

CITY OF UNION, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

December 13, 2013

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, 2013.

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, 2013, 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, 2013, 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 8,400, with a total of approximately 29,000 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, 2013, 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 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 10.4% at June 30, 2013.

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 2013 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, 2013 varied from less than 1% to 2%. The average yield on overnight federal funds for that period was less than 1%. The City earned interest revenue of \$77,376 on all investments for the year ended June 30, 2013.

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, along with a Safety Consultant. 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, 2013, expenditures were recognized for post-retirement health care insurance premiums for seven (16) retirees.

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

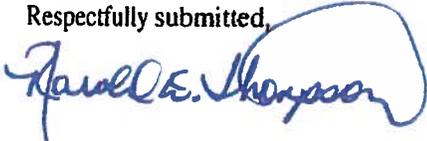
The City of Union believes that in order to successfully deliver the various services to its constituents, it is necessary to provide first-class equipment and facilities in order for employees to efficiently perform the City's many specialized tasks. The City has shown the willingness to provide the necessary equipment for employees to meet the many service demands of the public. Timely replacement of motorized equipment is necessary in order to ensure the most efficient delivery of services. Other vehicles, such as fire trucks, construction equipment and pickup trucks are replaced based upon a set replacement schedule. This replacement policy ensures that equipment being used by employees for the public is in good working order, which protects the interest of those who work and live in the City of Union. For fiscal year 2013-2014 the City approved the funding of four Public Safety vehicles and three trucks for the City's Utility Department. The authorization to finance a bucket truck for the Electric Utility Department was also approved.

Also, the City maintains a five year Capital Improvement Program which serves as its planning document to ensure that its facilities and infrastructure are well maintained and operating in peak condition. As part of this process, the government identifies and quantifies the operational cost associated with its capital projects and budget resources accordingly. The fiscal year 2013-2014 Capital Improvement Plan anticipated projected infrastructure expenditures by utility divisions as follows; electric \$305,000, water \$516,000, wastewater \$533,000 and natural gas \$625,000 for a total of \$1,979,000. However, several factors influenced the City to accelerate several water and sewer infrastructure projects for FY 2013-2014. The factors include being awarded three CDBG Grants for wastewater improvements in the amount of \$1,202,584. One of the grants was awarded to Union County, but in the spirit of cooperation will be used to improve a portion of the City's wastewater system located in the county. Also, we have obtained two loans from the State Revolving Loan Fund. The Clean Water Loan in the amount of \$2,024,234, along with the above grants and \$389,830, in city funds will fund eight wastewater projects for a total of \$3,616,648. Finally, four water improvement projects will be funded by a Drinking Water Loan in the amount of \$1,235,512.

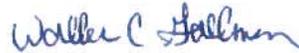
Acknowledgements

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,

A handwritten signature in blue ink that reads "Harold E. Thompson". The signature is written in a cursive style with a large, sweeping loop at the end.

Harold E. Thompson, Mayor

A handwritten signature in blue ink that reads "Walker C. Gallman". The signature is written in a cursive style with a large, sweeping loop at the end.

**Walker C. Gallman
Finance Director**

**City of Union, South Carolina
LIST OF ELECTED and APPOINTED OFFICIALS
as of June 30, 2013**

ELECTED

Mayor	Harold E. Thompson
Councilmember, District 1	Tommie L. Hill
Councilmember, District 2	Robert Garner
Councilmember, District 3	Yates Giles
Councilmember, District 4	Ricky Todd Harris
Councilmember, District 5	Orangelow M. Ruff
Councilmember, District 6	James G. Wilson

APPOINTED

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

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 Mayor and City Council
City of Union, South Carolina

Report on the Financial Statements

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, SC, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, SC, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina's financial statements as a whole. The combining and individual non-major fund financial statements and statistical section are presented for the purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

The schedule of fines and assessments is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of fines and assessments is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 13, 2013, on my consideration of the City of Union, SC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Union, SC's internal control over financial reporting and compliance.



Terry R. Fant, CPA, PA

December 13, 2013

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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, 2013. 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 as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of resources of the City of Union exceeded its liabilities at the close of the most recent fiscal year by \$74,430,356 (*net position*). Of this amount, \$14,491,593 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The unrestricted net positions are comprised of \$3,665,492 governmental activities and \$10,826,101 business type activities.
- The government's total net position increased by \$1,532,490 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 \$8,983,812 a decrease of \$283,041 in comparison with the prior year. Approximately 33 percent of this total amount, \$3,011,089 is *available for spending* at the government's discretion (*unassigned general fund balance*). The remaining governmental fund balance of \$5,972,723 is detailed in notes to financial statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,011,089 or 57 percent of the total fund expenditures.
- The City of Union had \$15,188,325 in bonds, notes and leases outstanding versus \$14,380,372 last year, an increase of \$807,953. This increase represents the net of principle payments of \$9,340,730 during the year and new debt of \$10,148,685 issued during the year.

Overview of the Financial Statements

This discussion and analysis is 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 position* presents information on all of the City of Union's assets and liabilities, and deferred inflows/outflows with the difference between the two reported as *net position*. Over time, increases and decreases in the net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 as listed in the table of contents.

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 thirteen 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 eleven 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 and local hospitality and accommodations fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found as listed in table of contents.

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 as listed in table of contents.

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 basic fiduciary fund financial statement can be found as listed in table of contents.

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 as listed in table of contents.

Other information. In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information concerning the City of Union's variances in budget to actual revenues and expenditures for the General Fund and The Hospitality and Accommodations Tax Fund. Required supplementary information can be found as listed in the table of contents.

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 as listed in table of contents.

Government-wide Financial Analysis

As noted earlier, net position 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 \$74,430,356 at the close of the most recent fiscal year. By far the largest portion of the City of Union's net position (71%) 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 position					
	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$8,011,495	\$7,660,396	\$14,225,446	\$13,578,235	\$22,236,941	\$21,442,631
Capital assets	7,319,929	7,235,184	61,649,168	65,290,577	68,969,097	72,525,761
Total assets	15,331,424	14,895,580	75,874,614	78,868,812	91,206,038	93,764,392
Long-term liabilities outstanding	1,973,019	1,797,636	12,407,353	13,390,689	14,380,372	15,188,325
Other liabilities	1,650,772	1,573,600	2,277,060	2,572,109	3,927,832	4,145,709
Total liabilities	3,623,792	3,371,236	14,684,413	15,962,798	18,308,204	19,334,034
Net position:						
Invested in capital assets, net of related debt	1,370,217	1,663,947	49,241,814	50,902,239	50,612,031	52,566,186
Restricted	6,213,136	6,194,904	2,073,810	1,177,673	8,286,946	7,372,577
Unrestricted	4,124,280	3,665,492	9,874,609	10,826,101	13,998,889	14,491,593
Total net position	\$11,707,633	\$11,524,343	\$61,190,233	\$62,906,013	\$72,897,866	\$74,430,356

An additional portion of the City Of Union's net position (9.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,491,593 may be used to meet the government's ongoing obligations to its citizens and creditors.

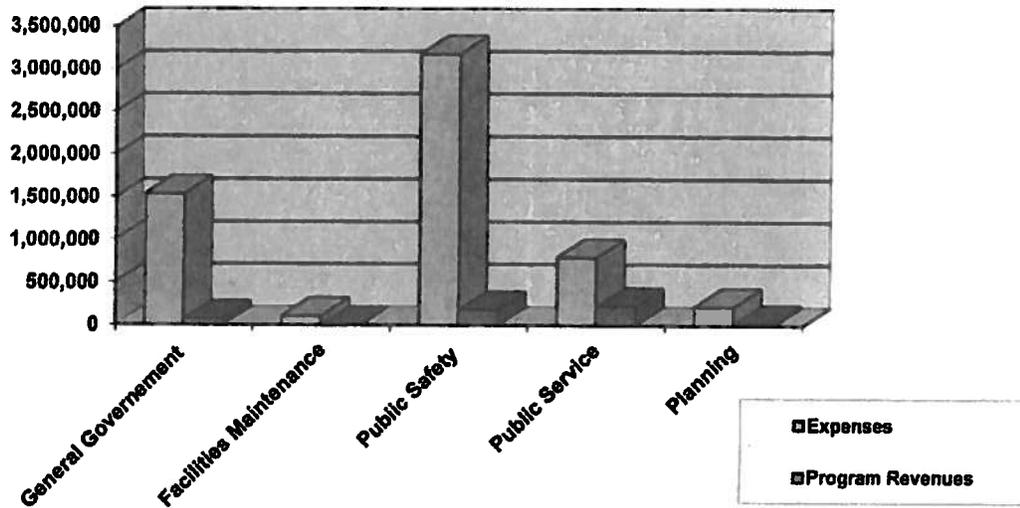
At the end of the current fiscal year, the City of Union is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

However, the City of Union overall net position increased \$1,532,490 from the prior fiscal year. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

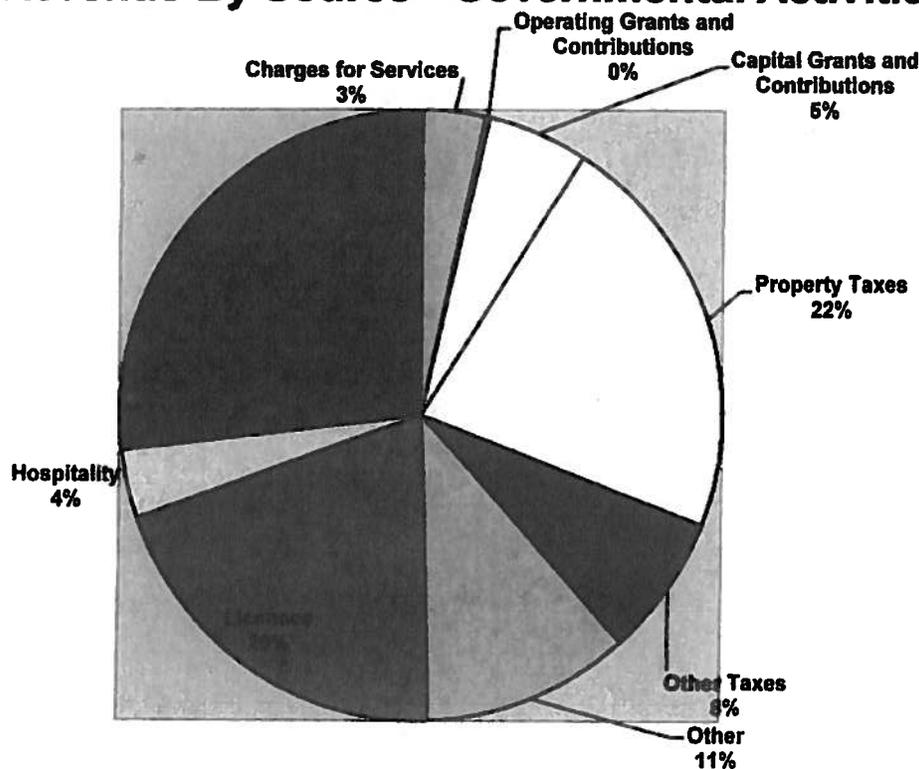
Governmental activities. During the current fiscal year, net position for governmental activities decreased \$183,290 from the prior fiscal year for an ending balance of \$11,524,343. While the current recession certainly had an impact on the City of Union, management was able to take various actions (e.g., increasing rates for certain revenue sources, and creating a new revenue source that paid for tourism related expenditures) that neutralized its effect on governmental activities. The decrease in the overall net position of governmental activities is mainly the result of lower utility sales for FY 2012. The fee in lieu (transfer) is a major revenue source for the City's General Fund and based on sales from the enterprise funds, combined utilities and solid waste management. The new source of revenue was created on July 20, 2010 when City Council passed an ordinance establishing a Local Hospitality and Accommodations Fee. The funds generated by these fees are being used to fund tourism related expenditures that was being funded by the General Fund. Local Hospitality and Accommodations fees collected for Fiscal Year 2013 totaled \$206,506.

City of Union's Changes in Net position						
	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	170,150	187,442	29,933,871	32,144,445	30,104,021	32,331,887
Operating grants and contributions	15,338	13,236			15,338	13,236
Capital grants and contributions	423,096	306,974	403,769	707,544	826,865	1,014,518
General revenues:						
Property taxes	1,253,120	1,233,963			1,253,120	1,233,963
Other taxes and fees	3,217,687	3,272,983			3,217,687	3,272,983
Other	606,183	683,389	117,622	61,150	723,805	744,539
Total revenues	5,685,574	5,697,987	30,455,262	32,913,139	36,140,836	38,611,126
Expenses:						
General government	1,331,121	1,534,521			1,331,121	1,534,521
Facilities maintenance	102,716	105,274			102,716	105,274
Public safety	3,046,719	3,180,666			3,046,719	3,180,666
Public service	619,057	792,853			619,057	792,853
Planning	193,835	219,593			193,835	219,593
Electric			14,834,930	15,077,598	14,834,930	15,077,598
Water			3,133,853	3,181,318	3,133,853	3,181,318
Sewer			2,178,088	2,607,871	2,178,088	2,607,871
Gas			8,647,894	9,281,185	8,647,894	9,281,185
Solid Waste Mgt.			780,697	783,754	780,697	783,754
Interest expense			421,167	314,003	421,167	314,003
Total expenses	5,293,448	5,832,907	29,996,629	31,245,729	35,290,077	37,078,636
Increase (Decrease) in net position before transfer	392,126	-134,920	458,633	1,667,410	850,759	1,532,490
Transfers	106,786	-48,370	-106,786	48,370	0	0
Increase(Decrease) in net position	498,912	-183,290	351,847	1,715,780	850,759	1,532,490
Net position – 07/01	11,208,721	11,707,633	60,838,386	61,190,233	72,047,107	72,897,866
Net position – 06/30	11,707,633	11,524,343	61,190,233	62,906,013	72,897,866	74,430,356

Expenses and Program Revenues- Governmental Activities



Revenue By Source - Governmental Activities



Business-type Activities. For the City Of Union's business-type activities, the results for the current fiscal year were positive in the overall net position increased to reach an ending balance of \$62,906,013. The total increase in net position for business-type activities (electric, water, wastewater, natural gas and solid waste) was \$1,715,780 or 2.8% from the prior fiscal year. Key elements of this increase are as follows:

Electric sales decreased by 2,316,593 kWh or 1.7%, compared to the prior year. The City's kWh sales for FY2013 was 134,301,896 kWh compared to sales of 136,618,489 kWh for FY 2012. However total electric revenue increased by 6.7% or \$986,637 over prior year. This increase in revenue was due to an average rate increase overall rate classes of 5%. Purchased Power cost increased by \$70,967 or less than 1% over prior year.

