

**CITY OF UNION, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

864-429-1700

November 30, 2015

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, 2015.

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, 2015, 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, 2015, 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 8,284, 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, 2015, operates under the Mayor Council form of government. Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six Councilmembers. The governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the government's clerk, magistrate, and attorney. The Mayor acts in a legislative capacity as a member of the Council. He acts in an executive capacity as chief administrator of the Council's policies. The Mayor is responsible for carrying out policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing, with Council ratification, the heads of various departments. The Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with three Councilmembers elected every two years. The Mayor is elected to serve a four-year term. All six of the Councilmembers are elected by district. The Mayor is elected at large.

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

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

### Factors Affecting Financial Conditions

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

**Local economy.** The City is centrally located to all Eastern and Southeastern markets. It is approximately in the center of the country's fifth largest trade area with approximately 5 million people in a 100-mile radius. Over half of the United States' population can be reached within a day's drive or a 90-minute flight. The City is a 1-hour drive from Charlotte/Douglas Airport, the Columbia Metro Airport 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. The overall economic condition of the City has improved over the past year. The decline of the textile industries is being replaced with a diversity of plants and employment opportunities, with unemployment at 7.1 % at June 30, 2015.

**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 2016 include:

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

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, state investment pools, and repurchase agreements. The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10 and 6-5-15. The yield on investments for the year ended June 30, 2015 varied from approximately 0.1 % to 0.4. The average yield on overnight federal funds for that period was 0.1%. The City earned interest revenue of \$85,807 on all investments for the year ended June 30, 2015.

**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, 2015, expenditures were recognized for post-retirement health care insurance premiums or provide a supplement for eighteen (19) 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

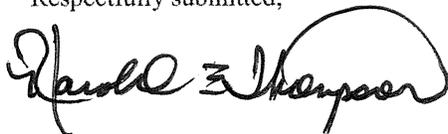
A multi-purpose center is under construction. The center will be located at 107 East Main Street, and will seat approximately 300 people. This center will provide space for the performing arts, business meetings and receptions just to name a few. This center will be a magnet for economic growth in the downtown area. The project is scheduled to be complete in the spring of 2016.

Renovations and improvements to the City's utility systems continue. Currently, there are 5 sewer collection projects under way. These projects will replace sewer collection systems in (5) areas on the City's system. The total cost of these projects total approximately \$2,609,700. Construction in Progress as of June 30, 2015 is \$1,227,290. Projects will be funded by a combination of a loan from the State of South Carolina State Revolving Loan Fund, SRF, Community Development Block Grants, CDBG and local funds.

#### Acknowledgements

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

Respectfully submitted,

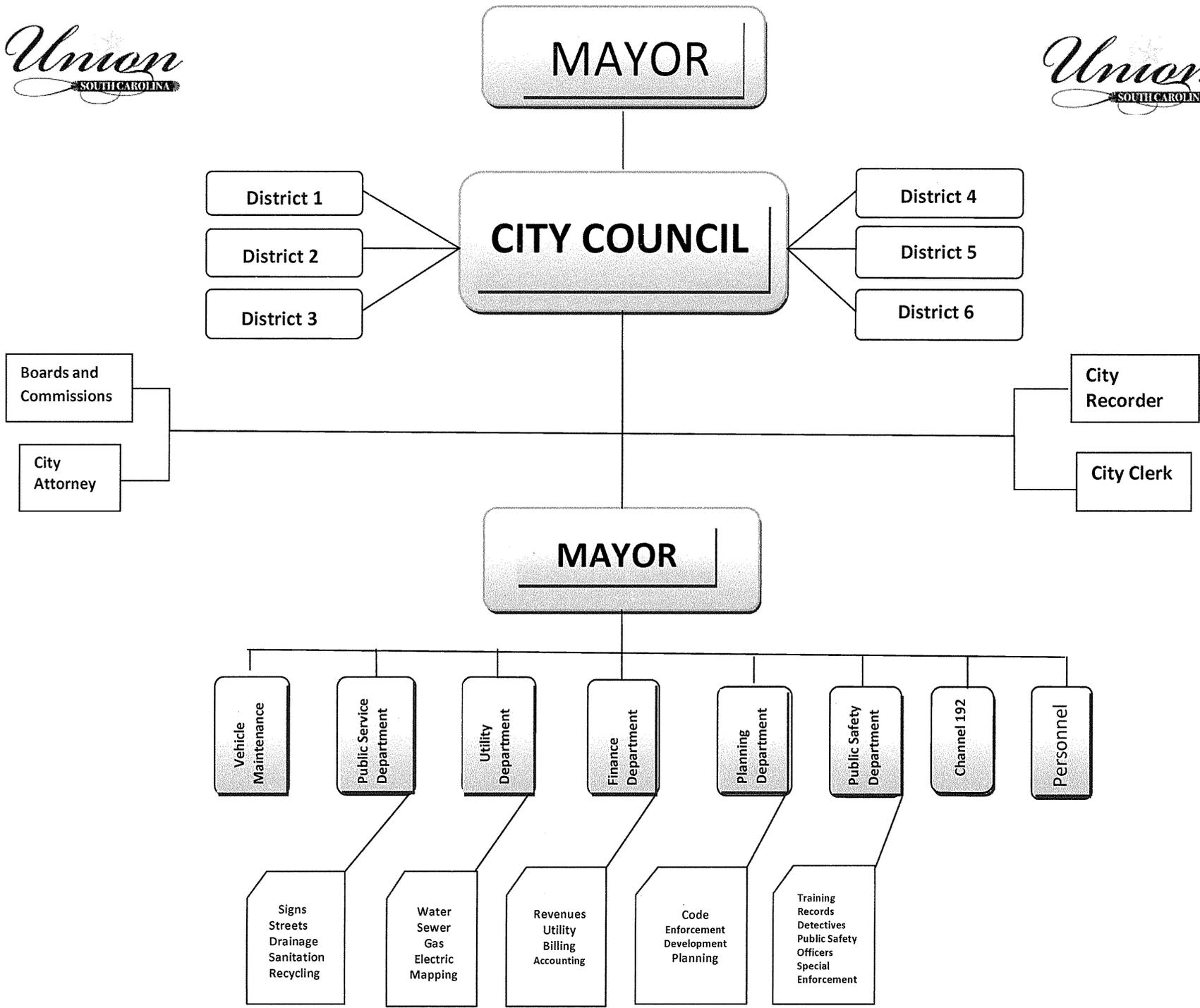


Harold E. Thompson  
Mayor



Walker C. Gallman  
Finance Director

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**City of Union, South Carolina**  
**LIST OF ELECTED and APPOINTED OFFICIALS**  
**as of June 30, 2015**

**ELECTED**

<b>Mayor</b>	<b>Harold E. Thompson</b>
<b>Councilmember, District 1</b>	<b>Tommy L. Anthony</b>
<b>Councilmember, District 2</b>	<b>Robert Garner-Mayor ProTem</b>
<b>Councilmember, District 3</b>	<b>Yates Giles</b>
<b>Councilmember, District 4</b>	<b>Ricky Todd Harris</b>
<b>Councilmember, District 5</b>	<b>Pamela G. Sloss</b>
<b>Councilmember, District 6</b>	<b>James G. Wilson</b>

**APPOINTED**

<b>City Attorney</b>	<b>Larry Flynn</b>
<b>City Recorder</b>	<b>Wade Hampton</b>
<b>City Clerk/Personnel Director</b>	<b>Gloria Rogers</b>
<b>Public Service Director</b>	<b>Perry Harmon</b>
<b>Maintenance Director</b>	<b>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>

# 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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, SC, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, SC, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the local hospitality & accommodations fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

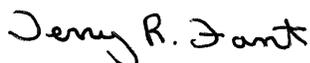
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina's basic financial statements. The introductory section, the combining and individual non-major fund financial statements, the schedule of court fines and assessments and the 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 Organization*, and is not a required part of the financial statements.

The combining and individual non-major fund financial statements, the schedule of court fines and assessments 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. Such 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 the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section and the statistical section have 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2015, on my consideration of the City of Union, SC's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Union, SC's internal control over financial reporting and compliance.



Terry R, Fant, CPA, PA

November 30, 2015

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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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents.

#### Financial Highlights

The assets and deferred outflows of resources of the City of Union exceeded its liabilities at the close of the most recent fiscal year by \$70,126,621 (*net position*). Of this amount, \$9,034,190 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net positions are comprised of \$ 81,520 governmental activities and \$ 8,952,670 business type activities. The government's total prior year net position was restated adjusted to comply with GASB 68 in the amount of \$10,108,106. The current year total net position increased by \$3,138,377 over the prior year adjusted position. The prior year GASB 68 adjustment will be detailed in the notes to the financial statements.

As of the close of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$9,078,620 an increase of \$99,557 in comparison with the prior year. Approximately 33 percent of this total amount, \$3,137,002, is *available for spending* at the government's discretion (*unassigned general fund balance*). The remaining governmental fund balance of \$5,941,618 is detailed in notes to financial statements.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,137,002 or 74 percent of the total fund expenditures.

The City of Union had \$15,960,952 in bonds, notes and leases outstanding versus \$15,924,218 last year, an increase of \$36,734. This increase represents the net of principle payments of \$1,605,605 during the year and new debt of \$1,642,339 issued during the year.

#### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in table of contents.

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

listed in the table of contents.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found as listed in table of contents.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Union, assets exceeded liabilities by \$70,126,621 at the close of the most recent fiscal year. By far the largest portion of the City of Union's net position (78%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Union uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Union's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Union's Net Position

	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total	Total
	2014	2015	2014	2015	2014	2015
Current and other assets	7,806,254	7,659,461	15,755,302	18,466,497	23,561,556	26,125,958
Capital Assets	7,221,034	7,071,623	66,805,184	66,718,148	74,026,218	73,789,771
<b>Total Assets</b>	<b>15,027,288</b>	<b>14,731,084</b>	<b>82,560,486</b>	<b>85,184,645</b>	<b>97,587,774</b>	<b>99,915,729</b>
Deferred outflows of resources	-	407,897	-	1,310,471	-	1,718,368
Current Liabilities	685,102	496,121	3,882,527	4,011,310	4,567,629	4,507,436
Noncurrent liabilities	2,627,999	6,327,524	13,295,794	19,723,275	15,923,793	26,050,799
<b>TOTAL LIABILITIES</b>	<b>3,313,101</b>	<b>6,823,645</b>	<b>17,178,321</b>	<b>23,734,585</b>	<b>20,491,422</b>	<b>30,558,235</b>
Deferred inflows of resources	-	423,917	-	525,325	-	949,242
<b>NET POSITION</b>						
Net investment in capital assets,	1,978,429	2,150,103	51,343,154	52,176,918	53,321,583	54,327,021
Restricted	6,351,875	5,659,791	1,139,536	1,105,619	7,491,411	6,765,410
Unrestricted	3,383,883	81,520	12,899,474	8,952,670	16,283,357	9,034,190
<b>Total net position</b>	<b><u>11,714,187</u></b>	<b><u>7,891,414</u></b>	<b><u>65,382,164</u></b>	<b><u>62,235,207</u></b>	<b><u>77,096,351</u></b>	<b><u>70,126,621</u></b>

An additional portion of the City Of Union's net position (9.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,034,190 may be used to meet the government's ongoing obligations to its citizens and creditors.

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

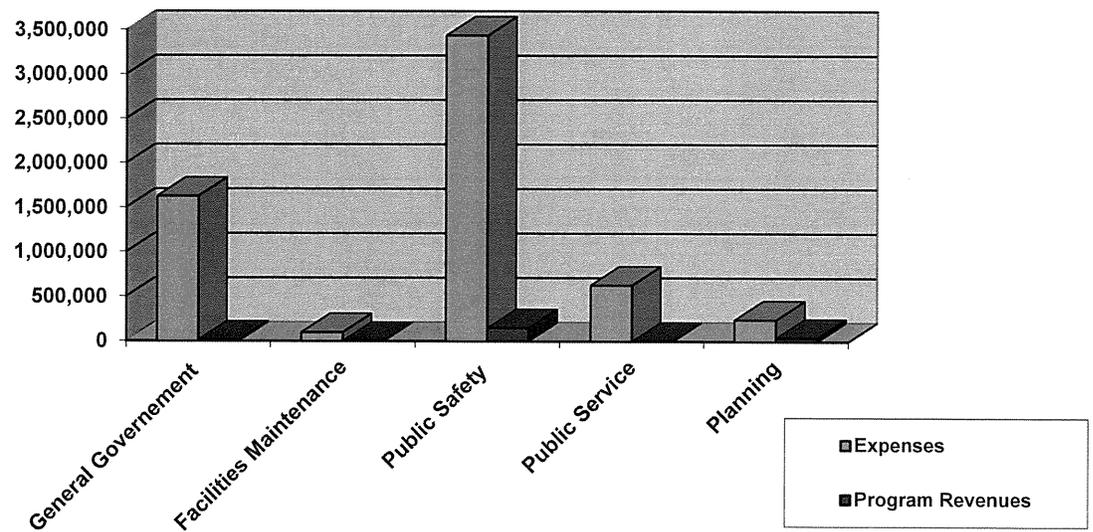
However, the City of Union's overall net position increased \$3,138,377 from the prior fiscal year. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** During the current fiscal year, net position for governmental activities increased \$142,230 from the prior fiscal year restated ending balance of \$7,749,184. The increase in the overall net position of governmental activities is the result of growth in the City's revenue stream compared to budget and the ability to bring expenditures in under budget. The City's tax base has is showing signs of decline compared to prior year, but again this year millage rate was increased by the Consumer Price Index and the addition of a surcharge to offset a prior year loss. Also, the fee in lieu (transfer) continues to be a major revenue source for the City's General Fund and based on sales from the enterprise funds, combined utilities and solid waste management. General Fund revenue increased \$ 54,985 or 1% compared to the prior year. The Local Hospitality and Accommodations Fee continue to grow and are used to fund tourism related expenditures, taking pressure off of the General Fund. Local Hospitality and Accommodations fees collected for Fiscal Year 2015 totaled \$225,710.

