<u>(462,115)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 9,753,396</u>	<u>\$ 9,753,396</u>	<u>\$ (4,131,579)</u>

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 1,961,300	\$ 1,333,147	\$ 159,640	\$ 1,492,787	\$ (468,513)
Total revenues	1,961,300	1,333,147	159,640	1,492,787	(468,513)
EXPENDITURES					
Administrative Capital Outlay					
Government Facilities Renovations	1,826,276	1,136,276	4,293	1,140,569	685,707
Expand Operations Center	9,089,100	96,889	527,078	623,967	8,465,133
Water and Sewer Capital Outlay					
Master Plan Update	318,000	-	-	-	318,000
Water Capital Outlay					
Misc. Water Line Replacement	1,820,531	49,127	73,561	122,688	1,697,843
Misc. Water 84 24" Line Relocation	499,848	66,951	426,984	493,935	5,913
Water R&R Program	954,000	-	-	-	954,000
Misc. Water 762 Zone Trans. Main (Bypass)	1,681,700	73,800	-	73,800	1,607,900
Galvanized Water Line Replacement	1,046,000	-	58,202	58,202	987,798
CRWTP Reservoir Expansion	20,687,780	3,747,204	93,547	3,840,751	16,847,029
CRWTP Expansion	5,263,040	446,212	16,888	463,100	4,799,940
Hwy 75 Pump Station Generator	1,080,600	-	51,140	51,140	1,029,460
Storage Tank Rehab	318,000	-	-	-	318,000
Short Line Extensions Water	2,091,000	55,820	882,163	937,983	1,153,017
Weddington Elevated Storage Tank	5,774,045	393,860	515,142	909,002	4,865,043
Yadkin Water Supply	4,369,510	689,868	521,067	1,210,935	3,158,575
Indian Trail Additional Tank	412,000	-	-	-	412,000
Marshville Water Tank Rehab	639,000	7,250	10,150	17,400	621,600
New Additional Marshville Tank	412,000	-	-	-	412,000
Sewer Capital Outlay					
East Side Improvements	8,657,957	7,239,152	1,048,048	8,287,200	370,757
12 Mile Creek WWTP Expansion	101,200	-	-	-	101,200
Tallwood WWTP Replacement	2,454,960	2,330,167	51,578	2,381,745	73,215
Manhole Rehab	1,136,640	-	43,594	43,594	1,093,046
12 ML WWTP Design & Interim Imprv	11,513,215	708,878	553,713	1,262,591	10,250,624
853 South Zone Tank	412,000	-	-	-	412,000
853 West Zone Transmission Main	1,283,000	-	-	-	1,283,000
Collection System SSES & Rehab	500,000	-	-	-	500,000
Crooked Creek Headworks Improvements	8,906,000	-	90,000	90,000	8,816,000
Crooked Creek I&I Study & Remediation	2,186,300	121,500	134,800	256,300	1,930,000
Crooked Creek Interceptor Improvements Phase I	257,500	-	-	-	257,500
Development of 880 Pressure Zone	5,126,200	19,600	693,069	712,669	4,413,531
East Fork 12M Creek Parallel Trunk	7,162,600	223,031	333,283	556,314	6,606,286

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, 2014

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
Fairview Downtown WW Service	\$ 206,000	\$ -	\$ -	\$ -	\$ 206,000
Grassy Branch WWTP	550,000	-	-	-	550,000
Hunley Creek WWTP	127,000	-	-	-	127,000
Mineral Springs-Collection System	1,267,240	61,740	656,076	717,816	549,424
Olde Sycamore WWTP	270,000	-	-	-	270,000
Pumping Station Upgrades	212,000	-	-	-	212,000
Rays Fork Interceptor	6,180,000	34,112	207,997	242,109	5,937,891
Stallings- Collection System	431,200	64,200	-	64,200	367,000
Unionville Comm Center Ww Service	103,000	-	-	-	103,000
Wastewater Pump Station Improvement	1,503,000	-	-	-	1,503,000
Wastewater R&R Program	1,212,360	-	-	-	1,212,360
West Fork 12ML Interceptor Improvement	741,600	-	-	-	741,600
Total expenditures	<u>120,783,402</u>	<u>17,565,637</u>	<u>6,992,373</u>	<u>24,558,010</u>	<u>96,225,392</u>
Revenues over expenditures	<u>(118,822,102)</u>	<u>(16,232,490)</u>	<u>(6,832,733)</u>	<u>(23,065,223)</u>	<u>95,756,879</u>
OTHER FINANCING SOURCES					
Transfer from other funds:					
Proceeds from revenue bonds	51,115,080	-	-	-	(51,115,080)
Nonoperating revenues					
Transfers from water and sewer operating fund	65,842,368	58,011,028	4,362,470	62,373,498	(3,468,870)
Capital contributions - cash	<u>1,864,654</u>	<u>1,701,175</u>	<u>27,300</u>	<u>1,728,475</u>	<u>(136,179)</u>
Total other financing sources	<u>118,822,102</u>	<u>59,712,203</u>	<u>4,389,770</u>	<u>64,101,973</u>	<u>(54,720,129)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 43,479,713</u>	<u>(2,442,963)</u>	<u>\$ 41,036,750</u>	<u>\$ 41,036,750</u>
FUND BALANCE					
Beginning of year - July 1			<u>43,479,713</u>		
End of year - June 30			<u>\$ 41,036,750</u>		

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014	2013
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 9,753,396	\$ (4,133,695)
Water and Sewer Capital Project Fund	(2,442,963)	556,867
Total	<u>7,310,433</u>	<u>(3,576,828)</u>
Reconciling items		
Amortization of G.O. and revenue bond defeasance	(94,849)	(112,009)
Amortization of G.O. and revenue bond premium	125,273	147,833
Amortization of G.O. and revenue bond gains and (losses) on refunding	(115,449)	(115,449)
Capitalized interest	487,425	532,512
Payment of debt principal	3,901,932	4,225,797
Increase (decrease) in compensated absences payable	(40,877)	18,405
Increase (decrease) in interest expense accrual	13,232	13,540
Increase (decrease) in inventories	(89,604)	(36,940)
Decrease in allowance for uncollectible accounts	21,530	1,215,773
Increase (decrease) in net pension obligation	25,449	35,990
Increase (decrease) in net other post employment benefit obligation	60,786	(57,990)
Investment derivatives gains	37,849	(49,019)
Capital Outlay	7,639,430	9,709,874
Capital contributions	4,229,808	3,459,314
Acquisition payments on intangible asset -water rights	-	155,081
Gain on investment in joint venture	(171,470)	346,870
Loss on disposal of land	(130,622)	(2,116)
Depreciation	(11,379,315)	(10,812,228)
Total	<u>4,520,528</u>	<u>8,675,238</u>
Change in net position	<u>\$ 11,830,961</u>	<u>\$ 5,098,410</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)	2013 Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 3,961,306	\$ 4,568,689	\$ 607,383	\$ 4,377,360
Disposal fees	365,000	381,121	16,121	362,703
Other operating revenue	9,875	70,873	60,998	9,208
Total	<u>4,336,181</u>	<u>5,020,683</u>	<u>684,502</u>	<u>4,749,271</u>
Nonoperating Revenue				
Investment earnings	35,000	26,670	(8,330)	(8,349)
Proceeds from sale of capital assets	-	60,060	60,060	-
Total	<u>35,000</u>	<u>86,730</u>	<u>51,730</u>	<u>(8,349)</u>
Total revenues	<u>4,371,181</u>	<u>5,107,413</u>	<u>736,232</u>	<u>4,740,922</u>
EXPENDITURES				
Personnel	1,092,268	947,167	145,101	949,732
Operating expense	4,099,955	3,493,037	606,918	3,514,282
Total expenditures	<u>5,192,223</u>	<u>4,440,204</u>	<u>752,019</u>	<u>4,464,014</u>
Revenues over (under) expenditures	<u>(821,042)</u>	<u>667,209</u>	<u>1,488,251</u>	<u>276,908</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
Solid Waste Capital Reserve Fund	(816,252)	-	816,252	(85,682)
Transfers in				
Solid Waste Capital Reserve Fund	816,252	816,252	-	-
Total other financing sources (uses)	<u>-</u>	<u>816,252</u>	<u>816,252</u>	<u>(85,682)</u>
APPROPRIATED FUND BALANCE	<u>821,042</u>	<u>-</u>	<u>(821,042)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,483,461</u>	<u>\$ 1,483,461</u>	<u>\$ 191,226</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)	2013 Actual
OTHER FINANCING SOURCES (USES)				
Transfers out				
Solid Waste Operating Fund	\$ -	\$ (816,252)	\$ (816,252)	\$ -
Transfers in				
Solid Waste Operating Fund	-	-	-	85,682
Total other financing sources (uses)	-	(816,252)	(816,252)	85,682
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ (816,252)	\$ (816,252)	\$ 85,682