Water sales decreased by 27,664,450 gallons or 3.4 % compared to the prior year. Net sales of water per gallon were down in all rate classes of the City's water customer base with the exception of commercial that increased 1,975,450 gallons or 5%. Even with a 9% rate increase on volume, due to decreased water sales, revenue compared to last year increased only \$19,054 or less than 1%.

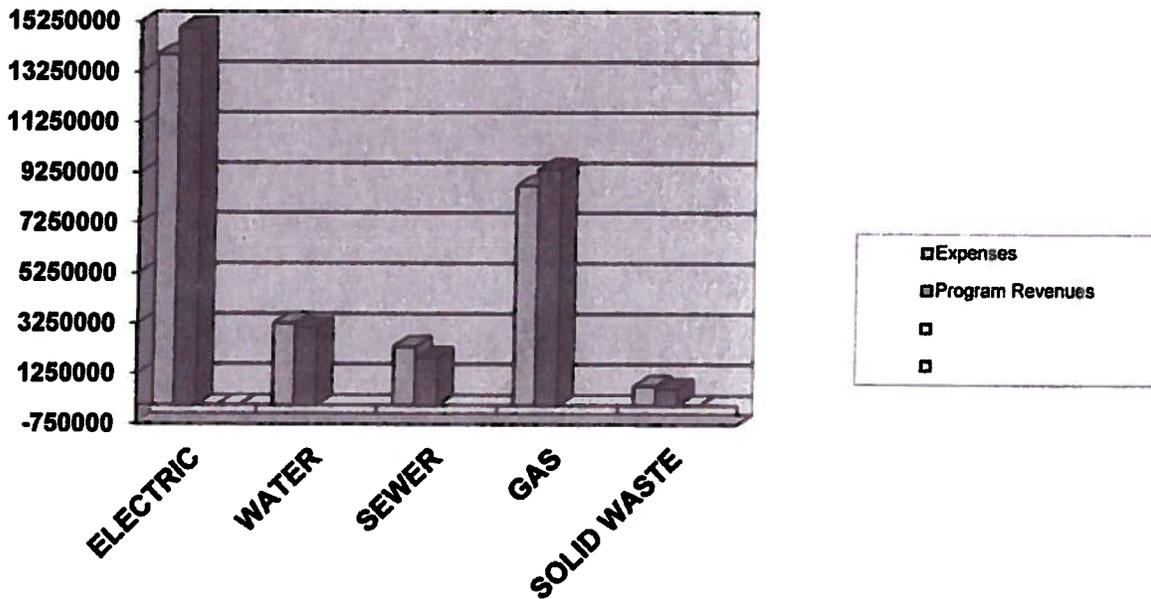
Wastewater discharged into our wastewater treatment plants decreased by 2,632,250 gallons or less than 1% compared to the prior year. Discharges decreased mainly with residential customers by 5,450,800 gallons or 2.89%. Revenue compared to the prior year increased by \$127,355 or 6.9%. This increase was due to increased rates of 9% on volume implemented for fiscal year 2013.

Natural gas sales volume decreased by 1,183,268(ccf) hundred cubic feet or 9%. Revenue compared to prior year increased by \$1,004,681 or 10.75%, due mainly to a 5% rate increase. In comparison, natural gas purchases increased by 8.76% or 115,991 ccf compared to last year purchases. The cost of natural gas purchases increased by \$627,408 or 9.94% compared to last year.

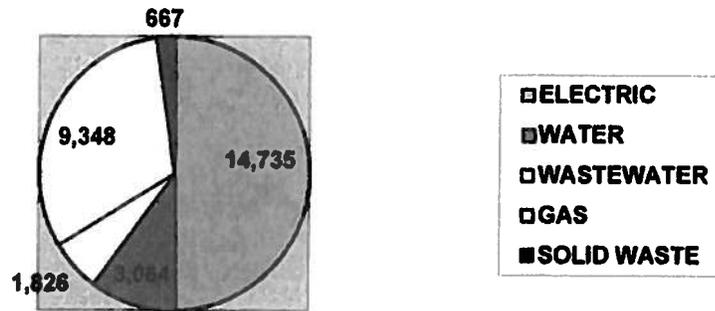
Solid Waste Management charges for services did not change for fiscal year 2013, but the monthly fee charged will increase by \$1 from \$14.00 to \$15.00 effective July 1, 2013.

- There were capital contributions to the Combined Utility during the current year totaling \$707,544. These funds are Community Development Block Grant funds received to make water and sewer improvements at the Monarch Mill Village, Union Mill Village and Excelsior Mill Area, and at 49 West Apartments
- Investment earnings decreased by \$32,787 for business-type activities. The major causes of this decrease were 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, The City Of Union itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Of Union's Council.

As of the end of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,983,812 a decrease of \$283,041 in comparison with the prior year. Approximately 33 percent of this total amount \$3,011,089 constitutes *unassigned general fund balance* which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form (\$4,563,679), (2) restricted for particular purposes (\$272,814), (3) committed for particular purpose (\$1,941,561). A breakdown of governmental fund balance types are listed in 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, unassigned fund balance of the general fund was \$3,011,089. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 57 percent of total general fund expenditures.

In the City of Union's General Fund, fund balance decreased \$335,939 during the current fiscal year. Revenue was under budget by \$95,810 mainly because of a decrease in payment in lieu of taxes (transfer) from the enterprise funds that decreased by \$99,302 or 6.5% compared to last year. This revenue is based on the operating revenue of the City's enterprise funds from the prior year. Other General Fund revenues remained stable or increased indicating that the economy is beginning to show

signs of improving. Expenditures were under budget in the amount of \$309,861. City Council's philosophy has always been to prepare a budget that addresses the needs of the citizens of the City of Union. All General Fund departments were under budget for FY 2013. Also the City continues to transfer funds to balance the Solid Waste Management fund. \$48,370 was transferred to Solid Waste Management during FY 2013.

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 position of the electric, water, sewer, gas (combined utility), and solid waste management operations at the end of the year amounted to \$10,826,101. The total increase in the unrestricted net position was \$951,492. 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

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original estimated revenues or original budgeted appropriations.

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, 2013, amounts to \$68,783,288 (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 increased 4.0% for all funds.

	Governmental Activities		Business-type activities		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$1,764,485	\$1,764,485	\$319,845	\$319,845	\$2,084,330	\$2,084,330
Buildings	1,156,038	1,122,858	1,108,285	1,077,498	2,264,323	2,200,356
Improvements other than buildings	126,069	119,520	57,050,756	59,761,678	57,176,825	59,881,198
Machinery, equipment, and Vehicles	1,178,353	1,238,033	912,526	853,750	2,090,879	2,091,783
Infrastructure	263,239	245,464			263,239	245,464
Construction in progress			2,257,755	2,280,156	2,257,755	2,280,156
Total	\$4,488,184	\$4,490,360	\$61,649,167	\$64,292,927	\$66,137,351	\$68,783,287

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

- Electrical system improvements in the amount of \$211,075 to include new meters with radio read capability.
- Water system improvements to include new meters with radio read capabilities in the amount of \$202,503, Replacing of water lines and fire hydrants \$439,767, Replace 16inch water valves and fire hydrants(\$177,764), Replace water line (\$125,613). For economic development relocate a water line (\$184,874). The total of these projects is \$1,130,521.
- Wastewater system also had several projects that were completed during FY2013: Union Mill/Excelsior Mill Villages (\$685,906), Monarch Mill Village Phase I (\$466,314), 49 West Apartment (\$306,138), (3) pump stations (\$733,353), various other wastewater projects completed totaled (\$389,301). The total of these projects is \$2,581,012. The projects along with City funds were funded by a loan from the State Revolving Fund and Community Development Block Grants.
- Natural Gas System improvements included: extending the City's system (\$328,375), replacing old gas meter with radio read capabilities and continued improvements to lines ((\$258,051), for economic development relocate and install new gas line (\$135,799).
- Construction in progress as of June 30, 2013 in the amount of \$2,280,156 represents several ongoing projects. Major funding sources for these projects are the State Revolving Fund and Community Development Block Grants.

Additional information on the City of Union's capital assets can be found in note IV.C of the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City of Union had total bonded debt outstanding of \$15,188,327. Of this amount \$0 comprises debt backed by the full faith and credit of the government. A \$243,423 S.C. Brownsfield Loan and lease purchase agreements in the amount of \$861,672 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).

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Lease-purchase payable	\$779,892	0	\$80,122	\$699,770	\$82,308
Tax increment district bonds	913,226	0	58,783	854,443	66,518
Notes payable & unamortized debt forgiveness	<u>279,901</u>	<u>0</u>	<u>36,478</u>	<u>243,423</u>	<u>36,732</u>
Total	<u>\$1,973,019</u>	<u>\$0</u>	<u>\$175,383</u>	<u>\$1,797,636</u>	<u>\$185,558</u>
Business-type activities:					
Lease-purchase payable	\$91,714	\$122,000	51,812	\$161,902	\$63,558
Bonds payable	<u>12,315,639</u>	<u>10,026,685</u>	<u>9,113,535</u>	<u>13,228,789</u>	<u>1,253,570</u>
Total	<u>\$12,407,353</u>	<u>\$10,148,685</u>	<u>\$9,165,347</u>	<u>\$13,390,691</u>	<u>\$1,317,128</u>
Total Lease, Bonds and Notes Outstanding					
	<u>\$14,380,372</u>	<u>\$10,148,685</u>	<u>\$9,340,730</u>	<u>\$15,188,327</u>	<u>\$1,502,686</u>

The City of Union had \$15,188,327 in bonds, notes and leases outstanding compared to \$14,380,372 last year, a net increase of \$837,955. The increase represents the net of principal payments and defeasance of debt during the year of \$9,340,730 and new debt and re-issuance of debt \$ 10,148,685 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 \$1,272,023, 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 \$368,756 and accrued compensated absences of \$162,189 as of June 30, 2013.

Additional information on the City of Union's long-term debt can be found in note IV.E of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

These factors, and others, were considered in the preparation of the City of Union's budget for the 2013-14 fiscal year.

The unemployment rate for the City of Union is currently 10.4%, which is significantly less than last year's rate of 13.3%. New industry and existing industry expansion is the reason for the decrease. In comparison, the state's unemployment rate is 7.5%, and the national rate is 7.3%.

During the current fiscal year, unassigned fund balance in the General Fund decreased by \$335,939 to \$3,011,089. The City of Union has appropriated \$5,716,480 for spending in the 2013-14 fiscal year budget. Included in this budget are transfers of \$49,110. The General Fund proposed FY 2013/2014 budget includes a tax rate increase of 12.5 mills for a total of 92.5 mills, as allowed by State Law. The General Fund, again this year, will rely on prior year fund balance to present a balanced budget.

The Solid Waste Management fee will increase from \$14 per month to \$15. A \$49,110 transfer from the General Fund will continue for FY 2013/2014 to balance this fund.

The City continues to see pressure from wholesale rates in electricity, natural gas wholesale rates have been stable, but indicators in the market expect natural gas to increase going forward. Mandates from State and Federal Agencies continue to pressure all utilities with increased cost to comply with regulations. Since January 1, 2009 a Purchase Power Adjustment clause (PPAC) has been used each month to true-up the cost of electricity from our supplier. The PPAC has increased to the point that the recommendation is to roll the PPAC into the base rate. This will result in a small decrease based on current billing and will give the City a benchmark to establish electric rates for FY 2013-2014. The PPAC will continue to be a factor in computing electric rates because of our billing arrangements with Lockhart Power and Piedmont Municipal Power Agency. The natural gas rates will remain the same, but the purchase gas adjustment (PGA) will continue. Water and wastewater rates will increase 10% and 15%, respectfully on all rate classes.

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.

BASIC FINANCIAL STATEMENTS

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City of Union, South Carolina

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,034,289	\$ 209,413	\$ 2,243,702
Investments	3,509,145	7,983,293	11,492,438
Receivables (net of allowance for uncollectibles)	2,098,042	3,034,146	5,132,188
Due from other funds	14,417	(14,417)	-
Interest receivable	-	286	286
Inventories	-	684,736	684,736
Advances to other funds	-	1,028,777	1,028,777
Deferred charges	-	644,258	644,258
Deposits	4,503	7,743	12,246
Capital asset held for resale	2,727,949	-	2,727,949
Temporarily restricted assets:			
Investments	-	997,619	997,619
Intergovernmental receivable	16,875	30	16,905
Capital assets not being depreciated			
Land and construction in progress	1,764,485	2,600,002	4,364,487
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	1,122,858	1,077,498	2,200,356
Improvements other than buildings	119,520	59,761,678	59,881,198
Machinery and equipment	1,238,033	853,750	2,091,783
Infrastructure	245,464	-	245,464
Total assets	<u>14,895,580</u>	<u>78,868,812</u>	<u>93,764,392</u>
LIABILITIES			
Accounts payable and other current liabilities	307,914	2,166,454	2,474,368
Retainage payable	-	90,036	90,036
Accrued interest payable	-	21,583	21,583
Noncurrent accrued compensated absences and OPEB	236,909	294,036	530,945
Noncurrent advances from other funds	1,028,777	-	1,028,777
Other noncurrent liabilities:			
Due within one year	185,558	1,317,128	1,497,643
Due in more than one year	1,612,078	12,073,561	13,690,682
Total liabilities	<u>3,371,236</u>	<u>15,962,798</u>	<u>19,334,034</u>
NET POSITION			
Invested in capital assets, net of related debt	1,663,947	50,902,239	52,566,186
Restricted for:			
Community assistance	28,067	-	28,067
Tax increment district and events center	2,413,817	-	2,413,817
Debt service	-	1,177,673	1,177,673
Public safety	9,963	-	9,963
Economic development	3,743,057	-	3,743,057
Unrestricted	3,665,492	10,826,101	14,491,593
Total net position	<u>\$ 11,524,343</u>	<u>\$ 62,906,013</u>	<u>\$ 74,430,356</u>

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

City of Union, South Carolina
Statement of Activities
For the Year Ended June 30, 2013

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
General government	\$ 1,534,521	\$ -	\$ -
Facilities maintenance	105,274	-	-
Public safety	3,180,666	158,814	13,236
Public service	792,853	-	-
Planning	219,593	28,628	-
Total governmental activities	5,832,907	187,442	13,236
Business-type activities:			
Solid Waste Management	785,828	665,868	-
Combined utility	30,459,901	31,478,577	-
Total business-type activities	31,245,729	32,144,445	-
Total primary government	\$ 37,078,636	\$ 32,331,887	\$ 13,236

General revenues:

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

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

**Net (Expenses) Revenues and
Changes in Net Position**

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ 70,522	\$ (1,463,998)	\$ -	\$ (1,463,998)
-	(105,274)	-	(105,274)
10,506	(2,998,111)	-	(2,998,111)
225,946	(566,907)	-	(566,907)
-	(190,965)	-	(190,965)
<u>306,974</u>	<u>(5,325,255)</u>	<u>-</u>	<u>(5,325,255)</u>
-	-	(119,960)	(119,960)
707,544	-	1,726,220	1,726,220
<u>707,544</u>	<u>-</u>	<u>1,606,260</u>	<u>1,606,260</u>
<u>\$ 1,014,518</u>	<u>(5,325,255)</u>	<u>1,606,260</u>	<u>(3,718,995)</u>

1,233,963	-	1,233,963
1,517,494	-	1,517,494
206,506	-	206,506
420,954	-	420,954
1,128,029	-	1,128,029
202,466	-	202,466
16,226	61,150	77,376
464,697	-	464,697
(48,370)	48,370	-
<u>5,141,965</u>	<u>109,520</u>	<u>5,251,485</u>
(183,290)	1,715,780	1,532,490
11,707,633	61,190,233	72,897,866
<u>\$ 11,524,343</u>	<u>\$ 62,906,013</u>	<u>\$ 74,430,356</u>

City of Union, South Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 871,946	\$ -	\$ 1,162,343	\$ 2,034,289
Investments	2,453,675	-	1,055,470	3,509,145
Receivables (net of allowance for uncollectibles)	262,312	1,835,730	-	2,098,042
Due from other funds	(213,093)	208,155	19,354	14,417
Capital asset held for resale	-	2,727,949	-	2,727,949
Intergovernmental receivables - restricted	16,875	-	-	16,875
Deposits	4,503	-	-	4,503
Total assets	<u>\$ 3,396,218</u>	<u>\$ 4,771,834</u>	<u>\$ 2,237,167</u>	<u>\$ 10,405,220</u>

City of Union, South Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	General	Economic Development	Other Governmental Funds	Total Governmental Funds
LIABILITIES				
Liabilities:				
Accounts payable	\$ 300,414	\$ -	\$ 7,500	\$ 307,914
Advances from other funds	-	1,028,777	-	1,028,777
Total liabilities	300,414	1,028,777	7,500	1,336,691
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	67,643	-	-	67,643
Unavailable revenue - business licenses	17,072	-	-	17,072
Total deferred inflows of resources	84,715	-	-	84,715
FUND BALANCES				
Nonspendable	-	4,563,679	-	4,563,679
Restricted	-	-	272,815	272,815
Committed	-	-	1,941,561	1,941,561
Unassigned	3,011,088	(820,622)	15,291	2,205,758
Total fund balances	3,011,088	3,743,057	2,229,667	8,983,813
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,396,217	\$ 4,771,834	\$ 2,237,167	

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

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

4,490,361

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

84,715

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(2,034,546)

Net position of governmental activities

\$ 11,524,343

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

City of Union, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes and Penalties	\$ 1,119,507	\$ -	\$ 104,052	\$ 1,223,559
Payment in Lieu of Taxes	1,517,494	-	-	1,517,494
Local hospitality & accommodations tax	-	-	206,506	206,506
Licenses, Permits and Fees	1,212,990	-	-	1,212,990
Fines and Forfeitures	89,737	-	-	89,737
Intergovernmental Revenues/Grants/Contributions	533,774	-	309,110	842,884
State Collected Revenues	420,954	-	-	420,954
Investment Earnings	5,640	5,118	5,468	16,226
Miscellaneous Revenues	47,604	116,171	38,691	202,466
Total Revenues	<u>4,947,700</u>	<u>121,289</u>	<u>663,827</u>	<u>5,732,816</u>
EXPENDITURES				
Current				
General Government	1,063,769	-	372,488	1,436,257
Facilities Maintenance	105,205	-	-	105,205
Public Safety	2,930,633	-	74,093	3,004,726
Public Service	587,931	-	-	587,931
Planning	214,525	-	-	214,525
Capital Outlay				
General Government	-	-	-	-
Facilities maintenance	69	-	-	69
Public Safety	168,161	-	-	168,161
Public Service	37,323	-	185,028	222,351
Debt Service				
General Government	27,281	-	100,609	127,890
Public Safety	100,372	-	-	100,372
Total Expenditures	<u>5,235,269</u>	<u>-</u>	<u>732,218</u>	<u>5,967,487</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(287,569)</u>	<u>121,289</u>	<u>(68,391)</u>	<u>(234,671)</u>
OTHER FINANCING SOURCES & USES				
Transfers				
Transfer - Solid Waste Mgmt Fund	(48,370)	-	-	(48,370)
Total Other Financing Sources And Uses	<u>(48,370)</u>	<u>-</u>	<u>-</u>	<u>(48,370)</u>
Net Change In Fund Balances	(335,939)	121,289	(68,391)	(283,041)
FUND BALANCES - BEGINNING OF YEAR	<u>3,347,028</u>	<u>3,621,767</u>	<u>2,298,058</u>	<u>9,266,853</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,011,089</u>	<u>\$ 3,743,056</u>	<u>\$ 2,229,667</u>	<u>\$ 8,983,812</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, 2013

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)	\$ (283,041)
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.	2,176
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(34,829)
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.	164,283
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>(31,878)</u>
Change in net position of governmental activities - per the Statement of Activities	<u>\$ (183,289)</u>

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

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes and penalties	\$ 1,132,000	\$ 1,132,000	\$ 1,119,507	\$ (12,493)
Payment in lieu of taxes	1,597,970	1,597,970	1,517,494	(80,476)
Licenses, permits and fees	1,229,080	1,229,080	1,212,990	(16,090)
Fines and forfeitures	115,000	115,000	89,737	(25,263)
Intergovernmental revenues/grants/contributions	532,800	532,800	533,774	974
State collected revenues	368,260	368,260	420,954	52,694
Investment Earnings	20,000	20,000	5,640	(14,360)
Miscellaneous revenues	21,500	48,400	47,604	(796)
Total Revenues	<u>5,016,610</u>	<u>5,043,510</u>	<u>4,947,700</u>	<u>(95,810)</u>
EXPENDITURES				
Current:				
General government	1,174,620	1,149,620	1,063,769	85,851
Facilities maintenance	84,000	135,900	105,205	30,695
Public safety	3,088,020	3,088,020	2,930,633	157,387
Public service	611,740	611,740	587,931	23,809
Planning	222,270	222,270	214,525	7,745
Capital Outlay:				
General government	700	700	-	700
Facilities maintenance	17,000	17,000	69	16,931
Public safety	152,230	152,230	168,161	(15,931)
Public service	40,000	40,000	37,323	2,677
Debt service:				
General government	27,280	27,280	27,281	(1)
Public safety	100,370	100,370	100,372	(2)
Total expenditures	<u>5,518,230</u>	<u>5,545,130</u>	<u>5,235,269</u>	<u>309,861</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(501,620)</u>	<u>(501,620)</u>	<u>(287,569)</u>	<u>214,051</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(48,370)	(48,370)	(48,370)	-
Total other financing sources and uses	<u>(48,370)</u>	<u>(48,370)</u>	<u>(48,370)</u>	<u>-</u>
Net change in fund balances	<u>(549,990)</u>	<u>(549,990)</u>	<u>(335,939)</u>	<u>214,051</u>
Fund balances - beginning	<u>3,347,028</u>	<u>3,347,028</u>	<u>3,347,028</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,797,038</u>	<u>\$ 2,797,038</u>	<u>\$ 3,011,089</u>	<u>\$ 214,051</u>

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

City of Union, South Carolina
Local Hospitality & Accommodations
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local hospitality & accommodations tax	\$ 200,000	\$ 200,000	\$ 206,506	\$ 6,506
Investment earnings	-	-	150	150
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>206,656</u>	<u>6,656</u>
EXPENDITURES				
Current:				
General government	200,000	200,000	119,795	80,205
Planning	-	-	-	-
Capital Outlay:				
General government	-	-	-	-
Debt service:				
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>119,795</u>	<u>80,205</u>
 Excess of revenue over expenditures	 -	 -	 86,861	 86,861
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	86,861	86,861
 Fund balances - beginning	 <u>175,990</u>	 <u>175,990</u>	 <u>175,990</u>	 <u>-</u>
 Fund balances - ending	 <u>\$ 175,990</u>	 <u>\$ 175,990</u>	 <u>\$ 262,851</u>	 <u>\$ 86,861</u>

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

City of Union, South Carolina
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
ASSETS			
Currents assets:			
Cash and cash equivalents	\$ 155,802	\$ 53,611	\$ 209,413
Investments	7,983,293	-	7,983,293
Interest receivable	286	-	286
Receivables (net of allowance for uncollectibles)	3,034,146	-	3,034,146
Due from other funds	(57,604)	43,188	(14,416)
Inventories	684,736	-	684,736
Total current assets	<u>11,800,659</u>	<u>96,799</u>	<u>11,897,458</u>
Noncurrent assets:			
Advances to other funds	1,028,777	-	1,028,777
Deposits	7,743	-	7,743
Deferred charges	644,258	-	644,258
Restricted cash, cash equivalents, and investments:			
Investments	997,619	-	997,619
Intergovernmental receivables	30	-	30
Capital assets:			
Land and construction in progress	2,599,232	770	2,600,002
Buildings	1,625,715	457,490	2,083,205
Improvements other buildings	101,182,124	-	101,182,124
Machinery and equipment	5,170,842	1,526,003	6,696,845
Less accumulated depreciation	(46,969,463)	(1,299,785)	(48,269,248)
Total capital assets (net of accumulate depreciation)	<u>63,608,450</u>	<u>684,478</u>	<u>64,292,928</u>
Total noncurrent assets	<u>66,286,877</u>	<u>684,478</u>	<u>66,971,355</u>
Total assets	<u>78,087,536</u>	<u>781,277</u>	<u>78,868,813</u>

City of Union, South Carolina
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,156,058	10,395	2,166,453
Retainage payable	90,036	-	90,036
Total current liabilities	<u>2,246,094</u>	<u>10,395</u>	<u>2,256,489</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	1,253,570	-	1,253,570
Lease-purchase payable	-	63,558	63,558
Accrued interest payable	21,583	-	21,583
Total current liabilities payable from restricted assets	<u>1,275,153</u>	<u>63,558</u>	<u>1,338,711</u>
Noncurrent liabilities:			
Accrued compensated absences and OPEB	270,012	24,024	294,036
Revenue bonds payable	11,975,217	-	11,975,217
Lease-purchase payable	-	98,344	98,344
Total noncurrent liabilities	<u>12,245,229</u>	<u>122,368</u>	<u>12,367,597</u>
Total liabilities	<u>15,766,476</u>	<u>196,321</u>	<u>15,962,797</u>
NET POSITION			
Investment in capital assets, net of related debt	50,379,663	522,576	50,902,239
Restricted for debt service	1,177,673	-	1,177,673
Unrestricted	10,763,722	62,379	10,826,101
Total net position	<u>\$ 62,321,058</u>	<u>\$ 584,955</u>	<u>\$ 62,906,013</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 Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Business-type Activities		Total
	Combined Utility	Solid Waste Management	
Operating revenues:			
Sales	\$ 29,179,452	\$ -	\$ 29,179,452
Sewer charges	1,963,425	-	1,963,425
Collection fees	-	673,300	673,300
Other revenues	(18,481)	(7,467)	(25,948)
Total operating revenues	31,124,396	665,833	31,790,229
Operating expenses:			
Purchased power and natural gas	19,075,224	-	19,075,224
System operations	7,318,529	630,559	7,949,088
Payment in lieu of franchise fee	1,462,284	33,816	1,496,100
Depreciation and amortization	2,291,935	119,379	2,411,314
Total operating expenses	30,147,972	783,754	30,931,726
Operating income (loss)	976,424	(117,921)	858,503
Nonoperating revenues (expenses):			
Investment earnings	61,014	136	61,150
Other	354,181	35	354,216
Interest expense	(311,930)	(2,074)	(314,004)
Total nonoperating revenue (expenses)	103,265	(1,903)	101,362
Income (loss) before contributions and transfers	1,079,689	(119,824)	959,865
Capital contributions - net	707,544	-	707,544
Transfers in	-	48,370	48,370
Change in net assets	1,787,233	(71,454)	1,715,779
Total net position - beginning	60,533,824	656,409	61,190,233
Total net position - ending	\$ 62,321,057	\$ 584,955	\$ 62,906,012

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, 2013

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 30,632,588	\$ 666,518	\$ 31,299,106
Transfers between funds	(29,039)	(240,407)	
Payments for electricity and gas for resale	(19,075,244)	-	(19,075,244)
Payments in lieu of franchise fee	(1,462,284)	(33,816)	(1,496,100)
Payments to suppliers	(3,146,962)	(361,555)	(3,508,517)
Payments to employees and related benefit providers	(3,782,551)	(271,424)	(4,053,975)
Net cash provided (used) by operating activities	<u>3,136,508</u>	<u>(240,684)</u>	<u>2,895,824</u>
Cash Flows From Noncapital Financing Activities			
Accrual of OPEB obligations and compensated absences	21,827	2,312	24,139
Transfer (to) from other funds	-	48,370	48,370
Net cash provided [used] by noncapital financing activities	<u>21,827</u>	<u>50,682</u>	<u>72,509</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from lease-purchases and bond issues	10,026,685	122,000	10,148,685
Capital contributions	707,544	-	707,544
Deferred charges	(87,118)	-	(87,118)
Construction and purchase of fixed assets	(4,805,946)	(121,920)	(4,927,866)
Sale of fixed assets	-	-	-
Principal paid on capital debt	(9,165,887)	(51,812)	(9,217,699)
Interest paid on capital debt	(311,930)	(2,074)	(314,004)
Nonoperating income/(expense)	354,181	35	354,216
Net cash provided (used) by capital and related financing activities	<u>(3,282,471)</u>	<u>(53,771)</u>	<u>(3,336,242)</u>
Cash Flows From Investing Activities			
Sale of investments - net of purchases	211,924	-	211,924
Interest income received	61,014	137	61,151
Net cash provided (used) by investing activities	<u>272,938</u>	<u>137</u>	<u>273,075</u>
Net increase (decrease) in cash and cash equivalents	148,802	(243,636)	(94,834)
Cash - beginning of year	<u>7,000</u>	<u>297,247</u>	<u>304,247</u>
Cash - end of year	<u>\$ 155,802</u>	<u>\$ 53,611</u>	<u>\$ 209,413</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, 2013

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 976,424</u>	<u>\$ (117,921)</u>	<u>\$ 858,503</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense net of loss on refunding	2,291,935	119,379	2,411,314
(Increase) decrease in accounts receivable	(491,808)	(685)	(492,493)
(Increase) decrease in due to/from other funds	(29,039)	(240,407)	(269,446)
(Increase) decrease in advances to other funds	116,171	-	116,171
(Increase) decrease in accrued interest receivable	1,342	-	1,342
(Increase) decrease in prepaid insurance	(7,433)	-	(7,433)
(Increase) decrease in inventories	7,184	-	7,184
(Increase) decrease in deposits	(227)	-	(227)
Increase (decrease) in bank overdraft	(36,254)	-	(36,254)
Increase (decrease) in accounts payable and accrued expenses	330,425	(1,050)	329,375
Increase (decrease) in accrued interest payable	(22,212)	-	(22,212)
Increase (decrease) in advances from other funds	-	-	-
Total adjustments	<u>2,160,084</u>	<u>(122,763)</u>	<u>2,037,321</u>
Net cash provided (used) by operating activities	<u>\$ 3,136,508</u>	<u>\$ (240,684)</u>	<u>\$ 2,895,824</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, 2013

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 8,400. 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 position and the statement of changes in net position) 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 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. 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. In the accompanying general purpose financial statements, the various funds of the City are grouped into two broad fund categories as follows:

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 planning.