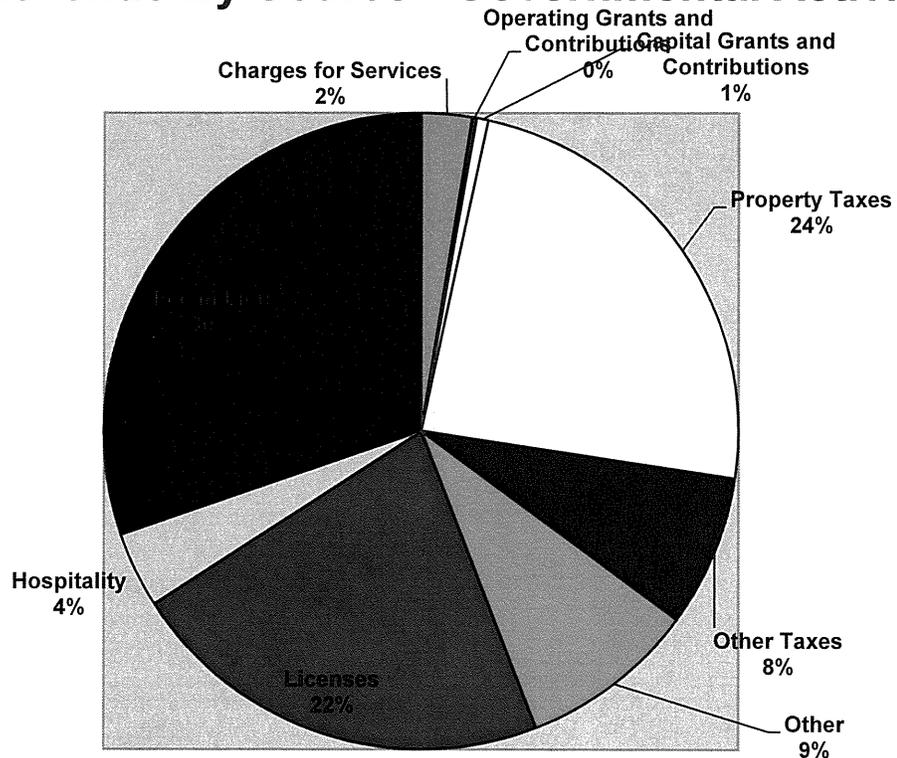
**City of Union's Changes in Net Position**

	Governmental	activities	Business-type activities		Total	Total
	2014	2015	2014	2015	2014	2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
<b>Charges for services</b>	193,618	175,097	34,916,929	35,055,256	35,110,547	35,230,353
<b>Operating Grants</b>	12,776	13,212			12,776	13,212
<b>Capital Grants and contributions</b>	33,978	11,100	491,013	903,758	524,991	914,858
<b>General revenues:</b>						
<b>Property taxes</b>	1,418,245	1,405,180			1,418,245	1,405,180
<b>Other taxes and fees</b>	3,537,376	3,740,431			3,537,376	3,740,431
<b>Other</b>	844,032	832,574	56,873	71,741	900,905	904,315
<b>Total revenues</b>	6,040,025	6,177,594	35,464,815	36,030,755	41,504,840	42,208,349
<b>Expenses:</b>						
<b>General government</b>	1,575,240	1,626,995			1,575,240	1,626,995
<b>Maintenance</b>	68,674	99,342			68,674	99,342
<b>Public safety</b>	3,313,262	3,437,654			3,313,262	3,437,654
<b>Public service</b>	617,074	628,227			617,074	628,227
<b>Planning</b>	226,822	243,146			226,822	243,146
<b>Electric</b>			15,304,692	16,194,959	15,304,692	16,194,959
<b>Water</b>			3,243,330	3,366,675	3,243,330	3,366,675
<b>Sewer</b>			2,606,149	2,630,278	2,606,149	2,630,278
<b>Gas</b>			10,699,816	9,566,088	10,699,816	9,566,088
<b>Solid Waste Management</b>			805,421	850,483	805,421	850,483
<b>Interest expense</b>			285,972	426,124	285,972	426,124
<b>Total expenses</b>	5,801,072	6,035,364	32,945,380	33,034,607	38,746,452	39,069,971
<b>Increase (Decrease) in net position before transfers</b>	238,953	142,230	2,519,435	2,996,148	2,758,388	3,138,378
<b>Transfers</b>	(49,110)		49,110		-	-
<b>Increase(Decrease)in net position</b>	189,843	142,230	2,568,545	2,996,148	2,758,388	3,138,378
<b>Net position- 07/01</b>	11,524,343	7,749,184	62,813,619	59,239,061	74,337,962	66,988,245
<b>Prior year restatement</b>	(3,965,002)		(6,143,103)		(10,108,105)	
<b>Net position - 06/30</b>	7,749,184	7,891,414	59,239,061	62,235,209	66,988,245	70,126,623

## Expenses and Program Revenues- Governmental Activities



## Revenue By Source - Governmental Activities



**Business-type Activities.** For the City Of Union's business-type activities, the results for the current fiscal year were positive in the overall net position increased to reach an ending balance of \$62,235,208. The total increase in net position for business-type activities (electric, water, wastewater, natural gas and solid waste) was \$2,996,147 or 4.8% compared to the prior fiscal year restated Net position balance of \$59,239,061. Key elements of this increase are as follows:

Electric sales decreased by 1,288,410 kWh or < than 1%, compared to the prior year. The City's kWh sales for FY2015 were 130,771,320 kWh, compared to sales of 132,059,730 kWh for FY 2014. However total electric revenue increased by \$ 795,432. This increase in revenue with a decrease in consumption is mainly due to a basic facility monthly charge increase for all rate classes and efforts to bill for all cost associated with purchase power. Purchased power cost increased by \$910,568 or 6.8% over prior year.

Water sales decreased by 49,102,200 gallons or 6.7 % compared to the prior year. This decrease is mainly due to a rural water district we provide water being able to secure another source of water. The water district purchased 55,648,200 gallons less than the prior year. As a result of this total water district consumption was down 54,648,200 gallons or 17.73%. Residential consumption was down slightly by <1%. Industrial and Commercial consumption increased by 3,038,400 or 3% and 4,665,000 gallons or 5.5% respectfully. Due to a 10% rate increase for all classes, even with decreased water district sales, revenue compared to last year increased \$85,382 or 2.5%

Wastewater discharged into our wastewater treatment plants decreased by 4,460,700 gallons or 1.4% compared to the prior year. Industrial discharge increased by 3,014,400 gallons or 4.7% and commercial increased 2,488,100 gallons or 3.8%. Residential discharge recorded a slight decrease of <1%... Revenue compared to the prior year increased by \$234,961 or 9.3%. This increase in revenue was due to a rate increase of 8% and increase commercial and industrial consumption.

Natural gas sales volume decreased by 786,578(ccf) hundred cubic feet or 4.8% compared to the prior year. The City experienced decreases in all rate classes with the exception of the commercial class which recorded a slight increase

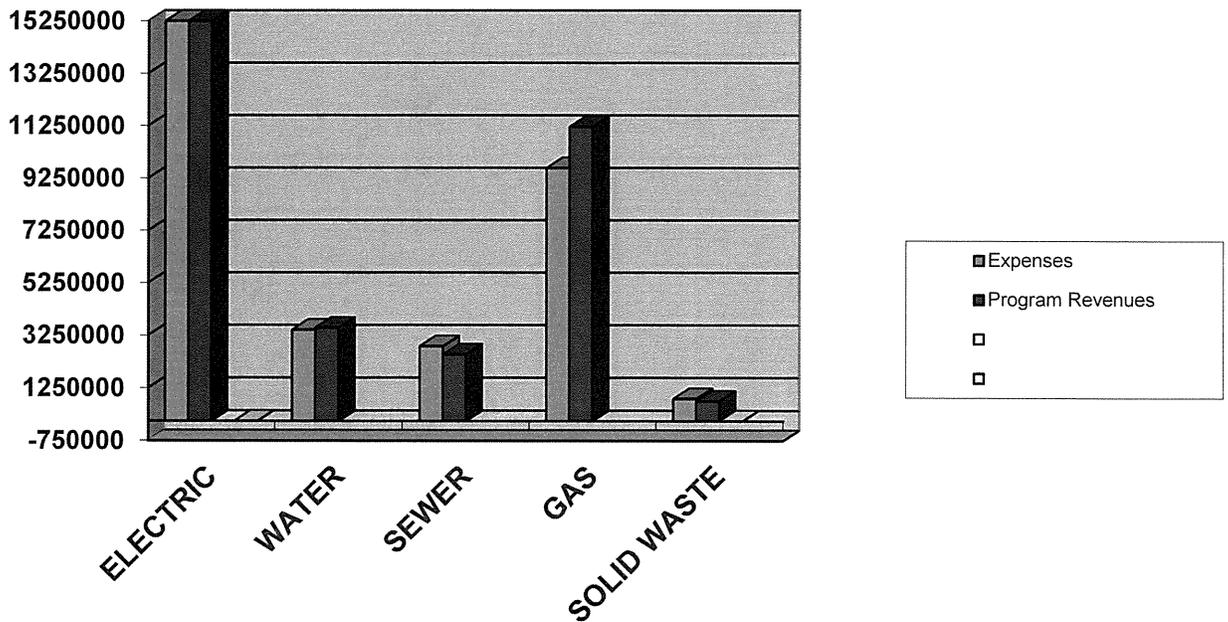
of 19,576(ccf). Industrial usage recorded the most significant decrease of 693,400(ccf) or 6.5%. The decrease is due to an industry ramping up after the economic slowdown in the prior year and scaling back to normal operations. Revenue compared to prior year decreased by \$1,401,168 or 11%. In comparison, the cost of natural gas purchases decreased by \$1,156,343 or 14.02% compared to last year. Also, natural gas purchases decreased by 6% or 911,168 ccf compared to last year purchases. Even with the decrease in natural gas revenue this utility net income was \$1,830,413.

Solid Waste Management charges for services increased by \$1 from \$15.00 to \$16.00 effective July 1, 2014.

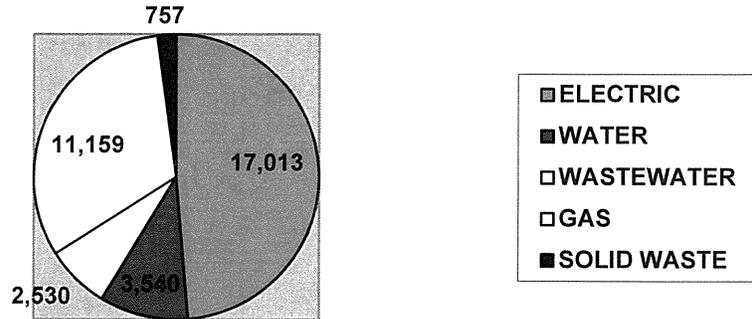
- There were capital contributions to the Combined Utility during the current year totaling \$903,758. These funds are Community Development Block Grant funds received for sewer improvements at May Street Area, McBeth Street Area, Buffalo Mill Village and Ottaray Mill Village.
- Investment earnings increased by \$14,868 for business-type activities. The major causes of this increase were more funds to invest.

Business Type Activities net position for the prior period was restated to comply with Governmental Accounting Standards Board Statement No. 68 (GASB 68). See notes to the financial statement V.H.

### Expenses and Program Revenues - Business Activities



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



### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Union's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Union's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, The City Of Union itself, or a group or individual that has been delegated authority to assign resources for use for particular purposed by the City Of Union's Council.

As of the end of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$9,078,620, a increase of \$99,557 in comparison with the prior year. Approximately 28 percent of this total amount \$3,137,003 constitutes *unassigned general fund balance* which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form (\$4,558,635),(2) restricted for particular purposes(\$280,072), (3)committed for particular purpose(\$1,638,915). A breakdown of governmental fund balance types are listed in the notes to financial statements.

The general fund is the chief operating fund of the City of Union. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,137,003. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 57 percent of total general fund expenditures.

In the City of Union's General Fund, fund balance increased \$156,135 during the current fiscal year. Revenue was over budget by \$322,599, but actual collections compared to prior year only increased \$54,985. The City's tax base is showing signs of decline compared to prior year, but again this year millage rate was increased by the Consumer Price Index and the addition of a surcharge to offset a prior year loss. However; property tax revenue decreased \$35,179 or 2.6% compared to prior year. .

Also, the fee in lieu (transfer) continues to be a major revenue source for the City's General Fund and based on sales from the enterprise funds, combined utilities and solid management... Payments in lieu of taxes transfer from the enterprise funds, increased by \$155,726 or 8.8% compared to last year. This revenue is based on the operating revenue of the City's enterprise funds from the prior year. Other General Fund revenues remained stable or increased indicating that the economy is beginning to show signs of improving. The only exception to this is fine revenue that decreased \$29,959 or 28% compared to prior year. Expenditures were under budget in the amount of \$277,530. City Council's philosophy has always been to prepare a budget that addresses the needs of the citizens of the City of Union. General Fund departments were under budget for FY 2015 with the exception of the Facility Maintenance Department that was over budget by \$15,342.

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

Unrestricted net position of the electric, water, sewer, gas (combined utility), and solid waste management operations at the end of the year amounted to \$8,952,670. The total increase in the unrestricted net position was \$2,996,147, after restatement of the prior year net position. 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, 2015, amounts to \$70,061,822 (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 % for all funds.

	Governmental Activities		Business-type activities		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$1,764,485	\$1,779,185	\$319,845	\$319,845	\$2,084,330	\$2,099,030
Buildings	1,089,678	1,056,498	1,033,273	1,108,349	2,122,951	2,164,847
Improvements other than buildings	112,971	106,422	60,293,854	62,856,038	60,406,825	62,962,460
Machinery, equipment, and Vehicles	1,296,365	1,187,861	1,054,002	1,144,862	2,350,367	2,332,723
Infrastructure	229,586	213,708			229,586	213,708
Construction in progress			2,954,319	1,289,054	2,954,319	1,289,054
Total	\$4,493,085	\$4,343,674	\$65,655,293	\$66,718,148	\$70,148,378	\$71,061,822

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

- Electrical system improvements in the amount of \$207,633 and the purchase of a bucket truck in the amount of \$193,170...
- Water distribution system improvements \$485,466, replaced 4- 20” valves at river pump station- \$161,505.
- Wastewater system also had several projects that were completed during FY2015: Upgrade 3 pump station - \$389,562. Improvements to the Tosch Creek Wastewater plant \$1,839,830 and repairs to the collection system in the Buffalo Mill area in the amount of \$798,414. The projects along with City funds were funded by a loan from the State Revolving Fund and Community Development Block Grants.
- Natural Gas System improvements included: extending the City’s system and continued improvements to lines \$226,013.
- Construction in progress as of June 30, 2015 in the amount of \$1,289,054 represents several ongoing projects.
- Major funding sources for these projects along with city funds, are the State Revolving Fund and Community Development Block Grants.

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

**Long-term debt.** At the end of the current fiscal year, the City of Union had total bonded debt outstanding of \$15,924,218. Of this amount \$0 comprises debt backed by the full faith and credit of the government. A \$206,691 S.C. Brownsfield Loan and lease purchase agreements in the amount of \$715,805 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).

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Governmental activities:</b>					
Lease-purchase payable	\$617,462	0	\$84,552	\$532,910	\$86,858
Tax increment district bonds	787,925	0	70,815	717,110	72,479
Notes payable & unamortized debt forgiveness	<u>206,691</u>	<u>0</u>	<u>36,989</u>	<u>169,702</u>	<u>37,249</u>
Total	<u>\$1,612,078</u>	<u>\$0</u>	<u>\$192,356</u>	<u>\$1,419,722</u>	<u>\$196,586</u>
<b>Business-type activities:</b>					
Lease-purchase payable	\$98,343	\$192,870	\$41,623	\$249,590	\$62,309
Bonds payable	<u>14,213,797</u>	<u>1,449,469</u>	<u>1,371,626</u>	<u>14,291,640</u>	<u>1,433,601</u>
Total	<u>\$14,312,140</u>	<u>\$1,642,339</u>	<u>\$1,413,249</u>	<u>\$14,541,230</u>	<u>\$1,495,910</u>
<b>Total Lease, Bonds and Notes Outstanding</b>					
	<u>\$15,924,218</u>	<u>\$1,642,339</u>	<u>\$1,605,605</u>	<u>\$15,960,952</u>	<u>\$1,692,496</u>

The City of Union had \$15,960,952 in bonds, notes and leases outstanding versus \$15,924,218 last year, an increase of \$36,734. This increase represents the net of principle payments of \$1,605,605 during the year and new debt of \$1,642,339 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 \$1,258,560, 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 \$638,956 and accrued compensated absences of \$161,053 as of June 30, 2015. See notes to the financial statements F.3.

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

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

These factors, and others, were considered in the preparation of the City of Union's budget for the 2015-16 fiscal years.

The unemployment rate for the City of Union is currently 7.1%, which is less than last year's rate of 8.4%. New industry and existing industry expansion is the reason for the decrease. In comparison, the state's unemployment rate is 5.6%, and the national rate is 5.0%.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$156,136 to \$3,137,003. The City of Union has appropriated \$5,915,150 for spending in the 2015-16-16 fiscal year budget. The General Fund proposed FY 2015/2015-16 budget includes a tax rate was decreased to 84.2 mills, as allowed by State Law. The General Fund, again this year, will rely on prior year fund balance to present a balanced budget.