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014	2013
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 1,483,461	\$ 191,226
Capital Reserve Fund	(816,252)	85,682
Total	<u>667,209</u>	<u>276,908</u>
Reconciling items		
Increase (decrease) in compensated absences payable	173	(3,381)
Decrease in allowance for uncollectible accounts	(294,839)	(1,635)
Increase (decrease) in net pension obligation	3,005	4,691
Increase (decrease) in net other post employment benefit obligation	16,198	(15,453)
Capital Outlay	423,727	201,791
Loss on disposal of land	(801)	-
Depreciation	(193,218)	(168,224)
Increase in accrued landfill postclosure care costs	(63,124)	(74,408)
Total	<u>(108,879)</u>	<u>(56,619)</u>
Change in net position	<u>\$ 558,330</u>	<u>\$ 220,289</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)	2013 Actual
REVENUES				
Charges for services	\$ 21,000	\$ 16,100	\$ (4,900)	\$ -
Total revenues	<u>21,000</u>	<u>16,100</u>	<u>(4,900)</u>	<u>-</u>
EXPENDITURES				
Personnel	218,794	216,123	2,671	201,335
Operating expense	150,278	24,951	125,327	-
Total expenditures	<u>369,072</u>	<u>241,074</u>	<u>127,998</u>	<u>201,335</u>
Revenues over (under) expenditures	<u>(348,072)</u>	<u>(224,974)</u>	<u>123,098</u>	<u>(201,335)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Water and Sewer Operating Fund	319,893	319,893	-	208,944
Total other financing sources (uses)	<u>319,893</u>	<u>319,893</u>	<u>-</u>	<u>208,944</u>
APPROPRIATED FUND BALANCE	<u>28,179</u>	<u>-</u>	<u>(28,179)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 94,919</u>	<u>\$ 94,919</u>	<u>\$ 7,609</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014	2013
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 94,919	\$ 7,609
Total	<u>94,919</u>	<u>7,609</u>
Reconciling items		
Increase (decrease) in compensated absences payable	(4,027)	(1,868)
Increase (decrease) in net pension obligation	970	1,262
Capital Outlay	6,584	-
Total	<u>3,527</u>	<u>(606)</u>
Change in net position	<u>\$ 98,446</u>	<u>\$ 7,003</u>



Internal Service Funds

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

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

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

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

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 12,538,817	\$ 12,768,985	\$ 230,168	\$ 10,862,745
Miscellaneous revenue	-	-	-	87,570
Total	12,538,817	12,768,985	230,168	10,950,315
Nonoperating revenues				
Investment earnings	-	12,414	12,414	5,180
Total revenues	12,538,817	12,781,399	242,582	10,955,495
EXPENDITURES				
Operating expenditures				
Other operating expenditures	1,310,648	1,191,427	119,221	1,035,723
Health benefit claims and premiums	11,228,169	10,757,672	470,497	9,634,601
Total expenditures	12,538,817	11,949,099	589,718	10,670,324
Revenues over (under) expenditures	\$ -	\$ 832,300	\$ 832,300	\$ 285,171
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ 832,300		\$ 285,171
Increase in health benefit claims payable		6,743		45,826
Change in net position		<u>\$ 839,043</u>		<u>\$ 330,997</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 490,343	\$ 449,666	\$ (40,677)	\$ 406,770
Insurance Reimbursement	-	5,864	5,864	5,363
Total	490,343	455,530	(34,813)	412,133
Nonoperating revenues				
Investment earnings	-	6,280	6,280	(2,104)
Total revenues	490,343	461,810	(28,533)	410,029
EXPENDITURES				
Operating expenditures				
Other operating expenditures	137,322	139,096	(1,774)	73,815
Worker's compensation claims	353,021	102,387	250,634	223,353
Total expenditures	490,343	241,483	248,860	297,168
Revenues over (under) expenditures	\$ -	\$ 220,327	\$ 220,327	\$ 112,861
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ 220,327		\$ 112,861
Increase (decrease) in workers' compensation claims payable		(9,193)		85,175
Change in net position		<u>\$ 211,134</u>		<u>\$ 198,036</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 650,789	\$ 617,199	\$ (33,590)	\$ 862,397
Total	650,789	617,199	(33,590)	862,397
Nonoperating revenues				
Investment earnings	-	3,630	3,630	(241)
Total revenues	650,789	620,829	(29,960)	862,156
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	650,789	654,436	(3,647)	640,997
Total expenditures	650,789	654,436	(3,647)	640,997
Revenues over (under) expenditures	\$ -	\$ (33,607)	\$ (33,607)	\$ 221,159
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ (33,607)		\$ 221,159
Increase (decrease) in property and casualty claims payable		12,932		(93,746)
Change in net position		<u>\$ (20,675)</u>		<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.

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
ADDITIONS		
Operating revenues		
Employer contributions	\$ 1,207,462	\$ 1,092,962
Net investment income	688	(1,840)
Total revenues	<u>1,208,150</u>	<u>1,091,122</u>
DEDUCTIONS		
Operating expenses		
Employee benefits	<u>1,170,577</u>	<u>1,087,339</u>
Revenues under expenses	37,573	3,783
NET POSITION		
Beginning of year-July 1	618,284	614,501
End of year-June 30	<u>\$ 655,857</u>	<u>\$ 618,284</u>

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
ADDITIONS		
Operating revenues		
Employer contributions	\$ 1,482,989	\$ 2,187,782
Net investment income	1,774,163	637,803
Total revenues	<u>3,257,152</u>	<u>2,825,585</u>
DEDUCTIONS		
Operating expenses		
Employee benefits	<u>-</u>	<u>-</u>
Revenues under expenses	3,257,152	2,825,585
NET POSITION		
Beginning of year-July 1	<u>11,199,831</u>	<u>8,374,246</u>
End of year-June 30	<u>\$ 14,456,983</u>	<u>\$ 11,199,831</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 56,000	\$ 389,344	\$ 390,068	\$ 55,276
LIABILITIES				
Due to program participants	\$ 56,000	\$ 389,344	\$ 390,068	\$ 55,276
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ 51,540	\$ 760,539	\$ 751,191	\$ 60,888
LIABILITIES				
Due to program participants	\$ 51,540	\$ 759,890	\$ 750,542	\$ 60,888
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 25,561	\$ 390,683	\$ 389,063	\$ 27,181
LIABILITIES				
Due to program participants	\$ 25,561	\$ 390,683	\$ 389,063	\$ 27,181
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Property taxes receivable (net)	\$ 8,133	\$ -	\$ 2,331	\$ 5,802
LIABILITIES				
Accounts payable and accrued liabilities	\$ 8,133	\$ -	\$ 2,331	\$ 5,802
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Cash and investments	\$ -	\$ 6,729	\$ 6,726	\$ 3
Property taxes receivable (net)	32,555	-	9,711	22,844
Total assets	\$ 32,555	\$ 6,729	\$ 16,437	\$ 22,847
LIABILITIES				
Accounts payable and accrued liabilities	\$ 32,555	\$ 85	\$ 9,793	\$ 22,847
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 216,371	\$ 5,482,406	\$ 5,606,388	\$ 92,389
LIABILITIES				
Accounts payable and accrued liabilities	\$ 216,371	\$ 10,056,536	\$ 10,180,518	\$ 92,389

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 3,757	\$ 128,922	\$ 129,826	\$ 2,853
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,757	\$ 128,922	\$ 129,826	\$ 2,853
<u>DEPT. OF STATE TREASURER MOTOR VEHICLE TAX FUND</u>				
ASSETS				
Cash and investments	\$ 7,584	\$ -	\$ 7,473	\$ 111
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,584	\$ -	\$ 7,473	\$ 111
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 360,813	\$ 7,158,623	\$ 7,280,735	\$ 238,701
Property taxes receivable (net)	40,688	-	12,042	28,646
Total assets	<u>\$ 401,501</u>	<u>\$ 7,158,623</u>	<u>\$ 7,292,777</u>	<u>\$ 267,347</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 268,400	\$ 10,185,543	\$ 10,329,941	\$ 124,002
Due to program participants	133,101	1,540,566	1,530,322	143,345
Total liabilities	<u>\$ 401,501</u>	<u>\$ 11,726,109</u>	<u>\$ 11,860,263</u>	<u>\$ 267,347</u>



