

**CITY OF UNION, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



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

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

November 29, 2012

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, 2012.

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

The City's financial statements have been audited by a licensed certified public accountant, Terry R. Fant, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### Profile of the Government

The City, founded in 1837, is located in the central area of Union County, 28 miles southeast of Spartanburg, South Carolina. The City currently occupies a land area of approximately 8.0 square miles and serves a population of approximately 8,400, with a total of approximately 29,000 people in the Greater Union area. The City of Union is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing Council.

The City of Union, as of June 30, 2012, 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

legislative authority are vested in a governing Council consisting of the Mayor and six Councilmembers. The governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the government's clerk, magistrate, and attorney. The Mayor acts in a legislative capacity as a member of the Council. He acts in an executive capacity as chief administrator of the Council's policies. The Mayor is responsible for carrying out policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing, with Council ratification, the heads of various departments. The Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with three Councilmembers elected every two years. The Mayor is elected to serve a four-year term. All six of the Councilmembers are elected by district. The Mayor is elected at large.

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

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

#### Factors Affecting Financial Conditions

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

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

The City is considered to be forward thinking and receptive to development. However, the overall economic condition of the City trails both state and national indicators. The decline of the textile industries has heavily impacted the local economy, with unemployment at 14.8 % at June 30, 2012.

**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 2012 include:

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

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, state investment pools, and repurchase agreements. The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The yield on investments for the year ended June 30, 2012 varied from approximately 0.05 percent to 2.00 percent. The average yield on overnight federal funds for that period was 0.00484 percent. The City earned interest revenue of \$136,422 on all investments for the year ended June 30, 2012.

**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, 2012, expenditures were recognized for post-retirement health care insurance premiums for seven (7) retirees.

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

#### Major Initiatives

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

Renovations to the Tosch's Creek wastewater treatment plant are in progress to construct a new headwork's facilities and install new energy efficient aeration equipment. The aeration will qualify as "green infrastructure" with projected energy savings of \$1,434,724 over a period of 15 years. The total cost of this project is approximately \$1,721,075.

#### 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 unflinching 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



**MAYOR**

District 4  
District 5  
District 6

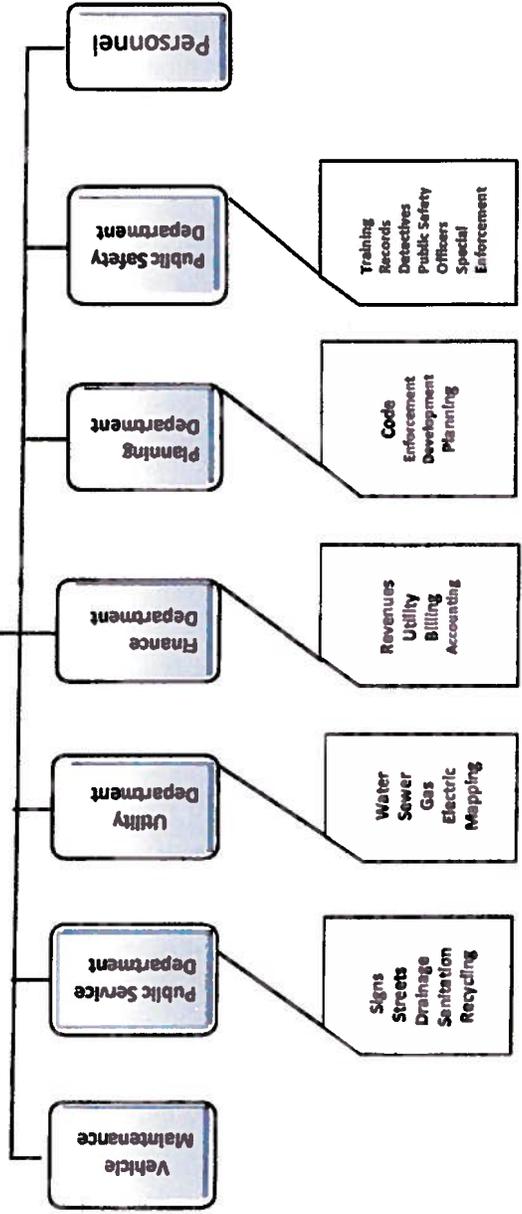
**CITY COUNCIL**

District 1  
District 2  
District 3

City Recorder  
City Clerk

**MAYOR**

Boards and Commissions  
City Attorney



**City of Union, South Carolina**  
**LIST OF ELECTED and APPOINTED OFFICIALS**  
**as of June 30, 2012**

**ELECTED**

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

**APPOINTED**

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

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# **FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Union, South Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year then ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Union's management. My responsibility is to express opinions on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows and budgetary comparison for the general fund and local hospitality and accommodations fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 29, 2012, on my consideration of the City of Union, South Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental 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 information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I

obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina's financial statements as a whole. The combining and individual non-major fund financial statements and statistical section are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.



Terry R. Fant, CPA, PA  
November 29, 2012

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## CITY OF UNION, SOUTH CAROLINA

### Management's Discussion and Analysis

As management of the City of Union, we offer readers of the City of Union's financial statements this narrative overview and analysis of the financial activities of the City of Union for the fiscal year ended June 30, 2012. 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 of the City of Union exceeded its liabilities at the close of the most recent fiscal year by \$72,897,866 (*net assets*). Of this amount, \$13,998,889 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The unrestricted net assets are comprised of \$4,124,280 governmental activities and \$9,874,609 business type activities.
- The government's total net assets increased by \$850,759 over the prior year.
- As of the close of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$9,266,854 an increase of \$536,466 in comparison with the prior year. Approximately 36 percent of this total amount, \$3,347,028 is *available for spending* at the government's discretion (*unassigned General Fund balance*). The remaining governmental fund balance of \$5,919,826 is detailed in notes to financial statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,347,028 or 65 percent of the total fund expenditures.
- The City of Union had \$14,380,372 in bonds, notes and leases outstanding versus \$13,879,033 last year, an increase of \$501,339. This increase represents the net of principle payments of \$1,119,112 during the year and new debt of \$1,620,451 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 assets* presents information on all of the City of Union's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in the net assets may serve as a useful indicator of whether the financial position of the City of Union is improving or deteriorating.

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

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

City of Union include electric, water, sewer, gas, and solid waste.

The government-wide financial statements can be found as listed in the table of contents.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Union, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Union can be divided into these categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

The basic governmental fund financial statements can be found 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Union, assets exceeded liabilities by \$72,897,866 at the close of the most recent fiscal year. By far the largest portion of the City of Union's net assets (84 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Union uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Union's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Union's Net Assets					
	Governmental activities		Business-type activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$10,717,944	\$8,011,495	\$15,196,358	\$14,225,446	\$25,914,302	\$22,236,941
Capital assets	4,647,694	7,319,929	59,960,127	61,649,168	64,607,821	68,969,097
<b>Total assets</b>	<b>15,365,638</b>	<b>15,331,424</b>	<b>75,156,485</b>	<b>75,874,614</b>	<b>90,522,123</b>	<b>91,206,038</b>
Long-term liabilities outstanding	2,160,099	1,973,019	11,718,935	12,407,353	13,879,034	14,380,372
Other liabilities	1,996,821	1,650,772	2,599,164	2,277,060	4,595,985	3,927,832
<b>Total liabilities</b>	<b>4,156,920</b>	<b>3,623,792</b>	<b>14,318,099</b>	<b>14,684,413</b>	<b>18,475,019</b>	<b>18,308,204</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	920,387	1,370,217	48,015,063	49,241,814	48,935,450	50,612,031
Restricted	6,205,317	6,213,136	1,743,995	2,073,810	7,949,312	8,286,946
Unrestricted	4,083,016	4,124,280	11,079,328	9,874,609	15,162,344	13,998,889
<b>Total net assets</b>	<b>\$11,208,720</b>	<b>\$11,707,633</b>	<b>\$60,838,387</b>	<b>\$61,190,233</b>	<b>\$72,047,107</b>	<b>\$72,897,866</b>

The balance of unrestricted net assets \$13,998,889 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Restricted net assets reported in connection with the City of Union's governmental activities are \$6,213,136, an increase of \$7,819. Although there was a small increase, the donation of \$250,000 to the Union Events Center project and the forgiveness of advance due to the City's utility fund in the amount of \$384,948 were major factors affecting these funds.

Restricted net assets reported in connection with the City of Union's business-type activities are \$2,073,810. This number represents debt payments and debt reserve funds held by the trustee.

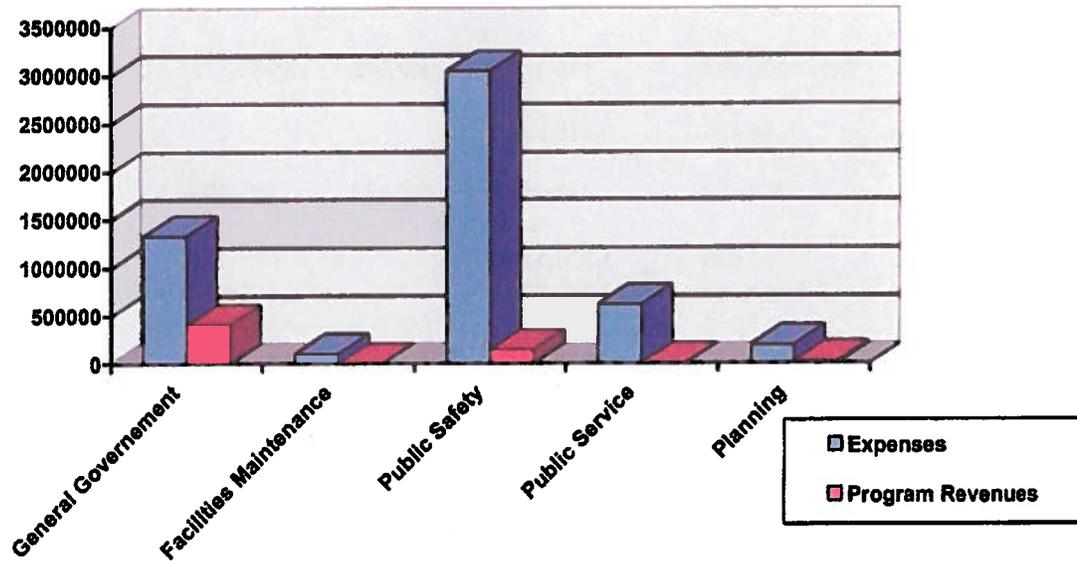
**Governmental activities.** Governmental activities increased the City of Union's net assets by \$498,912 thereby accounting for 4.5% of the total growth in net assets. Key elements of this increase are as follows:

- Operating grants for governmental activities increased by \$844; this increase is due to an increase in allocation of one percent funds remitted to Union County each year to be disbursed to fire departments throughout the County. These grant funds furnish resources to support the City of Union Public Safety employees.
- Capital grants continue to be a major source of funds to enhance the operation of certain departments of the City of Union. During the year the grant funds were received for the following purposes : ( 1) General Government received a donation of \$250,000 from The Timken Foundation to fund the purchase of equipment at the Union Events Center. A \$25,000 CDBG grant was received to conduct a feasibility study in the Union Mill area for possible funding of a Village Renaissance Program. Also, a \$103,796 energy grant was awarded to the City to install energy efficient equipment at City Hall and the YMCA, (2) Public Safety Department received \$12,391 to fund the purchase law enforcement equipment, (3) and the Public Service Department received \$4,159 to improve sidewalks and streets.
- On July 20, 2010 City Council passed an ordinance establishing a Local Hospitality and Accommodations Fee. Fees collected for Fiscal Year 2012 totaled \$171,836.

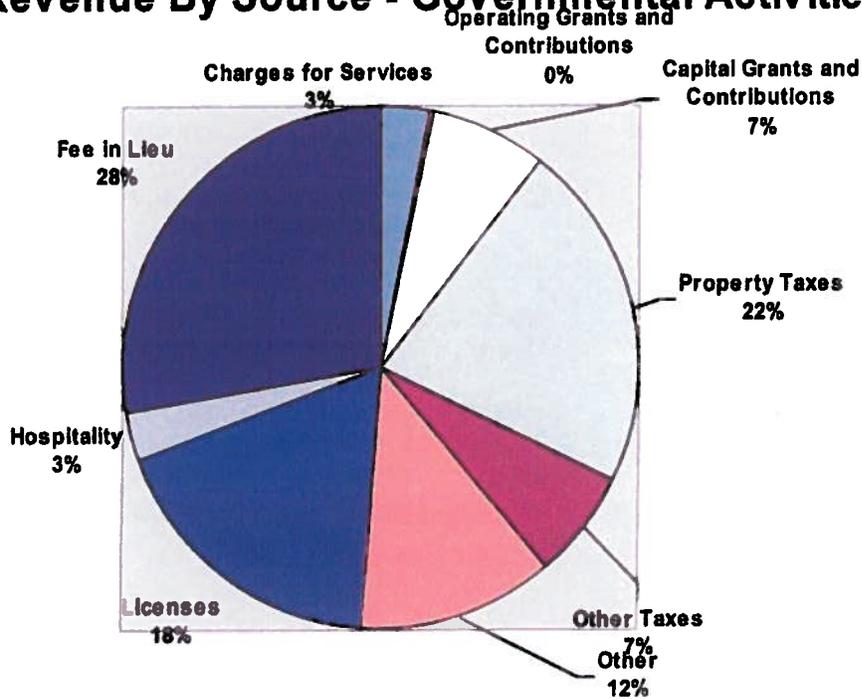
**City of Union's Changes in Net Assets**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	209,877	170,150	31,982,073	29,933,871	32,191,950	30,104,021
Operating grants and contributions	14,494	15,338			14,494	15,338
Capital grants and contributions	339,162	423,096	417,256	403,769	756,418	826,865
<b>General revenues:</b>						
Property taxes	1,084,836	1,253,120			1,084,836	1,253,120
Other taxes and fees	3,434,664	3,217,687			3,434,664	3,217,687
Other	814,313	606,183	136,709	117,622	951,022	723,805
<b>Total revenues</b>	<b>5,897,346</b>	<b>5,685,574</b>	<b>32,536,038</b>	<b>30,455,262</b>	<b>38,433,384</b>	<b>36,140,836</b>
<b>Expenses:</b>						
General government	1,439,935	1,331,121			1,439,935	1,331,121
Facilities maintenance	63,507	102,716			63,507	102,716
Public safety	2,943,617	3,046,719			2,943,617	3,046,719
Public service	776,336	619,057			776,336	619,057
Planning	213,855	193,835			213,855	193,835
Electric			13,899,364	14,834,930	13,899,364	14,834,930
Water			2,991,453	3,133,853	2,991,453	3,133,853
Sewer			2,272,148	2,178,088	2,272,148	2,178,088
Gas			11,373,120	8,647,894	11,373,120	8,647,894
Solid Waste Mgt.			810,661	784,316	810,661	784,316
Interest expense			459,217	417,548	459,217	417,548
<b>Total expenses</b>	<b>5,437,250</b>	<b>5,293,448</b>	<b>31,805,963</b>	<b>29,996,629</b>	<b>37,243,213</b>	<b>35,290,077</b>
<b>Increase in net assets before transfer</b>	<b>460,096</b>	<b>392,126</b>	<b>720,889</b>	<b>458,633</b>	<b>1,180,985</b>	<b>850,759</b>
Loss on sale capital asset			-421,598		-421,598	
Transfers	-130,000	106,786	130,000	-106,786	0	0
<b>Increase in net assets</b>	<b>330,096</b>	<b>498,912</b>	<b>438,477</b>	<b>351,847</b>	<b>768,573</b>	<b>850,759</b>
<b>Net assets – 07/01</b>	<b>10,878,625</b>	<b>11,208,721</b>	<b>60,399,909</b>	<b>60,838,386</b>	<b>71,278,534</b>	<b>72,047,107</b>
<b>Net assets – 06/30</b>	<b>11,208,721</b>	<b>11,707,633</b>	<b>60,838,386</b>	<b>61,190,233</b>	<b>72,047,107</b>	<b>72,897,866</b>

## Expenses and Program Revenues- Governmental Activities



## Revenue By Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City of Union’s net assets by \$351,846 accounting for a less than 1 percent increase in total growth in the government’s net assets. Key elements of this increase are as follows:

Business-type activities of the City include a Combined Utility Fund, that is composed of electric, water, wastewater, and natural gas, and a Solid Waste Management Fund. The combined utilities and solid waste management charges for services decreased by 6.8 percent or \$2,048,202.

