

**CITY OF UNION, SOUTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Prepared by:  
City of Union's Departments of Finance and Administration



City of Union, South Carolina  
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# **INTRODUCTORY SECTION**

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City of Union  
101 Sharpe Ave.  
P.O. Box 987  
Union, SC 29379  
864-429-1700

November 30, 2010

Members of City Council and Citizens of the City of Union, South Carolina:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the City of Union (City) for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a licensed certified public accountant, Terry R. Fant, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 complement this letter of transmittal and should be read in conjunction with it.

#### Profile of the Government

The City, founded in 1837, is located in the central area of Union County, 28 miles southeast of Spartanburg, South Carolina. The City currently occupies a land area of approximately 8.0 square miles and serves a population of approximately 8,800, with a total of approximately 30,000 people in the Greater Union area. The City of Union is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing Council.

The City of Union, as of June 30, 2010, operates under the Mayor Council form of government. Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six Councilmembers. The governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the government's clerk, magistrate, and attorney. The Mayor acts in a legislative capacity as a member of the Council. He acts in an executive capacity as chief administrator of the Council's policies. The Mayor is responsible for carrying out policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing, with Council ratification, the heads of various departments. The Council is elected on a non-partisan basis. Councilmembers serve

four-year staggered terms, with three Councilmembers elected every two years. The Mayor is elected to serve a four-year term. All six of the Councilmembers are elected by district. The Mayor is elected at large.

The City provides a full range of services, including: police and fire protection; the maintenance of streets and other infrastructure; recreational activities and cultural events; sanitation services; electric, water, sewer and natural gas services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Union are required to submit requests for appropriations to the Mayor on or before the last day in February each year. The Mayor uses these requests as the starting point for developing a proposed budget. The Mayor then presents this proposed budget to the Council for review prior to March 31. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Union's fiscal year. The appropriated budget is prepared by fund, department (e.g., finance) and division (e.g., purchasing). Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the Mayor at the departmental level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 35 as part of the basic financial statements for the governmental funds.

### Factors Affecting Financial Conditions

The formation presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy.** The City is centrally located to all Eastern and Southeastern markets. It is approximately in the center of the country's fifth largest trade area with approximately 5 million people in a 100-mile radius. Over half of the United States' population can be reached within a day's drive or a 90-minute flight. The City is a 1-hour drive from Charlotte/Douglas Airport, the Columbia Metro Airport and the Greenville/Spartanburg Airport. The City is a 3-hour drive from the port of Charleston.

The City is considered to be forward thinking and receptive to development. However, the overall economic condition of the City trails both state and national indicators. The decline of the textile industries has heavily impacted the local economy, with unemployment at 17.7% at June 30, 2010.

**Long-term financial planning.** A continued emphasis on long range, conservative financial planning is essential to the City's future success. Options and strategies introduced and continued in 2010 include:

- Ensure that any new City initiative, program or service has a direct and dependable funding source and monitor existing services to meet cost-to-serve goals.
- Continue to promote sound economic development strategies and maintenance of the City's utility system.
- Benchmark services similar to other communities.
- Pursuit of intergovernmental cooperation/consolidation.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, state investment pools, and repurchase agreements. The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The yield on investments for the year ended June 30, 2010 varied from approximately 0.25 percent to 4.89 percent. The average yield on overnight federal funds for that period was 1.00 percent. The City earned interest revenue of \$309,536 on all investments for the year ended June 30, 2010.

**Risk Management.** The City carries its insurance for general liability, property and automobile coverage with the South Carolina Municipal Insurance and Risk Financing Fund through the Municipal Association of South Carolina, a self-insured pool of municipalities throughout South Carolina. Workers' compensation is carried with the South Carolina Municipal Insurance Trust Fund through the Municipal Association of South Carolina. This pool is also self-insured and is made up of municipalities throughout South Carolina.

Safety programs are carried out by the City's Human Resources Department, with oversight coming from both the Finance Director and the Mayor. Each department of the City has a safety representative who works with the Human Resources Department to coordinate safety meetings and programs throughout the year.

Also, several employee committees are a vital part of the City's risk management program. A central Safety Committee is made up of department heads or their representatives from each department. This committee develops city-wide goals, policies, and procedures concerning all aspects of safety.

In addition, a Safety Incentive/Education Committee composed of supervisory personnel throughout the City recommends

city-wide incentive awards to the central Safety Committee and implements approved programs. The Committee reviews all safety suggestions made by employees and recommends awards for suggestions that are adopted.

Pension and other post-employment benefits. All employees of the City participate in one of two defined benefit pension plans administered by the State of South Carolina: the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws. Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings.

The City provides limited post-retirement health care benefits to all employees that meet certain service requirements. This program is authorized by the City's Personnel Resolution, which is approved by City Council. Expenditures for post-retirement health care benefits are recognized when premiums are paid. During the year ended June 30, 2010, expenditures were recognized for post-retirement health care insurance premiums for seven (7) retirees.

Additional information on the City's pension arrangements and post-employment benefits can be found in Notes V.F-G, beginning on page 63, in the financial statements.

#### Major Initiatives

A multi-purpose center is being planned for downtown Union that will seat approximately 300 people. This center will provide space for the performing arts, business meetings and receptions just to name a few. This center will be a magnet for economic growth in the downtown area.

A wastewater pump station and force main will replace an aging wastewater treatment plant. The Meng Creek wastewater facility was constructed in 1973 and is in need of major repairs. This plant is a 1,000,000 MGD plant, but is only processing approximately 300,000 gallons per day. This pump station should be in operation by December, 2011.

A hospitality and accommodation fee was implemented by the City effective September 1, 2010. The expenditures of these funds are governed by Section 6-1-530 of the Code of Laws of South Carolina. The primary use of these funds will be used to promote tourism and recreation in the City of Union.

#### Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the governing Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Union's finances.

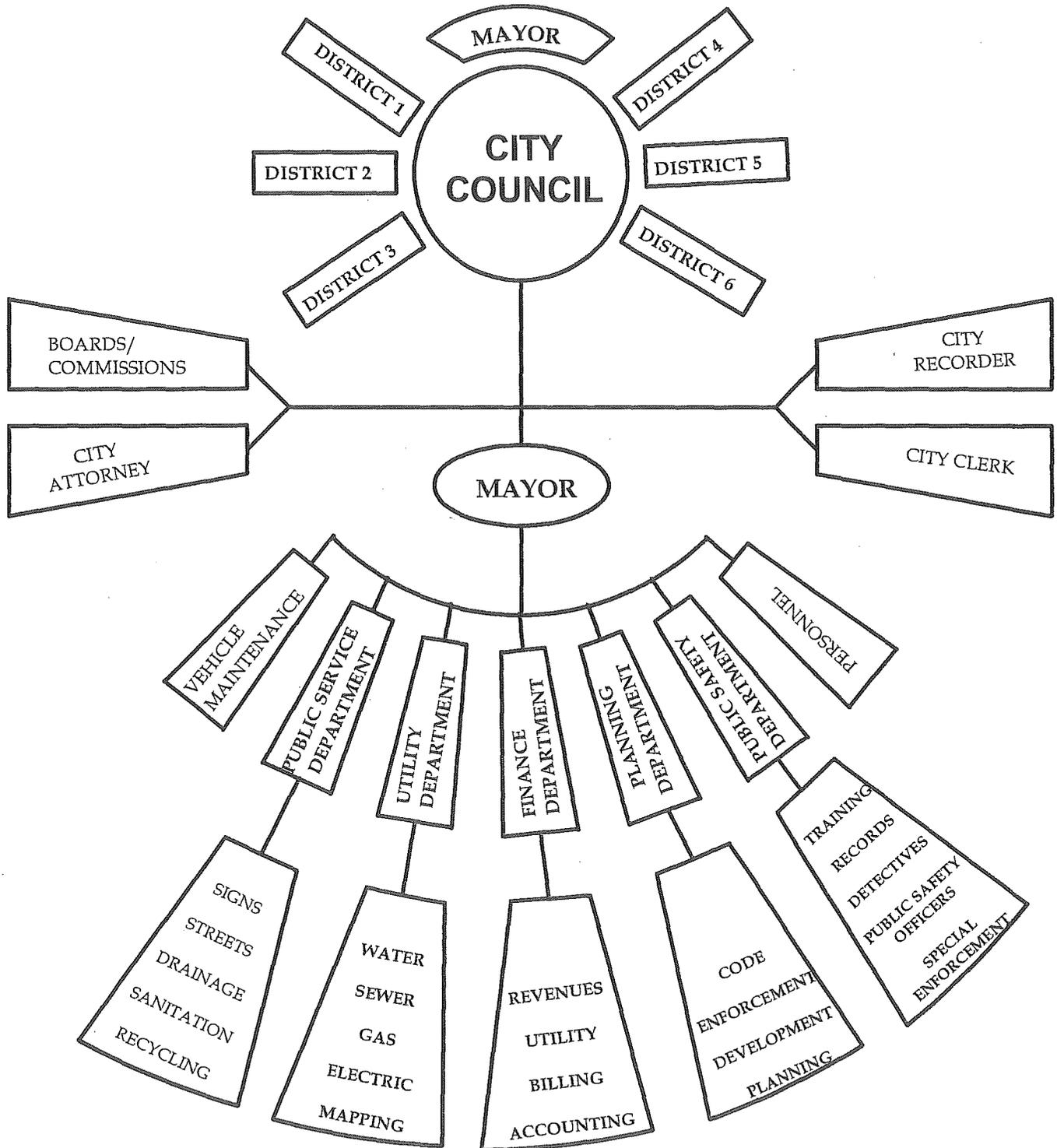
Respectfully submitted,



Harold E. Thompson  
Mayor



Walker C. Gallman  
Finance Director



**City of Union, South Carolina**  
**LIST OF ELECTED and APPOINTED OFFICIALS**  
**as of November 16 , 2010**

**ELECTED**

<b>Mayor</b>	<b>Harold E. Thompson</b>
<b>Councilmember, District 1</b>	<b>Tommie L. Hill</b>
<b>Councilmember, District 2</b>	<b>Robert Garner</b>
<b>Councilmember, District 3.</b>	<b>Keith Henderson</b>
<b>Councilmember, District 4</b>	<b>Ricky Todd Harris</b>
<b>Councilmember, District 5.</b>	<b>Orangelow M. Ruff</b>
<b>Councilmember, District 6.</b>	<b>Andy Bailey</b>

**APPOINTED**

<b>City Attorney</b>	<b>William Whitney</b>
<b>City Recorder</b>	<b>Wade Hampton</b>
<b>City Clerk/Personnel Director</b>	<b>Gloria Rogers</b>
<b>Public Service Director</b>	<b>Perry Harmon</b>
<b>Maintenance Director</b>	<b>Mike Petrie</b>
<b>Public Safety Director</b>	<b>Sam White</b>
<b>Finance Director</b>	<b>Walker C. Gallman, Jr.</b>
<b>Utilities Director</b>	<b>Joe F. Nichols</b>

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# **FINANCIAL SECTION**

**TERRY R. FANT, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
309 WEST MAIN STREET  
UNION, SC 29379-2216  
864-427-4736

INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Union, South Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year then ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Union's management. My responsibility is to express opinions on these general purpose financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2010, on my consideration of the City of Union, South Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis section that follows this report is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina's basic financial statements. The introductory section, statistical section, combining and individual nonmajor fund financial statements, and the supplement schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City of Union, South Carolina. The combining and individual nonmajor funds financial statements and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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, I express no opinion on them.

*Terry R. Fant*  
Terry R. Fant, CPA, PA  
November 30, 2010

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## CITY OF UNION, SOUTH CAROLINA

### Management's Discussion and Analysis

As management of the City of Union, we offer readers of the City of Union's financial statements this narrative overview and analysis of the financial activities of the City of Union for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report.

#### Financial Highlights

- The assets of the City of Union exceeded its liabilities at the close of the most recent fiscal year by \$71,278,534 (*net assets*). Of this amount, \$15,456,012 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The unrestricted net assets are comprised of \$5,179,917 governmental activities and \$10,276,095 business type activities.
- The government's total net assets increased by \$2,163,430 over the prior year.
- As of the close of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,262,174, an increase of \$849,139 in comparison with the prior year. Approximately 41 percent of this total amount, \$3,359,751 is *available for spending* at the government's discretion (*unreserved General Fund balance*). The remaining governmental fund balance of \$4,902,423 in detail in notes to financial statements on pages 62-64.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,359,751 or 67 percent of the total fund expenditures.
- The City of Union had \$12,878,726 in bonds, notes and leases outstanding versus \$12,220,287 last year, an increase of \$658,439. This increase represents the net of principle payments during the year and new debt of \$1,638,095 issued during the year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Union's basic financial statements. The City of Union's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Union's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Union that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Union include general government, public safety, tax and license, public service, and planning. The business-type activities of the City of Union include electric, water, sewer, gas, and solid waste.

The government-wide financial statements can be found on pages 27-29 of this report.

**Fund financial statements.** 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. The City of Union, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Union can be divided into these 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Union maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and economic development fund, both of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Union adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 30-35 of this report.

**Proprietary funds.** The City of Union maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City of Union uses enterprise funds to account for its electric, water, sewer and gas as a combined utility and a solid waste management fund.

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, gas (combined utility), and solid waste operations, all of which are considered to be major funds of the City of Union.

The basic proprietary fund financial statements can be found on pages 36-41 of this report.

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

The City of Union has no operations that meet the definition of this fund type.

**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 can be found on pages 44-66 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, the report also presents certain *required supplementary information*.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 68-76 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Union, assets exceeded liabilities by \$71,278,534 at the close of the most recent fiscal year. By far the largest portion of the City of Union's net assets (69 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Union uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Union's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Union's Net Assets					
	Governmental activities		Business-type activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$9,913,485	\$10,486,326	\$12,119,935	\$14,129,370	\$22,033,420	\$24,615,696
Capital assets	3,673,261	3,976,470	60,346,857	60,443,446	64,020,118	64,419,916
Total assets	13,586,746	14,462,796	72,466,792	74,572,816	86,053,538	89,035,612
Long-term liabilities outstanding	461,662	1,415,505	11,758,676	11,463,222	12,220,338	12,878,727
Other liabilities	2,345,566	2,168,664	2,372,530	2,709,683	4,718,096	4,878,347
Total liabilities	2,807,228	3,584,169	14,131,206	14,172,905	16,938,434	17,757,074
Net assets:						
Invested in capital assets, net of related debt	1,298,016	789,457	48,338,314	48,741,936	49,636,330	49,531,393
Restricted	3,038,050	4,909,251	1,184,860	1,381,878	4,222,910	6,291,129
Unrestricted	6,443,452	5,179,917	8,812,412	10,276,095	15,255,864	15,456,012
Total net assets	\$10,779,518	\$10,878,625	\$58,335,586	\$60,399,909	\$69,115,104	\$71,278,534

The balance of unrestricted net assets (\$15,456,012) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Union is able to report positive balances in two categories of net assets, both for the government as a whole, as well as for its separate business-type activities. The same situation held true for the prior fiscal year.

Restricted net assets reported in connection with the City of Union's governmental activities are \$4,909,251 an increase of \$1,871,201. This increase is due to the borrowing of funds \$1,100,000 and restricting the use of the proceeds of an insurance \$943,533 to build a multi-purposed center. The insurance proceeds last year was included in unrestricted net assets.

Restricted net assets reported in connection with the City of Union's business-type activities are \$1,381,878. This number represents debt payments and debt reserve funds held by the trustee.

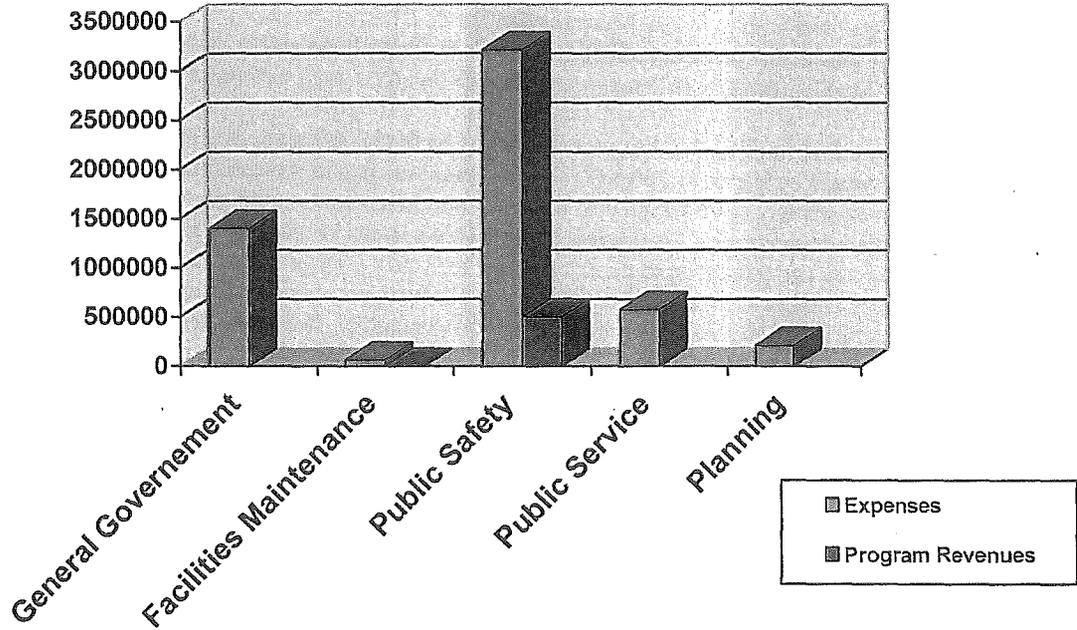
**Governmental activities.** Governmental activities increased the City of Union's net assets by \$99,107 thereby accounting for 1.3% of the total growth in net assets. Key elements of this increase are as follows

- Operating grants for governmental activities increased by \$1,591; this increase is due to an increase in allocation of one percent funds remitted to Union County each year to be disbursed to fire department through out the County. These grant funds furnish resources to support the City of Union Public Safety employees.