Additional Financial Data

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable - General Fund

Analysis of Current Tax Levy - County-wide Levy

**Schedule of Ad Valorem Taxes Receivable - General Fund
June 30, 2014**

Fiscal Year	Uncollected Balance June 30, 2013	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2014
2014-2015	\$ -	\$ 557,883	\$ 273,396	\$ 284,487
2013-2014	195,111	162,516,411	160,654,217	2,057,305
2012-2013	2,663,474	(34,937)	1,700,714	927,823
2011-2012	1,095,374	(8,779)	413,712	672,883
2010-2011	859,041	(6,449)	256,448	596,144
2009-2010	733,401	(7,321)	212,913	513,167
2008-2009	491,330	(3,367)	75,269	412,694
2007-2008	258,349	(1,862)	24,346	232,141
2006-2007	239,206	(1,439)	20,539	217,228
2005-2006	121,991	(1,051)	15,907	105,033
2004-2005	89,532	(609)	7,366	81,557
2003-2004	69,444	(175)	69,269	-
	<u>\$ 6,816,253</u>	<u>\$ 163,008,305</u>	<u>\$ 163,724,096</u>	<u>\$ 6,100,462</u>

Less: Releases on 2014-2015 registered motor vehicles	3,285
Less: Allowance for uncollectible ad valorem taxes receivable	(2,010,882)
Ad valorem taxes receivable (net)	<u>\$ 4,092,865</u>

Reconciliation with revenues	
Taxes - ad valorem	<u>\$ 165,029,949</u>

Reconciling items	
2014 tax prepayments	273,396
Write-offs per statute of limitations	66,058
Write-offs of uncollected 2009 motor vehicle tax	75,643
Recognition of previously collected 2013-2014 ad valorem taxes on annually registered vehicles	216,170
Collections in advance	(290,349)
Interest, advertising cost recovery and garnishments	(1,342,514)
Foreclosure fees and overpayments	435
Collections on written off motor vehicle amounts	(58,927)
Tax & Tag interest and refunds	(245,757)
Collection on prior year pet fees	(8)
Total reconciling items	<u>(1,305,853)</u>
Total collections and credits	<u>\$ 163,724,096</u>

Analysis of Current Tax Levy
County-wide Levy
 For the Year Ended June 30, 2014

	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	23,925,691,596	0.6600	\$ 157,898,340	\$ 145,938,011	\$ 11,960,329
Motor vehicles taxed at prior year's rate	699,774,447	0.6650	4,599,676	-	4,599,676
Motor vehicles taxed at prior year's rate	777,463	0.6650	5,171	-	5,171
	6,940	0.6367	44	-	44
Total	<u>24,626,250,446</u>		<u>162,503,231</u>	<u>145,938,011</u>	<u>16,565,220</u>
Discoveries					
Property taxed at current year's rate	203,469,791	0.6600	1,333,782	1,245,157	88,625
Total	<u>203,469,791</u>		<u>1,333,782</u>	<u>1,245,157</u>	<u>88,625</u>
Abatements					
Property taxed at current year's rate	200,075,641	0.6600	1,320,602	1,032,969	287,633
Total	<u>200,075,641</u>		<u>1,320,602</u>	<u>1,032,969</u>	<u>287,633</u>
Total property valuation	<u>24,629,644,596</u>				
Net levy			162,516,411	146,150,199	16,366,212
Add: Uncollected taxes at June 30, 2013			195,111	196,658	(1,547)
Less: Uncollected taxes at June 30, 2014			(2,057,305)	(1,852,284)	(205,021)
Total collections and credits for 2013-2014			<u>\$ 160,654,217</u>	<u>\$ 144,494,573</u>	<u>\$ 16,159,644</u>
Percent current year collected			0.9885	0.9887	0.9874

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	20,475,817,995		
Personal property	1,314,726,337		
Public service companies	354,966,068		
	<u>22,145,510,400</u>	0.6600	\$ 146,150,200
Personal property-motor vehicles	2,483,349,793	0.6600	16,360,996
Personal property-motor vehicles	777,463	0.6650	5,171
Personal property-motor vehicles	6,940	0.6650	44
	<u>2,484,134,196</u>		<u>16,366,211</u>
Total	<u>24,629,644,596</u>		<u>\$ 162,516,411</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, 2014:

School districts	\$ -
Fire protection districts	4,365,404
Total	<u>\$ 4,365,404</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 44,817,727
Restricted	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	34,036,154
Unrestricted	(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)	(309,410,731)
Total governmental activities net position	\$ (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)	\$ (230,556,850)
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 163,571,185
Restricted	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	1,319,906
Unrestricted	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	96,864,668
Total business-type activities net position	\$ 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	\$ 261,755,759
Primary government:										
Net investment in capital assets	\$ 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	\$ 208,388,912
Restricted	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	35,356,060
Unrestricted	(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)	(212,546,063)
Total primary government net position	\$ 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)	\$ 31,198,909

Table 2

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 12,881,769
Public safety	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	45,991,521
Economic and physical development	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	2,588,795
Human services	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	36,905,034
Cultural and recreational	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	6,470,275
Education	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	89,813,013
Interest and fees on long term debt	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	16,686,228
Total Governmental Activities	<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>	<u>211,336,635</u>
Business-type Activities:										
Water and sewer	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	32,291,195
Solid waste	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	4,534,458
Stormwater	101,610	115,546	38,162	213,187	211,501	207,437	191,859	148,634	200,613	235,519
Total Business-type Activities	<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>	<u>37,061,172</u>
Total Expenses	<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>	<u>\$ 248,397,807</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Public safety	\$ 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	\$ 7,104,127
Human services	4,884,808	5,810,110	6,065,107	6,057,364	4,723,863	3,383,886	3,512,006	3,607,474	2,096,371	9,795,257
Other activities	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	2,175,261
Operating grants and contributions:										
Human services	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	18,670,709
Education	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	7,548,402
Other activities	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	4,101,117
Capital grants and contributions	156,953	246,468	336,940	660,626	95,704	421,017	423,685	573,183	150,079	270,327
Total Governmental Activities	<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>	<u>49,665,200</u>
Business-type Activities:										
Charges for services:										
Water and sewer	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	34,120,018
Solid waste	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	4,639,562
Stormwater	-	-	-	3,295	-	-	-	-	-	16,100
Operating grants and contributions	200,383	218,447	236,132	230,170	227,158	309,190	344,414	372,658	362,703	2,120,364
Capital grants and contributions:										
Water and sewer	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	8,471,433
Total Business-type Activities	<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>	<u>49,367,477</u>
Total Primary Revenues	<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>\$ 40,637,025</u>	<u>\$ 99,032,677</u>
Net (Expense) /Revenue										
Governmental Activities	\$ (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)	\$ (161,671,435)
Business-type Activities	<u>21,257,730</u>	<u>37,493,695</u>	<u>27,943,223</u>	<u>18,145,281</u>	<u>2,178,408</u>	<u>1,126,085</u>	<u>1,902,250</u>	<u>2,507,730</u>	<u>5,581,054</u>	<u>12,306,305</u>
Total primary government net expense	<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>	<u>\$ (149,365,130)</u>

Table 2 (continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues										
Governmental Activities:										
Property taxes levied for general purposes	\$ 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	\$ 168,913,593
Local option sales tax	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	30,284,689
Other taxes and licenses	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	2,410,251
Unrestricted grants and contributions	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	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)	420,138
Unrestricted miscellaneous	31,929	17,661	647,091	102,972	14,559	7,974	34,914	32,836	182,066	8,380
Transfers in/out	(131,307)	(323,304)	(300,000)	-	-	-	-	-	-	-
Gain / (loss) on sale of capital assets	(2,491,673)	(4,289,460)	23,581	333,257	(993,597)	95,064	85,935	127,182	(178,573)	123,560
Extraordinary item	-	-	-	-	-	-	-	54,000,000	-	-
Total general revenues and transfers	<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>	<u>202,236,384</u>
Business-type Activities:										
Unrestricted investment earnings	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)	232,586
Transfers	131,307	323,304	300,000	-	-	-	-	-	-	-
Gain / (loss) on sale of capital assets	(138,738)	68,048	41,165	(160,735)	13,199	4,748	(24,662)	53,637	19,729	65,488
Special item	-	-	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	(1,499,544)	-	-	-	-	-	-
Total Business-type activities	<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>	<u>298,074</u>
Total primary government	<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>	<u>\$ 202,534,458</u>
Change in Net Position										
Governmental Activities	\$ (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	\$ 40,564,949
Business-type Activities	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	12,604,379
Total Change in Net Position	<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>	<u>\$ 53,169,328</u>

