

**CITY OF UNION,  
SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
JUNE 30, 2017**

Prepared by the City of Union's Finance Department and Administration



City of Union, South Carolina

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For the Fiscal Year ended June 30, 2017

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## **INTRODUCTORY SECTION**

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**CITY OF UNION**  
101 Sharpe Avenue  
P.O. Box 987  
Union, SC 29379  
864-429-1700

November 10, 2017

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, 2017.

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 McKinley, Cooper & Co. LLC Certified Public Accountants. 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, 2017, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2017, 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 8,393, 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, 2017, 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 information 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, the Greenville/Spartanburg Airport and the Inland Port Greer – South Carolina Ports Authority. The City is a 3-hour drive from the port of Charleston.

The City is considered to be forward thinking and receptive to development. The overall economic condition of the City has improved over the past year. The decline of the textile industries is being replaced with a diversity of plants and employment opportunities, with unemployment at 5.0 %.

**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 2017 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 and 6-5-15. The yield on investments for the year ended June 30, 2017 varied from approximately 0.1 % to 1.6%. The average yield on overnight federal funds for that period was 0.1%. The City earned interest revenue of \$134,707 on all investments for the year ended June 30, 2017.

**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, 2017, expenditures were recognized for post-retirement health care insurance premiums or provide a supplement for thirty (30) retirees.

Additional information on the City's pension arrangements and post-employment benefits can be found in Notes 4 and 5, in the financial statements.

#### Major Initiatives

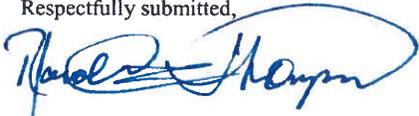
A multi-purpose center, completed during the current year, is located at 107 East Main Street, and will seat approximately 300 people. This center will provide space for the performing arts, business meetings and social events. This center will be a magnet for economic growth in the downtown area. To compliment the center the City applied for and was awarded a \$500,000 streetscape grant on November 15, 2015. This grant will remove and replace sidewalks, pave and add curbing, as well as landscaping and lighting.

Renovations and improvements to the City's utility systems continue. Currently, there are 10 sewer collection projects, completed or under construction as of June 30, 2017. The total cost of these projects total approximately \$1,607,758 complete and construction in progress approximately \$127,731 at June 30, 2017. Projects are funded by a combination of loans from the State of South Carolina State Revolving Loan Fund, SRF, Community Development Block Grants, CDBG, Rural Infrastructure grants and local funds.

#### Acknowledgements

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

Respectfully submitted,

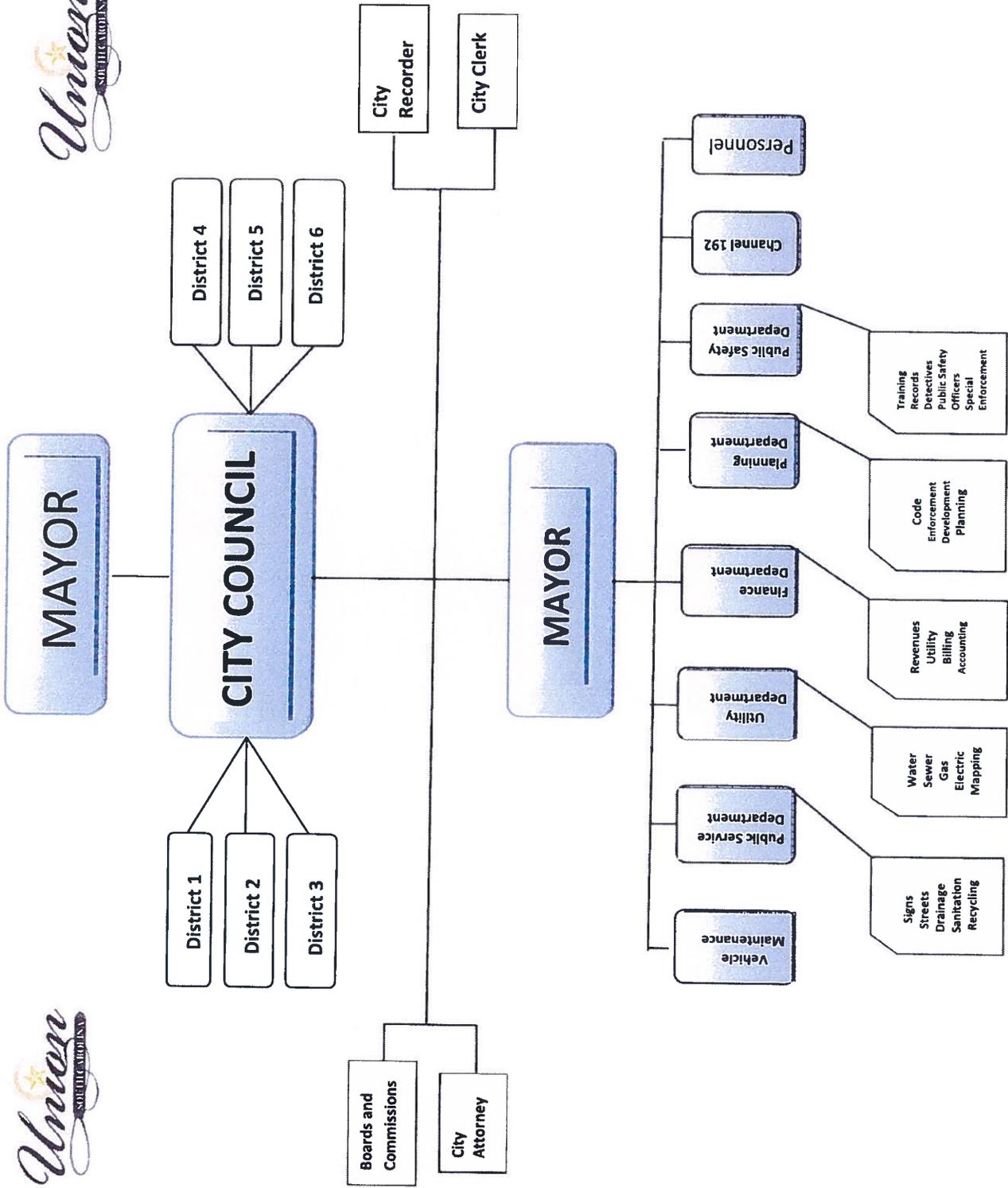


Harold E. Thompson  
Mayor



Walker C. Gallman  
Finance Director

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**City of Union, South Carolina**  
**LIST OF ELECTED and APPOINTED OFFICIALS**  
**as of June 30, 2017**

**ELECTED**

<b>Mayor</b>	<b>Harold E. Thompson</b>
<b>Councilmember, District 1</b>	<b>Tommy L. Anthony</b>
<b>Councilmember, District 2</b>	<b>Robert Garner-Mayor ProTem</b>
<b>Councilmember, District 3</b>	<b>Vicki Morgan</b>
<b>Councilmember, District 4</b>	<b>Ricky Todd Harris</b>
<b>Councilmember, District 5</b>	<b>Pamela G. Sloss</b>
<b>Councilmember, District 6</b>	<b>Sonja Craig</b>

**APPOINTED**

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

**FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Union  
Union, South Carolina

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year ended June 30, 2017, 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and City Council  
City of Union  
November 10, 2017

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year 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, and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplemental schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements.

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

To the Honorable Mayor and City Council  
City of Union  
November 10, 2017

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*McKinley, Cooper & Co., LLC*

Greenville, South Carolina  
November 10, 2017

## 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, 2017. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$74,993,515 (*net position*). Of this amount, \$10,661,253 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net positions are comprised of \$(927,663) governmental activities and \$ 11,588,916 business type activities. The current year total net position increased by \$2,224,584 over the prior year position.

As of the close of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,118,070 an increase of \$83,846 in comparison with the prior year. Approximately 41 percent of this total amount, \$3,345,770 is *available for spending* at the government's discretion (*unassigned general fund balance*). The remaining governmental fund balance of \$4,526,901 is detailed in notes to financial statements.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,345,770 or 60 percent of the total fund expenditures.

The City of Union had \$12,625,166 in bonds, notes and leases outstanding versus \$14,304,889 last year, a decrease of \$1,679,723. This decrease represents the net of principle payments of \$1,679,723 during the year and new debt of \$0.00 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 nine 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 seven 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 \$74,993,515 at the close of the most recent fiscal year. By far the largest portion of the City of Union's net position (78.5%) 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	Governmental Activities	Business-type Activities	Business- type Activities	Total	Total
	2016	2017	2016	2017	2016	2017
Current and other assets	6,443,386	6,373,328	19,752,160	20,290,243	26,195,546	26,663,571
Capital Assets	8,209,429	8,355,215	66,657,866	67,037,060	74,867,295	75,392,275
<b>Total Assets</b>	<b>14,652,815</b>	<b>14,728,543</b>	<b>86,410,026</b>	<b>87,327,303</b>	<b>101,062,841</b>	<b>102,055,846</b>
Deferred outflows of resources	453,810	1,112,561	1,196,134	1,688,285	1,649,944	2,800,846
Current Liabilities	536,314	511,469	3,894,223	3,729,285	4,430,537	4,240,754
Noncurrent liabilities	6,309,334	7,143,240	19,033,716	18,355,592	25,343,050	25,498,832
<b>TOTAL LIABILITIES</b>	<b>6,845,648</b>	<b>7,654,709</b>	<b>22,927,939</b>	<b>22,084,877</b>	<b>29,773,587</b>	<b>29,739,586</b>
Deferred inflows of resources	113,739	102,703	56,528	20,888	170,267	123,591
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	4,390,797	4,699,992	53,443,659	54,163,348	57,834,456	58,863,340
Restricted	4,334,743	4,311,363	1,143,975	1,157,559	5,478,718	5,468,922
Unrestricted	(578,302)	(927,663)	10,034,060	11,588,916	9,455,758	10,661,253
<b>Total net position</b>	<b><u>8,147,238</u></b>	<b><u>8,083,692</u></b>	<b><u>64,621,694</u></b>	<b><u>66,909,823</u></b>	<b><u>72,768,932</u></b>	<b><u>74,993,515</u></b>

An additional portion of the City Of Union's net position (7.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,661,253 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 total 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

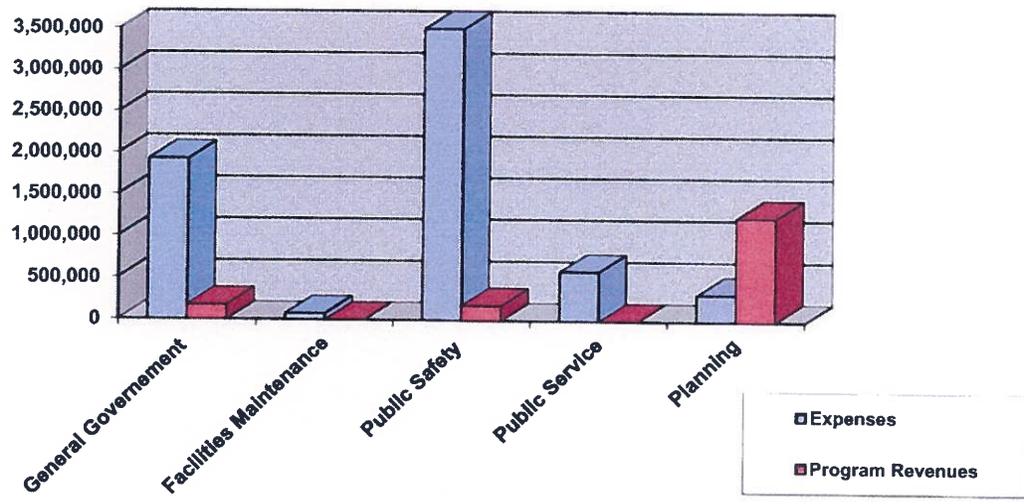
the prior fiscal year.

The City of Union's overall net position increased \$2,224,584 from the prior fiscal year. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

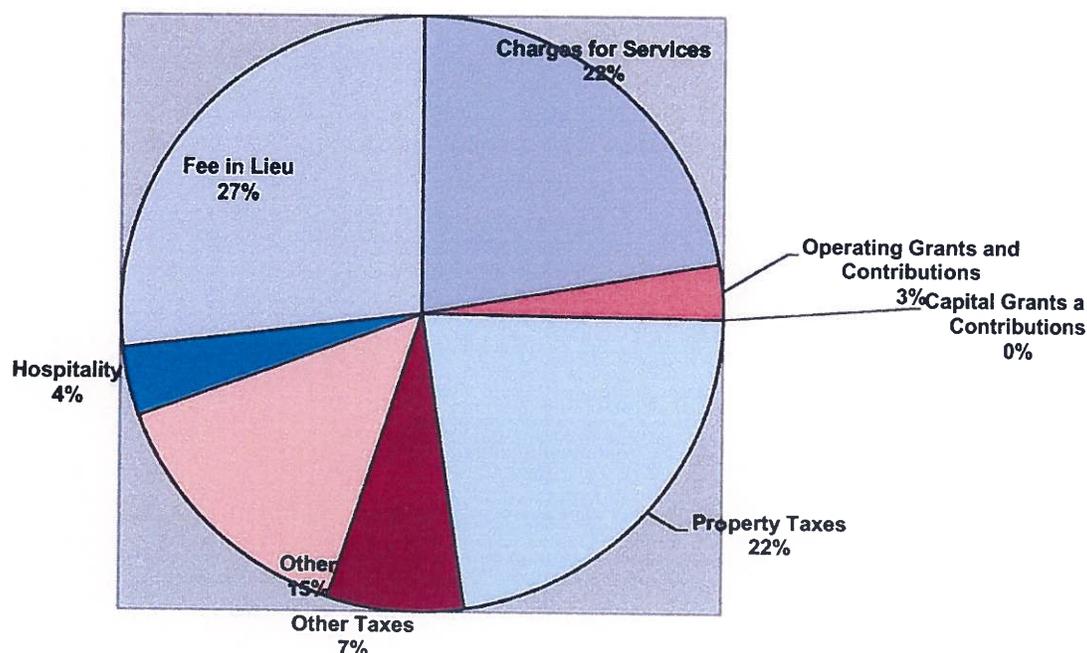
**Governmental activities.** During the current fiscal year, net position for governmental activities decreased \$63,546 from the prior fiscal year ending balance of \$8,147,238. The decrease in the overall net position of governmental activities is the result of an increase overall expenditures with revenue showing signs of stabilizing in some areas. This slow growth in the revenue stream is projected to change with the additional tax revenue being generated due the local option sales tax. The local option sales tax, with an effective date of May 1, 2017, is projected to increase revenue by approximately \$250,000 per year. The City's tax millage rate remained the same for Fiscal Year 2018 at 86.8 mills. Also, the fee in lieu (transfer) continues to be 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 Local Hospitality and Accommodations Fee are used to fund tourism related expenditures, taking pressure off of the General Fund. Local Hospitality and Accommodations fees collected for Fiscal Year 2017 totaled \$233,149.

City of Union Changes in Net Position						
	Governmental	activities	Business-type activities		Total	Total
	2016	2017	2016	2017	2016	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	1,370,794	1,424,253	34,153,772	35,378,703	35,524,566	36,802,956
Operating Grants	13,448	190,169			13,448	190,169
Capital Grants and contributions	49,950	0	834,587	346,201	884,537	346,201
<b>General revenues:</b>						
Property taxes	1,272,330	1,433,458			1,272,330	1,433,458
Other taxes and fees	2,444,099	2,424,470			2,444,099	2,424,470
Other	<u>1,083,318</u>	<u>924,407</u>	<u>91,434</u>	<u>123,581</u>	<u>1,174,752</u>	<u>1,047,988</u>
<b>Total revenues</b>	<u>6,233,939</u>	<u>6,396,757</u>	<u>35,079,793</u>	<u>35,848,485</u>	<u>41,313,732</u>	<u>42,245,242</u>
<b>Expenses:</b>						
General government	1,498,067	1,926,311			1,498,067	1,926,311
Maintenance	59,213	76,270			59,213	76,270
Public safety	3,432,105	3,544,002			3,432,105	3,544,002
Public service	719,011	590,480			719,011	590,480
Planning	269,719	323,240			269,719	323,240
Combined Utilities			31,124,348	32,562,166	31,124,348	32,562,166
Solid Waste Management			727,487	746,681	727,487	746,681
Interest expense			280,593	251,508	280,593	251,508
Special Item-loss on discontinued sewer treatment plant			560,879	0	560,879	0
<b>Total expenses</b>	<u>5,978,115</u>	<u>6,460,303</u>	<u>32,693,306</u>	<u>33,560,355</u>	<u>38,671,421</u>	<u>40,020,658</u>
<b>Increase (Decrease) in net position before transfers</b>	255,824	-63,546	2,386,487	2,288,130	2,642,311	2,224,584
<b>Net position- 07/01</b>	<u>7,891,414</u>	<u>8,147,238</u>	<u>62,235,207</u>	<u>64,621,693</u>	<u>70,126,621</u>	<u>72,768,931</u>
<b>Net position - 06/30</b>	<u>8,147,238</u>	<u>8,083,692</u>	<u>64,621,694</u>	<u>66,909,823</u>	<u>72,768,932</u>	<u>74,993,515</u>

## 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 \$66,909,823. The total increase in net position for business-type activities (electric, water, wastewater, natural gas and solid waste) was \$2,288,130 or 3.5% compared to the prior fiscal year Net position balance of \$64,621,693. Key elements of this increase are as follows:

Electric sales decreased by 390,722 kWh or >1%, compared to the prior year. The City's kWh sales for FY2017 were 127,025,804 kWh, compared to sales of 127,416,526 kWh for FY 2016. The cost of street light usage estimated at 2,524,860 kWh or \$265,110 is absorbed by the utility. The street light usage is not included in the total sales referred to above. However total electric revenue increased by \$ 316,140.