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. The primary revenue source is from federal grants.

Fiduciary fund - The Fiduciary fund is used to account for resources held for the benefit of parties outside the government because the resources of that fund are not available to support the City's own programs. The City uses an agency type fiduciary fund to account for seized assets that are being held for the court system until the cases are adjudicated. The agency fund consists of a cash account and a corresponding liability account. The agency fund reports no income or expenditures.

Proprietary funds - Enterprise funds

Proprietary funds account for activities similar to those found in the private sector. The City has applied all applicable pronouncements issued by the Government Accounting Standards Board (GASB) to these funds.

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 position.

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.

Management has evaluated subsequent events through the report issuance date

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

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 2013 is 92.5 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, 2013 amounted to \$108,380.

Receivables for reimbursements under grants are recognized in the Special Revenue fund when the related reimbursable expenditure is incurred and the revenue is expected to be received within 60 days of year end.

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 position. 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 classifications

Equity accounts represent the difference between the assets and the liabilities of a government or a given fund. Resources 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 classification 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 position.

Assignments 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 assignment 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.

Non-spendable fund balances represents the portion of fund balance that is associated with such items as inventories, prepaids, long-term loans and notes receivable, and property available for resale (unless the proceeds of the sale are restricted, committed or assigned) and is not available for appropriation or expenditure at the balance sheet date.

Restricted fund balances have constraints placed on the use of resources from either external creditors or imposed by law through constitutional provision or enabling legislation.

Committed fund balances can only be used for specific pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are constrained by the government's intent to be used for specific purpose but are neither restricted nor committed. Unassigned fund balances have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund.

Unassigned fund balances have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund.

When committed, assigned, and unassigned fund balances are available for use for the purpose of an expenditure, it is the government's policy to use committed amounts first, then assigned amounts and finally unassigned amounts as they are needed when any of those unrestricted fund balances could be used.

When both restricted and unrestricted fund balances are available and could be used for use for the purpose of an expenditure, it is the government's policy to spend restricted amounts first, then unrestricted resources as they are needed when either could be used.

For committed fund balances, the government's highest level of decision making is City Council. The formal action that is required to establish (and modify or rescind) a fund balance commitment is a City Ordinance.

For assigned fund balances, the Mayor is authorized to assign amounts to a specific purpose. Appointment by City Council is the policy established pursuant to which authorization is given.

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 position* on the government-wide statement of activities is added to (or deducted from) *net position – beginning of the fiscal year* to arrive at *net position – end of the fiscal year*.

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

The government-wide statement of net position reports all government assets; therefore, a significant portion of the net position 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 position invested in capital assets to be reported as a separate category of net position. *Net position 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 position 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 position*.

GAAP direct that the difference between total net position and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as *unrestricted net position*. 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. Certain reclassifications are made to prior year amounts in the accompanying financial statements to conform to current year presentation

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.

11. Deferred outflows/inflows of resources

The City implemented GASB 63 during the current fiscal year 2013. GASB 65 will be implemented during fiscal year 2014. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The government reports deferred inflows under the modified accrual approach from property taxes and hospitality taxes.

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 position.

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

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” Explanation of this difference totaling \$(2,034,546) is as follows:

Notes payable	\$ (243,423)
Lease-purchases payable	(699,770)
OPEB obligation	(170,157)
Tax Increment Bonds	(854,444)
Compensated absences	<u>(66,752)</u>

Net adjustment to reduce *fund balance – total governmental funds*
to arrive at *net position – governmental activities* \$ (2,034,546)

Another element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net position, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$4,490,361 is as follows:

Total capital assets	\$ 9,114,532
Accumulated depreciation	<u>(4,624,171)</u>

Net adjustment to increase *fund balance – total governmental Funds* to arrive at *net position – governmental activities* \$ 4,490,361

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 \$84,715 is as follows:

Deferred inflows of resources – Property taxes and prepaid licenses \$ 84,715

Net adjustment to increase *fund balance – total governmental funds* to arrive at *net position – governmental activities* \$ 84,715

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 position 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 \$2,176 difference are as follows:

Capital outlay	\$ 205,485
Depreciation expense	<u>(203,309)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$2,176</u>
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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 \$ (34,829) are as follows:

Brownsfield loan debt forgiveness	\$ 11,100
Unavailable property tax revenue and prepaid licenses– net change	<u>(45,929)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (34,829)</u>
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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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities” The details of this \$164,283 are as follows:

Debt issued	\$ 0
Principal payments (net of debt forgiveness)	<u>164,283</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 164,283</u>
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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 \$(31,878) are as follows:

OPEB Obligation - net increase	\$ (32,643)
Compensated absences – net increase	<u>765</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (31,878)</u>
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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, 2013, expenditures exceeded revenues in the following funds:

General Fund	\$ 287,569
Community Change Fund	8,029
PMPA Fund	8,372
Events Center Fund	190,859
Firemen's Fund	1,435
Solid Waste Management Fund	119,824

C. Deficit fund equity

As of June 30, 2013, none of the City's funds had deficits in fund balance/net position.

IV. Detailed notes on all funds

A. Deposits and investments

At year end, the government's bank balance of cash and cash equivalents was \$2,243,702. 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 and its agencies.
2. Obligations of various Federal Banks, Federal Cooperatives, Federal Associations, etc. as listed in the Statutes.
3. General and revenue obligations of the State of South Carolina or any of its political subdivisions.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit 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.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. 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, 3 and 6 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.
8. Irrevocable Letters of Credit to secure public deposits pursuant to SC Code Section 11-13-60 as amended.

Investments are carried at fair value at June 30, 2013 as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
US Government Securities	\$ 3,311,258	Less than one year
SC Local Government		
Investment Pool	47,489	Less than one year
Real Estate Joint Venture	264,265	Less than five years
Certificates of Deposit	2,090,942	Less than two years
Money Market	<u>6,776,103</u>	Less than two years
Total	<u>\$12,490,057</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.

At year end, the City was the beneficiary of Irrevocable Letter of Credit Number 66881145111 issued by FLH Bank Atlanta at the request of Arthur State Bank (member bank).

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$997,619 held in debt service accounts. The amount included under Net position - 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 restrictions have been established.

Receivables at June 30, 2013, 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>Enterprise</u>	<u>Total</u>
Receivables:				
Property taxes and assessments	\$ 100,092	\$	\$	\$ 100,092
Other governments	125,166			125,166
Utility accounts			2,958,483	2,958,483
Notes Receivable		1,835,730		1,835,730
Other	<u>37,054</u>	<u> </u>	<u>75,663</u>	<u>112,717</u>
Net total receivables per fund financials	<u>262,312</u>	<u>1,835,730</u>	<u>3,034,146</u>	<u>5,132,188</u>
Reconciliation to government-wide financials:				
Adjustments to reclassify interest receivable	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net total receivables per government-wide financials	<u>\$ 262,312</u>	<u>\$1,835,730</u>	<u>\$3,034,146</u>	<u>\$5,132,188</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 inflows of resources.

C. Capital assets

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

	June 30, <u>2012</u>	<u>Additions</u>	<u>Retire- ments</u>	June 30, <u>2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>1,764,485</u>	\$ _____	\$ _____	\$ <u>1,764,485</u>
Capital assets being depreciated:				
Infrastructure	1,349,407			1,349,407
Buildings and improvements	1,746,052			1,746,052
Improvements other than buildings	327,451			327,451
Machinery and equipment	<u>3,721,652</u>	<u>205,484</u>	_____	<u>3,927,136</u>
Total depreciable capital assets	<u>7,144,562</u>	<u>205,484</u>	_____	<u>7,350,046</u>
Less accumulated depreciation:				
Infrastructure	1,086,168	17,775		1,103,943
Buildings and improvements	590,013	33,180		623,193
Improvements other than buildings	201,382	6,549		207,931
Machinery and equipment	<u>2,543,299</u>	<u>145,805</u>	_____	<u>2,689,104</u>
Total accumulated depreciation	<u>4,420,862</u>	<u>203,309</u>	_____	<u>4,624,171</u>
Total depreciable assets – net of accumulated depreciation	<u>2,723,700</u>			<u>2,725,875</u>
Governmental activities capital assets, net	<u>\$ 4,488,185</u>			<u>\$ 4,490,360</u>
	June 30, <u>2012</u>	<u>Additions</u>	<u>Retire- ments</u>	June 30, <u>2013</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 2,257,755	\$ 22,401	\$ _____	\$2,280,156
Land	<u>319,845</u>	_____	_____	<u>319,845</u>
Total capital assets not being depreciated	<u>2,577,600</u>	<u>22,401</u>	_____	<u>2,600,001</u>
Capital assets being depreciated:				
Buildings and improvements	2,070,095	13,110		2,083,205
Improvements other than buildings	96,459,009	4,723,115		101,182,124
Machinery and equipment	<u>6,527,606</u>	<u>169,239</u>	_____	<u>6,696,845</u>
Total depreciable capital assets	<u>105,056,710</u>	<u>4,905,464</u>	_____	<u>109,962,174</u>
Less accumulated depreciation:				
Buildings and improvements	961,810	43,898		1,005,708
Improvements other than buildings	39,408,252	2,012,193		41,420,445
Machinery and equipment	<u>5,615,080</u>	<u>228,015</u>	_____	<u>5,843,095</u>
Total accumulated depreciation	<u>45,985,142</u>	<u>2,284,106</u>	_____	<u>48,269,248</u>
Total depreciable assets – net of accumulated depreciation	<u>59,071,568</u>			<u>61,692,926</u>
Business-type activities capital assets, net	<u>\$ 61,649,168</u>			<u>\$ 64,292,927</u>

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

Governmental activities:	
General government	\$ 52,576
Planning	3,110
Public safety	132,952
Public works	<u>14,671</u>
Total depreciation expense – governmental activities	<u>\$ 203,309</u>
Business-type activities	
Electric	\$ 452,624
Water	610,250
Sewer	630,124
Natural gas	471,729
Solid waste	<u>119,379</u>
Total depreciation expense – business-type activities	<u>\$ 2,284,106</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 awarded to the City and reimbursements from grant projects awarded to Union County.

D. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to / from other funds:

	Due from <u>(receivable)</u>	Due to <u>(payable)</u>
General fund	\$	\$ (213,093)
Special Revenue funds	19,354	
Economic Development fund	208,155	
Solid Waste Management Enterprise fund	43,188	
Utility Enterprise fund		<u>(57,604)</u>
Total	<u>\$ 270,697</u>	<u>\$ (270,697)</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>
Governmental funds	\$ 14,417
Enterprise funds	<u>(14,417)</u>
Total (net)	<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>Amount</u>	<u>Interest Rates</u>	
Governmental activities – year end balances:		
Tax Increment District Bond	2.35%	\$ 854,443
SC Brownfields Cleanup Revolving Loan/Grant	1.00%	<u>243,423</u>
Total governmental activities		<u>\$1,097,866</u>

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 were refinanced on February 26, 2013. The refinanced bonds are in annual installments of \$89,331 through April of 2024 at a rate of 2.35%.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 103,250	\$ 24,461
2015	107,804	19,908
2016	109,728	17,984
2017	111,693	16,019
2018	113,701	14,011
2019	115,753	11,959
2020	98,659	9,864
2021	81,405	7,926
2022	83,318	6,013
2023	85,276	4,055
2024	<u>87,279</u>	<u>2,051</u>
Total	<u>\$ 1,097,866</u>	<u>\$ 134,251</u>

Lease-purchases Payable

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

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – year end balances:		
Fire Truck Lease	3.7%	<u>\$ 699,770</u>
Total governmental activities		<u>\$ 699,770</u>

On December 15, 2010, the City entered into a lease-purchase agreement for \$873,000 to buy an aerial platform fire truck. The lease-purchase is due in quarterly installments of \$25,093 through February of 2021.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 82,308	\$ 18,065
2015	84,552	15,820
2016	86,858	13,514
2017	89,227	11,145
2018	91,661	8,712
2019	94,161	6,211
2020	96,729	3,643
2021	74,274	1,006
Total	<u>\$ 699,770</u>	<u>\$ 78,116</u>

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities – year end balances:		
Garbage Truck Lease #2	3.7%	\$ 39,902
Brush Truck	1.48%	<u>122,000</u>
Total business-type activities		<u>\$ 161,902</u>

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.

On March, 2009, the City entered into a lease-purchase agreement for \$122,000 to buy a garbage truck. The lease-purchase is due in annual installments of \$24,403 through May of 2018.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 63,558	\$ 2,454
2015	24,047	1,455
2016	24,403	1,100
2017	24,764	738
2018	25,130	372
Total	<u>\$ 161,902</u>	<u>\$ 6,119</u>

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

Interest expense totaling \$68,933 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$20,250 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$41,826 for a tax increment district bond and \$1,903 for a Brownfields Cleanup loan were reported as a direct expense under the general government function.

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	1.48 – 2.25%	<u>\$13,228,789</u>

Long-term obligations recorded in the Enterprise fund include the following at June 30, 2013:

2012-A Bonds	406,411
2012-B Bonds	1,686,356
2012-C Bonds	5,710,000
2011 Bonds	2,750,662
2010 Bonds	2,114,031
2008 Bonds	<u>1,343,259</u>
Subtotal	14,010,719
Less: Unamortized loss on refunding - Series 1994	(471,156)
Less: SRF 2011 Loan proceeds not drawn down by 06/30/13	<u>(310,774)</u>
Subtotal	13,228,789
Less: Current portion	<u>(1,253,570)</u>
Non-current portion	<u>\$ 11,975,219</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. The loan was redeemed with former debt reserves funds made available by the Series 2012 Revenue Refunding Bond Issue.

In 1998, the City borrowed \$1,545,040 from the State Revolving Loan Fund for the Tosch Creek Wastewater Treatment Plant Outfall Project. The loan is due in quarterly installments of \$28,767 including interest at 4.25% through January 2017. The loan was refunded by the Series 2012 Revenue Refunding Bond Issue.