Table 3

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,287	\$ 84,618	\$ 279,914	\$ 204,937
Restricted	-	-	-	-	-	-	12,754,599	13,161,506	13,342,913	14,979,838
Committed	-	-	-	-	-	-	-	-	-	31,916,595
Assigned	-	-	-	-	-	-	1,656,054	1,497,776	3,761,390	31,104,920
Unassigned	-	-	-	-	-	-	39,980,344	51,249,617	62,284,839	1,941,549
Reserved	10,485,321	13,092,816	15,793,681	18,762,186	11,548,975	11,232,158	-	-	-	-
Unreserved	53,912,165	36,515,103	35,498,590	35,345,281	44,697,716	40,706,179	-	-	-	-
Total general fund	<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>	<u>\$ 80,147,839</u>
All other governmental funds										
Restricted:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,230,291	\$ 2,977,249	\$ 3,234,227	\$ 3,491,543
Debt service funds	-	-	-	-	-	-	1,510,656	-	-	-
Capital project funds	-	-	-	-	-	-	5,676,015	4,425,317	2,403,336	15,396,322
Assigned:										
Capital project funds	-	-	-	-	-	-	20,587,727	73,084,142	43,260,589	41,227,050
Reserved	3,259,684	3,384,994	5,406,614	13,038,989	8,977,547	3,870,955	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,890,668	2,595,842	3,223,619	851,988	1,627,992	2,202,136	-	-	-	-
Debt service funds	9,252,954	15,128,687	16,261,525	13,357,788	13,357,788	1,510,656	-	-	-	-
Capital project funds	52,857,335	5,520,867	(65,362,904)	40,770,271	37,848,554	34,793,625	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 60,114,915</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 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	\$ 169,710,100
Local option sales tax	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	30,284,689
Other taxes and licenses	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	3,492,149
Intergovernmental revenue	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	29,679,942
Permits and fees	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	6,982,279
Sales and services	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	4,911,808
Investment earnings	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	397,818
Miscellaneous	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	7,250,003
Extraordinary item	-	-	-	-	-	-	-	54,000,000	-	-
Total Revenues	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	252,708,788
Expenditures										
Current:										
General government	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	11,625,201
Public safety	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	43,980,663
Economic and physical development	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	2,383,306
Human services	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	37,430,037
Cultural and recreational	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	6,006,214
Education	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	85,180,373
Debt Service:										
Principal	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	31,705,585
Interest and fiscal charges	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	15,643,292
Capital Outlay	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	7,058,571
Total Expenditures	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	241,013,242
Excess (Deficiency) of Revenues over (under) Expenditures	(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	11,695,546
Other Financing Sources (Uses)										
Transfers from other funds	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	21,428,507
Transfers to other funds	(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)	(21,428,507)
Proceeds from borrowing	140,000,000	-	80,922,511	224,214,820	77,265,407	-	-	-	-	-
Proceeds from refunding	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	(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)	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	\$ 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)	\$ 11,695,546
Debt service as a percentage of non-capital expenditures	8.0%	10.5%	8.3%	12.7%	15.9%	20.0%	20.8%	21.8%	21.1%	19.3%

Table 5

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

	<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>	<u>2014</u>
REVENUES										
Ad Valorem Taxes										
Current year levy	\$ 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	\$ 160,701,501
Prior years' levy	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	2,692,210
Penalties and interest	510,411	477,173	558,956	622,522	736,108	886,268	1,013,773	1,201,507	1,265,282	1,636,238
Total	<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>	<u>\$ 165,029,949</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			
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
2014	2013	2,672,689	17,803,130	2,484,134	1,314,726	354,966	24,629,645	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
2014	2013	117.86%	17,373,000	2,484,134	1,314,726	354,966	21,526,826

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Taxes Levied by Union County										
County-wide rate	.525	.56	.6367	.7111	.665	.665	.665	.665	.660	.660
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	.07	.07	-	-	-	-	-	-	-	-
County Schools District	.07	.07	-	-	-	-	-	-	-	-
Supplemental Fire Districts										
Hemby VFD	.0427	.0404	.0464	.377	.0493	.0493	.0476	.0493	.0526	.0526
Springs VFD	-	-	.0313	.0312	.0306	.0306	.03	.0315	.0355	.0355
Stallings VFD	.0492	.039	.0444	.0262	.0406	.0406	.0428	.0428	.0428	.0428
Waxhaw VFD	-	-	.0413	.0513	.0248	.0248	.037	.0372	.0386	.0386
Wesley VFD	.014	.015	.0152	.0167	.0191	.0191	.022	.022	.0241	.0241
Total County Rates										
Maximum	.6442	.6704	.6831	1.0881	.7143	.7143	.7126	.7143	.7126	.7126
Minimum	.595	.63	.6367	.7111	.665	.665	.665	.665	.660	.660
Average	.6196	.6502	.6599	.8996	.6897	.6897	.6888	.6897	.6863	.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	.48
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
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
2014	400	104,010	3,285	320,781

Table 10

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

Taxpayer	Type of Business	June 30, 2014			June 30, 2005		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Allegheny Technologies (Allvac)	Metals	\$ 255,404,410	1	1.04 %	\$ 51,689,024	4	0.39 %
Union Electric Membership Corp	Utility	119,489,679	2	0.49 %	63,614,916	2	0.47 %
Charlotte Pipe & Foundry Co.	Plastics	97,353,067	3	0.40 %	113,082,701	1	0.84 %
Duke Power Company	Utility	83,793,855	4	0.34 %	53,414,289	3	0.40 %
Piedmont Natural Gas	Gas	56,738,591	5	0.23 %	-	-	-
AEP Industries Inc	Manufacturer	47,893,825	6	0.19 %	-	-	-
Wal-Mart Real Estate Business	Retail	35,926,610	7	0.15 %	-	-	-
WSLD Millbridge VI LLC	Home Builder	34,569,510	8	0.14 %	-	-	-
Turbomeca Manufacturing INC	Manufacturer	32,995,029	9	0.13 %	-	-	-
TDY Industries INC	Manufacturer	28,124,870	10	0.11 %	-	-	-
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 %
Total assessed valuation of top 10 taxpayers		\$ 792,289,446		3.22 %	\$ 490,626,071		3.66 %
Total county-wide assessed valuation		\$ 24,629,644,596			\$ 13,403,624,378		

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	70,884,371	68,927,427	97.2	%	1,916,773	70,844,200	99.9	%
2006	2005	82,164,332	80,035,351	97.4	%	2,082,720	82,118,071	99.9	%
2007	2006	102,198,280	99,609,888	97.5	%	2,366,658	101,976,546	99.8	%
2008	2007	124,260,991	121,081,881	97.4	%	2,935,994	124,017,875	99.8	%
2009	2008	150,150,175	145,163,046	96.7	%	4,567,997	149,731,043	99.7	%
2010	2009	152,553,598	148,012,751	97.0	%	4,023,892	152,036,643	99.7	%
2011	2010	153,958,954	150,315,372	97.6	%	3,047,438	153,362,810	99.6	%
2012	2011	155,268,603	152,028,139	97.9	%	2,566,000	154,594,139	99.6	%
2013	2012	156,181,568	153,431,297	98.2	%	1,820,448	155,251,745	99.4	%
2014	2013	162,787,247	160,654,217	98.7	%	-	160,654,217	98.7	%

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		
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	
2014	357,818,458	83,338,489	-	441,156,947	1.79 %	n/a	2,085	

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
2005	\$ 14,213,986	\$ 50,980,000	\$ 2,879,159	\$ 68,073,145	\$ 2,354	\$ 352,982,357	7.6 %	\$ 2,342
2006	11,522,693	49,370,000	2,570,663	63,463,356	1,945	348,136,689	6.7 %	2,179
2007	9,018,482	47,315,000	15,836,967	72,170,449	1,989	490,453,122	8.6 %	2,898
2008	6,533,425	45,245,000	15,603,270	67,381,695	1,764	601,395,353	9.6 %	3,298
2009	4,646,458	43,165,000	16,119,573	63,931,031	1,643	643,379,573	10.2 %	3,359
2010	2,922,140	60,640,000	15,135,877	78,698,017	2,001	631,761,979	9.4 %	3,218
2011	1,420,302	58,065,000	14,152,180	73,637,482	1,854	599,099,507	8.4 %	2,976
2012	871,877	52,655,000	13,168,483	66,695,360	1,621	564,809,967	n/a %	2,746
2013	329,777	49,955,000	12,184,787	62,469,564	1,462	535,332,096	n/a %	2,544
2014	191,542	47,175,000	11,201,090	58,567,632	1,316	499,724,579	n/a %	2,362

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	
2005	\$ 259,469,300	\$ -	\$ 259,469,300	1.94	%	1.90	%	\$ 1,721	
2006	245,324,400	13,495,000	258,819,400	1.77	%	1.67	%	1,620	
2007	231,096,800	83,495,000	314,591,800	1.95	%	1.81	%	1,859	
2008	433,050,000	-	433,050,000	2.47	%	2.14	%	2,375	
2009	472,425,000	-	472,425,000	2.12	%	2.05	%	2,467	
2010	450,285,000	-	450,285,000	1.97	%	1.90	%	2,294	
2011	427,175,000	-	427,175,000	1.85	%	1.95	%	2,122	
2012	404,260,000	-	404,260,000	1.73	%	1.89	%	1,965	
2013	383,605,000	-	383,605,000	1.62	%	1.89	%	1,823	
2014	358,010,000	-	358,010,000	1.45	%	1.66	%	1,692	