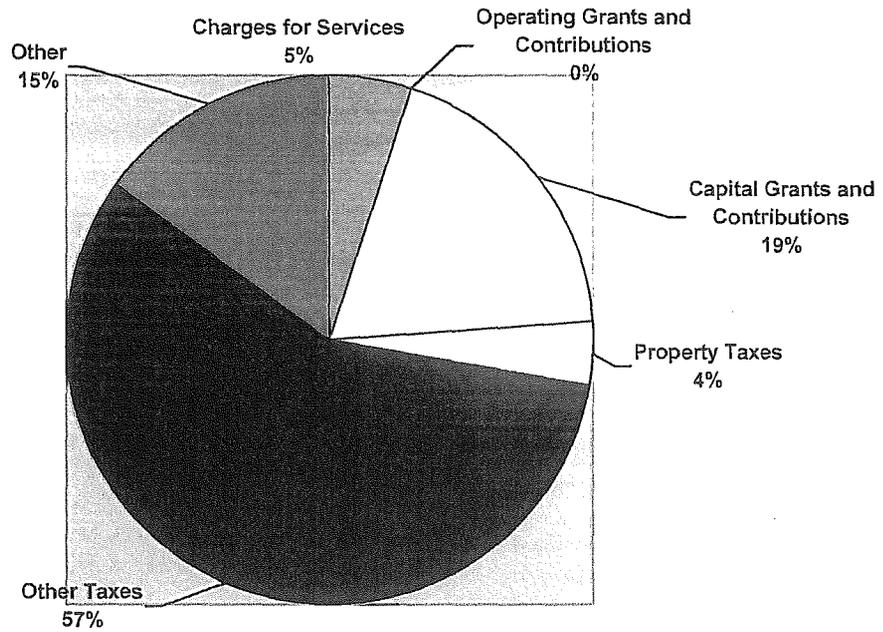
- Capital grants continue to be a major source of funds to enhance the operation of certain departments of the City of Union. During the year the Public Safety Department received \$231,148 in grant funds to fund the purchase of additional equipment.
- General government expenditures decreased by \$1,635,076. The main reason for the decrease is during the prior year there was a major expenditure to cleanup the Union Mill Property and provide funding and infrastructure for the Quick Jobs facility, built in cooperation with Union County, University of South Carolina Union Campus and Spartanburg Community College.

<b>City of Union's Changes in Net Assets</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	361,200	278,730	34,257,605	33,954,391	34,618,805	34,233,121
Operating grants and contributions	12,022	13,613			12,022	13,613
Capital grants and contributions	599,900	231,148	1,296,379	279,619	1,896,279	510,767
<b>General revenues:</b>						
Property taxes	1,202,275	1,029,441			1,202,275	1,029,441
Other taxes	3,517,056	3,291,044			3,517,056	3,291,044
Other	880,746	854,032	278,881	240,631	1,159,627	1,094,663
<b>Total revenues</b>	<b>6,573,199</b>	<b>5,698,008</b>	<b>35,832,865</b>	<b>34,474,641</b>	<b>42,406,064</b>	<b>40,172,649</b>
<b>Expenses:</b>						
General government	3,036,482	1,405,849			3,036,482	1,405,849
Facilities maintenance	72,315	62,449			72,315	62,449
Public safety	3,108,049	3,214,795			3,108,049	3,214,795
Public service	528,259	575,297			528,259	575,297
Planning	271,890	210,511			271,890	210,511
Electric			13,626,676	13,551,751	13,626,676	13,551,751
Water			2,909,529	2,907,876	2,909,529	2,907,876
Sewer			2,418,982	2,411,634	2,418,982	2,411,634
Gas			16,282,930	12,425,552	16,282,930	12,425,552
Solid Waste Mgt.			810,634	799,016	810,634	799,016
Interest expense	7,738		579,197	444,488	579,197	444,488
<b>Total expenses</b>	<b>7,024,733</b>	<b>5,468,901</b>	<b>36,627,948</b>	<b>32,540,317</b>	<b>43,652,681</b>	<b>38,009,218</b>
<b>Increase in net assets before transfer</b>	<b>-451,534</b>	<b>229,107</b>	<b>-795,083</b>	<b>1,934,324</b>	<b>-1,246,617</b>	<b>2,163,431</b>
Transfers	-130,000	-130,000	130,000	130,000	0	0
<b>Increase in net assets</b>	<b>-581,534</b>	<b>99,107</b>	<b>-665,083</b>	<b>2,064,324</b>	<b>-1,246,617</b>	<b>2,163,431</b>
<b>Net assets – 06/30/09</b>	<b>11,361,052</b>	<b>10,779,518</b>	<b>59,000,669</b>	<b>58,335,586</b>	<b>70,361,721</b>	<b>69,115,104</b>
<b>Net assets – 06/30/10</b>	<b>10,779,518</b>	<b>10,878,625</b>	<b>58,335,586</b>	<b>60,399,909</b>	<b>69,115,104</b>	<b>71,278,534</b>

## Expenses and Program Revenues - Governmental Activities



## Revenue By Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City of Union’s net assets by \$2,064,323 accounting for a 3.7 percent increase in total growth in the government’s net assets. Key elements of this increase are as follows:

- Business-type activities of the City includes a Combined Utility Fund, that is composed of electric, water, wastewater, and natural gas, and a Solid Waste Management Fund. Charges for services for the combined utilities and solid waste decreased by less than 1 percent or \$303,214. This decrease is deceptive mainly because of the cost of natural gas purchases. The City actually sold more gas than the previous year, but the cost of natural gas purchased was less.
- Electric kwh sales, compared to last year, increased by 5,481,787 kwh. Due to this increase in actual kWh sold, revenue increased by 9% or \$1,200,848. This increase was due to the continuance of a purchase power adjustment (ppa) adjusted monthly to offset the cost of power purchased each month that was not recovered in the base electric rates and weather conditions. The increase stated above is can be attributed partly to the rates being charged Lockhart Power Company and passed on to the City, under their new 10 year contract with Duke Energy . This new contract went in effect January 1, 2009. In this contract is a true-up provision to correct any over or under charges. The true-up for calendar year 2009 was calculated in July 2010 resulting in a net over charge of approximately \$550,000 between the Lockhart Power and PMPA invoices. This overcharge is being credited back to our customers over a (5) month period and is included in the PPA adjustment. The increase in revenue was offset by the increase in purchase power. Purchase power, net of generation, increased by 1.1 % or \$222,476. Also, the City’s ability to offset purchase power with the use of electric generation ended December 31, 2008. Since the City was no longer able to generate electricity to offset purchase power, an agreement was made with Lockhart Power Company, our wholesale power supplier, to purchase the City’s generators. This sale should be finalized in early 2011.

Water sales per gallon decreased by 22,449,900 gallons or 2.4 %. Net sales were down due mainly to sales of our Industrial customers down by 22,215,300 gallons or 35.87% Revenue compared to last year decreased by 2.4% or \$67,936.

Wastewater discharged into our wastewater treatment plants decreased by 11,138,000 gallons or 2.9%. Discharges decreased in all rate classes with discharge from industrial customers down by 17,158,700 or 27.9%. Revenue compared to last year increased by \$115,927 or 7.2%. This increase was due to increased rates implemented for Fiscal year 2010.

Natural gas sales volume increased by 819,740 (ccf) hundred cubic feet or 5.6% This increase in sales along with a combination of rate increases for Fiscal Year 2010 and a cold winter resulted in an increase of gross revenue in the amount of \$1,348,537 or 61% compared to last year. In comparison, natural gas purchases increased by 6.52% or 964,330 ccf compared to last year purchases. The cost of natural gas decreased by 37.59% or \$3,722,428 compared to last year. The comparison to gross revenue was used to describe the increase due to the dramatic decrease in the cost of natural gas compared to the prior year.

City Council took a hard look at rates for Fiscal Year 2011 at utility rates and decided to not raise electric rates, but continue the purchase power adjustment. Natural gas rates will remain the same, but water and wastewater rates increased by 9.5% on volume only. The decline in industrial water and wastewater usage and the continued stress from federal and state mandates to maintain water quality is a concern and will need to be addressed in the future.

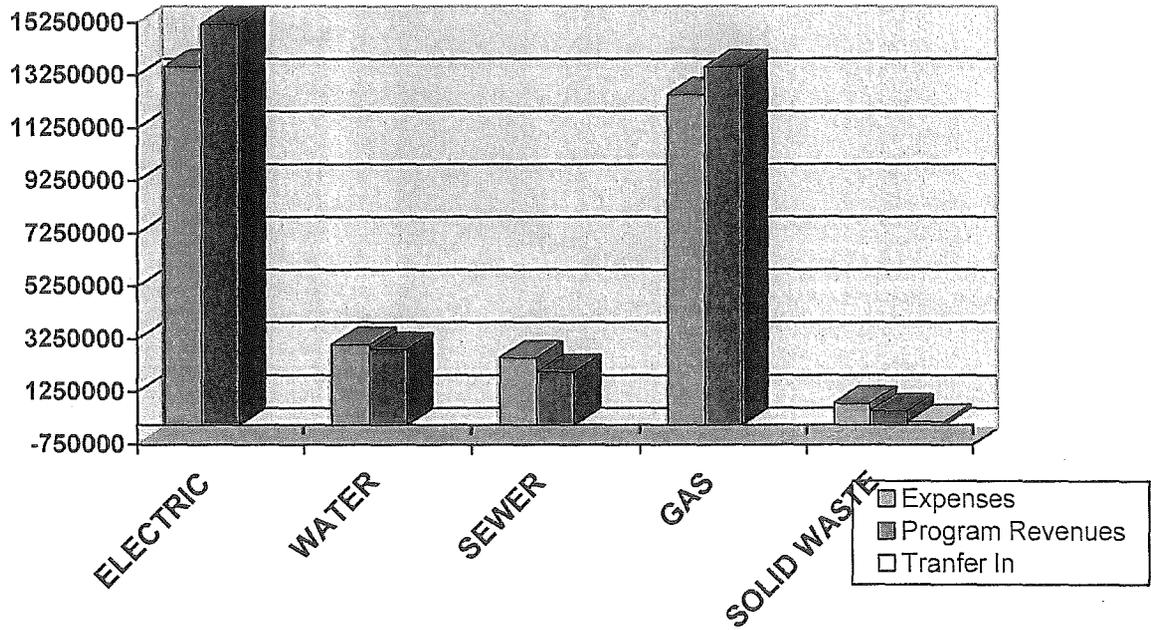
Solid Waste Management charges for services decreased by 9.5% or \$50,815. This decrease is due to the write off of accounts receivable set up at the inception of this fund, July 1, 1995, due to the lag in the collection of fees the first year. The monthly fee was increased by \$1 from \$12.00 to \$13.00 effective July 1, 2009. The transfer of \$130,000 from the General Fund to Solid Waste Management will continue for FY 2011.

- There were capital contributions to the Combined Utility during the current year totaling \$279,619.
 

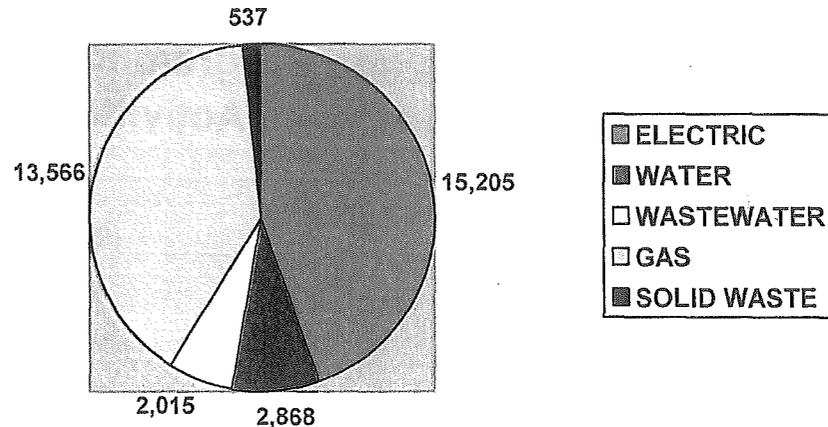
Buffalo Area Surcharge	\$ 26,730
Sewer and water line improvement- Buffalo Area	208,720
Union County School District	<u>44,169</u>
Total	<b>\$ 279,619</b>

- Investment earnings decreased by \$38,250 for business-type activities. The major cause of this decrease was lower interest rates and less available funds to invest.

### Expenses and Program Revenues - Business Activities



## Revenues by Source - Business-type Activities (Dollars in thousands)



### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Union's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Union's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,262,174 an increase of \$849,139 in comparison with the prior year. Approximately 41 percent of this total amount \$3,359,751 constitutes *unreserved general fund balance* which is available for spending at the government's discretion. The remaining government fund balance is detailed on pages 60-62 of the notes to financial statements.

The general fund is the chief operating fund of the City of Union. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,359,751. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 67 percent of total general fund expenditures.

The City of Union's General Fund, fund balance decreased by \$58,829 during the current fiscal year. Key factors in this increase are as follows:

- Revenue was under budget by \$11,732;
  - 1) Payment in lieu of taxes decreased approximately 6% compared to last year. This revenue is based on the sales of the City's enterprise funds from the prior year
  - 2) Business licenses, franchise fees, and building permits decreased 5.4% compared to last year.
  - 3) State collected revenues also decreased 11.1% or \$55,559 compared to last year.

- 4) Investment earning, compared to last year, decreased 51.29% or \$50,265.
- 5) Expenditures were under budget in the amount of \$268,228. City Council's philosophy has always been to prepare a budget that addresses the needs of the citizen's of the City of Union. All General Fund departments were under budget for FY 2010. Personnel vacancies, health care cost, and an overall effort to keep expenditures down was the main reason for this under run.

The fund balance of the General Fund was reduced by the following transfers:

- Transfer of \$130,000 to subsidize the Solid Waste Management Fund;
- Transfer of \$71,280 to the Economic Development Fund to reimburse the Utility Enterprise Fund for advance to renovate YMCA property.
- Transfer of \$7,245 to the Special Revenue grants account to match a Public Safety grant.

Historically; the City's General Fund revenues has seen growth, but due to state of the economy revenues have seen a slight downturn mainly due to the reduction in the Local Government Fund and Business License.

**Proprietary funds.** The City of Union's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the electric, water, sewer, gas (combined utility), and solid waste management operations at the end of the year amounted to \$10,276,095. The total increase in the unrestricted net assets was \$2,064,323. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Union's business-type activities.

### **General Fund Budgetary Highlights**

During the year there was a \$100,000 increase in appropriations between the original and final amended budget. This supplemental appropriation was used to demolish and clear the property located beside Public Safety on Thompson Boulevard. The increase was made possible by the use of General Fund fund balance.

### **Capital Assets and Debt Administration**

**Capital assets.** The City of Union's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$64,419,916 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements other than buildings, and machinery and equipment. The total increases in the City of Union's investment in capital assets for the current fiscal year was a 1.4 percent increase for all funds.

Major capital asset events during the current year include the following:

#### **General Fund**

- The City demolished a building on City property. This property is now used for additional parking for Public Safety and is available for future expansion. The cost of demolition was \$128,162.
- Property was donated to the City by a local non-profit at 421 N. Pinckney Street. This building was demolished and plans for the site are to construct a multi-purpose center; construction in progress as of the close of the year amounted to \$312,345.
- The City transferred a 42 acre tract of land on Hawthorne Road to Union County. Union County has been using this property for many years as a softball complex and other forms of recreation. The County needed this property to be in their name to be able to receive grants to improve this facility.

#### **Utility System**

- Electric System (\$235,495)
  - Upgrades throughout the System
- Water System (\$232,112)
  - Continue replacement of water meters with radio read meters.
  - Replace water lines, hydrates and valves(construction in progress)
  - Upgrades throughout the system
  - Install generator at the river pump station(construction in progress)

- Wastewater System (\$1,314,341)
  - Install pump station and close beltline wastewater treatment plant(complete)
  - Replace clarifier at Tosch Creek wastewater treatment plant(complete)
  - Replace sewer lines in three areas to include Union Mill/Louise Street, Union Mill Phase II and Monarch Phase I.(construction in progress)
  - Install pump station and close Meng Creek wastewater treatment plant.(construction in progress)
  - Install a bulk storage tank at Meng Creek wastewater treatment plant
  - Various sewer line replacements.(construction in progress)
  - Upgrades throughout the system
- Natural Gas System (\$459,082)
  - Continued expansion of Gas System into various areas of our territory
  - Purchased a 2010 Ford F 350.

	<b>City of Union's Capital Assets</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Land and Construction in Progress	\$1,535,927	\$1,764,485	\$317,976	\$1,220,649	\$1,853,903	\$2,985,134
Buildings and Improvements	1,536,102	1,746,052	2,070,095	2,070,095	3,606,197	3,816,147
Improvements Other Than Bldgs.	1,676,609	1,676,858	91,933,86	93,257,431	93,610,684	94,934,289
Machinery & Equip.	2,719,609	2,789,745	5,928,004	5,972,507	8,647,613	8,762,252
<b>Total</b>	<b>\$7,648,496</b>	<b>\$7,977,140</b>	<b>\$100,249,901</b>	<b>\$102,520,682</b>	<b>\$107,718,397</b>	<b>\$110,497,822</b>

Additional information on the City of Union's capital assets can be found in note IV.C beginning on page 53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Union had total bonded debt outstanding of \$12,878,726. Of this amount \$0 comprises debt backed by the full faith and credit of the government. A \$357,654 S.C. Brownsfield Loan and lease purchase agreements in the amount of \$256,243 are included in the above total.. The remainder of the City of Union's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds and a tax increment note).

	<b>City of Union's Outstanding Debt</b>					
	<b>Tax Increment, General Obligation and Revenue Bonds</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Tax increment bond	\$0	\$1,023,182	\$0	\$0	\$0	\$1,023,182
General obligation bonds	12,239				12,239	
SC Brownsfield Loan	370,000	357,654			370,000	357,654
Lease Payable	79,372	34,669	308,702	221,574	388,074	256,243
Revenue bonds			11,449,974	11,241,647	11,449,974	11,241,647
<b>Total</b>	<b>\$461,611</b>	<b>\$1,415,505</b>	<b>\$11,758,676</b>	<b>\$11,463,221</b>	<b>\$12,220,287</b>	<b>\$12,878,726</b>

The City of Union had \$12,878,726 in bonds, notes and leases outstanding compared to \$12,220,287 last year, a net increase of \$658,439 increase represents the net of principal payments during the year of \$979,656 and new debt of \$1,638,095 issued during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City of Union is approximately \$1,200,000, which is significantly in excess of the City of Union's outstanding general obligation debt.

Other long-term liabilities include accrued other post employment benefits of \$164,156 and accrued compensated absences of \$173,476 as of June 30,2010.