Water sales increased by 70,701,900 gallons or 9.5 % compared to the prior year. This increase is mainly due to increased industrial usage and water district usage. Industrial increased 13,678,300 gallons and water district usage increase 62,629,300 gallons, compared to the prior year. All water districts renewed their contracts for 10 years, with the exception of 1, who signed a 1 year contract. Revenue compared to last year increased \$75,804 or 2.2%.

Wastewater discharged into our wastewater treatment plants increased by 869,300 gallons or <1% compared to the prior year. Industrial discharge increased by 7,728,800 gallons or 9.3% but commercial decreased 4,559,900 gallons or 5.8%. Residential discharge recorded decreased by 1.2%. Revenue compared to the prior year increased by \$37,173 or 1.3%. The City continues to accept waste products being trucked in to our plants from septic tanks and landfills.

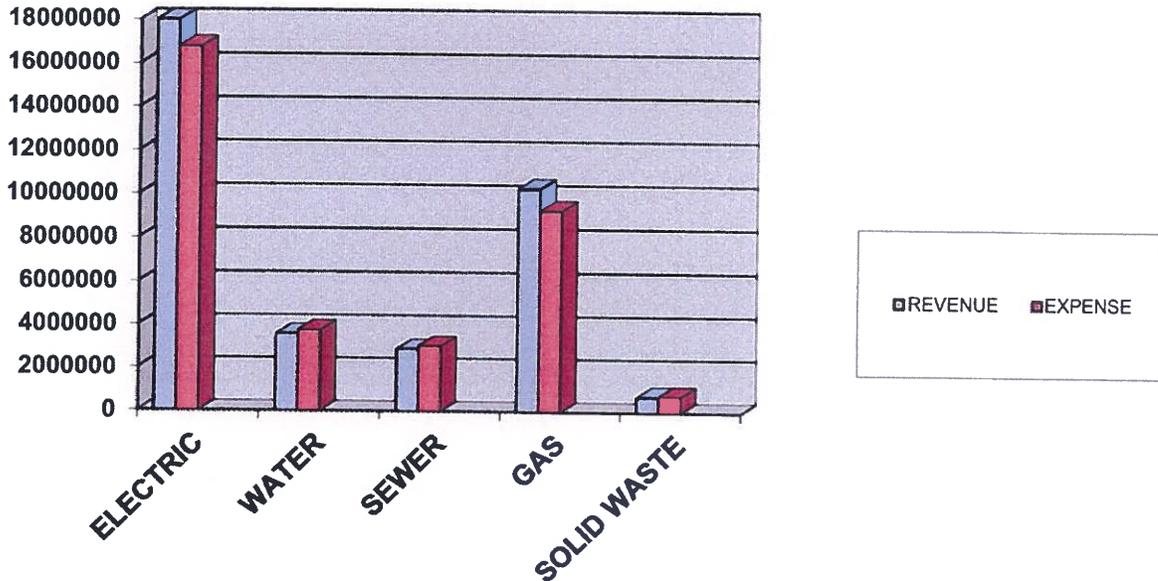
Natural gas sales volume decreased by 11,896(ccf) hundred cubic feet or <1% compared to the prior year. The City experienced decreases in all rate classes with the exception of the industrial class which recorded an increase of 393,346(ccf). Residential and commercial recorded decreased usage of 180,448(ccf) or, 7.1% and 224,794(ccf) or 10.8% respectfully, compared to the prior year. Revenue compared to prior year increased by \$695,169 or 11.6%. In

comparison, the cost of natural gas purchases increased by \$780,410 or 13.02% compared to last year. Even with the decrease in natural gas revenue this utility net income was \$987,106.

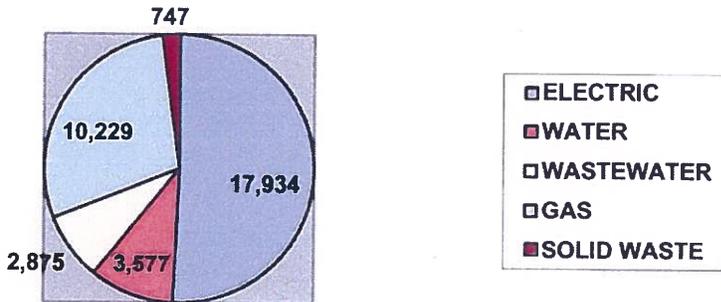
Solid Waste Management charges for services remained the same at \$16.00 per month.

- There were capital contributions to the Combined Utility during the current year totaling \$314,715.
- These funds are Community Development Block Grant funds received for sewer improvements at Union Mill Village and Foster Street Area.
- Investment earnings increased by \$32,147 for business-type activities. The major causes of this increase were more 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 \$8,118,070, an increase of \$83,846 in comparison with the prior year. Approximately 41 percent of this total amount \$3,345,770 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 (\$4,080,180), (2) restricted for particular purposes (\$696,331). 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 3,345,770. 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 59.5 percent of total general fund expenditures.

The City of Union's General Fund, fund balance increase by \$268,331. Revenue was over budget by \$366,750. The fee in lieu (transfer) continues to be a major revenue source for the City's General Fund and based on sales from the enterprise funds, combined utilities and solid management. Payments in lieu of taxes transfer from the enterprise funds, decreased \$47,984 or 2.8% 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. Also, effective May 1, 2017 the Local Option Sales Tax began for Union. It is projected the City of Union's revenue will increase by approximately \$250,000, due to additional 1 cent tax on certain purchases within the County. Expenditures were under budget in the amount of \$604,551. This due to the following: Loss of 3 police officer positions that were not filled and major renovations to City Hall that was deferred to next year. City Council's philosophy has always been to prepare a budget that addresses the needs of the citizens of the City of Union. General Fund departments were under budget for FY 2017.

**Proprietary fund.** 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 \$11,588,916. The total increase in the unrestricted net position was \$1,554,856. 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, 2017, amounts to \$71,503,405 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements other than buildings, and machinery and equipment. Total investment in capital assets decreased by <than 1%.

	Governmental Activities		Business-type activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$1,786,412	\$1,786,412	\$319,845	\$319,845	\$2,106,257	\$2,106,257
Construction in Progress	1,320,972	0	951,710	347,791	\$2,272,682	\$347,791
Infrastructure	197,829	181,952	0	0	\$197,829	\$181,952
Buildings	1,023,318	2,608,074	1,100,540	1,052,589	\$2,123,858	\$3,660,663
Improvements other than buildings	99,873	93,324	63,072,047	62,902,281	\$63,171,920	\$62,995,605
Machinery, Equipment, and Vehicles	1,053,075	957,504	1,213,724	1,253,633	\$2,266,799	\$2,211,137
<b>Total</b>	<b>\$5,481,479</b>	<b>\$5,627,266</b>	<b>\$66,657,866</b>	<b>\$65,876,139</b>	<b>\$72,139,345</b>	<b>\$71,503,405</b>

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

- Electrical system improvements in the amount of \$259,886.
- Wastewater system also had several projects that were completed during FY2017 to include Buffalo phase IV sewer collection upgrade- \$664,006, Union Mill Village Phase III sewer collection upgrade \$732,898. The projects along with City funds were funded by Community Development Block Grants and Rural Infrastructure Authority Grants.
- Natural Gas System improvements included: extending the City’s system and continued improvements to lines \$201,497.
- Construction in progress as of June 30, 2017 in the amount of \$347,791 represents several ongoing projects.

Major grants awarded in the following year to fund capital assets as follows:

- On November 6, 2017 the City was awarded a Rural Infrastructure Authority Grant in the amount of \$1,000,000 to upgrade the Meansville sewer pump station and force main updates.
- On November 6, 2017 the City was Community Development Block in the amount of \$390,500 to purchase a new fire truck.

Additional information on the City of Union’s capital assets can be found in note C.3 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 \$12,625,166. Of this amount \$0 comprises debt backed by the full faith and credit of the government. Also, lease purchase agreements in the amount of \$480,845 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>
<b>Governmental activities:</b>					
Capital lease obligations	\$446,052	0	\$89,227	\$356,825	\$91,661
Tax increment district bonds	644,631	0	74,182	570,449	75,925
Total	<u>\$1,090,683</u>	<u>\$0</u>	<u>\$163,409</u>	<u>\$927,274</u>	<u>\$167,586</u>
<b>Business-type activities:</b>					
Capital lease obligations	\$187,281		\$63,261	\$124,020	\$64,228
Bonds payable	<u>13,026,925</u>	<u>0</u>	<u>1,453,053</u>	<u>11,573,872</u>	<u>1,375,543</u>
Total	<u>\$13,214,206</u>	<u>\$0</u>	<u>\$1,516,314</u>	<u>\$11,697,892</u>	<u>\$1,439,771</u>
Total Lease and Bonds Outstanding	<u>\$14,304,889</u>	<u>\$0</u>	<u>\$1,679,723</u>	<u>\$12,625,166</u>	<u>\$1,607,357</u>

The City of Union had \$12,625,166 in bonds, notes and leases outstanding versus \$14,304,889 last year, a decrease of \$1,679,723. This increase represents the net of principle payments of \$1,679,723 during the year and new debt of \$0.00 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 \$1,288,935, 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 \$862,156 accrued net pension liability of \$12,968,458 and accrued compensated absences of \$185,261 as of June 30, 2017. See notes to the financial statements 3.E.

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 2017-18 fiscal years.

The unemployment rate for the City of Union is currently 5.0%, which is less than last year's rate of 5.2%. New industry and existing industry expansion is the reason for the decrease. In comparison, the state's unemployment rate is 4.2%, and the national rate is 3.9%.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$268,331 to \$3,345,770. The City of Union has appropriated \$5,893,150 for spending in the 2017-18 fiscal year budget. The General Fund proposed FY 2017/2018 budget does not include a tax rate increase, but will include additional revenue generated by the implementation of the local option sales tax in May 2017. However; The General Fund, again this year, will rely on prior year fund balance to present a balanced budget.

The Solid Waste Management fee will remain the same at \$16 per month.

The City continues to see pressure from wholesale rates in electricity; natural gas wholesale rates have been stable. Mandates from State and Federal Agencies continue to pressure all utilities with increased cost to comply with regulations. Electric rates will increase by 5% and the Purchase Power Adjustment clause (PPAC) will continue to true-up the cost of electricity from our suppliers. 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 to true-up the cost of gas from suppliers. Water and wastewater rates will increase 2% and 2% respectfully for FY 2017-18 for 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.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF UNION, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,565,758	\$ 547,515	\$ 2,113,273
Investments	2,218,214	16,263,728	18,481,942
Receivables (net of allowance for uncollectibles)	2,202,552	2,544,976	4,747,528
Due from other funds	386,804	(386,804)	-
Interest receivable	-	14,862	14,862
Inventories	-	840,508	840,508
Advances to other funds	-	465,148	465,148
Deposits	-	310	310
Capital asset held for resale	2,727,949	-	2,727,949
Restricted assets			
Investments	-	1,160,059	1,160,059
Intergovernmental receivable	-	862	862
Capital assets not being depreciated			
Land and construction in progress	1,786,412	667,636	2,454,048
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	2,608,074	1,052,589	3,660,663
Improvements other than buildings	93,324	62,902,281	62,995,605
Machinery and equipment	957,504	1,253,633	2,211,137
Infrastructure	181,952	-	181,952
<b>Total assets</b>	<u>14,728,543</u>	<u>87,327,303</u>	<u>102,055,846</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding of debt	-	507,880	507,880
Pension related deferred outflows	1,112,561	1,180,405	2,292,966
<b>Total Deferred Outflows of Resources</b>	<u>1,112,561</u>	<u>1,688,285</u>	<u>2,800,846</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	343,883	2,249,205	2,593,088
Retainage payable	-	14,899	14,899
Accrued interest payable	-	25,410	25,410
Noncurrent accrued compensated absences and OPEB	463,554	583,863	1,047,417
Noncurrent pension liability	5,454,850	7,513,608	12,968,458
Noncurrent advances from other funds	465,148	-	465,148
Other noncurrent liabilities:			
Due within one year	167,586	1,439,771	1,607,357
Due in more than one year	759,688	10,258,121	11,017,809
<b>Total Liabilities</b>	<u>7,654,709</u>	<u>22,084,877</u>	<u>29,739,586</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	102,703	20,888	123,591
<b>Total Deferred Inflows of Resources</b>	<u>102,703</u>	<u>20,888</u>	<u>123,591</u>
<b>Net Position</b>			
Net investment in capital assets	4,699,992	54,163,348	58,863,340
Restricted for:			
Community assistance	41,553	-	41,553
Tourism promotion	394,513	-	394,513
Economic development	3,864,642	-	3,864,642
Debt service	-	1,157,559	1,157,559
Public safety	10,655	-	10,655
Unrestricted	(927,663)	11,588,916	10,661,253
<b>Total Net Position</b>	<u>\$ 8,083,692</u>	<u>\$ 66,909,823</u>	<u>\$ 74,993,515</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNION, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
<b>Governmental Activities</b>							
General government	\$ 1,926,311	\$ -	\$ 176,300	\$ -	\$ (1,750,011)	\$ (1,750,011)	
Facilities maintenance	76,270	-	-	-	(76,270)	(76,270)	
Public safety	3,544,002	180,389	13,869	-	(3,349,744)	(3,349,744)	
Public service	590,480	-	-	-	(590,480)	(590,480)	
Planning	323,240	1,243,864	-	-	920,624	920,624	
<b>Total Governmental Activities</b>	<b>6,460,303</b>	<b>1,424,253</b>	<b>190,169</b>	<b>-</b>	<b>(4,845,881)</b>	<b>(4,845,881)</b>	
<b>Business-Type Activities</b>							
Solid waste management	747,419	761,049	-	-	-	13,630	
Utility system	32,812,936	34,617,654	-	346,201	-	2,150,919	
<b>Total Business-Type Activities</b>	<b>33,560,355</b>	<b>35,378,703</b>	<b>-</b>	<b>346,201</b>	<b>-</b>	<b>2,164,549</b>	
<b>Total Primary Government</b>	<b>\$ 40,020,658</b>	<b>\$ 36,802,956</b>	<b>\$ 190,169</b>	<b>\$ 346,201</b>	<b>(4,845,881)</b>	<b>(2,681,332)</b>	
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					1,433,458	1,433,458	
Fee in lieu of property taxes					1,721,980	-	
Local hospitality and accommodations fee					233,149	-	
Other taxes					469,341	233,149	
Intergovernmental revenue not restricted to specific programs					515,243	515,243	
Unrestricted investment earnings					11,126	123,581	
Miscellaneous					398,038	398,038	
<b>Total General Revenues</b>					<b>4,782,335</b>	<b>4,905,916</b>	
<b>Change in Net Position</b>					<b>(63,546)</b>	<b>2,224,584</b>	
<b>Net Position, beginning</b>					<b>8,147,238</b>	<b>72,768,931</b>	
<b>Net Position, ending</b>					<b>\$ 8,083,692</b>	<b>\$ 74,993,515</b>	

The accompanying notes are an integral part of these financial statements.