Electric sales decreased by 9,870,541 kWh or 6.7%, compared to the prior year. The main reason for this decrease is due to weather conditions. Historically a normal year for the City’s kWh sales average about 136,000,000 kWh compared to sales of 146,489,039 kWh for FY 2011. The City sold 136,618,489 kWh in FY 2012. Total electric revenue increased by 3.3% or \$474,500 over prior year. Purchased Power cost increased by \$1,012,288 or 9.16% over prior year.

Water sales decreased by 73,063,100 gallons or 8.09 % compared to the prior year. Net sales of water per gallon were down in all rate classes of the City’s water customer base. Revenue compared to last year increased by \$188,157 or 6.15%. This increase in revenue was due to increased rates implemented for fiscal year 2012.

Wastewater discharged into our wastewater treatment plants decreased by 14,639,500 gallons or 11.26% compared to the prior year. Discharges decreased in all rate classes with discharge from residential and commercial customers decreasing by 14,245,400 gallons or 4.9%. Revenue compared to the prior year increased by \$84,122 or 4.8%. This increase was due to increased rates implemented for fiscal year 2012.

Natural gas sales volume decreased by 1,668,473(ccf) hundred cubic feet or 11.26%. Industrial sales decreased 794,760 ccf or 8.17% which accounted for the majority of the total decreased volume. Revenue compared to prior year decrease by \$2,830,214 or 23.25%. In comparison, natural gas purchases decreased by 5.85% or 871,090 ccf compared to last year purchases. The cost of natural gas decreased by \$2,638,700 or 29.67% compared to last year.

The City’s utilities continue to see pressure from wholesale rates for electric power purchases, volatile natural gas prices and State and Federal Agencies. Electric base rates will increase by an average increase of 5% on kWh consumed. The monthly power purchase adjustment (PPA) will continue. Water and wastewater rates will increase by 9% on volume. Natural gas base rates, even with the cost of the commodity at 10 year lows, will increase by an average of 5% per CCF. The purchase gas adjustment (PGA) will continue.

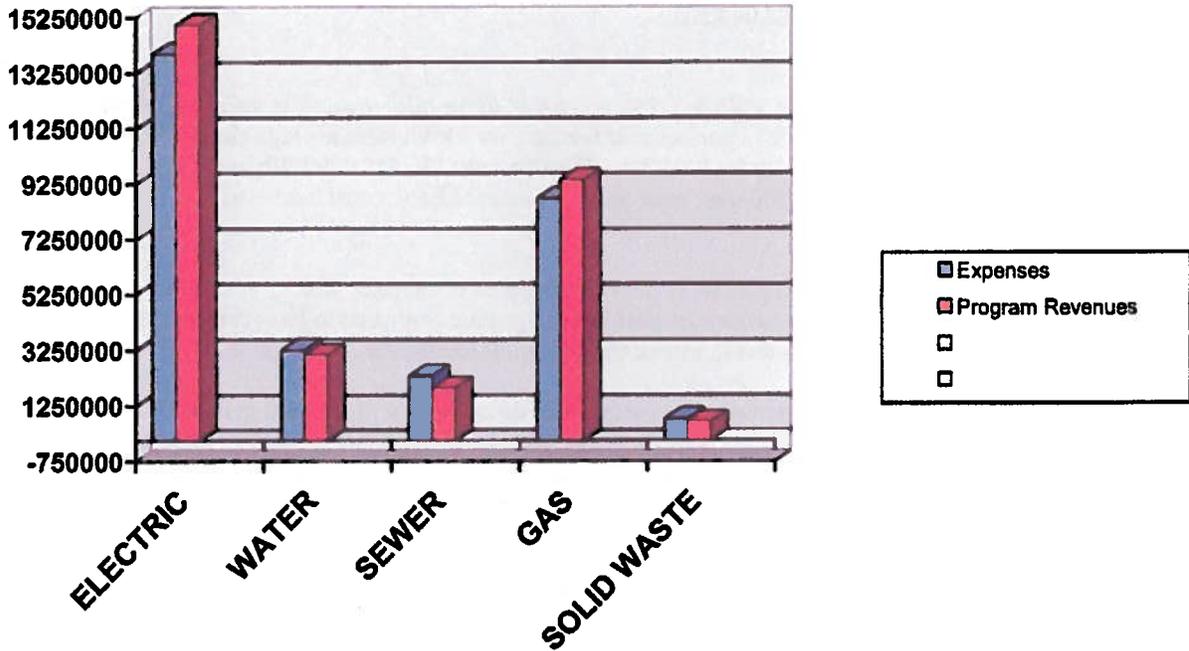
Solid Waste Management charges for services increased by \$40,537 or 6.4%. This increase is due to the monthly fee charged increasing by \$1 from \$13.00 to \$14.00 effective July 1, 2011.

- There were capital contributions to the Combined Utility during the current year totaling \$403,769.

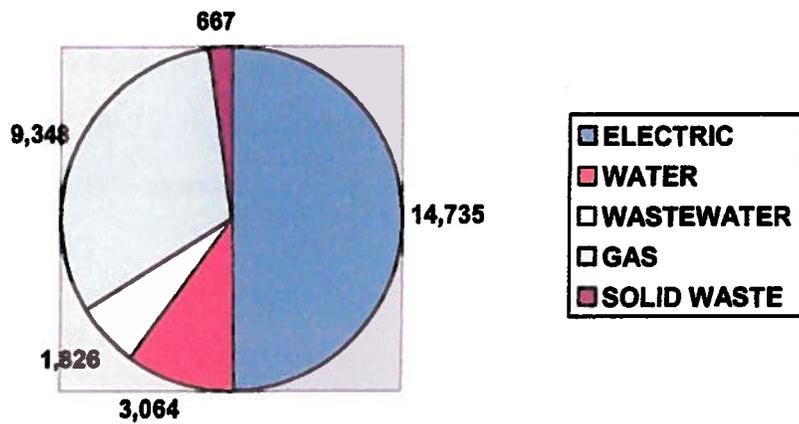
Sewer and water line improvement- Buffalo Area	\$ 100
Sewer and water line improvement-Highway 49 West Apartments	106,433
Sewer and improvements-Union/Excelsior Mill Area	<u>297,236</u>
<b>Total</b>	<b>\$ 403,769</b>

- Investment earnings decreased by \$32,787 for business-type activities. The major causes of this decrease were lower interest rates and less available funds to invest.

## Expenses and Program Revenues - Business Activities



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



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$9,266,854 an increase of \$536,466 in comparison with the prior year. Approximately 36 percent of this total amount \$3,347,028 constitutes *unassigned general fund balance* which is available for spending at the government's discretion. The remaining government fund balance is detailed 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 \$3,347,028. 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 65 percent of total general fund expenditures.

The City of Union's General Fund, fund balance decreased \$246,078 during the current fiscal year. Key factors in this decrease are as follows:

- Revenue was under budget by \$77,249;
  - 1) Payment in lieu of taxes decreased \$75,959 OR 4.5% compared to last year. This revenue is based on the operating revenue of the City's enterprise funds from the prior year.
  - 2) Business licenses, franchise fees, and building permit decreased \$167,465 or 13.2% compared to last year.
  - 3) State collected revenues also decreased \$11,039 or 2.7% compared to last year.
  - 4) Investment earning, compared to last year, decreased \$7,832 or 47.45%.
  - 5) Expenditures were under budget in the amount of \$316,690. City Council's philosophy has always been to prepare a budget that addresses the needs of the citizens of the City of Union. All General Fund departments were under budget for FY 2012. Personnel vacancies, health care cost, and an overall effort to keep expenditures down were the main reasons for this under run.

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

- Council forgave advance owed from Solid Waste Management in the amount of \$226,129. This is the amount due to the General Fund at June 30, 2011. These funds were loaned to the Solid Waste Management Fund to construct a transfer station.
- Transfer of \$2,500 to the Special Revenue grants account to match the Union Mill renaissance grant study.

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

Unrestricted net assets of the electric, water, sewer, gas (combined utility), and solid waste management operations at the end of the year amounted to \$9,874,609. The total decrease in the unrestricted net assets was \$1,204,720. 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, 2012, amounts to \$66,137,353 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements other than buildings, and machinery and equipment. The total increases in the City of Union's investment in capital assets for the current fiscal year increased 2.4% for all funds.

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

- Electrical system improvements in the amount of \$376,656 to include new meters with radio read capability.
- Water system improvements to include new meters with radio read capabilities in the amount of \$222,651.
- Meng Creek Pump Station and the closure of the Meng Creek Wastewater Treatment Plant were completed at a cost of \$2,250,017. This project was funded by a loan from the State Revolving Loan Fund.
- Natural Gas System improvements that connected the Tyger River Correctional Facility were completed at a cost of \$299,681. Other natural gas system improvements totaled \$312,393 to include new meters with radio read capability.
- Construction in progress as of June 30, 2012 in the amount of \$2,257,754 represents several ongoing projects. Major funding sources for these projects are the State Revolving Fund and Community Development Block Grants.

Capital asset activity for the year ended June 30, 2012 was as follows:

	June 30, <u>2011</u>	<u>Additions</u>	<u>Retire- ments</u>	June 30, <u>2012</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,764,485	\$ _____	\$ _____	\$ 1,764,485
Capital assets being depreciated:				
Infrastructure	1,349,407			1,349,407
Buildings and improvements	1,746,052			1,746,052
Improvements other than buildings	327,451			327,451
Machinery and equipment	<u>3,672,746</u>	<u>48,906</u>	_____	<u>3,721,652</u>
Total depreciable capital assets	<u>7,095,656</u>	<u>48,906</u>	_____	<u>7,144,562</u>
Less accumulated depreciation:				
Infrastructure	1,066,497	19,671		1,086,168
Buildings and improvements	556,833	33,180		590,013
Improvements other than buildings	194,833	6,549		201,382
Machinery and equipment	<u>2,394,284</u>	<u>149,015</u>	_____	<u>2,543,299</u>
Total accumulated depreciation	<u>4,212,447</u>	<u>208,415</u>	_____	<u>4,420,862</u>
Total depreciable assets – net of accumulated depreciation	<u>2,883,209</u>			<u>2,723,700</u>
Governmental activities capital assets, net	<u>\$ 4,647,694</u>			<u>\$ 4,488,185</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 2,219,413	\$ 38,342	\$ _____	\$2,257,755
Land	<u>319,845</u>	_____	_____	<u>319,845</u>

Total capital assets not being depreciated	<u>2,539,258</u>	<u>38,342</u>	<u>      </u>	<u>2,577,600</u>
Capital assets being depreciated:				
Buildings and improvements	2,070,095			2,070,095
Improvements other than buildings	92,669,819	3,767,190		96,459,009
Machinery and equipment	<u>6,443,177</u>	<u>112,497</u>	<u>      </u>	<u>6,527,606</u>
Total depreciable capital assets	<u>101,177,023</u>	<u>3,879,687</u>	<u>      </u>	<u>105,056,710</u>
Less accumulated depreciation:				
Buildings and improvements	827,972	32,950		860,922
Improvements other than buildings	37,483,808	1,924,443		39,408,251
Machinery and equipment	<u>5,444,374</u>	<u>271,595</u>	<u>      </u>	<u>5,715,969</u>
Total accumulated depreciation	<u>43,756,154</u>	<u>2,228,988</u>	<u>      </u>	<u>45,985,142</u>
Total depreciable assets – net of accumulated depreciation	<u>57,420,869</u>			<u>59,071,568</u>
Business-type activities capital assets, net	<u>\$ 59,960,127</u>			<u>\$ 61,649,168</u>

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

**Long-term debt.** At the end of the current fiscal year, the City of Union had total bonded debt outstanding of \$13,879,033. Of this amount \$0 comprises debt backed by the full faith and credit of the government. A \$332,777 S.C. Brownsfield Loan and lease purchase agreements in the amount of \$999,867 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 Within One Year</u>
<b>Governmental activities:</b>					
Lease-purchase payable	\$ 857,887	\$ 0	\$ 77,995	\$ 779,892	\$ 80,122
Accrued OPEB	104,871	32,643	0	137,514	0
Accrued compensated absences	67,088	429	0	67,517	0
Tax increment district bonds	969,435	0	56,209	913,226	58,783
Notes payable & unamortized debt forgiveness	<u>332,777</u>	<u>0</u>	<u>52,876</u>	<u>279,901</u>	<u>25,378</u>
Total	<u>\$ 2,332,058</u>	<u>\$ 33,072</u>	<u>\$ 187,080</u>	<u>\$ 2,178,050</u>	<u>\$ 164,283</u>
<b>Business-type activities:</b>					
Lease-purchase payable	\$ 141,980	\$ 0	\$ 50,266	\$ 91,714	\$ 51,812
Accrued compensated absences	102,773	4,082	0	106,855	0
Accrued OPEB	127,485	35,557	0	163,042	0
Bonds payable	<u>11,576,954</u>	<u>1,620,451</u>	<u>881,766</u>	<u>12,315,639</u>	<u>1,074,455</u>
Total	<u>\$ 11,949,192</u>	<u>\$ 1,660,090</u>	<u>\$ 932,032</u>	<u>\$ 12,677,250</u>	<u>\$ 1,126,267</u>

The City of Union had \$14,350,372 in bonds, notes and leases outstanding compared to \$13,879,033 last year, a net increase of \$501,339. The increase represents the net of principal payments during the year of \$1,119,112 and new debt of \$ 1,620,451 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 \$1,300,000, which is significantly in excess of the City of Union's outstanding general obligation debt.

Other long-term liabilities include accrued other post-employment benefits of \$300,556 and accrued compensated absences of \$174,372 as of June 30, 2012.

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**

At June 30, 2012, the unemployment rate for the City of Union was 14.8%, a decrease down 1.7% from last year. In comparison, the state's unemployment rate was 9.4%, and the national rate was 8.2%.

These factors, and others, were considered in the preparation of the City of Union's budget for the 2012-13 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund decreased by \$246,078 to \$3,347,028. The City of Union has appropriated \$5,566,600 for spending in the 2012-13 fiscal year budget. Included in this budget are transfers of \$48,370. The City increased property taxes by 5.7 mills or 7.7% as allowed by state law, for FY 2013.

The Solid Waste Management fee remains at \$14.00 per month. Electric base rates will increase by 5% and the (PPA) purchase power adjustment will continue. Water and wastewater increased by 9% on volume. Natural gas rates will remain unchanged but the (PGA) purchase gas adjustment will continue. Also, security light fees increased for FY 2013.