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. The loan was refunded by the Series 2012 Revenue Refunding Bond Issue.

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. The loan was refunded by the Series 2012 Revenue Refunding Bond Issue.

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. The loan was refunded by the Series 2012 Revenue Refunding Bond Issue.

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.

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. After refinancing in 2012, the loan is due in quarterly installments of \$25,051 including interest at 2.25 through May 2029.

On December 29, 2010, the City entered into a loan agreement for \$2,421,854 from the SC State Revolving Fund for the Meng Creek Wastewater Treatment Plant Closure project. After refinancing in 2012, the loan is due in quarterly installments of \$35,004 including interest at 2.25 through December 2031.

On December 1, 2011, the City entered into a loan agreement for \$2,792,906 from the SC State Revolving Fund for the Tosch Creek Wastewater Treatment Plant Improvements and Replacement of Three Pump Stations project. The loan is due in quarterly installments of \$43,876 including blended interest at 2.3 through December 2032.

On October 11, 2012, the City issued Series 2012A, Series 2012B, and Series 2012C Revenue Refunding Bonds. The proceeds were used to refund the four bond issues noted above and to redeem the 1997 loan. The bonds have interest rates ranging from 1.48 to 1.96.

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.

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

Year Ending <u>June 30</u>	<u>Business type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,253,570	\$ 280,507
2015	1,278,591	255,455
2016	1,298,816	229,940
2017	1,319,241	204,005
2018	1,239,465	178,178
2019	1,268,743	152,763
2120	1,293,218	126,788
2021	1,254,777	100,596
2022	331,842	83,882
2023	339,392	76,332
2024	347,126	68,597
2025	355,050	60,674
2026	363,169	52,556
2027	371,487	44,237
2028	380,008	35,715
2029	388,742	26,981
2030	296,636	18,885
2031	303,511	12,009
2032	240,355	5,158
2033	<u>86,980</u>	<u>773</u>
Subtotal	\$ 14,010,719	<u>\$2,014,031</u>
Less: SRF 2011 Loan proceeds not drawn down by 06/30/2013	(310,774)	
Less: Unamortized loss on refunding	<u>(471,156)</u>	
Net balance reported on financial statements	<u>\$13,228,789</u>	

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Lease-purchase payable	\$ 779,892	\$ 0	\$ 80,122	\$ 699,770	\$ 82,308
Accrued OPEB	137,514	32,643	0	170,157	0
Accrued compensated absences	67,517	0	765	66,752	0
Tax increment district bonds	913,226	0	58,783	854,443	61,475
Notes payable & unamortized debt forgiveness	<u>279,901</u>	<u>0</u>	<u>36,478</u>	<u>243,423</u>	<u>36,732</u>
Total	<u>\$ 2,178,050</u>	<u>\$ 32,643</u>	<u>\$ 176,148</u>	<u>\$ 2,034,545</u>	<u>\$ 180,515</u>
Business-type activities:					
Lease-purchase payable	\$ 91,714	\$ 122,000	\$ 51,812	\$ 161,902	\$ 63,558
Accrued compensated absences	106,855	0	11,418	95,437	0
Accrued OPEB	163,042	35,557	0	198,599	0
Bonds payable	<u>12,315,639</u>	<u>10,026,685</u>	<u>9,113,535</u>	<u>13,228,789</u>	<u>1,253,570</u>
Total	<u>\$ 12,677,250</u>	<u>\$ 10,184,242</u>	<u>\$ 9,176,765</u>	<u>\$ 13,684,727</u>	<u>\$ 1,317,128</u>

F. Fund equity classifications

Fund equity is segregated into the following classifications on the balance sheets:

Nonspendable 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.

Nonspendable for capital assets held for resale - 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.

Restricted 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.

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.

Restricted for public safety – represents grant funds , law enforcement agency funds, and 1% state firemen’s funds held in various special revenue funds that are required to be used specifically for public safety programs.

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

Committed 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.

Committed 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.

Unassigned - represents resources available for appropriation in following years for any lawful purpose. Unassigned fund balances have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund

The government-wide financial statement designates net position that is legally restricted as *Restricted Net Position*. This is net position of the City that is restricted for a specific purpose. "Restricted Net Position's" use is limited to those items that are legally restricted and should not include items that are "earmarked" for specific purposes through commitments or assignments.

The restricted cash, investments and receivables 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 or grants restricted for construction or grant projects.

The following is a breakdown of year end governmental fund balance types:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 0	\$3,011,088
Economic Development Fund	4,563,679	0	0	(820,622)
Local Hospitality and Accom. Fd.	0	262,851	0	0
Tax Increment District Fund	0	0	5,428	0
Drug Fund	0	6,034	0	0
Victim's Rights Advocate Fund	0	0	0	0
Community Change Fund	0	0	28,067	0
Grants Fund	0	0	0	0
Sidewalk Fund	0	0	0	15,291
"C" Funds	0	0	0	0
PMPA Funds	0	0	25,719	0
Union Events Center Fund	0	0	1,882,347	0
Firemen's Fund	0	3,929	0	0
Total	\$4,563,679	\$272,814	\$1,941,561	\$2,205,757

G. Major and Nonmajor Special Revenue Funds Activity

Non-major funds:

Downtown Redevelopment Project (Tax Increment District)

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

Union Events Center 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 and \$315,503 was used to purchase 21.3 acres that is now the home of the Quick Jobs Center. During fiscal year 2011, \$883,128 was transferred from the Downtown Redevelopment Project (Tax Increment District) into the Union Events Center Fund. During fiscal year 2012, the fund received a \$250,000 donation from the Timken Company. The funds along with funds from other donors will be used to fund a new multipurpose center to be built in downtown Union.

Drug Account Fund

This account is derived from confiscated drug money or property by order of the courts. Expenditures are restricted for law enforcement activities.

Victims' Rights Advocate Fund

Fees and surcharges on fines comprise this fund balance. Per the City of Union's agreement with Union County,

100% of all fees and surcharges collected are remitted to them.

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 committed to offset utility bills for qualifying customers.

Grant Funds

These funds were received from federal and state grantor agencies and are restricted for the purposes stipulated in the grant agreements

"C" Funds

These funds are restricted by the State for street and sidewalk construction expenditures.

Sidewalk Fund

These funds are committed for sidewalk construction expenditures.

"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 committed for promotional activities expenditures.

Firemen's Fund

These funds were received from the State and are restricted by the State for specific fire safety related expenditures.

Local Hospitality and Accommodations Fund

This account is derived from a tax levied on food service and accommodations business within the city limits. These funds are restricted by State law for tourism expenditures.

Major fund:

Economic Development Fund

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

This fund is also 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, 2013, is \$21,274.

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, 2013 is \$0.

The City of Union has promissory notes from Fairforest V Limited Partnership in the amounts of \$245,000 and \$330,000. The terms of the notes are as follows:

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

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

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, 2013, the City had no material related party transactions.

C. Subsequent events

Management has evaluated subsequent events through the report issuance date.

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, 2013 with retainages totaling \$90,036 being withheld. The contracts totaled \$1,938,967 with work 95% 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 until age 65 or until Medicare eligible, whichever is first. This option allows retirees to cover spouses. Coverage for spouses ends when they reach age 65, become Medicare eligible, or the retiree coverage ends. Retirees may receive a monthly \$125 supplement but must pay the remaining portion of the premium cost of coverage for both themselves and their spouses.

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 July 1, 2010, there were 124 employees in active service of which 18 members were retirees receiving benefits and 106 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, 2013, City recognized pay-as-you-go expenses of approximately \$10,702 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 4%.

3. Annual OPEB cost and funded status and funding progress

For the year ended June 30, 2013, the annual OPEB cost (expense) of \$68,200 is equal to the ARC. The ARC for the year ended June 30, 2013 is computed as follows:

Annual OPEB cost -

Normal costs for current year	\$ 39,800
Amortization of the unamortized accrued liability	<u>28,400</u>
Total annual required contribution	68,200
Net OPEB obligation – beginning of year	<u>300,556</u>
Net OPEB obligation – end of year (ARC)	<u>\$ 368,756</u>

Funding status –

Actuarial Valuation date	7/01/2010
Actuarial value of assets	\$ 0
Actuarial accrued liability (AAL)	<u>760,800</u>
Unfunded AAL (UAAL)	<u>\$ 760,800</u>
Funded ratio	0.0%
Covered payroll	\$4,673,000
UAAL as a percentage of covered payroll	16%

For the year ended June 30, 2013, 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, 2013 was \$368,756. 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, 2013 was 25 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 projected unit credit method for the July 1, 2010 valuation. The actuarial assumption includes a 4.5% investment rate of return. For all retirees the initial healthcare cost trend was 8.2%. The trend rate will be graded to 4.7% over 80 years. Payroll growth is estimated to be 4.0% 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 active employees covered by the SCRS for the year ended June 30, 2013 was \$3,482,503. The total payroll for employees covered by the PORS for the year ended June 30, 2013 was \$1,571,806. The payroll for retired members for the year ended June 30, 2013 was \$431,300 for SCRS and \$153,069 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, 2013 and the years ended June 30, 2012 and 2011, the City contributed 100% of the required contributions. Contributions by the City for employees covered by the SCRS and PORS were based on 10.45% and 11.90 of the employees' earnings and amounted to \$412,127 for the year ended June 30, 2013 (SCRS) and \$205,260 (PORS), \$359,986 (SCRS) and \$186,252 (PORS) for the year ended June 30, 2012 and \$345,821 (SCRS) and \$174,524 (PORS) for the year ended June 30, 2011. Employee contributions for the SCRS and PORS were based on 7.0% and 7.0% of the employees' earnings and amounted to \$275,308 for the year ended June 30, 2013 (SCRS) and \$120,431 (PORS), \$249,325 (SCRS) and \$106,542 (PORS) for the year ended June 30, 2012 and \$243,272 (SCRS) and \$101,923 (PORS) for the year ended June 30, 2011.

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, 2013

	<u>Local Hospitality & Accommodations</u>	<u>Tax Increment District</u>	<u>Drug Account</u>	<u>Victim's Rights Advocate Fund</u>	<u>Community Change</u>
ASSETS					
Cash and cash equivalents	\$ 270,352	\$ 5,428	\$ 6,034	\$ -	\$ 26,407
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	-	-	-	-	1,660
Total assets	\$ 270,352	\$ 5,428	\$ 6,034	\$ -	\$ 28,067
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,500	\$ -	\$ -	\$ -	\$ -
Total liabilities	7,500	-	-	-	-
Fund Balances:					
Restricted	262,852	-	6,034	-	-
Committed	-	5,428	-	-	28,067
Unassigned	-	-	-	-	-
Total fund balances	262,852	5,428	6,034	-	28,067
Total liabilities and fund balances	\$ 270,352	\$ 5,428	\$ 6,034	\$ -	\$ 28,067

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

**Special
Revenue**

<u>Grants</u>	<u>Sidewalk Fund</u>	<u>'C' Funds</u>	<u>PMPA Funds</u>	<u>Union Events Center</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 850,193	\$ 3,929	\$ 1,162,343
-	-	-	-	1,055,470	-	1,055,470
-	-	-	-	-	-	-
-	15,291	-	25,719	(23,316)	-	19,354
<u>\$ -</u>	<u>\$ 15,291</u>	<u>\$ -</u>	<u>\$ 25,719</u>	<u>\$ 1,882,347</u>	<u>\$ 3,929</u>	<u>\$ 2,237,167</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,500</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
-	-	-	-	-	3,929	272,815
-	-	-	25,719	1,882,347	-	1,941,561
-	15,291	-	-	-	-	15,291
<u>-</u>	<u>15,291</u>	<u>-</u>	<u>25,719</u>	<u>1,882,347</u>	<u>3,929</u>	<u>2,229,667</u>
<u>\$ -</u>	<u>\$ 15,291</u>	<u>\$ -</u>	<u>\$ 25,719</u>	<u>\$ 1,882,347</u>	<u>\$ 3,929</u>	<u>\$ 2,237,167</u>

City of Union, South Carolina
Combining Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Local Hospitality & Accommodations	Tax Increment District	Drug Account	Victim's Rights Advocate Fund	Community Change
REVENUES					
Property Taxes and Penalties	\$ -	\$ 104,052	\$ -	\$ -	\$ -
Local Hospitality & Accommodations Tax	206,506	-	-	-	-
Licenses, Permits and Fees	-	-	-	-	-
Intergovernmental Revenues/Grants/Contributions	-	-	-	-	-
Investment Earnings	150	4	4	-	21
Miscellaneous Revenues	-	-	(2)	-	21,737
Total Revenues	206,656	104,056	2	-	21,758
EXPENDITURES					
Current:					
General Government	119,795	1,431	-	-	29,787
Public Safety	-	-	-	-	-
Capital Outlay:					
Public Service	-	-	-	-	-
Debt Service:					
General Government	-	100,609	-	-	-
Total Expenditures	119,795	102,040	-	-	29,787
Excess (deficiency) of revenues over (under) expenditures	86,861	2,016	2	-	(8,029)
OTHER FINANCING SOURCES & USES					
Transfers - net:					
Loan Proceeds	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-
Net change in fund balances	86,861	2,016	2	-	(8,029)
Fund Balances - beginning	175,990	3,411	6,032	-	36,096
Fund Balances - ending	\$ 262,851	\$ 5,427	\$ 6,034	\$ -	\$ 28,067

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

Special Revenue

Grants	Sidewalk Fund	'C' Funds	PMPA Funds	Union Events Center	Firemen's Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,052
-	-	-	-	-	-	206,506
-	-	-	-	-	-	-
69,928	40,918	185,028	-	-	13,236	309,110
-	-	-	-	5,288	-	5,467
-	-	-	16,956	-	-	38,691
<u>69,928</u>	<u>40,918</u>	<u>185,028</u>	<u>16,956</u>	<u>5,288</u>	<u>13,236</u>	<u>663,826</u>
-	-	-	25,328	196,147	-	372,488
59,423	-	-	-	-	14,671	74,094
-	-	185,028	-	-	-	185,028
-	-	-	-	-	-	100,609
<u>59,423</u>	<u>-</u>	<u>185,028</u>	<u>25,328</u>	<u>196,147</u>	<u>14,671</u>	<u>732,219</u>
<u>10,505</u>	<u>40,918</u>	<u>-</u>	<u>(8,372)</u>	<u>(190,859)</u>	<u>(1,435)</u>	<u>(68,393)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,505	40,918	-	(8,372)	(190,859)	(1,435)	(68,393)
<u>(10,506)</u>	<u>(25,627)</u>	<u>-</u>	<u>34,092</u>	<u>2,073,206</u>	<u>5,364</u>	<u>2,298,058</u>
<u>\$ (1)</u>	<u>\$ 15,291</u>	<u>\$ -</u>	<u>\$ 25,720</u>	<u>\$ 1,882,347</u>	<u>\$ 3,929</u>	<u>\$ 2,229,665</u>