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**FUND FINANCIAL STATEMENTS**

**CITY OF UNION, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General	Economic Development	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,023,676	\$ -	\$ 542,082	\$ 1,565,758
Investments	2,218,214	-	-	2,218,214
Receivables	385,173	1,817,379	-	2,202,552
Due from other funds	227,649	249,610	(90,455)	386,804
Capital asset held for resale	-	2,727,949	-	2,727,949
<b>Total Assets</b>	<b>\$ 3,854,712</b>	<b>\$ 4,794,938</b>	<b>\$ 451,627</b>	<b>\$ 9,101,277</b>
<b>Liabilities</b>				
Accounts payable	\$ 334,766	\$ -	\$ 9,117	\$ 343,883
Advances from other funds	-	465,148	-	465,148
<b>Total Liabilities</b>	<b>334,766</b>	<b>465,148</b>	<b>9,117</b>	<b>809,031</b>
<b>Deferred Inflows of Resources</b>				
License fees collected in advance	71,594	-	-	71,594
Unearned tax revenue	102,582	-	-	102,582
<b>Total Deferred Inflows of Resources</b>	<b>174,176</b>	<b>-</b>	<b>-</b>	<b>174,176</b>
<b>Fund Balances</b>				
Nonspendable	-	4,080,180	-	4,080,180
Restricted	-	249,610	446,721	696,331
Unassigned	3,345,770	-	(4,211)	3,341,559
<b>Total Fund Balances</b>	<b>3,345,770</b>	<b>4,329,790</b>	<b>442,510</b>	<b>8,118,070</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,854,712</b>	<b>\$ 4,794,938</b>	<b>\$ 451,627</b>	<b>\$ 9,101,277</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF UNION, SOUTH CAROLINA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Fund Balance - Governmental Funds</b>		<b>\$ 8,118,070</b>
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
The cost of capital assets is	10,364,956	
Accumulated depreciation is	<u>(4,737,690)</u>	5,627,266
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These assets are reported in the governmental activities of the Statement of Net Position, thus increasing the net assets.		
Deferred inflows of resources- Unearned property taxes	71,594	
- Licenses collected in advance	<u>102,582</u>	174,176
Long-term liabilities, such as bonds payable, notes payable, capital leases payable, net pension liability, and long-term compensated absences are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of net position. The reporting of these liabilities reduces the net assets of the governmental activities in the statement of net position		
Tax increment district bonds payable	(570,449)	
Capital lease obligations	(356,825)	
OPEB obligation	(383,495)	
Compensated absences	(80,059)	
Net pension liability	<u>(5,454,850)</u>	(6,845,678)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,112,561	
Deferred inflows of resources related to pensions	<u>(102,703)</u>	<u>1,009,858</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 8,083,692</u></b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF UNION, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	General	Economic Development	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes and penalties	\$ 1,311,058	\$ -	\$ 84,521	\$ 1,395,579
Payment in lieu of taxes	1,721,980	-	-	1,721,980
Local hospitality and accommodations tax	-	-	233,149	233,149
Licenses, permits, and fees	1,249,734	-	-	1,249,734
Fines and forfeitures	91,588	-	-	91,588
Intergovernmental revenues/grants/contributions	780,344	-	13,869	794,213
State collected revenues	469,341	-	-	469,341
Investment earnings	7,968	2,943	215	11,126
Miscellaneous revenues	69,167	156,893	171,978	398,038
<b>Total Revenues</b>	<b>5,701,180</b>	<b>159,836</b>	<b>503,732</b>	<b>6,364,748</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,261,691	9,917	251,111	1,522,719
Facilities maintenance	76,270	-	-	76,270
Public safety	3,160,482	-	20,938	3,181,420
Public service	585,320	-	-	585,320
Planning	323,240	-	-	323,240
<b>Capital outlay</b>				
General government	-	-	286,013	286,013
Facilities maintenance	14,932	-	-	14,932
Public safety	42,881	-	-	42,881
Public service	44,491	-	13,913	58,404
<b>Debt service</b>				
General government	-	-	89,331	89,331
Public safety	100,372	-	-	100,372
<b>Total Expenditures</b>	<b>5,609,679</b>	<b>9,917</b>	<b>661,306</b>	<b>6,280,902</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>91,501</b>	<b>149,919</b>	<b>(157,574)</b>	<b>83,846</b>
<b>Other Financing Sources (Uses)</b>				
<b>Transfers in (out)</b>				
Transfer - Economic Development	176,830	(176,830)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>176,830</b>	<b>(176,830)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>268,331</b>	<b>(26,911)</b>	<b>(157,574)</b>	<b>83,846</b>
<b>Fund Balances, beginning of year</b>	<b>3,077,439</b>	<b>4,356,701</b>	<b>600,084</b>	<b>8,034,224</b>
<b>Fund Balances, end of year</b>	<b>\$ 3,345,770</b>	<b>\$ 4,329,790</b>	<b>\$ 442,510</b>	<b>\$ 8,118,070</b>

The accompanying notes are an integral part of these financial statements.

**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  
YEAR ENDED JUNE 30, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ 83,846

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Depreciation expense	(256,445)	
Capital outlay	402,230	145,785

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 difference is as follows:

Prepaid license fees - net change	(5,870)	
Unavailable property tax revenue - net change	37,879	32,009

Governmental funds report the issuance of long-term debt (e.g., bond proceeds and capital lease issuances) as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Repayment of long-term debt		163,409
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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. This is the (increase) decrease in liability for these expenses.

Net OPEB obligation	(36,479)	
Compensated absences	(2,868)	(39,347)

Changes in the proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities. This difference is the increase in retirement expense related to the net pension liability.

(449,248)

**Change in Net Position of Governmental Activities**

\$ (63,546)

*The accompanying notes are an integral part of these financial statements.*

CITY OF UNION, SOUTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes and penalties	\$ 1,182,280	\$ 1,182,280	\$ 1,311,058	\$ 128,778
Payment in lieu of taxes	1,840,000	1,840,000	1,721,980	(118,020)
Licenses, permits and fees	1,205,300	1,205,300	1,249,734	44,434
Fines and forfeitures	106,000	106,000	91,588	(14,412)
Intergovernmental revenues/grants/contribution	525,720	525,720	780,344	254,624
State collected revenues	435,460	435,460	469,341	33,881
Investment earnings	8,000	8,000	7,968	(32)
Miscellaneous revenues	31,670	31,670	69,167	37,497
<b>Total Revenues</b>	<u>5,334,430</u>	<u>5,334,430</u>	<u>5,701,180</u>	<u>366,750</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,264,620	1,264,620	1,261,691	2,929
Facilities maintenance	204,000	204,000	76,270	127,730
Public safety	3,453,610	3,453,610	3,160,482	293,128
Public service	664,920	664,920	585,320	79,600
Planning	343,210	343,210	323,240	19,970
<b>Capital outlay</b>				
Facilities maintenance	55,000	55,000	14,932	40,068
Public safety	86,500	86,500	42,881	43,619
Public service	42,000	42,000	44,491	(2,491)
<b>Debt service</b>				
Public safety	100,370	100,370	100,372	(2)
<b>Total Expenditures</b>	<u>6,214,230</u>	<u>6,214,230</u>	<u>5,609,679</u>	<u>604,551</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(879,800)</u>	<u>(879,800)</u>	<u>91,501</u>	<u>971,301</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	176,830	176,830	176,830	-
<b>Total Other Financing Sources (Uses)</b>	<u>176,830</u>	<u>176,830</u>	<u>176,830</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(702,970)</u>	<u>(702,970)</u>	<u>268,331</u>	<u>971,301</u>
<b>Fund Balances, beginning</b>	<u>3,077,439</u>	<u>3,077,439</u>	<u>3,077,439</u>	<u>-</u>
<b>Fund Balances, ending</b>	<u>\$ 2,374,469</u>	<u>\$ 2,374,469</u>	<u>\$ 3,345,770</u>	<u>\$ 971,301</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNION, SOUTH CAROLINA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	Combined Utility	Solid Waste Management	Total Proprietary Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 271,409	\$ 276,106	\$ 547,515
Investments	16,263,728	-	16,263,728
Interest receivable	14,862	-	14,862
Receivables (net of allowance for uncollectibles)	2,544,976	-	2,544,976
Due to/from other funds	(269,284)	(117,520)	(386,804)
Inventories	840,508	-	840,508
<b>Total current assets</b>	<u>19,666,199</u>	<u>158,586</u>	<u>19,824,785</u>
<b>Noncurrent Assets</b>			
Advances to other funds	465,148	-	465,148
Deposits	310	-	310
Restricted cash, cash equivalents, and investments			
Investments	1,160,059	-	1,160,059
Intergovernmental receivables	862	-	862
Capital assets			
Land and construction	666,866	770	667,636
Buildings	1,785,705	457,490	2,243,195
Improvements other than buildings	112,476,361	-	112,476,361
Machinery and equipment	4,498,124	1,440,470	5,938,594
Less accumulated depreciation	(53,982,102)	(1,467,545)	(55,449,647)
<b>Total capital assets (net of accumulated depreciation)</b>	<u>65,444,954</u>	<u>431,185</u>	<u>65,876,139</u>
<b>Total noncurrent assets</b>	<u>67,071,333</u>	<u>431,185</u>	<u>67,502,518</u>
<b>Total Assets</b>	<u>86,737,532</u>	<u>589,771</u>	<u>87,327,303</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding of debt	507,880	-	507,880
Pension related deferred outflows	1,121,385	59,020	1,180,405
<b>Total Deferred Outflows of Resources</b>	<u>1,629,265</u>	<u>59,020</u>	<u>1,688,285</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	2,242,024	7,181	2,249,205
Retainage payable	14,899	-	14,899
<b>Total current liabilities</b>	<u>2,256,923</u>	<u>7,181</u>	<u>2,264,104</u>
<b>Current liabilities payable from restricted assets</b>			
Revenue bonds payable	1,375,543	-	1,375,543
Lease-purchase payable	39,098	25,130	64,228
Accrued interest payable	25,410	-	25,410
<b>Total current liabilities payable from restricted assets</b>	<u>1,440,051</u>	<u>25,130</u>	<u>1,465,181</u>
<b>Noncurrent liabilities</b>			
Accrued compensated absences and OPEB	546,051	37,812	583,863
Revenue bonds payable	10,198,329	-	10,198,329
Lease-purchase payable	59,792	-	59,792
Net pension liability	7,062,792	450,816	7,513,608
<b>Total noncurrent liabilities</b>	<u>17,866,964</u>	<u>488,628</u>	<u>18,355,592</u>
<b>Total Liabilities</b>	<u>21,563,938</u>	<u>520,939</u>	<u>22,084,877</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	19,844	1,044	20,888
<b>Total Deferred Inflows of Resources</b>	<u>19,844</u>	<u>1,044</u>	<u>20,888</u>
<b>Net Position</b>			
Net investment in capital assets	53,757,293	406,055	54,163,348
Restricted for debt service	1,157,559	-	1,157,559
Unrestricted	11,868,163	(279,247)	11,588,916
<b>Total Net Position</b>	<u>\$ 66,783,015</u>	<u>\$ 126,808</u>	<u>\$ 66,909,823</u>

The accompanying notes are an integral part of these financial statements

CITY OF UNION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Business-type Activities		
	Combined Utility	Solid Waste Management	Total
<b>Operating revenues</b>			
Sales	\$ 31,349,376	\$ -	\$ 31,349,376
Sewer charges	2,860,365	-	2,860,365
Collection fees	-	769,264	769,264
Other revenues	95,336	(8,107)	87,229
Total operating revenues	<u>34,305,077</u>	<u>761,157</u>	<u>35,066,234</u>
<b>Operating expenses</b>			
Purchased power and natural gas	20,601,779	-	20,601,779
System operations	7,645,033	642,549	8,287,582
Payments in lieu of franchise fee	1,656,684	38,064	1,694,748
Depreciation and amortization	2,658,670	66,068	2,724,738
Total operating expenses	<u>32,562,166</u>	<u>746,681</u>	<u>33,308,847</u>
Operating income	<u>1,742,911</u>	<u>14,476</u>	<u>1,757,387</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	123,490	91	123,581
Other	312,577	(108)	312,469
Interest expense	(250,770)	(738)	(251,508)
Total nonoperating revenues (expenses)	<u>185,297</u>	<u>(755)</u>	<u>184,542</u>
Income before contributions and transfers	1,928,208	13,721	1,941,929
Capital contributions and grants	346,201	-	346,201
Changes in net assets	2,274,409	13,721	2,288,130
Total net position, beginning	<u>64,508,606</u>	<u>113,087</u>	<u>64,621,693</u>
Total net position, ending	<u>\$ 66,783,015</u>	<u>\$ 126,808</u>	<u>\$ 66,909,823</u>

*The accompanying notes are an integral part of these financial statements.*

CITY OF UNION, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2017

	Utility	Solid Waste Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 34,485,449	\$ 703,185	\$ 35,188,634
Payments for electricity and gas for resale	(20,601,779)	-	(20,601,779)
Payments in lieu of franchise fee	(1,656,684)	(38,064)	(1,694,748)
Payments to suppliers	(2,934,649)	(158,748)	(3,093,397)
Payments to employees and related benefit providers	(4,557,299)	(293,588)	(4,850,887)
<b>Net cash provided (used) by operating activities</b>	<b>4,735,038</b>	<b>212,785</b>	<b>4,947,823</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Accrual of OPEB obligations and compensated absences	51,250	3,744	54,994
<b>Net cash provided (used) by noncapital financing activities</b>	<b>51,250</b>	<b>3,744</b>	<b>54,994</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions and grants	346,201	-	346,201
Construction and purchase of fixed assets	(1,814,229)	-	(1,814,229)
Principal paid on capital debt	(1,491,550)	(24,764)	(1,516,314)
Interest paid on capital debt	(253,180)	(738)	(253,918)
Nonoperating income/(expense)	312,577	(108)	312,469
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(2,900,181)</b>	<b>(25,610)</b>	<b>(2,925,791)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments, net	(1,947,542)	-	(1,947,542)
Interest income received	113,594	91	113,685
<b>Net cash provided (used) by investing activities</b>	<b>(1,833,948)</b>	<b>91</b>	<b>(1,833,857)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>52,159</b>	<b>191,010</b>	<b>243,169</b>
<b>CASH, beginning of year</b>	<b>219,250</b>	<b>85,096</b>	<b>304,346</b>
<b>CASH, end of year</b>	<b>\$ 271,409</b>	<b>\$ 276,106</b>	<b>\$ 547,515</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,742,911	\$ 14,476	\$ 1,757,387
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization expense	2,658,670	66,068	2,724,738
(Increase) decrease in accounts receivable	181,473	-	181,473
(Increase) decrease in due to/from other funds	107,932	119,043	226,975
(Increase) decrease in advances to other funds	156,893	-	156,893
(Increase) decrease in inventories	(63,738)	-	(63,738)
Increase (decrease) in accounts payable and accrued expenses	(81,907)	(4,077)	(85,984)
Increase (decrease) in net pension liability and deferred resources	32,804	17,275	50,079
<b>Total adjustments</b>	<b>2,992,127</b>	<b>198,309</b>	<b>3,190,436</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 4,735,038</b>	<b>\$ 212,785</b>	<b>\$ 4,947,823</b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF UNION, SOUTH CAROLINA**  
**STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS**  
**JUNE 30, 2017**

	<u>Police Seizure Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 48,679
Receivables (net of allowance for uncollectibles)	-
Total assets	<u>\$ 48,679</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 48,679</u>
Total liabilities	<u>\$ 48,679</u>

*The accompanying notes are an integral part of these financial statements.*

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CITY OF UNION, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

**NOTE 1 – 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 8,393. The City is governed by an elected mayor and six-member council. The City operates under the mayor-council form of government. The 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 financial statements include all City funds and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit within the City’s reporting 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. Finally, an entity could be a component unit if excluding it would cause the City’s financial statements to be misleading or incomplete. Based on these criteria, the City has no component units.

**B. Basis of presentation**

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. 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. *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 and 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 economic development fund and the utility enterprise fund are also presented as major funds based upon the definition. The Statement allows presentation of other funds that are of particular importance to also be reported as major funds. The City elects to include the solid waste management fund as a major fund.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. 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 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 Fiduciary 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 or committed to expenditures for specified purposes. The revenue sources include revenues collected for specific purposes and federal and state 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**

The accounting and financial reporting treatment applied to a fund is determined by its applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured as either *current financial resources* or *economic resources*. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 financial statements.

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 statement of net position. 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.

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**

##### **Deposits and investments**

For financial statement purposes, including the statement of cash flows, the government's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with a maturity of three months or less when purchased.

### **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 collectibility 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 2016 was 86.8 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, 2017 amounted to \$99,107.

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 yearend.

### **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.

### **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/statement of net position because their use is limited by applicable debt covenants.

### **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. Construction interest is not capitalized in governmental-type funds.

Land and construction in progress are not depreciated. Property, plant, capital lease assets treated as lease-purchases and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Buildings	39 years
Infrastructure	10-40 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	5-10 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.

#### **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.

#### **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.

Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Statement No. 65, bond premiums and discounts, as well as issuance costs, are expensed in the year they occur. Deferred charges on refunding are amortized over the life of the bonds.

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.

### **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 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.

*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 investment in capital assets* 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 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.

#### **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 may have been made to prior year amounts in the accompanying financial statements to conform to current year presentation.

### **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.

### **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element 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 pension related deferred outflows being reported for all fund types, the combined utility fund also reports deferred outflows for deferred charges on refunding of debt.

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. In addition to pension related deferred inflows being reported for all fund types, the general fund reports deferred inflows under the modified accrual approach from property taxes and prepaid license fees.

## **NOTE 2 – 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 no supplemental appropriations adopted by the City Council or reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.

**B. Excess of expenditures over revenues/appropriations – Governmental Funds**

For the year ended June 30, 2017, expenditures exceeded revenues in the following funds:

Tax increment district	\$	(4,801)
Sidewalk fund		(13,913)
Events center fund		(238,697)
Firemen's fund		(93)
Drug fund		(3,477)

**C. Deficit fund equity**

At the year ended June 30, 2017, the Tax Increment District special revenue fund had a deficit fund balance of \$4,211.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

At yearend, the government’s bank balance of cash and cash equivalents was \$2,266,397. The bank balance was covered by federal depository insurance, by collateralized securities held by the pledging financial institution’s trust department or agent but not in the government’s name, and by irrevocable letters of credit issued by Federal Agencies in which the City of Union is named as beneficiary. Book value is not materially different from bank balances.