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

The City continues to see pressure from wholesale rates in electricity, natural gas wholesale rates have been stable, but indicators in the market expect natural gas to increase going forward. Mandates from State and Federal Agencies continue to pressure all utilities with increased cost to comply with regulations. Since January 1, 2009 a Purchase Power Adjustment clause (PPAC) has been used each month to true-up the cost of electricity from our supplier. The PPAC will continue to be a factor in computing electric rates because of our billing arrangements with Lockhart Power and Piedmont Municipal Power Agency. The natural gas rates will remain the same, but the purchase gas adjustment (PGA) will continue. Water and wastewater rates will remain the same for FY 2015-16 for all rate classes.

### **Requests for Information**

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

# BASIC FINANCIAL STATEMENTS

City of Union, South Carolina

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,178,518	\$ 233,578	\$ 2,412,096
Investments	2,950,103	13,164,363	16,114,466
Receivables (net of allowance for uncollectibles)	2,162,348	2,757,679	4,920,027
Due from other funds	368,492	(368,492)	-
Interest receivable	-	5,430	5,430
Inventories	-	739,900	739,900
Advances to other funds	-	773,849	773,849
Deposits	-	310	310
Capital asset held for resale	2,727,949	-	2,727,949
Temporarily restricted assets:			
Investments	-	1,110,618	1,110,618
Intergovernmental receivable	-	49,262	49,262
Capital assets not being depreciated			
Land and construction in progress	1,779,185	1,608,899	3,388,084
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	1,056,498	1,108,349	2,164,847
Improvements other than buildings	106,422	62,856,038	62,962,460
Machinery and equipment	1,187,861	1,144,862	2,332,723
Infrastructure	213,708	-	213,708
Total assets	<u>14,731,084</u>	<u>85,184,645</u>	<u>99,915,729</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding of debt	-	765,448	765,448
Pension related deferred outflows	407,897	545,023	952,920
Total deferred outflows of resources	<u>407,897</u>	<u>1,310,471</u>	<u>1,718,368</u>

City of Union, South Carolina

Statement of Net Position

June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	299,540	2,401,651	2,701,191
Retainage payable	-	84,670	84,670
Accrued interest payable	-	29,079	29,079
Noncurrent accrued compensated absences and OPEB	353,571	446,888	800,459
Noncurrent net pension liability	3,976,968	6,231,067	10,208,035
Noncurrent advances from other funds	773,849	-	773,849
Other noncurrent liabilities:			
Due within one year	196,586	1,495,910	1,692,496
Due in more than one year	1,223,136	13,045,320	14,268,456
Total liabilities	<u>6,823,650</u>	<u>23,734,585</u>	<u>30,558,235</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	423,917	525,325	949,242
Total deferred inflows of resources	<u>423,917</u>	<u>525,325</u>	<u>949,242</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,150,103	52,176,918	54,327,021
Restricted for:			
Community assistance	32,697	-	32,697
Tax increment district and events center	1,606,218	-	1,606,218
Debt service	-	1,105,619	1,105,619
Public safety	13,534	-	13,534
Economic development	4,007,342	-	4,007,342
Unrestricted	81,520	8,952,670	9,034,190
Total net position	<u>\$ 7,891,414</u>	<u>\$ 62,235,207</u>	<u>\$ 70,126,621</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, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
General government	\$ 1,626,995	\$ -	\$ -
Facilities maintenance	99,342	-	-
Public safety	3,437,654	134,867	13,212
Public service	628,227	-	-
Planning	243,146	40,230	-
Total governmental activities	<u>6,035,364</u>	<u>175,097</u>	<u>13,212</u>
Business-type activities:			
Solid Waste Management	851,938	757,907	-
Combined utility	32,182,671	34,297,349	-
Total business-type activities	<u>33,034,609</u>	<u>35,055,256</u>	<u>-</u>
Total primary government	<u>\$ 39,069,973</u>	<u>\$ 35,230,353</u>	<u>\$ 13,212</u>

General revenues:

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

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

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

<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 11,100	\$ (1,615,895)	\$ -	\$ (1,615,895)
-	(99,342)	-	(99,342)
-	(3,289,575)	-	(3,289,575)
-	(628,227)	-	(628,227)
-	(202,916)	-	(202,916)
<u>11,100</u>	<u>(5,835,955)</u>	<u>-</u>	<u>(5,835,955)</u>
-	-	(94,031)	(94,031)
903,758	-	3,018,437	3,018,437
<u>903,758</u>	<u>-</u>	<u>2,924,406</u>	<u>2,924,406</u>
<u>\$ 914,858</u>	<u>\$ (5,835,955)</u>	<u>\$ 2,924,406</u>	<u>\$ (2,911,549)</u>
	1,405,180	-	1,405,180
	1,772,057	-	1,772,057
	225,710	-	225,710
	467,982	-	467,982
	1,274,682	-	1,274,682
	339,777	-	339,777
	14,066	71,741	85,807
	478,731	-	478,731
	<u>5,978,185</u>	<u>71,741</u>	<u>6,049,926</u>
	142,230	2,996,147	3,138,377
	7,749,184	59,239,061	66,988,245
	<u>\$ 7,891,414</u>	<u>\$ 62,235,208</u>	<u>\$ 70,126,622</u>

**City of Union, South Carolina**

**Balance Sheet**

**Governmental Funds**

**June 30, 2015**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,004,430	\$ -	\$ 1,174,088	\$ 2,178,518
Investments	2,234,745	-	715,358	2,950,103
Receivables (net of allowance for uncollectibles)	331,661	1,830,687	-	2,162,348
Due from other funds	99,440	222,555	46,497	368,492
Capital asset held for resale	-	2,727,949	-	2,727,949
Total assets	<u>\$ 3,670,276</u>	<u>\$ 4,781,191</u>	<u>\$ 1,935,943</u>	<u>\$ 10,387,410</u>

**City of Union, South Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Economic Development	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 297,875	\$ -	\$ 1,665	\$ 299,540
Advances from other funds	-	773,849	-	773,849
Total liabilities	297,875	773,849	1,665	1,073,389
Deferred inflows of resources:				
License fees collected in advance	77,659	-	-	77,659
Unearned tax revenue	157,741	-	-	157,741
Total deferred inflows of resources	235,400	-	-	235,400
Fund Balances:				
Nonspendable	-	4,558,635	-	4,558,635
Restricted	-	-	280,072	280,072
Committed	-	-	1,638,915	1,638,915
Unassigned	3,137,003	(551,293)	15,291	2,601,001
Total fund balances	3,137,003	4,007,342	1,934,278	9,078,623
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,670,278	\$ 4,781,191	\$ 1,935,943	

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

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

4,343,674

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

235,399

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

(5,750,261)

Deferred inflows and outflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds. (net)

(16,020)

Net position of governmental activities

\$ 7,891,415

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, 2015**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes and Penalties	\$ 1,276,643	\$ -	\$ 113,462	\$ 1,390,105
Payment in Lieu of Taxes	1,772,057	-	-	1,772,057
Local hospitality & accomodations tax	-	-	225,710	225,710
Licenses, Permits and Fees	1,254,403	-	-	1,254,403
Fines and Forfeitures	67,532	-	-	67,532
Intergovernmental Revenues/Grants/Contributions	546,065	-	13,212	559,277
State Collected Revenues	467,982	-	-	467,982
Investment Earnings	8,597	2,450	3,019	14,066
Miscellaneous Revenues	85,200	132,228	20,372	237,800
Total Revenues	<u>5,478,479</u>	<u>134,678</u>	<u>375,775</u>	<u>5,988,932</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,090,967	-	466,564	1,557,531
Facilities Maintenance	99,342	-	-	99,342
Public Safety	3,137,938	-	11,136	3,149,074
Public Service	597,065	-	-	597,065
Planning	237,744	-	-	237,744
Capital Outlay				
General Government	-	-	-	-
Facilities maintenance	17,049	-	-	17,049
Public Safety	116,562	-	-	116,562
Debt Service				
General Government	27,281	-	89,331	116,612
Public Safety	100,372	-	-	100,372
Total Expenditures	<u>5,424,320</u>	<u>-</u>	<u>567,031</u>	<u>5,991,351</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>54,159</u>	<u>134,678</u>	<u>(191,256)</u>	<u>(2,419)</u>
<b>OTHER FINANCING SOURCES &amp; USES</b>				
Insurance proceeds	101,976	-	-	101,976
Transfers	-	-	-	-
Total Other Financing Sources And Uses	<u>101,976</u>	<u>-</u>	<u>-</u>	<u>101,976</u>
Net Change In Fund Balances	156,135	134,678	(191,256)	99,557
FUND BALANCES - BEGINNING OF YEAR	<u>2,980,867</u>	<u>3,872,663</u>	<u>2,125,533</u>	<u>8,979,063</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,137,002</u>	<u>\$ 4,007,341</u>	<u>\$ 1,934,277</u>	<u>\$ 9,078,620</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, 2015**

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)	\$ 99,559
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.	(149,411)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	86,684
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.	181,256
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>(75,857)</u>
Change in net position of governmental activities - per the Statement of Activities	<u><u>\$ 142,231</u></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, 2015**

	<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	\$ 1,327,000	\$ 1,327,000	\$ 1,276,643	\$ (50,357)
Payment in lieu of taxes	1,608,860	1,608,860	1,772,057	163,197
Licenses, permits and fees	1,136,000	1,136,000	1,254,403	118,403
Fines and forfeitures	85,000	85,000	67,532	(17,468)
Intergovernmental revenues/grants/contribution	528,580	528,580	546,065	17,485
State collected revenues	420,940	420,940	467,982	47,042
Investment Earnings	5,000	5,000	8,597	3,597
Miscellaneous revenues	44,500	44,500	85,200	40,700
Total Revenues	<u>5,155,880</u>	<u>5,155,880</u>	<u>5,478,479</u>	<u>322,599</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,233,980	1,233,980	1,090,967	143,013
Facilities maintenance	84,000	84,000	99,342	(15,342)
Public safety	3,221,200	3,221,200	3,137,938	83,262
Public service	642,410	642,410	597,065	45,345
Planning	248,210	248,210	237,744	10,466
Capital Outlay:				
General government	-	-	-	-
Facilities maintenance	15,000	15,000	17,049	(2,049)
Public safety	129,400	129,400	116,562	12,838
Debt service:				
General government	27,280	27,280	27,281	(1)
Public safety	100,370	100,370	100,372	(2)
Total expenditures	<u>5,701,850</u>	<u>5,701,850</u>	<u>5,424,320</u>	<u>277,530</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(545,970)</u>	<u>(545,970)</u>	<u>54,159</u>	<u>600,129</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	101,976	101,976
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>101,976</u>	<u>101,976</u>
Net change in fund balances	<u>(545,970)</u>	<u>(545,970)</u>	<u>156,135</u>	<u>702,105</u>
Fund balances - beginning	<u>2,980,867</u>	<u>2,980,867</u>	<u>2,980,867</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,434,897</u>	<u>\$ 2,434,897</u>	<u>\$ 3,137,002</u>	<u>\$ 702,105</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, 2015**

	<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	\$ 390,000	\$ 390,000	\$ 225,710	\$ (164,290)
Investment earnings	-	-	95	95
Total Revenues	<u>390,000</u>	<u>390,000</u>	<u>225,805</u>	<u>(164,195)</u>
<b>EXPENDITURES</b>				
Current:				
General government	390,000	390,000	182,857	207,143
Planning	-	-	-	-
Capital Outlay:				
General government	-	-	-	-
Debt service:				
Total expenditures	<u>390,000</u>	<u>390,000</u>	<u>182,857</u>	<u>207,143</u>
Excess of revenue over expenditures	<u>-</u>	<u>-</u>	<u>42,948</u>	<u>42,948</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>42,948</u>	<u>42,948</u>
Fund balances - beginning	<u>223,590</u>	<u>223,590</u>	<u>223,590</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 223,590</u></u>	<u><u>\$ 223,590</u></u>	<u><u>\$ 266,538</u></u>	<u><u>\$ 42,948</u></u>

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

City of Union, South Carolina

Statement of Net Position

Proprietary Funds

June 30, 2015

	Combined Utility	Solid Waste Management	Total Proprietary Funds
Currents assets:			
Cash and cash equivalents	\$ 111,737	\$ 121,841	\$ 233,578
Investments	13,164,363	-	13,164,363
Interest receivable	5,430	-	5,430
Receivables (net of allowance for uncollectibles)	2,757,679	-	2,757,679
Due from other funds	(286,953)	(81,539)	(368,492)
Inventories	739,900	-	739,900
Total current assets	<u>16,492,156</u>	<u>40,302</u>	<u>16,532,458</u>
Noncurrent assets:			
Advances to other funds	<u>773,849</u>	<u>-</u>	<u>773,849</u>
Deposits	<u>310</u>	<u>-</u>	<u>310</u>
Restricted cash, cash equivalents, and investments:			
Investments	<u>1,110,618</u>	<u>-</u>	<u>1,110,618</u>
Intergovernmental receivables	<u>49,262</u>	<u>-</u>	<u>49,262</u>
Capital assets:			
Land and construction in progress	1,608,129	770	1,608,899
Buildings	1,746,220	457,490	2,203,710
Improvements other buildings	108,532,522	-	108,532,522
Machinery and equipment	5,863,793	1,603,934	7,467,727
Less accumulated depreciation	<u>(51,564,178)</u>	<u>(1,530,532)</u>	<u>(53,094,710)</u>
Total capital assets (net of accumulate depreciation)	<u>66,186,486</u>	<u>531,662</u>	<u>66,718,148</u>
Total noncurrent assets	<u>68,120,525</u>	<u>531,662</u>	<u>68,652,187</u>
Total assets	<u>84,612,681</u>	<u>571,964</u>	<u>85,184,645</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding of debt	765,448	-	765,448
Pension related deferred outflows	<u>512,567</u>	<u>32,456</u>	<u>545,023</u>
Total deferred outflows of resources	<u>1,278,015</u>	<u>32,456</u>	<u>1,310,471</u>

**City of Union, South Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	<u>Combined Utility</u>	<u>Solid Waste Management</u>	<u>Total Proprietary Funds</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,384,482	17,169	2,401,651
Retainage payable	84,670	-	84,670
Total current liabilities	<u>2,469,152</u>	<u>17,169</u>	<u>2,486,321</u>
Current liabilities payable from restricted assets			
Revenue bonds payable	1,433,601	-	1,433,601
Lease-purchase payable	37,906	24,403	62,309
Accrued interest payable	29,079	-	29,079
Total current liabilities payable from restricted assets	<u>1,500,586</u>	<u>24,403</u>	<u>1,524,989</u>
Noncurrent liabilities:			
Accrued compensated absences and OPEB	416,791	30,096	446,887
Revenue bonds payable	12,858,038	-	12,858,038
Lease-purchase payable	137,388	49,894	187,282
Net pension liability	5,860,008	371,059	6,231,067
Total noncurrent liabilities	<u>19,272,225</u>	<u>451,049</u>	<u>19,723,274</u>
Total liabilities	<u>23,241,963</u>	<u>492,621</u>	<u>23,734,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	494,042	31,283	525,325
Total deferred inflows of resources	<u>494,042</u>	<u>31,283</u>	<u>525,325</u>
<b>NET POSITION</b>			
Net investment in capital assets	51,719,553	457,365	52,176,918
Restricted for debt service	1,105,619	-	1,105,619
Unrestricted	9,329,519	(376,849)	8,952,670
Total net position	<u>\$ 62,154,691</u>	<u>\$ 80,516</u>	<u>\$ 62,235,207</u>