### **Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

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City of Union, South Carolina

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,870,194	\$ 304,247	\$ 2,174,441
Investments	3,750,326	7,301,575	11,051,901
Receivables (net of allowance for uncollectibles)	2,107,113	2,540,949	4,648,062
Due from other funds	283,862	(283,862)	-
Interest receivable	-	1,628	1,628
Inventories	-	692,624	692,624
Advances to other funds	-	1,144,948	1,144,948
Deferred charges	-	631,998	631,998
Deposits	-	83	83
Capital asset held for resale	2,727,949	-	2,727,949
Temporarily restricted assets:			
Investments	-	1,891,256	1,891,256
Intergovernmental receivable	103,796	30	103,826
Capital assets not being depreciated			
Land and construction in progress	1,764,485	2,577,600	4,342,085
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	1,156,038	1,108,285	2,264,323
Improvements other than buildings	126,069	57,050,756	57,176,825
Machinery and equipment	1,178,353	912,526	2,090,879
Infrastructure	263,239	-	263,239
Total assets	<u>15,331,424</u>	<u>75,874,643</u>	<u>91,206,067</u>
<b>LIABILITIES</b>			
Bank overdraft	-	36,254	36,254
Accounts payable and other current liabilities	300,793	1,816,678	2,117,471
Retainage payable	-	110,436	110,436
Accrued interest payable	-	43,795	43,795
Noncurrent accrued compensated absences and OPEB	205,031	269,897	474,928
Noncurrent advances from other funds	1,144,948	-	1,144,948
Other noncurrent liabilities:			
Due within one year	164,283	1,126,267	1,290,550
Due in more than one year	1,808,736	11,281,086	13,089,822
Total liabilities	<u>3,623,791</u>	<u>14,684,413</u>	<u>18,308,204</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,370,217	49,241,814	50,612,031
Restricted for:			
Community assistance	36,096	-	36,096
Tax increment district and events center	2,543,877	-	2,543,877
Debt service	-	2,073,810	2,073,810
Public safety	11,396	-	11,396
Economic development	3,621,767	-	3,621,767
Unrestricted	4,124,280	9,874,609	13,998,889
Total net assets	<u>\$ 11,707,633</u>	<u>\$ 61,190,233</u>	<u>\$ 72,897,866</u>

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

**City of Union, South Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

	<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary government:</b>			
General government	\$ 1,331,121	\$ -	\$ -
Facilities maintenance	102,716	-	-
Public safety	3,046,719	146,277	15,338
Public service	619,057	-	-
Planning	193,835	23,873	-
Total governmental activities	<u>5,293,448</u>	<u>170,150</u>	<u>15,338</u>
<b>Business-type activities:</b>			
Solid Waste Management	784,316	667,347	-
Combined utility	29,212,313	29,266,524	-
Total business-type activities	<u>29,996,629</u>	<u>29,933,871</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 35,290,077</u>	<u>\$ 30,104,021</u>	<u>\$ 15,338</u>

**General revenues:**

**Taxes**

  Property taxes

  Fee in lieu of property taxes

  Local hospitality & accommodations tax

  Other taxes

  Occupational Licenses and Franchise Fees

**Miscellaneous**

  Unrestricted investment earnings

  Intergovernmental Revenue

**Transfers**

  Total general revenues, special items, and transfers

  Change in net assets

**Net assets - beginning**

**Net assets - ending**

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

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

<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
\$ 406,546	\$ (924,575)	\$ -	\$ (924,575)
-	(102,716)	-	(102,716)
12,391	(2,872,712)	-	(2,872,712)
4,159	(614,898)	-	(614,898)
-	(169,962)	-	(169,962)
<u>423,096</u>	<u>(4,684,863)</u>	<u>-</u>	<u>(4,684,863)</u>
-	-	(116,969)	(116,969)
403,769	-	457,980	457,980
403,769	-	341,011	341,011
<u>\$ 826,865</u>	<u>\$ (4,684,863)</u>	<u>\$ 341,011</u>	<u>\$ (4,343,852)</u>

1,253,120	-	1,253,120
1,616,796	-	1,616,796
171,836	-	171,836
388,263	-	388,263
1,040,792	-	1,040,792
139,183	-	139,183
18,800	117,622	136,422
448,200	-	448,200
106,786	(106,786)	-
<u>5,183,776</u>	<u>10,836</u>	<u>5,194,612</u>
498,913	351,847	850,760
11,208,720	60,838,387	72,047,107
<u>\$ 11,707,633</u>	<u>\$ 61,190,234</u>	<u>\$ 72,897,867</u>

**City of Union, South Carolina**

**Balance Sheet**

**Governmental Funds**

**June 30, 2012**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 775,498	\$ -	\$ 1,094,696	\$ 1,870,194
Investments	2,548,215	-	1,202,111	3,750,326
Receivables (net of allowance for uncollectibles)	259,295	1,846,776	1,042	2,107,113
Due from other funds	195,458	191,991	(103,586)	283,862
Capital asset held for resale	-	2,727,949	-	2,727,949
Intergovernmental receivables - restricted	-	-	103,796	103,796
<b>Total assets</b>	<b>\$ 3,778,466</b>	<b>\$ 4,766,716</b>	<b>\$ 2,298,059</b>	<b>\$ 10,843,240</b>

**City of Union, South Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 300,793	\$ -	\$ -	\$ 300,793
Advances from other funds	-	1,144,948	-	1,144,948
Deferred revenue	57,239	-	-	57,239
Unearned revenue	73,406	-	-	73,406
<b>Total liabilities</b>	<u>431,438</u>	<u>1,144,948</u>	<u>-</u>	<u>1,576,386</u>
<b>Fund Balances:</b>				
Nonspendable	-	4,574,725	-	4,574,725
Restricted	-	-	187,386	187,386
Committed	-	-	2,146,805	2,146,805
Unassigned	3,347,028	(952,958)	(36,133)	2,357,937
<b>Total fund balances</b>	<u>3,347,028</u>	<u>3,621,767</u>	<u>2,298,058</u>	<u>9,266,853</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,778,466</u>	<u>\$ 4,766,715</u>	<u>\$ 2,298,058</u>	

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

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

4,488,185

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

130,644

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

(2,178,051)

**Net assets of governmental activities**

\$ 11,707,631

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

**City of Union, South Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes and Penalties	\$ 1,144,990	\$ -	\$ 103,344	\$ 1,248,334
Payment in Lieu of Taxes	1,616,796	-	-	1,616,796
Local hospitality & accommodations tax	-	-	171,836	171,836
Licenses, Permits and Fees	1,101,502	-	-	1,101,502
Fines and Forfeitures	74,858	-	-	74,858
Intergovernmental Revenues/Grants/Contributions	519,619	-	410,684	930,303
State Collected Revenues	388,263	-	-	388,263
Investment Earnings	8,672	5,206	4,922	18,800
Miscellaneous Revenues	11,181	89,344	38,658	139,183
Total Revenues	<u>4,865,881</u>	<u>94,550</u>	<u>729,444</u>	<u>5,689,875</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,019,265	-	123,223	1,142,488
Facilities Maintenance	102,716	-	-	102,716
Public Safety	2,863,246	-	13,206	2,876,452
Public Service	545,745	-	-	545,745
Planning	186,395	-	-	186,395
Capital Outlay				
General Government	-	-	85,647	85,647
Public Safety	-	-	-	-
Public Service	38,310	-	54,180	92,490
Debt Service				
General Government	27,281	-	100,609	127,890
Public Safety	100,372	-	-	100,372
Total Expenditures	<u>4,883,330</u>	<u>-</u>	<u>376,865</u>	<u>5,260,195</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(17,449)</u>	<u>94,550</u>	<u>352,579</u>	<u>429,680</u>
<b>OTHER FINANCING SOURCES &amp; USES</b>				
Transfers				
Transfer - Solid Waste Mgmt Fund	(226,129)	-	-	(226,129)
Transfer - Economic Development	-	332,915	-	332,915
Transfer - Grants	(2,500)	-	2,500	-
Total Other Financing Sources And Uses	<u>(228,629)</u>	<u>332,915</u>	<u>2,500</u>	<u>106,786</u>
Net Change In Fund Balances	(246,078)	427,465	355,079	536,466
FUND BALANCES - BEGINNING OF YEAR	3,593,106	3,194,303	1,942,979	8,730,388
FUND BALANCES - END OF YEAR	<u>\$ 3,347,028</u>	<u>\$ 3,621,768</u>	<u>\$ 2,298,058</u>	<u>\$ 9,266,854</u>

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

**City of Union, South Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds To the Statement of Activities**  
**For the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds (previous page)	\$ 536,466
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(159,510)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,301)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	159,330
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(33,073)</u>
Change in net assets of governmental activities - per the Statement of Activities	<u>\$ 498,912</u>

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

**City of Union, South Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes and penalties	\$ 1,081,630	\$ 1,081,630	\$ 1,144,990	\$ 63,360
Payment in lieu of taxes	1,631,740	1,631,740	1,616,796	(14,944)
Licenses, permits and fees	1,141,500	1,141,500	1,101,502	(39,998)
Fines and forfeitures	115,000	115,000	74,858	(40,142)
Intergovernmental revenues/grants/contribution	527,500	527,500	519,619	(7,881)
State collected revenues	399,260	399,260	388,263	(10,997)
Investment Earnings	25,000	25,000	8,672	(16,328)
Miscellaneous revenues	21,500	21,500	11,181	(10,319)
<b>Total Revenues</b>	<u>4,943,130</u>	<u>4,943,130</u>	<u>4,865,881</u>	<u>(77,249)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	1,153,890	1,153,890	1,019,265	134,625
Facilities maintenance	84,000	84,000	102,716	(18,716)
Public safety	2,981,300	2,981,300	2,863,246	118,054
Public service	577,100	577,100	545,745	31,355
Planning	218,070	218,070	186,395	31,675
<b>Capital Outlay:</b>				
General government	-	-	-	-
Facilities maintenance	17,000	17,000	-	17,000
Public service	41,000	41,000	38,310	2,690
<b>Debt service:</b>				
General government	27,280	27,280	27,281	(1)
Public safety	100,380	100,380	100,372	8
<b>Total expenditures</b>	<u>5,200,020</u>	<u>5,200,020</u>	<u>4,883,330</u>	<u>316,690</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>(256,890)</u>	<u>(256,890)</u>	<u>(17,449)</u>	<u>239,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(39,740)	(39,740)	(228,629)	(188,889)
<b>Total other financing sources and uses</b>	<u>(39,740)</u>	<u>(39,740)</u>	<u>(228,629)</u>	<u>(188,889)</u>
<b>Net change in fund balances</b>	<u>(296,630)</u>	<u>(296,630)</u>	<u>(246,078)</u>	<u>50,552</u>
<b>Fund balances - beginning</b>	<u>3,593,106</u>	<u>3,593,106</u>	<u>3,593,106</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 3,296,476</u>	<u>\$ 3,296,476</u>	<u>\$ 3,347,028</u>	<u>\$ 50,552</u>

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

**City of Union, South Carolina**  
**Local Hospitality & Accomodation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local hospitality & accomodations tax	\$ 140,000	\$ 140,000	\$ 171,836	\$ 31,836
Investment earnings	-	-	218	218
<b>Total Revenues</b>	<b>140,000</b>	<b>140,000</b>	<b>172,054</b>	<b>32,054</b>
<b>EXPENDITURES</b>				
Current:				
General government	140,000	140,000	97,702	42,298
Planning	-	-	-	-
Capital Outlay:				
General government	-	-	-	-
Debt service:				
<b>Total expenditures</b>	<b>140,000</b>	<b>140,000</b>	<b>97,702</b>	<b>42,298</b>
 Excess of revenue over expenditures	 -	 -	 74,352	 74,352
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	74,352	74,352
 Fund balances - beginning	 101,638	 101,638	 101,638	 -
 Fund balances - ending	 <b>\$ 101,638</b>	 <b>\$ 101,638</b>	 <b>\$ 175,990</b>	 <b>\$ 74,352</b>

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

**City of Union, South Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
<b>Currents assets:</b>			
Cash and cash equivalents	\$ 7,000	\$ 297,247	\$ 304,247
Investments	7,301,575	-	7,301,575
Interest receivable	1,628	-	1,628
Receivables (net of allowance for uncollectibles)	2,541,634	(685)	2,540,949
Due from other funds	(86,643)	(197,219)	(283,862)
Inventories	692,624	-	692,624
<b>Total current assets</b>	<u>10,457,818</u>	<u>99,343</u>	<u>10,557,161</u>
<b>Noncurrent assets:</b>			
Advances to other funds	1,144,948	-	1,144,948
Deposits	83	-	83
Deferred charges	631,998	-	631,998
<b>Restricted cash, cash equivalents, and investments:</b>			
Investments	1,891,256	-	1,891,256
Intergovernmental receivables	30	-	30
<b>Capital assets:</b>			
Land and construction in progress	2,576,830	770	2,577,600
Buildings	1,612,605	457,490	2,070,095
Improvements other buildings	96,459,009	-	96,459,009
Machinery and equipment	5,123,523	1,404,083	6,527,606
Less accumulated depreciation	(44,804,736)	(1,180,406)	(45,985,142)
<b>Total capital assets (net of accumulate depreciation)</b>	<u>60,967,231</u>	<u>681,937</u>	<u>61,649,168</u>
<b>Total noncurrent assets</b>	<u>64,635,546</u>	<u>681,937</u>	<u>65,317,483</u>
<b>Total assets</b>	<u>75,093,364</u>	<u>781,280</u>	<u>75,874,644</u>

**City of Union, South Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Bank overdraft	36,254	-	36,254
Accounts payable	1,805,233	11,445	1,816,678
Retainage payable	110,436	-	110,436
<b>Total current liabilities</b>	<u>1,951,923</u>	<u>11,445</u>	<u>1,963,368</u>
<b>Current liabilities payable from restricted assets</b>			
Revenue bonds payable	1,074,455	-	1,074,455
Lease-purchase payable	-	51,812	51,812
Accrued interest payable	43,795	-	43,795
<b>Total current liabilities payable from restricted assets</b>	<u>1,118,250</u>	<u>51,812</u>	<u>1,170,062</u>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences and OPEB	248,185	21,712	269,897
Revenue bonds payable	11,241,184	-	11,241,184
Lease-purchase payable	-	39,902	39,902
<b>Total noncurrent liabilities</b>	<u>11,489,369</u>	<u>61,614</u>	<u>11,550,983</u>
<b>Total liabilities</b>	<u>14,559,542</u>	<u>124,871</u>	<u>14,684,413</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	48,651,592	590,223	49,241,815
Restricted for debt service	2,073,810	-	2,073,810
Unrestricted	9,808,422	66,186	9,874,608
<b>Total net assets</b>	<u>\$ 60,533,824</u>	<u>\$ 656,409</u>	<u>\$ 61,190,233</u>

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

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**City of Union, South Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Enterprise Funds</b>		
	<b>Business-type Activities</b>		
	<b>Combined Utility</b>	<b>Solid Waste Management</b>	<b>Total</b>
<b>Operating revenues:</b>			
Sales	\$ 27,169,080	\$ -	\$ 27,169,080
Sewer charges	1,836,070	-	1,836,070
Collection fees	-	673,389	673,389
Other revenues	(30,923)	(6,042)	(36,965)
<b>Total operating revenues</b>	<b>28,974,227</b>	<b>667,347</b>	<b>29,641,574</b>
<b>Operating expenses:</b>			
Purchased power and natural gas	18,379,849	-	18,379,849
System operations	6,631,354	624,734	7,256,088
Payment in lieu of franchise fee	1,568,772	31,260	1,600,032
Depreciation and amortization	2,214,790	124,702	2,339,492
<b>Total operating expenses</b>	<b>28,794,765</b>	<b>780,696</b>	<b>29,575,461</b>
<b>Operating income (loss)</b>	<b>179,462</b>	<b>(113,349)</b>	<b>66,113</b>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	117,291	331	117,622
Other	292,297	-	292,297
Interest expense	(417,547)	(3,620)	(421,167)
<b>Total nonoperating revenue (expenses)</b>	<b>(7,959)</b>	<b>(3,289)</b>	<b>(11,248)</b>
<b>Income (loss) before contributions and transfers</b>	<b>171,503</b>	<b>(116,638)</b>	<b>54,865</b>
Capital contributions - net	403,769	-	403,769
Transfers in	-	226,129	226,129
Transfers out	(332,915)	-	(332,915)
<b>Change in net assets</b>	<b>242,357</b>	<b>109,491</b>	<b>351,848</b>
<b>Total net assets - beginning</b>	<b>60,291,469</b>	<b>546,917</b>	<b>60,838,386</b>
<b>Total net assets - ending</b>	<b>\$ 60,533,826</b>	<b>\$ 656,408</b>	<b>\$ 61,190,234</b>