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

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of approved Federal agencies that have a debt rating in one of the top two ratings categories.
3. 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 and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.
6. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
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.
8. South Carolina Pooled Investment Fund (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. The South Carolina State Treasurer oversees the Pool. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.
9. Deposits secured by an irrevocable letter of credit issued by an approved Federal agency in which the local entity is named as beneficiary.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

The City uses the following recurring fair value measurements:

- South Carolina Local Government Investment Pool (the “Pool” or “LGIP”) investments – The fair value of the position in the pool is the same as the value of the pool shares. The pool is included as an investment trust fund in the State of South Carolina Comprehensive Annual Financial Report. At June 30, 2016, the underlying security ratings of the District’s investments in the LGIP is classified in risk category “A” and may be obtained from the LGIP’s complete financial statements by writing to the following address: Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211.
- U.S. Treasury Securities – Valued using quoted market prices (Level 1 inputs).
- Certificates of Deposit (“CD”) and Money Market Accounts – Deposits held by banking institutions are valued at quoted market prices (Level 1 inputs).

Investments carried at fair value at June 30, 2017 are as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
SC Local Government		
Investment Pool	\$ 8,771,698	Less than one year
Certificates of Deposit	5,425,025	Less than two years
Money Market	5,445,278	Less than two years
Total	<u>\$19,642,001</u>	

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$1,157,559 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. The S.C. Local Government Investment Pool as overseen by the State, which invests in instruments allowed under state laws. The Investment Pool is not rated. It’s a money market type pool, which is fully collateralized, and the underlying securities are held by a third party bank for the pool.

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.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name. As of June 30, 2017, all deposits are either insured or fully collateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its investment policy, the City invests in the state investment pool which is not subject to custodial risk.

**B. Receivables**

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively:

	General	Special Revenue	Enterprise	Total
Receivables				
Property taxes and assessments	\$ 89,866	\$ -	\$ -	\$ 89,866
Other governments	248,409	-	862	249,271
Utility accounts	-	-	2,510,425	2,510,425
Notes receivable	-	1,817,379	-	1,817,379
Other	46,898	-	34,551	81,449
Net total receivables per fund financials	<u>\$ 385,173</u>	<u>\$ 1,817,379</u>	<u>\$ 2,545,838</u>	<u>\$ 4,748,390</u>

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. The loans were extended to private developers to rehabilitate buildings in downtown Union.

These notes are as follows:

	Principal Balance at June 30, 2017
Promissory note from Fairforest Limited Partnership in the original amount of \$65,000. The note dated May 14, 1993, has a 4.5% interest rate with yearly payment due annually for 24 years.	\$ 2,923
Promissory notes receivable from Fairforest II Limited Partnership in the original amount of \$953,588 dated September 26, 1994. The Construction Loan portion of the note in the amount of \$843,512 has an interest rate 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.	953,588

Promissory note from Fairforest Limited Partnership in the original amount of \$50,868. The note, dated 1994, has a 0% interest rate with a balloon payment due on February 8, 2046.

\$ 50,868

Promissory note from Fairforest IV Limited Partnership in the original 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.

235,000

Promissory note from Fairforest V Limited Partnership in the original amount of \$245,000. The note dated January 17, 2003 has 1% interest due each year for 30 years beginning December 31, 2004. Beginning December 31, 2034, principal and interest will be due at a rate of 2% with 20 equal payments of \$14,848.

245,000

Promissory note from Fairforest V Limited Partnership in the original amount of \$330,000. The note dated January 17, 2003 has a 0% interest. Beginning December 31, 2035, 20 equal payments of \$16,500 will be due annually.

330,000

Total

\$ 1,817,379

### C. Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

<b>Governmental Activities:</b>	June 30, 2016	Additions	Transfers and Retirements	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,786,412	\$ -	\$ -	\$ 1,786,412
Construction in progress	1,320,972	317,975	(1,638,947)	3,277,894
Total capital assets not being depreciated	<u>3,107,384</u>	<u>317,975</u>	<u>(1,638,947)</u>	<u>5,064,306</u>
Capital assets being depreciated:				
Infrastructure	1,349,407	-	-	1,349,407
Buildings and improvements	1,746,052	1,638,947	-	3,384,999
Improvements other than buildings	327,451	-	-	327,451
Machinery and equipment	3,473,971	84,255	(41,539)	3,516,687
Total depreciable capital assets	<u>6,896,881</u>	<u>1,723,202</u>	<u>(41,539)</u>	<u>8,578,544</u>
Less accumulated depreciation:				
Infrastructure	1,151,577	15,878	-	1,167,455
Buildings and improvements	722,733	54,192	-	776,925
Improvements other than buildings	227,578	6,549	-	234,127
Machinery and equipment	2,420,896	179,826	(41,539)	2,559,183
Total accumulated depreciation	<u>4,522,784</u>	<u>256,445</u>	<u>(41,539)</u>	<u>4,737,690</u>
Total depreciable assets - net of accumulated depreciation	<u>2,374,097</u>	<u>1,466,757</u>	<u>-</u>	<u>3,840,854</u>
Governmental activities capital assets, net	<u>\$ 5,481,481</u>	<u>\$ 1,784,732</u>	<u>\$ (1,638,947)</u>	<u>\$ 8,905,160</u>

<b>Business-type Activities:</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 951,709	\$ 289,537	\$ (893,455)	\$ 347,791
Construction in progress	319,845	-	-	319,845
Total capital assets not being depreciated	<u>1,271,554</u>	<u>289,537</u>	<u>(893,455)</u>	<u>667,636</u>
Capital assets being depreciated:				
Buildings and improvements	2,243,195	-	-	2,243,195
Improvements other than buildings	110,371,703	2,104,658	-	112,476,361
Machinery and equipment	5,654,249	313,489	(29,144)	5,938,594
Total depreciable capital assets	<u>118,269,147</u>	<u>2,418,147</u>	<u>(29,144)</u>	<u>120,658,150</u>
Less accumulated depreciation:				
Buildings and improvements	1,142,655	47,951	-	1,190,606
Improvements other than buildings	47,299,655	2,274,425	-	49,574,080
Machinery and equipment	4,440,527	273,578	(29,144)	4,684,961
Total accumulated depreciation	<u>52,882,837</u>	<u>2,595,954</u>	<u>(29,144)</u>	<u>55,449,647</u>
Total depreciable assets - net of accumulated depreciation	<u>65,386,310</u>	<u>(177,807)</u>	-	<u>65,208,503</u>
Business-type activities capital assets, net	<u>\$ 66,657,864</u>	<u>\$ 111,730</u>	<u>\$ (893,455)</u>	<u>\$ 65,876,139</u>

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

<b>Governmental Activities:</b>	
General government	\$ 58,185
Public safety	193,100
Public works	5,160
Total depreciation expense - governmental activities	<u>\$ 256,445</u>
<b>Business-type Activities</b>	
Electric	\$542,366
Water	804,270
Sewer	662,252
Natural gas	520,998
Solid waste	66,068
Total depreciation expense - business-type activities	<u>\$2,595,954</u>

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

During the year utility fund construction projects included water system and gas distribution system improvements.

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

The composition of interfund balances as of June 30, 2017, is as follows:

Due to / from other funds:

	Due from receivable	Due to payable	Net Receivable (payable)
General fund	\$ 477,259	\$ (249,610)	\$ 227,649
Special Revenue funds	1,657	(92,112)	(90,455)
Economic Development fund	249,610	(465,148)	(215,538)
Solid Waste Management Enterprise fund	-	(117,520)	(117,520)
Utility Enterprise fund	497,016	(301,152)	195,864
Total	<u>\$ 1,225,542</u>	<u>\$ (1,225,542)</u>	<u>\$ -</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	\$ 386,804
Enterprise funds	(386,804)
Total (net)	<u>\$ -</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. Any budgeted and unbudgeted transfers for the current year are reported in the financial statements.

## E. Long-term liabilities

### Governmental Activities Debt

#### **Bonds Payable**

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 payable in annual installments of \$89,331 through April of 2024 including interest at 2.35%. The principal balance at June 30, 2017 is \$570,449.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 75,925	\$ 13,406
2019	77,710	11,621
2020	79,536	9,795
2021	81,405	7,926
2022	83,318	6,013
2023	85,276	4,055
2024	87,279	2,051
Total	<u>\$ 570,449</u>	<u>\$ 54,867</u>

### Capital Lease Obligations

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, including interest at 2.7%. The principal balance due at June 30, 2017 is \$356,825.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 91,661	\$ 8,712
2019	94,161	6,211
2020	96,729	3,643
2021	74,274	1,006
Total	<u>\$ 356,825</u>	<u>\$ 19,572</u>

Interest expense totaling \$26,294 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$11,145 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$15,149 for a tax increment district bond was reported as a direct expense under the general government function.

### Business-type Activities Debt

#### Capital Lease Obligations

Capital leases payable at June 30, 2017 were comprised of the following:

\$198,870 utility bucket truck lease for 5 years, beginning in 2014 through November 2019, due in quarterly installments of \$10,101 including interest at 1.55%.	\$ 98,890
\$122,000 brush truck lease for five years, beginning in 2013 through May 2018, due in annual installments of \$24,403 including interest at 1.48%.	<u>25,130</u>
	<u>\$ 124,020</u>

The future minimum lease obligations as of June 30, 2017 are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 64,228	\$ 1,678
2019	39,707	697
2020	20,085	117
Total	<u>\$ 124,020</u>	<u>\$ 2,492</u>

### Revenue bonds and Notes Payable

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

2008 Note payable of \$1,593,723 from the SC Water Pollution Control Revolving Fund for waste treatment system improvements. The loan is due in quarterly installments of \$25,051 including interest at 2.25% through May 2029.	\$ 1,051,214
2010 Note payable of \$2,421,854 from the SC State Revolving Fund for the Meng Creek Wastewater Treatment Plant Closure project. The loan is due in quarterly installments of \$35,005 including interest at 2.25% through December 2031.	1,728,209
2011 Note payable of \$2,792,906 from the SC State Revenue Revolving Fund for the Tosch's 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.	2,189,227
Series 2012 B Revenue Refunding Bonds totaling \$1,833,015 were issued to Refund and redeem previous bond issues. The bonds have an interest rate of 1.96% and are due in varying quarterly installments through June 2021.	845,796
Series 2012C Revenue Refunding Bonds totaling \$5,710,000 were issued to refund and redeem previous bond issues. The bonds have an interest rate of 1.96% and are due in varying quarterly installments through December 2020.	2,955,000
Series 2013A Revenue Bonds totaling \$2,032,260 for Water and Sewer Improvements have an interest rate of 1.9% and are due in quarterly installments of \$30,594 through August 2034.	1,795,880

Series 2013B Revenue Bonds totaling \$1,238,492 for water system and sewer system improvements have an interest rate of 1.5% and are due in quarterly installments of \$17,942 through August 2034.

	\$ 1,008,546
Less current portion	11,573,872
Non-current portion	(1,375,543)
	<u>\$ 10,198,329</u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 1,375,543	\$ 223,181
2019	1,407,126	195,462
2020	1,433,943	167,143
2021	1,397,886	138,568
2022	477,373	119,431
2023	487,387	109,419
2024	497,625	99,179
2025	508,096	88,709
2026	518,804	78,002
2027	529,755	67,049
2028	540,953	55,851
2029	552,407	44,396
2030	463,068	33,534
2031	472,755	23,846
2032	412,458	14,135
2033	265,841	6,824
2034	185,872	2,874
2035	46,980	207
Total	<u>\$ 11,573,872</u>	<u>\$ 1,467,810</u>

### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental activities</b>					
Capital lease obligations	\$ 446,052	\$ -	\$ 89,227	\$ 356,825	\$ 91,661
Accrued OPEB	347,016	36,479	-	383,495	-
Accrued compensated absences	77,191	2,868	-	80,059	-
Tax increment district bonds	644,631	-	74,182	570,449	75,925
Net pension liability (see note)	4,335,812	1,119,038	-	5,454,850	-
Total	<u>\$ 5,850,702</u>	<u>\$ 1,158,385</u>	<u>\$ 163,409</u>	<u>\$ 6,845,678</u>	<u>\$ 167,586</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Business-type activities</b>					
Capital lease obligations	\$ 187,281	\$ -	\$ 63,261	\$ 124,020	\$ 64,228
Accrued compensated absences	101,829	3,373	-	105,202	-
Accrued OPEB	427,040	51,621	-	478,661	-
Net pension liability (see note)	6,806,954	706,654	-	7,513,608	-
Bonds payable	13,026,925	-	1,453,053	11,573,872	1,375,543
Total	<u>\$ 20,550,029</u>	<u>\$ 761,648</u>	<u>\$ 1,516,314</u>	<u>\$ 19,795,363</u>	<u>\$ 1,439,771</u>

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

#### 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 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 yearend governmental fund balance types:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund	\$ -	\$ -	\$ 3,345,770
Economic Development Fund	4,080,180	249,610	-
Local Hospitality and Accom. Fund	-	334,694	-
Tax Increment District Fund	-	-	(4,211)
Drug Fund	-	3,585	-
Community Change Fund	-	41,553	-
Main Street Junction Fund	-	57,642	-
Union Events Center Fund	-	2,177	-
Fireman's Fund	-	7,070	-
Total	<u>\$ 4,080,180</u>	<u>\$ 696,331</u>	<u>\$ 3,341,559</u>

### G. Major and Nonmajor Special Revenue Funds Activity

#### Nonmajor 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

These funds are used to support the multipurpose center 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.

##### 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.

Main Street Junction Fund  
These funds are restricted for tourism.

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 \$2,727,949 which represents the investment in the Spec Building located at the Union County Commerce Park. The property is being marketed as an asset for resale. This building has been up fitted to certain standards and is being leased to TIMKEN, LLC until it is sold. 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. The balance receivable on these notes is \$1,817,379 at June 30, 2017.

**NOTE 4 – 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 and allocated to the proprietary funds.

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 and has a \$25,000 deductible. Employee health care is carried by the South Carolina Public Employee Benefits Authority. 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, 2017, the City had no material related party transactions.

## **C. 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 totaling \$2,115,787 at June 30, 2017. Yearend retainages being withheld totaled \$14,899. The contracts were in varying stages of completion at yearend. The construction in progress at year end was comprised of \$1,701,316 for utility improvements and \$414,471 for streetscape improvements.

## **D. 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.

## **E. Other post-employment benefits**

### 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 of 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 retiree coverage ends. Retirees may receive a monthly \$150 supplement but must first 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 pre-retirement death benefit. The plan does not include a withdrawal benefit. Service is determined from date of hire. The City provides a monthly subsidy of \$150 to retirees under Option 2.

#### Funding policy

As of July 1, 2016, there were 148 employees enrolled in the plan, of which 25 members were retirees receiving benefits and 123 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, 2017, the City recognized pay-as-you-go expenses of approximately \$33,623 for healthcare, which were net of retiree contributions.

The City's annual other postretirement benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding required that, if paid on an annual basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded liability over a period not to exceed 30 years. The current ARC is based on a level percent of payroll growth increasing annually at 3.5%.

#### Annual OPEB cost, Net OPEB obligation, and funded status

The annual OPEB costs for fiscal years 2017, 2016, and 2015 were \$88,100, \$135,100, and \$135,100, respectively. For the year ended June 30, 2017, the annual OPEB cost (expense) of \$88,100 is equal to the ARC. The ARC for the year ended June 30, 2017 is computed as follows:

Annual OPEB cost –

Normal costs for current year	\$ 50,700
Amortization of the unamortized accrued liability	37,400
Total annual required contribution (ARC)	<u>88,100</u>
Net OPEB obligation - beginning of year	774,056
Net OPEB obligation - end of year	<u>\$ 862,156</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 760,800	\$ 760,800	0%	\$ 4,745,000	16%
July 1, 2013	\$ -	\$ 1,567,600	\$ 1,567,600	0%	\$ 5,249,100	30%
July 1, 2016	\$ -	\$ 1,168,000	\$ 1,168,000	0%	\$ 5,535,300	21%

The values for the 2010 and 2013 valuations are from the previous actuarial valuation reports.

Schedule of annual OPEB costs, employer contributions, and funding percentage:

	Annual Required Contribution (ARC)	Actual Contribution	Funded Percentage
June 30, 2017	\$ 88,100	\$ -	0%
June 30, 2016	135,100	-	0%
June 30, 2015	135,100	-	0%
June 30, 2014	135,100	-	0%
June 30, 2013	68,200	-	0%

For the year ended June 30, 2017, 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, 2017 was \$862,156. The plan's unfunded actuarial liability is being amortized as a level dollar amount of projected payroll over a period of 30 years. The remaining amortization period at June 30, 2017 was 20 years.