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

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**City of Union, South Carolina**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Funds</b>		
	<b>Business-type Activities</b>		
	<b>Combined Utility</b>	<b>Solid Waste Management</b>	<b>Total</b>
Operating revenues:			
Sales	\$ 31,403,910	\$ -	\$ 31,403,910
Sewer charges	2,501,509	-	2,501,509
Collection fees	-	762,607	762,607
Other revenues	7,664	(5,195)	2,469
Total operating revenues	<u>33,913,083</u>	<u>757,412</u>	<u>34,670,495</u>
Operating expenses:			
Purchased power and natural gas	20,501,420	-	20,501,420
System operations	7,181,265	693,621	7,874,886
Payment in lieu of franchise fee	1,715,364	35,880	1,751,244
Depreciation and amortization	2,359,952	120,982	2,480,934
Total operating expenses	<u>31,758,001</u>	<u>850,483</u>	<u>32,608,484</u>
Operating income (loss)	<u>2,155,082</u>	<u>(93,071)</u>	<u>2,062,011</u>
Nonoperating revenues (expenses):			
Investment earnings	71,679	62	71,741
Other	384,265	494	384,759
Interest expense	(424,669)	(1,455)	(426,124)
Total nonoperating revenue (expenses)	<u>31,275</u>	<u>(899)</u>	<u>30,376</u>
Income (loss) before contributions and transfers	<u>2,186,357</u>	<u>(93,970)</u>	<u>2,092,387</u>
Capital contributions - net	903,758	-	903,758
Transfers in	-	-	-
Change in net assets	3,090,115	(93,970)	2,996,145
Total net position - beginning - restated	<u>59,064,576</u>	<u>174,485</u>	<u>59,239,061</u>
Total net position - ending	<u>\$ 62,154,691</u>	<u>\$ 80,515</u>	<u>\$ 62,235,206</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, 2015**

	<u>Utility</u>	<u>Solid Waste Management</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 34,203,833	\$ 757,412	\$ 34,961,245
Transfers between funds	317,670	(40,220)	277,450
Payments for electricity and gas for resale	(20,421,140)	-	(20,421,140)
Payments in lieu of franchise fee	(1,715,364)	(35,880)	(1,751,244)
Payments to suppliers	(2,913,906)	(404,816)	(3,318,722)
Payments to employees and related benefit providers	(4,032,563)	(275,348)	(4,307,911)
Net cash provided (used) by operating activities	<u>5,438,530</u>	<u>1,148</u>	<u>5,439,678</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Accrual of OPEB obligations and compensated absences	<u>63,286</u>	<u>4,274</u>	<u>67,560</u>
Net cash provided [used] by noncapital financing activities	<u>63,286</u>	<u>4,274</u>	<u>67,560</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from loans, lease-purchases and bond issues	1,642,339	-	1,642,339
Capital contributions	903,758	-	903,758
Construction and purchase of fixed assets	(3,503,958)	(39,830)	(3,543,788)
Principal paid on capital debt	(1,389,202)	(24,046)	(1,413,248)
Interest paid on capital debt	(424,669)	(1,455)	(426,124)
Nonoperating income/(expense)	<u>384,265</u>	<u>494</u>	<u>384,759</u>
Net cash provided (used) by capital and related financing activities	<u>(2,387,467)</u>	<u>(64,837)</u>	<u>(2,452,304)</u>
<b>Cash Flows From Investing Activities</b>			
Sale of investments - net of purchases	(3,290,203)	-	(3,290,203)
Interest income received	<u>71,679</u>	<u>62</u>	<u>71,741</u>
Net cash provided (used) by investing activities	<u>(3,218,524)</u>	<u>62</u>	<u>(3,218,462)</u>
Net increase (decrease) in cash and cash equivalents	(104,175)	(59,353)	(163,528)
Cash - beginning of year	<u>215,913</u>	<u>181,196</u>	<u>397,109</u>
Cash - end of year	<u>\$ 111,738</u>	<u>\$ 121,843</u>	<u>\$ 233,581</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, 2015**

	<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)	\$ 2,155,082	\$ (93,071)	\$ 2,062,011
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	2,359,952	120,982	2,480,934
less amortization of deferred bond costs	128,785		
Pension expense	64,200	4,065	
(Increase) decrease in accounts receivable	241,538	-	241,538
(Increase) decrease in due to/from other funds	317,670	(40,220)	277,450
(Increase) decrease in advances to other funds	128,729	-	128,729
(Increase) decrease in accrued interest receivable	(1,765)	-	(1,765)
(Increase) decrease in inventories	17,748	-	17,748
(Increase) decrease in deposits	7,437	-	7,437
Increase (decrease) in accounts payable and accrued expenses	14,764	9,392	24,156
Increase (decrease) in accrued interest payable	4,390	-	4,390
Total adjustments	<u>3,283,448</u>	<u>94,219</u>	<u>3,377,667</u>
Net cash provided (used) by operating activities	<u>\$ 5,438,530</u>	<u>\$ 1,148</u>	<u>\$ 5,439,678</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**  
**June 30, 2015**

	<b>Police Seizure Agency Fund</b>
<b>ASSETS</b>	
Currents assets:	
Cash and cash equivalents	\$ 43,856
Receivables (net of allowance for uncollectibles)	-
Due from other funds	(831)
Total current assets	43,025
Total assets	\$ 43,025
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 43,025
Total current liabilities	43,025
Total liabilities	\$ 43,025

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

CITY OF UNION, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

**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 8,284. The City is governed by an elected mayor and six-member council. The City operates under the mayor-council form of government. The financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

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

Discretely presented component units:

At year end, the City had no component units.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among

program revenues are reported instead as *general revenues*. Likewise, internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Statement 34 is very specific in its definition and provides specifics to allow for determination of “major funds.” In brief, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always a major fund. The 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 City elected to include the economic development fund and the solid waste management fund as major funds.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements for the primary government’s governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. In the accompanying financial statements, the various funds of the City are grouped into two broad fund categories as follows:

#### Governmental funds

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

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

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

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

#### Proprietary funds - Enterprise funds

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

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

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

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

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

All governmental funds are accounted for using a *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included in the combined balance sheet. The reported fund balance (net current assets) is considered to be a measure of “available spending resources.” Operating statements of these funds present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spending resources” during a period. A sixty day period is used to define availability for the purpose of revenue recognition. All Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included in the combined statement of net position. Proprietary fund-type operating statements present increases and decreases in total net position.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges

between the government's proprietary fund and various other functions of the government. Elimination of these charges would distort the direct cost and program revenue reported for the various functions concerned.

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

Management has evaluated subsequent events through the report issuance date

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

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

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

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

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

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

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

The City Code provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by Union County and remitted to the City monthly during the year. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15 with penalties assessed of 10% if paid after January 15, 12% if paid after January 31, and 15% if paid after February 28. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2014 was 92.5 mills.

Utility sales revenues are recognized at the time the services are provided. Substantially all customers with balances over 30 days past due are disconnected and considered inactive. Periodically, inactive accounts are reviewed to consider bad debt status. Bad debts are removed from active accounts receivable and expensed; however customer history is retained for future reference. Bad debts net of recoveries for the year ended June 30, 2015 amounted to \$114,124.

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/statement of net position 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. Construction interest is not capitalized in governmental-type funds.

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

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

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

## **6. Compensated absences**

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

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

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

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Statement No. 65, bond premiums and discounts, as well as issuance costs, are expensed in the year they occur. Deferred charges on refunding are amortized over the life of the bonds.

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

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

## **8. Fund equity classifications**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 9. Comparative data/reclassifications

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

## 10. Expenses/Expenditures

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

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

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

## 11. Deferred outflows/inflows of resources

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

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

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

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

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

One element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net position, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$4,343,674 is as follows:

Total capital assets	\$ 9,485,795
Accumulated depreciation	<u>(5,142,121)</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 4,343,674</u>

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 \$235,399 is as follows:

Deferred inflows of resources – Unearned Property taxes	\$ 157,740
Licenses collected in advance	<u>77,659</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 235,399</u>

Another 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 \$(5,750,261) is as follows:

Notes payable	\$ (169,702)
Lease-purchases payable	(532,910)
OPEB obligation	(288,063)
Tax increment bonds	(717,110)
Net pension liability	(3,976,968)
Compensated absences	<u>(65,508)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(5,750,261)</u>

Another element of that reconciliation explains that “deferred inflows and outflows of resources related to net pension liability are applicable to future periods and, therefore, are not reported in the funds. Explanation of this net difference totaling (\$16,020) as follows:

Deferred outflows of resources related to pensions	\$ 407,897
Deferred inflows of resources related to pensions	<u>(423,917)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (16,020)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(149,411) difference are as follows:

Capital outlay	\$ 129,364
Depreciation expense	<u>(278,775)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(149,411)</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this \$86,684 difference is as follows:

Brownsfield loan debt forgiveness	\$ 11,100
Prepaid license fees – net change	15,076
Unavailable property tax revenue – net change	<u>60,508</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 86,684</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 position. The details of this \$181,256 are as follows:

Debt issued	\$ 0
Principal payments	<u>181,256</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 181,256</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 \$(75,857) are as follows:

OPEB Obligation - net increase	\$ (58,953)
Retirement expense increase related to net pension liability	(27,985)
Compensated absences – net decrease	<u>11,081</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (75,857)</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 or reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.

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

For the year ended June 30, 2015, expenditures exceeded revenues in the following funds:

Events Center Fund	\$ (262,067)
Solid Waste Management Fund	\$ (93,970)

**C. Deficit fund equity**

For the year ended June 30, 2015, no funds had fund balance deficits:

**IV. Detailed notes on all funds**

**A. Deposits and investments**

At year end, the government’s bank balance of cash and cash equivalents was \$2,412,096. The bank balance was covered by federal depository insurance, by collateralized securities held by the pledging financial institution’s trust department or agent but not in the government’s name, and by irrevocable letters of credit issued by Federal Agencies in which the City of Union is named as beneficiary. Book value is not materially different from bank balances.

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

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

Investments are carried at fair value at June 30, 2015 as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
SC Local Government		
Investment Pool	\$ 7,158,467	Less than one year
Real Estate Joint Venture	32,867	Less than five years
Certificates of Deposit	4,015,055	Less than two years
Money Market	<u>6,018,695</u>	Less than two years
Total	<u>\$ 17,225,084</u>	

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$1,110,618 held in debt service accounts. The amount included under “net position - restricted for debt service” reflects amounts required by bond ordinance to be set aside as cushion funds.

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

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

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

## B. Receivables

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

Receivables at June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Property taxes and assessments	\$ 91,965	\$	\$	\$ 91,965
Other governments	154,822		49,262	204,084
Utility accounts			2,716,748	2,716,748
Notes Receivable		1,830,687		1,830,687
Other	<u>84,874</u>	<u>          </u>	<u>40,931</u>	<u>125,805</u>
Net total receivables per fund financials	<u>331,661</u>	<u>1,830,687</u>	<u>2,806,941</u>	<u>4,969,289</u>
Reconciliation to government-wide financials:				
Adjustments to reclassify interest receivable	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net total receivables per government-wide financials	<u>\$ 331,661</u>	<u>\$1,830,687</u>	<u>\$2,806,941</u>	<u>\$4,969,289</u>

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

### C. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	June 30, <u>2014</u>	<u>Additions</u>	Retire- <u>ments</u>	June 30, <u>2015</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,764,485	\$ 14,700	\$ _____	\$ 1,779,185
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>4,169,035</u>	<u>114,664</u>	_____	<u>4,283,699</u>
Total depreciable capital assets	<u>7,591,945</u>	<u>114,664</u>	_____	<u>7,706,609</u>
Less accumulated depreciation:				
Infrastructure	1,119,821	15,878		1,135,699
Buildings and improvements	656,373	33,180		689,553
Improvements other than buildings	214,480	6,549		221,029
Machinery and equipment	<u>2,872,671</u>	<u>223,168</u>	_____	<u>3,095,839</u>
Total accumulated depreciation	<u>4,863,345</u>	<u>278,775</u>	_____	<u>5,142,120</u>
Total depreciable assets – net of accumulated depreciation	<u>2,728,600</u>			<u>2,564,489</u>
Governmental activities capital assets, net	<u>\$ 4,493,085</u>			<u>\$ 4,343,674</u>
	June 30, <u>2014</u>	<u>Additions</u>	Retire- <u>ments</u>	June 30, <u>2015</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 2,954,319	\$(1,665,265)	\$ _____	\$ 1,289,054
Land	<u>319,845</u>	_____	_____	<u>319,845</u>
Total capital assets not being depreciated	<u>3,274,164</u>	<u>(1,665,265)</u>	_____	<u>1,608,899</u>
Capital assets being depreciated:				
Buildings and improvements	2,083,205	120,505		2,203,710
Improvement other than bldgs.	103,802,109	4,730,413		108,532,522
Machinery and equipment	<u>7,109,593</u>	<u>358,134</u>	_____	<u>7,467,727</u>
Total depreciable capital assets	<u>112,994,907</u>	<u>5,209,052</u>	_____	<u>118,203,959</u>
Less accumulated depreciation:				
Buildings and improvements	1,049,933	45,429		1,095,362
Improvements other than bldgs.	43,508,254	2,168,230		45,676,484
Machinery and equipment	<u>6,055,591</u>	<u>267,274</u>	_____	<u>6,322,865</u>
Total accumulated depreciation	<u>50,613,778</u>	<u>2,480,933</u>	_____	<u>53,094,711</u>
Total depreciable assets – net of accumulated depreciation	<u>62,381,129</u>			<u>65,109,248</u>
Business-type activities capital assets, net	<u>\$ 65,655,293</u>			<u>\$ 66,718,147</u>

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

Governmental activities:	
General government	\$ 57,890
Planning	737
Public safety	201,550
Public works	<u>18,598</u>
Total depreciation expense – governmental activities	<u>\$ 278,775</u>
Business-type activities	
Electric	\$ 490,546
Water	648,287
Sewer	725,649
Natural gas	495,469
Solid waste	<u>120,982</u>
Total depreciation expense – business-type activities	<u>\$ 2,480,933</u>

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

During the year utility fund construction projects included the expenditure of CDBG Funds awarded to the City and reimbursements from grant projects awarded to Union County.

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

The composition of interfund balances as of June 30, 2015, is as follows:

Due to / from other funds:

	Due from (receivable)	Due to (payable)
General fund	\$ 99,440	\$ 0)
Special Revenue funds	46,497	0
Economic Development fund	222,555	0
Solid Waste Management Enterprise fund	0	(81,539)
Utility Enterprise fund	<u>0</u>	<u>(286,953)</u>
Total	<u>\$ 368,492</u>	<u>\$ (368,492)</u>

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

Due to / from other funds:

	<u>Government-wide</u>
Governmental funds	\$ 368,492
Enterprise funds	<u>(368,492)</u>
Total (net)	<u>\$ 0</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfer purposes include matching funds for

various grant projects, operating transfers, and debt service transfers. Any budgeted and unbudgeted transfers for the current year are reported in the financial statements.