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

**City of Union, South Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2012**

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 29,189,692	\$ 662,277	\$ 29,851,969
Payments for electricity and gas for resale	(18,379,849)	-	(18,379,849)
Payments in lieu of franchise fee	(1,568,772)	(31,260)	(1,600,032)
Payments to suppliers	(2,715,870)	(385,206)	(3,101,076)
Payments to employees and related benefit providers	(3,783,480)	(272,055)	(4,055,535)
Net cash provided (used) by operating activities	<u>2,741,721</u>	<u>(26,244)</u>	<u>2,715,477</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Accrual of OPEB obligations and compensated absences	36,591	3,048	39,639
Transfer (to) from other funds	(332,915)	226,129	(106,786)
Net cash provided [used] by noncapital financing activities	<u>(296,324)</u>	<u>229,177</u>	<u>(67,147)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from lease-purchases and bond issues	1,620,451	-	1,620,451
Capital contributions	403,769	-	403,769
Deferred charges	(40,603)	-	(40,603)
Construction and purchase of fixed assets	(3,891,566)	(26,463)	(3,918,029)
Sale of fixed assets	-	-	-
Principal paid on capital debt	(881,766)	(50,266)	(932,032)
Interest paid on capital debt	(417,547)	(3,620)	(421,167)
Nonoperating income/(expense)	292,297	-	292,297
Net cash provided (used) by capital and related financing activities	<u>(2,914,965)</u>	<u>(80,349)</u>	<u>(2,995,314)</u>
<b>Cash Flows From Investing Activities</b>			
Sale of investments - net of purchases	246,870	-	246,870
Interest income received	117,291	331	117,622
Net cash provided (used) by investing activities	<u>364,161</u>	<u>331</u>	<u>364,492</u>
Net increase (decrease) in cash and cash equivalents	(105,407)	122,915	17,508
Cash - beginning of year	<u>112,407</u>	<u>174,332</u>	<u>286,739</u>
Cash - end of year	<u>\$ 7,000</u>	<u>\$ 297,247</u>	<u>\$ 304,247</u>

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

**City of Union, South Carolina**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2011**

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 179,462	\$ (113,349)	\$ 66,113
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation and amortization expense net of loss on refunding	2,152,721	124,703	2,277,424
(Increase) decrease in accounts receivable	145,226	-	145,226
(Increase) decrease in due to/from other funds	36,397	189,918	226,315
(Increase) decrease in advances to other funds	422,260	-	422,260
(Increase) decrease in accrued interest receivable	2,966	-	2,966
(Increase) decrease in inventories	(63,312)	-	(63,312)
(Increase) decrease in deposits	227	-	227
Increase (decrease) in bank overdraft	36,254	-	36,254
Increase (decrease) in accounts payable and accrued expenses	(164,349)	(1,387)	(165,736)
Increase (decrease) in accrued interest payable	(6,131)	-	(6,131)
Increase (decrease) in advances from other funds	-	(226,129)	(226,129)
Total adjustments	<u>2,562,259</u>	<u>87,105</u>	<u>2,649,364</u>
Net cash provided (used) by operating activities	<u>\$ 2,741,721</u>	<u>\$ (26,244)</u>	<u>\$ 2,715,477</u>

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

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CITY OF UNION, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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

The City of Union, South Carolina (the "City") is a municipal corporation incorporated in 1837. The City is located in the north central area of South Carolina and serves a population of approximately 8,400. The City is governed by an elected mayor and six-member council. The City operates under the mayor-council form of government. The general purpose financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

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

Discretely presented component units:

At year end, the City had no component units.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Likewise, internally dedicated resources are reported as general revenues rather than as program revenues.

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

#### Governmental funds

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

**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 Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and

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

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

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

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

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

Governmental fund revenues and expenditures are recognized on the *modified accrual basis*. Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. The revenues susceptible to accrual include property taxes, franchise fees, licenses, interest revenues, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recognized when the fund liability is incurred, except principal and interest on General Long-Term Obligations which are recognized when due or when funds have been made available for payment.

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

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

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

Management has evaluated subsequent events through the report issuance date

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

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

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

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

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

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

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

The City Code provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by Union County and remitted to the City monthly during the year. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15 with penalties assessed of 10% if paid after January 15, 12% if paid after January 31, and 15% if paid after February 28. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2012 is 80 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, 2012 amounted to \$115,299.

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

**3. Inventories and prepaid items**

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

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

**4. Restricted assets**

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

**5. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment and \$100,000 for land, buildings, and improvements other than buildings (amounts not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

In the fund financial statements, governmental funds are presented using the current financial resources

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

## **6. Compensated absences**

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

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

## **7. Long-term obligations**

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

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

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

## **8. Fund equity 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 assets.

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.

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

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

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

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

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

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

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

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

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

## 9. Comparative data/reclassifications

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain reclassifications are made to prior year amounts in the accompanying financial statements to conform to current year presentation

## 10. Expenses/Expenditures

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

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

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

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

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

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

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” Explanation of this difference totaling \$(2,178,051) is as follows:

Notes payable	\$ (279,902)
Lease-purchases payable	(779,892)
OPEB obligation	(137,514)
Tax Increment Bonds	(913,226)
Compensated absences	<u>(67,517)</u>

Net adjustment to reduce *fund balance – total governmental funds*  
to arrive at *net assets – governmental activities* **\$(2,178,051)**

Another element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net assets, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$4,488,185 is as follows:

Total capital assets	\$ 8,909,047
Accumulated depreciation	<u>(4,420,862)</u>

Net adjustment to increase *fund balance – total governmental Funds* to arrive at *net assets – governmental activities* **\$ 4,488,185**

Another element of that reconciliation states “certain assets are not available to pay for current period expenditures and, therefore, are deferred or restricted in the funds.” Explanation of this difference totaling \$130,644 is as follows:

Grants	\$ 0
Deferred revenue – Property taxes and prepaid licenses	<u>130,644</u>

Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets – governmental activities* **\$ 130,644**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(159,510) difference are as follows:

Capital outlay	\$ 48,905
Depreciation expense	<u>(208,415)</u>

Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* **\$(159,510)**

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this \$ (4,301) are as follows:

Brownsfield loan debt forgiveness	\$ 27,750
Deferred property tax revenue and prepaid licenses– net change	<u>(32,051)</u>
<i>Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (4,301)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities” The details of this \$159,330 are as follows:

Debt issued	\$ 0
Principal payments	<u>159,330</u>
<i>Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 159,330</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details of this \$(33,073) are as follows:

OPEB Obligation - net increase	\$ (32,643)
Compensated absences – net increase	<u>(430)</u>
<i>Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (33,073)</u>

**C. Reclassifications and Eliminations**

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

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

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

the various grant agreements. Appropriations for the General Fund lapse at the end of the budget year.

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

Budgets are prepared at the fund, function, and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the Mayor, as delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. During the year there were no supplemental appropriations adopted by the City Council and reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.

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

For the year ended June 30, 2012, expenditures exceeded revenues in the following funds:

General Fund	\$ 17,449
Sidewalk Fund	51,148
Solid Waste Management Fund	116,638

#### **C. Deficit fund equity**

For the year ended June 30, 2012, the following funds had fund balance deficits:

Grants Fund	\$ 10,506
Sidewalk Fund	25,627

### **IV. Detailed notes on all funds**

#### **A. Deposits and investments**

At year end, the government's bank balance was \$2,174,441. The bank balance was covered by federal depository insurance, by collateralized securities held by the pledging financial institution's trust department or agent but not in the government's name, and by irrevocable letters of credit issued by Federal Agencies in which the City of Union is named as beneficiary. Book value is not materially different from bank balances.

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

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of the State of South Carolina or any of its political subdivisions.
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1

and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.

5. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
6. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the City if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items 1, 2 and 5 above and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Investments are carried at fair value at June 30, 2012 as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
US Government Securities	\$ 3,340,335	Less than one year
SC Local Government		
Investment Pool	890,495	Less than one year
Real Estate Joint Venture	364,001	Less than five years
Certificates of Deposit	2,234,912	Less than two years
Money Market	<u>6,113,414</u>	Less than two years
Total	<u>\$12,943,157</u>	

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

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$1,891,256 held in debt service accounts. The amount included under Net Assets - restricted for debt service reflects amounts required by bond ordinance to be set aside as cushion funds.

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

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

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

**B. Receivables**

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

Receivables at June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
<b>Receivables:</b>				
Property taxes and assessments	\$ 98,227	\$ 1,042	\$	\$ 99,269
Other governments	127,501			127,501
Utility accounts			2,403,873	2,403,873
Notes Receivable		1,846,776		1,846,776
Other	<u>33,567</u>	<u>          </u>	<u>137,779</u>	<u>171,346</u>
<b>Net total receivables per fund financials</b>	<u>259,295</u>	<u>1,847,818</u>	<u>2,541,652</u>	<u>4,648,765</u>
<b>Reconciliation to government-wide financials:</b>				
Adjustments to reclassify interest receivable	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net total receivables per government-wide financials</b>	<u>\$ 259,295</u>	<u>\$1,847,818</u>	<u>\$2,541,652</u>	<u>\$4,648,765</u>

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

### C. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	June 30, <u>2011</u>	<u>Additions</u>	<u>Retire- ments</u>	June 30, <u>2012</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>1,764,485</u>	\$ _____	\$ _____	\$ <u>1,764,485</u>
Capital assets being depreciated:				
Infrastructure	1,349,407			1,349,407
Buildings and improvements	1,746,052			1,746,052
Improvements other than buildings	327,451			327,451
Machinery and equipment	<u>3,672,746</u>	<u>48,906</u>	_____	<u>3,721,652</u>
Total depreciable capital assets	<u>7,095,656</u>	<u>48,906</u>	_____	<u>7,144,562</u>
Less accumulated depreciation:				
Infrastructure	1,066,497	19,671		1,086,168
Buildings and improvements	556,833	33,180		590,013
Improvements other than buildings	194,833	6,549		201,382
Machinery and equipment	<u>2,394,284</u>	<u>149,015</u>	_____	<u>2,543,299</u>
Total accumulated depreciation	<u>4,212,447</u>	<u>208,415</u>	_____	<u>4,420,862</u>
Total depreciable assets – net of accumulated depreciation	<u>2,883,209</u>			<u>2,723,700</u>
Governmental activities capital assets, net	<u>\$ 4,647,694</u>			<u>\$ 4,488,185</u>
	June 30, <u>2011</u>	<u>Additions</u>	<u>Retire- ments</u>	June 30, <u>2012</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 2,219,413	\$ 38,342	\$ _____	\$2,257,755
Land	<u>319,845</u>	_____	_____	<u>319,845</u>
Total capital assets not being depreciated	<u>2,539,258</u>	<u>38,342</u>	_____	<u>2,577,600</u>
Capital assets being depreciated:				
Buildings and improvements	2,070,095			2,070,095
Improvements other than buildings	92,691,819	3,767,190		96,459,009
Machinery and equipment	<u>6,415,109</u>	<u>112,497</u>	_____	<u>6,527,606</u>
Total depreciable capital assets	<u>101,177,023</u>	<u>3,879,687</u>	_____	<u>105,056,710</u>
Less accumulated depreciation:				
Buildings and improvements	918,241	43,569		961,810
Improvements other than buildings	37,483,808	1,924,444		39,408,252
Machinery and equipment	<u>5,354,105</u>	<u>260,975</u>	_____	<u>5,615,080</u>
Total accumulated depreciation	<u>43,756,154</u>	<u>2,228,988</u>	_____	<u>45,985,142</u>
Total depreciable assets – net of accumulated depreciation	<u>57,420,869</u>			<u>59,071,568</u>
Business-type activities capital assets, net	<u>\$ 59,960,127</u>			<u>\$ 61,649,168</u>

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

<b>Governmental activities:</b>	
General government	\$ 54,472
Planning	5,482
Public safety	134,552
Public works	<u>13,909</u>
Total depreciation expense – governmental activities	<u>\$ 208,415</u>
<b>Business-type activities</b>	
Electric	\$ 464,594
Water	598,979
Sewer	576,025
Natural gas	464,688
Solid waste	<u>124,702</u>
Total depreciation expense – business-type activities	<u>\$ 2,228,988</u>

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

During the year utility fund construction projects included the expenditure of CDBG Funds in the amount of \$403,669.

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

The composition of interfund balances as of June 30, 2012, is as follows:

Due to / from other funds:

	Due from <u>(receivable)</u>	Due to <u>(payable)</u>
General fund	\$ 195,457	\$
Special Revenue fund		(103,586)
Economic Development fund	191,991	
Solid Waste Management Enterprise fund		(197,219)
Utility Enterprise fund	<u>          </u>	<u>(86,643)</u>
Total	<u>\$ 387,448</u>	<u>\$ (387,448)</u>

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

Due to / from other funds:

	<u>Government-wide</u>
General fund	\$ 195,457
Special Revenue fund	(103,586)
Solid Waste Management Enterprise Fund	(197,219)
Economic Development fund	191,991
Utility Enterprise fund	<u>(86,643)</u>
Total	<u>\$ 0</u>

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

**E. Long-term liabilities**

Notes Payable

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

<u>Amount</u>	<u>Interest Rates</u>	
Governmental activities – year end balances:		
Tax Increment District Bond	4.58%	\$ 913,226
SC Brownfields Cleanup Revolving Loan/Grant	1.0%	<u>279,901</u>
 Total governmental activities		 <u>\$1,193,127</u>

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

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

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

<u>Year Ending June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 95,261	\$ 43,729
2014	98,207	40,782
2015	101,280	37,710
2016	104,484	34,505
2017	107,826	31,164
2018	111,311	27,679
2019	114,946	24,044
2020	99,548	20,252
2021	84,109	16,500
2022	87,961	12,648
2023	91,990	8,619
2024	<u>96,204</u>	<u>4,406</u>
 Total	 <u>\$ 1,193,127</u>	 <u>\$ 302,038</u>

**Lease-purchases Payable**

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

<u>Amount</u>	<u>Interest Rates</u>	
Governmental activities – year end balances:		
Fire Truck Lease	3.7%	<u>\$ 779,892</u>
Total governmental activities		<u>\$ 779,892</u>

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

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 80,122	\$ 20,250
2014	82,308	18,065
2015	84,552	15,820
2016	86,858	13,514
2017	89,227	11,145
2018	91,661	8,712
2019	94,161	6,211
2020	96,729	3,643
2021	<u>74,274</u>	<u>1,006</u>
Total	<u>\$ 779,892</u>	<u>\$ 98,366</u>

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities – year end balances:		
Garbage Truck Lease #2	3.7%	<u>\$ 91,714</u>
Total business-type activities		<u>\$ 91,714</u>

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

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 51,812	\$ 2,201
2014	<u>39,902</u>	<u>608</u>
Total	<u>\$ 91,714</u>	<u>\$ 2,809</u>

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

Interest expense totaling \$68,933 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$22,378 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$44,400 for a tax increment district bond and \$2,155 for a Brownfields Cleanup loan were reported as a direct expense under the general government function.

**Revenue bonds**

The government also issues bonds where the government pledges income derived from the acquired or constructed

assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Enterprise fund capital projects	3.0 – 4.8%	<u>\$12,315,639</u>

Long-term obligations recorded in the Enterprise fund include the following at June 30, 2012:

SRF Tosh Creek Loan	\$ 513,448
SRF Meng Creek Loan	280,117
SRF 2008 Loan	1,412,266
SRF 2010 Loan	2,201,118
SRF 2011 Loan	2,792,906
SRF Oak Grove Elevated Tank Loan	809,398
SIRF 2000 Loan	1,054,858
Series 2004 Bond Issue	<u>6,075,000</u>
Subtotal	15,139,111
Less: Unamortized loss on refunding - Series 1994	(2,299,966)
Less: SRF 2011 Loan proceeds not drawn down by 06/30/12	<u>(523,506)</u>
Subtotal	12,315,639
Less: Current portion	<u>(1,074,455)</u>
Non-current portion	<u>\$ 11,241,184</u>

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

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

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

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

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

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

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

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

3.25 through May 2029.

On December 29, 2010, the City entered into a loan agreement for \$2,421,854 from the SC State Revolving Fund for the Meng Creek Wastewater Treatment Plant Closure project. The loan is due in quarterly installments of \$42,222 including interest at 3.50 through December 2031.

On December 1, 2011, the City entered into a loan agreement for \$2,792,906 from the SC State Revolving Fund for the Tosch's Creek Wastewater Treatment Plant Improvements and Replacement of Three Pump Stations project. The loan is due in quarterly installments of \$43,653 including blended interest at 2.3 through December 2032.