Additional information on the City of Union's long-term debt can be found in note IV.E beginning on page 55 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- At June 30, 2010, the unemployment rate for the City of Union was 17.7%, a decrease down 4.3 from last year. In comparison, the state's unemployment rate was 10.7%, and the national rate was 9.5%.

These factors, and others, were considered in the preparation of the City of Union's budget for the 2010-11 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased by \$58,829 to \$3,359,751. The City of Union has appropriated \$5,418,320 for spending in the 2010-11 fiscal year budgets. Included in this budget are transfers of \$202,000. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2010-11 fiscal year.

As for the City's business type activities, we expect that 2011 will improve based on the following:

The Solid Waste Management fee increased from \$12 \$13 per month. Electric rates will remain unchanged but the (PPA) purchase power adjustment will continue. Water and wastewater increased by 9.5% on volume. Natural gas rates will remain unchanged but the (PGA) purchase gas adjustment will continue. Also, security light fees increased for FY 2011.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Union's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Union, PO Box 987, Union, South Carolina, 29379.

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# **BASIC FINANCIAL STATEMENTS**

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City of Union, South Carolina  
Statement of Net Assets  
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,910,899	\$ 701,042	\$ 2,611,941
Investments	3,108,127	6,838,918	9,947,045
Receivables (net of allowance for uncollectibles)	1,960,077	2,739,901	4,699,978
Due from other funds	398,507	(398,507)	-
Interest receivable	-	4,653	4,653
Inventories	-	620,938	620,938
Advances to other funds	238,288	1,771,508	2,009,796
Deferred charges	-	649,634	649,634
Deposits	-	1,959	1,959
Capital asset held for resale	2,727,949	-	2,727,949
Temporarily restricted assets:			
Investments	-	1,199,324	1,199,324
Intergovernmental receivable	142,479	-	142,479
Capital assets not being depreciated			
Land and construction in progress	1,764,485	1,220,649	2,985,134
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	1,222,399	1,195,423	2,417,822
Improvements other than buildings	139,167	57,162,909	57,302,076
Machinery and equipment	547,837	864,465	1,412,302
Infrastructure	302,582	-	302,582
Total assets	<u>14,462,796</u>	<u>74,572,816</u>	<u>89,035,612</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	258,572	2,183,748	2,442,320
Retainage payable	-	34,610	34,610
Accrued interest payable	-	53,989	53,989
Noncurrent accrued compensated absences and OPEB	138,584	199,048	337,632
Noncurrent advances from other funds	1,771,508	238,288	2,009,796
Other noncurrent liabilities:			
Due within one year	113,261	925,476	1,038,737
Due in more than one year	1,302,244	10,537,746	11,839,990
Total liabilities	<u>3,584,169</u>	<u>14,172,905</u>	<u>17,757,074</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	789,457	48,741,936	49,531,393
Restricted for:			
Community assistance	24,559	-	24,559
Tax increment district debt service and improvements	1,827,005	-	1,827,005
Debt service	-	1,381,878	1,381,878
Public safety	8,943	-	8,943
Victims rights assistance	26,164	-	26,164
Economic development	3,022,580	-	3,022,580
Unrestricted	5,179,917	10,276,095	15,456,012
Total net assets	<u>\$ 10,878,625</u>	<u>\$ 60,399,909</u>	<u>\$ 71,278,534</u>

**City of Union, South Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
General government	\$ 1,401,406	\$ -	\$ -
Facilities maintenance	62,449	-	-
Public safety	3,214,795	256,395	13,613
Public service	575,297	-	-
Planning	213,418	22,335	-
Total governmental activities	<u>5,468,901</u>	<u>278,730</u>	<u>13,613</u>
<b>Business-type activities:</b>			
Solid Waste Management	820,127	537,689	-
Combined utility	31,720,190	33,416,702	-
Total business-type activities	<u>32,540,317</u>	<u>33,954,391</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 38,009,218</u>	<u>\$ 34,233,121</u>	<u>\$ 13,613</u>

General revenues:

Taxes
Property taxes
Fee in lieu of property taxes
Other taxes
Occupational Licenses and Franchise Fees
Miscellaneous
Unrestricted investment earnings
Intergovernmental Revenue
Transfers
Total general revenues, special items, and transfers
Change in net assets
Net assets - beginning
Net assets - ending

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

Net (Expenses) Revenues and Changes in Net Assets			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,405,849)	\$ -	\$ (1,405,849)
-	(62,449)	-	(62,449)
231,148	(2,713,639)	-	(2,713,639)
-	(575,297)	-	(575,297)
-	(188,176)	-	(188,176)
<u>231,148</u>	<u>(4,945,410)</u>	<u>-</u>	<u>(4,945,410)</u>
-	-	(282,438)	(282,438)
279,619	-	1,976,130	1,976,130
<u>279,619</u>	<u>-</u>	<u>1,693,692</u>	<u>1,693,692</u>
<u>\$ 510,767</u>	<u>\$ (4,945,410)</u>	<u>\$ 1,693,692</u>	<u>\$ (3,251,718)</u>
	1,061,709	-	1,029,441
	1,732,317	-	1,732,317
	448,936	-	448,936
	1,077,523	-	1,109,791
	216,789	-	216,789
	68,905	240,631	309,536
	568,338	-	568,338
	(130,000)	130,000	-
	<u>5,044,517</u>	<u>370,631</u>	<u>5,415,148</u>
	99,107	2,064,323	2,163,430
	10,779,518	58,335,586	69,115,104
	<u>\$ 10,878,625</u>	<u>\$ 60,399,909</u>	<u>\$ 71,278,534</u>

**City of Union, South Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 998,260	\$ -	\$ 912,639	\$ 1,910,899
Investments	2,164,594	-	943,533	3,108,127
Receivables (net of allowance for uncollectibles)	97,525	1,862,551	-	1,960,077
Due from other funds	171,249	166,323	60,935	398,507
Capital asset held for resale	-	2,727,949	-	2,727,949
Advances to other funds	238,288	-	-	238,288
Intergovernmental receivables - restricted	142,479	-	-	142,479
Total assets	<u>\$ 3,812,395</u>	<u>\$ 4,756,823</u>	<u>\$ 1,917,107</u>	<u>\$ 10,486,326</u>

**City of Union, South Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<b>General</b>	<b>Economic Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 258,572	\$ -	\$ -	\$ 258,572
Advances from other funds	-	1,771,508	-	1,771,508
Deferred revenue	51,278	-	-	51,278
Unearned revenue	142,792	-	-	142,792
<b>Total liabilities</b>	<b>452,642</b>	<b>1,771,508</b>	<b>-</b>	<b>2,224,150</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Community assistance	-	-	24,559	24,559
Tax increment district debt service and improvements	-	-	1,827,005	1,827,005
Public safety	-	-	8,943	8,943
Victims rights assistance	-	-	26,164	26,164
Long term notes receivable	-	1,862,551	-	1,862,551
Capital assets held for resale	-	2,727,949	-	2,727,949
<b>Unreserved, reported in:</b>				
General fund	3,359,752	-	-	3,359,752
Special revenue funds	-	(1,605,185)	30,438	(1,574,747)
<b>Total fund balances</b>	<b>3,359,752</b>	<b>2,985,315</b>	<b>1,917,109</b>	<b>8,262,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,812,394</b>	<b>\$ 4,756,823</b>	<b>\$ 1,917,109</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

3,976,469

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

194,071

(1,554,089)

Net assets of governmental activities

\$ 10,878,627

**City of Union, South Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes and Penalties	\$ 972,541	\$ -	\$ 117,729	\$ 1,090,270
Payment in Lieu of Taxes	1,732,317	-	-	1,732,317
Licenses, Permits and Fees	1,132,126	-	-	1,132,126
Fines and Forfeitures	117,307	-	-	117,307
Intergovernmental Revenues	691,244	-	260,942	952,186
State Collected Revenues	448,936	-	-	448,936
Investment Earnings	47,732	5,126	16,048	68,906
Miscellaneous Revenues	27,585	150,000	39,204	216,789
Total Revenues	<u>5,169,788</u>	<u>155,126</u>	<u>433,923</u>	<u>5,758,837</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,157,080	79,204	43,963	1,280,247
Facilities Maintenance	62,449	-	-	62,449
Public Safety	2,778,458	-	40,676	2,819,134
Public Service	548,310	-	-	548,310
Planning	202,862	-	-	202,862
Capital Outlay				
General Government	-	-	356,761	356,761
Facilities maintenance	126,163	-	-	126,163
Public Safety	70,135	-	238,393	308,528
Debt Service				
General Government	14,725	-	100,609	115,334
Public Safety	59,910	-	-	59,910
Total Expenditures	<u>5,020,092</u>	<u>79,204</u>	<u>780,402</u>	<u>5,879,698</u>
Excess Revenue Over (Under) Expenditures	<u>149,696</u>	<u>75,922</u>	<u>(346,479)</u>	<u>(120,861)</u>
<b>OTHER FINANCING SOURCES &amp; USES</b>				
Loan Proceeds	-	-	1,100,000	1,100,000
Transfers				
Transfer - Solid Waste Mgmt Fund	(130,000)	-	-	(130,000)
Transfer - Economic Development	(71,280)	71,280	-	-
Transfer - Public Safety Grants	(7,245)	-	7,245	-
Total Other Financing Sources And Uses	<u>(208,525)</u>	<u>71,280</u>	<u>1,107,245</u>	<u>970,000</u>
Net Change In Fund Balances	<u>(58,829)</u>	<u>147,202</u>	<u>760,766</u>	<u>849,139</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,418,580</u>	<u>2,838,114</u>	<u>1,156,341</u>	<u>7,413,035</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,359,751</u>	<u>\$ 2,985,316</u>	<u>\$ 1,917,107</u>	<u>\$ 8,262,174</u>

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

**City of Union, South Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds To the Statement of Activities**  
**For the Year Ended June 30, 2010**

Amounts reported for governmental activities in the statement of activities (previous page) are different because:

Net change in fund balances - total governmental funds (previous page)	\$ 849,139
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	303,208
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(60,829)
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.	(953,843)
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.	<u>(38,568)</u>
Change in net assets of governmental activities - per the Statement of Activities	<u>\$ 99,107</u>

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

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**City of Union, South Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes and penalties	\$ 992,000	\$ 992,000	\$ 972,541	\$ (19,459)
Payment in lieu of taxes	1,670,000	1,670,000	1,732,317	62,317
Licenses, permits and fees	1,223,000	1,223,000	1,132,126	(90,874)
Fines and forfeitures	115,000	115,000	117,307	2,307
Intergovernmental revenues	501,960	501,960	691,244	189,284
State collected revenues	499,560	499,560	448,936	(50,624)
Investment Earnings	70,000	70,000	47,732	(22,268)
Miscellaneous revenues	10,000	110,000	27,585	(82,415)
Total Revenues	<u>5,081,520</u>	<u>5,181,520</u>	<u>5,169,788</u>	<u>(11,732)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,183,750	1,183,750	1,157,080	26,670
Facilities maintenance	84,500	84,500	62,449	22,051
Public safety	2,965,630	2,965,630	2,778,458	187,172
Public service	577,150	557,150	548,310	8,840
Planning	222,970	222,970	202,862	20,108
Capital Outlay:				
General government	-	-	-	-
Facilities maintenance	10,000	130,000	126,163	3,837
Public safety	70,000	70,000	70,135	(135)
Debt service:				
General government	27,290	27,290	14,725	12,565
Public safety	47,030	47,030	59,910	(12,880)
Total expenditures	<u>5,188,320</u>	<u>5,288,320</u>	<u>5,020,092</u>	<u>268,228</u>
Excess of revenue over expenditures	<u>(106,800)</u>	<u>(106,800)</u>	<u>149,696</u>	<u>256,496</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(230,000)	(230,000)	(208,525)	21,475
Total other financing sources and uses	<u>(230,000)</u>	<u>(230,000)</u>	<u>(208,525)</u>	<u>21,475</u>
Net change in fund balances	(336,800)	(336,800)	(58,829)	277,971
Fund balances - beginning	<u>3,418,580</u>	<u>3,418,580</u>	<u>3,418,580</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,081,780</u>	<u>\$ 3,081,780</u>	<u>\$ 3,359,751</u>	<u>\$ 277,971</u>

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

**City of Union, South Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
Currents assets:			
Cash and cash equivalents	\$ 192,036	\$ 509,006	\$ 701,042
Investments	6,838,918	-	6,838,918
Interest receivable	4,653	-	4,653
Receivables (net of allowance for uncollectibles)	2,739,295	605	2,739,900
Due from other funds	(239,739)	(158,768)	(398,507)
Inventories	620,938	-	620,938
Total current assets	<u>10,156,101</u>	<u>350,843</u>	<u>10,506,944</u>
Noncurrent assets:			
Advances to other funds	1,771,508	-	1,771,508
Deposits	1,959	-	1,959
Deferred charges	649,634	-	649,634
Restricted cash, cash equivalents, and investments:			
Investments	1,199,324	-	1,199,324
Total restricted assets	<u>1,199,324</u>	<u>-</u>	<u>1,199,324</u>
Capital assets:			
Land and construction in progress	1,219,879	770	1,220,649
Buildings	1,612,605	457,490	2,070,095
Improvements other buildings	93,257,431	-	93,257,431
Machinery and equipment	4,730,618	1,241,889	5,972,507
Less accumulated depreciation	<u>(41,134,649)</u>	<u>(942,586)</u>	<u>(42,077,235)</u>
Total capital assets (net of accumulate depreciation)	<u>59,685,884</u>	<u>757,563</u>	<u>60,443,447</u>
Total noncurrent assets	<u>63,308,309</u>	<u>757,563</u>	<u>64,065,872</u>
Total assets	<u>73,464,410</u>	<u>1,108,406</u>	<u>74,572,816</u>

**City of Union, South Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,167,998	15,750	2,183,748
Retainage payable	34,610	-	34,610
Total current liabilities	<u>2,202,608</u>	<u>15,750</u>	<u>2,218,358</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	845,882	-	845,882
Lease-purchase payable	-	79,594	79,594
Accrued interest payable	53,989	-	53,989
Total current liabilities payable from restricted assets	<u>899,871</u>	<u>79,594</u>	<u>979,465</u>
Noncurrent liabilities:			
Accrued compensated absences and OPEB	185,198	13,850	199,048
Advances from other funds	-	238,288	238,288
Revenue bonds payable	10,395,765	-	10,395,765
Lease-purchase payable	-	141,981	141,981
Total noncurrent liabilities	<u>10,580,963</u>	<u>394,119</u>	<u>10,975,082</u>
Total liabilities	<u>13,683,442</u>	<u>489,463</u>	<u>14,172,905</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	48,444,237	297,700	48,741,937
Restricted for debt service	1,381,878	-	1,381,878
Unrestricted	9,954,852	321,243	10,276,095
Total net assets	<u>\$ 59,780,967</u>	<u>\$ 618,943</u>	<u>\$ 60,399,910</u>

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

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**City of Union, South Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Enterprise Funds</b>		
	<b>Business-type Activities</b>		
	<b>Combined Utility</b>	<b>Solid Waste Management</b>	<b>Total</b>
Operating revenues:			
Sales	\$ 30,826,812	\$ -	\$ 30,826,812
Sewer charges	1,732,367	-	1,732,367
Collection fees	-	589,010	589,010
Other revenues	54,635	(51,321)	3,314
Total operating revenues	<u>32,613,814</u>	<u>537,689</u>	<u>33,151,503</u>
Operating expenses:			
Purchased power and natural gas	20,659,642	-	20,659,642
System operations	6,788,476	659,067	7,447,543
Payment in lieu of franchise fee	1,684,229	29,425	1,713,654
Depreciation and amortization	2,164,465	110,524	2,274,989
Total operating expenses	<u>31,296,812</u>	<u>799,016</u>	<u>32,095,828</u>
Operating income	<u>1,317,002</u>	<u>(261,327)</u>	<u>1,055,675</u>
Nonoperating revenues (expenses):			
Investment earnings	239,600	1,031	240,631
Other	802,888	-	802,888
Interest expense	(423,378)	(21,111)	(444,489)
Total nonoperating revenue (expenses)	<u>619,110</u>	<u>(20,080)</u>	<u>599,030</u>
Income before contributions and transfers	1,936,112	(281,407)	1,654,705
Capital contributions - net	279,619	-	279,619
Transfers in	-	130,000	130,000
Change in net assets	2,215,731	(151,407)	2,064,324
Total net assets - beginning	57,565,235	770,351	58,335,586
Total net assets - ending	<u>\$ 59,780,966</u>	<u>\$ 618,944</u>	<u>\$ 60,399,910</u>

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

**City of Union, South Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 32,368,473	\$ 539,393	\$ 32,907,866
Payments for electricity and gas for resale	(20,363,019)	-	(20,363,019)
Payments in lieu of franchise fee	(1,684,229)	-	(1,684,229)
Payments to suppliers	(3,088,453)	(111,330)	(3,199,783)
Payments to employees and related benefit providers	(3,611,583)	(335,687)	(3,947,270)
Net cash provided (used) by operating activities	<u>3,621,189</u>	<u>92,376</u>	<u>3,713,565</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Accrual of OPEB obligations and compensated absences	53,057	1,296	54,353
Transfer from other funds	-	130,000	130,000
Net cash provided [used] by noncapital financing activities	<u>53,057</u>	<u>131,296</u>	<u>184,353</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from lease-purchases and bond issues	538,095	-	538,095
Capital contributions	279,619	-	279,619
Deferred charges	-	-	-
Construction and purchase of fixed assets	(2,270,781)	-	(2,270,781)
Principal paid on capital debt	(746,421)	(87,128)	(833,549)
Interest paid on capital debt	(423,378)	(21,111)	(444,489)
Nonoperating income/(expense)	802,888	-	802,888
Net cash provided (used) by capital and related financing activities	<u>(1,819,978)</u>	<u>(108,239)</u>	<u>(1,928,217)</u>
<b>Cash Flows From Investing Activities</b>			
Sale of investments - net of purchases	(1,908,832)	250,080	(1,658,752)
Interest income received	239,600	1,031	240,631
Net cash provided (used) by investing activities	<u>(1,669,232)</u>	<u>251,111</u>	<u>(1,418,121)</u>
Net increase (decrease) in cash and cash equivalents	185,036	366,544	551,580
Cash - beginning of year	<u>7,000</u>	<u>142,462</u>	<u>149,462</u>
Cash - end of year	<u>\$ 192,036</u>	<u>\$ 509,006</u>	<u>\$ 701,042</u>

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

**City of Union, South Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,317,002	\$ (261,327)	\$ 1,055,675
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense net of loss on refunding	2,107,476	110,524	2,218,000
(Increase) decrease in accounts receivable	(245,341)	1,704	(243,637)
(Increase) decrease in due to/from other funds	8,399	250,554	258,953
(Increase) decrease in advances to other funds	142,075	-	142,075
(Increase) decrease in accrued interest receivable	14,050	-	14,050
(Increase) decrease in inventories	(12,703)	-	(12,703)
(Increase) decrease in deposits	(1,649)	-	(1,649)
(Increase) decrease in bank overdraft	-	-	-
Increase (decrease) in accounts payable and accrued expenses	296,623	2,500	299,123
Increase (decrease) in accrued interest payable	(4,743)	-	(4,743)
Increase (decrease) in advances from other funds	-	(11,579)	(11,579)
Total adjustments	<u>2,304,187</u>	<u>353,703</u>	<u>2,657,890</u>
Net cash provided (used) by operating activities	<u>\$ 3,621,189</u>	<u>\$ 92,376</u>	<u>\$ 3,713,565</u>

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

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CITY OF UNION, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

**I. Description of Reporting Entity and Summary of Significant Accounting Policies**

The City of Union, South Carolina (the "City") is a municipal corporation incorporated in 1837. The City is located in the north central area of South Carolina and serves a population of approximately 8,800. The City is governed by an elected mayor and six-member council. The City operates under the mayor-council form of government. The general purpose financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The accompanying general purpose financial statements include all City funds and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

- A) Determine its budget without the City having the authority to approve or modify that budget.
- B) Levy taxes or set rates or charges without approval by the City.
- C) Issue bonded debt without approval by the City.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading or incomplete.