**E. Long-term liabilities**

Notes Payable

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

<u>Amount</u>	<u>Interest Rates</u>
Governmental activities – year end balances:	
Tax Increment District Bond	2.35% \$ 717,110
SC Brownfields Cleanup Revolving Loan/Grant	1.0% <u>169,702</u>
Total governmental activities	<u>\$ 886,812</u>

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

On October 27, 2009, the City issued \$1,100,000 Tax Increment District Bonds to construct a multipurpose center. The bonds were refinanced on February 26, 2013. The refinanced bonds are in annual installments of \$89,331 through April of 2024 at a rate of 2.35%.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 109,728	\$ 17,984
2017	111,693	16,019
2018	113,701	14,011
2019	115,753	11,959
2020	98,659	9,864
2021	81,405	7,926
2022	83,318	6,013
2023	85,276	4,055
2024	<u>87,279</u>	<u>2,051</u>
Total	<u>\$ 886,812</u>	<u>\$ 89,882</u>

Lease-purchases Payable

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

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – year end balances:		
Fire Truck Lease	2.7%	\$ 532,910
Total governmental activities		<u>\$ 532,910</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>
2016	\$ 86,858	\$ 13,514
2017	89,227	11,145
2018	91,661	8,712
2019	94,161	6,211
2020	96,729	3,643
2021	74,274	1,006
Total	<u>\$ 532,910</u>	<u>\$ 44,231</u>

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities – year end balances:		
Bucket Truck Lease/Purchase	1.55%	\$ 175,293
Brush Truck Lease/Purchase	1.48%	74,297
Total business-type activities		<u>\$ 249,590</u>

In June, 2014, the City entered into a lease-purchase agreement for \$198,870 to buy a utility bucket truck. The lease-purchase is due in quarterly installments of \$10,101 through November of 2019.

In May, 2013, the City entered into a lease-purchase agreement for \$122,000 to buy a brush truck. The lease-purchase is due in annual installments of \$24,403 through May of 2018.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 62,309	\$ 3,597
2017	63,261	2,644
2018	64,228	1,678
2019	39,707	697
2020	20,085	117
Total	<u>\$ 249,590</u>	<u>\$ 8,733</u>

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

Interest expense totaling \$35,598 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$15,820 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$18,516 for a tax increment district bond and \$1,262 for a Brownfields Cleanup loan were reported as a direct expense under the general government function.

### Revenue bonds

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Enterprise fund capital projects	1.49 – 2.25%	<u>\$ 14,291,640</u>

Long-term obligations recorded in the Enterprise fund include the following at June 30, 2015:

2013-A Bonds	1,841,904
2013-B Bonds	1,070,785
2012-A Bonds	206,207
2012-B Bonds	1,270,763
2012-C Bonds	4,355,000
2011 Bonds	2,421,021
2010 Bonds	1,925,448
2008 Bonds	<u>1,200,512</u>
Subtotal	14,291,640
Less: Current portion	<u>(1,433,601)</u>
Non-current portion	<u>\$ 12,858,039</u>

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 amounting to \$1,069,845 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 \$25,051 including interest at 2.25 through May 2029.

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

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

On October 11, 2012, the City issued Series 2012A, Series 2012B, and Series 2012C Revenue Refunding Bonds. The proceeds were used to refund four previous bond issues and to redeem the 1991 bonds. The bonds have interest rates ranging from 1.48, 1.48, and 1.96 respectively. Series 2012A Bonds are due in quarterly installments of \$26,207 through 06/01/2017. Series 2012B Bonds are due in varying quarterly installments through 06/01/2021. Series 2012C Bonds are due in varying quarterly installments through 06/01/2021.

On December 18, 2013, the City issued Series 2013A in the amount of \$2,032,260 and Series 2013B Revenue Bonds in the amount of \$1,238,492. The proceeds are to be used for water system and sewer system improvements. The 2013A bonds have an interest rate of 1.9% and are due in quarterly installments of \$30,594 through 08/1/2034. The 2013B bonds have an interest rate of 1.5% and are due in quarterly installments of \$17,942 through 08/01/2034 .

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 June 30	Business type activities	
	Principal	Interest
2016	\$ 1,433,601	\$ 281,635
2017	1,456,696	253,031
2018	1,379,354	224,769
2019	1,411,100	196,886
2120	1,438,075	168,412
2021	1,402,165	139,689
2022	481,794	120,410
2023	491,940	110,265
2024	502,302	99,902
2025	512,887	89,317
2026	523,699	78,507
2027	534,742	67,463
2028	546,020	56,184
2029	557,542	44,661
2030	468,256	33,745
2031	477,984	24,016
2032	417,712	14,282
2033	271,108	6,957
2034	191,203	2,942
2035	<u>48,326</u>	<u>212</u>
Subtotal	14,546,506	<u>\$2,013,285</u>
Less: Loan proceeds not drawn down by 06/30/2015	<u>(254,866)</u>	
Net balance reported on financial statements		<u>\$14,291,640</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Lease-purchase payable	\$ 617,462	\$ 0	\$ 84,552	\$ 532,910	\$86,858
Accrued OPEB	229,110	58,953	0	288,063	0
Accrued compensated absences	76,589	0	11,081	65,508	0
Tax increment district bonds	787,925	0	70,815	717,110	72,479
Net pension liability (see note)		3,976,968		3,976,968	
Notes payable & unamortized debt forgiveness	<u>206,691</u>	<u>0</u>	<u>36,989</u>	<u>169,702</u>	<u>37,249</u>
Total	<u>\$ 1,917,777</u>	<u>\$ 4,035,921</u>	<u>\$ 203,437</u>	<u>\$ 5,750,261</u>	<u>\$196,586</u>

**Business-type activities:**

Lease-purchase payable	\$ 98,343	\$ 192,870	\$ 41,623	\$ 249,590	\$ 62,309
Accrued compensated absences	104,581	0	8,586	95,995	0
Accrued OPEB	274,746	76,147	0	350,893	0
Net pension liability (see note)	0	6,231,067	0	6,231,067	0
Bonds payable	<u>14,213,797</u>	<u>1,449,469</u>	<u>1,371,626</u>	<u>14,291,640</u>	<u>1,433,601</u>
Total	<u>\$ 14,691,467</u>	<u>\$ 7,949,553</u>	<u>\$ 1,421,835</u>	<u>\$21,219,185</u>	<u>\$1,495,910</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 public safety – represents grant funds , law enforcement agency funds, and 1% state firemen’s funds held in various special revenue funds that are required to be used specifically for public safety programs.

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

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

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

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

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

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

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 0	\$3,137,003
Economic Development Fund	4,558,635	0	0	(551,293)
Local Hospitality and Accom. Fd.	0	266,538	0	0
Tax Increment District Fund	0	0	51,743	0
Drug Fund	0	6,034	0	0
Community Change Fund	0	0	32,697	0
Sidewalk Fund	0	0	0	15,291
Union Events Center Fund	0	0	1,554,475	0
Firemen's Fund	0	7,500	0	0
Total	<u>\$4,558,635</u>	<u>\$280,072</u>	<u>\$1,638,915</u>	<u>\$2,601,001</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. 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.

##### 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, 2015, is \$16,231.

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 on February 8, 2046.

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 V Limited Partnership in the amount of \$245,000 and \$330,000. The terms of the notes are as follows:

The \$245,000 note dated January 17, 2003 has 1% interest due each year for 30 years beginning December 31, 2004. Beginning December 31, 2034, principle and interest will be due at a rate of 2% with 20 equal payments of \$14,848.00.

The \$330,000 note dated January 17, 2003 has a 0% interest rate. Beginning December 31, 2035, 31 years after the completion date, 20 equal payments of \$16,500 will be due annually at 0% interest.

## **V. Other information**

### **A. Risk Management**

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance purchased from two of three pools sponsored by the South Carolina Municipal Association. Workers' compensation is carried by the South Carolina Municipal Insurance Trust Fund and has a \$25,000 deductible. Employee health care is carried by the South Carolina 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, 2015, the City had no material related party transactions.

### **C. Subsequent events**

Management has evaluated subsequent events through the report issuance date.

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

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

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

The City had several commitments for construction contracts in progress totaling \$1,289,054 at June 30, 2015. Year-end retainages being withheld totaled \$84,760. The contracts were in varying stages of completion at year end.

On October 27, 2009, the City issued \$1,100,000 Tax Increment District Bonds to construct a multipurpose center. The bonds were refinanced on February 26, 2013. The proceeds of the issue were not disbursed at year end in accordance with the debt instrument.

## **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 of service with the City
3. 10 years of service with the City and retires under disability
4. An elected official with 20 years of service with the City

The City provides two options to its retirees.

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

Option 2: Retirees can elect to stay on the City's group insurance plan until age 65 or until Medicare eligible, whichever is first. This option allows retirees to cover spouses. Coverage for spouses ends when they reach age 65, become Medicare eligible, or retiree coverage ends. Retirees may receive a monthly \$125 supplement but must first pay the remaining portion of the premium cost of coverage for both themselves and their spouses.

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

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

The plan does not include a withdrawal benefit.

Service is determined from date of hire.

The City's regular health insurance providers underwrite the retiree's policies.

## 2. Funding policy

As of June 30, 2015, there were 135 employees in active service of which 19 members were retirees receiving benefits and 116 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, 2015, City recognized pay-as-you-go expenses of approximately \$30,680 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 4.5%.

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

The annual OPEB costs for fiscal years 2015, 2014 and 2013 were \$135,100, \$135,100 and \$68,200 respectively. For the year ended June 30, 2015, the annual OPEB cost (expense) of \$135,100 is equal to the ARC. The ARC for the year ended June 30, 2015 is computed as follows:

### Annual OPEB cost -

Normal costs for current year	\$ 76,900
Amortization of the unamortized accrued liability	<u>58,200</u>
Total annual required contribution (ARC)	135,100
Net OPEB obligation – beginning of year	<u>503,856</u>
Net OPEB obligation – end of year	<u>\$ 638,956</u>

### Funding status –

Actuarial Valuation date	7/01/2013
Actuarial value of assets	\$ 0
Actuarial accrued liability (AAL)	<u>1,567,600</u>
Unfunded AAL (UAAL)	<u>\$ 1,567,600</u>
Funded ratio	0.0%
Covered payroll	\$5,249,100
UAAL as a percentage of covered payroll	30%

For the year ended June 30, 2015, 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, 2015 was \$638,956. 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, 2015 was 22 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, 2013 valuation. The actuarial assumption includes a 4.0% investment rate of return. For all retirees the initial healthcare cost trend was 7.1%. The trend rate will be graded to 4.6% over 70 years. Payroll growth is estimated to be 3.5% per year. The asset valuation method used is market value.

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

Employees of the City of Union, SC are members of either the South Carolina Retirement System or the Police Officers Retirement System. At June 30, 2015 the City reported a liability of \$7,385,441 for its proportionate share of the collective net pension liability of the South Carolina Retirement System and \$2,822,594 for its proportionate share of the collective net pension liability of the South Carolina Police Officers Retirement System. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating South Carolina employers. At June 30, 2014 the System's proportion was 0.042897% for the South Carolina Retirement System and 0.14744 for the South Carolina Police Officers Retirement System. Employer contributions from the City of Union used to calculate the proportionate share of liability for the year ended June 30, 2014 were \$412,817 for the South Carolina Retirement System and \$227,692 for the South Carolina Police Officers Retirement System.

For the year ended June 30, 2015, the City's annual pension cost was \$738,570.

### **General Information About The Pension Plan:**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

### **Plan Description**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

### **Membership**

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

### **Benefits**

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

### **Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall

increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates for fiscal year 2014-2015 are as follows:

**SCRS**

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

**PORS**

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required employer contributions for fiscal year 2014-2015 are as follows:

**SCRS**

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**PORS**

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

<sup>1</sup> Of this employer contribution of 10.75% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

**Net Pension Liability**

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by our consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2014, NPL amounts for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.9%
PORS	5,899,529,434	3,985,101,996	1,914,427,438	67.5%

#### Change in the Net Pension Liability

	SCRS	PORS
<b>Total pension liability</b>		
Service Cost	\$ 739,021,148	\$ 149,605,726
Interest	3,021,003,664	417,950,110
Benefit Changes	0	0
Difference between actual and expected experience	638,744,910	64,336,408
Assumption Changes	0	0
Benefit Payments	(2,571,048,582)	(331,783,332)
<b>Net Change in Total Pension Liability</b>	<b>1,827,721,140</b>	<b>300,108,912</b>
<b>Total Pension Liability – Beginning 06/30/2013</b>	<b>41,127,484,656</b>	<b>5,599,420,522</b>
<b>Total Pension Liability - Ending 06/30/2014 (a)</b>	<b>\$ 42,955,205,796</b>	<b>\$ 5,899,529,434</b>

#### Plan Fiduciary Net Position

Contributions - Employer	\$ 962,798,170	\$ 155,608,079
Contributions - Member	652,630,491	96,004,134
Refunds of contributions to members	(90,250,597)	(16,183,410)
Retirement benefits	(2,461,557,940)	(311,593,217)
Death benefits	(19,240,045)	(4,006,705)
Net Investment Income	3,517,324,405	538,385,289
Administrative Expense	(11,765,475)	(1,820,433)
Net transfers to affiliated systems	(2,469,905)	2,260,246
Other	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,547,469,104</b>	<b>458,653,983</b>
<b>Plan Fiduciary Net Position – Beginning 06/30/2013</b>	<b>23,191,051,922</b>	<b>3,526,448,013</b>
<b>Plan Fiduciary Net Position – Ending 06/30/2014 (b)</b>	<b>\$ 25,738,521,026</b>	<b>\$ 3,985,101,996</b>
<b>Net Pension Liability 06/30/2014 (a) - (b)</b>	<b>\$ 17,216,684,770</b>	<b>\$ 1,914,427,438</b>

#### Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age

Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Allocation	Rate of Return	Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11

Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
<b>SCRS</b>	\$ 22,279,455,340	\$ 17,216,684,770	\$ 12,992,881,787
<b>PORS</b>	2,675,362,636	1,914,427,438	1,284,816,794

### **Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

The total payroll for active employees covered by the SCRS for the year ended June 30, 2015 was \$3,661,179. The total payroll for employees covered by the PORS for the year ended June 30, 2015 was \$1,575,719. The payroll for retired members for the year ended June 30, 2015 was \$345,451 for SCRS and \$151,374 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, 2015 and the years ended June 30, 2014 and 2013, the City contributed 100% of the required contributions. Contributions by the City for employees covered by the SCRS and PORS were based on 10.75% and 13.01% of the employees' earnings and amounted to \$436,723 for the year ended June 30, 2015 (SCRS) and \$231,603 (PORS),

\$408,151 (SCRS) and \$219,199 (PORS) for the year ended June 30, 2014 and \$412,127 (SCRS) and \$205,260 (PORS) for the year ended June 30, 2013. Employee contributions for the SCRS and PORS were based on 8.0% and 8.41% of the employees' earnings and amounted to \$320,530 for the year ended June 30, 2015 (SCRS) and \$145,248 (PORS), \$292,931 (SCRS) and \$138,145 (PORS) for the year ended June 30, 2014 and \$275,308 (SCRS) and \$120,431 (PORS) for the year ended June 30, 2013.

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

#### **H. Prior period restatement**

Implementation of GASB 68 requires beginning net position on the City's entity-wide financial statements to be restated to adjust for the City's proportionate share of the net pension liability of the South Carolina Public Employee Benefit Authority including its share of deferred inflows and outflows of resources.

The net position for the year ended June 30, 2014 has been restated from \$3,383,883 to \$(581,120), a decrease of \$3,965,003, to reflect the City's June 30, 2014 proportionate share of the net pension liability for the General Fund.

The net position for the year ended June 30, 2014 has been restated from \$25,836 to \$(339,985), a decrease of \$365,821, to reflect the City's June 30, 2014 proportionate share of the net pension liability for the Solid Waste Management Fund.

The net position for the year ended June 30, 2014 has been restated from \$12,873,639 to \$7,096,357, a decrease of \$5,777,282, to reflect the City's June 30, 2014 proportionate share of the net pension liability for the Utility Fund.