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

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

Year Ending <u>June 30</u>	<u>Business type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,074,455	\$ 426,193
2014	1,177,769	423,158
2015	1,217,686	383,739
2016	1,253,013	343,014
2017	1,278,175	300,964
2018	1,166,933	259,184
2019	1,214,639	217,778
2120	1,257,717	174,702
2021	1,271,179	130,640
2022	384,343	102,998
2023	394,493	92,848
2024	404,942	82,398
2025	415,698	71,643
2026	426,773	60,569
2027	438,176	49,165
2028	449,919	37,422
2029	388,204	26,628
2030	296,041	18,589
2031	302,840	11,789
2032	239,592	5,030
2033	<u>86,524</u>	<u>747</u>
Subtotal	\$ 15,139,111	<u>\$3,219,198</u>
Less: SRF 2010 Loan proceeds not drawn down by 06/30/2011	(2,299,966)	
Less: Unamortized loss on refunding	<u>(523,506)</u>	
Net balance reported on financial statements	<u>\$12,315,639</u>	

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Lease-purchase payable	\$ 857,887	\$ 0	\$ 77,995	\$ 779,892	\$ 80,122
Accrued OPEB	104,871	32,643	0	137,514	0
Accrued compensated absences	67,088	429	0	67,517	0
Tax increment district bonds	969,435	0	56,209	913,226	58,783
Notes payable & unamortized debt forgiveness	<u>332,777</u>	<u>0</u>	<u>52,876</u>	<u>279,901</u>	<u>25,378</u>
Total	<u>\$ 2,332,058</u>	<u>\$ 33,072</u>	<u>\$ 187,080</u>	<u>\$ 2,178,050</u>	<u>\$ 164,283</u>
<b>Business-type activities:</b>					
Lease-purchase payable	\$ 141,980	\$ 0	\$ 50,266	\$ 91,714	\$ 51,812
Accrued compensated absences	102,773	4,082	0	106,855	0
Accrued OPEB	127,485	35,557	0	163,042	0
Bonds payable	<u>11,576,954</u>	<u>1,620,451</u>	<u>881,766</u>	<u>12,315,639</u>	<u>1,074,455</u>
Total	<u>\$ 11,949,192</u>	<u>\$ 1,660,090</u>	<u>\$ 932,032</u>	<u>\$ 12,677,250</u>	<u>\$ 1,126,267</u>

#### F. Fund equity classifications

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

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

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

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

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

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

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

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

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

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

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

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

The restricted cash, investments and receivables designation, as found in the modified accrual statements, represents those funds that are in the hands of the trustee per debt covenants for the various bond issues or the proceeds of bond issues or grants restricted for construction or grant projects.

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 0	\$3,347,028
Economic Development Fund	4,574,725	0	0	(952,958)
Local Hospitality and Accom. Fd.	0	175,990	0	0
Tax Increment District Fund	0	0	3,411	0
Drug Fund	0	6,032	0	0
Victim's Rights Advocate Fund	0	0	0	0
Community Change Fund	0	0	36,096	0
Grants Fund	0	0	0	(10,506)
Sidewalk Fund	0	0	0	(25,627)
"C" Funds	0	0	0	0
PMPA Funds	0	0	34,092	0
Union Events Center Fund	0	0	2,073,206	0
Firemen's Fund	0	5,364	0	0
<b>Total</b>	<u>\$4,574,725</u>	<u>\$187,386</u>	<u>\$2,146,805</u>	<u>\$2,357,937</u>

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

Non-major funds:

**Downtown Redevelopment Project (Tax Increment District)**

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

**Union Events Center Fund**

This fund consists of the balance of insurance proceeds received when the old Union High School burned. Of the \$2,000,000 received, \$1,000,000 was awarded to the Union Community Foundation and \$315,503 was used to purchase 21.3 acres that is now the home of the Quick Jobs Center. During fiscal year 2011, \$883,128 was transferred from the Downtown Redevelopment Project (Tax Increment District) into the Union Events Center Fund. During fiscal year 2012, the fund received a \$250,000 donation from the Timken Company. The funds will be used to fund a new multipurpose center to be built in downtown Union.

**Drug Account Fund**

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

**Victims' Rights Advocate Fund**

Fees and surcharges on fines comprise this fund balance. Per the City of Union's agreement with Union County, 100% of all fees and surcharges collected are remitted to them.

**Community Change Fund**

Participating utility customers have their bill rounded up the next dollar. Funds generated from this are

maintained in a separate bank account and are committed to offset utility bills for qualifying customers.

#### **Grant Funds**

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

#### **“C” Funds**

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

#### **Sidewalk Fund**

These funds are committed for sidewalk construction expenditures.

#### **“PMPA” Funds**

These funds were received from Piedmont Municipal Power Agency, a joint action agency, composed of the City of Union and nine other agencies. These funds are committed for promotional activities expenditures.

#### **Firemen’s Fund**

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

#### **Local Hospitality and Accommodations Fund**

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

#### **Major fund:**

##### **Economic Development Fund**

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

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

The City of Union has a promissory note from Fairforest Limited Partnership in the amount of \$65,000. The note, dated May 14, 1993, has a 4.5% interest rate with yearly payment due annually for 24 years. The remaining balance at June 30, 2012, is \$28,312.

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

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

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

The City of Union has a promissory note from Fairforest IV Limited Partnership in the amount of \$55,000. The note, dated September 3, 1997, is non-interest bearing in years 1 through 5, 1% in years 5 through 10, and 3% in years 10 through 15. Payments are to start during the 6th year and continue through the 15th year. The note receivable balance as of June 30, 2012 is \$4,008.

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

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

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

## **V. Other information**

### **A. Risk Management**

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

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

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

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

During the year ended June 30, 2012, the City had no material related party transactions.

### **C. Subsequent events**

Management has evaluated subsequent events through the report issuance date. After fiscal year end but before the report date, the City issued Series 2012A, 2012B, and 2012C Refunding Bonds. The proceeds were used to redeem the Series 1996A Bonds and to refund the Series 1996B, Series 1997, Series 2000, and Series 2004 Bonds at lower interest rates.

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a

liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

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

The City had several commitments for construction contracts in progress at June 30, 2012 with retainages totaling \$110,436 being withheld. The contracts totaled \$3,468,058 with work 31% complete at year end.

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

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

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

##### 1. Plan description

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

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

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

The City provides two options to its retirees.

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

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

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

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

The plan does not include a special withdrawal benefit.

Service is determined from date of hire.

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

## 2. Funding policy

As of July 1, 2010, there were 124 employees in active service of which 18 members were retirees receiving benefits and 106 were active participants in the plan eligible to receive future benefits. The City currently finances the plan on a pay-as-you-go basis. For the year ended June 30, 2012, City recognized pay-as-you-go expenses of approximately \$10,702 for healthcare, which were net of retiree contributions.

The City's annual other postretirement benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding required that, if paid on an annual basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded liability over a period not to exceed 30 years. The current ARC is based on a level percent of payroll growth increasing annually at 4%.

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

For the year ended June 30, 2012, the annual OPEB cost (expense) of \$68,200 is equal to the ARC. The ARC for the year ended June 30, 2012 is computed as follows:

### Annual OPEB cost -

Normal costs for current year	\$ 39,800
Amortization of the unamortized accrued liability	<u>28,400</u>
Total annual required contribution	68,200
Net OPEB obligation – beginning of year	<u>232,356</u>
Net OPEB obligation – end of year (ARC)	<u>\$ 300,556</u>

### Funding status –

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

For the year ended June 30, 2012, 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, 2012 was \$300,556. 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, 2012 was 26 years.

## 4. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of

events far into the future. The actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about future events and costs. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The City used the projected unit credit method for the July 1, 2010 valuation. The actuarial assumption includes a 4.5% investment rate of return. For all retirees the initial healthcare cost trend was 8.2%. The trend rate will be graded to 4.7% over 80 years. Payroll growth is estimated to be 4.0% per year. The asset valuation method used is market value.

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

All employees of the City participate in one of two defined benefit pension plans, administered by the State of South Carolina: the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The total payroll for active employees covered by the SCRS for the year ended June 30, 2012 was \$3,476,259. The total payroll for employees covered by the PORS for the year ended June 30, 2012 was \$1,488,636. The payroll for retired members for the year ended June 30, 2012 was \$359,503 for SCRS and \$150,426 for PORS.

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

Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual earnings. For year ended June 30, 2012 and the years ended June 30, 2011 and 2010, the City contributed 100% of the required contributions. Contributions by the City for employees covered by the SCRS and PORS were based on 9.24% and 11.13 of the employees' earnings and amounted to \$359,986 for the year ended June 30, 2012 (SCRS) and \$186,252 (PORS), \$345,821 (SCRS) and \$174,524 (PORS) for the year ended June 30, 2011 and \$346,108 (SCRS) and \$171,504 (PORS) for the year ended June 30, 2010. Employee contributions for the SCRS and PORS were based on 6.5% and 6.5% of the employees' earnings and amounted to \$249,325 for the year ended June 30, 2012 (SCRS) and \$106,542 (PORS), \$243,272 (SCRS) and \$101,923 (PORS) for the year ended June 30, 2011 and \$241,941 (SCRS) and \$104,765 (PORS) for the year ended June 30, 2010.

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

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

**City of Union, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	<b>Local Hospitality &amp; Accomodations</b>	<b>Tax Increment District</b>	<b>Drug Account</b>	<b>Victim's Rights Advocate Fund</b>	<b>Community Change</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 175,990	\$ 1,931	\$ 6,032	\$ -	\$ 34,283
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	1,042	-	-	-
Due from other funds	-	438	-	-	1,813
Intergovernmental receivables - restricted	-	-	-	-	-
<b>Total assets</b>	<b>\$ 175,990</b>	<b>\$ 3,411</b>	<b>\$ 6,032</b>	<b>\$ -</b>	<b>\$ 36,096</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted	175,990	-	6,032	-	-
Committed	-	3,411	-	-	36,096
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>175,990</b>	<b>3,411</b>	<b>6,032</b>	<b>-</b>	<b>36,096</b>
<b>Total liabilities and fund balances</b>	<b>\$ 175,990</b>	<b>\$ 3,411</b>	<b>\$ 6,032</b>	<b>\$ -</b>	<b>\$ 36,096</b>

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

**Special  
Revenue**

<u>Grants</u>	<u>Sidewalk Fund</u>	<u>'C' Funds</u>	<u>PMPA Funds</u>	<u>Union Events Center</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 871,095	\$ 5,364	\$ 1,094,695
-	-	-	-	1,202,111	-	1,202,111
-	-	-	-	-	-	1,042
(114,302)	(25,627)	-	34,092	-	-	(103,586)
103,796	-	-	-	-	-	103,796
<u>\$ (10,506)</u>	<u>\$ (25,627)</u>	<u>\$ -</u>	<u>\$ 34,092</u>	<u>\$ 2,073,206</u>	<u>\$ 5,364</u>	<u>\$ 2,298,058</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-	-	-
-	-	-	-	-	5,364	187,386
-	-	-	34,092	2,073,206	-	2,146,805
(10,506)	(25,627)	-	-	-	-	(36,133)
<u>(10,506)</u>	<u>(25,627)</u>	<u>-</u>	<u>34,092</u>	<u>2,073,206</u>	<u>5,364</u>	<u>2,298,058</u>
<u>\$ (10,506)</u>	<u>\$ (25,627)</u>	<u>\$ -</u>	<u>\$ 34,092</u>	<u>\$ 2,073,206</u>	<u>\$ 5,364</u>	<u>\$ 2,298,058</u>

**City of Union, South Carolina**  
**Combining Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

	<b>Local Hospitality &amp; Accomodations</b>	<b>Tax Increment District</b>	<b>Drug Account</b>	<b>Victim's Rights Advocate Fund</b>	<b>Community Change</b>
<b>REVENUES</b>					
Property Taxes and Penalties	\$ -	\$ 103,344	\$ -	\$ -	\$ -
Local Hospitality & Accomodations Tax	171,836	-	-	-	-
Licenses, Permits and Fees	-	-	-	-	-
Intergovernmental Revenues/Grants/Contribu	-	-	-	-	-
Investment Earnings	218	47	9	-	45
Miscellaneous Revenues	-	-	-	-	21,693
<b>Total Revenues</b>	<b>172,054</b>	<b>103,391</b>	<b>9</b>	<b>-</b>	<b>21,738</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General Government	97,702	-	-	-	11,403
Public Safety	-	-	-	(887)	-
<b>Capital Outlay:</b>					
General Government	-	-	-	-	-
Public Service	-	-	-	-	-
<b>Debt Service:</b>					
General Government	-	100,609	-	-	-
<b>Total Expenditures</b>	<b>97,702</b>	<b>100,609</b>	<b>-</b>	<b>(887)</b>	<b>11,403</b>
<b>Excess (deficiency)of revenues over (under) expenditures</b>	<b>74,352</b>	<b>2,782</b>	<b>9</b>	<b>887</b>	<b>10,335</b>
<b>OTHER FINANCING SOURCES &amp; USES</b>					
<b>Transfers - net:</b>					
Grants Match	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
<b>Total other financing sources and (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>74,352</b>	<b>2,782</b>	<b>9</b>	<b>887</b>	<b>10,335</b>
<b>Fund Balances - beginning</b>	<b>101,638</b>	<b>630</b>	<b>6,023</b>	<b>(887)</b>	<b>25,761</b>
<b>Fund Balances - ending</b>	<b>\$ 175,990</b>	<b>\$ 3,412</b>	<b>\$ 6,032</b>	<b>\$ -</b>	<b>\$ 36,096</b>

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

**Special Revenue**

<u>Grants</u>	<u>Sidewalk Fund</u>	<u>'C' Funds</u>	<u>PMPA Funds</u>	<u>Union Events Center</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,344
-	-	-	-	-	-	171,836
-	-	-	-	-	-	-
141,187	-	4,159	-	250,000	15,338	410,684
-	-	-	-	4,604	1	4,924
-	-	-	16,964	-	-	38,657
<u>141,187</u>	<u>-</u>	<u>4,159</u>	<u>16,964</u>	<u>254,604</u>	<u>15,339</u>	<u>729,445</u>
-	-	-	2,613	11,505	-	123,223
-	-	-	-	-	14,093	13,206
85,647	-	-	-	-	-	85,647
-	51,148	3,032	-	-	-	54,180
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,609</u>
<u>85,647</u>	<u>51,148</u>	<u>3,032</u>	<u>2,613</u>	<u>11,505</u>	<u>14,093</u>	<u>376,865</u>
<u>55,540</u>	<u>(51,148)</u>	<u>1,127</u>	<u>14,351</u>	<u>243,099</u>	<u>1,246</u>	<u>352,580</u>
2,500	-	-	-	-	-	2,500
-	-	-	-	-	-	-
<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
58,040	(51,148)	1,127	14,351	243,099	1,246	355,080
<u>(68,546)</u>	<u>25,521</u>	<u>(1,127)</u>	<u>19,741</u>	<u>1,830,108</u>	<u>4,117</u>	<u>1,942,979</u>
<u>\$ (10,506)</u>	<u>\$ (25,627)</u>	<u>\$ -</u>	<u>\$ 34,092</u>	<u>\$ 2,073,207</u>	<u>\$ 5,363</u>	<u>\$ 2,298,059</u>

**City of Union, South Carolina**  
**Combining Schedule of Revenues and Expenses by Division**  
**Utility Enterprise Fund**  
**For the Year Ended June 30, 2012**