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed value of taxable property (in 000's)	\$ 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	\$ 24,629,645
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	<u>1,072,289,920</u>	<u>1,170,875,440</u>	<u>1,288,151,840</u>	<u>1,403,128,400</u>	<u>1,783,378,720</u>	<u>1,832,454,960</u>	<u>1,850,536,640</u>	<u>1,871,639,520</u>	<u>1,890,865,520</u>	<u>1,970,371,600</u>
Gross debt										
General obligation debt	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	358,010,000
Bond anticipation notes	-	13,495,000	83,495,000	-	-	-	-	-	-	-
Authorized and unissued	110,730,000	97,235,000	201,735,000	64,500,000	-	-	-	-	-	-
Certificates of Participation	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	78,200,000
Installment Financing	243,898	181,626	119,355	57,083	9,390,000	8,591,102	7,777,327	6,931,484	6,052,309	5,138,489
NC Clean Water Revolving Loan	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	11,201,090
	<u>412,657,558</u>	<u>396,001,689</u>	<u>644,873,122</u>	<u>620,650,353</u>	<u>600,214,573</u>	<u>571,121,979</u>	<u>541,034,507</u>	<u>512,154,967</u>	<u>485,377,096</u>	<u>452,549,579</u>
Less: Water bonds issued and outstanding	(9,308,774)	(7,332,405)	(5,455,173)	(3,585,416)	(2,157,116)	(854,064)	-	-	-	-
Sewer bonds issued and outstanding	(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)	(191,542)
NC Clean Water Revolving Loan	(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)	(11,201,090)
Amount held in sinking fund	-	-	-	-	-	-	-	-	-	-
	<u>(17,018,346)</u>	<u>(14,093,356)</u>	<u>(24,855,449)</u>	<u>(22,136,695)</u>	<u>(20,766,031)</u>	<u>(18,058,017)</u>	<u>(15,572,482)</u>	<u>(14,040,360)</u>	<u>(12,514,564)</u>	<u>(11,392,632)</u>
Total amount of debt applicable to debt limit	<u>395,639,212</u>	<u>381,908,333</u>	<u>620,017,673</u>	<u>598,513,658</u>	<u>579,448,542</u>	<u>553,063,962</u>	<u>525,462,025</u>	<u>498,114,607</u>	<u>472,862,532</u>	<u>441,156,947</u>
Legal debt margin	<u>\$ 676,650,708</u>	<u>\$ 788,967,107</u>	<u>\$ 668,134,167</u>	<u>\$ 804,614,742</u>	<u>\$ 1,203,930,178</u>	<u>\$ 1,279,390,998</u>	<u>\$ 1,325,074,615</u>	<u>\$ 1,373,524,913</u>	<u>\$ 1,418,002,988</u>	<u>\$ 1,529,214,653</u>
Legal debt margin as a percentage of the debt limit	63.10%	67.38%	51.87%	57.34%	67.51%	69.82%	71.60%	73.39%	74.99%	77.61%

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.
2005	28,258,771	10,426,862	17,831,909	5,261,847	3,487,927	4,136,339	7,624,266	8,321,851	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	30,379,214	17,316,934	13,062,280	6,075,579	4,628,653	1,872,481	6,501,134	7,426,865	2.58	2.01
2014	38,601,784	20,513,746	18,088,038	5,646,039	4,565,677	1,270,573	5,836,250	6,749,385	3.52	3.10

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	
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	30,379,214	17,316,934	13,062,280	2,700,000	1,928,653	2.82
2014	38,601,784	20,513,746	18,088,038	2,780,000	1,785,677	3.96

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)		
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
2014	211,539	n/a	n/a	41,129	6.2	%	1,460,830

Sources:

12. Source: North Carolina State Demographic Unit
13. United States Dept of Commerce, Bureau of Economic Analysis
14. Amounts for fiscal years 2005-2006 use final ADM estimates provided by the State Board of Education and DPI. Amounts shown for fiscal years 2007-2014 are estimated by the School System.
15. North Carolina Employment Security Commission
The data for the Fiscal Years 2005-2010 in the table above is the annual average unemployment rate.
The data for Fiscal Years 2012-2014 in the table above is the July unemployment rate.
16. North Carolina Department of Revenue
The data for the Fiscal Year 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	2014		2005	
		Employees	Rank	Employees	Rank
Union County Schools	Education & Health Services	1,000+	1	1,000+	1
Union Memorial Medical Center	Education & Health Services	1,000+	2	1,000+	3
Tyson Farms Inc	Manufacturing	1,000+	3	1,000+	2
ATI Allvac (TDY Industries)	Manufacturing	1,000+	4	1,000+	6
County of Union	Public Administration	1,000+	5	500-999	5
Harris Teeter Inc	Trade, Transportation & Utilities	500-999	6	-	-
Walmart Associates Inc.	Trade, Transportation & Utilities	500-999	7	500-999	8
City of Monroe	Public Administration	500-999	8	500-999	10
Pilgrim's Pride Corporation	Manufacturing	500-999	9	500-999	7
Scott Technologies	Manufacturing	500-999	10	500-999	-
McGee Brothers	Construction	500-999	-	1,000+	4
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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	8.2	8.2	8.2	8.1	6.1	6.2	6.3	6.1	7.05	7.05
Internal Audit	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Legal	2.8	2.8	2.8	3.1	3.0	3.0	3.0	3.5	4.0	4.0
Personnel	6.0	6.0	7.0	8.0	7.0	7.0	6.0	6.0	6.0	6.0
Finance	9.2	9.2	10.2	10.2	9.0	8.0	8.0	8.0	8.8	8.8
Tax Administration	47.8	51.8	51.8	56.3	44.5	44.5	42.5	42.5	46.73	47.81
Elections	10.9	11.6	11.6	10.3	10.3	13.4	12.0	18.8	12.67	12.67
Register of Deeds	11.3	12.5	12.5	13.5	12.0	12.0	9.0	9.1	10.48	10.48
Information Systems (and GIS)	12.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.10	10.10
General Services	13.7	13.0	11.0	11.5	10.0	10.0	10.0	10.0	-	-
Procurement	-	-	-	-	-	-	-	-	-	3.10
Property Management	-	-	-	-	-	-	-	-	-	4.03
Public safety										
Law Enforcement (and AC)	217.6	218.7	234.6	242.2	248.6	261.6	261.1	262.3	284.46	284.94
Communications	35.6	45.8	44.7	45.7	41.4	41.4	41.4	42.1	43.37	42.76
Emergency Management	3.0	3.0	4.0	4.0	3.0	3.0	3.0	3.0	2.34	1.34
Fire Services	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	4.33	4.33
Building Code Enforcement	28.0	28.0	28.0	27.5	16.0	16.0	12.0	12.0	17.75	18.75
Economic and physical development										
Planning	4.0	4.0	5.0	6.0	4.0	4.0	4.0	4.0	4.25	4.25
Economic Development	-	-	-	-	-	-	-	-	-	-
Cooperative Extension	10.0	12.0	12.0	12.5	11.0	11.0	11.0	10.0	9.82	9.90
Soil Conservation	3.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human services										
Public Health	93.5	97.5	102.6	104.7	101.7	100.0	100.2	93.2	90.1	90.1
Social Services	191.1	194.1	199.6	199.7	200.4	200.4	197.4	188.1	193.56	194.11
Transportation and Nutrition	28.1	30.0	30.1	31.0	30.0	30.3	30.9	30.0	34.58	34.56
Veterans' Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	4.02	4.02
Cultural and recreational										
Library	65.1	64.5	65.9	66.0	55.7	55.7	56.2	54.6	55.13	53.75
Parks and Recreation	23.4	25.4	27.4	27.9	26.9	23.7	23.7	23.7	24.18	24.18
Sub-total	<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>879.7</u>	<u>887.03</u>
Business-type activities:										
Water and Sewer	89.1	94.2	99.3	109.1	92.8	93.6	94.0	93.6	104.82	84.82
Solid Waste	21.6	21.6	21.7	21.5	20.6	20.8	20.4	18.8	19.44	19.45
Stormwater	1.3	1.3	1.3	2.1	2.1	2.1	2.1	2.1	2.10	2.06
Sub-total	<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>126.4</u>	<u>106.33</u>
Total	<u>951.3</u>	<u>983.2</u>	<u>1,018.3</u>	<u>1,046.9</u>	<u>981.1</u>	<u>992.7</u>	<u>979.2</u>	<u>967.0</u>	<u>1,006.1</u>	<u>993.36</u>