# **REQUIRED SUPPLEMENTAL INFORMATION**

City of Union, SC  
Schedule of the City's Proportionate Share of the Net Pension Liability  
As of June 30, 2015  
For the Last 10 Years\*

	<u>SCRS</u>	<u>PORS</u>
Proportion of the net pension liability	.042897%	.14744%
Proportionate share of the net pension liability	\$7,385,441	\$2,822,594
Covered-employee payroll	\$4,006,631	\$1,727,093
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	184.3305%	163.4303%
Plan's fiduciary net position	\$25,738,521,026	\$3,985,101,996
Plan's total pension liability	\$42,955,205,796	\$5,899,529,434
Plan fiduciary net position as a percentage of the total pension liability	59.9%	67.5%

Notes to the schedule:

Benefit changes – none

Changes in assumptions - none

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.

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

City of Union, SC  
Schedule of the City's Contributions to the Pension Plan  
As of June 30, 2015  
For the Last 10 Years\*

	<u>SCRS</u>	<u>PORS</u>
Contractually required contribution (actuarially determined)	\$436,723	\$231,603
Contributions in relation to the actuarially determined contributions	<u>517,635</u>	<u>246,942</u>
Contributions deficiency (excess)	<u>\$ 80,912</u>	<u>\$ 15,339</u>
Covered-employee payroll	\$4,006,631	\$1,727,093
Contractually required contributions as a percentage of covered-employee payroll	10.90%	13.41%
Notes to schedule:		
Valuation date:	June 30, 2013	June 30, 2013

Methods and assumptions used to determine contribution rates:

SCRS

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	4.233 years
Asset valuation method	30 year capital market outlook
Inflation	2.75%
Salary increases	Levels off at 3.5%
Benefit adjustments	Lesser of 1% or \$500
Investment rate of return	7.5%
Retirement age	55 years old with 25 years of service
Mortality	RP-2000 Healthy Annuity Mortality Table

PORS

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	4.233 years
Asset valuation method	30 year capital market outlook
Inflation	2.75%
Salary increases	Levels off at 4.0%
Benefit adjustments	Lesser of 1% or \$500
Investment rate of return	7.5%
Retirement age	55 years old with 27 years of service
Mortality	RP-2000 Healthy Annuity Mortality Table

\*Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.

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

City of Union, South Carolina  
 SCHEDULE OTHER POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS AND  
 FUNDING STATUS  
 For the Fiscal Year Ended June 30, 2015

The following is a schedule of annual OPEB costs, employer contributions, and funding status for Other Postemployment Benefits:

	Annual OPEB Cost	Costs Contributed	Funded Percentage
June 30, 2015	\$ 135,100	\$ 0	0 %
June 30, 2014	\$ 135,100	\$ 0	0 %
June 30, 2013	\$ 68,200	\$ 0	0 %
June 30, 2012	\$ 68,200	\$ 0	0 %
June 30, 2011	\$ 68,200	\$ 0	0 %
June 30, 2010	\$ 82,078	\$ 0	0 %
June 30, 2009	\$ 82,078	\$ 0	0 %

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

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

**City of Union, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<b>Special Revenue</b>				
	<b>Local Hospitality &amp; Accomodations</b>	<b>Tax Increment District</b>	<b>Drug Account</b>	<b>Community Change</b>	<b>Sidewalk Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 268,203	\$ 13,172	\$ 6,034	\$ 30,862	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	-	38,571	-	1,835	15,291
Total assets	<u>\$ 268,203</u>	<u>\$ 51,743</u>	<u>\$ 6,034</u>	<u>\$ 32,697</u>	<u>\$ 15,291</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,665	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>1,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	266,538	-	6,034	-	-
Committed	-	51,743	-	32,697	-
Unassigned	-	-	-	-	15,291
Total fund balances	<u>266,538</u>	<u>51,743</u>	<u>6,034</u>	<u>32,697</u>	<u>15,291</u>
Total liabilities and fund balances	<u>\$ 268,203</u>	<u>\$ 51,743</u>	<u>\$ 6,034</u>	<u>\$ 32,697</u>	<u>\$ 15,291</u>

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

<u>Union Events Center</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 848,317	\$ 7,500	\$ 1,174,088
715,358	-	715,358
-	-	-
(9,200)	-	46,497
<u>\$ 1,554,475</u>	<u>\$ 7,500</u>	<u>\$ 1,935,943</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,665</u>
<u>-</u>	<u>-</u>	<u>1,665</u>
-	7,500	280,072
1,554,475	-	1,638,915
-	-	15,291
<u>1,554,475</u>	<u>7,500</u>	<u>1,934,278</u>
<u>\$ 1,554,475</u>	<u>\$ 7,500</u>	<u>\$ 1,935,943</u>

**City of Union, South Carolina**  
**Combining Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>Special Revenue</u>				
	<u>Local Hospitality &amp; Accomodations</u>	<u>Tax Increment District</u>	<u>Drug Account</u>	<u>Community Change</u>	<u>Sidewalk Fund</u>
<b>REVENUES</b>					
Property Taxes and Penalties	\$ -	\$ 113,462	\$ -	\$ -	\$ -
Local Hospitality & Accomodations Tax	225,710	-	-	-	-
Licenses, Permits and Fees	-	-	-	-	-
Intergovernmental Revenues/Grants/Contribu	-	-	-	-	-
Investment Earnings	95	19	3	16	-
Miscellaneous Revenues	-	-	(4)	20,376	-
Total Revenues	<u>225,805</u>	<u>113,481</u>	<u>(1)</u>	<u>20,392</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General Government	182,857	-	-	18,755	-
Public Safety	-	-	-	-	-
Capital Outlay:					
Debt Service:					
General Government	-	89,331	-	-	-
Total Expenditures	<u>182,857</u>	<u>89,331</u>	<u>-</u>	<u>18,755</u>	<u>-</u>
Excess (deficiency)of revenues over (under) expenditures	<u>42,948</u>	<u>24,150</u>	<u>(1)</u>	<u>1,637</u>	<u>-</u>
<b>OTHER FINANCING SOURCES &amp; USES</b>					
Transfers - net:					
Loan Proceeds	-	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	42,948	24,150	(1)	1,637	-
Fund Balances - beginning	<u>223,590</u>	<u>27,593</u>	<u>6,035</u>	<u>31,059</u>	<u>15,291</u>
Fund Balances - ending	<u><u>\$ 266,538</u></u>	<u><u>\$ 51,743</u></u>	<u><u>\$ 6,034</u></u>	<u><u>\$ 32,696</u></u>	<u><u>\$ 15,291</u></u>

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

<u>Union Events Center</u>	<u>Firemen's Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 113,462
-	-	225,710
-	-	-
-	13,212	13,212
2,886	-	3,019
-	-	20,372
<u>2,886</u>	<u>13,212</u>	<u>375,775</u>
264,953	-	466,565
-	11,136	11,136
-	-	89,331
<u>264,953</u>	<u>11,136</u>	<u>567,032</u>
<u>(262,067)</u>	<u>2,076</u>	<u>(191,257)</u>
-	-	-
-	-	-
(262,067)	2,076	(191,257)
<u>1,816,541</u>	<u>5,424</u>	<u>2,125,533</u>
<u>\$ 1,554,474</u>	<u>\$ 7,500</u>	<u>\$ 1,934,276</u>

**City of Union, South Carolina**  
**Combining Schedule of Revenues and Expenses by Division**  
**Utility Enterprise Fund**  
**For the Year Ended June 30, 2015**

	<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	\$ 16,796,546	\$ 3,447,382	\$ -	\$ 11,159,982	\$ 31,403,910
Sewer charges	-	-	2,501,509	-	2,501,509
Other revenues	(9,708)	(1,298)	(13,788)	32,459	7,665
Total operating revenues	<u>16,786,838</u>	<u>3,446,084</u>	<u>2,487,721</u>	<u>11,192,441</u>	<u>33,913,084</u>
<b>Operating expenses:</b>					
Purchased power and natural gas	13,410,507	-	-	7,090,913	20,501,420
System operations	1,487,182	2,548,972	1,795,405	1,349,706	7,181,265
Payment in lieu of franchise fee	806,724	169,416	109,224	630,000	1,715,364
Depreciation	490,546	648,287	725,649	495,469	2,359,951
Total operating expenses	<u>16,194,959</u>	<u>3,366,675</u>	<u>2,630,278</u>	<u>9,566,088</u>	<u>31,758,000</u>
Operating income (loss)	<u>591,879</u>	<u>79,409</u>	<u>(142,557)</u>	<u>1,626,353</u>	<u>2,155,084</u>
<b>Nonoperating revenues (expenses):</b>					
Investment earnings	31,539	6,451	5,018	28,671	71,679
Other	226,895	94,538	42,294	20,537	384,264
Interest expense	(36,907)	(98,628)	(214,143)	(74,991)	(424,669)
Total nonoperating revenue (expenses)	<u>221,527</u>	<u>2,361</u>	<u>(166,831)</u>	<u>(25,783)</u>	<u>31,274</u>
Net income (loss) before contributions and transfers	<u>\$ 813,406</u>	<u>\$ 81,770</u>	<u>\$ (309,388)</u>	<u>\$ 1,600,570</u>	<u>\$ 2,186,358</u>

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

**City of Union, South Carolina**  
**Schedule of Revenues, Expenses - Budget and Actual**  
**Electric Division**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 8,842,170	\$ 8,525,761	\$ 316,409
Sales - Commercial	7,273,010	6,955,461	317,549
Sales - Industrial	1,052,450	946,178	106,272
Sales - Other	959,840	369,146	590,694
Other revenues	(37,000)	(9,708)	(27,292)
Total operating revenues	<u>18,090,470</u>	<u>16,786,838</u>	<u>1,303,632</u>
Operating expenses:			
Purchased power and natural gas	14,579,040	13,410,507	1,168,533
System operations	1,662,330	1,487,182	175,148
Payment in lieu of franchise fee	786,200	806,724	(20,524)
Depreciation and amortization	-	490,546	(490,546)
Total operating expenses	<u>17,027,570</u>	<u>16,194,959</u>	<u>832,611</u>
Operating income (loss)	<u>1,062,900</u>	<u>591,879</u>	<u>471,021</u>
Nonoperating revenues (expenses):			
Investment earnings	6,450	31,539	(25,089)
Other	155,000	226,895	(71,895)
Interest expense	(124,330)	(36,907)	(87,423)
Total nonoperating revenue (expenses)	<u>37,120</u>	<u>221,527</u>	<u>(184,407)</u>
Income (loss) before contributions and transfers	<u>\$ 1,100,020</u>	<u>\$ 813,406</u>	<u>\$ 286,614</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 1,524,910	\$ 1,508,814	\$ 16,096
Sales - Commercial	437,080	461,104	(24,024)
Sales - Industrial	429,590	401,065	28,525
Sales - Water Districts	1,025,950	1,068,194	(42,244)
Sales - Other	20,180	8,206	11,974
Other revenues	5,500	(1,298)	6,798
Total operating revenues	<u>3,443,210</u>	<u>3,446,085</u>	<u>(2,875)</u>
Operating expenses:			
System operations	2,789,210	2,548,972	240,238
Payment in lieu of franchise fee	154,200	169,416	(15,216)
Depreciation and amortization	-	648,287	(648,287)
Total operating expenses	<u>2,943,410</u>	<u>3,366,675</u>	<u>(423,265)</u>
Operating income (loss)	<u>499,800</u>	<u>79,410</u>	<u>420,390</u>
Nonoperating revenues (expenses):			
Investment earnings	1,200	6,451	(5,251)
Other	23,720	94,538	(70,818)
Interest expense	(462,120)	(98,628)	(363,492)
Total nonoperating revenue (expenses)	<u>(437,200)</u>	<u>2,361</u>	<u>(439,561)</u>
Income (loss) before contributions and transfers	<u>\$ 62,600</u>	<u>\$ 81,771</u>	<u>\$ (19,171)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sewer charges - Residential	\$ 1,579,180	\$ 1,563,547	\$ 15,633
Sewer charges - Commercial	467,470	481,438	(13,968)
Sewer charges - Industrial	355,300	456,524	(101,224)
Other revenues	(5,500)	(13,788)	8,288
Total operating revenues	<u>2,396,450</u>	<u>2,487,721</u>	<u>(91,271)</u>
Operating expenses:			
System operations	1,918,150	1,795,405	122,745
Payment in lieu of franchise fee	97,460	109,224	(11,764)
Depreciation and amortization	-	725,649	(725,649)
Total operating expenses	<u>2,015,610</u>	<u>2,630,278</u>	<u>(614,668)</u>
Operating income (loss)	<u>380,840</u>	<u>(142,557)</u>	<u>523,397</u>
Nonoperating revenues (expenses):			
Investment earnings	900	5,018	(4,118)
Other	10,000	42,294	(32,294)
Interest expense	(820,760)	(214,143)	(606,617)
Total nonoperating revenue (expenses)	<u>(809,860)</u>	<u>(166,831)</u>	<u>(643,029)</u>
Income (loss) before contributions and transfers	<u>\$ (429,020)</u>	<u>\$ (309,388)</u>	<u>\$ (119,632)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sales - Residential	\$ 4,075,660	\$ 3,899,099	\$ 176,561
Sales - Commercial	2,350,860	2,399,461	(48,601)
Sales - Interruptible	6,064,870	4,859,873	1,204,997
Sales - Other	-	1,550	(1,550)
Other revenues	(3,000)	32,459	(35,459)
Total operating revenues	<u>12,488,390</u>	<u>11,192,442</u>	<u>1,295,948</u>
Operating expenses:			
Purchased power and natural gas	9,068,280	7,090,913	1,977,367
System operations	1,467,060	1,349,706	117,354
Payment in lieu of franchise fee	518,000	630,000	(112,000)
Depreciation and amortization	-	495,469	(495,469)
Total operating expenses	<u>11,053,340</u>	<u>9,566,088</u>	<u>1,487,252</u>
Operating income (loss)	<u>1,435,050</u>	<u>1,626,354</u>	<u>(191,304)</u>
Nonoperating revenues (expenses):			
Investment earnings	6,450	28,671	(22,221)
Other	2,000	20,537	(18,537)
Interest expense	(271,980)	(74,991)	(196,989)
Total nonoperating revenue (expenses)	<u>(263,530)</u>	<u>(25,783)</u>	<u>(237,747)</u>
Income (loss) before contributions and transfers	<u>\$ 1,171,520</u>	<u>\$ 1,600,571</u>	<u>\$ (429,051)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Collection fees	\$ 773,760	\$ 762,607	\$ 11,153
Other revenues - net of bad debts	(2,800)	(5,195)	2,395
Total operating revenues	<u>770,960</u>	<u>757,412</u>	<u>13,548</u>
Operating expenses:			
System operations	704,700	693,621	11,079
Payment in lieu of franchise fee	33,000	35,880	(2,880)
Depreciation and amortization	-	120,982	(120,982)
Total operating expenses	<u>737,700</u>	<u>850,483</u>	<u>(112,783)</u>
Operating income (loss)	<u>33,260</u>	<u>(93,071)</u>	<u>126,331</u>
Nonoperating revenues (expenses):			
Investment earnings	300	62	238
Other	-	494	(494)
Interest expense	(25,500)	(1,455)	(24,045)
Total nonoperating revenue (expenses)	<u>(25,200)</u>	<u>(899)</u>	<u>(24,301)</u>
Income (loss) before contributions and transfers	<u>\$ 8,060</u>	<u>\$ (93,970)</u>	<u>\$ 102,030</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, 2015