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Electric Division</b>	<b>Water Division</b>	<b>Sewer Division</b>	<b>Gas Division</b>	
<b>Operating revenues:</b>					
Sales	\$ 14,764,890	\$ 3,061,643	\$ -	\$ 9,342,547	\$ 27,169,080
Sewer charges	-	-	1,836,070	-	1,836,070
Other revenues	(29,826)	2,450	(9,663)	6,117	(30,922)
<b>Total operating revenues</b>	<b>14,735,064</b>	<b>3,064,093</b>	<b>1,826,407</b>	<b>9,348,664</b>	<b>28,974,228</b>
<b>Operating expenses:</b>					
Purchased power and natural gas	12,067,426	-	-	6,312,423	18,379,849
System operations	1,560,268	2,360,150	1,487,729	1,223,207	6,631,354
Payment in lieu of franchise fee	725,676	144,240	88,392	610,464	1,568,772
Depreciation	481,560	629,463	601,967	501,800	2,214,790
<b>Total operating expenses</b>	<b>14,834,930</b>	<b>3,133,853</b>	<b>2,178,088</b>	<b>8,647,894</b>	<b>28,794,765</b>
<b>Operating income (loss)</b>	<b>(99,866)</b>	<b>(69,760)</b>	<b>(351,681)</b>	<b>700,770</b>	<b>179,463</b>
<b>Nonoperating revenues (expenses):</b>					
Investment earnings	52,585	10,399	8,088	46,218	117,290
Other	201,512	21,430	69,367	(11)	292,298
Interest expense	(40,347)	(130,272)	(158,671)	(88,258)	(417,548)
<b>Total nonoperating revenue (expenses)</b>	<b>213,750</b>	<b>(98,443)</b>	<b>(81,216)</b>	<b>(42,051)</b>	<b>(7,960)</b>
<b>Net income (loss) before contributions and transfers</b>	<b>\$ 113,884</b>	<b>\$ (168,203)</b>	<b>\$ (432,897)</b>	<b>\$ 658,719</b>	<b>\$ 171,503</b>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Electric Division**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues:</b>			
Sales - Residential	\$ 6,783,830	\$ 7,373,713	\$ (589,883)
Sales - Commercial	5,201,320	6,155,770	(954,450)
Sales - Industrial	652,440	896,891	(244,451)
Sales - Other	1,884,130	338,515	1,545,615
Other revenues	(12,000)	(29,826)	17,826
<b>Total operating revenues</b>	<u>14,509,720</u>	<u>14,735,063</u>	<u>(225,343)</u>
<b>Operating expenses:</b>			
Purchased power and natural gas	11,521,380	12,067,426	(546,046)
System operations	1,900,240	1,560,268	339,972
Payment in lieu of franchise fee	708,000	725,676	(17,676)
Depreciation and amortization	-	481,560	(481,560)
<b>Total operating expenses</b>	<u>14,129,620</u>	<u>14,834,930</u>	<u>(705,310)</u>
<b>Operating income (loss)</b>	<u>380,100</u>	<u>(99,867)</u>	<u>479,967</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	30,000	52,585	(22,585)
Other	150,000	201,512	(51,512)
Interest expense	(290,820)	(40,347)	(250,473)
<b>Total nonoperating revenue (expenses)</b>	<u>(110,820)</u>	<u>213,750</u>	<u>(324,570)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ 269,280</u>	<u>\$ 113,883</u>	<u>\$ 155,397</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Water Division**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues:</b>			
Sales - Residential	\$ 1,336,790	\$ 1,291,311	\$ 45,479
Sales - Commercial	423,930	450,739	(26,809)
Sales - Industrial	243,390	306,874	(63,484)
Sales - Water Districts	1,109,690	1,012,719	96,971
Other revenues	12,000	2,450	9,550
<b>Total operating revenues</b>	<u>3,125,800</u>	<u>3,064,093</u>	<u>61,707</u>
<b>Operating expenses:</b>			
System operations	2,527,840	2,360,150	167,690
Payment in lieu of franchise fee	142,200	144,240	(2,040)
Depreciation and amortization	-	629,463	(629,463)
<b>Total operating expenses</b>	<u>2,670,040</u>	<u>3,133,853</u>	<u>(463,813)</u>
<b>Operating income (loss)</b>	<u>455,760</u>	<u>(69,760)</u>	<u>525,520</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	6,000	10,399	(4,399)
Other	28,690	21,430	7,260
Interest expense	(382,170)	(130,272)	(251,898)
<b>Total nonoperating revenue (expenses)</b>	<u>(347,480)</u>	<u>(98,443)</u>	<u>(249,037)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ 108,280</u>	<u>\$ (168,203)</u>	<u>\$ 276,483</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Sewer Division**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues:</b>			
Sewer charges - Residential	\$ 1,321,760	\$ 1,250,481	\$ 71,279
Sewer charges - Commercial	388,190	331,380	56,810
Sewer charges - Industrial	168,840	254,209	(85,369)
Other revenues	(1,500)	(9,663)	8,163
<b>Total operating revenues</b>	<u>1,877,290</u>	<u>1,826,407</u>	<u>50,883</u>
<b>Operating expenses:</b>			
System operations	1,794,720	1,487,729	306,991
Payment in lieu of franchise fee	83,140	88,392	(5,252)
Depreciation and amortization	-	601,967	(601,967)
<b>Total operating expenses</b>	<u>1,877,860</u>	<u>2,178,088</u>	<u>(300,228)</u>
<b>Operating income (loss)</b>	<u>(570)</u>	<u>(351,681)</u>	<u>351,111</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	5,000	8,088	(3,088)
Other	163,150	69,367	93,783
Interest expense	(592,420)	(158,671)	(433,749)
<b>Total nonoperating revenue (expenses)</b>	<u>(424,270)</u>	<u>(81,216)</u>	<u>(343,054)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ (424,840)</u>	<u>\$ (432,897)</u>	<u>\$ 8,057</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Gas Division**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues:</b>			
Sales - Residential	\$ 4,344,470	\$ 3,232,510	\$ 1,111,960
Sales - Commercial	1,836,220	1,883,124	(46,904)
Sales - Interruptible	6,665,680	4,225,363	2,440,317
Sales - Other	-	1,550	(1,550)
Other revenues	(5,000)	6,117	(11,117)
<b>Total operating revenues</b>	<u>12,841,370</u>	<u>9,348,664</u>	<u>3,492,706</u>
<b>Operating expenses:</b>			
Purchased power and natural gas	9,722,650	6,312,423	3,410,227
System operations	1,336,860	1,223,207	113,653
Payment in lieu of franchise fee	650,000	610,464	39,536
Depreciation and amortization	-	501,800	(501,800)
<b>Total operating expenses</b>	<u>11,709,510</u>	<u>8,647,894</u>	<u>3,061,616</u>
<b>Operating income (loss)</b>	<u>1,131,860</u>	<u>700,770</u>	<u>431,090</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	30,000	46,218	(16,218)
Other	20,000	(11)	20,011
Interest expense	(281,400)	(88,258)	(193,142)
<b>Total nonoperating revenue (expenses)</b>	<u>(231,400)</u>	<u>(42,051)</u>	<u>(189,349)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ 900,460</u>	<u>\$ 658,719</u>	<u>\$ 241,741</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Solid Waste Management**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues:</b>			
Collection fees	\$ 693,650	\$ 673,389	\$ 20,261
Other revenues - net of bad debts	(1,500)	(6,042)	4,542
<b>Total operating revenues</b>	<u>692,150</u>	<u>667,347</u>	<u>24,803</u>
 <b>Operating expenses:</b>			
System operations	648,990	624,734	24,256
Payment in lieu of franchise fee	29,400	31,260	(1,860)
Depreciation and amortization	-	124,702	(124,702)
<b>Total operating expenses</b>	<u>678,390</u>	<u>780,696</u>	<u>(102,306)</u>
<b>Operating income (loss)</b>	<u>13,760</u>	<u>(113,349)</u>	<u>127,109</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	500	331	169
Interest expense	(54,000)	(3,620)	(50,380)
<b>Total nonoperating revenue (expenses)</b>	<u>(53,500)</u>	<u>(3,289)</u>	<u>(50,211)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ (39,740)</u>	<u>\$ (116,638)</u>	<u>\$ 76,898</u>

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

**City of Union, South Carolina**  
**Statement of Assets & Liabilities - Agency Funds**  
**Fiduciary Funds**  
**June 30, 2012**

	<u><b>Police Seizure Agency Fund</b></u>
<b>ASSETS</b>	
Currents assets:	
Cash and cash equivalents	\$ 36,202
Receivables (net of allowance for uncollectibles)	<u>-</u>
Total current assets	<u>36,202</u>
Total assets	<u><u>\$ 36,202</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 36,202
Total current liabilities	<u>36,202</u>
Total liabilities	<u><u>\$ 36,202</u></u>

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

**City of Union, South Carolina  
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
COLLECTED AND REMITTED  
For the Fiscal Year Ended June 30, 2012**

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

<b>Fines Collected &amp; Retained</b>	<b>\$ 78,034</b>
<b>Assessments/Surcharges/Pullouts Collected</b>	<b>134,283</b>
<b>Assessments Retained For Victims Rights Assistance</b>	<b>8,417</b>
<b>Surcharges Retained For Victims Rights Assistance</b>	<b>11,305</b>
<b>Assessments/Surcharges/Pullouts Remitted</b>	<b>114,561</b>
<b>FY 2012 Expenditures For Victims Rights Assistance</b>	<b>19,722</b>
<b>6-30-2012 Fund Balance Restricted For Victims Rights Assistance</b>	<b>-0-</b>

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

City of Union, South Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or (Deferred) Revenue At July 1, 2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash Accrued or (Deferred) Revenue At June 30, 2012
<u>U.S. Department of Housing and Urban Development</u>							
<u>CDBG States Programs</u>							
Passed through SC Dept of Commerce – Grants Administration							
Hwy 49 Apts. Sewer Upgrade Project	14.228	4-CI-11-031	\$243,893	\$ -	\$ 106,433	\$ 106,433	\$ -
Union & Excelsior Villages Sewer Improvements	14.228	4-CI-10-028	\$500,000	-	297,236	297,236	-
Union Mill Renaissance Phase I Plan	14.228	4-V-10-011	\$25,000	-	25,000	25,000	-
<b>Total Department of Housing and Urban Development</b>				<b>\$ -</b>	<b>\$ 428,669</b>	<b>\$ 428,669</b>	<b>\$ -</b>
<u>U.S. Department of Justice</u>							
<u>Office of Justice Programs –Bureau of Justice Assistance</u>							
Edward Byrne Memorial Justice Assistance Grant Program							
	16.738	2010-DJ BX-0739	\$12,391	\$ -	\$ 12,391	\$ 12,391	\$ -
<b>Total U.S. Department of Justice</b>				<b>\$ -</b>	<b>\$ 12,391</b>	<b>\$ 12,391</b>	<b>\$ -</b>
<u>U.S. Department of Energy</u>							
<u>ARRA Energy Efficiency &amp; Conservation Block Grant Program</u>							
Pass through SC Energy Office							
SCEO-02 EECBG-ARRA Project	81.128	ECA-03	\$103,796	\$ -	\$ 103,796	\$ 103,796	\$ -
<b>Total U.S. Department of Transportation</b>				<b>\$ -</b>	<b>\$ 103,796</b>	<b>\$ 103,796</b>	<b>\$ -</b>
<b>Total Federal Assistance</b>				<b>\$ -</b>	<b>\$ 544,856</b>	<b>\$ 544,856</b>	<b>\$ -</b>

**Notes**

1. This Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Union, SC received directly and those passed through from other agencies.
2. This schedule is prepared using the same significant accounting policies used to prepare the basic financial statements as reported in Note 1 of the financial statements and with requirements of OMB Circular A-133.

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

**CITY OF UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**There were no audit findings in the prior year.**

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

CITY OF UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Union, SC, for the fiscal year ended June 30, 2012.
2. No material weaknesses and no significant deficiencies that were not considered to be material weaknesses in internal control were disclosed during the audit of the financial statements of the City of Union, SC.
3. No audit findings and no instances of noncompliance material to the financial statements of the City of Union, SC, were disclosed during the audit of the financial statements of the City of Union, SC.

**Federal Awards:**

4. The auditor's report on compliance for the major federal award programs for the City of Union, SC, expresses an unqualified opinion on all major federal programs.
5. No material weaknesses and no significant deficiencies that were not considered to be material weaknesses in internal control over major federal programs were disclosed during the audit of the financial statements of the City of Union, SC.
6. No audit findings or instances of noncompliance over major federal programs material to the financial statements of the City of Union, SC, were disclosed during the audit of the financial statements of the City of Union, SC.
7. The audit disclosed no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
8. The City had three type A programs identified as major programs.

The programs tested as major programs were:

US HUD Hwy. 49 Apts. Sewer Upgrade Project - CDBG 4-CI-11-031 - CFDA #14.228

US HUD Union & Excelsior Villages Sewer Impr. - CDBG 4-CI-10-028 - CFDA #14.228

US HUD Union Mill Village Renaissance Phase I Plan - CDBG 4-V-10-011 - CFDA #14.228

9. The threshold for distinguishing Types A and B programs was \$300,000.
10. The City did not qualify as a low-risk auditee.
11. There were no prior audit findings; therefore, no Summary Schedule of Prior Audit Findings has been prepared

**Findings:**

**Significant Control Deficiencies – Federal Awards Audit:**

None disclosed.

**Significant Control Deficiencies – Financial Statement Audit:**

None disclosed.

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

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

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

To the City Council  
City of Union, South Carolina

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 29, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the financial statements of the City of Union are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no

instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

*Terry R. Fant*

Terry R. Fant, CPA, PA  
November 29, 2012

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council  
City of Union, South Carolina

**COMPLIANCE**

I have audited the compliance of the City of Union, SC, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Union's major federal programs for the year ended June 30, 2012. The City of Union's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Union, SC's management. My responsibility is to express an opinion on the City of Union, SC's compliance based on my audit.

I conducted my audit in of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Union, SC's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinions. My audit does not provide a legal determination of the City of Union, SC's compliance with those requirements.

In my opinion, the City of Union, SC, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

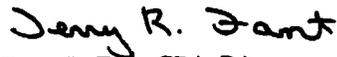
**INTERNAL CONTROL OVER COMPLIANCE**

Management of the City of Union, SC, is responsible for establishing and maintaining effective internal control over compliance with the required laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Union's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for expressing an opinion on the effectiveness internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Union, SC's internal control over compliance

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

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

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



Terry R. Fant, CPA, PA  
November 29, 2012

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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 and a traditional revenue source of readers of this report.

### Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### Demographic and Economic Information

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

### Operating Information

These schedules contain service and infrastructure data to help the reader understand the environment within which the government's financial activities take place.

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

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City of Union  
 Net Assets by Component  
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets,										
net of related debt	\$ 1,777,989	\$ 1,785,034	\$ 2,221,625	\$ 2,408,254	\$ 2,829,986	\$ 2,745,334	\$ 1,298,016	\$ 789,457	\$ 920,387	\$ 1,370,217
Restricted	3,040,566	3,149,136	2,871,330	381,756	538,138	485,223	3,038,050	4,909,251	6,205,317	6,213,136
Unrestricted	4,730,717	4,903,010	5,464,973	7,411,696	7,645,782	8,130,483	6,443,452	5,179,917	4,083,016	4,124,289
<b>Total governmental activities net assets</b>	<b>\$ 9,549,282</b>	<b>\$ 9,837,180</b>	<b>\$ 10,557,928</b>	<b>\$ 10,201,706</b>	<b>\$ 11,013,906</b>	<b>\$ 11,361,050</b>	<b>\$ 10,779,518</b>	<b>\$ 10,878,625</b>	<b>\$ 11,208,720</b>	<b>\$ 11,707,633</b>
<b>Business-type activities</b>										
Invested in capital assets,										
net of related debt	\$ 38,318,005	\$ 40,049,283	\$ 40,874,286	\$ 42,129,651	\$ 44,508,072	\$ 45,806,442	\$ 48,338,314	\$ 48,741,836	\$ 48,015,063	\$ 49,241,814
Restricted	677,384	679,822	860,308	911,242	908,217	928,374	1,184,860	1,381,878	1,743,995	2,073,810
Unrestricted	12,546,788	12,900,439	13,748,688	14,250,847	13,061,807	12,285,853	8,812,412	10,276,095	11,079,329	9,874,609
<b>Total business-type activities net assets</b>	<b>\$ 51,542,187</b>	<b>\$ 53,629,544</b>	<b>\$ 55,583,282</b>	<b>\$ 57,291,740</b>	<b>\$ 58,478,096</b>	<b>\$ 59,000,669</b>	<b>\$ 58,335,586</b>	<b>\$ 60,399,809</b>	<b>\$ 60,838,387</b>	<b>\$ 61,190,233</b>
<b>Primary Government</b>										
Invested in capital assets,										
net of related debt	\$ 40,088,004	\$ 41,834,317	\$ 43,185,911	\$ 44,537,805	\$ 47,336,058	\$ 48,551,776	\$ 49,636,330	\$ 49,531,383	\$ 48,835,450	\$ 50,612,031
Restricted	3,717,860	3,828,958	3,731,638	1,292,988	1,446,355	1,413,587	4,222,910	6,291,129	7,849,312	8,286,946
Unrestricted	17,277,505	17,803,449	19,213,661	21,662,543	20,707,589	20,396,346	15,255,864	15,458,012	15,182,345	13,988,889
<b>Total primary government net assets</b>	<b>\$ 61,083,469</b>	<b>\$ 63,466,724</b>	<b>\$ 66,141,210</b>	<b>\$ 67,493,446</b>	<b>\$ 69,490,002</b>	<b>\$ 70,361,719</b>	<b>\$ 69,115,104</b>	<b>\$ 71,278,534</b>	<b>\$ 72,047,107</b>	<b>\$ 72,887,866</b>