Discretely presented component units:

At year end, the City had no component units.

**B. Government-wide and fund financial statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who

purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Likewise, internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Statement 34 is very specific in its definition and provides specifics to allow for determination of "major funds". In brief, major funds are funds whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds or at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always a major fund. The electric, water, sewer and natural gas fund is also presented as a major fund based upon the definition. The Statement allows presentation of other funds that are of particular importance to also be reported as major funds. We elected to include the solid waste management fund as a major fund.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the accompanying general purpose financial statements, the various funds of the City are grouped into three broad fund categories as follows:

#### Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

#### Governmental funds

Governmental funds are used to account for all or most of a government's general activities. The City maintains General, Special Revenue and Capital Projects funds.

General fund - The General fund is the City's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Principal sources of revenue are property taxes, licenses and permits, and intergovernmental revenues. Primary expenditures are for general government, public safety, public works, and building zoning.

Special Revenue fund - The Special Revenue fund is used to account for the proceeds from specific revenue sources (other than funding for major capital projects) that are legally restricted to expenditures for specified purposes.

#### Proprietary funds - Enterprise funds

Proprietary funds account for activities similar to those found in the private sector. The Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. The City has elected not to apply the standards issued by those organizations after November 30, 1989 to its Proprietary funds. The City has, however, applied all applicable pronouncements issued by the Government Accounting Standards Board (GASB) to these funds. Government-wide financial statements are prepared using both GASB Pronouncements as well as FASB Pronouncements issued through November 30, 1989.

Proprietary funds are used to account for activities where the determination of net income or loss is necessary or useful to sound financial administration. An enterprise fund is used to account for operations which provide goods or services and recover costs through user charges in a manner similar to private business enterprises. The City maintains one Enterprise fund to account for electric, water, sewer, and natural gas utilities services and another Enterprise fund to account for solid waste management services provided to customers within the City and the surrounding areas. Services are supplied to customers under a rate structure designed to produce revenues sufficient to recover operating expenses, including principal and interest on Enterprise fund debt.

#### **C. Measurement focus, basis of accounting, and financial statement presentation**

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included in the combined balance sheet. The reported fund balance (net current assets) is considered to be a measure of "available spending resources." Operating statements of these funds present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spending resources" during a period. A sixty day period is used to define availability for the purpose of revenue recognition. All Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included in the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in total net assets.

Governmental fund revenues and expenditures are recognized on the *modified accrual basis*. Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are

based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. The revenues susceptible to accrual include property taxes, franchise fees, licenses, interest revenues and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recognized when the fund liability is incurred, except principal and interest on General Long-Term Obligations which are recognized when due or when funds have been made available for payment.

The accrual basis of accounting is utilized by the Proprietary fund. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's proprietary fund and various other functions of the government. Elimination of these charges would distort the direct cost and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets or equity**

##### **1. Deposits and investments**

The government's cash and cash equivalents are considered to be cash on hand and demand deposits for financial statement purposes including the statement of cash flows

##### **2. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

All trade and property tax receivables are shown net of an allowance for uncollectibles. The respective allowances for uncollectibles are based on management's overall estimate of collectability using historical collection experience and subsequent collection information.

The City Code provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by Union County and remitted to the City monthly during the year. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15 with penalties assessed of 10% if paid after January 15, 12% if paid after January 31, and 15% if paid after February 28. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar

year 2010 is 74.3 mills.

Utility sales revenues are recognized at the time the services are provided. Substantially all customers with balances over 30 days past due are disconnected and considered inactive. Periodically, inactive accounts are reviewed to consider bad debt status. Bad debts are removed from active accounts receivable and expensed; however customer history is retained for future reference. Bad debts net of recoveries for the year ended June 30, 2010 amounted to \$37,927.

#### Special Revenue fund

Receivables for reimbursements under grants are recognized in the Special Revenue fund when the related reimbursable expenditure is incurred.

### **3. Inventories and prepaid items**

Inventories of the Enterprise funds consist of supplies held for consumption and are recorded as expenditures at the time the items are consumed rather than when purchased. All inventories are valued at cost using the first in first out method.

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.

### **4. Restricted assets**

Certain construction bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets in the combined balance sheet because their use is limited by applicable debt covenants.

### **5. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), 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 for machinery and equipment and \$100,000 for land, buildings and improvements other than buildings (amounts not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings	39 years
Infrastructure	10 to 40 years
Electric plant in service	40 years
Water plant in service	40 years
Sewer plant in service	40 years
Natural Gas plant in service	40 years
Vehicles and equipment	5 to 10 years

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets; therefore, capital assets are not included in the fund financial statements.

#### 6. Compensated absences

Vacation liabilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. City employees are permitted to accumulate up to 80 vacation leave days. Vacation benefits are paid when taken, except for any unused portion of vacation leave which is payable to an employee upon termination, retirement, or death. Sick leave benefits are paid when taken.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets, therefore, compensated absences are not included in the fund financial statements.

#### 7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

For long-term liabilities, other than debt, related to governmental fund types, the general fund has typically been used in prior years to liquidate such amounts.

#### 8. Fund equity

Equity accounts represent the difference between the assets and the liabilities of a government or a given fund. Resources received in connection with nonexchange transactions often come with limitations on how they may be used by the recipient. These *purpose restrictions* should be reflected in the equity section of the statement of position. In governmental funds, a *reservation of fund balance* would be appropriate for this purpose. In government-wide and proprietary fund financial statements, such amounts

would be reflected as part of *restricted net assets*.

*Designations* are used to reflect a government's intended use of current available financial resources. The focus on current financial resources is unique to governmental funds. Accordingly, designations should be reported only on the governmental fund balance sheet. There is no equivalent equity designation that may be used for government-wide financial reporting or for proprietary fund and fiduciary fund financial reporting to reflect the intended use of resources.

Government-wide and fund financial statements must be presented using an *all-inclusive format*. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus *changes in net assets* on the government-wide statement of activities is added to (or deducted from) *net assets – beginning of the fiscal year* to arrive at *net assets – end of the fiscal year*.

*Net assets* are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports all government assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP require the amount of net assets invested in capital assets to be reported as a separate category of net assets. *Net assets invested in capital assets, net of related debt* includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of a government's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as *restricted net assets*.

GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as *unrestricted net assets*. This amount may be a deficit to the extent that a government has elected to fund certain long-term liabilities (vacation leave, for instance) as they come due rather than when they are incurred.

## 9. Comparative data/reclassifications

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

## 10. Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities reports *expenditures* rather than expenses. Expenditures in the fund financial statements are presented by *character* for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (*current expenditures*) are distinguished from those presumed to benefit both the present and future periods (*debt service expenditures and capital outlay expenditures*). GAAP also provide for a fourth character classification, *intergovernmental expenditures*, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by *function*. The government-wide financial statements use the

economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

The focus in proprietary funds is on *expenses* rather than expenditures. GAAP require that the statement of activities for proprietary funds distinguish *operating* from *nonoperating* expenses. GAAP does not provide an authoritative definition of operating and nonoperating expenses for this purpose, although GAAP indicate that financial statement preparers may wish to consider the authoritative guidance on identifying cash flows from operating activities in arriving at their own definitions.

## II. Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. Explanation of this difference totaling \$(1,554,089) is as follows:

Notes payable	\$ (357,654)
Lease-purchases payable	(34,669)
OPEB obligation	(72,228)
Tax Increment Bonds	(1,023,182)
Compensated absences	<u>(66,356)</u>

Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (1,554,089)</u>
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Another element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net assets, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$3,976,469 is as follows:

Total capital assets	\$7,977,139
Accumulated depreciation	<u>(4,000,670)</u>

Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 3,976,469</u>
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Another element of that reconciliation states “certain assets are not available to pay for current period expenditures and, therefore, are deferred or restricted in the funds.” Explanation of this difference totaling \$194,071 is as follows:

Grants	\$ 0
Deferred revenue – Property taxes and prepaid licenses	<u>194,071</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 194,071</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 reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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. The details of this \$303,208 difference are as follows:

Capital outlay	\$ 508,643
Depreciation expense	<u>(205,435)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 303,208</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this \$ (60,829) are as follows:

Deferred grant revenue - net change	\$ 0
Deferred property tax revenue and prepaid licenses– net change	<u>(60,829)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (60,829)</u>

Another element of that reconciliation states that “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” The details of this \$(953,843) are as follows:

Debt issued	\$ (1,100,000)
Principal payments	<u>146,157</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (953,843)</u>

Another element of that reconciliation states that “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 the governmental funds. The details of this \$(38,568) are as follows:

OPEB Obligation - net increase	\$ (36,114)
Compensated absences – net increase	<u>(2,454)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (38,568)</u>

**C. Reclassifications and Eliminations**

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

In accordance with the State of South Carolina General Statutes, the City prepares an annual balanced budget ordinance. The City adopts annual budgets for the General fund using the modified accrual basis and for the Enterprise funds using the full accrual basis. Annual budgets for ongoing Special Revenue funds are adopted as needed. For other Special Revenue funds, sufficient budgetary control is achieved through restrictions included in the various grant agreements. Appropriations for the General Fund lapse at the end of the budget year.

In February, the budget process begins with a special comprehensive work session in which the Finance Department and Mayor’s Office meet with all department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects and initiatives to be considered in the upcoming budget and meet with Finance department staff and the Mayor’s Office individually. During March and April formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

Budgets are prepared at the fund, function and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the Mayor, as delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. During the year there were supplemental appropriations adopted by the City Council and reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.

**B. Excess of expenditures over revenues/appropriations**

For the year ended June 30, 2010, expenditures exceeded revenues in the following funds:

Victim's Rights Advocate Fund	9,591
Tax Increment District Special Revenue Fund	331,196
Solid Waste Management Fund	281,407
Firemen's Fund	1,277
Grant Fund	14,072
Sidewalk Fund	5,732
PMPA Fund	16,190

**C. Deficit fund equity**

The Grants special revenue fund had a \$6,827 deficit in fund balance as of June 30, 2010.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

At year end, the government's bank balance was \$2,611,941. The bank balance was covered by federal depository insurance, by collateralized securities held by the pledging financial institution's trust department or agent but not in the government's name, and by irrevocable letters of credit issued by Federal Agencies in which the City of Union is named as beneficiary. Book value is not materially different from bank balances.

The State of South Carolina General Statutes permit the City to invest in the following types of instruments:

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of the State of South Carolina or any of its political subdivisions.
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.
5. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
6. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the City if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items 1, 2 and 5 above and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Investments are carried at fair value at June 30, 2010 as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
US Government Securities	\$1,199,324	Less than one year
SC Local Government Investment Pool	47,060	Less than one year
Money Market and Certificate of Deposit	<u>9,899,985</u>	Less than two years
Total	<u>\$11,146,369</u>	

The South Carolina Local Government Investment Pool is run by the State Treasurer's Office and can invest only in the same type of instruments allowed the City.

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$1,199,324 held in debt service accounts. The amount included under Net Assets - restricted for debt service reflects amounts required by bond ordinance to be set aside as cushion funds.

Interest rate risk – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment activity to thirty-six months.

Credit risk – The government does not invest in commercial paper or corporate bonds in order to limit its exposure to credit risk.

Concentration of credit risk and custodial risk – The government's investment policy does not allow for an investment in any one issuer that is in excess of amounts insured by FDIC, guaranteed by the US Government, pledged by collateralized securities, or secured by bank letters of credit.

## **B. Receivables**

Receivables include seven long term promissory notes receivable that are reported in the Economic Development Special Revenue Fund that will not be collected within one year. The promissory notes have maturity dates in excess of thirty years. The appropriate fund balance reserves have been established.

Receivables at June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:					
Property taxes and assessments	\$ 65,317	\$	\$	\$	\$ 65,317
Utility accounts				2,676,649	2,676,649
Notes Receivable		1,862,551			1,862,551
Other	<u>32,209</u>	<u>          </u>	<u>          </u>	<u>63,252</u>	<u>95,461</u>
Net total receivables per fund financials	<u>97,526</u>	<u>1,862,551</u>	<u>          </u>	<u>2,739,901</u>	<u>4,699,978</u>
Reconciliation to government-wide financials:					
Adjustments	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net total receivables per government-wide financials	<u>\$ 97,526</u>	<u>\$1,862,551</u>	<u>\$</u>	<u>\$2,739,901</u>	<u>\$4,699,978</u>

Certain receivables are not accrued as revenues in the governmental funds because they are not considered to be susceptible to accrual and thus are recorded as deferred revenues.

### C. Capital assets

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

#### Primary Government

<b>Governmental activities:</b>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	<u>\$ 1,535,927</u>	<u>\$ 228,558</u>	<u>\$</u>	<u>\$ 1,764,485</u>
Capital assets being depreciated:				
Infrastructure	1,349,407			1,349,407
Buildings and improvements	1,536,102	209,950		1,746,052
Improvements other than buildings	327,451			327,451
Machinery and equipment	<u>2,719,609</u>	<u>70,135</u>	<u>          </u>	<u>2,789,744</u>
Total depreciable capital assets	5,932,569	280,085		6,212,654
Less accumulated depreciation:				
Infrastructure	1,027,154			1,046,825
Buildings and improvements	490,473			523,653
Improvements other than buildings	181,735			188,284
Machinery and equipment	<u>2,095,873</u>			<u>2,241,908</u>
Total accumulated depreciation	<u>3,795,235</u>			<u>4,000,670</u>
Total depreciable assets – net of accumulated depreciation	<u>2,137,334</u>			<u>2,211,984</u>
Governmental activities capital assets, net	<u>\$ 3,673,261</u>			<u>\$ 3,976,469</u>

<b>Business-type activities:</b>	June 30, <u>2009</u>	<u>Additions</u>	Retire- <u>ments</u>	June 30, <u>2010</u>
Capital assets not being depreciated:				
Construction in progress	\$	\$ 897,534	\$	\$ 897,534
Land	<u>317,976</u>	<u>5,139</u>	_____	<u>323,115</u>
Total capital assets not being depreciated	<u>317,976</u>	<u>902,673</u>	_____	<u>1,220,649</u>
Capital assets being depreciated:				
Buildings and improvements	2,070,095			2,070,095
Improvements other than buildings	91,933,826	1,323,605		93,257,431
Machinery and equipment	<u>5,928,004</u>	<u>44,503</u>	_____	<u>5,972,507</u>
Total depreciable capital assets	99,931,925	1,368,108		101,300,033
Less accumulated depreciation:				
Buildings and improvements	831,103			874,672
Improvements other than buildings	34,202,825			36,094,522
Machinery and equipment	<u>4,869,116</u>			<u>5,108,042</u>
Total accumulated depreciation	<u>39,903,044</u>			<u>42,077,236</u>
Total depreciable assets -- net of accumulated depreciation	<u>60,028,881</u>			<u>59,222,797</u>
Business-type activities capital assets, net	<u>\$ 60,346,857</u>			<u>\$ 60,443,446</u>

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

Governmental activities:	
General government	\$ 52,848
Building and zoning	5,482
Public safety	125,895
Public works	<u>21,210</u>
Total depreciation expense – governmental activities	<u>\$ 205,435</u>
Business-type activities	
Electric	\$ 533,277
Water	563,550
Sewer	511,626
Natural gas	455,215
Solid waste	<u>110,524</u>
Total depreciation expense – business-type activities	<u>\$ 2,174,192</u>

Construction in progress is capitalized as each section of the project is completed.

During the year utility fund construction projects included the expenditure of CDBG Funds in the amount of \$279,619.

**D. Interfund receivables, payables and transfers**

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

Due to / from other funds:

	<u>Due from</u> <u>(receivable)</u>	<u>Due to</u> <u>(payable)</u>
General fund	\$ 171,249	
Special Revenue fund	60,935	
Economic Development fund	166,323	
Solid Waste Management Enterprise fund		(158,768)
Utility Enterprise fund		<u>(239,739)</u>
Total	<u>\$ 398,507</u>	<u>\$ (398,507)</u>

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. The net balance reflected in the government-wide financial statements, therefore, is as follows:

Due to / from other funds:

	<u>Government-wide</u>
General fund	\$ 171,249
Special Revenue fund	60,935
Solid Waste Management Enterprise Fund	(158,768)
Economic Development fund	166,323
Utility Enterprise fund	<u>(239,739)</u>
Total	<u>\$ 0</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfer purposes include matching funds for various grant projects, operating transfers, and debt service transfers. Both budgeted and unbudgeted transfers for the current year are reported in the financial statements.

**E. Long-term liabilities**

Notes Payable

The government acquired notes payable to provide funds for the acquisition and construction of major capital facilities and for the acquisition of equipment.