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

Fines Collected & Retained	\$ 51,727
Assessments/Surcharges/Pullouts Collected	103,059
Assessments Retained For Victims' Rights Assistance	6,697
Surcharges Retained For Victims' Rights Assistance	8,598
Assessments/Surcharges/Pullouts Remitted	87,764
6-30-2014 Fund Balance - Restricted For Victims' Rights Assistance	\$ -0-
FY 2015 Victims' Assistance Assessments & Surcharges Collected	15,295
FY 2015 Expenditures For Victims' Rights Assistance	<u>(15,295)</u>
6-30-2015 Fund Balance - Restricted For Victims' Rights Assistance	<u>\$ -0-</u>

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

# COMPLIANCE SECTION

City of Union, South Carolina  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through SC Dept. of Commerce – Grants Administration:			
Community Development Block Grant State's Program Cluster (CDBG):			
May Street Sewer Rehab Project	14.228	4-CI-14-019	\$ 3,514
McBeth Street Sewer Upgrade Project	14.228	4-CI-13-021	447,228
City of Union as Sub-recipient from Union County:			
Union County Buffalo Mill Phase III	14.228	4-CI-12-025	363,544
Union County Ottaray Mill Village Renaissance Phase II	14.228	4-V-12-010	<u>123,616</u>
Total Community Development Block Grant Cluster			<u>937,902</u>
Total Department of Housing and Urban Development			<u>937,902</u>
Total Federal Assistance			<u>\$ 937,902</u>

Notes:

1. Basis of Presentation - This Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grant activity of the City of Union under programs of the federal government for the year ended June 30, 2015. The Schedule includes federal awards received directly, those passed through from the State of South Carolina, and those passed through other agencies, and funds received as subrecipient from other agencies. The Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Union.
2. Summary of Significant Accounting Policies - This Schedule of Expenditures of Federal Awards has been prepared in accordance with the same significant accounting policies used to prepare the basic financial statements as reported in Note 1 of the financial statements. Expenditures reported on the Schedule are reported on the accrual basis of accounting in the proprietary funds. Such expenditures are recognized following the cost principals contained in OMB Circular A-37, Cost Principles for State, Local, and Indian Tribal Governments. Pass-through identifying numbers are presented where available.
3. Matching Costs – Matching costs, i.e., the non-federal share of certain program costs, are not included in the Schedule.
4. Subrecipients - The City of Union did not pass-through federal awards to any other agencies.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, SC, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Union, SC's basic financial statements and have issued my report thereon dated November 30, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Union, SC's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Terry R. Fant, CPA, PA

November 30, 2015

**TERRY R. FANT. PA**  
**CERTIFIED PUBLIC ACCOUNTANT**  
309 WEST MAIN STREET  
UNION, SOUTH CAROLINA 29379

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council  
City of Union, SC

**Report on Compliance for Each Major Federal Program**

I have audited the City of Union, SC's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City of Union, SC's major federal programs for the year ended June 30, 2015. The City of Union, SC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the City of Union, SC's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Union, SC's compliance.

**Opinion on Each Major Federal Program**

In my opinion, the City of Union, SC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

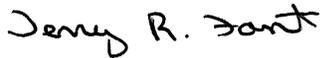
Management of the City of Union, SC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Union, SC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However material weaknesses may exist that I have not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Terry R. Fant, CPA, PA

November 30, 2015

CITY OF UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements Section:**

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, 2015.
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 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 section:**

4. The auditor's report on compliance for the major federal award programs for the City of Union, SC, expresses an unmodified 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 4 type A programs included in 1 cluster identified as major programs.

The programs tested as major programs were:

Community Development Block Grant Cluster CFDA #14.228 U.S. Department of Housing and Urban Development Community Bock Grant State's Program - passed through SC Dept. of Commerce Grants Administration:

May Street Sewer Rehab Project 4-CI-14-019

McBeth Street Sewer Upgrade Project 4-CI-13-021

Union Co. Buffalo Mill Phase III 4-CI-12-025 (City of Union as subrecipient)

Union Co. Ottaray Mill Village Ren. Phase II 4-V-12-010 (City of Union as subrecipient)

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.

**Findings:**

**Federal Awards Findings and Questioned Costs:** None disclosed.

**Financial Statement Findings:** None disclosed.

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, 2015

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. There were no audit findings reported in the prior year.

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

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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**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 2,408,254	\$ 2,829,986	\$ 2,745,334	\$ 1,298,016	\$ 789,457	\$ 920,387	\$ 1,370,217	\$ 1,663,947	\$ 1,978,429	\$ 2,150,103
Restricted	381,756	538,138	485,223	3,038,050	4,909,251	6,205,317	6,213,136	6,194,904	6,351,875	5,659,791
Unrestricted	7,411,696	7,645,782	8,130,493	6,443,452	5,179,917	4,083,016	4,124,280	3,665,492	3,383,883	81,520
<b>Total governmental activities net assets</b>	<u>\$ 10,201,706</u>	<u>\$ 11,013,906</u>	<u>\$ 11,361,050</u>	<u>\$ 10,779,518</u>	<u>\$ 10,878,625</u>	<u>\$ 11,208,720</u>	<u>\$ 11,707,633</u>	<u>\$ 11,524,343</u>	<u>\$ 11,714,187</u>	<u>\$ 7,891,414</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 42,129,651	\$ 44,506,072	\$ 45,806,442	\$ 48,338,314	\$ 48,741,936	\$ 48,015,063	\$ 49,241,814	\$ 50,902,239	\$ 51,343,154	\$ 52,176,918
Restricted	911,242	908,217	928,374	1,184,860	1,381,878	1,743,995	2,073,810	1,177,673	1,139,536	1,105,619
Unrestricted	14,250,847	13,061,807	12,265,853	8,812,412	10,276,095	11,079,329	9,874,609	10,826,101	12,899,474	8,952,670
<b>Total business-type activities net assets</b>	<u>\$ 57,291,740</u>	<u>\$ 58,476,096</u>	<u>\$ 59,000,669</u>	<u>\$ 58,335,586</u>	<u>\$ 60,399,909</u>	<u>\$ 60,838,387</u>	<u>\$ 61,190,233</u>	<u>\$ 62,906,013</u>	<u>\$ 65,382,164</u>	<u>\$ 62,235,207</u>
<b>Primary Government</b>										
Invested in capital assets, net of related debt	\$ 44,537,905	\$ 47,336,058	\$ 48,551,776	\$ 49,636,330	\$ 49,531,393	\$ 48,935,450	\$ 50,612,031	\$ 52,566,186	\$ 53,321,583	\$ 54,327,021
Restricted	1,292,998	1,446,355	1,413,597	4,222,910	6,291,129	7,949,312	8,286,946	7,372,577	7,491,411	6,765,410
Unrestricted	21,662,543	20,707,589	20,396,346	15,255,864	15,456,012	15,162,345	13,998,889	14,491,593	16,283,357	9,034,190
<b>Total primary government net assets</b>	<u>\$ 67,493,446</u>	<u>\$ 69,490,002</u>	<u>\$ 70,361,719</u>	<u>\$ 69,115,104</u>	<u>\$ 71,278,534</u>	<u>\$ 72,047,107</u>	<u>\$ 72,897,866</u>	<u>\$ 74,430,356</u>	<u>\$ 77,096,351</u>	<u>\$ 70,126,621</u>

City of Union  
Changes in Net Position  
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$2,234,430	\$1,837,449	\$2,293,952	\$3,036,482	\$1,401,406	\$1,439,935	\$1,331,121	\$1,534,521	\$1,575,240	\$1,626,995
Tax and License	111,071	93,425	65,702	0	0	0	0	0	0	0
Facilities maintenance	145,602	110,486	96,411	72,315	62,449	63,507	102,716	105,274	68,674	99,342
Public safety	3,358,993	2,782,769	2,974,860	3,108,049	3,214,795	2,943,617	3,046,719	3,180,666	3,313,262	3,437,654
Public service	418,417	531,704	516,849	528,259	576,833	776,336	619,057	792,853	617,074	628,227
Planning	207,354	242,637	318,446	271,890	213,418	213,855	193,835	219,593	226,822	243,146
Interest on long-term debt	16,880	16,748	12,393	7,738	0	0	0	0	0	0
Total governmental activities expenses	<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>5,293,448</u>	<u>5,832,907</u>	<u>5,801,072</u>	<u>6,035,364</u>
<b>Business-type activities</b>										
Solid waste management	816,467	853,546	810,565	828,676	820,127	828,261	784,316	785,828	807,779	851,938
Combined utilities	37,949,502	34,687,650	36,633,954	35,799,271	31,720,190	30,977,702	29,212,313	30,459,901	32,137,601	32,182,671
Total business type activities expenses	<u>38,765,969</u>	<u>35,541,196</u>	<u>37,444,519</u>	<u>36,627,947</u>	<u>32,540,317</u>	<u>31,805,963</u>	<u>29,996,629</u>	<u>31,245,729</u>	<u>32,945,380</u>	<u>33,034,609</u>
Total primary government expenses	<u>\$45,258,716</u>	<u>\$41,156,414</u>	<u>\$43,723,132</u>	<u>\$43,652,680</u>	<u>\$38,009,218</u>	<u>\$37,243,213</u>	<u>\$35,290,077</u>	<u>\$37,078,636</u>	<u>\$38,746,452</u>	<u>\$39,069,973</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Public safety	\$215,442	\$257,787	\$294,379	\$338,317	\$256,395	\$180,892	\$146,277	\$158,814	\$170,609	\$134,867
Planning	25,880	38,849	57,575	22,883	22,335	28,985	23,873	28,628	23,009	40,230
Operating grants and contributions	837,395	13,137	12,513	12,022	13,613	14,494	15,338	13,236	12,776	13,212
Capital grants and contributions	60,019	843,440	846,349	599,900	231,148	339,162	423,096	306,974	33,978	11,100
Total governmental activities program revenues	<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>	<u>507,652</u>	<u>240,372</u>	<u>199,409</u>
<b>Business-type activities:</b>										
Charges for services-solid waste mgt.	736,429	735,145	731,995	588,504	537,689	625,842	667,347	665,868	713,968	757,907
Charges for services-combined utilities	38,969,242	35,186,539	35,989,143	33,669,101	33,416,702	31,356,231	29,266,524	31,478,577	34,202,961	34,297,349
Capital grants and contributions	43,668	36,140	594,470	1,296,379	279,619	417,256	403,769	707,544	491,013	903,758
Total business-type activities program revenues	<u>39,749,339</u>	<u>35,957,824</u>	<u>37,315,608</u>	<u>35,553,984</u>	<u>34,234,010</u>	<u>32,399,329</u>	<u>30,337,640</u>	<u>32,851,989</u>	<u>35,407,942</u>	<u>35,959,014</u>
Total primary government program revenues	<u>\$40,888,075</u>	<u>\$37,111,037</u>	<u>\$38,526,424</u>	<u>\$36,527,106</u>	<u>\$34,757,501</u>	<u>\$32,962,862</u>	<u>\$30,946,224</u>	<u>\$33,359,641</u>	<u>\$35,648,314</u>	<u>\$36,158,423</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net (expense)/revenue										
Governmental activities	-\$5,354,011	-\$4,462,005	-\$5,067,797	-\$6,051,610	-\$4,945,410	-\$4,873,717	-\$4,684,863	-\$5,325,255	-\$5,560,700	-\$5,835,955
Business-type activities	983,368	416,629	-128,912	-1,073,964	1,693,692	593,366	341,011	1,606,260	2,462,562	2,924,406
Total primary government net expense	<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>	<u>-\$3,718,995</u>	<u>-\$3,098,138</u>	<u>-\$2,911,549</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Property taxes	\$1,060,247	\$1,115,319	\$1,178,150	\$1,202,275	\$1,061,709	\$1,084,836	\$1,253,120	\$1,233,963	\$1,418,245	\$1,405,180
Fee in lieu of property taxes	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057
Local hospitality and accommodations tax						135,174	171,836	206,506	210,873	225,710
Other taxes	467,093	498,323	520,653	504,495	448,936	399,302	388,263	420,954	449,845	467,982
Occupational Licenses and Franchise Fees	1,039,364	1,158,550	1,307,014	1,170,093	1,077,523	1,207,433	1,040,792	1,128,029	1,260,327	1,274,682
Miscellaneous	98,642	99,670	115,083	211,632	216,789	274,606	139,183	202,466	337,630	339,777
Unrestricted investment earnings	161,537	150,580	145,215	134,640	68,905	38,618	18,800	16,226	12,786	14,066
Intergovernmental revenue	553,190	543,373	510,468	534,474	568,338	501,089	448,200	464,697	493,616	478,731
Contributed Capital	55,000									
Transfers	-130,000	-260,000	-130,000	-130,000	-130,000	-130,000	106,786	-48,370	-49,110	0
Total governmental activities	<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>	<u>5,141,965</u>	<u>5,750,543</u>	<u>5,978,185</u>
Business-type activities-Utility system										
Interest revenue	595,090	637,728	523,485	278,881	240,631	136,709	117,622	61,150	56,873	71,741
Loss on sale of capital assets						-421,598				0
Transfers	130,000	130,000	130,000	130,000	130,000	130,000	-106,786	48,370	49,110	0
Total business-type activities	<u>725,090</u>	<u>767,728</u>	<u>653,485</u>	<u>408,881</u>	<u>370,631</u>	<u>-154,889</u>	<u>10,836</u>	<u>109,520</u>	<u>105,983</u>	<u>71,741</u>
Total primary government	<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>5,194,612</u>	<u>5,251,485</u>	<u>5,856,526</u>	<u>6,049,926</u>
<b>Changes in Net Position</b>										
Government activities	-356,220	812,200	347,144	-581,533	99,107	330,096	498,913	-183,290	189,843	142,230
Business-type activities	<u>1,708,458</u>	<u>1,184,357</u>	<u>524,573</u>	<u>-665,083</u>	<u>2,064,323</u>	<u>438,477</u>	<u>351,847</u>	<u>1,715,780</u>	<u>2,568,545</u>	<u>2,996,147</u>
Total primary government	<u>\$1,352,238</u>	<u>\$1,996,557</u>	<u>\$871,717</u>	<u>-\$1,246,616</u>	<u>\$2,163,430</u>	<u>\$768,573</u>	<u>\$850,760</u>	<u>\$1,532,490</u>	<u>\$2,758,388</u>	<u>\$3,138,377</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>
2006	968,123	92,592	1,060,715
2007	982,945	102,739	1,085,684
2008	983,468	103,161	1,086,629
2009	998,421	95,470	1,093,891
2010	972,541	117,729	1,090,270
2011	980,570	103,093	1,083,663
2012	1,144,990	103,344	1,248,334
2013	1,119,507	104,056	1,223,563
2014	1,311,822	111,482	1,423,304
2015	1,276,643	113,462	1,390,105