City of Union  
Changes in Net Assets  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$1,503,972	\$1,405,868	\$1,706,911	\$2,234,430	\$1,837,449	\$2,283,962	\$3,038,482	\$1,401,408	\$1,438,935	\$1,331,121
Tax and license	116,842	117,137	108,944	111,071	93,425	65,702	0	0	0	0
Facilities maintenance	104,396	64,639	87,838	145,602	110,486	96,411	72,315	62,449	63,507	102,716
Public safety	2,431,603	2,358,254	2,498,566	3,358,993	2,782,789	2,974,860	3,108,049	3,214,795	2,943,617	3,046,719
Public service	585,460	534,731	562,095	418,417	531,704	516,849	528,259	576,833	776,336	618,057
Planning	205,409	189,772	180,088	207,354	242,637	318,446	271,890	213,418	213,855	193,835
Interest on long-term debt	0	0	15,151	16,860	16,748	12,393	7,738	0	0	0
<b>Total governmental activities expenses</b>	<u>4,847,482</u>	<u>4,680,401</u>	<u>5,179,593</u>	<u>6,492,747</u>	<u>5,615,218</u>	<u>6,278,613</u>	<u>7,024,733</u>	<u>5,468,901</u>	<u>5,437,250</u>	<u>5,283,446</u>
<b>Business-type activities</b>										
Solid waste management	748,861	763,060	693,412	816,467	853,546	810,595	828,676	820,127	828,261	784,316
Combined utilities	30,684,315	30,680,018	31,822,671	37,949,502	34,687,650	36,633,954	35,799,271	31,720,180	30,977,702	28,212,313
<b>Total business type activities expenses</b>	<u>31,433,176</u>	<u>31,443,078</u>	<u>32,516,083</u>	<u>38,765,969</u>	<u>35,541,196</u>	<u>37,444,519</u>	<u>36,627,947</u>	<u>32,540,317</u>	<u>31,805,963</u>	<u>28,996,628</u>
<b>Total primary government expenses</b>	<u>\$36,380,658</u>	<u>\$38,123,489</u>	<u>\$37,695,676</u>	<u>\$45,258,716</u>	<u>\$41,156,414</u>	<u>\$43,723,132</u>	<u>\$43,652,680</u>	<u>\$38,009,218</u>	<u>\$37,243,213</u>	<u>\$35,290,077</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Public safety	\$235,843	\$250,587	\$245,805	\$215,442	\$257,787	\$284,379	\$338,317	\$256,395	\$180,892	\$146,277
Planning	41,830	24,487	30,107	25,860	38,849	57,575	22,883	22,335	28,985	23,873
Operating grants and contributions	234,427	34,480	68,168	837,395	13,137	12,513	12,022	13,613	14,484	15,338
Capital grants and contributions	248,094	144,013	233,718	60,019	843,440	846,349	599,900	231,148	339,162	423,096
<b>Total governmental activities program revenues</b>	<u>760,094</u>	<u>453,567</u>	<u>577,798</u>	<u>1,138,736</u>	<u>1,153,213</u>	<u>1,210,816</u>	<u>973,122</u>	<u>523,491</u>	<u>563,533</u>	<u>608,584</u>
<b>Business-type activities:</b>										
Charges for services-solid waste mgt.	642,027	728,699	728,628	736,429	735,145	731,995	588,504	537,689	625,842	667,347
Charges for services-combined utilities	32,356,392	32,328,240	33,197,265	38,989,242	35,186,539	35,988,143	33,688,101	33,416,702	31,386,231	29,266,524
Capital grants and contributions	753,794	0	37,300	43,688	36,140	594,470	1,296,378	279,819	417,258	403,769
<b>Total business-type activities program revenues</b>	<u>33,754,213</u>	<u>33,054,939</u>	<u>33,963,194</u>	<u>39,749,339</u>	<u>35,967,824</u>	<u>37,315,608</u>	<u>35,553,984</u>	<u>34,234,010</u>	<u>32,389,329</u>	<u>30,337,640</u>
<b>Total primary government program revenues</b>	<u>\$34,514,307</u>	<u>\$33,808,506</u>	<u>\$34,540,992</u>	<u>\$40,888,075</u>	<u>\$37,111,037</u>	<u>\$38,528,424</u>	<u>\$36,527,106</u>	<u>\$34,757,501</u>	<u>\$32,662,862</u>	<u>\$30,946,224</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	-\$4,187,388	-\$4,226,834	-\$4,601,797	-\$5,354,011	-\$4,462,005	-\$5,067,797	-\$6,051,610	-\$4,945,410	-\$4,873,717	-\$4,684,863
Business-type activities	2,921,037	1,611,841	1,447,111	983,368	416,629	-128,912	-1,073,964	1,693,692	593,366	341,011
Total primary government net expense	<u>-\$1,866,351</u>	<u>-\$2,614,993</u>	<u>-\$3,154,686</u>	<u>-\$4,370,643</u>	<u>-\$4,045,376</u>	<u>-\$5,196,709</u>	<u>-\$7,125,574</u>	<u>-\$3,251,718</u>	<u>-\$4,280,351</u>	<u>-\$4,343,852</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$1,069,992	\$1,069,258	\$1,038,276	\$1,060,247	\$1,115,319	\$1,178,150	\$1,202,275	\$1,061,709	\$1,084,636	\$1,253,120
Fee in lieu of property taxes	1,439,855	1,511,686	1,729,772	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317	1,692,755	1,816,786
Local hospitality and accommodations tax										
Other taxes	440,074	435,066	456,684	467,083	498,323	520,653	504,485	449,936	135,174	171,898
Occupational Licenses and Franchise Fees	866,426	905,822	1,007,812	1,039,364	1,158,560	1,307,014	1,170,093	1,077,523	399,302	389,263
Miscellaneous	2,110,249	50,600	126,456	98,642	98,670	115,083	211,632	216,789	1,207,433	1,040,782
Unrestricted investment earnings	97,951	84,588	115,259	161,537	150,560	145,215	134,640	66,905	274,606	138,183
Intergovernmental revenue	599,809	519,916	554,812	553,190	543,373	510,468	534,474	568,338	38,618	18,900
Special item-L-term notes rec- Flynn Bldg										
Contributed Capital	576,000								501,069	448,200
Transfers	1,037,829	-58,328	-130,000	55,000	-260,000	-130,000	-130,000	-130,000	-130,000	106,786
Total governmental activities	<u>8,238,185</u>	<u>4,518,618</u>	<u>4,801,171</u>	<u>4,997,791</u>	<u>5,274,205</u>	<u>5,414,941</u>	<u>5,470,077</u>	<u>5,044,517</u>	<u>5,203,813</u>	<u>5,183,776</u>
Business-type activities:										
Interest revenue	308,451	254,434	376,627	595,090	637,728	523,485	278,881	240,631	136,709	117,622
Loss on sale of capital assets										
Transfers	-427,790	221,082	130,000	130,000	130,000	130,000	130,000	130,000	-421,598	0
Total business-type activities	<u>-119,339</u>	<u>475,516</u>	<u>506,627</u>	<u>725,090</u>	<u>767,728</u>	<u>653,485</u>	<u>408,881</u>	<u>370,631</u>	<u>130,000</u>	<u>-108,786</u>
Total primary government	<u>8,118,846</u>	<u>4,994,134</u>	<u>5,407,798</u>	<u>5,722,881</u>	<u>6,041,933</u>	<u>6,068,426</u>	<u>5,878,958</u>	<u>5,415,148</u>	<u>5,048,924</u>	<u>5,184,612</u>
Changes in Net Assets										
Government activities	4,050,797	291,784	269,374	-356,220	812,200	347,144	-581,533	99,107	330,096	498,913
Business-type activities	2,201,698	2,087,357	1,953,738	1,708,458	1,184,357	524,573	-665,083	2,064,323	438,477	351,847
Total primary government	<u>\$6,252,495</u>	<u>\$7,379,141</u>	<u>\$2,253,112</u>	<u>\$1,352,238</u>	<u>\$1,996,557</u>	<u>\$871,717</u>	<u>-\$1,248,616</u>	<u>\$2,163,430</u>	<u>\$788,573</u>	<u>\$850,760</u>

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

<u>Fiscal YEAR</u>	<u>GENERAL FUND PROPERTY TAX</u>	<u>TAX INCREMENT BOND PROPERTY TAX</u>	<u>TOTAL PROPERTY TAX</u>
2003	983,772	59,315	1,043,087
2004	996,584	76,597	1,073,181
2005	963,913	70,517	1,034,430
2006	968,123	92,592	1,060,715
2007	982,945	102,739	1,085,684
2008	983,468	103,161	1,086,629
2009	998,421	95,470	1,093,891
2010	972,541	117,729	1,090,270
2011	980,570	103,093	1,083,663
2012	1,144,990	103,344	1,248,334

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Unrestricted										
Total general fund	<u>\$2,149,842</u> <u>2,359,138</u>	<u>\$2,359,138</u> <u>2,359,138</u>	<u>\$2,829,455</u> <u>2,829,455</u>	<u>\$3,198,716</u> <u>3,198,716</u>	<u>\$3,690,140</u> <u>3,690,140</u>	<u>\$3,326,176</u> <u>3,326,176</u>	<u>\$3,418,580</u> <u>3,418,580</u>	<u>\$3,359,751</u> <u>3,359,751</u>	<u>\$3,593,108</u> <u>3,593,108</u>	<u>\$3,347,028</u> <u>3,347,028</u>
All other governmental funds										
Restricted:										
Local Hospitality and Accommodations	0	0	0	0	0	0	0	0	0	0
Insurance proceeds	1,986,021	2,042,836	2,086,434	1,156,221	866,871	893,738	929,160	943,533	101,638	175,990
Tax increment district	33,928	9,064	30,289	63,290	65,035	119,219	114,668	883,472	630	0
Drug account	8,779	3,138	6,510	6,545	4,585	4,613	4,614	4,623	6,023	3,412
Victim's rights advocate	8,858	31,324	34,874	39,591	24,845	24,595	35,754	26,163	-887	6,032
Community Change	27,123	29,190	24,286	21,312	16,289	11,866	7,361	24,559	25,761	0
PMIPA	0	0	0	16,460	-89	18,665	27,245	11,055	19,741	36,096
Sidewalk	0	0	0	0	0	49,575	31,941	26,209	25,521	34,092
Grants	0	0	0	105,000	-70,841	0	0	-6,827	-68,546	-25,627
C Funds	-13,718	-1,485	0	0	0	0	0	0	-1,127	0
Economic development	2,424,069	2,515,828	2,565,134	2,611,800	2,579,339	2,630,408	2,838,114	2,985,316	3,194,303	3,621,768
Union Events Center	0	0	0	0	0	0	0	0	1,830,108	2,073,207
Firemen's fund	3,916	9,871	10,054	10,957	10,537	9,821	5,569	4,320	4,117	5,363
Capital projects	<u>497,985</u>	<u>450,157</u>	<u>54,415</u>	<u>21,496</u>	<u>4,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total all other governmental funds	<u>4,986,961</u>	<u>5,069,924</u>	<u>4,822,006</u>	<u>4,052,672</u>	<u>3,503,263</u>	<u>3,762,520</u>	<u>3,994,456</u>	<u>4,902,423</u>	<u>5,137,282</u>	<u>5,919,827</u>
Total all governmental funds	<u>\$7,136,803</u>	<u>\$7,449,062</u>	<u>\$7,751,461</u>	<u>\$7,251,388</u>	<u>\$7,193,403</u>	<u>\$7,088,696</u>	<u>\$7,413,036</u>	<u>\$8,262,174</u>	<u>\$8,730,390</u>	<u>\$9,266,855</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$1,043,087	\$1,073,181	\$1,034,430	\$1,060,715	\$1,085,684	\$1,086,629	\$1,093,891	\$1,090,270	\$1,083,663	\$1,248,334
Fee in lieu of taxes	1,439,855	1,511,886	1,729,772	1,692,718	1,968,390	1,788,358	1,842,468	1,732,317	1,692,755	1,816,796
Local hospitality and accommodations tax	0	0	0	0	0	0	0	0	135,174	171,836
Licenses, permits and franchise fees	910,356	930,309	1,037,919	1,065,245	1,197,399	1,384,589	1,192,977	1,132,126	1,288,967	1,101,502
Fines and forfeitures	117,838	129,636	122,132	96,729	120,149	107,621	136,720	117,307	111,222	74,858
Intergovernmental	1,200,134	819,360	980,371	1,569,317	1,120,739	1,654,065	1,666,863	952,186	924,414	930,303
State collected revenues	440,074	435,066	458,684	467,093	488,323	520,653	504,485	449,938	399,302	388,263
Investment earnings	97,951	84,568	115,359	161,537	150,580	145,215	134,640	88,906	38,618	18,800
Miscellaneous	2,110,249	50,601	126,456	98,641	99,670	115,083	211,632	216,789	274,606	139,183
<b>Total revenues</b>	<b>7,358,544</b>	<b>5,034,437</b>	<b>5,605,123</b>	<b>6,211,985</b>	<b>6,240,934</b>	<b>6,762,213</b>	<b>6,783,686</b>	<b>5,758,837</b>	<b>5,928,721</b>	<b>5,689,875</b>
<b>Expenditures</b>										
General government	1,191,046	1,062,733	1,584,470	2,137,899	1,785,053	2,241,556	1,706,859	1,280,247	1,283,266	1,142,488
Taxes and licenses	116,642	117,137	108,944	111,071	93,425	65,702	0	0	0	0
Facilities Maintenance	81,744	64,639	87,838	142,979	104,586	94,144	67,308	62,449	63,507	102,716
Public Safety	2,283,243	2,285,674	2,457,559	3,230,131	2,845,486	2,866,344	2,960,766	2,819,134	2,739,922	2,876,452
Public service	428,448	382,743	446,708	359,748	417,914	475,141	498,462	548,310	531,609	545,745
Planning	200,618	193,573	178,655	207,354	242,268	313,392	284,241	202,862	206,414	186,395
Capital outlay	797,927	508,600	246,238	585,452	640,846	571,312	1,091,069	791,452	1,190,531	178,137
Debt Services										
Principal	26,942	30,674	46,669	56,671	92,047	96,659	102,690	146,157	91,737	159,330
Interest	19,939	18,074	15,640	17,386	17,293	12,373	7,751	29,087	66,519	68,932
<b>Total expenditures, including capital</b>	<b>5,146,549</b>	<b>4,683,647</b>	<b>5,172,721</b>	<b>6,848,701</b>	<b>6,038,918</b>	<b>6,736,923</b>	<b>6,699,346</b>	<b>5,879,698</b>	<b>6,203,505</b>	<b>5,260,195</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,212,995</b>	<b>370,590</b>	<b>432,402</b>	<b>-636,706</b>	<b>202,016</b>	<b>25,290</b>	<b>84,340</b>	<b>-120,861</b>	<b>-274,784</b>	<b>429,680</b>
<b>Other financing sources (uses)</b>										
Contributed capital		38374		55000						0
Loan and lease purchase proceeds	-130,000	-94,702	-130,000	-130,000	-260,000	-130,000	-130,000	1,100,000	873,000	106,786
Transfer- in (Out)	-130,000	-58,328	-130,000	136,635	-280,000	-130,000	240,000	970,000	-130,000	106,786
<b>Total other financing sources (uses)</b>	<b>\$2,082,995</b>	<b>\$312,262</b>	<b>\$302,402</b>	<b>-\$500,071</b>	<b>-\$57,984</b>	<b>-\$104,710</b>	<b>\$324,340</b>	<b>\$849,139</b>	<b>\$468,216</b>	<b>\$536,466</b>
<b>Net change in fund balances</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.2%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>2.0%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.7%</b>
<b>Debt service as a percentage of noncapital expenditures</b>										

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

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

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

<u>Fiscal Year</u>	<u>Collection Fees</u>
2003	642,027
2004(1)	726,699
2005	728,629
2006	736,429
2007	735,145
2008	731,995
2009(2)	588,504
2010	589,010
2011(3)	632,852
2012(4)	673,389

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

City of Union  
Electric Largest Users  
For the Year Ended June 30, 2012

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-kWh</u>	<u>% of Total 2012 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2012 Billed Revenue</u>
CITY OF UNION	GOVERNMENT	7,866,872	5.76%	\$859,541	4.42%
HAEMONETICS	CHEMICAL	6,199,106	4.54%	465,204	3.12%
WALLACE THOMSON HOSP	HOSPITAL	5,429,283	3.97%	406,848	2.73%
UNION COUNTY SCHOOLS	EDUCATION	4,167,116	3.05%	365,751	2.45%
WAL-MART #01-0629	STORE	3,455,520	2.53%	268,159	1.80%
BI-LO #167	GROCERY	1,747,855	1.28%	158,724	1.06%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,711,524	1.25%	180,535	1.21%
FOOD LION #2679	GROCERY	1,614,720	1.18%	130,534	0.88%
PALM FOOD STORES LLC	CONVENIENCE STORE	1,361,118	1.00%	146,416	0.98%
FRESH AIR GALAXY	GROCERY	1,232,979	0.90%	105,792	0.71%
<b>TOTAL LARGEST USER</b>		<u>34,786,093</u>	<b>25.46%</b>	<u>\$2,887,504</u>	
<b>TOTAL USAGE BILLED</b>		136,618,489			
<b>TOTAL AUDITED REVENUE</b>				<u>\$14,906,920</u>	

(1) Source: City of Union utility records.