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 following table summarizes actuarial methods and assumptions used:

Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll Amount, Open
Amortization Period	30 years
Asset Valuation Method	Not Applicable
Actuarial Assumptions:	
Discount Rate	3.00% per year
Payroll Growth Rate	3.50% per year
Medical Trend	Getzen Trend Model – 7.30% graded to 4.10% over 71 years

**NOTE 5 – EMPLOYEE RETIREMENT SYSTEMS – PENSION FUNDS**

The City participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SCRS and additions to/deductions from the SCRS fiduciary net position have been determined on the accrual basis of accounting as they are reported by the SCRS in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms for the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

*Plan Description*

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

### *Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below:

- SCRS and PORS – Generally, all employees of covered employers are required to participate in either the SCRS or PORS and contribute to the system as a condition of employment.

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP – As an alternative to membership in SCRS, eligible employees have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS.

### *Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below:

- SCRS – Retired members are eligible for a monthly pension benefit. The pension amount is dependent upon various factors including earned years of service, age at retirement and earnable compensation of the retired member. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS – a Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Three members are eligible to receive deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
SCRS		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
State ORP		
Employee	8.66%	8.16%
PORS		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
SCRS		
Employee Class Two	11.41%	10.91%
Employee Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	13.84%	13.34%
Employee Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

- (1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
- (2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS:

Actuarial Cost Method	SCRS	PORS
	Investment rate of return <sup>1</sup>	Entry age normal 7.5%
Projected salary increases	3.5% to 12.5% (varies by service) <sup>1</sup>	4.0% to 10.0% (varies by service) <sup>1</sup>
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
<sup>1</sup> Includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS and PORS are presented below:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Position Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 45,356,214,752	\$ 23,996,362,354	\$ 21,359,852,398	52.9%
PORS	6,412,510,458	3,876,035,732	2,536,474,726	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

### *Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital markets outlook at the end of the third quarter of 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>43.0%</b>		
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/ Risk parity	10.0%	3.90%	0.39%
HF (low beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
Total expected real return	100.0%		5.10%
Inflation for Actuarial purposes			2.75%
Total expected nominal return			<u>7.85%</u>

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity Analysis*

The following table presents the City's proportionate share of net pension liability of the Plans calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 11,557,362	\$ 9,264,622	\$ 7,356,002
PORS	\$ 4,854,194	\$ 3,703,836	\$ 2,670,023

*Additional Financial and Actuarial Information*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the City reported a liability of \$12,968,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2017, the City recognized pension expense of \$1,242,629. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>SCRS</b>		
Differences between expected and actual experience	\$ 96,039	\$ 10,061
Net difference between projected and actual earnings on pension plan investments	779,453	-
Changes in proportionate share and differences between City contributions and proportionate share of total employer plan contributions	89,549	15,695
City contributions subsequent to the measurement date	490,453	-
Total SCRS	<u>1,455,494</u>	<u>25,756</u>
<b>PORS</b>		
Differences between expected and actual experience	54,958	-
Net difference between projected and actual earnings on pension plan investments	419,983	-
Changes in proportionate share and differences between City contributions and proportionate share of total employer plan contributions	109,685	97,835
City contributions subsequent to the measurement date	252,846	-
Total PORS	<u>837,472</u>	<u>97,835</u>
Total SCRS and PORS	<u>\$ 2,292,966</u>	<u>\$ 123,591</u>

\$743,299 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.116 years for SCRS. The difference between each year's expected and actual funding experience and the changes in proportionate share are required to be amortized over 4.116 years. However, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

Measurement Period Ending June 30,	SCRS	PORS	Total
2018	\$ 221,337	\$ 100,228	\$ 321,565
2019	221,337	100,228	321,565
2020	221,337	100,228	321,565
2021	221,337	100,228	321,565
2022	53,937	85,879	139,816
Net Balance of Deferred Outflow/(Inflow) of Resources	\$ 939,285	\$ 486,791	\$ 1,426,076

*Payables to the Pension Plan*

The City had an outstanding payable of \$147,132 due to the pension plans for its legally required contributions. The payable represented amounts due for the month at June, 2017 and was paid in July, 2017.

**NOTE 6 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF THE CITY'S CONTRIBUTIONS TO THE PENSION PLAN \***

	2017 SCRS	2016 SCRS	2015 SCRS	2017 PORS	2016 PORS	2015 PORS
Contractually required contribution	\$ 490,453	\$ 465,797	\$ 517,635	\$ 252,846	\$ 255,784	\$ 246,942
Contributions in relation to the actuarially determined contributions	<u>490,453</u>	<u>465,797</u>	<u>517,635</u>	<u>252,846</u>	<u>255,784</u>	<u>246,942</u>
Contributions deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 4,298,446	\$ 4,211,558	\$ 4,006,631	\$ 1,826,923	\$ 1,861,594	\$ 1,727,093
Contractually required contributions as a percentage of covered-employee payroll	11.41%	13.81%	10.90%	13.84%	12.65%	13.41%
Notes to schedule:						
Valuation date	7/1/2015	7/1/2014	7/1/2013	7/1/2015	7/1/2014	7/1/2013

\* Fiscal year 2015 was the first year of GASB No. 68 implementation.

**NOTES TO SCHEDULE OF THE CITY'S CONTRIBUTIONS TO THE PENSION PLAN**

**Method and Assumptions used in Calculations of Actuarially Determined Contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2016, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2017 reported in that schedule can be found in Note 5 of the basic financial statements.

CITY OF UNION, SOUTH CAROLINA  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY \*

	2017	2016	2015	2017	2016	2015
	SCRS	SCRS	SCRS	PORS	PORS	PORS
Proportion of the net pension liability	0.043374%	0.042732%	0.042897%	0.14602%	0.13941%	0.14744%
Proportionate share of the net pension liability	\$ 9,264,622	\$ 8,104,330	\$ 7,385,441	\$ 3,703,836	\$ 3,038,436	\$ 2,822,594
Covered-employee payroll	\$ 4,298,446	\$ 4,211,558	\$ 4,006,631	\$ 1,826,923	\$ 1,861,594	\$ 1,727,093
Proportionate share of the net pension liability as a percentage of covered-employee payroll	215.5342%	192.4307%	184.3305%	202.7363%	163.2169%	163.4303%
Plan's fiduciary net position	\$ 23,996,362,354	\$ 25,131,828,101	\$ 25,738,521,026	\$ 3,876,035,732	\$ 3,971,824,838	\$ 3,985,101,996
Plan's total pension liability	\$ 45,356,214,752	\$ 44,097,310,230	\$ 42,955,205,796	\$ 6,412,510,458	\$ 6,151,321,222	\$ 5,899,529,434
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%	60.4%	64.6%	67.5%

\* Fiscal year 2015 was the first year of GASB No. 68 implementation.

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**OTHER SUPPLEMENTARY INFORMATION**

CITY OF UNION, SOUTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Local Hospitality & Accommodations	Tax Increment District	Special Revenue				Firemen's Fund	Main Street Junction	Total Nonmajor Governmental Funds
			Drug Account	Community Change	Union Events Center				
<b>Assets</b>									
Cash and cash equivalents	\$ 341,194	\$ 85,448	\$ 3,585	\$ 39,896	\$ 2,177	\$ 7,070	\$ 62,712	\$ 542,082	
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	
Due (to) from other funds	-	(89,659)	-	1,657	-	-	(2,453)	(90,455)	
<b>Total Assets</b>	<b>\$ 341,194</b>	<b>\$ (4,211)</b>	<b>\$ 3,585</b>	<b>\$ 41,553</b>	<b>\$ 2,177</b>	<b>\$ 7,070</b>	<b>\$ 60,259</b>	<b>\$ 451,627</b>	
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ 6,500	-	\$ -	-	-	-	\$ 2,617	\$ 9,117	
<b>Total Liabilities</b>	<b>6,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,617</b>	<b>9,117</b>	
<b>Fund Balances</b>									
Restricted	334,694	-	3,585	41,553	2,177	7,070	57,642	446,721	
Unassigned	-	(4,211)	-	-	-	-	-	(4,211)	
<b>Total Fund Balances (deficits)</b>	<b>334,694</b>	<b>(4,211)</b>	<b>3,585</b>	<b>41,553</b>	<b>2,177</b>	<b>7,070</b>	<b>57,642</b>	<b>442,510</b>	
<b>Total Liabilities and Fund Balances (deficits)</b>	<b>\$ 341,194</b>	<b>\$ (4,211)</b>	<b>\$ 3,585</b>	<b>\$ 41,553</b>	<b>\$ 2,177</b>	<b>\$ 7,070</b>	<b>\$ 60,259</b>	<b>\$ 451,627</b>	

CITY OF UNION, SOUTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Local Hospitality and Accommodations	Tax Increment District	Special Revenue		Community Change	Sidewalk Fund	Union Events Center	Firemen's Fund	Main Street Junction	Total Nonmajor Governmental Funds
			Drug Account	Account						
<b>Revenues</b>										
Property taxes and penalties	\$ -	\$ 84,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,521
Local hospitality & accommodation tax	233,149	-	-	-	-	-	-	-	-	233,149
Intergovernmental revenues/grants/contributions	-	-	-	-	-	-	13,869	-	-	13,869
Investment earnings	146	9	4	16	-	-	-	-	11	215
Miscellaneous revenues	-	-	3,495	19,473	-	-	73,000	-	76,010	171,978
<b>Total Revenues</b>	<b>233,295</b>	<b>84,530</b>	<b>3,499</b>	<b>19,489</b>	<b>-</b>	<b>-</b>	<b>73,029</b>	<b>13,869</b>	<b>76,021</b>	<b>503,732</b>
<b>Expenditures</b>										
<b>Current</b>										
General government	182,359	-	-	4,660	-	-	25,713	-	38,379	251,111
Public safety	-	-	6,976	-	-	-	-	13,962	-	20,938
Capital outlay	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	286,013	-	-	286,013
Public service	-	-	-	-	-	13,913	-	-	-	13,913
Debt service	-	-	-	-	-	-	-	-	-	-
General government	-	89,331	-	-	-	-	-	-	-	89,331
<b>Total Expenditures</b>	<b>182,359</b>	<b>89,331</b>	<b>6,976</b>	<b>4,660</b>	<b>-</b>	<b>13,913</b>	<b>311,726</b>	<b>13,962</b>	<b>38,379</b>	<b>661,306</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>50,936</b>	<b>(4,801)</b>	<b>(3,477)</b>	<b>14,829</b>	<b>(13,913)</b>	<b>(238,697)</b>	<b>(93)</b>	<b>(93)</b>	<b>37,642</b>	<b>(157,574)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in (out)	(20,000)	-	-	-	-	-	-	-	20,000	-
<b>Net Change in Fund Balances</b>	<b>30,936</b>	<b>(4,801)</b>	<b>(3,477)</b>	<b>14,829</b>	<b>(13,913)</b>	<b>(238,697)</b>	<b>(93)</b>	<b>(93)</b>	<b>57,642</b>	<b>(157,574)</b>
<b>Fund Balances - beginning</b>	<b>303,758</b>	<b>590</b>	<b>7,062</b>	<b>26,724</b>	<b>13,913</b>	<b>240,874</b>	<b>7,163</b>	<b>-</b>	<b>-</b>	<b>600,084</b>
<b>Fund Balances (deficits) - ending</b>	<b>\$ 334,694</b>	<b>\$ (4,211)</b>	<b>\$ 3,585</b>	<b>\$ 41,553</b>	<b>\$ -</b>	<b>\$ 2,177</b>	<b>\$ 7,070</b>	<b>\$ 57,642</b>	<b>\$ 442,510</b>	<b>\$ -</b>

CITY OF UNION, SOUTH CAROLINA  
 COMBINING SCHEDULE OF REVENUES AND EXPENSES BY DIVISION  
 UTILITY ENTERPRISE FUND  
 JUNE 30, 2017

	Electric Division	Water Division	Sewer Division	Gas Division	Total
<b>Operating revenues</b>					
Sales	\$ 17,645,542	\$ 3,525,388	\$ -	\$ 10,178,446	\$ 31,349,376
Sewer charges	-	-	2,860,365	-	2,860,365
Other revenues	22,712	21,076	509	51,039	95,336
Total operating revenues	<u>17,668,254</u>	<u>3,546,464</u>	<u>2,860,874</u>	<u>10,229,485</u>	<u>34,305,077</u>
<b>Operating expenses</b>					
Purchased power and natural gas	13,831,966	-	-	6,769,813	20,601,779
System operations	1,580,629	2,703,573	1,898,310	1,462,521	7,645,033
Payments in lieu of franchise fee	866,352	172,956	141,936	475,440	1,656,684
Depreciation and amortization	561,916	841,279	691,712	563,763	2,658,670
Total operating expenses	<u>16,840,863</u>	<u>3,717,808</u>	<u>2,731,958</u>	<u>9,271,537</u>	<u>32,562,166</u>
Operating income (loss)	<u>827,391</u>	<u>(171,344)</u>	<u>128,916</u>	<u>957,948</u>	<u>1,742,911</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	51,897	11,506	8,949	51,138	123,490
Other	265,905	31,336	14,994	342	312,577
Interest expense	(12,307)	(48,803)	(167,338)	(22,322)	(250,770)
Total nonoperating revenues (expenses)	<u>305,495</u>	<u>(5,961)</u>	<u>(143,995)</u>	<u>29,158</u>	<u>185,297</u>
Net income (loss) before contributions and transfers	<u>\$ 1,132,886</u>	<u>\$ (177,305)</u>	<u>\$ (14,479)</u>	<u>\$ 987,106</u>	<u>\$ 1,928,208</u>

CITY OF UNION, SOUTH CAROLINA  
 LOCAL HOSPITALITY AND ACCOMMODATIONS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local hospitality and accommodations tax	\$ 435,000	\$ 435,000	\$ 233,149	\$ (201,851)
Investment earnings	-	-	146	146
<b>Total revenues</b>	<u>435,000</u>	<u>435,000</u>	<u>233,295</u>	<u>(201,705)</u>
<b>EXPENDITURES</b>				
Current				
General Government	435,000	435,000	202,359	232,641
<b>Total expenditures</b>	<u>435,000</u>	<u>435,000</u>	<u>202,359</u>	<u>232,641</u>
Excess of revenue over expenditures	-	-	30,936	30,936
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	30,936	30,936
Fund balances - beginning	303,758	303,758	303,758	-
Fund balances - ending	<u>\$ 303,758</u>	<u>\$ 303,758</u>	<u>\$ 334,694</u>	<u>\$ 30,936</u>

CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL  
ELECTRIC DIVISION  
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 8,611,100	\$ 8,477,443	\$ (133,657)
Sales - commercial	7,011,240	6,831,852	(179,388)
Sales - industrial	998,710	1,227,095	228,385
Sales - other	364,850	1,109,152	744,302
Other revenues	(36,000)	22,712	58,712
Total operating revenues	<u>16,949,900</u>	<u>17,668,254</u>	<u>718,354</u>
Operating expenses			
Purchase power and natural gas	14,199,830	13,831,966	367,864
System operations	2,038,640	1,580,629	458,011
Payment in lieu of franchise fee	900,000	866,352	33,648
Depreciation and amortization	-	561,916	(561,916)
Total operating expenses	<u>17,138,470</u>	<u>16,840,863</u>	<u>297,607</u>
Operating income (loss)	<u>(188,570)</u>	<u>827,391</u>	<u>1,015,961</u>
Nonoperating revenues (expenses)			
Investment earnings	30,000	51,897	21,897
Other	165,000	265,905	100,905
Interest expense	(163,580)	(12,307)	151,273
Total nonoperating revenue (expenses)	<u>31,420</u>	<u>305,495</u>	<u>274,075</u>
Income (loss) before contributions and transfers	<u>\$ (157,150)</u>	<u>\$ 1,132,886</u>	<u>\$ 1,290,036</u>

CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL  
WATER DIVISION  
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 1,540,260	\$ 1,510,948	\$ (29,312)
Sales - commercial	448,890	442,956	(5,934)
Sales - industrial	386,910	512,483	125,573
Sales - water districts	929,340	1,038,141	108,801
Sales - other	21,040	20,860	(180)
Other revenues	4,000	21,076	17,076
Total operating revenues	<u>3,330,440</u>	<u>3,546,464</u>	<u>216,024</u>
Operating expenses			
System operations	2,833,130	2,703,573	129,557
Payment in lieu of franchise fee	165,000	172,956	(7,956)
Depreciation and amortization	-	841,279	(841,279)
Total operating expenses	<u>2,998,130</u>	<u>3,717,808</u>	<u>(719,678)</u>
Operating income (loss)	<u>332,310</u>	<u>(171,344)</u>	<u>(503,654)</u>
Nonoperating revenues (expenses)			
Investment earnings	6,000	11,506	5,506
Other	25,000	31,336	6,336
Interest expense	(469,860)	(48,803)	421,057
Total nonoperating revenue (expenses)	<u>(438,860)</u>	<u>(5,961)</u>	<u>432,899</u>
Income (loss) before contributions and transfers	<u>\$ (106,550)</u>	<u>\$ (177,305)</u>	<u>\$ (70,755)</u>