City of Union, South Carolina
Combining Schedule of Revenues and Expenses by Division
Utility Enterprise Fund
For the Year Ended June 30, 2013

	Enterprise Funds				Total
	Electric Division	Water Division	Sewer Division	Gas Division	
Operating revenues:					
Sales	\$ 15,751,527	\$ 3,080,697	\$ -	\$ 10,347,228	\$ 29,179,452
Sewer charges	-	-	1,963,425	-	1,963,425
Other revenues	(27,412)	3,395	(14,149)	19,685	(18,481)
Total operating revenues	15,724,115	3,084,092	1,949,276	10,366,913	31,124,396
Operating expenses:					
Purchased power and natural gas	12,138,393	-	-	6,936,831	19,075,224
System operations	1,719,543	2,382,082	1,853,378	1,363,525	7,318,528
Payment in lieu of franchise fee	748,536	153,744	91,380	468,624	1,462,284
Depreciation	471,126	645,492	663,113	512,205	2,291,936
Total operating expenses	15,077,598	3,181,318	2,607,871	9,281,185	30,147,972
Operating income (loss)	646,517	(97,226)	(658,595)	1,085,728	976,424
Nonoperating revenues (expenses):					
Investment earnings	17,655	6,968	5,420	30,971	61,014
Other	258,659	48,779	19,522	27,221	354,181
Interest expense	(34,332)	(71,026)	(131,048)	(75,523)	(311,929)
Total nonoperating revenue (expenses)	241,982	(15,279)	(106,106)	(17,331)	103,266
Net income (loss) before contributions and transfers	\$ 888,499	\$ (112,505)	\$ (764,701)	\$ 1,068,397	\$ 1,079,690

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 7,201,950	\$ 7,953,848	\$ (751,898)
Sales - Commercial	5,546,140	6,548,295	(1,002,155)
Sales - Industrial	758,230	881,717	(123,487)
Sales - Other	2,975,330	367,668	2,607,662
Other revenues	<u>(33,000)</u>	<u>(27,412)</u>	<u>(5,588)</u>
Total operating revenues	<u>16,448,650</u>	<u>15,724,116</u>	<u>724,534</u>
Operating expenses:			
Purchased power and natural gas	12,538,900	12,138,393	400,507
System operations	1,950,760	1,719,543	231,217
Payment in lieu of franchise fee	711,480	748,536	(37,056)
Depreciation and amortization	-	471,126	(471,126)
Total operating expenses	<u>15,201,140</u>	<u>15,077,598</u>	<u>123,542</u>
Operating income (loss)	<u>1,247,510</u>	<u>646,518</u>	<u>600,992</u>
Nonoperating revenues (expenses):			
Investment earnings	25,000	17,655	7,345
Other	148,000	258,659	(110,659)
Interest expense	<u>(290,820)</u>	<u>(34,332)</u>	<u>(256,488)</u>
Total nonoperating revenue (expenses)	<u>(117,820)</u>	<u>241,982</u>	<u>(359,802)</u>
Income (loss) before contributions and transfers	<u>\$ 1,129,690</u>	<u>\$ 888,500</u>	<u>\$ 241,190</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 1,373,390	\$ 1,321,571	\$ 51,819
Sales - Commercial	402,350	378,587	23,763
Sales - Industrial	371,690	334,258	37,432
Sales - Water Districts	1,067,200	1,046,280	20,920
Other revenues	3,500	3,395	105
Total operating revenues	<u>3,218,130</u>	<u>3,084,091</u>	<u>134,039</u>
Operating expenses:			
System operations	2,586,890	2,382,082	204,808
Payment in lieu of franchise fee	143,480	153,744	(10,264)
Depreciation and amortization	-	645,492	(645,492)
Total operating expenses	<u>2,730,370</u>	<u>3,181,318</u>	<u>(450,948)</u>
Operating income (loss)	<u>487,760</u>	<u>(97,227)</u>	<u>584,987</u>
Nonoperating revenues (expenses):			
Investment earnings	5,000	6,968	(1,968)
Other	23,720	48,779	(25,059)
Interest expense	(381,530)	(71,026)	(310,504)
Total nonoperating revenue (expenses)	<u>(352,810)</u>	<u>(15,279)</u>	<u>(337,531)</u>
Income (loss) before contributions and transfers	<u>\$ 134,950</u>	<u>\$ (112,506)</u>	<u>\$ 247,456</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sewer charges - Residential	\$ 1,319,650	\$ 1,279,337	\$ 40,313
Sewer charges - Commercial	376,250	390,061	(13,811)
Sewer charges - Industrial	298,920	294,027	4,893
Other revenues	(4,500)	(14,149)	9,649
Total operating revenues	<u>1,990,320</u>	<u>1,949,276</u>	<u>41,044</u>
Operating expenses:			
System operations	1,875,020	1,853,378	21,642
Payment in lieu of franchise fee	86,830	91,380	(4,550)
Depreciation and amortization	-	663,113	(663,113)
Total operating expenses	<u>1,961,850</u>	<u>2,607,871</u>	<u>(646,021)</u>
Operating income (loss)	<u>28,470</u>	<u>(658,595)</u>	<u>687,065</u>
Nonoperating revenues (expenses):			
Investment earnings	4,000	5,420	(1,420)
Other	100,000	19,522	80,478
Interest expense	(739,580)	(131,048)	(608,532)
Total nonoperating revenue (expenses)	<u>(635,580)</u>	<u>(106,106)</u>	<u>(529,474)</u>
Income (loss) before contributions and transfers	<u>\$ (607,110)</u>	<u>\$ (764,701)</u>	<u>\$ 157,591</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 3,908,380	\$ 3,761,023	\$ 147,357
Sales - Commercial	2,084,760	2,148,316	(63,556)
Sales - Interruptible	4,527,810	4,436,339	91,471
Sales - Other	-	1,550	(1,550)
Other revenues	(23,000)	19,685	(42,685)
Total operating revenues	<u>10,497,950</u>	<u>10,366,913</u>	<u>131,037</u>
Operating expenses:			
Purchased power and natural gas	6,792,400	6,936,831	(144,431)
System operations	1,398,230	1,363,525	34,705
Payment in lieu of franchise fee	608,390	468,624	139,766
Depreciation and amortization	-	512,205	(512,205)
Total operating expenses	<u>8,799,020</u>	<u>9,281,185</u>	<u>(482,165)</u>
Operating income (loss)	<u>1,698,930</u>	<u>1,085,728</u>	<u>613,202</u>
Nonoperating revenues (expenses):			
Investment earnings	25,000	30,971	(5,971)
Other	12,000	27,221	(15,221)
Interest expense	(280,560)	(75,523)	(205,037)
Total nonoperating revenue (expenses)	<u>(243,560)</u>	<u>(17,331)</u>	<u>(226,229)</u>
Income (loss) before contributions and transfers	<u>\$ 1,455,370</u>	<u>\$ 1,068,397</u>	<u>\$ 386,973</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Collection fees	\$ 667,600	\$ 673,300	\$ (5,700)
Other revenues - net of bad debts	(2,000)	(7,467)	5,467
Total operating revenues	<u>665,600</u>	<u>665,833</u>	<u>(233)</u>
Operating expenses:			
System operations	814,070	630,559	183,511
Payment in lieu of franchise fee	31,290	33,816	(2,526)
Depreciation and amortization	-	119,379	(119,379)
Total operating expenses	<u>845,360</u>	<u>783,754</u>	<u>61,606</u>
Operating income (loss)	<u>(179,760)</u>	<u>(117,921)</u>	<u>(61,839)</u>
Nonoperating revenues (expenses):			
Investment earnings	400	136	264
Other	-	35	(35)
Interest expense	(54,010)	(2,074)	(51,936)
Total nonoperating revenue (expenses)	<u>(53,610)</u>	<u>(1,903)</u>	<u>(51,707)</u>
Income (loss) before contributions and transfers	<u>\$ (233,370)</u>	<u>\$ (119,824)</u>	<u>\$ (113,546)</u>

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

City of Union, South Carolina
Statement of Assets & Liabilities - Agency Funds
Fiduciary Funds
June 30, 2013

	Police Seizure Agency Fund
ASSETS	
Currents assets:	
Cash and cash equivalents	\$ 40,069
Receivables (net of allowance for uncollectibles)	-
Total current assets	40,069
Total assets	\$ 40,069
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 40,069
Total current liabilities	40,069
Total liabilities	\$ 40,069

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, 2013

The following is a schedule of fines, assessments and surcharges collected and remitted on the accrual basis:

Fines Collected & Retained	\$ 72,030
Assessments/Surcharges/Pullouts Collected	118,504
Assessments Retained For Victims' Rights Assistance	7,824
Surcharges Retained For Victims' Rights Assistance	9,494
Assessments/Surcharges/Pullouts Remitted	101,186
FY 2012 Expenditures For Victims' Rights Assistance	17,318
6-30-2013 Fund Balance Restricted For Victims Rights Assistance	-0-

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, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash		Disbursements/Expenditures	Cash Accrued or (Deferred) Revenue At June 30, 2013
				Accrued or (Deferred) Revenue At July 1, 2012	Receipts or Revenue Recognized		
U.S. Department of Housing and Urban Development							
CDBG States Programs							
Passed through SC Dept of Commerce – Grants Administration							
Hwy 49 Apis. Sewer Upgrade Project	14.228	4-CI-11-031	\$238,358	\$ -	\$ 134,425	\$ 134,425	\$ -
Union & Excelsior Villages Sewer Improvements	14.228	4-CI-10-028	479,849	-	61,627	61,627	-
Union Mill Renaissance Phase II	14.228	4-V-11-016	500,000	-	21,009	21,009	-
Total Department of Housing and Urban Development				-	217,061	217,061	-
Total Federal Assistance				\$ -	\$ 217,061	\$ 217,061	\$ -

Notes:

1. This Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Union, SC received directly and those passed through from other agencies.
2. This schedule 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.

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TERRY R. FANT, P.A.
CERTIFIED PUBLIC ACCOUNTANT
309 WEST MAIN STREET
Union, SC 29379
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 Mayor and City Council
City of Union, South Carolina

I have audited, in accordance with the 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, 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, SC, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Union, SC's basic financial statements and have issued my report thereon dated December 13, 2013.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses as described above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Union, SC's financial statements are free from 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*.

Purpose of this Report

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



Terry R. Fant, CPA, PA

December 13, 2013

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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.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's 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.

Debt Capacity

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.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

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 annual financial reports for the relevant year.

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City of Union
 Net Assets by Component
 Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets,										
net of related debt	\$ 1,785,034	\$ 2,221,825	\$ 2,408,254	\$ 2,829,886	\$ 2,745,334	\$ 1,298,016	\$ 789,457	\$ 920,387	\$ 1,370,217	\$ 1,883,947
Restricted	3,149,136	2,871,330	381,786	538,138	465,223	3,098,050	4,908,251	6,205,317	6,213,136	6,194,904
Unrestricted	4,903,010	5,054,973	7,411,888	7,645,782	8,130,053	6,443,452	5,178,917	4,053,018	4,124,280	3,685,482
Total governmental activities net assets	<u>\$ 9,837,180</u>	<u>\$ 10,957,928</u>	<u>\$ 10,201,706</u>	<u>\$ 11,013,006</u>	<u>\$ 11,341,050</u>	<u>\$ 10,779,518</u>	<u>\$ 10,878,625</u>	<u>\$ 11,208,720</u>	<u>\$ 11,707,633</u>	<u>\$ 11,524,343</u>
Business-type activities										
Invested in capital assets,										
net of related debt	\$ 40,048,283	\$ 40,874,286	\$ 42,120,651	\$ 44,506,072	\$ 45,808,442	\$ 48,338,314	\$ 48,741,938	\$ 48,015,083	\$ 49,241,814	\$ 50,902,239
Restricted	879,822	860,308	811,242	908,217	828,374	1,194,880	1,381,878	1,743,895	2,073,810	1,177,873
Unrestricted	12,900,439	13,748,888	14,250,847	13,081,807	12,283,853	8,812,412	10,278,095	11,079,329	9,874,809	10,828,101
Total business-type activities net assets	<u>\$ 53,828,544</u>	<u>\$ 55,583,282</u>	<u>\$ 57,281,740</u>	<u>\$ 58,476,096</u>	<u>\$ 59,000,669</u>	<u>\$ 58,345,606</u>	<u>\$ 60,399,909</u>	<u>\$ 60,838,307</u>	<u>\$ 61,180,233</u>	<u>\$ 62,908,013</u>
Primary Government										
Invested in capital assets,										
net of related debt	\$ 41,834,317	\$ 43,193,911	\$ 44,537,805	\$ 47,336,058	\$ 48,551,776	\$ 49,836,330	\$ 49,531,383	\$ 48,835,490	\$ 50,812,031	\$ 52,666,186
Restricted	3,828,956	3,731,638	1,282,868	1,446,355	1,415,897	4,222,910	6,291,128	7,948,312	8,288,948	7,372,577
Unrestricted	17,803,449	18,213,681	21,682,543	20,707,589	20,386,346	15,255,864	16,496,012	15,182,349	13,998,889	14,481,863
Total primary government net assets	<u>\$ 63,466,724</u>	<u>\$ 65,141,210</u>	<u>\$ 67,483,448</u>	<u>\$ 69,480,002</u>	<u>\$ 70,354,019</u>	<u>\$ 69,315,104</u>	<u>\$ 71,278,534</u>	<u>\$ 72,047,107</u>	<u>\$ 72,887,658</u>	<u>\$ 74,430,356</u>