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

City of Union  
Water Largest User  
For the Year Ended June 30, 2012

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2012 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2012 Billed Revenue</u>
MEANSVILLE-RILEY W DIST	WATER DISTRICT	124,122,100	14.96%	\$332,024	10.84%
BROWNS CREEK WATER DIST	WATER DISTRICT	93,426,800	11.26%	249,717	8.16%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	81,086,200	9.77%	216,768	7.08%
ROCKY CREEK WATER DIST	WATER DISTRICT	66,156,100	7.97%	176,916	5.78%
STANDARD TEXTILE COMPANY	TEXTILE	28,429,200	3.43%	89,983	2.94%
CEDAR HILL PLANT	TEXTILE	27,508,800	3.32%	86,578	2.83%
THE TIMKEN COMPAN	BEARINGS	18,475,000	2.23%	62,928	2.06%
TOWN OF CARLISLE	WATER DISTRICT	14,055,800	1.69%	37,797	1.23%
UNION COUNTY SCHOOLS	EDUCATION	11,622,100	1.40%	36,772	1.20%
CITY OF UNION	GOVERNMENT	11,090,700	1.34%	38,038	1.24%
UNION COUNTY	GOVERNMENT	<u>8,875,200</u>	1.07%	<u>30,082</u>	0.98%
TOTAL LARGEST USER		<u>484,848,000</u>	58.43%	<u>\$1,357,603</u>	
TOTAL USAGE BILLED		829,802,700			
TOTAL AUDITED REVENUE				<u>\$3,061,643</u>	

(1) Source: City of Union utility records.

City of Union  
Sewer Largest Uses  
For the Year Ended June 30, 2012

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2012 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2012 Billed Revenue</u>
STANDARD TEXTILE COMPANY	TEXTILE	20,638,200	6.28%	\$85,248	4.64%
THE TIMKEN CO	BEARINGS	11,646,100	3.54%	42,348	2.31%
CEDAR HILL PLANT	TEXTILE	7,853,400	2.39%	33,136	1.80%
WALLACE THOMSON HOSPITAL	HOSPITAL	7,093,500	2.16%	12,012	0.65%
UNION COUNTY SCHOOLS	EDUCATION	6,196,800	1.88%	25,154	1.37%
UNION COUNTY	GOVERNMENT	4,653,800	1.42%	22,799	1.24%
BOYD MANAGEMENT	RESIDENTIAL PROPERTY	4,378,400	1.33%	23,682	1.29%
OAKMONT OF UNION	RESIDENTIAL CARE CENTER	4,055,600	1.23%	12,124	0.66%
SONCO CRELLIN PLANT	PLASTICS	3,651,600	1.11%	18,304	1.00%
FENDRICH INDUSTRIES, INC	TEXTILE	3,550,700	1.08%	17,418	0.95%
PREMIER COLORS INC	CHEMICAL	3,163,300	0.96%	10,349	0.56%
<b>TOTAL LARGEST USER</b>		<u>76,881,400</u>	<b>23.38%</b>	<u>\$302,574</u>	
<b>TOTAL USAGE SEWER CHARGES WERE CALCULATED</b>		328,802,000			
<b>TOTAL AUDITED REVENUE</b>				<u>\$1,836,070</u>	

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

City of Union  
 Natural Gas Largest Users  
 For the Year Ended June 30, 2012

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-CCF</u>	<u>% of Total 2012 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2012 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	2,972,740	22.61%	\$1,141,774	12.22%
THE TIMKEN CO	BEARINGS	1,740,190	13.24%	911,369	9.76%
BASF WYANDOTTE CORP.	CHEMICAL	1,702,510	12.95%	893,078	9.56%
STANDARD TEXTILE COMPANY	TEXTILES	862,090	6.56%	391,336	4.19%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	531,880	4.05%	277,518	2.97%
CEDAR HILL PLANT	TEXTILES	486,640	3.70%	300,296	3.21%
HAEMONETICS	PHARMACEUTICAL	401,220	3.05%	391,324	4.19%
SLOAN CONSTRUCTION COMPANY	ASPHALT	257,550	1.96%	134,233	1.44%
WALLACE THOMSON HOSP	HOSPITAL	196,245	1.49%	105,491	1.13%
MILLIKEN PLANT	TEXTILES	186,290	1.42%	97,873	1.05%
ESAB WELDING & CUTTING (2)	WELDING SUPPLIES	<u>153,867</u>	1.17%	<u>151,046</u>	1.62%
<b>TOTAL LARGEST USER</b>		<u>9,491,222</u>	72.20%	<u>\$4,795,338</u>	51.33%
<b>TOTAL USAGE BILLED</b>		13,145,866			
<b>TOTAL AUDITED REVENUE</b>				<u>\$9,342,547</u>	

(1) Source: City of Union utility records.

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

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

Fiscal Year	City of Union			Union County			Union County School District			Total Direct & Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2004	74.3	74.3	74.3	95.5	8.6	21.7	125.8	150.3	14.7	165.0	365.1
2005	74.3	74.3	74.3	95.5	8.6	21.7	125.8	167.9	0.0	167.9	368.0
2006	74.3	74.3	74.3	97.5	6.6	24.7	128.8	167.9	0.0	167.9	371.0
2007	74.3	74.3	74.3	97.5	6.6	24.7	128.8	119.9	48.0	167.9	371.0
2008	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2009	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2010	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2011	74.3	74.3	74.3	104.2	4.0	24.7	132.9	119.9	48.0	167.9	375.1
2012	79.9	79.9	79.9	104.2	4.0	24.7	132.9	119.9	48.0	167.9	380.7

(1) Source: Union County Auditor

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

**CITY OF UNION, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
NOVEMBER 30, 2011**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2011 TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
1 WAL MART REAL ESTATE	COMMERCIAL	\$68,824.47	5.86%
2 BELLSOUTH TELECOM	COMMUNICATIONS	26,931.09	2.29%
3 HAEMONETICS CORP	INDUSTRIAL	26,243.95	2.23%
4 WINDSOR HILL COMPANY LLC	COMMERCIAL	12,237.48	1.04%
5 GRAHAM WILLIAM M	COMMERCIAL	10,291.11	0.88%
6 CHARTER COMMUNICATIONS	COMMUNICATIONS	10,434.94	0.89%
7 UNION ELDERLY HOUSING LP	RESIDENTIAL	8,466.20	0.72%
8 ARTHUR STATE BANK	COMMERCIAL	8,435.06	0.72%
9 PROVIDENT COMMUNITY BANK	COMMERCIAL	6,728.60	0.57%
10 SPECTRA COLORANTS, INC.	INDUSTRIAL	7,316.19	0.62%
11 SYLVA HOLDINGS LLC	COMMERCIAL	7,274.10	0.62%
12 FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	7,250.13	0.62%
13 LAKEVIEW GARDENS LLC	RESIDENTIAL	7,112.70	0.61%
14 4031 HCR PROP OAKMONT	RESIDENTIAL	6,298.41	0.54%
15 AT&T MOBILITY FKA CINGULAR	COMMUNICATIONS	6,938.52	0.59%
16 BROWN EUGENIA A	RESIDENTIAL	6,448.71	0.55%
17 PREMIER COLORS INC	INDUSTRIAL	6,149.11	0.52%
18 HOPE SMALL	COMMERCIAL	6,149.11	0.52%
19 NORFOLK SOUTHERN	COMMERCIAL	6,016.47	0.51%
20 NEW BUENA VISTA APTS LLC	COMMERCIAL	5,917.39	0.50%
<b>TOTAL OF LARGEST 20 TAXPAYERS</b>		<b><u>\$251,463.74</u></b>	<b>15.55%</b>
<b>TOTAL 2011 TAXABLE ASSESSED VALUE</b>		<b><u>\$1,174,371.10</u></b>	<b>* 100.00%</b>

\*INCLUDES HOMESTEAD EXEMPTION, EXCLUDES ABATEMENTS AND VEHICLES

**CITY OF UNION, SOUTH CAROLINA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2012**

Total assessed value – 2011-General fund	\$ 16,293,200
Debt limit – 8 percent of assessed value	\$ 1,303,456
Total amount of debt applicable to debt limit	<u>0</u>
Legal Debt Margin	\$ 1,303,456

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

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

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

Note: (1) Gross revenues (including investment earnings and other.)

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

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

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

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

**City of Union  
Demographic and Economic Statistics**

<u>FISCAL YEAR</u>	<u>Population (1)</u>	<u>Median Age(1)</u>	<u>Per Capita Income (1)</u>	<u>Personal Income</u>	<u>Public School Enrollment(1)</u>	<u>Unemployment Rate(2)</u>
2012	8,311	41	\$ 18,046	\$ 149,980,306	1,645	16.50

Sources: (1) U.S. Census Bureau

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

**CITY OF UNION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

<b>2012</b>			
<b>EMPLOYER(1)</b>	<b>EMPLOYEES</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL COUNTY ACTIVE EMPLOYMENT *</b>
UNION COUNTY SCHOOL DISTRICT	675	1	6.78%
WALLACE THOMSON HOSPITAL	540	2	5.42%
DOLLAR GENERAL DISTRIBUTION	527	3	5.29%
TIMKEN	240	4	2.41%
S.C. STATE GOVERNMENT	230	5	2.31%
COUNTY OF UNION	225	6	2.26%
GESTAMP SOUTH CAROLINA, LLC	210	8	2.11%
MILLIKEN - CEDAR HILL PLANT	201	7	2.02%
CARLISLE FINISHING PLANT	134	9	1.35%
CITY OF UNION	133	10	1.34%
ESAB WELDING AND CUTTING	101	11	1.01%
HAEMONETICS	100	12	1.00%
MILLIKEN - GILLESPIE PLANT	90	13	0.90%
SONOCO PRODUCTS	85	14	0.85%
LOCKHART POWER	50	15	0.50%

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

\* Labor force as of 10/2012 is total labor pool of 11,421 with 9,959 employed and 1462 unemployed resulting in an unemployment rate of 12.80%.

Source: Union County Development Board

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

<b><u>CLASSIFICATION</u></b>	<b><u>FY2007</u></b> <b><u>ADOPTED</u></b>	<b><u>FY2008</u></b> <b><u>ADOPTED</u></b>	<b><u>FY2009</u></b> <b><u>ADOPTED</u></b>	<b><u>FY2010</u></b> <b><u>ADOPTED</u></b>	<b><u>FY2011</u></b> <b><u>ADOPTED</u></b>	<b><u>FY2012</u></b> <b><u>ADOPTED</u></b>
LEGISLATIVE	9	9	9	9	9	9 (1)
CITY COURT	1	1	1	1	1	1
CITY ATTORNEY	1	1	1	1	1	1
TAX & LICENSE	2	1	0	0	0	0
THE UNION CONNECTION	0	0	2	2	4	3 (2)
PUBLIC SAFETY	38	39	42	41	41	40 (3)
PUBLIC SERVICE - STREET DEPT.	7	7	7	8	8	8
PUBLIC SERVICE - SOLID WASTE	9	8	7	7	7	6 (4)
BUILDING & ZONING	3	4	4	2	2	2
VEHICLE MAINTENANCE	4	4	4	4	4	4
ACCOUNTING	4	4	5	6	5	5
UTILITY BILLING	11	11	11	9	9	9
UTILITIES - ADMINISTRATION	3	3	3	3	3	3
UTILITIES - SUPPORT SERVICES	4	4	4	4	4	4
UTILITIES - ELECTRIC	8	8	8	8	8	8
UTILITIES - WATER	13.5	13.5	13.5	13	14	14
UTILITIES - WASTEWATER	6.5	6.5	6.5	6	6	6
UTILITIES - GAS	9	10	10	10	10	10
<b>TOTAL</b>	<b>133</b>	<b>134</b>	<b>138</b>	<b>134</b>	<b>136</b>	<b>133</b>
<b>LESS ELECTED OFFICIALS</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
	<b>126</b>	<b>127</b>	<b>131</b>	<b>127</b>	<b>129</b>	<b>126</b>

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. Two part-time videographers have been budgeted for the Union Connection.
3. Loss of one (1) School Resource Officer
4. Loss of one (1) position; reduce one full-time position to part-time

**City of Union**  
**Operating Indicators by Function**  
**For Fiscal Year 2012**

**DATE OF INCORPORATION- December 20, 1837**  
**FORM OF GOVERNMENT- Mayor/Council**  
**AREA-SQUARE MILES (INCORPORATED)- 8**  
**UTILITIES EXTEND INTO UNION AND SPARTANBURG COUNTIES**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ELECTRIC SYSTEM</b>			
Number of Customer Billing per Month	7,020	6,961	6,985
Substations	3	3	3
Circuits	12	12	12
Security Lights	2690	2690	2828
Number of Electric Lines Owned by City	165	165	165
Square miles/electric system	19	19	19
<b>WATER SYSTEM</b>			
Number of Customer Billing per Month	6,249	6,196	6,199
Number of Water Districts Served	5	5	5
Daily Pumping Capacity-Gallons	10,400,000	10,400,000	10,400,000
Greatest for a Single Day	3,600,000	4,100,000	4,232,000
Maximum Filtration Plant Capacity per Day-Gallons	10,400,000	10,400,000	10,400,000
Number of Miles of Water Lines Owned by City	183	183	183
Square miles/water system	9	9	9
<b>WASTEWATER SYSTEM</b>			
Number of Customer Billing per Month	5,017	4,961	4,979
Maximum Plant Capacity per Day			
Tosch Creek	6,000,000	6,000,000	6,000,000
Meng Creek(1)	1,000,000	1,000,000	0
Greatest Processing for a Single Day	4,210,000	2,990,000	3,520,000
Number of Miles of Wastewater Main Owned by City	103	123	123
Square miles/wastewater system	8	8	8
<b>NATURAL GAS SYSTEM</b>			
Number of Customer Billing per Month	6,480	6,358	6,446
Maximum Capacity Available in Pipeline in dekatherms			
Transco	10,147	10,147	10,147
Greatest Consumption for a Single Day-dekatherms	8,607	8,537	9,112
Number of Miles of Main Gas Line Owned by City	325	411	411
Square miles/natural gas system	144	144	153
<b>PUBLIC SAFETY</b>			
Number of Stations	1	1	1
Number of Public Safety Offices	31	31	31
Number of Firefighters	3	3	3
<b>BUILDINGS</b>			
Permits Issued	530	548	1269
Estimated Cost of Construction	5,009,430	7,251,504	11,459,105
Inspections	815	429	421
Plan Reviews	20	28	70
Special Exceptions	2	2	7

(1). Meng Creek Wastewater Treatment Plant was closed during the year and a Pump Station was installed.