**CITY OF UNION, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL**  
**GAS DIVISION**  
**YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 3,725,750	\$ 3,011,664	\$ (714,086)
Sales - commercial	2,388,510	1,865,196	(523,314)
Sales - interruptible	5,125,460	5,299,856	174,396
Sales - other	-	1,730	1,730
Other revenues	9,000	51,039	42,039
Total operating revenues	<u>11,248,720</u>	<u>10,229,485</u>	<u>(1,019,235)</u>
Operating expenses			
Purchase power and natural gas	7,554,650	6,769,813	784,837
System operations	1,513,910	1,462,521	51,389
Payment in lieu of franchise fee	600,000	475,440	124,560
Depreciation and amortization	-	563,763	(563,763)
Total operating expenses	<u>9,668,560</u>	<u>9,271,537</u>	<u>397,023</u>
Operating income (loss)	<u>1,580,160</u>	<u>957,948</u>	<u>(622,212)</u>
Nonoperating revenues (expenses)			
Investment earnings	25,000	51,138	26,138
Other	2,000	342	(1,658)
Interest expense	(269,440)	(22,322)	247,118
Total nonoperating revenue (expenses)	<u>(242,440)</u>	<u>29,158</u>	<u>271,598</u>
Income (loss) before contributions and transfers	<u>\$ 1,337,720</u>	<u>\$ 987,106</u>	<u>\$ (350,614)</u>

CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL  
SEWER DIVISION  
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sewer charges - residential	\$ 1,646,870	\$ 1,576,817	\$ (70,053)
Sewer charges - commercial	493,300	520,493	27,193
Sewer charges - industrial	320,880	763,055	442,175
Other revenues	4,500	509	(3,991)
Total operating revenues	<u>2,465,550</u>	<u>2,860,874</u>	<u>395,324</u>
Operating expenses			
System operations	1,987,840	1,898,310	89,530
Payment in lieu of franchise fee	120,000	141,936	(21,936)
Depreciation and amortization	-	691,712	(691,712)
Total operating expenses	<u>2,107,840</u>	<u>2,731,958</u>	<u>(624,118)</u>
Operating income (loss)	<u>357,710</u>	<u>128,916</u>	<u>(228,794)</u>
Nonoperating revenues (expenses)			
Investment earnings	5,000	8,949	3,949
Other	7,610	14,994	7,384
Interest expense	(841,850)	(167,338)	674,512
Total nonoperating revenue (expenses)	<u>(829,240)</u>	<u>(143,395)</u>	<u>685,845</u>
Income (loss) before contributions and transfers	<u>\$ (471,530)</u>	<u>\$ (14,479)</u>	<u>\$ 457,051</u>

CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL  
SOLID WASTE MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Collection fees	\$ 763,100	\$ 769,264	\$ 6,164
Other revenues - net of bad debts	2,060	(8,107)	(10,167)
Total operating revenues	<u>765,160</u>	<u>761,157</u>	<u>(4,003)</u>
Operating expenses			
System operations	722,510	642,549	79,961
Payment in lieu of franchise fee	35,000	38,064	(3,064)
Depreciation and amortization	-	66,068	(66,068)
Total operating expenses	<u>757,510</u>	<u>746,681</u>	<u>10,829</u>
Operating income (loss)	<u>7,650</u>	<u>14,476</u>	<u>6,826</u>
Nonoperating revenues (expenses):			
Investment earnings	100	91	(9)
Other	-	(108)	(108)
Interest expense	(740)	(738)	2
Total nonoperating revenue (expenses)	<u>(640)</u>	<u>(755)</u>	<u>(115)</u>
Income (loss) before contributions and transfers	<u>\$ 7,010</u>	<u>\$ 13,721</u>	<u>\$ 6,711</u>

**CITY OF UNION, SOUTH CAROLINA  
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
VICTIM'S RIGHTS FUNDS  
YEAR ENDED JUNE 30, 2017**

**Municipal Court revenue to the City of Union**

Court revenue booked in General Fund, excluding Victim's rights and other police revenues	\$ -
Court assessment and surcharges to the State of SC	(103,354)
Court refunds	-
	-
Net Court Revenues to the City of Union	(103,354)

**Municipal Court revenue to the State of SC**

Court assessments to the State Treasurer	65,771
DUI Assessments to the State Treasurer	142
DUI Spinal Cord Research Charges to the State	1,181
DUI DPS Pullouts to the State	1,181
DUS DPS Pullouts to the State	7,238
Drug Surcharges to the State	3,893
Law Enforcement Surcharges to the State	23,392
Criminal Justice Academy Surcharges	389
DUI DUAC TEST convictions Fees	167
Total Court Revenue Sent to State	103,354

**Victim Services**

Court Assessments allocated to Victim Services	8,263
Court Surcharges allocated to Victim Services	6,904
Funds Allocated to Victim Services	15,167
Victim Services and Expenditures	(15,167)

<b>Excess Revenues Over (Under) Expenditures for Victim Services</b>	\$ -
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**NOTES TO THE SCHEDULE:**

According to State law, certain municipal court revenues collected by the City are remitted to the State Treasurer.

Per the City's agreement with Union County, 100% of Victim's Assistance assessments and surcharges collected are remitted to the County.

**CITY OF UNION, SOUTH CAROLINA  
 SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
 COLLECTED AND REMITTED  
 YEAR ENDED JUNE 30, 2017**

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

Fines collected and retained	\$ 71,376
Assessments/surcharges/pullouts collected	134,563
Assessments retained for victim's rights assistance	9,185
Surcharges retained for victim's rights assistance	9,179
Assessments/surcharges/pullouts remitted	116,199
6-30-2015 Fund balance - restricted for victims' rights assistance	\$ -
FY 2016 Victims' assistance assessments and surcharges collected	18,364
FY 2016 Expenditures for victims' rights assistance	<u>(18,364)</u>
6-30-2016 Fund balance - restricted for victims' rights assistance	<u>\$ -</u>

**NOTES TO THE SCHEDULE:**

According to State law, certain municipal court revenues collected by the City are remitted to the State Treasurer.

Per the City's agreement with Union County, 100% of Victim's Assistance assessments and surcharges collected are remitted to the County.

CITY OF UNION, SOUTH CAROLINA  
 SCHEDULE OF FEDERAL GRANT FUNDING  
 JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	FY 2017 Receipts	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
<u>CDBG States Programs</u>				
Passed through from the S.C. Department of Commerce - Grants Administration to the City of Union				
Union Mill Renaissance Phase II	14.228	4-V-14-016	\$ 377,819	\$ 380,320
CDBG Streetscape Improvement	14.228	4-CE-15-006	55,249	52,748
Foster Street Sewer Upgrade Project	14.228	4-CI-16-012	46,413	46,913
<b>Total Federal Assistance</b>			<u>\$ 479,481</u>	<u>\$ 479,981</u>

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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 governments most significant local revenue source, utility system receipts. Additional data is presented on property tax revenue, the most significant general fund revenue source and a traditional revenue source 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.

City of Union, South Carolina  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Invested in capital assets,										
net of related debt	\$ 2,745,334	\$ 1,298,016	\$ 789,457	\$ 920,387	\$ 1,370,217	\$ 1,663,947	\$ 1,978,429	\$ 2,150,103	\$ 4,390,797	\$ 4,699,992
Restricted	485,223	3,038,050	4,909,251	6,205,317	6,213,136	6,194,904	6,351,875	5,659,791	4,334,743	4,311,363
Unrestricted	8,130,493	6,443,452	5,179,917	4,083,016	4,124,280	3,665,492	3,383,883	81,520	(578,302)	(927,663)
Total governmental activities net assets	<u>\$ 11,361,050</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>	<u>\$ 11,714,187</u>	<u>\$ 7,891,414</u>	<u>\$ 8,147,238</u>	<u>\$ 8,083,692</u>
<b>Business-type activities</b>										
Invested in capital assets,										
net of related debt	\$ 45,806,442	\$ 48,338,314	\$ 48,741,936	\$ 48,015,063	\$ 49,241,814	\$ 50,902,239	\$ 51,343,154	\$ 52,176,918	\$ 53,443,659	\$ 54,163,348
Restricted	928,374	1,184,860	1,381,878	1,743,995	2,073,810	1,177,673	1,139,536	1,105,619	1,143,975	1,157,559
Unrestricted	12,265,853	8,812,412	10,276,095	11,079,329	9,874,609	10,826,101	12,899,474	8,952,670	10,034,060	11,588,916
Total business-type activities net assets	<u>\$ 59,000,669</u>	<u>\$ 58,335,586</u>	<u>\$ 60,399,909</u>	<u>\$ 60,838,387</u>	<u>\$ 61,190,233</u>	<u>\$ 62,906,013</u>	<u>\$ 65,382,164</u>	<u>\$ 62,235,207</u>	<u>\$ 64,621,694</u>	<u>\$ 66,909,823</u>
<b>Primary Government</b>										
Invested in capital assets,										
net of related debt	\$ 48,551,776	\$ 49,636,330	\$ 49,531,393	\$ 48,935,450	\$ 50,612,031	\$ 52,566,186	\$ 53,321,583	\$ 54,327,021	\$ 57,834,456	\$ 58,863,340
Restricted	1,413,597	4,222,910	6,291,129	7,949,312	8,286,946	7,372,577	7,491,411	6,765,410	5,478,718	5,468,922
Unrestricted	20,396,346	15,255,864	15,456,012	15,162,345	13,998,889	14,491,593	16,283,357	9,034,190	9,455,758	10,661,253
Total primary government net assets	<u>\$ 70,361,719</u>	<u>\$ 69,115,104</u>	<u>\$ 71,278,534</u>	<u>\$ 72,047,107</u>	<u>\$ 72,897,866</u>	<u>\$ 74,430,356</u>	<u>\$ 77,096,351</u>	<u>\$ 70,126,621</u>	<u>\$ 72,768,932</u>	<u>\$ 74,993,515</u>

City of Union, South Carolina  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government:	\$2,293,952	\$3,036,482	\$1,401,406	\$1,439,935	\$1,131,121	\$1,534,521	\$1,575,240	\$1,626,995	\$1,498,067	\$1,926,311
Tax and license	65,702	0	0	0	0	0	0	0	0	0
Facilities maintenance	96,411	72,315	62,449	63,507	102,716	105,274	68,674	99,342	59,213	76,270
Public safety	2,974,860	3,108,049	3,214,795	2,943,617	3,046,719	3,180,666	3,313,262	3,437,654	3,432,105	3,544,002
Public service	516,849	528,259	576,833	776,336	619,057	792,853	617,074	628,227	719,011	590,480
Planning	318,446	271,890	213,418	213,855	193,835	219,593	226,822	243,146	269,719	323,240
Interest on long-term debt	12,393	7,738	0	0	0	0	0	0	0	0
Total governmental activities expenses	<u>6,278,613</u>	<u>7,024,233</u>	<u>5,468,901</u>	<u>5,437,250</u>	<u>5,293,448</u>	<u>5,832,907</u>	<u>5,801,072</u>	<u>6,035,364</u>	<u>5,978,115</u>	<u>6,460,301</u>
<b>Business-type activities</b>										
Solid waste management	810,565	828,676	820,127	828,261	784,316	785,828	807,779	851,938	728,587	747,419
Combined utilities	36,633,954	35,799,271	31,720,190	30,977,702	29,212,313	30,459,901	32,137,601	32,182,671	31,403,841	32,812,936
Total business-type activities expenses	<u>37,444,519</u>	<u>36,627,947</u>	<u>32,540,317</u>	<u>31,805,963</u>	<u>29,996,629</u>	<u>31,245,729</u>	<u>32,945,380</u>	<u>33,034,609</u>	<u>32,132,428</u>	<u>33,560,355</u>
<b>Total primary government expenses</b>	<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>	<u>\$38,746,452</u>	<u>\$39,069,973</u>	<u>\$38,110,543</u>	<u>\$40,020,656</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Public safety	\$294,379	\$338,317	\$256,395	\$180,892	\$146,277	\$158,814	\$170,609	\$134,867	\$172,060	\$180,389
Planning	57,575	22,883	22,335	28,985	23,817	28,628	32,009	40,230	42,177	1,263,864
Operating grants and contributions	12,513	12,022	13,613	14,494	15,338	13,236	12,376	11,272	13,448	190,169
Capital grants and contributions	846,349	599,900	231,148	339,162	423,096	306,974	33,978	11,100	49,950	0
Total governmental activities program revenues	<u>1,210,816</u>	<u>973,122</u>	<u>523,491</u>	<u>563,433</u>	<u>608,528</u>	<u>507,652</u>	<u>250,572</u>	<u>199,409</u>	<u>277,635</u>	<u>1,614,922</u>
<b>Business-type activities:</b>										
Charges for services-solid waste mgnt.	731,995	588,504	537,689	625,842	667,347	665,868	713,968	757,907	761,075	761,049
Charge for services-combined utilities	34,989,143	33,669,101	33,416,702	31,358,231	29,266,524	31,478,577	34,202,961	34,297,349	33,392,697	34,617,654
Capital grants and contributions	584,470	1,296,179	273,619	417,250	403,769	207,584	491,013	901,758	834,387	346,201
Total business-type activities program revenues	<u>37,313,608</u>	<u>35,553,884</u>	<u>34,234,010</u>	<u>32,399,329</u>	<u>30,337,640</u>	<u>32,851,989</u>	<u>35,407,942</u>	<u>35,959,014</u>	<u>34,988,359</u>	<u>35,724,904</u>
<b>Total primary government program revenues</b>	<u>\$38,526,424</u>	<u>\$36,527,106</u>	<u>\$34,757,501</u>	<u>\$33,962,862</u>	<u>\$30,946,224</u>	<u>\$33,359,641</u>	<u>\$35,648,314</u>	<u>\$36,158,423</u>	<u>\$35,265,994</u>	<u>\$37,339,326</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue	-\$5,067,797	-\$6,051,610	-\$4,945,410	-\$4,873,717	-\$4,684,863	-\$5,325,255	-\$5,560,700	-\$5,835,955	-\$5,700,479	-\$4,845,881
Governmental activities	-128,912	-1,073,964	1,693,692	593,366	341,011	1,606,260	2,462,562	2,924,406	2,855,932	2,164,549
Business-type activities	-\$5,196,709	-\$7,125,574	-\$3,251,718	-\$4,280,351	-\$4,343,852	-\$3,718,995	-\$3,098,138	-\$2,911,549	-\$2,844,547	-\$2,681,332
Total primary government net expense										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities	\$1,178,150	\$1,202,275	\$1,061,709	\$1,084,836	\$1,253,120	\$1,233,963	\$1,418,245	\$1,405,180	\$1,272,330	\$1,433,458
Property taxes	1,768,358	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057	1,769,964	1,721,980
Fee in lieu of property taxes				135,174	171,836	206,506	210,873	225,710	237,766	233,149
Local hospitality and accommodations tax				399,302	388,263	420,954	449,845	467,982	436,368	469,341
Other taxes	520,653	504,495	448,936	1,207,433	1,040,792	1,128,029	1,260,327	1,274,682	1,156,557	0
Occupational Licenses and Franchise Fees	1,307,014	1,170,093	1,077,523	274,606	139,183	202,466	337,630	339,777	576,531	398,038
Miscellaneous	115,083	211,632	216,789	38,618	18,800	16,226	12,786	14,066	14,737	11,126
Miscellaneous	145,215	134,640	68,905	501,089	448,200	464,697	493,616	478,731	492,050	515,243
Unrestricted investment earnings	510,468	534,474	568,338							
Intergovernmental revenue										
Contributed Capital										
Transfers	-130,000	-130,000	-130,000	-130,000	106,786	-48,370	-49,110	0	0	0
Total governmental activities	5,414,941	5,470,077	5,044,517	5,203,813	5,183,776	5,141,965	5,750,543	5,978,185	5,956,303	4,782,335
Business-type activities-Utility system										
Interest revenue	523,485	278,881	240,631	136,709	117,622	61,150	56,873	71,741	91,434	123,581
Loss on sale/discontinuance of capital assets				-421,598	-106,786	48,370	49,110	0	-560,879	0
Transfers	130,000	130,000	130,000	130,000	-106,786	48,370	49,110	0	0	0
Total business-type activities	653,485	408,881	370,631	-154,889	10,836	109,520	105,983	71,741	-469,445	123,581
Total primary government	6,068,426	5,878,958	5,415,148	5,048,924	5,194,612	5,251,485	5,856,526	6,049,926	5,486,858	4,905,916
<b>Changes in Net Position</b>										
Government activities	347,144	-581,533	99,107	330,096	498,913	-183,290	189,843	142,230	255,824	-63,546
Business-type activities	524,573	-665,083	2,064,323	438,477	351,847	1,715,780	2,568,545	2,996,147	2,386,487	2,288,130
Total primary government	\$871,717	-\$1,246,616	\$2,163,430	\$768,573	\$850,760	\$1,532,490	\$2,758,388	\$3,138,377	\$2,642,311	\$2,224,584

**City of Union, South Carolina**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<u>Fiscal YEAR</u>	<u>General Fund Property Tax(1)</u>	<u>Local Option Sales Tax(2)</u>	<u>Licenses, Permits, -3</u>
2008	983,468		1,364,589
2009	998,421		1,192,977
2010	972,541		1,132,126
2011	980,570		1,268,967
2012	1,144,990		1,101,502
2013	1,119,507		1,212,990
2014	1,311,822		1,203,177
2015	1,276,643		1,254,403
2016	1,234,853		1,291,773
2017	1,257,359	53,699	1,249,734

(1) Totals include vehicles tax and penalties paid on delinquents property taxes collected. Vehicle taxes are collected by Union County and remitted to City monthly.