City of Union
Changes in Net Assets
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$1,405,868	\$1,706,911	\$2,234,430	\$1,837,449	\$2,293,952	\$3,036,482	\$1,401,406	\$1,439,835	\$1,331,121	\$1,534,521
Tax and License	117,137	108,844	111,071	93,425	65,702	0	0	0	0	0
Facilities maintenance	64,639	87,838	145,602	110,486	96,411	72,315	62,449	63,507	102,716	105,274
Public safety	2,350,254	2,488,568	3,358,983	2,782,769	2,974,860	3,108,049	3,214,795	2,943,817	3,046,719	3,180,666
Public service	534,731	582,085	418,417	531,704	516,849	528,259	576,833	776,336	619,057	782,853
Planning	186,772	180,088	207,354	242,637	318,446	271,980	213,418	213,855	193,835	219,583
Interest on long-term debt	0	15,151	18,880	16,748	12,393	7,739	0	0	0	0
Total governmental activities expenses	<u>4,680,401</u>	<u>5,178,593</u>	<u>6,492,727</u>	<u>5,615,218</u>	<u>6,278,613</u>	<u>7,024,733</u>	<u>5,468,801</u>	<u>5,437,252</u>	<u>5,293,448</u>	<u>5,832,907</u>
Business-type activities										
Solid waste management	763,080	883,412	816,467	853,546	810,565	829,678	820,127	828,261	784,316	785,828
Combined utilities	30,680,018	31,822,871	37,949,502	34,687,650	36,633,854	35,789,271	31,720,180	30,977,702	29,212,313	30,459,601
Total business-type activities expenses	<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>	<u>32,540,317</u>	<u>31,805,963</u>	<u>29,998,629</u>	<u>31,245,729</u>
Total primary government expenses	<u>\$36,123,499</u>	<u>\$37,895,676</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>	<u>\$37,243,213</u>	<u>\$35,290,077</u>	<u>\$37,078,636</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety										
Planning	\$250,587	\$245,805	\$215,442	\$257,787	\$294,379	\$338,317	\$256,395	\$180,892	\$146,277	\$158,814
Operating grants and contributions	24,487	30,107	25,880	38,849	22,983	22,863	22,335	28,985	23,873	28,828
Capital grants and contributions	34,480	68,188	837,395	13,137	12,513	12,022	13,613	14,494	15,338	13,236
Total governmental activities program revenues	<u>144,013</u>	<u>233,718</u>	<u>60,019</u>	<u>843,440</u>	<u>846,348</u>	<u>599,900</u>	<u>231,148</u>	<u>339,162</u>	<u>423,096</u>	<u>306,874</u>
Business-type activities:										
Charges for services-solid waste mgmt.	728,699	728,929	738,429	735,145	731,995	588,504	537,889	625,842	667,347	665,868
Charges for services-combined utilities	32,328,240	33,197,265	38,969,242	35,186,539	35,988,143	33,668,101	33,418,702	31,356,231	29,286,524	31,478,577
Capital grants and contributions	0	37,300	43,668	36,140	594,470	1,298,379	279,619	417,258	403,789	707,544
Total business-type activities program revenues	<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>	<u>32,389,329</u>	<u>30,337,640</u>	<u>32,851,989</u>
Total primary government program revenues	<u>\$33,508,508</u>	<u>\$34,540,892</u>	<u>\$40,888,075</u>	<u>\$37,111,037</u>	<u>\$38,528,424</u>	<u>\$38,527,106</u>	<u>\$34,757,501</u>	<u>\$32,982,882</u>	<u>\$30,946,224</u>	<u>\$33,359,841</u>

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$-4,226,834	\$-4,801,797	\$-5,354,011	\$-4,462,005	\$-5,067,797	\$6,051,610	\$-4,945,410	\$-4,873,717	\$-4,684,863	\$-5,325,255
Business-type activities	1,611,841	1,447,111	983,366	416,629	-128,912	-1,073,864	1,693,892	563,366	341,011	1,606,260
Total primary government net expense	<u>\$-2,614,993</u>	<u>\$-3,354,686</u>	<u>\$-4,370,645</u>	<u>\$-4,045,376</u>	<u>\$-5,196,709</u>	<u>\$-4,917,244</u>	<u>\$-3,251,518</u>	<u>\$-4,310,351</u>	<u>\$-4,343,852</u>	<u>\$-3,718,995</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$1,069,258	\$1,039,276	\$1,060,247	\$1,115,319	\$1,178,150	\$1,202,275	\$1,061,709	\$1,084,936	\$1,253,120	\$1,233,963
Fee in lieu of property taxes	1,511,886	1,728,772	1,692,718	1,968,390	1,768,358	1,842,488	1,732,317	1,692,755	1,818,786	1,517,484
Local hospitality and accommodations tax										
Other taxes	435,066	458,684	487,093	488,323	520,653	504,495	448,936	135,174	171,836	208,506
Occupational Licenses and Franchise Fees	905,822	1,007,812	1,039,364	1,158,550	1,307,014	1,170,093	1,077,523	399,302	366,263	420,964
Miscellaneous	50,600	126,456	98,642	98,870	115,083	211,632	218,789	274,433	1,040,782	1,128,029
Unrestricted investment earnings	84,598	115,359	181,537	150,560	145,215	134,640	68,905	38,618	139,183	202,466
Intergovernmental revenue	519,916	554,812	553,190	543,373	510,468	534,474	568,338	501,089	18,800	18,228
Special item-L-term notes rec- Flynn Bldg									448,200	464,667
Contributed Capital										
Transfers	-58,328	-130,000	55,000	-260,000	-130,000	-130,000	-130,000	-130,000	108,786	-48,370
Total governmental activities	<u>4,518,810</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>	<u>5,203,613</u>	<u>5,163,776</u>	<u>5,141,965</u>
Business-type activities: 1										
Interest revenue	254,434	378,627	595,090	637,728	523,485	278,881	240,631	136,709	117,822	61,150
Loss on sale of capital assets									0	0
Transfers	221,082	130,000	130,000	130,000	130,000	130,000	130,000	130,000	-108,786	48,370
Total business-type activities	<u>475,516</u>	<u>508,627</u>	<u>725,090</u>	<u>767,728</u>	<u>653,485</u>	<u>408,881</u>	<u>370,631</u>	<u>-154,889</u>	<u>10,036</u>	<u>109,520</u>
Total primary government	<u>4,994,326</u>	<u>5,409,798</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>	<u>5,048,724</u>	<u>5,184,612</u>	<u>5,251,485</u>
Changes in Net Assets										
Government activities	281,784	298,374	-356,220	812,200	347,144	-581,533	98,107	330,096	498,913	-183,280
Business-type activities	2,087,357	1,953,738	1,708,458	1,184,357	524,573	-665,083	2,084,323	436,477	351,847	1,715,780
Total primary government	<u>\$2,379,141</u>	<u>\$2,252,112</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>	<u>\$766,573</u>	<u>\$850,760</u>	<u>\$1,532,480</u>

City of Union
Governmental Activities Tax Revenues By Source
Last Ten 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>
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
2011	980,570	103,093	1,083,663
2012	1,144,990	103,344	1,248,334
2013 (1)	1,119,507	104,056	1,223,563

1. General fund property tax revenue for FY 2013 decreased by \$25,483 from the previous year. The main reason for this decrease is that a business recently annexed was inadvertently put back in the previous fire tax district before annexation. This error has been corrected and will reflect in revenue for FY 2014.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund	\$2,359,138	\$2,829,455	\$3,198,716	\$3,690,140	\$3,326,176	\$3,418,590	\$3,359,751	\$3,593,108	\$3,347,028	\$3,011,089
Unrestricted	2,359,138	2,829,455	3,198,716	3,690,140	3,326,176	3,418,590	3,359,751	3,593,108	3,347,028	3,011,089
Total general fund										
All other governmental funds										
Restricted:										
Local Hospitality and Accommodations	0	0	0	0	0	0	0	101,638	175,990	262,851
Insurance proceeds	2,042,836	2,096,434	1,156,221	888,871	893,738	929,160	943,533	0	0	0
Tax increment district	9,064	30,299	63,280	65,035	119,219	114,868	883,472	0	0	0
Drug account	3,138	6,510	6,545	4,585	4,613	4,614	4,823	6,023	3,412	5,427
Victim's rights advocate	31,324	34,874	36,591	24,845	24,595	35,754	26,163	-887	6,032	6,034
Community Change	29,190	24,286	21,312	16,289	11,886	7,361	24,559	0	0	0
PMPA	0	0	16,460	-89	19,665	27,245	11,055	25,781	38,096	28,067
Sidewalk	0	0	0	0	49,575	31,941	26,209	18,741	34,082	25,720
Grants	0	0	105,000	-70,841	0	0	-6,827	-88,546	-25,627	15,281
C Funds	-1,485	0	0	0	0	0	0	-1,127	-10,506	0
Economic development	2,515,829	2,585,134	2,611,800	2,579,339	2,630,408	2,838,114	2,885,316	3,194,303	3,621,788	3,743,056
Union Events Center	0	0	0	0	0	0	0	1,830,108	2,073,207	1,882,347
Firemen's fund	9,871	10,054	10,957	10,537	9,821	5,599	4,320	4,117	5,363	3,929
Capital projects	450,157	54,415	21,496	4,682	0	0	0	0	0	0
Total all other governmental funds	5,088,824	4,822,008	4,052,672	3,503,263	3,782,520	3,894,458	4,802,423	5,137,282	5,918,827	5,972,722
Total all governmental funds	\$7,448,062	\$7,751,461	\$7,251,388	\$7,193,403	\$7,088,696	\$7,413,038	\$8,262,174	\$8,730,390	\$9,266,855	\$8,983,811

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$1,073,181	\$1,034,430	\$1,060,715	\$1,085,684	\$1,086,629	\$1,093,891	\$1,090,270	\$1,083,863	\$1,249,334	\$1,223,559
Fee in lieu of taxes	1,511,686	1,729,772	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317	1,892,755	1,818,796	1,517,484
Local hospitality and accommodations tax	0	0	0	0	0	0	0	135,174	171,836	206,506
Licenses, permits and franchise fees	930,309	1,037,919	1,065,245	1,197,399	1,364,589	1,182,977	1,132,126	1,288,967	1,101,502	1,212,990
Fines and forfeitures	129,636	122,132	96,729	120,149	107,621	136,720	117,307	111,222	74,858	89,737
Intergovernmental	819,360	980,371	1,569,317	1,120,739	1,654,065	1,666,863	952,186	924,414	930,303	842,884
State collected revenues	435,068	458,684	467,093	496,323	520,653	504,485	448,936	399,302	386,263	420,954
Investment earnings	84,588	115,359	161,537	150,580	145,215	134,640	68,906	38,818	18,800	16,226
Miscellaneous	50,601	126,456	98,841	98,670	115,083	211,632	216,789	274,606	139,183	202,466
Total revenues	5,034,437	5,605,123	6,211,995	6,240,934	6,762,213	6,783,686	5,758,837	5,928,721	5,688,675	5,732,816
Expenditures										
General government	1,082,733	1,584,470	2,137,899	1,785,053	2,241,556	1,708,859	1,280,247	1,283,266	1,142,488	1,436,257
Taxes and licenses	117,137	108,944	111,071	93,425	65,702	0	0	0	0	0
Facilities Maintenance	64,639	87,838	142,979	104,586	84,144	67,308	82,449	63,507	102,716	105,205
Public Safety	2,285,674	2,457,559	3,230,131	2,645,486	2,866,344	2,960,786	2,819,134	2,739,922	2,876,452	3,004,726
Public service	382,743	446,708	359,748	417,914	475,141	488,462	548,310	531,609	545,745	587,931
Planning	193,573	178,655	207,354	242,268	313,392	284,241	202,862	206,414	188,395	214,525
Capital outlay	508,600	246,238	585,452	640,846	571,312	1,061,069	781,452	1,190,531	178,137	390,581
Debt Service										
Principal	30,674	46,669	56,671	92,047	96,959	102,890	146,157	91,737	159,330	164,283
Interest	18,074	15,640	17,396	17,293	12,373	7,751	29,087	96,519	68,932	63,979
Total expenditures, including capital	4,663,847	5,172,721	6,848,701	6,036,918	6,736,923	6,689,346	5,879,898	6,203,505	5,280,195	5,967,487
Excess of revenues over (under) expenditures	370,590	432,402	-636,706	202,016	25,290	84,340	-120,861	-274,784	429,680	-234,671
Other financing sources (uses)										
Contributed capital	36374		55000							0
Loan and lease purchase proceeds	0		211,635			370,000	1,100,000	873,000	0	0
Transfer- In (Out)	-94,702	-130,000	-130,000	-260,000	-130,000	-130,000	-130,000	-130,000	106,786	-48,370
Total other financing sources (uses)	-58,328	-130,000	136,635	-260,000	-130,000	240,000	970,000	743,000	106,786	-48,370
Net change in fund balances	\$312,262	\$302,402	-\$500,071	-\$57,984	-\$104,710	\$324,340	\$849,139	\$468,216	\$536,466	-\$283,041
Debt service as a percentage of noncapital expenditures	1.2%	1.3%	1.2%	2.1%	1.8%	2.0%	3.6%	3.9%	4.7%	4.3%

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

Fiscal Year	Electric Receipts	Percent of Total	Water Receipts	Percent of Total	Sewer Receipts	Percent of Total	Gas Receipts	Percent of Total	Other Operating Revenue	Percent of Total	Total Combined Public Utility Operating Revenue
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
2011	14,290,390	46.1%	2,873,486	9.3%	1,751,958	5.7%	12,172,761	39.3%	-84,932	-0.3%	31,003,663
2012	14,764,890	51.0%	3,061,643	10.6%	1,836,070	6.3%	9,342,547	32.2%	-30,922	-0.1%	28,974,228
2013	15,751,527	50.6%	3,080,697	9.9%	1,963,425	6.3%	10,347,228	33.2%	-18,481	-0.1%	31,124,396

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

<u>Fiscal Year</u>	<u>Collection Fees</u>
2004(1)	726,699
2005	728,629
2006	736,429
2007	735,145
2008	731,995
2009(2)	588,504
2010	589,010
2011(3)	632,852
2012(4)	673,389
2013	673,300

1. Fees increased from \$13 to \$15 per month.
2. Fees decreased from \$15 to \$12 per month.
3. Fiscal Year 2011 fees increased to \$13 per month.
4. Fiscal Year 2012 fees increased to \$14 per month.

City of Union
Electric Largest Users
For the Year Ended June 30, 2013

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-KWH</u>	<u>% of Total 2013 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2013 Billed Revenue</u>
CITY OF UNION	GOVERNMENT	6,987,879	5.46%	\$604,326	3.84%
HAEMONETICS	CHEMICAL	5,504,851	4.30%	427,235	2.71%
WALLACE THOMSON HOSP	HOSPITAL	5,368,798	4.20%	427,419	2.71%
UNION COUNTY SCHOOLS	EDUCATION	4,269,002	3.34%	365,751	2.32%
WAL-MART #01-0629	STORE	3,226,560	2.52%	251,490	1.60%
BI-LO #167	GROCERY	1,709,908	1.34%	135,169	0.86%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,700,010	1.33%	211,098	1.34%
OAKMONT OF UNION	HEALTHCARE	1,342,800	1.05%	112,653	0.72%
PALM FOOD STORES LLC	CONVENIENCE STORE	1,328,214	1.04%	127,188	0.81%
FRESH AIR GALAXY	GROCERY	1,199,313	0.94%	98,861	0.63%
TOTAL LARGEST USER		<u>32,637,335</u>	25.51%	<u>\$2,761,190</u>	
TOTAL USAGE BILLED		127,946,053			
TOTAL AUDITED REVENUE				\$15,751,527	

(1) Source: City of Union utility records.