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – year end balances:		
Tax Increment District Bond	4.58%	\$1,023,182
SC Brownfields Cleanup Revolving Loan/Grant	1.0%	<u>357,654</u>
Total governmental activities		<u>\$1,380,836</u>

On February 13, 1995, the City borrowed \$130,000 from Arthur State Bank to buy a fire truck. The loan is due in annual installments of \$12,951 through February of 2010.

On August 7, 2008, the City borrowed \$370,000 from the SC Brownfields Cleanup Revolving Loan/Grant program. The loan portion is due in semiannual installments of \$13,641 beginning January 2010 through July of 2019. Up to 30% of the loan will be forgiven, to a maximum of \$111,000, according to US EPA Brownfields Cleanup Revolving Fund Guidelines, provided the City complies with all of the terms and conditions set forth in the loan document. The debt to be forgiven will be written down over the term of the loan in ten equal annual installments.

On October 27, 2009, the City issued \$1,100,000 Tax Increment District Bonds to construct a multipurpose center. The bonds are in annual installments of \$100,609 through April of 2024.

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Year Ending June 30	Governmental activities	
	Principal	Interest
2010	\$ 78,624	\$ 49,266
2011	81,335	46,555
2012	84,161	43,729
2013	87,107	40,782
2014	90,180	37,710
2015	93,384	34,505
2016	96,726	31,164
2017	100,211	27,679
2018	103,846	24,044
2020	204,998	20,252
2021	84,109	16,500
2022	87,961	12,648
2023	91,990	8,619
2024	<u>96,204</u>	<u>4,406</u>
Total	<u>\$ 1,380,836</u>	<u>\$ 397,859</u>

Lease-purchases Payable

The government entered into lease-purchase agreements for the acquisition of equipment.

	Interest Rates	Amount
Governmental activities – year end balances:		
Fire Truck Lease	3.7%	<u>\$ 34,669</u>
Total governmental activities		<u>\$ 34,669</u>

On October 26, 2005, the City entered into a lease-purchase agreement for \$211,635 to buy a fire truck. The lease-purchase is due in quarterly installments of \$11,758 through February of 2011.

Annual debt service requirements to maturity for governmental -type lease-purchase payables are as follows:

Year Ending <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 34,669	\$ 604
Total	<u>\$ 34,669</u>	<u>\$ 604</u>

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities – year end balances:		
Garbage Truck Lease #1	3.7%	\$ 30,828
Garbage Truck Lease #2	3.04%	190,746
Total business-type activities		<u>\$ 221,574</u>

On October 26, 2005, the City entered into a lease-purchase agreement for \$188,365 to buy a garbage truck. The lease-purchase is due in quarterly installments of \$10,465 through February of 2011.

On March, 2009, the City entered into a lease-purchase agreement for \$250,000 to buy a garbage truck. The lease-purchase is due in quarterly installments of \$13,503 through February of 2014.

Annual debt service requirements to maturity for business-type lease-purchase payables are as follows:

Year Ending <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 79,594	\$ 5,813
2012	50,266	3,747
2013	51,812	2,201
2014	<u>39,902</u>	<u>608</u>
Total	<u>\$ 221,574</u>	<u>\$ 12,369</u>

Revenue bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Enterprise fund capital projects	3.0 – 4.8%	<u>\$11,885,906</u>

Long-term obligations recorded in the Enterprise fund include the following at June 30, 2010:

SRF Tosh Creek Loan	\$ 693,541
SRF Meng Creek Loan	384,035
SRF 2008 Loan	1,536,140
SRF Oak Grove Elevated Tank Loan	874,021
SIRF 2000 Loan	1,253,169
Series 2004 Bond Issue	<u>7,145,000</u>
Subtotal	11,885,906
Less: Unamortized loss on refunding - Series 1994	<u>(644,259)</u>
Subtotal	11,241,647
Less: Current portion	<u>(845,882)</u>
Non-current portion	<u>\$ 10,395,765</u>

In 1997, the City borrowed \$882,772 from the State Revolving Loan Fund for the Meng Creek Wastewater Treatment Plant Outfall and Parallel Sewer Project. The loan is due in quarterly installments of \$16,436 including interest at 4.25% through January 2017.

In 1998, the City borrowed \$1,545,040 from the State Revolving Loan Fund for the Tosh Creek Wastewater Treatment Plant Outfall Project. The loan is due in quarterly installments of \$28,767 including interest at 4.25% through January 2017.

In 1998, the City borrowed \$1,156,261 from the SC Infrastructure Facilities Authority for the Oak Grove Elevated Tank and Water Plant Engine Generator Project. The loan is due in quarterly installments of \$18,127 including interest at 4.75% through January 2028.

On June 7, 2000, the City borrowed \$2,012,467 from the SC Infrastructure Facilities Authority for water and sewer system improvements. The loan is due in quarterly installments of \$33,544 including interest at 3.00% through January 2021.

At June 30, 2003, outstanding Combined Utility System Revenue Bonds Series 1991 in the amount of \$6,015,000 were considered to be defeased.

On December 28, 2004, the City issued \$9,480,000 Combined Public Utility System Refunding Revenue Bonds (Series 2004) to refund the remaining balance in the Series 1993 Bonds and the Series 1994 Bonds. The Bonds are due in annual installments of \$420,000 to \$765,000 plus interest at 4.00% through December 2020.

On February 1, 1994, the City issued \$7,030,000 Combined Public Utility System Refunding Bonds Series 1994. The bonds were issued to refund a portion of the Series 1991 Bonds. The Series 1994 Bonds were subsequently refunded by the Series 2004 Bonds. The Series 2004 Bonds are reported net of a \$1,069,845 loss on refunding which is being amortized over the remaining life of the Series 2004 Bonds. The loss on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. The bond issues have the same remaining life. The advance refunding was undertaken to reduce the overall debt service over the remaining life of the bonds resulting in an economic gain. The loss on refunding has an unamortized balance of \$644,259 as of June 30, 2010.

On May 1, 2009, the City entered into a loan agreement for \$1,593,723 from the SC Water Pollution Control Revolving Fund for waste treatment system improvements. The loan is due in quarterly installments of \$27,171 including interest at 3.25 through May 2029.

The net revenues of the utility system are pledged for the repayment of Combined Public Utility Revenue Bond principal and interest. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted assets, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant financial limitations and restrictions.

Advances to/from other funds are not expected to be repaid within the next year.

Interest expense totaling \$29,087 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$2,916 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$26,171 for a tax increment district bond and a Brownfields Cleanup loan was reported as a direct expense under the general government function.

Annual debt service requirements to maturity for enterprise fund revenue bonds are as follows:

Year Ending June 30	Business type activities	
	Principal	Interest
2011	\$ 845,882	\$ 445,697
2012	888,249	411,928
2013	921,102	376,675
2014	964,459	339,918
2015	1,003,341	301,538
2016	1,037,764	261,714
2017	1,061,320	220,422
2018	938,914	181,053
2019	982,145	144,123
2120	1,020,669	105,600
2021	1,029,498	66,169
2022	137,951	43,240
2023	143,308	37,882
2024	148,883	32,308
2025	154,681	26,509
2026	160,715	20,476
2027	166,991	14,199
2028	173,524	7,667
2029	<u>106,510</u>	<u>2,172</u>
Subtotal	<u>\$ 11,885,906</u>	<u>\$3,039,290</u>
Less: Unamortized loss on refunding		(644,259)
Net balance reported on financial statements		<u>\$11,241,647</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Lease-purchase payable	\$ 79,372	\$ 0	\$ 44,703	\$ 34,669	\$ 34,637
Accrued OPEB	36,114	36,114	0	72,228	0
Accrued compensated absences	63,902	2,454	0	66,356	0
Tax increment district bonds	0	1,100,000	76,818	1,023,182	53,747
Notes payable & unamortized debt forgiveness	<u>382,239</u>	<u>0</u>	<u>24,585</u>	<u>357,654</u>	<u>24,877</u>
Total	<u>\$ 561,627</u>	<u>\$1,138,568</u>	<u>\$ 146,106</u>	<u>\$ 1,554,089</u>	<u>\$ 113,261</u>
<b>Business-type activities:</b>					
Lease-purchase payable	\$ 308,702	\$ 0	\$ 87,128	\$ 221,574	\$ 79,594
Accrued compensated absences	98,731	8,389	0	107,120	0
Accrued OPEB	45,964	45,964	0	91,928	0
Bonds payable	<u>11,449,974</u>	<u>538,095</u>	<u>746,422</u>	<u>11,241,647</u>	<u>845,882</u>
Total	<u>\$ 11,903,371</u>	<u>\$ 592,448</u>	<u>\$ 833,550</u>	<u>\$11,662,269</u>	<u>\$ 925,476</u>

## F. Restricted assets and reserves

Reserved fund balances represent that portion of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are segregated into the following classifications:

Reserved for long term notes receivable - represents the portion of fund balance represented by long term notes receivable that is not available for appropriation or expenditure at the balance sheet date.

Reserved for debt service - represents the funds in cash accounts being held by agents and required to be used to pay principal and interest on debt when due.

Reserved for capital assets held for resale/ Restricted for economic development - represents the portion of fund balance represented by an investment in a capital asset that is being held for resale and is not available for appropriation or expenditure at the balance sheet date.

Reserved /Restricted for victim rights assistance - represents amounts collected by Municipal Court and held in the Victim Rights Assistance special revenue fund that are required, by state law, to be used for victim counseling and assistance.

Reserved/Restricted for community assistance – represents amount collected from utility customers and held in the Community Change special revenue fund that is to be used for heating assistance and support of the Salvation Army.

Reserved/Restricted for tax increment district debt service and improvements – represents amounts collected through property taxes and held in the Downtown Development Project special revenue fund that is required to be used for debt service on the tax increment district's note payable and for improvements within the tax increment district.

Reserved/Restricted for public safety – represents grant funds and law enforcement agency funds held in various special revenue funds that are required to be used specifically for public safety programs.

Reserved/Restricted for building improvements – represents grant funds held in a special revenue fund that are required to be used specifically for building improvements.

Unreserved - Undesignated - represents resources available for appropriation in following years for any lawful purpose.

The government-wide financial statement designates net assets that are legally restricted as *Restricted Net Assets* versus Reserved. These are net assets of the City that are restricted for a specific purpose. The intent of the "Restricted Net Assets" line item is significantly different from "Reserved Fund Balance", "Restricted Net Assets" use is limited to those items that are legally restricted and should not include items that are "earmarked" for specific purposes.

The restricted cash designation, as found in the modified accrual statements, represents those funds that are in the hands of the trustee per debt covenants for the various bond issues or the proceeds of bond issues restricted for construction. This restriction is now found under "Restricted Net Assets".

## G. Major and Nonmajor Special Revenue Funds Activity

### Non-major funds:

Downtown Redevelopment Project (Tax Increment District)

During the year the City issued a \$1,100,000 bond to multipurpose center. The \$883,471 remaining in this fund

balance can be used to enhance City of Union-owned property within the district.

#### Drug Account Fund

This account is derived from confiscated drug money or property by order of the courts. Expenditures can only be for law enforcement activities. Fund balance at June 30, 2010, was \$4,623.

#### Victims' Rights Advocate Fund

Fees and surcharges on fines comprise this fund balance. Per the City of Union's agreement with Union County, 75% of all fees and surcharges collected are remitted to them. The remaining fund balance can only be used for victims of crime related expenditures. Fund balance at June 30, 2010, was \$26,164.

#### Community Change Fund

Participating utility customers have their bill rounded up the next dollar. Funds generated from this are maintained in a separate bank account and are used to pay \$1,750 per month to The Salvation Army, per the City of Union's agreement. This agreement ended June 16, 2009. The remainder of fund balance has been used to offset utility bills for qualifying customers. Fund balance at June 30, 2010, was \$24,559.

#### Sidewalk Fund

During the year \$5,732 was disbursed for sidewalk projects. Fund balance at June 30, 2010 was \$26,210.

#### "PMPA" Funds

These funds were received from Piedmont Municipal Power Agency, a joint action agency, composed of the City of Union and nine other agencies. These funds are appropriated by this agency for promotional activities. Fund balance at June 30, 2010 was \$11,055.

#### Insurance Proceeds Fund

This fund consists of the balance of insurance proceeds received when the old Union High School burned. Of the \$2,000,000 received \$1,000,000 was awarded to the Union Community Foundation, \$315,503 to purchase 21.3 acres that is now the home of the Quick Jobs Center. The fund balance totaling \$943,533 will be used to fund a new multipurpose center to be built in downtown Union.

#### Major fund:

##### Economic Development Fund

This fund is comprised of several promissory notes receivable from projects rehabilitating buildings in downtown Union. These notes are as follows:

The City of Union has a promissory note from Fairforest Limited Partnership in the amount of \$65,000. The note, dated May 14, 1993, has a 4.5% interest rate with yearly payment due annually for 24 years. The remaining balance at June 30, 2010, is \$31,910.

The City of Union has promissory notes receivable from Fairforest II Limited Partnership in the amount of \$953,588 dated 09-26-94. The Construction Loan portion of the note in the amount of \$843,512 has an interest of 1%. The Acquisition Loan portion of the note in the amount of \$110,076 has an interest rate of 5.84%. Both loans have a balloon payment at the end of 35 years. At that time, the borrower has a conditional option to extend the loan for an additional 15 years.

The City of Union has a promissory note from Fairforest limited Partnership in the amount of \$50,868. The note, dated 1994, has a 0% interest rate with a balloon payment due in 15 years.

The City of Union has a promissory note from Fairforest IV Limited Partnership in the amount of \$235,000. The note, dated September 3, 1997, is non-interest bearing and is due in 40 annual consecutive payments beginning the 30th anniversary of the loan date. The payment amount will be based on adjusted cash flow

derived from operations.

The City of Union has a promissory note from Fairforest IV Limited Partnership in the amount of \$55,000. The note, dated September 3, 1997, is non-interest bearing in years 1 through 5, 1% in years 5 through 10, and 3% in years 10 through 15. Payments are to start during the 6th year and continue through the 15th year. The note receivable balance as of June 30, 2010 is \$16,185.

The City of Union has a promissory note from Fairforest V Limited Partnership in the amount of \$245,000 and \$333,000. The terms of the notes are as follows:

The \$245,000 note, dated January 17, 2003, 1% interest is due beginning December 31 each year for 30 years, beginning December 31, 2004. Beginning December 31, 2024, principle and interest will be due at a rate of 2%- 20 equal payments of \$14,848.00.

The \$330,000 note, dated January 17, 2003, beginning December 31, 2035, 31 years after the completion date – 20 equal payments of \$16,500 annually at 0% interest.

Also included in the Economic Development Fund is \$2,727,950 which represents the investment in the Spec Building located at the Union County Commerce Park. This building is being up fitted to certain standards and will be leased to TIMKEN, LLC. The initial lease on this building will be for ten years with options to extend or purchase.

## **V. Other information**

### **A. Risk Management**

The City's risk management combines elements of both self-insurance and purchased insurance policies divided into coverage for comprehensive general liability, automobile liability, automobile physical damage, workers' compensation, property, crime insurance, employee health care insurance, and "all risk" insurance including theft, flood and earthquake. The costs of these policies are accounted for in the General fund.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance purchased from two of three pools sponsored by the South Carolina Municipal Association. Workers' compensation is carried by the South Carolina Municipal Insurance Trust Fund. Employee health care is carried by the South Carolina State Employees Blue Cross Plan. The remaining policies are carried by the South Carolina Municipal Insurance and Risk Financing Fund. The City is subject to a \$1,000 deductible requirement on all insured properties, "all risk" and crime policies only, a \$1,000 deductible per claim for workers compensation, as well as a \$10,000 deductible per claim for general liability and auto liability claims.

The workers' compensation policy provides coverage as required by statute. The automobile liability policy covers up to \$1,000,000 per occurrence. The comprehensive general liability policy covers up to \$1,000,000 per claim, and the crime policy covers up to \$200,000 per occurrence. The other policies essentially cover the amount of the loss. In the event a claim is settled for an amount exceeding the limits of these policies, the City would have to pay the excess. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

### **B. Related party transactions**

During the year ended June 30, 2010, the City had no material related party transactions.

### **C. Subsequent events**

There were no reportable subsequent events at June 30, 2010.

### **D. Commitment and Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is party to civil lawsuits and other legal actions. In the opinion of the City's attorney and management, the ultimate outcome of these suits is not expected to have a significant impact upon the City's financial position.

The City had several commitments for construction contracts in progress at June 30, 2010 with retainages totaling \$34,610 being withheld. The contracts totaled \$625,349 with work 80% complete at year end.

### **E. Jointly governed organization**

The City is a member of the Piedmont Municipal Power Agency (PMPA), a governmental corporation organized under the laws of the State of South Carolina. PMPA's generating capacity is committed to a group of municipalities, who have their own electrical utility operations, of which the City is a participant. The City and PMPA have entered into an arrangement that is intended to provide the City with the same benefits and proportionate risks as the other participants relative to alternate wholesale power purchase directly from Duke Power. This arrangement allows the City to participate in the PMPA while retaining the benefits of hydroelectric power generated by Lockhart Power and avoiding the additional expense of direct connection to the Duke Power system. Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

### **F. Other post employment benefits**

#### 1. Plan description

Beginning in fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45 prospectively for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment healthcare. The funding methodology mirrors the funding approach used for pension benefits.

The City provides post-retirement health benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. The City of Union OPEB Plan (plan) is approved each year by City Council. The plan is a single member defined benefit OPEB plan administered internally by the City. Information about the plan is included in the City's entity-wide financial statements. Participants must be eligible to retire under the South Carolina Retirement System (SCRS or PORS) to receive the benefits upon retirement. In addition, the retiree must meet one of the following criteria:

1. Age 62-65 with 20 years of service with the City
2. 25 years service with the City
3. 10 years of service with the City and retires under disability
4. An elected official with 20 years of service with the City

The City provides two options to its retirees.

Option 1: Retirees can elect to receive a monthly supplement from the City until age 65 or until Medicare eligible, whichever comes first. The monthly supplement is the cost of the retiree's insurance premium, not to exceed the amount contributed by the City each month for the employee's medical insurance coverage at the time of the employee's retirement and not to exceed the amount actually paid in premium by the retiree. Payments to the retiree are limited to the amount payable for single coverage.

Option 2: Retirees can elect to stay on the City's group insurance plan and pay all costs. This allows retirees to cover a spouse. The cost of coverage for pre-65 retirees is implicitly subsidized by the City.