(2) The effective date of the local option sales tax was May 1, 2017.

(3) Major source of this revenue is business license.

Source: City of Union Finance Department

**City of Union, South Carolina**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years(1)**  
**(modified accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable										
Restricted										
Unreserved	3,326,176	3,418,580	3,359,751	3,593,106	3,347,028	3,011,089	2,980,868	3,137,003	3,077,439	3,345,770
Unrestricted:				3,593,106	3,347,028	3,011,089	2,980,868	3,137,003	3,077,439	3,345,770
Committed										
Assigned										
Unassigned										
Total general fund	3,326,176	3,418,580	3,359,751	3,593,106	3,347,028	3,011,089	2,980,868	3,137,003	3,077,439	3,345,770
All other governmental funds										
Nonspendable										
Restricted	2,630,408	2,838,114	2,985,316	3,123,742	4,574,725	4,563,679	4,558,636	4,558,635	3,926,693	4,080,180
Unreserved, reported in:	934,832	976,889	55,345	187,386		272,814	235,049	280,072	317,983	696,331
Special Revenue Funds	78,061	64,785	34,757	111,778						
Debt Service Fund	119,219	114,668	119,347							
Unrestricted:				1,901,761	2,146,805	1,941,561	1,875,192	1,638,915	282,101	
Committed										
Assigned				-1457161	-989,091	-805,331	-670,682	-536,002	430,007	-4,211
Unassigned										
Total all other governmental funds	3,762,520	3,994,456	4,902,423	5,137,281	5,919,825	5,972,723	5,998,195	5,941,620	4,956,784	4,772,300
Total all governmental funds	\$7,088,696	\$7,413,036	\$8,262,174	\$8,730,387	\$9,266,853	\$8,983,812	\$8,979,063	\$9,078,623	\$8,034,223	\$8,118,070

(1) Reporting coincides with GASB 54 implementation in 2011. GASB 54 eliminated the reserved and unreserved classifications and replaced them with Nonspendable, Restricted, and Unrestricted. Within the Unrestricted category three classifications of fund balance were created: Committed, Assigned, and Unassigned.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$1,086,629	\$1,093,891	\$1,090,270	\$1,083,663	\$1,248,334	\$1,223,559	\$1,423,304	\$1,390,105	\$1,272,525	\$1,395,579
Fee in lieu of taxes	1,768,358	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057	1,769,964	1,721,980
Local hospitality and accommodations tax	0	0	0	135,174	171,836	206,506	210,873	225,710	237,766	233,149
Licenses, permits and franchise fees	1,364,589	1,192,977	1,132,126	1,268,967	1,101,502	1,212,990	1,203,177	1,254,403	1,291,773	1,249,734
Fines and forfeitures	107,621	136,720	117,307	111,222	74,858	89,737	97,491	67,532	97,343	91,588
Intergovernmental	1,654,065	1,666,863	952,186	924,414	930,303	842,884	602,389	559,277	580,216	794,213
State collected revenues	520,653	504,495	448,936	399,302	388,263	420,954	449,845	467,982	436,368	469,341
Investment earnings	145,215	134,640	68,906	38,618	18,800	16,226	12,786	14,066	14,737	11,126
Miscellaneous	115,083	211,632	216,789	274,606	139,183	202,466	337,630	237,800	537,388	398,038
Total revenues	<u>6,762,213</u>	<u>6,783,686</u>	<u>5,758,837</u>	<u>5,928,721</u>	<u>5,689,875</u>	<u>5,732,816</u>	<u>5,953,826</u>	<u>5,988,932</u>	<u>6,238,080</u>	<u>6,364,748</u>
<b>Expenditures</b>										
General government	2,241,556	1,706,859	1,280,247	1,283,266	1,142,488	1,436,257	1,492,783	1,557,531	2,739,369	1,522,719
Taxes and licenses	65,702	0	0	0	0	0	0	0	0	0
Facilities Maintenance	94,144	67,308	62,449	63,507	102,716	105,205	68,674	99,342	67,339	76,270
Public Safety	2,866,344	2,960,766	2,819,134	2,739,922	2,876,452	3,004,726	3,077,298	3,149,074	3,171,826	3,181,420
Public service	475,141	498,462	548,310	531,609	545,745	587,931	589,278	597,065	678,752	585,320
Planning	313,392	264,241	202,862	206,414	186,395	214,525	222,548	237,744	261,764	323,240
Capital outlay	571,312	1,091,069	791,452	1,190,531	178,137	390,581	241,900	133,611	91,866	402,230
Debt Service										
Principal	96,959	102,890	146,157	91,737	159,330	164,283	185,558	181,256	279,089	163,410
Interest	12,373	7,751	29,087	96,519	68,932	63,979	31,426	35,728	31,616	26,293
Total expenditures, including capital	<u>6,736,923</u>	<u>6,699,346</u>	<u>5,879,698</u>	<u>6,203,505</u>	<u>5,260,195</u>	<u>5,967,487</u>	<u>5,909,465</u>	<u>5,991,351</u>	<u>7,321,621</u>	<u>6,280,902</u>
Excess of revenues over (under) expenditures	25,290	84,340	-120,861	-274,784	429,680	-234,671	44,361	-2,419	-1,083,541	83,846
<b>Other financing sources (uses)</b>										
Contributed capital		370,000	1,100,000	873,000					39,143	0
Loan and lease purchase proceeds									0	0
Insurance proceeds									0	0
Transfer-In (Out)	-130,000	-130,000	-130,000	-130,000	106,786	-48,370	-49,110	101,976	39,143	0
Total other financing sources (uses)	<u>-130,000</u>	<u>240,000</u>	<u>970,000</u>	<u>743,000</u>	<u>106,786</u>	<u>-48,370</u>	<u>-49,110</u>	<u>101,976</u>	<u>39,143</u>	<u>0</u>
Net change in fund balances	<u>-\$104,710</u>	<u>\$324,340</u>	<u>\$849,139</u>	<u>\$468,216</u>	<u>\$536,466</u>	<u>-\$283,041</u>	<u>-\$4,749</u>	<u>\$99,557</u>	<u>-\$1,044,398</u>	<u>\$83,846</u>
Debt service as a percentage of noncapital expenditures	1.8%	2.0%	3.6%	3.9%	4.7%	4.3%	4.0%	3.8%	4.5%	3.3%

**City of Union, South Carolina**  
**Utility Enterprise System Operating Revenues By Source**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)

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
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
2014	16,001,114	47.1%	3,362,162	9.9%	2,266,548	6.7%	12,561,150	37.0%	-228,452	-0.7%	33,962,522
2015	16,786,838	49.5%	3,446,084	10.2%	2,487,721	7.3%	11,192,441	33.0%	7,665	0.0%	33,913,084
2016	17,329,402	52.3%	3,449,583	10.4%	2,850,108	8.6%	9,483,096	28.6%	21,326	0.1%	33,133,515
2017	17,645,542	51.4%	3,525,388	10.3%	2,860,365	8.3%	10,178,446	29.7%	95,336	0.3%	34,305,077

**City of Union  
Electric Largest Users  
For the Year Ended June 30, 2017**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-kWh</u>	<u>% of Total 2017 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2017 Billed Revenue</u>
HAEMONETICS	PHARMACEUTICAL	7,643,880	6.02%	862,461	4.89%
CITY OF UNION	GOVERNMENT	5,102,909	4.02%	635,590	3.60%
UNION MEDICAL CENTER	HOSPITAL	4,946,311	3.89%	539,426	3.06%
UNION COUNTY SCHOOLS	EDUCATION	3,906,020	3.07%	539,813	3.06%
WAL-MART #01-0629	GROCERY/MERCHANDISE	3,391,560	2.67%	371,910	2.11%
BI-LO #167	GROCERY	1,848,840	1.46%	201,158	1.14%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,716,644	1.35%	288,036	1.63%
OAKMONT OF UNION	HEALTHCARE	1,303,320	1.03%	149,254	0.85%
SPECTRA COLORANTS INC	DYES	1,253,560	0.99%	161,885	0.92%
GLOBAL FELT TECHNOLOGY	SPECIALTY PRODUCTS	1,181,880	0.93%	156,122	0.88%
<b>TOTAL LARGEST USER</b>		<u>32,294,924</u>	<b>25.42%</b>	<u>\$3,905,655</u>	<b>22.13%</b>
<b>TOTAL USAGE BILLED</b>		<b>127,025,804</b>			
<b>USAGE NOT BILLED(STREET LIGHTS)</b>		<u>2,524,860</u>			
<b>TOTAL USAGE NET OF LOSSES</b>		<b>129,550,664</b>			
<b>TOTAL AUDITED REVENUE</b>				<b>\$17,645,542</b>	

(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, South Carolina  
 Natural Gas Largest Users  
 For the Year ended June 30, 2017

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-CCF</u>	<u>% of Total 2017 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2017 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	4,155,910	26.47%	\$1,795,033	17.64%
BASF WYANDOTTE CORP.	CHEMICAL	1,999,330	12.74%	928,771	9.13%
STANDARD TEXTILE COMPANY	TEXTILES	1,727,043	11.00%	771,626	7.58%
CEDAR HILL PLANT	TEXTILES	947,940	6.04%	442,027	4.34%
THE TIMKEN CO	BEARINGS	888,570	5.66%	413,379	4.06%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	579,220	3.69%	268,288	2.64%
HAEMONETICS	PHARMACEUTICAL	351,200	2.24%	329,510	3.24%
SOUTHEAST EMULSIONS INC	ASPHALT PREPARATION	284,160	1.81%	131,962	1.30%
SLOAN CONSTRUCTION CO.	ASPHALT/PAVING	255,863	1.63%	118,130	1.16%
MILLIKEN PLANT	TEXTILES	250,010	1.59%	116,686	1.15%
<b>TOTAL LARGEST USER</b>		<u>11,439,246</u>	<b>72.87%</b>	<u>\$5,315,412</u>	<b>52.22%</b>
<b>TOTAL USAGE BILLED</b>		<b>15,697,903</b>			
<b>TOTAL AUDITED REVENUE</b>				<b>\$10,178,265</b>	

(1) Source: City of Union utility records.

**City of Union  
Water Largest User  
For the Year Ended June 30, 2017**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2017 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2017 Billed Revenue</u>
BROWNS CREEK WATER DIST	WATER DISTRICT	85,487,000	10.45%	\$296,103	8.40%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	79,248,900	9.69%	274,519	7.79%
ROCKY CREEK WATER DIST	WATER DISTRICT	75,761,300	9.26%	260,722	7.40%
STANDARD TEXTILE COMPANY	TEXTILE	65,729,000	8.03%	210,500	5.97%
CEDAR HILL PLANT	TEXTILE	27,816,800	3.40%	116,575	3.31%
UNION COUNTY SCHOOLS	EDUCATION	12,661,500	1.55%	48,829	1.39%
THE TIMKEN COMPANY	BEARINGS	12,361,300	1.51%	56,597	1.61%
TOWN OF CARLISLE	WATER DISTRICT	11,347,000	1.39%	39,578	1.12%
GESTAMP OF SOUTH CAROLINA	AUTOMOTIVE	9,884,600	1.21%	41,210	1.17%
HAEMONETICS	PHARMACEUTICAL	9,105,200	1.11%	27,362	0.78%
<b>TOTAL LARGEST USER</b>		<u>389,402,600</u>	<b>47.59%</b>	<u>\$1,371,995</u>	<b>38.92%</b>
<b>TOTAL USAGE BILLED</b>		<b>818,198,900</b>			
<b>TOTAL AUDITED REVENUE</b>				<b>\$3,525,387</b>	

(1) Source: City of Union utility records.

**City of Union  
Sewer Largest Users  
For the Year Ended June 30, 2017**

USER NAME	USER SERVICE OR BUSINESS	CONSUMPTION-GAL	% of Total 2017 Billed Usage	BILLED REVENUES	% of Total 2017 Billed Revenue
STANDARD TEXTILE COMPANY	TEXTILE	56,668,500	17.54%	\$166,668	6.64%
THE TIMKEN CO	BEARINGS	9,577,700	2.96%	67,041	2.67%
CEDAR HILL PLANT	TEXTILE	8,772,400	2.72%	61,858	2.47%
UNION MEDICAL CENTER	HOSPITAL	8,595,100	2.66%	27,981	1.12%
UNION COUNTY SCHOOLS	EDUCATION	5,885,700	1.82%	37,953	1.51%
UNION COUNTY	GOVERNMENT	5,155,300	1.60%	37,101	1.48%
PROFESSIONAL REALTY MANAGEMENT	RESIDENTIAL APARTMENTS	4,763,300	1.47%	36,991	1.47%
OAKMONT OF UNION	RESIDENTIAL CARE CENTER	4,046,900	1.25%	19,107	0.76%
SONOCO CRELLIN PLANT	PLASTICS	3,622,900	1.12%	26,220	1.05%
ESAB WELDING AND CUTTION	WELDING SUPPLIER	3,401,100	1.05%	24,160	0.96%
<b>TOTAL LARGEST USER</b>		<u>110,488,900</u>	<b>34.20%</b>	<u>\$505,080</u>	<b>20.13%</b>
<b>TOTAL USAGE USED TO CALCULATE SEWER CHARGES</b>		323,040,500			
<b>TOTAL AUDITED REVENUE</b>				\$2,508,982	

(1) Source: City of Union utility records.

(2) Variances in consumption to billed revenue is due to different rate classes and some customers have multiple meters.

**City of Union, South Carolina**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Fiscal Year	Tax Year	Personal Property				Total Taxable Assessed Value \$	Total Direct Tax Rate \$	Estimated Actual Taxable Value \$	Assessed Value as a Percentage of Actual Value
			Real Property \$	Motor Vehicles \$	Other Personal Property \$	Total Personal Property \$				
2008	2008	2007	11,338,070	1,977,133	1,516,200	3,493,333	74.3	265,338,306	5.59%	
2009	2009	2008	10,846,240	1,943,378	1,448,200	3,391,578	74.3	253,807,525	5.61%	
2010	2010	2009	10,877,120	1,733,808	2,099,920	3,833,728	74.3	248,567,420	5.92%	
2011	2011	2010	11,628,650	1,625,505	1,743,890	3,369,395	74.3	258,965,490	5.79%	
2012	2012	2011	12,264,300	1,617,809	2,049,500	3,667,309	79.9	273,006,513	5.84%	
2013	2013	2012	12,303,700	1,730,775	2,149,970	3,880,745	79.9	274,446,550	5.90%	
2014	2014	2013	12,294,380	1,754,508	1,425,390	3,179,898	92.5	274,949,800	5.63%	
2015	2015	2014	12,353,600	1,983,675	1,677,690	3,661,365	92.5	278,970,690	5.74%	
2016	2016	2015	11,992,510	2,107,553	2,142,900	4,250,453	84.2	277,674,153	5.85%	
2017	2017	2016	12,286,920	1,982,834	1,841,930	3,824,764	86.8	284,000,000	5.67%	

(1) Source: Union County Auditor

**City of Union, South Carolina  
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	Special Levies	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	
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
2014	92.5	92.5	92.5	109.0	4.0	24.6	137.6	119.9	48.0	167.9	398.0
2015	92.5	92.5	92.5	111.0	4.0	24.7	139.7	119.9	48.0	167.9	400.1
2016	84.2	84.2	84.2	111.0	4.0	24.7	139.7	119.9	48.0	167.9	391.8
2017	86.8	86.8	86.8	111.0	6.2	30.2	147.4	119.9	48.0	167.9	402.1

(1) Source: Union County Auditor

CITY OF UNION, SOUTH CAROLINA  
 PRINCIPAL PROPERTY TAXPAYERS  
 NOVEMBER 30, 2016

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2016 TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>	<u>2007 TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
HAEMONETICS CORP	INDUSTRIAL	621,250	1	5.04%	477,940	1	4.29%
WAL MART REAL ESTATE	COMMERCIAL	581,250	2	4.72%			
BELLSOUTH COMMUNICATIONS	COMMUNICATIONS	220,090	3	1.79%	580,650	2	5.21%
MILLIKEN & COMPANY	TEXTILES				374,039	3	3.36%
CHARTER COMMUNICATIONS	COMMUNICATIONS	203,030	4	1.65%	129,290	5	1.16%
UNION DEVELOPMENT GROUP LLC	REAL ESTATE				222,060	4	1.99%
UNION STATION LLC	COMMERCIAL	165,150	5	1.34%			
LOCKHART POWER COMPANY	UTILITY	148,230	6	1.20%			
GRAHAM, WILLIAM M	COMMERCIAL	121,740	7	0.99%	127,900	6	1.15%
UNION ELDERLY HOUSING LP	RESIDENTIAL	109,410	8	0.89%	94,150	7	0.85%
LAKEVIEW GARDENS LLC	RESIDENTIAL	98,150	9	0.80%	79,850	8	0.72%
PHILLIPS MEDICAL CAPITAL LLC					93,640	9	0.84%
SYLVA HOLDINGS LLC					92,630	10	0.83%
FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	93,270	10	0.76%	92,110	11	0.83%
<b>TOTAL OF LARGEST TAXPAYERS</b>		<b>2,361,570</b>		<b>19.17%</b>	<b>2,364,259</b>		<b>21.23%</b>
<b>TOTAL 2015 TAXABLE ASSESSED VALUE</b>		<b>12,317,390</b>		<b>100.00%</b>	<b>11,134,390</b>		<b>100.00%</b>

\*EXCLUDES HOMESTEAD EXEMPTION, ABATEMENTS AND VEHICLES

Source: City of Union Tax Department

City of Union, South Carolina  
 City Property Tax Levy and Collections  
 Last Ten Years

Fiscal Year ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>			<u>Tax Collections to Date</u>	
		<u>Amount</u>	Percentage of Levy	Collections in Subsequent <u>Years</u>	<u>Amount</u>	Percentage of Levy
2017	1,082,484	1,030,677	95.21%	30,955	1,061,632	98.07%

(1) Category includes tax collections for real and personal property as reflected in the general fund , for taxes and delinquent taxes respectively.