(20) Users with less kWh usage but higher billed revenue have a higher demand charge that is included in billed revenue.

City of Union
Water Largest User
For the Year Ended June 30, 2013

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2013 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2013 Billed Revenue</u>
MEANSVILLE-RILEY W DIST	WATER DISTRICT	109,423,400	13.19%	\$318,903	10.35%
BROWNS CREEK WATER DIST	WATER DISTRICT	93,053,300	11.21%	271,053	8.80%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	82,918,400	9.99%	241,560	7.84%
ROCKY CREEK WATER DIST	WATER DISTRICT	61,864,900	7.46%	180,295	5.85%
STANDARD TEXTILE COMPANY	TEXTILE	34,663,800	4.18%	116,507	3.78%
CEDAR HILL PLANT	TEXTILE	24,552,200	2.96%	85,547	2.78%
THE TIMKEN COMPANY	BEARINGS	15,585,300	1.88%	58,393	1.90%
TOWN OF CARLISLE	WATER DISTRICT	11,854,000	1.43%	34,763	1.13%
UNION COUNTY SCHOOLS	EDUCATION	11,820,800	1.42%	39,305	1.28%
CITY OF UNION	GOVERNMENT	11,733,900	1.41%	44,836	1.46%
TOTAL LARGEST USER		<u>457,470,000</u>	55.13%	<u>\$1,391,162</u>	45.16%
TOTAL USAGE BILLED		<u>829,802,700</u>			
TOTAL AUDITED REVENUE				<u>\$3,080,697</u>	

(1) Source: City of Union utility records.

City of Union
Sewer Largest Uses
For the Year Ended June 30, 2013

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2013 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2013 Billed Revenue</u>
STANDARD TEXTILE COMPANY	TEXTILE	20,638,200	6.28%	\$85,248	4.34%
THE TIMKEN CO	BEARINGS	11,646,100	3.54%	55,789	2.84%
CEDAR HILL PLANT	TEXTILE	7,853,400	2.39%	38,287	1.95%
WALLACE THOMSON HOSPITAL	HOSPITAL	7,093,500	2.16%	14,695	0.75%
UNION COUNTY SCHOOLS	EDUCATION	6,196,800	1.88%	27,568	1.40%
UNION COUNTY	GOVERNMENT	4,653,800	1.42%	22,799	1.16%
BOYD MANAGEMENT	RESIDENTIAL PROPERTY	4,334,000	1.32%	26,671	1.36%
OAKMONT OF UNION	RESIDENTIAL CARE CENTER	4,083,200	1.24%	13,321	0.68%
SONCO CRELLIN PLANT	PLASTICS	3,651,600	1.11%	18,304	0.93%
FENDRICH INDUSTRIES, INC	TEXTILE	3,550,700	1.08%	17,419	0.89%
TOTAL LARGEST USER		<u>73,701,300</u>	22.42%	<u>\$320,101</u>	16.30%
TOTAL USAGE SEWER CHARGES WERE CALCULATED		328,802,000			
TOTAL AUDITED REVENUE				\$1,963,245	

(1) Source: City of Union utility records. Excludes utility billing for the City of Union owned property.

City of Union
Natural Gas Largest Users
For the Year Ended June 30, 2013

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-CCF</u>	<u>% of Total 2013 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2013 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	3,001,800	20.95%	\$1,332,192	12.87%
BASF WYANDOTTE CORP.	CHEMICAL	1,763,330	12.31%	877,307	8.48%
THE TIMKEN CO	BEARINGS	1,567,030	10.94%	772,420	7.46%
STANDARD TEXTILE COMPANY	TEXTILES	1,011,490	7.06%	487,140	4.71%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	533,670	3.72%	263,942	2.55%
CEDAR HILL PLANT	TEXTILES	483,340	3.37%	241,647	2.34%
HAEMONETICS	PHARMACEUTICAL	306,210	2.14%	296,092	2.86%
ESAB WELDING & CUTTING	WELDING SUPPLIES	304,090	2.12%	153,894	1.49%
TYGER RIVER CORRECTIONAL(2 PRISON		238,317	1.66%	232,197	2.24%
SOUTHEAST EMULSIONS INC	TEXTILES	232,380	1.62%	228,049	2.20%
TOTAL LARGEST USER		<u>9,441,657</u>	65.89%	<u>\$4,884,880</u>	47.21%
TOTAL USAGE BILLED		14,329,134			
TOTAL AUDITED REVENUE				\$10,347,228	

(1) Source: City of Union utility records.

(2) Institution was billed using large commercial firm rate.

**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			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		
2004	74.3	74.3	74.3	95.5	8.6	21.7	125.8	150.3	14.7	165.0	365.1
2005	74.3	74.3	74.3	95.5	8.6	21.7	125.8	167.9	0.0	167.9	368.0
2006	74.3	74.3	74.3	97.5	6.6	24.7	128.8	167.9	0.0	167.9	371.0
2007	74.3	74.3	74.3	97.5	6.6	24.7	128.8	119.9	48.0	167.9	371.0
2008	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2009	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2010	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2011	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2012	79.9	79.9	79.9	104.2	4.0	24.7	132.9	119.9	48.0	167.9	380.7
2013	79.9	79.9	79.9	104.2	4.0	24.7	132.9	119.9	48.0	167.9	380.7

(1) Source: Union County Auditor

(2) Reassessment for 2010 Levy was delayed until 2011.

**CITY OF UNION, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
NOVEMBER 30, 2012**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2012 TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
1 WAL MART REAL ESTATE	COMMERCIAL	\$62,898.40	5.10%
2 HAEMONETICS CORP	INDUSTRIAL	26,948.80	2.18%
3 BELLSOUTH TELECOM	COMMUNICATIONS	25,072.80	2.03%
4 WINDSOR HILL COMPANY LLC	COMMERCIAL	12,237.48	0.99%
5 AT&T MOBILITY FKA CINGULAR	COMMUNICATIONS	10,772.00	0.87%
6 CHARTER COMMUNICATIONS	COMMUNICATIONS	10,567.20	0.86%
7 GRAHAM WILLIAM M	COMMERCIAL	10,464.00	0.85%
8 UNION ELDERLY HOUSING LP	RESIDENTIAL	8,476.80	0.69%
9 ARTHUR STATE BANK	COMMERCIAL	7,995.20	0.65%
10 PROVIDENT COMMUNITY BANK	COMMERCIAL	7,752.80	0.63%
11 SYLVA HOLDINGS LLC	COMMERCIAL	7,283.20	0.59%
12 FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	7,259.20	0.59%
13 LAKEVIEW GARDENS LLC	RESIDENTIAL	7,121.60	0.58%
14 4031 HCR PROP OAKMONT	RESIDENTIAL	6,978.40	0.57%
15 SPECTRA COLORANTS, INC.	INDUSTRIAL	6,663.20	0.54%
16 PREMIER COLORS INC	INDUSTRIAL	6,663.20	0.54%
17 BROWN EUGENIA A	RESIDENTIAL	6,420.00	0.52%
18 HOPE SMALL	COMMERCIAL	6,215.20	0.50%
19 NORFOLK SOUTHERN	COMMERCIAL	6,192.80	0.50%
20 NEW BUENA VISTA APTS LLC	COMMERCIAL	5,924.80	0.48%
TOTAL OF LARGEST 20 TAXPAYERS		<u>\$249,907.08</u>	15.16%
TOTAL 2012 TAXABLE ASSESSED VALUE		<u>\$1,233,963.00</u> *	100.00%

*INCLUDES HOMESTEAD EXEMPTION, EXCLUDES ABATEMENTS AND VEHICLES

**CITY OF UNION, SOUTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2013**

Total assessed value – 2012-General fund	\$ 15,900,290
Debt limit – 8 percent of assessed value	\$ 1,272,023
Total amount of debt applicable to debt limit	<u>0</u>
Legal Debt Margin	\$ 1,272,023

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**

FISCAL YEAR	GROSS REVENUES (1)	OPERATING EXPENSES (2)	NET REVENUES AVAILABLE FOR DEBT SERVICE			DEBT SERVICE REQUIREMENTS			TIMES COVERAGE(3)
			FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	TOTAL		
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	
2011	31,492,548	26,681,099	4,811,449	787,199	441,617	1,228,816		3.92	
2012	29,383,816	25,011,203	4,372,613	881,766	417,548	1,299,314		3.37	
2013	31,539,591	26,081,823	5,457,768	734,335	311,930	1,046,265		5.22	

Note: (1) Gross 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.

(5) On October 11, 2012 the 1996B SRF, 1997 & 2000 SRF, and the 2004 bonds were refunded with Series A, B, C Bonds. Also, the 1996A SRF was redeemed on October 17, 2012.

**City of Union
Demographic and Economic Statistics**

FISCAL YEAR	Population (1)	Median Age(1)	Per Capita Income (1)	Personal Income	Public School Enrollment(1)	Unemployment Rate(2)
2012	8,393	41	18,046	\$151,460,078	1,645	16.50
2013	8,183	41	19,802	\$162,039,766	1,513	10.40

Sources: (1) U.S. Census Bureau

(2) Unemployment information from the SC Department of Employment and Workforce

**CITY OF UNION
PRINCIPAL EMPLOYERS
CURRENT YEAR**

2013			
EMPLOYER(1)	EMPLOYEES	RANK	PERCENTAGE OF TOTAL COUNTY ACTIVE EMPLOYMENT *
UNION COUNTY SCHOOL DISTRICT	675	1	6.78%
WALLACE THOMSON HOSPITAL	540	2	5.42%
DOLLAR GENERAL DISTRIBUTION	572	3	5.74%
TIMKEN	240	4	2.41%
S.C. STATE GOVERNMENT	230	5	2.31%
COUNTY OF UNION	225	6	2.26%
GESTAMP SOUTH CAROLINA, LLC	210	8	2.11%
MILLIKEN - CEDAR HILL PLANT	201	7	2.02%
CARLISLE FINISHING PLANT	115	9	1.15%
CITY OF UNION	133	10	1.34%
ESAB WELDING AND CUTTING	101	11	1.01%
HAEMONETICS	112	12	1.12%
MILLIKEN - GILLESPIE PLANT	72	13	0.72%
SONOCO PRODUCTS	100	14	1.00%
LOCKHART POWER	50	15	0.50%
BELK Ecommerce	50	16	0.50%

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

* Union County labor force as of 10/2012 is total labor pool of 11,206 with 10,039 employed and 1,167 unemployed resulting in an unemployment rate of 10.40%.

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>FY2008</u> <u>ADOPTED</u>	<u>FY2009</u> <u>ADOPTED</u>	<u>FY2010</u> <u>ADOPTED</u>	<u>FY2011</u> <u>ADOPTED</u>	<u>FY2012</u> <u>ADOPTED</u>	<u>FY2013</u> <u>ADOPTED</u>
LEGISLATIVE	9	9	9	9	9	9 (1)
CITY COURT	1	1	1	1	1	2 (2)
CITY ATTORNEY	1	1	1	1	1	1
TAX & LICENSE	1	0	0	0	0	0
THE UNION CONNECTION	0	2	2	4	3	3
PUBLIC SAFETY	39	42	41	41	40	40
PUBLIC SERVICE - STREET DEPT.	7	7	8	8	8	8
PUBLIC SERVICE - SOLID WASTE	8	7	7	7	6	5 (3)
BUILDING & ZONING	4	4	2	2	2	2
VEHICLE MAINTENANCE	4	4	4	4	4	4
ACCOUNTING	4	5	6	5	5	5
UTILITY BILLING	11	11	9	9	9	9
UTILITIES - ADMINISTRATION	3	3	3	3	3	3
UTILITIES - SUPPORT SERVICES	4	4	4	4	4	4
UTILITIES - ELECTRIC	8	8	8	8	8	8
UTILITIES - WATER	13.5	13.5	13	14	14	14
UTILITIES - WASTEWATER	6.5	6.5	6	6	6	6
UTILITIES - GAS	10	10	10	10	10	10
TOTAL	134	138	134	136	133	133
LESS ELECTED OFFICIALS	7	7	7	7	7	7
	127	131	127	129	126	126

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. A Part-time bailiff has been added to this department
3. Loss of one (1) position

**City of Union
Operating Indicators by Function
For Fiscal Year 2013**

**DATE OF INCORPORATION-December 20, 1837
FORM OF GOVERNMENT- Mayor/Council
AREA-SQUARE MILES(INCORPORATED)- 8**

	2010	2011	2012	2013
ELECTRIC SYSTEM- Established 1898				
Number of Customer Billing per Month	7020	6961	6985	6877
Substations	3	3	3	3
Circuits	12	12	12	12
Security Lights	2690	2690	2828	2867
Number of Miles of Electric Lines Owned by City	165	165	165	165
Square miles/ electric system	19	19	19	19

WATER SYSTEM- Established 1898				
Number of Customer Billing per Month	6249	6196	6199	6101
Number of Water Districts Served	5	5	5	5
Daily Pumping Capacity – Gallons	10,400,000	10,400,000	10,400,000	10,400,000
Greatest for a Single Day	3,600,000	4,100,000	4,232,000	4,410,000
Maximum Filtration Plant Capacity per Day- Gallons	10,400,000	10,400,000	10,400,000	10,400,000
Number of Miles of Water Lines Owned by City	183	183	183	183
Square miles/ water system	19	19	19	19

WASTEWATER SYSTEM- Established 1917				
Number of Customer Billing per Month	5,017	4,961	4,979	4887
Maximum Plant Capacity per Day				
Tosch Creek	6,000,000	6,000,000	6,000,000	6,000,000
Meng Creek	1,000,000	1,000,000		
Greatest Processing for a Single Day	4,210,000	2,990,000	3,520,000	5,710,000
Number of Miles of Wastewater Main Owned by City	103	123	123	123
Square miles/wastewater system	7	7	7	8

NATURAL GAS SYSTEM- Established 1956				
Number of Customer Billing per Month	6,480	6,348	6,446	6163
Maximum Capacity Available on Pipeline in dekatherms				
Transco	10,147	10,147	10,147	10,147
Greatest Consumption for a Single Day-dekatherms	8,607	8,537	9,112	7,504
Number of Miles of Main Gas Line Owned by City	325	411	411	411
Square miles/natural gas system	144	144	144	144

PUBLIC SAFETY				
Number of Stations	1	1	1	1
Number of Public Safety Officers	31	31	31	31
Number of Firefighters	3	3	3	3

BUILDINGS				
Permits Issued	530	548	1269	948
Estimated Cost of Construction	5,009,430	7,251,504	11,459,105	5,435,549
Inspections	815	429	421	216
Plan Reviews	20	28	70	12
Special Exceptions	2	2	7	0