The plan includes a disability benefit after 10 years of service the same as the above benefit.

The plan does not include a special pre-retirement death benefit.

The plan does not include a special withdrawal benefit.

Service is determined from date of hire.

Retirees pay 100 percent of the health insurance premiums. The City's regular health insurance providers underwrite the retiree's policies.

## 2. Funding policy

As of June 30, 2010, there were 121 employees in active service of which 16 members were retirees receiving benefits and 105 were active participants in the plan eligible to receive future benefits. The City currently finances the plan on a pay-as-you-go basis. For the year ended June 30, 2010, City recognized pay-as-you-go expenses of \$22,922 for healthcare, which were net of retiree contributions.

The City's annual other postretirement benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding required that, if paid on an annual basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded liability over a period not to exceed 30 years. The current ARC is based on a level percent of payroll growth increasing annually at 3%.

## 3. Annual OPEB cost and funded status and funding progress

For the year ended June 30, 2010, the City's year of implementation of GASB Statement 45, the annual OPEB cost (expense) of \$105,000 is equal to the ARC. The ARC for the year ended June 30, 2010 is computed as follows:

Annual OPEB cost -

Normal costs for current year	\$55,000
Amortization of the unamortized accrued liability	<u>50,000</u>
Total annual required contribution	105,000
Contributions made	<u>22,922</u>
Increase in net OPEB obligation	82,078
Net OPEB obligation – beginning of year	<u>82,078</u>
Net OPEB obligation – end of year (ARC)	<u>\$164,156</u>

Funding status –

Actuarial Valuation date	7/01/2007
Actuarial value of assets	\$ 0
Actuarial accrued liability (AAL)	<u>1,165,000</u>
Unfunded AAL (UAAL)	<u>\$1,165,000</u>
Funded ratio	0.0%
Covered payroll	\$4,745,000
UAAL as a percentage of covered payroll	25%

For the year ended June 30, 2010, the City's management elected to not accumulate or dedicate funding for the net OPEB obligation. Accordingly, the net OPEB obligation recorded at June 30, 2010 was \$164,156. The plan's unfunded actuarial liability is being amortized as a level dollar amount of projected payroll over a period of 30 years. The remaining amortization period at June 30, 2010 was 28 years.

4. 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 employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about future events and costs. 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 value of assets, consistent with the long-term perspective of the calculations.

The City used the entry age normal actuarial cost method for the July 1, 2007 valuation. The actuarial assumption includes a 4.5% investment rate of return. For all retirees the initial healthcare cost trend was 11.0%. The trend rate will decrease in 0.5% annual steps until it reaches 5.0% and then remain level. Payroll growth is estimated to be 3.0% per year. The asset valuation method used is market value.

**G. Employee retirement systems and pension plans**

All employees of the City participate in one of two defined benefit pension plans, administered by the State of South Carolina. The South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The total payroll for employees covered by the SCRS for the year ended June 30, 2010 was \$3,520,878. The total payroll for employees covered by the PORS for the year ended June 30, 2010 was \$1,514,046. The payroll for retired members for the year ended June 30, 2010 was \$201,293 for SCRS and \$96,318 for PORS.

The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws.

Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual earnings. For year ended June 30, 2010 and the years ended June 30, 2009 and 2008, the City contributed 100% of the required contributions. Contributions by the City for employees covered by the SCRS and PORS were based on 9.24% and 10.65 of the employees' earnings and amounted to \$346,108 for the year ended June 30, 2010 (SCRS) and \$171,504 (PORS), \$345,437 (SCRS) and \$181,816 (PORS) for the year ended June 30, 2009 and \$331,377 (SCRS) and \$165,537 (PORS) for the year ended June 30, 2008. Employee contributions for the SCRS and PORS were based on 6.5% and 6.5% of the employees' earnings and amounted to \$241,941 for the year ended June 30, 2010 (SCRS) and \$104,765 (PORS), \$239,994

(SCRS) and \$110,968 (PORS) for the year ended June 30, 2009 and \$231,322 (SCRS) and \$104,465 (PORS) for the year ended June 30, 2008.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS is issued and publicly available by writing to South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC, 29211-1960.

**COMBINING AND INDIVIDUAL  
FUND INFORMATION AND  
OTHER SUPPLEMENTAL  
INFORMATION**

**City of Union, South Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<b>Tax Increment District</b>	<b>Drug Account</b>	<b>Victim's Rights Advocate Fund</b>	<b>Community Change</b>	<b>Special Revenue Grants</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 883,564	\$ 4,623	\$ -	\$ 20,132	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	(92)	-	26,164	4,426	(6,827)
Total assets	<u>\$ 883,472</u>	<u>\$ 4,623</u>	<u>\$ 26,164</u>	<u>\$ 24,558</u>	<u>\$ (6,827)</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved for:					
Community assistance	-	-	-	24,559	-
Tax increment district debt service and improvements	883,471	-	-	-	-
Public safety	-	4,623	-	-	-
Victims rights assistance	-	-	26,164	-	-
Building improvement	-	-	-	-	(6,827)
Economic development	-	-	-	-	-
Total fund balances	<u>883,471</u>	<u>4,623</u>	<u>26,164</u>	<u>24,559</u>	<u>(6,827)</u>
Total liabilities and fund balances	<u>\$ 883,471</u>	<u>\$ 4,623</u>	<u>\$ 26,164</u>	<u>\$ 24,559</u>	<u>\$ (6,827)</u>

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

<u>Sidewalk Fund</u>	<u>PMPA Funds</u>	<u>Insurance Proceeds</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 4,320	\$ 912,639
-	-	943,533	-	943,533
-	-	-	-	-
<u>26,210</u>	<u>11,055</u>	<u>-</u>	<u>-</u>	<u>60,936</u>
<u>\$ 26,210</u>	<u>\$ 11,055</u>	<u>\$ 943,533</u>	<u>\$ 4,320</u>	<u>\$ 1,917,108</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	24,559
-	-	943,533	-	1,827,004
-	-	-	4,320	8,943
-	-	-	-	26,164
-	-	-	-	(6,827)
<u>26,210</u>	<u>11,055</u>	<u>-</u>	<u>-</u>	<u>37,265</u>
<u>26,210</u>	<u>11,055</u>	<u>943,533</u>	<u>4,320</u>	<u>1,917,108</u>
<u>\$ 26,210</u>	<u>\$ 11,055</u>	<u>\$ 943,533</u>	<u>\$ 4,320</u>	<u>\$ 1,917,108</u>

**City of Union, South Carolina**  
**Combining Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	Special Revenue					
	Tax Increment District	Drug Account	Victim's Rights Advocate Fund	Community Change	Grants	Sidewalk Fund
<b>REVENUES</b>						
Property Taxes and Penalties	\$ 117,729	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	-	-	-	-	-
Intergovernmental Revenues	-	-	16,181	-	231,148	-
Investment Earnings	1,618	12	-	32	-	-
Miscellaneous Revenues	-	(3)	-	22,166	-	-
Total Revenues	<u>119,347</u>	<u>9</u>	<u>16,181</u>	<u>22,198</u>	<u>231,148</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current:						
General Government	-	-	-	5,000	-	5,732
Public Safety	-	-	25,772	-	-	-
Capital Outlay:						
General Government	349,934	-	-	-	6,827	-
Public Safety	-	-	-	-	238,393	-
Debt Service:						
General Government	<u>100,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>450,543</u>	<u>-</u>	<u>25,772</u>	<u>5,000</u>	<u>245,220</u>	<u>5,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(331,196)</u>	<u>9</u>	<u>(9,591)</u>	<u>17,198</u>	<u>(14,072)</u>	<u>(5,732)</u>
<b>OTHER FINANCING SOURCES &amp; USES</b>						
Transfers - net:						
Grants	-	-	-	-	7,245	-
Loan Proceeds	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,245</u>	<u>-</u>
Net change in fund balances	768,804	9	(9,591)	17,198	(6,827)	(5,732)
Fund Balances - beginning	<u>114,668</u>	<u>4,614</u>	<u>35,754</u>	<u>7,361</u>	<u>-</u>	<u>31,941</u>
Fund Balances - ending	<u>\$ 883,472</u>	<u>\$ 4,623</u>	<u>\$ 26,163</u>	<u>\$ 24,559</u>	<u>\$ (6,827)</u>	<u>\$ 26,209</u>

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

<u>PMPA Funds</u>	<u>Insurance Proceeds Fund</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 117,729
-	-	-	-
-	-	13,613	260,942
-	14,373	14	16,049
<u>17,041</u>	<u>-</u>	<u>-</u>	<u>39,204</u>
<u>17,041</u>	<u>14,373</u>	<u>13,627</u>	<u>433,924</u>
33,231	-	-	43,963
-	-	14,904	40,676
-	-	-	356,761
-	-	-	238,393
-	-	-	100,609
<u>33,231</u>	<u>-</u>	<u>14,904</u>	<u>780,402</u>
<u>(16,190)</u>	<u>14,373</u>	<u>(1,277)</u>	<u>(346,478)</u>
-	-	-	7,245
-	-	-	1,100,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,245</u>
(16,190)	14,373	(1,277)	760,767
<u>27,245</u>	<u>929,160</u>	<u>5,598</u>	<u>1,156,341</u>
<u>\$ 11,055</u>	<u>\$ 943,533</u>	<u>\$ 4,321</u>	<u>\$ 1,917,108</u>

**City of Union, South Carolina**  
**Combining Schedule of Revenues and Expenses by Division**  
**Utility Enterprise Fund**  
**For the Year Ended June 30, 2010**

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Electric Division</b>	<b>Water Division</b>	<b>Sewer Division</b>	<b>Gas Division</b>	
Operating revenues:					
Sales	\$ 14,603,775	\$ 2,789,237	\$ -	\$ 13,433,800	\$ 30,826,812
Sewer charges	-	-	1,732,367	-	1,732,367
Other revenues	(3,776)	12,374	20,892	25,145	54,635
Total operating revenues	<u>14,599,999</u>	<u>2,801,611</u>	<u>1,753,259</u>	<u>13,458,945</u>	<u>32,613,814</u>
Operating expenses:					
Purchased power and natural gas	10,756,934	-	-	9,902,709	20,659,643
System operations	1,577,291	2,172,740	1,796,546	1,241,899	6,788,476
Payment in lieu of franchise fee	668,672	143,552	80,352	791,653	1,684,229
Depreciation	548,854	591,584	534,736	489,291	2,164,465
Total operating expenses	<u>13,551,751</u>	<u>2,907,876</u>	<u>2,411,634</u>	<u>12,425,552</u>	<u>31,296,813</u>
Operating income	<u>1,048,248</u>	<u>(106,265)</u>	<u>(658,375)</u>	<u>1,033,393</u>	<u>1,317,001</u>
Nonoperating revenues (expenses):					
Investment earnings	116,260	20,375	15,326	87,639	239,600
Other	489,117	46,797	247,125	19,849	802,888
Interest expense	(46,834)	(145,808)	(128,286)	(102,450)	(423,378)
Total nonoperating revenue (expenses)	<u>558,543</u>	<u>(78,636)</u>	<u>134,165</u>	<u>5,038</u>	<u>619,110</u>
Net income before contributions and transfers	<u>\$ 1,606,791</u>	<u>\$ (184,901)</u>	<u>\$ (524,210)</u>	<u>\$ 1,038,431</u>	<u>\$ 1,936,111</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Electric Division**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 6,947,070	\$ 7,531,430	\$ (584,360)
Sales - Commercial	5,870,950	6,041,358	(170,408)
Sales - Industrial	656,910	743,080	(86,170)
Sales - Other	220,370	287,907	(67,537)
Other revenues	<u>(24,000)</u>	<u>(3,776)</u>	<u>(20,224)</u>
Total operating revenues	<u>13,671,300</u>	<u>14,599,999</u>	<u>(928,699)</u>
Operating expenses:			
Purchased power and natural gas	10,732,050	10,756,934	(24,884)
System operations	1,906,980	1,577,291	329,689
Payment in lieu of franchise fee	650,000	668,672	(18,672)
Depreciation and amortization	-	548,854	(548,854)
Total operating expenses	<u>13,289,030</u>	<u>13,551,751</u>	<u>(262,721)</u>
Operating income	<u>382,270</u>	<u>1,048,248</u>	<u>(665,978)</u>
Nonoperating revenues (expenses):			
Investment earnings	79,200	116,260	(37,060)
Other	124,000	489,117	(365,117)
Interest expense	<u>(127,300)</u>	<u>(46,834)</u>	<u>(80,466)</u>
Total nonoperating revenue (expenses)	<u>75,900</u>	<u>558,543</u>	<u>(482,643)</u>
Income before contributions and transfers	<u>\$ 458,170</u>	<u>\$ 1,606,791</u>	<u>\$ (1,148,621)</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Water Division**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 1,241,950	\$ 1,167,406	\$ 74,544
Sales - Commercial	334,010	381,000	(46,990)
Sales - Industrial	432,380	307,883	124,497
Sales - Water Districts	1,201,600	932,948	268,652
Other revenues	10,000	12,374	(2,374)
Total operating revenues	<u>3,219,940</u>	<u>2,801,611</u>	<u>418,329</u>
Operating expenses:			
System operations	2,415,530	2,172,740	242,790
Payment in lieu of franchise fee	150,000	143,552	6,448
Depreciation and amortization	-	591,584	(591,584)
Total operating expenses	<u>2,565,530</u>	<u>2,907,876</u>	<u>(342,346)</u>
Operating income	<u>654,410</u>	<u>(106,265)</u>	<u>760,675</u>
Nonoperating revenues (expenses):			
Investment earnings	16,200	20,375	(4,175)
Other	24,920	46,797	(21,877)
Interest expense	(379,970)	(145,808)	(234,162)
Total nonoperating revenue (expenses)	<u>(338,850)</u>	<u>(78,636)</u>	<u>(260,214)</u>
Income before contributions and transfers	<u>\$ 315,560</u>	<u>\$ (184,901)</u>	<u>\$ 500,461</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Sewer Division**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sewer charges - Residential	\$ 1,244,240	\$ 1,124,721	\$ 119,519
Sewer charges - Commercial	354,330	350,072	4,258
Sewer charges - Industrial	290,890	257,575	33,315
Other revenues	(9,000)	20,892	(29,892)
Total operating revenues	<u>1,880,460</u>	<u>1,753,260</u>	<u>127,200</u>
Operating expenses:			
System operations	1,979,400	1,796,546	182,854
Payment in lieu of franchise fee	75,000	80,352	(5,352)
Depreciation and amortization	-	534,736	(534,736)
Total operating expenses	<u>2,054,400</u>	<u>2,411,634</u>	<u>(357,234)</u>
Operating income	<u>(173,940)</u>	<u>(658,374)</u>	<u>484,434</u>
Nonoperating revenues (expenses):			
Investment earnings	10,800	15,326	(4,526)
Other	158,500	247,125	(88,625)
Interest expense	(516,410)	(128,286)	(388,124)
Total nonoperating revenue (expenses)	<u>(347,110)</u>	<u>134,165</u>	<u>(481,275)</u>
Income before contributions and transfers	<u>\$ (521,050)</u>	<u>\$ (524,209)</u>	<u>\$ 3,159</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Gas Division**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 4,334,210	\$ 4,819,927	\$ (485,717)
Sales - Commercial	1,712,710	2,226,786	(514,076)
Sales - Interruptible	8,636,220	6,383,988	2,252,232
Sales - Other	-	3,099	(3,099)
Other revenues	(10,000)	25,145	(35,145)
Total operating revenues	<u>14,673,140</u>	<u>13,458,945</u>	<u>1,214,195</u>
Operating expenses:			
Purchased power and natural gas	11,525,510	9,902,709	1,622,801
System operations	1,326,030	1,241,899	84,131
Payment in lieu of franchise fee	750,000	791,653	(41,653)
Depreciation and amortization	-	489,291	(489,291)
Total operating expenses	<u>13,601,540</u>	<u>12,425,552</u>	<u>1,175,988</u>
Operating income	<u>1,071,600</u>	<u>1,033,393</u>	<u>38,207</u>
Nonoperating revenues (expenses):			
Investment earnings	73,800	87,639	(13,839)
Other	20,000	19,849	151
Interest expense	(278,500)	(102,450)	(176,050)
Total nonoperating revenue (expenses)	<u>(184,700)</u>	<u>5,038</u>	<u>(189,738)</u>
Income before contributions and transfers	<u>\$ 886,900</u>	<u>\$ 1,038,431</u>	<u>\$ (151,531)</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Solid Waste Management**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Collection fees	\$ 595,000	\$ 589,010	\$ 5,990
Other revenues - net of bad debts	(6,500)	(51,321)	44,821
Total operating revenues	<u>588,500</u>	<u>537,689</u>	<u>50,811</u>
Operating expenses:			
System operations	750,540	659,067	91,473
Payment in lieu of franchise fee	-	29,425	(29,425)
Depreciation and amortization	-	110,524	(110,524)
Total operating expenses	<u>750,540</u>	<u>799,016</u>	<u>(48,476)</u>
Operating income	<u>(162,040)</u>	<u>(261,327)</u>	<u>99,287</u>
Nonoperating revenues (expenses):			
Investment earnings	2,000	1,031	969
Interest expense	(119,950)	(21,111)	(98,839)
Total nonoperating revenue (expenses)	<u>(117,950)</u>	<u>(20,080)</u>	<u>(97,870)</u>
Income before contributions and transfers	<u>\$ (279,990)</u>	<u>\$ (281,407)</u>	<u>\$ 1,417</u>

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

City of Union, South Carolina  
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
COLLECTED AND REMITTED  
For the Fiscal Year Ended June 30, 2010

The following is a schedule of fines, assessments and surcharges collected and remitted:

Fines Collected & Retained	\$ 147,877
Assessments/Surcharges/Pullouts Collected	128,999
Assessments Retained For Victims Rights Assistance	10,193
Surcharges Retained For Victims Rights Assistance	7,663
Assessments/Surcharges/Pullouts Remitted	111,143
FY 2010 Expenditures For Victims Rights Assistance	25,772
6-30-2010 Fund Balance Reserved For Victims Rights Assistance	26,163

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

City of Union, South Carolina  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or (Deferred) Revenue At July 1, 2009	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash Accrued or (Deferred) Revenue At June 30, 2010
<u>U.S. Department of Housing and Urban Development</u>							
CDBG States Programs							
Passed through SC Dept of Commerce – Grants Administration							
Buffalo Sewer Improvements – Phase II	14.228	4-CI-09-020	\$500,000	\$ -	\$ 208,721	\$ 208,721	\$ -
Total Department of Housing and Urban Development				\$ -	\$ 208,721	\$ 208,721	\$ -
<u>U.S. Department of Justice</u>							
Office of Justice Programs –Bureau of Justice Assistance							
Edward Byrne Memorial Justice Assistance Grant Program –							
Local Solicit. Public Safety Equipment	16.803	2009-DJ-BX-0662	\$ 12,951	\$ -	\$ 12,951	\$ 12,951	\$ -
Local Solicit. Public Safety Equipment	16.804	2009-SB-B9-2683	\$ 53,197	\$ -	\$ 53,197	\$ 53,197	\$ -
Pass through South Carolina Department of Public Safety							
Office of Justice Programs							
Digital Video Recording System Upgrade	16.803	1GS09152	\$65,000	\$ -	\$ 65,000	\$ 65,000	\$ -
Total U.S. Department of Justice				\$ -	\$ 131,148	\$ 131,148	\$ -
<u>U.S. Small Business Administration</u>							
Regional Robotics Training Center							
AKA Union Quickjobs	59.000	SBAHQ-09-I-0196	\$100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Total U.S. Small Business Administration				\$ -	\$ 100,000	\$ 100,000	\$ -
Total Federal Assistance				\$ -	\$ 439,869	\$ 439,869	\$ -

Notes

1. The schedule of expenditures of federal awards includes the federal grant activity of the City of Union, SC and is prepared using the same significant accounting policies used to prepare the basic financial statements as reported in Note 1 of the financial statements.