(2) Total tax levy includes the Tax Increment Financing (TIF) debt service collected for the City, but excludes Union County and Union County School District.

(3) Fiscal year ended June 30, 2017 is the first year the City has reported City property tax levy and collections. Information before fiscal year 2017 is not available.

Source: Union County Auditor

City of Union Tax Department

City of Union, South Carolina  
 Computation of Legal Debt Margin  
 Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2017

	Fiscal Years									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed value		<u>\$16,111,684</u>								
Debt limit(8%of total assessed value)		<u>\$1,288,935</u>								
Debt applicable to limit		0								
Legal Debt Margin		<u>\$1,288,935</u>								
Debt Limit	\$1,288,935	\$1,299,437	\$1,281,197	\$1,237,942	\$1,294,755	\$1,274,528	\$1,199,844	\$1,176,867	\$1,139,025	\$1,186,512
Total Net Debt Applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal Debt Margin	<u>\$1,288,935</u>	<u>\$1,299,437</u>	<u>\$1,281,197</u>	<u>\$1,237,942</u>	<u>\$1,294,755</u>	<u>\$1,274,528</u>	<u>\$1,199,844</u>	<u>\$1,176,867</u>	<u>\$1,139,025</u>	<u>\$1,186,512</u>
Total net Debt Applicable to the Limit as a % of Debt Limit	0	0	0	0	0	0	0	0	0	0
Total General Bonded Debt as a Percentage of Actual Taxable Value	0	0	0	0	0	0	0	0	0	0
Total Net General Bonded Debt per Capita	0	0	0	0	0	0	0	0	0	0

- Notes: 1 Property value data can be found in th "Assessed Value of Taxable Property and Actual Value of Property Schedulee.
- 2 The legal debt limit is 8%of total assessed value.
- 3 The legal debt margin is the government's available borrowing under SC Code of Laws and is calculated by subtracting the debt applicable to the legal debt from the legal debt limit.

**City of Union, South Carolina**  
**Ratios of Outstanding Debt by Type(1)**  
**Last Ten Fiscal Years**

Fiscal Year Ended <u>June, 30</u>	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation <u>Bonds</u>	Special Assessment Bonds(2)	Capital Leases	Revenue <u>Bonds(3)</u>	Deferred and Unamortized Loss on <u>Refunding</u>	Capital <u>Leases</u>				
2008	0	70,725	122,507	11,847,929	-756,546	109,035	11,393,650	8.0	1,361	
2009	0	382,290	79,372	12,151,223	-701,249	308,702	12,220,338	8.7	1,472	
2010	0	1,380,836	34,669	11,885,906	-644,259	221,574	12,878,726	8.5	1,581	
2011	0	1,302,212	857,887	12,162,530	-585,576	141,980	13,879,033	8.9	1,708	
2012	0	1,193,127	779,892	15,139,111	-2,823,472	91,714	14,380,372	9.5	1,713	
2013	0	1,097,866	699,770	14,010,719	-781,930	161,902	15,188,327	9.5	1,824	
2014	0	994,616	617,462	15,918,398	-1,704,601	98,343	15,924,218	10.0	1,922	
2015	0	886,812	532,910	14,546,506	-254,866	249,590	15,960,952	10.6	1,959	
2016	0	644,631	446,052	13,026,925	0	187,281	14,304,889	9.5	1,788	
2017	0	570,449	356,825	11,573,872	0	124,020	12,625,166	8.4	1,578	

(1) Details of the City's outstanding debt can be found in the notes to the financial statements.

(2) Composed of Brownsfield Loan that was paid in full in FY 2016 and a Tax increment Financing Bond.

(3) Composed of Combined Public Utility(CPU) as detailed in the notes to the financial statements.

City of Union, South Carolina  
 Combined Utility System Bonds  
 Pledge Revenue Coverage  
 Last Ten Fiscal Years

FISCAL YEAR	GROSS REVENUES (1)	OPERATING EXPENSES (2)	NET REVENUES AVAILABLE			DEBT SERVICE REQUIREMENTS			TIMES COVERAGE (3)
			FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE (3)		
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		
2014	34,259,783	27,934,218	6,325,565	1,253,568	283,615	1,537,183	4.12		
2015	34,369,027	27,682,685	6,686,342	1,389,202	424,669	1,813,871	3.69		
2016	33,484,049	27,682,685	5,801,364	1,454,406	279,493	1,733,899	3.35		
2017	34,741,144	28,246,812	6,494,332	1,453,053	250,770	1,703,823	3.81		

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%, but per City's financial Policy the minimum is set at 1.35%.

**CITY OF UNION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

**AS OF NOVEMBER, 2017**

<b>EMPLOYER(1)</b>	<b>EMPLOYEES</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL COUNTY ACTIVE EMPLOYMENT *</b>
UNION COUNTY SCHOOL DISTRICT	675	1	5.65%
DOLLAR GENERAL DISTRIBUTION	610	2	5.38%
BELK Ecommerce	575	3	5.07% 2
GESTAMP SOUTH CAROLINA, LLC	416	4	3.67%
UNION MEDICAL CENTER	404	5	3.56%
TIMKEN	280	6	2.47%
HAEMONETICS	234	7	2.06%
S.C. STATE GOVERNMENT	230	8	2.03%
MILLIKEN - CEDAR HILL PLANT	183	9	1.61%
COUNTY OF UNION	162	10	1.43%
CARLISLE FINISHING PLANT	140	11	1.23%
CITY OF UNION	128	12	1.13%
SONOCO PRODUCTS	100	13	0.88%
GONVATO SOUTH CAROLINA	72	14	0.63%
ESAB WELDING AND CUTTING	54	15	0.48%
LOCKHART POWER	<u>53</u>	16	0.47%
TOTAL PRINCIPLE EMPLOYERS	4316		38.03%
TOTAL LABOR FORCE	11942		

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

(2) Seasonal Employer

\* Union County labor force as of 10/2016 is total labor pool of 11,942 with 11,384 employed and 594 unemployed resulting in an unemployment rate of 5.0%

Source: Union County Development Board/Labor Profile/September, 2017

SC Department of Employment and Workforce/October, 2017

Information for fiscal year 2008 is not available.

City of Union, South Carolina  
Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

<u>CLASSIFICATION</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
LEGISLATIVE	9	9	9	9	9	9	9	9	9	9 (1)
CITY COURT	1	1	1	1	1	2	2	2	2	2
CITY ATTORNEY	1	1	1	1	1	1	1	0	0	0 (2)
THE UNION CONNECTION	0	2	2	4	3	3	2	3	3	3
PUBLIC SAFETY	39	42	41	41	40	40	41	41	41	41
PUBLIC SERVICE - STREET DEPT.	7	7	8	8	8	8	8	8	8	8
PUBLIC SERVICE - SOLID WASTE	8	7	7	7	6	5	5	5	5	5
BUILDING & ZONING	4	4	2	2	2	2	3	3	3	4 (3)
VEHICLE MAINTENANCE	4	4	4	4	4	4	4	4	4	4
ACCOUNTING	4	5	6	5	5	5	5	5	5	5
UTILITY BILLING	11	11	9	9	9	9	9	9	9	9
UTILITIES - ADMINISTRATION	3	3	3	3	3	3	3	3	4	4
UTILITIES - SUPPORT SERVICES	4	4	4	4	4	4	4	4	4	4
UTILITIES - ELECTRIC	8	8	8	8	8	8	8	8	8	9 (4)
UTILITIES - WATER	13.5	13.5	13	14	14	14	14	14	14	15 (5)
UTILITIES - WASTEWATER	6.5	6.5	6	6	6	6	7	7	6	6
UTILITIES - GAS	10	10	10	10	10	10	10	10	10	10
<b>TOTAL</b>	<b>133</b>	<b>138</b>	<b>134</b>	<b>136</b>	<b>133</b>	<b>133</b>	<b>135</b>	<b>135</b>	<b>135</b>	<b>138</b>
<b>LESS ELECTED OFFICIALS</b>	<b>7</b>									
	<b>126</b>	<b>131</b>	<b>127</b>	<b>129</b>	<b>126</b>	<b>126</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>131</b>

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. The attorney is paid through the Legislative Department.
3. A Planning Trainee has been added to this account as of January 1, 2017.
4. A lineman position has been added to this department.
5. A Water Plant Trainee has been added to this account as of January 1, 2017.

**City of Union, South Carolina  
Demographics and Economic Statistics**

FISCAL YEAR	Population (1)	Personal Income(2)	Per Capita Income (1)	Medium Household Income(1)	Median Age(1)	Public School Enrollment(1)	Percent of Unemployment Rate(3)
2008	8373	141,704,652	16,924	26000	44.0	1,188	11.3
2009	8302	140,503,048	16,924	26420	43.8	1,099	22.0
2010	8143	146,948,578	18,046	26425	41.1	1,329	17.7
2011	8123	155,003,086	19,082	27130	40.6	1,431	17.2
2012	8,143	155,050,863	19,041	26,071	41.1	1,503	16.5
2013	8,123	154,986,840	19,080	26,438	41.0	1,577	10.4
2014	8,088	153,574,944	18,988	26,689	38.7	1,567	7.4
2015	8,037	150,870,564	18,772	25,862	39.0	1,560	7.1
2016	8,000	150,176,000	18,772	25,862	39.0	1,560	5.2
2017	8,000	150,176,000	18,772	25,862	39.0	1,560	5.0

Sources: 1. U.S. Census Bureau.

2. Mathematical computation of per capita personal income multiplied by population..

3. Unemployment information from the SC Department of Employment and Workforce

4. Estimates by City of Union Finance Department for fiscal year 2008 and fiscal year 2016 and 2017 for all categories except unemployment rate.

**City of Union, South Carolina  
Operating Indicators by Function**

**DATE OF INCORPORATION - December , 1837**

**FORM OF GOVERNMENT - Mayor/Council**

**AREA-SQUARE MILES (INCORPORATED)-8**

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>ELECTRIC SYSTEM-Established 1898</b>					
Number of Customer Billing per Month	6,877	6,867	6,851	6,873	6,856
Substations	3	3	3	3	3
Circuits	12	12	12	12	12
Security Lights	2,867	2,958	2,963	2,963	2,963
Street Lights	5,393	5,393	5,393	5,393	5,393
Number of Miles of Electric Lines Owned by City	165	165	165	165	165
<b>WATER SYSTEM - Established 1898</b>					
Number of Customer Billing per Month	6,101	6,067	6,055	6,018	6,075
Number of Water Districts Served	5	5	5	5	5
Maximum Filtration Plant Capacity per day-Gallons	10,400,000	10,400,000	10,400,000	10,400,000	10,400,000
Number of Water Tanks	6	6	6	6	6
Number of Miles of Water Line Owned by City	183	183	183	183	183
<b>WASTEWATER SYSTEM-Established 1917</b>					
Number of Customer Billing per Month	4,887	4,875	4,841	4,815	4,887
Maximum Plant Capacity per Day					
Tosch Creek	6,000	6,000	6,000	6,000	6,000
Number of Pump Stations	14	14	14	14	14
Number of Wastewater Miles Owned by City	123	123	123	123	123
<b>NATURAL GAS SYSTEM-Established 1956</b>					
Number of Customer Billing per Month	6,163	6,095	6,101	6,144	6,165
Maximum Capacity Available on Pipeline in dekatherms- Transco	10,147	10,147	10,147	10,147	10,147
Number of Miles of Main Gas Line Owned by City	411	411	428	428	428
<b>PUBLIC SAFETY</b>					
Number of Stations	1	1	1	1	1
Number of Public Safety Officers	31	31	31	31	31
Number of Firefighters	3	4	4	4	4
<b>BUILDINGS (based on calendar year 2015)</b>					
Permits Issued	948	474	993	525	525
Estimated Cost of Construction	5,435,549	4,232,110	18,891,908	5,953,674	5,953,674
<b>Streets and Sanitaion</b>					
Streets(in miles)	20	20	20	20	20
Transfer Station	1	1	1	1	1
MSW Tons Transferred to landfill	2,897	3,063	3,073	3,223	3,136
Brush Pit		2646	2,457	2,150	1,334

Information for fiscal years 2008-2012 is not available.

**CITY OF UNION, South Carolina**  
**Customer Count and Sales in Units by Utility Class**

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Electric Customers:</b>					
Residential	5,766	5,752	5,737	5,763	5,739
Commercial	1,099	1,103	1,102	1,097	1,105
Industrial	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>12</u>
Total Customers	<u>6,877</u>	<u>6,867</u>	<u>6,851</u>	<u>6,873</u>	<u>6,856</u>
<b>Kilowatts Hour Sales (thousands):</b>					
Residential	65,287	65,422	64,879	62,574	63,783
Commercial	56,818	55,177	54,087	52,578	49,015
Industrial	8,478	7,825	8,180	8,449	10,513
Other	<u>6,241</u>	<u>6,159</u>	<u>6,148</u>	<u>6,340</u>	<u>6,238</u>
Total Kilowatt Hours (thousands)	<u>134,300</u>	<u>132,059</u>	<u>130,770</u>	<u>129,941</u>	<u>129,549</u>
<b>Water Customers:</b>					
Residential	5,240	5,206	5,195	5,164	5,224
Commercial	838	838	837	836	833
Industrial( 38 meters)	18	18	18	18	18
Water Districts(11 meters)	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Customers	<u>6,101</u>	<u>6,067</u>	<u>6,055</u>	<u>6,018</u>	<u>6,075</u>
<b>Water Sales-gallons in thousands)</b>					
Residential	239,793	229,110	227,159	226,703	223,852
Commercial	107,694	98,670	103,336	106,359	103,604
Industrial	95,591	97,395	100,434	124,141	137,819
Water Districts	<u>359,055</u>	<u>363,073</u>	<u>308,221</u>	<u>290,293</u>	<u>352,922</u>
Total Water Sales (thousands)	<u>802,133</u>	<u>788,248</u>	<u>739,150</u>	<u>747,496</u>	<u>818,197</u>
<b>Sewer Customers:</b>					
Residential	4,212	4,200	4,182	4,161	4,225
Commercial	656	656	641	636	644
Industrial	<u>19</u>	<u>19</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total Customers	<u>4,887</u>	<u>4,875</u>	<u>4,841</u>	<u>4,815</u>	<u>4,887</u>
<b>Sewer Charges- Based on Water Sales(Thousands)</b>					
Residential	191,725	182,921	181,879	181,925	179,625
Commercial	79,495	74,852	77,145	78,158	73,598
Industrial	<u>54,947</u>	<u>60,801</u>	<u>64,015</u>	<u>82,984</u>	<u>90,713</u>
Total Sales (thousands)	<u>326,167</u>	<u>318,574</u>	<u>323,039</u>	<u>343,067</u>	<u>343,936</u>
<b>Natural Gas Customers</b>					
Residential	5,526	5,458	5,447	5,502	5,520
Commercial	623	623	640	628	631
Industrial( 23 Meters)	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>
Total Customers	<u>6,163</u>	<u>6,095</u>	<u>6,101</u>	<u>6,144</u>	<u>6,165</u>
<b>Natural Gas Sales(MCF)</b>					
Residential	299,190	322,021	305,346	250,717	232,672
Commercial	208,965	227,825	229,782	206,437	183,958
Industrial	<u>924,757</u>	<u>1,076,203</u>	<u>1,012,263</u>	<u>1,113,826</u>	<u>1,153,160</u>
Total Natural Gas Sales(MCF)	<u>1,432,912</u>	<u>1,626,049</u>	<u>1,547,391</u>	<u>1,570,980</u>	<u>1,569,790</u>

Information for fiscal years 2008-2012 is not available.