Table 20

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Personnel										
Number of full-time employees	825	844	879	977	921	933	910	899	931	921
Number of part-time employees	151	174	223	67	55	55	49	56	73	72
Elections										
Number of registered voters	92,313	97,003	102,969	113,057	119,538	123,132	125,401	129,821	136,500	139,836
Information Systems (and GIS)										
Number of people in system	1,120	1,169	1,226	1,282	1,234	1,232	1,214	1,230	1,313	1,397
General Services										
Number of vehicle service requests	970	643	549	1,077	1,093	990	1,040	1,031	1,113	1,721
Public safety										
Fire Services										
Number of volunteer fire personnel	525	610	640	645	560	560	550	550	550	550
Number of inspections	4,585	5,100	4,347	713	1,341	1,070	1,201	2,057	2,640	2,136
Human services										
Public Health										
Number of patients	16,171	13,085	9,371	13,939	13,657	18,350	13,426	11,952	9,408	8,237
Number of visits	32,300	29,779	33,507	29,026	31,745	36,857	25,907	23,869	23,650	20,729
Social Services										
Number of client visits	34,452	n/a	37,824	44,446	52,953	55,102	56,601	57,985	57,351	49,722
Transportation and Nutrition										
Number of trips	68,023	73,345	73,725	85,199	87,929	85,907	86,067	78,156	84,623	84,533
Congregate, home delivered and supplemental meals	81,034	92,491	96,359	107,034	96,117	86,772	82,324	71,276	69,835	60,968
Veterans' Services										
Number of visitors	3,583	4,096	4,417	3,197	3,049	2,820	3,431	3,178	3,451	3,479
Number of phone calls	7,841	8,356	8,329	8,685	8,246	9,880	11,155	11,907	12,374	12,564
Cultural and recreational										
Library										
Number of volumes	214,212	200,740	229,812	219,255	210,457	216,363	228,169	225,174	225,788	225,181
Parks and Recreation										
Education										
Number of licensed employees	2,233	2,455	2,593	3,531	2,990	2,585	2,834	2,555	3,192	3,117
Number of students	28,815	31,580	34,564	36,952	38,554	39,366	39,900	40,359	40,958	42,047
Business-type Activities:										
Water and Sewer										
Average daily consumption in gallons (in 000's)	7,062	8,870	11,840	9,617	8,659	9,395	11,420	11,280	11,100	11,740
Number of water service connections	28,922	32,629	36,276	38,192	38,913	39,320	39,710	41,147	42,406	43,828
Number of sewer service connections	19,246	22,732	26,113	27,040	27,432	27,760	28,452	29,110	30,306	31,597

Source: Various county departments

Table 21

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Tax Administration										
Number of tax parcels	97,078	98,640	102,639	105,714	106,749	107,406	107,287	108,297	108,297	109,941
Elections										
Number of precincts	49	51	50	50	50	52	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	245	267	295	308	301	314	309	318	318	N/A
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	4	4	3	4	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	1,290	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	36	40	44	48	53	53	53	53	53	53
Number of classrooms	1,316	1,440	1,540	2,139	2,322	2,322	2,322	2,322	2,322	1,902
Business-type activities:										
Water and Sewer										
Number of fire hydrants	2,530	2,680	3,700	3,850	4,280	4,490	4,559	4,579	4,571	4,638
Miles of water mains	610	650	700	726	759	963	972	980	980	993
Miles of sewer mains	450	465	500	539	592	606	606	607	610	620

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, 2014, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 5, 2014.

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 a 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 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 significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-1 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.

Union County's Response to Findings

Union County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

November 5, 2014
Monroe, North Carolina

Potter & Company



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Union County, North Carolina
Monroe, North Carolina

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, 2014. 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.

Auditors' 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-2. Our opinion on each major federal program is not modified with respect to these matters.

Union County's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-2 that we consider to be a significant deficiency.

Union County's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

November 5, 2014
Monroe, North Carolina





POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND 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, 2014. 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.

Auditors' 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, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be

reported in accordance with applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as item 2014-2. Our opinion on each major state program is not modified with respect to these matters.

Union County's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

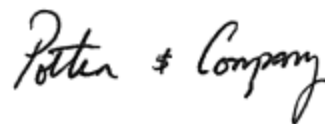
Management of Union County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County's internal control over compliance with the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-2 that we consider to be a significant deficiency.

Union County's response to the internal over compliance findings identified in our audit are described in the accompanying corrective action plan. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



November 5, 2014
Monroe, North Carolina

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted X yes no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.558	TANF Cluster
93.778	Medical Assistance Program
93.767	State Children's Insurance Program – N.C. Health Choice
93.575, 93.596, 93.558, 93.658	Subsidized Child Care Cluster

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, 2014**State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program NameState Children's Insurance Program – N.C. Health Choice
Medical Assistance Program
Subsidized Child Care Cluster**Section II – Financial Statement Findings****Finding: 2014-1**NONCOMPLIANCE AND SIGNIFICANT DEFICENCY

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The County's Fee Supported Fire District Fund and Property and Casualty Fund expended \$671 and \$3,657 more for operations than appropriated in the annual budget ordinance, respectively.

Effect: Moneys were spent that had not been appropriated.

Cause: In the Fee Supported Fire District Fund, the County had restricted fire fees higher than budgeted for the year, which in turn led to higher than anticipated actual expenditures for the year. The Property and Casualty Fund had higher than expected claims liability at year end.

Recommendation: Budget amendments should be adopted when revenues are received in excess of estimated revenues in the budget ordinance prior to expending additional funds.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan.

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Section III – Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

Passed through the NC Division of Social Services

Finding: 2014-2

NONCOMPLIANCE AND SIGNIFICANT DEFICENCY

Criteria: The Division of Social Services Family Services Manual require contracts for services which are reimbursed by the county department of social services utilizing federal and/or State funds administered through the Division of Social Services contain certain provisions and requires certain documents be obtained from the contracted party.

Condition: Our testing of contracts disclosed two contracts which did not contain all of the required documentation.

Effect: Contract documentation requirements are not met.

Cause: Contract control documents did not indicate the use of federal and/or state funds when submitted for contract review; therefore, documentation was not obtained as required by the DSS manual.

Recommendation: The contract control document should be reviewed to ensure that all required provisions are addressed in the control document and the control document should be attached to each contract related to DSS programs and completed in its entirety.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will review its contract control document and procedure for identifying grant fund contracts. Please refer to the corrective action plan.

Section IV – State Awards Findings and Questioned Costs

Finding: 2014-2

NONCOMPLIANCE AND SIGNIFICANT DEFICENCY

Criteria: The Division of Social Services Family Services Manual require contracts for services which are reimbursed by the county department of social services utilizing federal and/or State funds administered through the Division of Social Services contain certain provisions and requires certain documents be obtained from the contracted party.

Condition: Our testing of contracts disclosed two contracts which did not contain all of the required documentation.

Effect: Contract documentation requirements are not met.

Cause: Contract control documents did not indicate the use of federal and/or state funds when submitted for contract review; therefore, documentation was not obtained as required by the DSS manual.

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Recommendation: The contract control document should be reviewed to ensure that all required provisions are addressed in the control document and the control document should be attached to each contract related to DSS programs and completed in its entirety.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will review its contract control document and procedure for identifying grant fund contracts. Please refer to the corrective action plan.

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2014**

Section II – Financial Statement Findings

Finding: 2014-1

Name of contact person: Jeff Yates, Executive Director of Administrative Services/CFO

Corrective action: Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Proposed completion date: The above corrective action will be implemented immediately.

Section III – Federal Award Findings and Questioned Costs

Finding: 2014-2

Name of contact person: Jeff Yates, Executive Director of Administrative Services/CFO

Corrective action: The County agrees with the finding and will add new criteria on its contract control document to identify federal and State grant funded contracts.

Proposed completion date: The above corrective action will be implemented immediately.

Section IV – State Awards Findings and Questioned Costs

Finding: 2014-2

Name of contact person: Jeff Yates, Executive Director of Administrative Services/CFO

Corrective action: The County agrees with the finding and will add new criteria on its contract control document to identify federal and State grant funded contracts.