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

**TERRY R. FANT, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
309 WEST MAIN STREET  
UNION, SC 29379-2216  
864-427-4736

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDIT STANDARDS*

To the City Council  
City of Union, South Carolina

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 30, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the City of Union's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Union's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Union's internal control over financial reporting.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the financial statements of the City of Union are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Terry R. Fant*

Terry R. Fant, CPA, PA  
November 30, 2010

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## STATISTICAL SECTION

This part of the City of Union's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	87-92
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	93-100
These schedules contain information to help the reader assess the governments most significant local revenue source, utility system receipts. Additional data is presented on property tax revenue, the most significant general fund revenue source and a traditional revenue source and a traditional revenue source of readers of this report.	
<b>Debt Capacity</b>	101-102
These schedules 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.	
<b>Demographic and Economic Information</b>	103
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b>Operating Information</b>	104-105
These schedules contain service and infrastructure data to help the reader understand the environment within which the government's financial activities take place.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**City of Union  
Net Assets by Component  
Last Eight Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 1,777,999	\$ 1,785,034	\$ 2,221,625	\$ 2,408,254	\$ 2,829,986	\$ 2,745,334	\$ 1,298,016	\$ 789,457
Restricted	3,040,566	3,149,136	2,871,330	381,756	538,138	485,223	3,038,050	4,909,251
Unrestricted	4,730,717	4,903,010	5,464,973	7,411,696	7,645,782	8,130,493	6,443,452	5,179,917
<b>Total governmental activities net assets</b>	<u>\$ 9,549,282</u>	<u>\$ 9,837,180</u>	<u>\$ 10,557,928</u>	<u>\$ 10,201,706</u>	<u>\$ 11,013,906</u>	<u>\$ 11,361,050</u>	<u>\$ 10,779,518</u>	<u>\$ 10,878,625</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$38,318,005	\$40,049,283	\$ 40,974,286	\$ 42,129,651	\$44,506,072	\$ 45,806,442	\$48,338,314	\$48,741,936
Restricted	677,394	679,822	860,308	911,242	908,217	928,374	1,184,860	1,381,878
Unrestricted	12,546,788	12,900,439	13,748,688	14,250,847	13,061,807	12,265,853	8,812,412	10,276,095
<b>Total business-type activities net assets</b>	<u>\$51,542,187</u>	<u>\$53,629,544</u>	<u>\$ 55,583,282</u>	<u>\$ 57,291,740</u>	<u>\$58,476,096</u>	<u>\$ 59,000,669</u>	<u>\$58,335,586</u>	<u>\$60,399,909</u>
<b>Primary Government</b>								
Invested in capital assets, net of related debt	\$40,096,004	\$41,834,317	\$ 43,195,911	\$ 44,537,905	\$47,336,058	\$ 48,551,776	\$49,636,330	\$49,531,393
Restricted	3,717,960	3,828,958	3,731,638	1,292,998	1,446,355	1,413,597	4,222,910	6,291,129
Unrestricted	17,277,505	17,803,449	19,213,661	21,662,543	20,707,589	20,396,346	15,255,864	15,456,012
<b>Total primary government net assets</b>	<u>\$61,091,469</u>	<u>\$63,466,724</u>	<u>\$ 66,141,210</u>	<u>\$ 67,493,446</u>	<u>\$69,490,002</u>	<u>\$ 70,361,719</u>	<u>\$69,115,104</u>	<u>\$71,278,534</u>

**City of Union  
Changes in Net Assets  
Last Eight Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	\$1,503,972	\$1,405,868	\$1,706,911	\$2,234,430	\$1,837,449	\$2,293,952	\$3,036,482	\$1,401,406
Tax and License	116,642	117,137	108,944	111,071	93,425	65,702	0	0
Facilities maintenance	104,396	64,639	87,838	145,602	110,486	96,411	72,315	62,449
Public safety	2,431,603	2,358,254	2,498,566	3,358,993	2,782,769	2,974,860	3,108,049	3,214,795
Public service	585,460	534,731	582,095	418,417	531,704	516,849	528,259	576,833
Planning	205,409	199,772	180,088	207,354	242,637	318,446	271,890	213,418
Interest on long-term debt	0	0	15,151	16,880	16,748	12,393	7,738	0
Total governmental activities expenses	<u>4,947,482</u>	<u>4,680,401</u>	<u>5,179,593</u>	<u>6,492,747</u>	<u>5,615,218</u>	<u>6,278,613</u>	<u>7,024,733</u>	<u>5,468,901</u>
<b>Business-type activities</b>								
Solid waste management	748,861	763,080	693,412	816,467	853,546	810,565	828,676	820,127
Combined utilities	30,684,315	30,680,018	31,822,671	37,949,502	34,687,650	36,633,954	35,799,271	31,720,190
Total business type activities expenses	<u>31,433,176</u>	<u>31,443,098</u>	<u>32,516,083</u>	<u>38,765,969</u>	<u>35,541,196</u>	<u>37,444,519</u>	<u>36,627,947</u>	
Total primary government expenses	<u>\$36,380,658</u>	<u>\$36,123,499</u>	<u>\$37,695,676</u>	<u>\$45,258,716</u>	<u>\$41,156,414</u>	<u>\$43,723,132</u>	<u>\$43,652,680</u>	<u>\$38,009,218</u>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
Public safety	\$235,643	\$250,587	\$245,805	\$215,442	\$257,787	\$294,379	\$338,317	\$256,395
Planning	41,930	24,487	30,107	25,880	38,849	57,575	22,883	22,335
Operating grants and contributions	234,427	34,480	68,168	837,395	13,137	12,513	12,022	13,613
Capital grants and contributions	248,094	144,013	233,718	60,019	843,440	846,349	599,900	231,148
Total governmental activities program revenues	<u>760,094</u>	<u>453,567</u>	<u>577,798</u>	<u>1,138,736</u>	<u>1,153,213</u>	<u>1,210,816</u>	<u>973,122</u>	<u>523,491</u>
<b>Business-type activities:</b>								
Charges for services-solid waste mgt.	642,027	726,699	728,629	736,429	735,145	731,995	588,504	537,689
Charges for services-combined utilities	32,358,392	32,328,240	33,197,265	38,969,242	35,186,539	35,989,143	33,669,101	33,416,702
Capital grants and contributions	753,794	0	37,300	43,668	36,140	594,470	1,296,379	279,619
Total business-type activities program revenues	<u>33,754,213</u>	<u>33,054,939</u>	<u>33,963,194</u>	<u>39,749,339</u>	<u>35,957,824</u>	<u>37,315,608</u>	<u>35,553,984</u>	<u>34,234,010</u>
Total primary government program revenues	<u>\$34,514,307</u>	<u>\$33,508,506</u>	<u>\$34,540,992</u>	<u>\$40,888,075</u>	<u>\$37,111,037</u>	<u>\$38,526,424</u>	<u>\$36,527,106</u>	<u>\$34,757,501</u>

	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue								
Governmental activities	-\$4,187,388	-\$4,226,834	-\$4,601,797	-\$5,354,011	-\$4,462,005	-\$5,067,797	-\$6,051,610	-\$4,945,410
Business-type activities	2,321,037	1,611,841	1,447,111	983,368	416,629	-128,912	-1,073,964	1,693,692
Total primary government net expense	<u>-\$1,866,351</u>	<u>-\$2,614,993</u>	<u>-\$3,154,686</u>	<u>-\$4,370,643</u>	<u>-\$4,045,376</u>	<u>-\$5,196,709</u>	<u>-\$7,125,574</u>	<u>-\$3,251,718</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Property taxes	\$1,068,992	\$1,069,258	\$1,038,276	\$1,060,247	\$1,115,319	\$1,178,150	\$1,202,275	\$1,061,709
Fee in lieu of property taxes	1,439,855	1,511,686	1,729,772	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317
Other taxes	440,074	435,066	458,684	467,093	498,323	520,653	504,495	448,936
Occupational Licenses and Franchise Fees	868,426	905,822	1,007,812	1,039,364	1,158,550	1,307,014	1,170,093	1,077,523
Miscellaneous	2,110,249	50,600	126,456	98,642	99,670	115,083	211,632	216,789
Unrestricted investment earnings	97,951	84,598	115,359	161,537	150,580	145,215	134,640	68,905
Intergovernmental revenue	599,809	519,916	554,812	553,190	543,373	510,468	534,474	568,338
Special Item-L-term notes rec- Flynn Bldg	575,000							
Contributed Capital				55,000				
Transfers	1,037,829	-58,328	-130,000	-130,000	-260,000	-130,000	-130,000	-130,000
Total governmental activities	<u>8,238,185</u>	<u>4,518,618</u>	<u>4,901,171</u>	<u>4,997,791</u>	<u>5,274,205</u>	<u>5,414,941</u>	<u>5,470,077</u>	<u>5,044,517</u>
Business-type activities:								
Interest revenue	308,451	254,434	376,627	595,090	637,728	523,485	278,881	240,631
Transfers	-427,790	221,082	130,000	130,000	130,000	130,000	130,000	130,000
Total business-type activities	<u>-119,339</u>	<u>475,516</u>	<u>506,627</u>	<u>725,090</u>	<u>767,728</u>	<u>653,485</u>	<u>408,881</u>	<u>370,631</u>
Total primary government	<u>8,118,846</u>	<u>4,994,134</u>	<u>5,407,798</u>	<u>5,722,881</u>	<u>6,041,933</u>	<u>6,068,426</u>	<u>5,878,958</u>	<u>5,415,148</u>
<b>Changes in Net Assets</b>								
Government activities	4,050,797	291,784	299,374	-356,220	812,200	347,144	-581,533	99,107
Business-type activities	2,201,698	2,087,357	1,953,738	1,708,458	1,184,357	524,573	-665,083	2,064,323
Total primary government	<u>\$6,252,495</u>	<u>\$2,379,141</u>	<u>\$2,253,112</u>	<u>\$1,352,238</u>	<u>\$1,996,557</u>	<u>\$871,717</u>	<u>-\$1,246,616</u>	<u>\$2,163,430</u>

**City of Union**  
**Governmental Activities Tax Revenues By Source**  
**Last Seven Fiscal Years**  
(modified accrual basis of accounting)

<u>Fiscal YEAR</u>	<u>GENERAL FUND PROPERTY TAX</u>	<u>TAX INCREMENT BOND PROPERTY TAX</u>	<u>TOTAL PROPERTY TAX</u>
2001	\$923,590	\$63,458	\$987,048
2002	1,029,020	78,906	1,107,926
2003	983,772	59,315	1,043,087
2004	996,584	76,597	1,073,181
2005	963,913	70,517	1,034,430
2006	968,123	92,592	1,060,715
2007	982,945	102,739	1,085,684
2008	983,468	103,161	1,086,629
2009	998,421	95,470	1,093,891
2010	972,541	117,729	1,090,270

City of Union  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Unreserved	<u>\$1,974,990</u>	<u>\$2,359,453</u>	<u>\$2,149,842</u>	<u>\$2,359,138</u>	<u>\$2,929,455</u>	<u>\$3,198,716</u>	<u>\$3,690,140</u>	<u>\$3,326,176</u>	<u>\$3,418,580</u>	<u>\$3,359,751</u>
Total general fund	<u>1,974,990</u>	<u>2,359,453</u>	<u>2,149,842</u>	<u>2,359,138</u>	<u>2,929,455</u>	<u>3,198,716</u>	<u>3,690,140</u>	<u>3,326,176</u>	<u>3,418,580</u>	<u>3,359,751</u>
All other governmental funds										
Reserved:										
Insurance proceeds	0	0	1,996,021	2,042,836	2,096,434	1,156,221	868,871	893,738	929,160	943,533
Tax increment district	8,004	7,148	33,928	9,064	30,299	63,290	65,035	119,219	114,668	883,472
Drug account	20,093	15,022	8,779	3,138	6,510	6,545	4,585	4,613	4,614	4,623
Victim's rights advocate	14,215	3,872	8,858	31,324	34,874	39,591	24,845	24,595	35,754	26,163
Community Change	24,543	23,935	27,123	29,190	24,286	21,312	16,289	11,886	7,361	24,559
PMPA	0	0	0	0	0	16,460	-89	18,665	27,245	11,055
Sidewalk	0	0	0	0	0	0	0	49,575	31,941	26,209
Grants	0	6,929	0	0	0	105,000	-70,841	0	0	-6,827
C Funds	0	0	-13,718	-1,485	0	0	0	0	0	0
Economic development	735,918	637,425	2,424,069	2,515,829	2,565,134	2,611,800	2,579,339	2,630,408	2,838,114	2,985,316
Firemen's fund	0	3,112	3,916	9,871	10,054	10,957	10,537	9,821	5,599	4,320
Capital projects	<u>154,232</u>	<u>254,084</u>	<u>497,985</u>	<u>450,157</u>	<u>54,415</u>	<u>21,496</u>	<u>4,692</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total all other governmental funds	<u>957,005</u>	<u>951,527</u>	<u>4,986,961</u>	<u>5,089,924</u>	<u>4,822,006</u>	<u>4,052,672</u>	<u>3,503,263</u>	<u>3,762,520</u>	<u>3,994,456</u>	<u>4,902,423</u>
Total all governmental funds	<u>\$2,931,995</u>	<u>\$3,310,980</u>	<u>\$7,136,803</u>	<u>\$7,449,062</u>	<u>\$7,751,461</u>	<u>\$7,251,388</u>	<u>\$7,193,403</u>	<u>\$7,088,696</u>	<u>\$7,413,036</u>	<u>\$8,262,174</u>

**City of Union**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>								
Taxes	\$1,043,087	\$1,073,181	\$1,034,430	\$1,060,715	\$1,085,684	\$1,086,629	\$1,093,891	\$1,090,270
Fee in lieu of taxes	1,439,855	1,511,686	1,729,772	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317
Licenses, permits and franchise fees	910,356	930,309	1,037,919	1,065,245	1,197,399	1,364,589	1,192,977	1,132,126
Fines and forfeitures	117,838	129,636	122,132	96,729	120,149	107,621	136,720	117,307
Intergovernmental	1,200,134	819,360	980,371	1,569,317	1,120,739	1,654,065	1,666,863	952,186
State collected revenues	440,074	435,066	458,684	467,093	498,323	520,653	504,495	448,936
Investment earnings	97,951	84,598	115,359	161,537	150,580	145,215	134,640	68,906
Miscellaneous	2,110,249	50,601	126,456	98,641	99,670	115,083	211,632	216,789
Total revenues	7,359,544	5,034,437	5,605,123	6,211,995	6,240,934	6,762,213	6,783,686	5,758,837
<b>Expenditures</b>								
General government	1,191,046	1,062,733	1,584,470	2,137,899	1,785,053	2,241,556	1,706,859	1,280,247
Taxes and licenses	116,642	117,137	108,944	111,071	93,425	65,702		
Facilities Maintenance	81,744	64,639	87,838	142,979	104,586	94,144	67,308	62,449
Public Safety	2,283,243	2,285,674	2,457,559	3,230,131	2,645,486	2,866,344	2,960,766	2,819,134
Public service	428,448	382,743	446,708	359,748	417,914	475,141	498,462	548,310
Planning	200,618	193,573	178,655	207,354	242,268	313,392	264,241	202,862
Capital outlay	797,927	508,600	246,238	585,452	640,846	571,312	1,091,069	791,452
Debt Service								
Principal	26,942	30,674	46,669	56,671	92,047	96,959	102,890	146,157
Interest	19,939	18,074	15,640	17,396	17,293	12,373	7,751	29,087
Total expenditures, including capital	5,146,549	4,663,847	5,172,721	6,848,701	6,038,918	6,736,923	6,699,346	5,879,698
Excess of revenues over (under) expenditures	2,212,995	370,590	432,402	-636,706	202,016	25,290	84,340	-120,861
<b>Other financing sources (uses)</b>								
Contributed capital		36374		55000				
Loan and lease purchase proceeds		0		211,635			370,000	1,100,000
Transfer- In (Out)	-130,000	-94,702	-130,000	-130,000	-260,000	-130,000	-130,000	-130,000
Total other financing sources (uses)	-130,000	-58,328	-130,000	136,635	-260,000	-130,000	240,000	970,000
Net change in fund balances	\$2,082,995	\$312,262	\$302,402	-\$500,071	-\$57,984	-\$104,710	\$324,340	\$849,139
Debt service as a percentage of noncapital expenditures	0.9%	1.1%	1.2%	1.1%	1.9%	1.7%	1.7%	3.1%

**City of Union**  
**Utility Enterprise System Operating Revenues By Source**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Electric Receipts</b>	<b>Percent of Total</b>	<b>Water Receipts</b>	<b>Percent of Total</b>	<b>Sewer Receipts</b>	<b>Percent of Total</b>	<b>Gas Receipts</b>	<b>Percent of Total</b>	<b>Other Operating Revenue</b>	<b>Percent of Total</b>	<b>Total Combined Public Utility Operating Revenue</b>
2001	\$11,783,853	37.7%	\$2,316,876	7.4%	\$1,449,736	4.6%	\$15,552,280	49.7%	\$173,424	0.6%	\$31,276,169
2002	12,166,830	43.9%	2,414,162	8.7%	1,533,811	5.5%	11,482,729	41.4%	136,728	0.5%	27,734,260
2003	13,014,439	40.6%	2,644,414	8.2%	1,649,773	5.1%	14,672,945	45.7%	100,872	0.3%	32,082,443
2004	12,674,452	39.7%	2,488,807	7.8%	1,462,441	4.6%	15,324,902	48.0%	-26,245	-0.1%	31,924,357
2005	12,400,828	37.8%	2,527,333	7.7%	1,597,563	4.9%	16,394,845	49.9%	-95,861	-0.3%	32,824,708
2006	13,265,237	34.6%	2,779,680	7.3%	1,736,476	4.5%	20,562,347	53.6%	-12,801	0.0%	38,330,939
2007	13,392,884	38.6%	2,815,313	8.1%	1,687,965	4.9%	16,833,343	48.5%	-14,122	0.0%	34,715,383
2008	13,183,492	37.0%	3,013,014	8.5%	1,712,302	4.8%	17,716,145	49.8%	-19,264	-0.1%	35,605,689
2009	13,402,927	39.8%	2,857,173	8.5%	1,616,440	4.8%	15,837,563	47.0%	-29,543	-0.1%	33,684,560
2010	14,603,775	44.8%	2,789,237	8.6%	1,732,367	5.3%	13,433,800	41.2%	54,635	0.2%	32,613,814

**City of Union**  
**Solid Waste Management Fund- Operating Revenues By Source**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Collection Fees</u>
2001	\$644,546
2002	643,354
2003	642,027
2004(1)	726,699
2005	728,629
2006	736,429
2007	735,145
2008	731,995
2009(2)	588,504
2010	589,010

(1) Fees increased from \$13 to \$15 per month.

(2) Fees decrease from \$15 to \$12 per month.

(3) For Fiscal Year 2011 fees have been increased to \$13 per month.

City of Union  
Electric Largest User  
For the Year Ended June 30, 2010

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>FISCAL YEAR 2010 CONSUMPTION-kWh</u>	<u>FISCAL YEAR 2010 BILLED REVENUES</u>	<u>% of Total 2010 Billed Revenue</u>
HAEMONETICS	CHEMICAL	6,036,861	\$368,191	2.52%
WALLACE THOMSON HOSP	HOSPITAL	5,559,924	348,138	2.38%
UNION COUNTY SCHOOLS	EDUCATION	4,096,744	290,018	1.99%
WAL-MART #01-0629	STORE	3,503,400	211,944	1.45%
BI-LO #167	GROCERY	1,861,002	115,770	0.79%
FOOD LION #2679	GROCERY	1,764,240	109,595	0.75%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,626,527	144,838	0.99%
PALM FOOD STORES LLC	CONVENIENCE STORE	1,321,945	123,079	0.84%
FRESH AIR GALAXY	GROCERY	<u>1,256,570</u>	<u>83,970</u>	0.57%
Σ TOTAL LARGEST USER		<u>27,027,213</u>	<u>\$1,795,542</u>	
TOTAL AUDITED REVENUE FOR FISCAL YEAR 2010.			<u>\$14,603,775</u>	

(1) Source: City of Union utility records. Excludes utility billing records for City's own property.

City of Union  
Water Largest User  
For the Year Ended June 30, 2010

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>FISCAL YEAR 2010 CONSUMPTION-GAL</u>	<u>FISCAL YEAR 2010 BILLED REVENUES</u>	<u>% of Total 2010 Billed Revenue</u>
MEANSVILLE-RILEY W DIST	WATER DISTRICT	135,187,100	\$303,323	10.87%
BROWNS CREEK WATER DIST	WATER DISTRICT	107,146,400	240,251	8.61%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	88,785,700	199,123	7.14%
ROCKY CREEK WATER DIST	WATER DISTRICT	69,586,800	156,117	5.60%
STANDARD TEXTILE COMPANY	TEXTILE	43,821,200	108,869	3.90%
MONARCH MILL PLANT	TEXTILE	24,825,300	70,389	2.52%
UNION COUNTY SCHOOLS	EDUCATION	22,986,700	40,433	1.45%
CEDAR HILL PLANT	TEXTILE	20,845,200	57,661	2.07%
CITY UTILITY DEPT	UTILITIES	15,038,100	39,038	1.40%
TOWN OF CARLISLE	WATER DISTRICT	<u>14,516,500</u>	<u>32,760</u>	1.17%
TOTAL LARGEST USER		<u>542,739,000</u>	<u>\$1,247,964</u>	
TOTAL AUDITED REVENUE FOR FISCAL YEAR 2010.			<u>\$2,789,237</u>	

(1) Source: City of Union utility records

City of Union  
Sewer Largest User  
For the Year Ended June 30, 2010

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>FISCAL YEAR 2010 CONSUMPTION-GAL</u>	<u>FISCAL YEAR 2010 BILLED REVENUES</u>	<u>% of Total 2010 Billed Revenue</u>
STANDARD TEXTILE COMPANY	TEXTILE	27,354,800	\$82,634	4.77%
MONARCH MILL PLANT	TEXTILE	20,710,000	81,156	4.68%
UNION COUNTY SCHOOLS	EDUCATION	15,340,500	29,221	1.69%
PREMIER COLORS INC	CHEMICAL	10,300,200	27,931	1.61%
WALLACE THOMSON HOSPITAL	HOSPITAL	9,837,900	18,764	1.08%
THE TIMKEN CO	BEARINGS	9,640,200	38,823	2.24%
CEDAR HILL PLANT	TEXTILE	5,806,000	23,694	1.37%
OAKMONT OF UNION	NURSING HOME	4,422,700	12,061	0.70%
UNION COUNTY SUPERVISOR	GOVERNMENT	4,372,100	17,448	1.01%
BOYD MANAGEMENT	APARTMENTS	4,346,300	22,516	1.30%
TOTAL LARGEST USER		<u>112,130,700</u>	<u>\$354,248</u>	
TOTAL AUDITED REVENUE FOR FISCAL YEAR 2010.			<u>\$1,732,367</u>	

(1) Source: City of Union utility records

City of Union  
 Natural Gas Largest User  
 For the Year Ended June 30, 2010

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>FISCAL YEAR 2010 CONSUMPTION-CCF</u>	<u>FISCAL YEAR 2010 BILLED REVENUES</u>	<u>% of Total 2010 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	4,595,350	\$2,498,895	18.60%
BASF WYANDOTTE CORP.	CHEMICAL	1,634,230	1,132,230	8.43%
THE TIMKEN CO	BEARINGS	1,494,010	1,035,500	7.71%
STANDARD TEXTILE COMPANY	TEXTILES	1,307,674	783,505	5.83%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	525,400	363,297	2.70%
CEDAR HILL PLANT	TEXTILES	374,620	258,453	1.92%
HAEMONETICS	PHARMACEUTICAL	287,520	328,449	2.44%
WALLACE THOMSON HOSP	HOSPITAL	217,319	154,381	1.15%
MILLIKEN PLANT	TEXTILES	160,140	110,276	0.82%
SLOAN CONSTRUCTION	ASPHALT	<u>147,450</u>	<u>167,812</u>	1.25%
TOTAL LARGEST USER		<u>10,743,713</u>	<u>\$6,832,799</u>	
TOTAL AUDITED REVENUE FOR FISCAL YEAR 2010.			<u>\$13,433,800</u>	

(1) Source: City of Union utility records

**City of Union  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

Fiscal Year	City of Union			Union County			Union County School District			Special Districts	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2001(2)	74.3		74.3	101.3	14.3	115.6	157.5	7.9	165.4		355.3
2002	74.3		74.3	96.5	28.0	124.5	157.5	7.5	165.0		363.8
2003	74.3		74.3	95.5	30.3	125.8	144.0	21.0	165.0		365.1
2004	74.3		74.3	95.5	30.3	125.8	150.3	14.7	165.0		365.1
2005	74.3		74.3	95.5	30.3	125.8	167.9	0.0	167.9		368.0
2006(2)	74.3		74.3	97.5	31.3	128.8	167.9	0.0	167.9		371.0
2007	74.3		74.3	104.2	28.7	132.9	119.9	48.0	167.9		375.1
2008	74.3		74.3	104.2	28.7	132.9	119.9	48.0	167.9		375.1
2009	74.3		74.3	104.2	28.7	132.9	119.9	48.0	167.9		375.1
2010	74.3		74.3	104.2	28.7	132.9	119.9	48.0	167.9		375.1

(1) Source: Union County Auditor

(2) Reassessment for 2000 and 2005 was delayed by Union County Council.

**CITY OF UNION, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
NOVEMBER 30, 2010**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2009 TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
1 BELLSOUTH TELECOM	COMMUNICATIONS	\$39,115.98	4.12%
2 HAEMONETICS CORP	INDUSTRIAL	32,228.38	3.40%
3 WINDSOR HILL COMPANY LLC	COMMERCIAL	12,816.75	1.35%
4 SPECTRA COLORANTS INC	INDUSTRIAL	12,669.63	1.34%
5 GRAHAM WILLIAM M	COMMERCIAL	9,502.97	1.00%
6 MAYA 7 LLC	COMMERCIAL	8,068.98	0.85%
7 CHARTER COMMUNICATIONS	COMMUNICATIONS	7,667.02	0.81%
8 WAL MART STORES EAST LP	COMMERCIAL	7,302.20	0.77%
9 UNION ELDERLY HOUSING LP	RESIDENTIAL	6,995.35	0.74%
10 SYLVA HOLDINGS LLC	COMMERCIAL	6,882.41	0.73%
11 FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	6,843.77	0.72%
12 PROVIDENT COMMUNITY BANK	COMMERCIAL	6,731.58	0.71%
13 FOOD LION 2679	COMMERCIAL	6,406.15	0.68%
14 4031 HCR PROP OAKMONT	RESIDENTIAL	6,298.41	0.66%
15 AT&T MOBILITY FKA CINGULAR	COMMUNICATIONS	6,261.26	0.66%
16 ARTHUR STATE BANK	COMMERCIAL	6,124.57	0.65%
17 LAKEVIEW GARDENS LLC	RESIDENTIAL	5,932.86	0.63%
18 PREMIER COLORS INC	INDUSTRIAL	5,805.80	0.61%
19 BROWN EUGENIA A	RESIDENTIAL	5,761.23	0.61%
20 UNION SQUARE SHOPPING CTR	COMMERCIAL	5,661.66	0.60%
TOTAL OF LARGEST 20 TAXPAYERS		<u>\$205,076.96</u>	21.62%
TOTAL 2009 TAXABLE ASSESSED VALUE		<u>\$948,399.00</u> *	100.00%

\*INCLUDES HOMESTEAD EXEMPTION, EXCLUDES ABATEMENTS AND VEHICLES

**CITY OF UNION, SOUTH CAROLINA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2010**

Total assessed value – 2009-General fund	\$ 14,403,667
-Increment District	<u>270,250</u>
Debt limit – 8 percent of assessed value	\$ 14,673,917
Total amount of debt applicable to debt limit	0
Legal Debt Margin	\$ 1,171,913

Note: The City is authorized by the state statute to exceed the legal debt margin of 8%, if such additional debt is approved by the citizens of the City of Union, South Carolina.

**CITY OF UNION, SOUTH CAROLINA  
REVENUE BOND COVERAGE - COMBINED UTILITY SYSTEM BONDS  
LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>GROSS REVENUES (1)</u>	<u>OPERATING EXPENSES (2)(4)</u>	<u>NET REVENUES AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENTS</u>			<u>TIMES COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
2001	31,276,169	26,515,327	3,520,088	411,464	726,197	1,137,661	3.09
2002	28,176,013	26,918,731	3,358,340	514,030	719,350	1,233,380	2.72
2003	32,666,845	28,305,444	4,361,401	560,119	701,101	1,261,220	3.46
2004	32,582,674	26,790,451	4,326,065	525,166	707,188	1,232,354	3.51
2005(4)	32,824,707	27,784,725	3,359,113	280,513	665,116	945,629	3.55
2006	39,571,484	33,966,968	5,604,516	640,073	538,222	1,178,295	4.76
2007	35,834,875	30,363,547	5,471,328	678,625	512,271	1,190,896	4.59
2008	36,529,208	32,337,943	4,191,265	707,519	484,977	1,192,496	3.51
2009	33,975,979	31,445,684	2,530,295	736,770	456,525	1,193,295	2.12
2010	33,656,302	27,448,119	6,208,183	746,422	423,378	1,169,800	5.31

Note: (1) Total revenues (including investment earnings and other:)

(2) Operating and maintenance expenses excluding depreciation, interest expense and fee in lieu of franchise fee paid to General Fund.

(3) Minimum net revenue requirement per bond ordinance is 1.20%

(4) On December 28, 2004 the Series 1993 and 1994 bonds were refunded with a Series 2004 Bond.

**CITY OF UNION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

<b>EMPLOYER(1)</b>	<b>2010</b>		
	<b>EMPLOYEES</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL COUNTY EMPLOYMENT *</b>
UNION COUNTY SCHOOL DISTRICT	675	1	4.69%
WALLACE THOMSON HOSPITAL	540	2	3.75%
DOLLAR GENERAL DISTRIBUTION	450	3	3.13%
TIMKEN	240	4	1.67%
S.C. STATE GOVERNMENT	230	5	1.60%
COUNTY OF UNION	225	6	1.56%
CARLISLE FINISHING PLANT	203	7	1.41%
MILLIKEN - CEDAR HILL PLANT	182	8	1.27%
DISNEY SHOPPING.COM	180	9	1.25%
GESTAMP SOUTH CAROLINA, LLC	135	10	0.94%
CITY OF UNION	126	11	0.88%
HAEMONETICS	117	12	0.81%
MILLIKEN - GILLESPIE PLANT	90	13	0.63%
SONOCO PRODUCTS	85	14	0.59%
LOCKHART POWER	60	15	0.42%

(1) Most employers are not within the City limits but are served by the City's utility system

\* Percentage calculated using total county employment of 14,383 as found in Census Table 3, 2007.

Source: Union County Development Board

**City of Union**  
**Budgeted Full-time Equivalent City Government Employees By Function**  
**Last Six Fiscal Years**

<u>CLASSIFICATION</u>	<u>FY2006</u> <u>ADOPTED</u>	<u>FY2007</u> <u>ADOPTED</u>	<u>FY2008</u> <u>ADOPTED</u>	<u>FY2009</u> <u>ADOPTED</u>	<u>FY2010</u> <u>ADOPTED</u>	<u>FY2011</u> <u>ADOPTED</u>
LEGISLATIVE	9	9	9	9	9	9 (1)
CITY ADMINISTRATOR	0	0	0	0	0	0
CITY COURT	1	1	1	1	1	1
CITY ATTORNEY	1	1	1	1	1	1
TAX & LICENSE	2	2	1	0	0	0
THE UNION CONNECTION	0	0	0	2	2	4 (2)
PUBLIC SAFETY	38	38	39	42	41	41
PUBLIC SERVICE - STREET DEPT.	7	7	7	7	8	8
PUBLIC SERVICE - SOLID WASTE	9	9	8	7	7	7
BUILDING & ZONING	3	3	4	4	2	2 (3)
VEHICLE MAINTENANCE	4	4	4	4	4	4
ACCOUNTING	4	4	4	5	6	5 (4)
UTILITY BILLING	11	11	11	11	9	9
UTILITIES - ADMINISTRATION	3	3	3	3	3	3
UTILITIES - SUPPORT SERVICES	4	4	4	4	4	4
UTILITIES - ELECTRIC	9	8	8	8	8	8
UTILITIES - WATER	14	13.5	13.5	13.5	13	14 (5)
UTILITIES - WASTEWATER	7	6.5	6.5	6.5	6	6 (6)
UTILITIES - GAS	8	9	10	10	10	10
<b>TOTAL</b>	<b>134</b>	<b>133</b>	<b>134</b>	<b>138</b>	<b>134</b>	<b>136</b>
<b>LESS ELECTED OFFICIALS</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
	<b>127</b>	<b>126</b>	<b>127</b>	<b>131</b>	<b>127</b>	<b>129</b>

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. Two (2) additional temporary videographers have been budgeted for the Union Connection.
3. Business License Coordinator is now included in the Building & Zoning division. Loss of Property Maintenance Inspector
4. Business License Coordinator removed from Accounting division.
5. Council approved the hiring of one (1) Water Plant Operator during FY 2010.
6. A Wastewater Plant Operator position has been reduced to part-time.

**City of Union  
Operating Indicators by Function  
For Fiscal Year 2010**

DATE OF INCORPORATION	December 20, 1837
FORM OF GOVERNMENT	Mayor/Council
AREA-SQUARE MILES	8
<b>ELECTRIC SYSTEM</b>	
Number of Customer Billing per Month	7,020
Substations	5
Circuits	12
Security Lights	2,100
Number of Miles of Electric Lines Owned by City	165
<b>WATER SYSTEM</b>	
Number of Customer Billing per Month	6,249
Number of Water Districts Served	5
Daily Pumping Capacity – Gallons	10,400,000
Greatest for a Single Day	3,600,000
Maximum Filtration Plant Capacity per Day- Gallons	10,400,000
Number of Miles of Water Lines Owned by City	150
<b>WASTEWATER SYSTEM</b>	
Number of Customer Billing per Month	5,017
Maximum Plant Capacity per Day	
Tosch Creek	6,000,000
Meng Creek	1,000,000
Greatest Processing for a Single Day	4,210,000
Number of Miles of Wastewater Main Owned by City	103
<b>NATURAL GAS SYSTEM</b>	
Number of Customer Billing per Month	6,480
Maximum Capacity Available on Pipeline in dekatherms	
Transco	10,147
Greatest Consumption for a Single Day-dekatherms	8,607
Number of Miles of Main Gas Line Owned by City	325
<b>PUBLIC SAFETY</b>	
Number of Stations	1
Number of Public Safety Officers	32
Number of Firefighters	3
<b>BUILDINGS</b>	
Permits Issued	530
Estimated Cost of Construction	5,009,430
Inspections	815
Plan Reviews	20
Rezoning	0
Variances	2