Proposed completion date: The above corrective action will be implemented immediately.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014**

None reported.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45

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:						
US DEPARTMENT OF AGRICULTURE						
Food and Nutrition Services						
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		\$ 148	\$ -	\$ -	\$ 148
Tax Offset Program (TOP) Retention	10.551		3,769	-	-	3,769
SNAP - Cash Incentive Retention	10.561		15,530	-	-	15,530
State Administrative Matching Grants for the SNAP Program	10.561		1,500,159	-	1,553,567	3,053,726
Total Passed-through N.C. Department of Health and Human Services: Food Stamp Cluster			1,519,606	-	1,553,567	3,073,173
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for						
Women, Infants and Children-Client Services	10.557	13A2-5403-GD	81,466	-	-	81,466
Women, Infants and Children-Client Services	10.557	13A2-5403-GE	295,140	-	20,170	315,310
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GD	50,341	-	-	50,341
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GE	170,705	-	5,057	175,762
Women, Infants and Children-Administration	10.557	13A2-5405-GD	14,069	-	-	14,069
Women, Infants and Children-Administration	10.557	13A2-5405-GE	53,691	-	4,024	57,715
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GD	5,353	-	-	5,353
Women, Infants and Children-Breast Feeding	10.557	13A2-5409-GE	29,601	-	162	29,763
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570G-JQ	1,011	-	-	1,011
Women, Infants and Children-Breast Feeding Peer Counseling	10.557	13A2-570H-JQ	19,636	-	82	19,718
Direct Benefit Payments:						
Special Supplemental Nutrition Program for:						
Women, Infants and Children	10.557		3,005,554	-	-	3,005,554
Total Passed-through N.C. Dept. of Health and Human Services: Division of Public Health			3,726,567	-	29,495	3,756,062
Total U.S. Department of Agriculture			5,246,173	-	1,583,062	6,829,235
U.S. DEPARTMENT OF JUSTICE						
Department of Justice: Bureau of Justice Assistance						
Edward Byrne Memorial Justice Assistance Grant	16.738		\$ 20,129	\$ -	\$ -	20,129
State Criminal Alien Assistance Program	16.606	2012-APB-X0-438	21,269	-	-	21,269
Total U.S. Department of Justice			41,398	-	-	41,398

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
(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	\$ 76,444	\$ -	\$ -	\$ 76,444
<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	146,409	9,148	27,457	183,014
Formula Grants for Other than Urbanized Areas						
	20.509	13-CT-089 Capital	223,370	27,922	27,924	279,216
Governor's Highway Safety Program						
	20.609	K4-2013-04-06	85,652	-	-	85,652
Total U.S. Department of Transportation						
			455,431	37,070	55,381	547,882
<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		34,613	-	-	34,613
Social Services Block Grant-In Home Aide						
	93.667		33,852	969	-	34,821
Special Programs for the Aging-Title III B						
Grants for Supportive Services and Senior Center						
	93.044		214,986	12,684	-	227,670
Special Programs for the Aging-Title III C						
Nutrition Services						
	93.045		165,784	9,695	-	175,479
Administration of Aging: Aging Cluster						
			449,235	23,348	-	472,583
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		\$ 78,494	\$ -	\$ 708,535	\$ 787,029
Special Children Adoption						
	93.558		104,400	-	-	104,400
Family Preservation						
	93.556		26,669	-	-	26,669
Title IV-E Foster Care Training						
	93.658		23,073	-	7,691	30,764
Title IV-E Foster Care Officer Training						
	93.658		248,352	-	248,352	496,704
Title IV-E Foster Care						
	93.658		94,717	24,713	24,714	144,144
Title IV-E Foster Care In Excess						
	93.658		100,054	26,079	26,079	152,212
IV-E Admin County Paid to CCI						
	93.658		33	17	17	67
IV-E Family Foster Care Max						
	93.658		30	-	16	46
IV-E Family Foster Care Max Level III						
	93.658		2,950	-	1,543	4,493
IV-E Child Protective Services						
	93.658		152,203	76,102	76,102	304,407
Title IV-E Adoption Training						
	93.659		2,016	-	672	2,688
Title IV-E Optional Adoption Training						
	93.659		88,493	-	88,493	176,986
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments						
	93.659		485,994	127,177	127,177	740,348
Total Foster Care and Adoption Cluster						
			1,407,478	254,088	1,309,391	2,970,957

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
(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:						
Temporary Assistance for Needy Families (TANF) Cluster:						
TANF/Work First - Direct Benefit Payments	93.558		\$ 711,126	\$ -	\$ -	\$ 711,126
TANF Administration	93.558		312,872	-	-	312,872
TANF Services	93.558		1,313,579	-	-	1,313,579
Work First Administration	93.558		-	-	763,880	763,880
Work First Service	93.558		1,733	-	1,102,039	1,103,772
Total TANF Cluster			2,339,310	-	1,865,919	4,205,229
NC Child Support Enforcement	93.563		1,111,565	-	660,361	1,771,926
Direct Benefit Payments:						
Refugee Assistance Administration	93.566		20,682	-	-	20,682
Refugee Assistance-Direct Benefit Payments	93.566		1,431	-	-	1,431
Child Welfare Services:						
Permanency Planning-Regular	93.645		23,056	-	7,685	30,741
Permanency Planning-Special	93.645		102,680	-	34,227	136,907
LINKS	93.674		18,251	4,563	-	22,814
LINKS-Independent Living/Transitional Funds	93.674		14,777	-	-	14,777
Low Income Home Energy Assistance Block Grant:						
Administration	93.568		557,619	-	-	557,619
Crisis Intervention Program	93.568		476,946	-	-	476,946
SSBG - In Home Services Fund	93.667		10,321	-	1,474	11,795
SSBG - Adult Day Care	93.667		24,947	24,296	7,035	56,278
SSBG - Adult Day Care Over 60	93.667		25,501	20,987	6,641	53,129
SSBG - Adult Day Care Professional Services	93.667		25,004	-	8,335	33,339
SSBG - Other Services and Training	93.667		319,752	-	105,407	425,159
Total Division of Social Services			6,479,320	303,934	4,006,475	10,789,729

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
(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	\$ 33,328	\$ -	\$ -	\$ 33,328
Child Care Development Fund -Discretionary	93.575	1380-1810-DU	327,250	-	-	327,250
Child Care Development Fund -Discretionary	93.575	1381-1810-DU	107,544	-	-	107,544
Child Care Development Fund -TANF to CCDF Discretionary	93.575	1380-1810-TB	889,227	-	-	889,227
Child Care Development Fund -TANF	93.575	1380-1810-TK	47,136	-	-	47,136
Child Care Development Fund-Mandatory	93.596	1380-1810-ML	422,726	-	-	422,726
Child Care Development Fund-Mandatory	93.596	1380-1810-MM	483,238	-	-	483,238
Child Care Development Fund-Match	93.596	1380-1810-V1	111,168	57,832	-	169,000
Child Care Development Fund-Match	93.596	1380-1810-VZ	81,145	42,722	-	123,867
Child Care Development Fund-Match	93.596	1380-1810-V9	445,817	231,922	-	677,739
Child Care Development Fund-State Funding	N/A	1380-1812-00	-	231,027	-	231,027
Child Care Development Fund-State Match	N/A	1381-1740-V9	-	352,573	-	352,573
Child Care Development Fund-State Match	N/A	1381-1740-VZ	-	65,214	-	65,214
Child Care Development -Smart Start	N/A	1381-1740-40	-	15,516	-	15,516
Child Care Development -Smart Start TANF	N/A	1381-1740-TM	-	356,772	-	356,772
Child Care State Maintenance of Effort	N/A	1380-1810-T6	-	116,309	-	116,309
Division of Social Services:						
Child Care Development Fund-Administration	93.596		268,082	-	-	268,082
Total Child Care Development Fund Cluster			<u>3,216,661</u>	<u>1,469,887</u>	<u>-</u>	<u>4,686,548</u>
Temporary Assistance for Needy Families (TANF) Child Care Cluster:						
TANF Child Care	93.558	1380-1810-T2	673,154	-	-	673,154
Total TANF Child Care Cluster			<u>673,154</u>	<u>-</u>	<u>-</u>	<u>673,154</u>
Foster Care Child Care Cluster:						
IV- Foster Care	93.658	1380-1817-K4	38,182	19,969	-	58,151
Total TANF Child Care Cluster			<u>38,182</u>	<u>19,969</u>	<u>-</u>	<u>58,151</u>
Total Subsidized Child Care Cluster			<u>3,927,997</u>	<u>1,489,856</u>	<u>-</u>	<u>5,417,853</u>
Total Administration for Children and Families			<u>10,407,317</u>	<u>1,793,790</u>	<u>4,006,475</u>	<u>16,207,582</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
(Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
FEDERAL AWARDS (CONTINUED):						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Centers for Medicare and Medicaid Services:						
Passed-through N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
Adult Care Home Case Management/Special	93.778		\$ 29,638	\$ 12,255	\$ 17,383	\$ 59,276
State/County Special Assistance	93.778		63,346	-	63,346	126,692
Medical Assistance Expansion (Note 3)	93.778		18,106	18,106	-	36,212
Medical Assistance Administration (Note 3)	93.778		1,659,682	-	1,659,682	3,319,364
Medical/Healthchoice Interpreting	93.778		42,124	-	14,041	56,165
Medical Transportation Administration	93.778		230,655	-	116,446	347,101
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		105,031	5,881	26,399	137,311
Direct Benefit Payments:						
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		3,908,183	1,233,994	-	5,142,177
Total Division of Social Services			6,056,765	1,270,236	1,897,297	9,224,298
Division of Medical Assistance:						
Medical Assistance Program (Note 3)	93.778		199,752	104,160	-	303,912
Direct Benefit Payments:						
Medical Assistance Program (Note 3)	93.778		90,784,002	48,424,146	-	139,208,148
Total Centers for Medicare and Medicaid Services			97,040,519	49,798,542	1,897,297	148,736,358
Centers for Disease Control						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Preventive Health Services Block Grant	93.991	1261-5503-PH	10,783	-	-	10,783
Breast & Cervical Cancer	93.919	1320-310B-EK	20,889	-	62,319	83,208
Wise Women Bioterrorism Grant	93.283	1313-372A-SW	10,809	-	-	10,809
Public Health Emergency Preparedness	93.069	1264-2680-EU	31,452	-	7,164	38,616
Public Health Emergency Preparedness	93.069	1264-2680-ER	3,543	-	-	3,543
Immunization Action	93.268	1331-631A-EJ	21,721	-	-	21,721
Immunization Action	93.268	1331-631B-EJ	16,100	-	391,984	408,084
Total Centers for Disease Control			115,297	-	461,467	576,764
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	13A1-592C-FP	52,464	-	-	52,464
TANF-Family Planning	93.558	13A1-5151-T2	9,971	-	-	9,971
Women's Preventive Health-MCH Services Block Grant	93.994	13A1-5735-AP	30,406	22,808	-	53,214
Maternal Health-MCH Services Block Grant	93.994	13A1-5740-AP	23,901	17,927	-	41,828
Care Coordination for Children-MCH Services Block Grant	93.994	1271-5318-AP	19,904	14,930	320,551	355,385
Child Health-MCH Services Block Grant	93.994	1271-5745-AP	28,249	21,189	1,271,127	1,320,565
Child Health-MCH Services Block Grant	93.994	1271-5351-AP	647	486	-	1,133
Total Health Resources and Services Administration			165,542	77,340	1,591,678	1,834,560
Total U. S. Department of Health and Human Services			108,177,910	51,693,020	7,956,917	167,827,847

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
(Continued)

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Total Expenditures</u>
FEDERAL AWARDS (CONTINUED):						
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>						
Passed-through N.C. Department of Environmental and Natural Resources						
Division of Water Quality:						
Congressionally Mandated Projects	66.202	STAG-XP-95437909-0	159,640	-	888,411	1,048,051
Total federal awards			<u>114,156,996</u>	<u>51,730,090</u>	<u>10,483,771</u>	<u>176,370,857</u>
STATE AWARDS:						
<u>N.C. DEPARTMENT OF CULTURAL RESOURCES</u>						
Division of State Library:						
State Aid to Public Libraries	N/A		-	181,264	-	181,264
<u>N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Passed-through North Carolina Partnership for Children, Incorporated						
Department of Social Services						
Health	N/A		-	80,731	50	80,781
Health	N/A		-	149,432	-	149,432
Library	N/A		-	17,196	-	17,196
Total Passed-through North Carolina Partnership for Children, Incorporated			<u>-</u>	<u>247,359</u>	<u>50</u>	<u>247,409</u>
Division of Aging and Adult Services:						
Aging Cluster:						
90% State Funds - Access	N/A		-	86,205	-	86,205
90% State Funds - In-Home Services	N/A		-	202,868	-	202,868
90% State Funds - Congregate Nutrition	N/A		-	39,588	-	39,588
90% State Funds - Home Delivered Meals	N/A		-	41,285	-	41,285
Total Division of Aging and Adult Services: Aging Cluster			<u>-</u>	<u>369,946</u>	<u>-</u>	<u>369,946</u>
Division of Social Services Programs:						
Child Welfare State In-Home Service	N/A		-	130,081	-	130,081
DCD Smart Start	N/A		-	106,131	-	106,131
SSBG State	N/A		-	36,118	12,039	48,157
Share the Warmth	N/A		-	6,979	-	6,979
County Funded	N/A		-	-	3,200,643	3,200,643
Work First Non-Reimbursable	N/A		-	-	87,427	87,427
Foster Care At Risk Maximization	N/A		-	1,883	989	2,872
State Foster Home Fund Maximization	N/A		-	109,414	109,414	218,828
State Foster Home	N/A		-	59,312	59,311	118,623
CWS Adoption Subsidy and Vendor Payments-Direct Benefit Payments	N/A		-	313,391	66,427	379,818
State/County Special Assistance For Adults-Direct Benefit Payments	N/A		-	700,338	700,338	1,400,676
Total Division of Social Services			<u>-</u>	<u>1,463,647</u>	<u>4,236,588</u>	<u>5,700,235</u>

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Schedule of Expenditures of Federal and State Awards
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Schedule 45
(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	\$ -	\$ 111,388	\$ 309,048	\$ 420,436
Breast and Cervical Cancer	N/A	1320-5599-00	-	8,300	-	8,300
Communicable Disease	N/A	1175-4510-00	-	7,832	508,747	516,579
Communicable Disease-Aids	N/A	1311-4536-BN	-	4,000	-	4,000
Communicable Disease-Aids	N/A	1311-4536-RR	-	10,000	4,120	14,120
Communicable Disease-Tuberculosis	N/A	1460-4551-00	-	4,120	22,605	26,725
Environmental Health	N/A	1153-4751-00	-	4,000	1,464,475	1,468,475
Food and Lodging Fees	N/A	1153-4752-04	-	29,665	-	29,665
Healthy Mothers Healthy Children	N/A	13A1-5735-00	-	1,838	-	1,838
Healthy Mothers Healthy Children	N/A	13A1-5740-00	-	2,718	-	2,718
High Risk Maternity Clinics	N/A	13A1-5746-00	-	65,586	1,218,234	1,283,820
Risk Reduction/Health Promotion	N/A	1261-5503-00	-	6,286	-	6,286
School Nurse	N/A	1332-5358-00	-	50,000	-	50,000
Tuberculosis	N/A	1460-4554-00	-	1,011	240	1,251
Women's Preventative Health	N/A	13A1-6015-FR	-	1,019	-	1,019
Women's Preventative Health	N/A	13A1-6014-FR	-	13,019	784,207	797,226
Total Division of Public Health			-	320,782	4,311,676	4,632,458
Total N.C. Department of Health and Human Services			-	2,401,734	8,548,314	10,950,048
<u>N.C. DEPARTMENT OF PUBLIC INSTRUCTION</u>						
Public School Building Capital Fund-Lottery Fund	N/A		-	2,100,153	-	2,100,153
Total N.C. Department of Public Instruction			-	2,100,153	-	2,100,153
<u>N.C. DEPARTMENT OF PUBLIC SAFETY</u>						
Division of Juvenile Justice - Community Programs Section						
Juvenile Crime Prevention Council	N/A	290000	-	8,199	-	8,199
Project Challenge	N/A	290023	-	91,348	-	91,348
Shelter Care	N/A	290011	-	119,201	-	119,201
Youth and Family Services	N/A	290018	-	67,666	-	67,666
Total Department of Public Safety			-	286,414	-	286,414
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>						
Rural Operating Assistance Program (ROAP)						
ROAP Elderly and Disabled Transportation Assistance		DOT-16CL	-	108,711	-	108,711
ROAP Rural General Public Program		DOT-16CL	-	196,181	-	196,181
ROAP Work First Transitional - Employment		DOT-16CL	-	51,044	-	51,044
Government Highway Safety Program			-	15,814	-	15,814
Total N.C. Department of Transportation			-	371,750	-	371,750
<u>N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Division of Soil and Water Conservation:						
Soil and Water Conservation	N/A		-	29,100	33,983	63,083
Total N.C. Department of Environment and Natural Resources			-	29,100	33,983	63,083
<u>N.C. DEPARTMENT OF ADMINISTRATION</u>						
Veteran's Service	N/A		-	1,452	321,510	322,962
Total State awards			-	5,371,867	8,903,807	14,275,674
Total federal, State and local awards			\$ 114,156,996	\$ 57,101,957	\$ 19,387,578	\$ 190,646,531

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Schedule 45
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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	8,199
Project Challenge	290023	91,348
Shelter Care	290011	119,201
Youth and Family Services	290018	67,666
		<u>\$ 286,414</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
- Subsidized Child Care Cluster