Totals do not include penalties paid on delinquents property taxes

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund										
Unrestricted	<u>\$3,198,716</u>	<u>\$3,690,140</u>	<u>\$3,326,176</u>	<u>\$3,418,580</u>	<u>\$3,359,751</u>	<u>\$3,593,108</u>	<u>\$3,347,028</u>	<u>\$3,011,089</u>	<u>\$2,980,868</u>	<u>\$3,137,002</u>
Total general fund	<u>3,198,716</u>	<u>3,690,140</u>	<u>3,326,176</u>	<u>3,418,580</u>	<u>3,359,751</u>	<u>3,593,108</u>	<u>3,347,028</u>	<u>3,011,089</u>	<u>2,980,868</u>	<u>3,137,002</u>
All other governmental funds										
Restricted:										
Local Hospitality and Accomodations	0	0	0	0	0	101,638	175,990	262,851	223,590	266,538
Insurance proceeds	1,156,221	868,871	893,738	929,160	943,533	0	0	0	0	0
Tax increment district	63,290	65,035	119,219	114,668	883,472	630	3,412	5,427	27,592	51,743
Drug account	6,545	4,585	4,613	4,614	4,623	6,023	6,032	6,034	6,035	6,035
Victim's rights advocate	39,591	24,845	24,595	35,754	26,163	-887	0	0	0	0
Community Change	21,312	16,289	11,886	7,361	24,559	25,761	36,096	28,067	31,059	32,696
PMPA	16,460	-89	18,665	27,245	11,055	19,741	34,092	25,720	0	0
Sidewalk	0	0	49,575	31,941	26,209	25,521	-25,627	15,291	15,291	15,291
Grants	105,000	-70,841	0	0	-6,827	-68,546	-10,506	0	0	0
C Funds	0	0	0	0	0	-1,127	0	0	0	0
Economic development	2,611,800	2,579,339	2,630,408	2,838,114	2,985,316	3,194,303	3,621,768	3,743,056	3,872,663	4,007,341
Union Events Center	0	0	0	0	0	1,830,108	2,073,207	1,882,347	1,816,541	1,554,474
Firemen's fund	10,957	10,537	9,821	5,599	4,320	4,117	5,363	3,929	5,424	7,500
Capital projects	<u>21,496</u>	<u>4,692</u>	<u>0</u>							
Total all other governmental funds	<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>	<u>5,972,722</u>	<u>5,998,195</u>	<u>5,941,618</u>
Total all governmental funds	<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>	<u>\$8,983,811</u>	<u>\$8,979,063</u>	<u>\$9,078,620</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Taxes	\$1,060,715	\$1,085,684	\$1,086,629	\$1,093,891	\$1,090,270	\$1,083,663	\$1,248,334	\$1,223,559	\$1,423,304	\$1,390,105
Fee in lieu of taxes	1,692,718	1,968,390	1,768,358	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057
Local hospitality and accommodations tax	0	0	0	0	0	135,174	171,836	206,506	210,873	225,710
Licenses, permits and franchise fees	1,065,245	1,197,399	1,364,589	1,192,977	1,132,126	1,268,967	1,101,502	1,212,990	1,203,177	1,254,403
Fines and forfeitures	96,729	120,149	107,621	136,720	117,307	111,222	74,858	89,737	97,491	67,532
Intergovernmental	1,569,317	1,120,739	1,654,065	1,666,863	952,186	924,414	930,303	842,884	602,389	559,277
State collected revenues	467,093	498,323	520,653	504,495	448,936	399,302	388,263	420,954	449,845	467,982
Investment earnings	161,537	150,580	145,215	134,640	68,906	38,618	18,800	16,226	12,786	14,066
Miscellaneous	98,641	99,670	115,083	211,632	216,789	274,606	139,183	202,466	337,630	237,800
Total revenues	<u>6,211,995</u>	<u>6,240,934</u>	<u>6,762,213</u>	<u>6,783,686</u>	<u>5,758,837</u>	<u>5,928,721</u>	<u>5,689,875</u>	<u>5,732,816</u>	<u>5,953,826</u>	<u>5,988,932</u>
<b>Expenditures</b>										
General government	2,137,899	1,785,053	2,241,556	1,706,859	1,280,247	1,283,266	1,142,488	1,436,257	1,492,783	1,557,531
Taxes and licenses	111,071	93,425	65,702	0	0	0	0	0	0	0
Facilities Maintenance	142,979	104,586	94,144	67,308	62,449	63,507	102,716	105,205	68,674	99,342
Public Safety	3,230,131	2,645,486	2,866,344	2,960,766	2,819,134	2,739,922	2,876,452	3,004,726	3,077,298	3,149,074
Public service	359,748	417,914	475,141	498,462	548,310	531,609	545,745	587,931	589,278	597,065
Planning	207,354	242,268	313,392	264,241	202,862	206,414	186,395	214,525	222,548	237,744
Capital outlay	585,452	640,846	571,312	1,091,069	791,452	1,190,531	178,137	390,581	241,900	133,611
Debt Service										
Principal	56,671	92,047	96,959	102,890	146,157	91,737	159,330	164,283	185,558	181,256
Interest	17,396	17,293	12,373	7,751	29,087	96,519	68,932	63,979	31,426	35,728
Total expenditures, including capital	<u>6,848,701</u>	<u>6,038,918</u>	<u>6,736,923</u>	<u>6,699,346</u>	<u>5,879,698</u>	<u>6,203,505</u>	<u>5,260,195</u>	<u>5,967,487</u>	<u>5,909,465</u>	<u>5,991,351</u>
Excess of revenues over (under) expenditures	-636,706	202,016	25,290	84,340	-120,861	-274,784	429,680	-234,671	44,361	-2,419
<b>Other financing sources (uses)</b>										
Contributed capital	55,000									101,976
Loan and lease purchase proceeds	211,635			370,000	1,100,000	873,000				
Insurance proceeds										
Transfer- In (Out)	<u>-130,000</u>	<u>-260,000</u>	<u>-130,000</u>	<u>-130,000</u>	<u>-130,000</u>	<u>-130,000</u>	<u>106,786</u>	<u>-48,370</u>	<u>-49,110</u>	<u>0</u>
Total other financing sources (uses)	<u>136,635</u>	<u>-260,000</u>	<u>-130,000</u>	<u>240,000</u>	<u>970,000</u>	<u>743,000</u>	<u>106,786</u>	<u>-48,370</u>	<u>-49,110</u>	<u>101,976</u>
Net change in fund balances	<u>-\$500,071</u>	<u>-\$57,984</u>	<u>-\$104,710</u>	<u>\$324,340</u>	<u>\$849,139</u>	<u>\$468,216</u>	<u>\$536,466</u>	<u>-\$283,041</u>	<u>-\$4,749</u>	<u>\$99,557</u>
Debt service as a percentage of noncapital expenditures	1.2%	2.1%	1.8%	2.0%	3.6%	3.9%	4.7%	4.3%	4.0%	3.8%

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

<b>Fiscal Year</b>	<b>Electric Receipts</b>	<b>Percent of Total</b>	<b>Water Receipts</b>	<b>Percent of Total</b>	<b>Sewer Receipts</b>	<b>Percent of Total</b>	<b>Gas Receipts</b>	<b>Percent of Total</b>	<b>Other Operating Revenue</b>	<b>Percent of Total</b>	<b>Total Combined Public Utility Operating Revenue</b>
2006	13,265,237	34.6%	2,779,680	7.3%	1,736,476	4.5%	20,562,347	53.6%	-12,801	0.0%	38,330,939
2007	13,392,884	38.6%	2,815,313	8.1%	1,687,965	4.9%	16,833,343	48.5%	-14,122	0.0%	34,715,383
2008	13,183,492	37.0%	3,013,014	8.5%	1,712,302	4.8%	17,716,145	49.8%	-19,264	-0.1%	35,605,689
2009	13,402,927	39.8%	2,857,173	8.5%	1,616,440	4.8%	15,837,563	47.0%	-29,543	-0.1%	33,684,560
2010	14,603,775	44.8%	2,789,237	8.6%	1,732,367	5.3%	13,433,800	41.2%	54,635	0.2%	32,613,814
2011	14,290,390	46.1%	2,873,486	9.3%	1,751,958	5.7%	12,172,761	39.3%	-84,932	-0.3%	31,003,663
2012	14,764,890	51.0%	3,061,643	10.6%	1,836,070	6.3%	9,342,547	32.2%	-30,922	-0.1%	28,974,228
2013	15,751,527	50.6%	3,080,697	9.9%	1,963,425	6.3%	10,347,228	33.2%	-18,481	-0.1%	31,124,396
2014	16,001,114	47.1%	3,362,162	9.9%	2,266,548	6.7%	12,561,150	37.0%	-228,452	-0.7%	33,962,522
2015	16,786,838	49.5%	3,446,084	10.2%	2,487,721	7.3%	11,192,441	33.0%	7,665	0.0%	33,913,084

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

<u>Fiscal Year</u>	<u>Collection Fees</u>
2006	736,429
2007	735,145
2008	731,995
2009	588,504
2010	589,010
2011	632,852
2012	673,389
2013	673,300
2014	717,666
2015	757,412

Fiscal 2015 rates increased to \$16.00 per month.

City of Union  
Electric Largest Users  
For the Year Ended June 30, 2015

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-kWh</u>	<u>% of Total 2015 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2015 Billed Revenue</u>
HAEMONETICS	PHARMACEUTICAL	5,591,880	4.28%	603,020	3.59%
WALLACE THOMSON HOSP	HOSPITAL	5,163,893	3.95%	563,416	3.35%
CITY OF UNION	GOVERNMENT	4,753,175	3.63%	590,312	3.51%
UNION COUNTY SCHOOLS	EDUCATION	4,212,824	3.22%	573,917	3.42%
WAL-MART #01-0629	GROCERY/MERCHANDISE	3,060,600	2.34%	334,286	1.99%
BI-LO #167	GROCERY	1,853,760	1.42%	201,346	1.20%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,652,287	1.26%	260,436	1.55%
GLOBAL FELT TECHNOLOGY	SPECIALTY PRODUCTS	1,546,200	1.18%	191,706	1.14%
OAKMONT OF UNION	HEALTHCARE	1,478,640	1.13%	168,750	1.00%
CONSUMER PRODCUCT ENT, INC	SPECIALTY PRODUCTS	1,133,280	0.87%	129,691	0.77%
TOTAL LARGEST USER		<u>30,446,539</u>	23.28%	<u>\$3,616,880</u>	21.53%
TOTAL USAGE BILLED		<b>130,771,320</b>			
TOTAL AUDITED REVENUE				<b>\$16,796,546</b>	

(1) Source: City of Union utility records.

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

City of Union  
Water Largest User  
For the Year Ended June 30, 2015

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2015 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2015 Billed Revenue</u>
BROWNS CREEK WATER DIST	WATER DISTRICT	88,771,700	12.01%	\$307,468	8.92%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	78,163,600	10.57%	270,764	7.85%
MEANSVILLE-RILEY W DIST	WATER DISTRICT	69,956,800	9.46%	242,527	7.04%
ROCKY CREEK WATER DIST	WATER DISTRICT	60,090,500	8.13%	208,231	6.04%
STANDARD TEXTILE COMPANY	TEXTILE	40,105,800	5.43%	157,272	4.56%
CEDAR HILL PLANT	TEXTILE	25,297,800	3.42%	103,863	3.01%
THE TIMKEN COMPANY	BEARINGS	15,467,500	2.09%	68,998	2.00%
UNION COUNTY SCHOOLS	EDUCATION	13,447,700	1.82%	51,758	1.50%
TOWN OF CARLISLE	WATER DISTRICT	11,238,500	1.52%	39,203	1.14%
CITY OF UNION	GOVERNMENT	8,323,700	1.13%	38,839	1.13%
TOTAL LARGEST USER		<u>410,863,600</u>	55.59%	<u>\$1,488,923</u>	43.19%
TOTAL USAGE BILLED		<b>739,150,300</b>			
TOTAL AUDITED REVENUE				<b>\$3,447,382</b>	

(1) Source: City of Union utility records.

City of Union  
Sewer Largest Uses  
For the Year Ended June 30, 2015

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2015 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2015 Billed Revenue</u>
STANDARD TEXTILE COMPANY	TEXTILE	34,337,200	10.63%	\$148,908	5.95%
THE TIMKEN CO	BEARINGS	10,565,000	3.27%	70,562	2.82%
WALLACE THOMSON HOSPITAL	HOSPITAL	8,385,800	2.60%	26,645	1.07%
CEDAR HILL PLANT	TEXTILE	7,566,400	2.34%	50,583	2.02%
UNION COUNTY SCHOOLS	EDUCATION	6,240,400	1.93%	37,568	1.50%
UNION COUNTY	GOVERNMENT	4,896,900	1.52%	33,406	1.34%
ESAB WELDING AND CUTTION	WELDING SUPPLIER	4,753,600	1.47%	21,368	0.85%
BOYD MANAGEMENT	RESIDENTIAL PROPERTY	4,367,400	1.35%	34,233	1.37%
OAKMONT OF UNION	RESIDENTIAL CARE CENTER	4,221,100	1.31%	18,993	0.76%
PRIMIER COLORS INC	DYE MANUFACTURER	4,080,400	1.26%	18,366	0.73%
TOTAL LARGEST USER		<u>89,414,200</u>	27.68%	<u>\$460,632</u>	18.41%
TOTAL USAGE SEWER CHARGES WERE CALCULATED		323,040,500			
TOTAL AUDITED REVENUE				\$2,501,509	

(1) Source: City of Union utility records.

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

City of Union  
Natural Gas Largest Users  
For the Year Ended June 30, 2015

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-CCF</u>	<u>% of Total 2015 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2015 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	3,478,680	22.48%	\$1,617,998	14.50%
BASF WYANDOTTE CORP.	CHEMICAL	1,816,630	11.74%	941,047	8.43%
THE TIMKEN CO	BEARINGS	1,445,710	9.34%	581,211	5.21%
STANDARD TEXTILE COMPANY	TEXTILES	1,152,382	7.45%	543,730	4.87%
CEDAR HILL PLANT	TEXTILES	533,090	3.45%	274,111	2.46%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	512,730	3.31%	265,758	2.38%
HAEMONETICS	PHARMACEUTICAL	349,640	2.26%	343,480	3.08%
ESAB WELDING & CUTTING	WELDING SUPPLIES	287,890	1.86%	152,550	1.37%
TYGER RIVER CORRECTIONAL(2) PRISON		240,453	1.55%	238,248	2.13%
SOUTHEAST EMULSIONS INC	PAVING	233,090	1.51%	227,664	2.04%
TOTAL LARGEST USER		<u>10,050,295</u>	64.95%	<u>\$5,185,797</u>	46.47%
TOTAL USAGE BILLED		<b>15,473,918</b>			
TOTAL AUDITED REVENUE				<b>\$11,159,982</b>	

(1) Source: City of Union utility records.

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

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

Fiscal Year	City of Union			Union County			Union County School District				Total Direct & Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Special Levies	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		Special Districts
2006	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	97.5	6.6	24.7	128.8	119.9	48.0	167.9		371.0
2008	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	104.2	4.0	24.7	132.9	119.9	48.0	167.9		375.1
2010	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	104.2	4.0	24.7	132.9	119.9	48.0	167.9		375.1
2012	79.9		79.9	104.2	4.0	24.7	132.9	119.9	48.0	167.9		380.7
2013	79.9		79.9	104.2	4.0	24.7	132.9	119.9	48.0	167.9		380.7
2014	92.5		92.5	109.0	4.0	24.6	137.6	119.9	48.0	167.9		398.0
2015	92.5		92.5	111.0	4.0	24.7	139.7	119.9	48.0	167.9		400.1

(1) Source: Union County Auditor

**CITY OF UNION, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
NOVEMBER 30, 2014**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2013 TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
WAL MART REAL ESTATE	COMMERCIAL	\$42,001	3.74%
HAEMONETICS CORP	INDUSTRIAL	38,989	3.47%
CHARTER COMMUNICATIONS	COMMUNICATIONS	16,542	1.47%
LOCKHART POWER COMPANY	UTILITY	15,530	1.38%
UNION STATION LLC	COMMERCIAL	14,167	1.26%
GRAHAM, WILLIAM M	COMMERCIAL	12,079	1.08%
UNION ELDERLY HOUSING LP	RESIDENTIAL	9,801	0.87%
SYLVA HOLDINGS LLC	COMMERCIAL	8,421	0.75%
FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	8,393	0.75%
LAKEVIEW GARDENS LLC	RESIDENTIAL	8,234	0.73%
4031 HCR PROP OAKMONT	RESIDENTIAL	8,069	0.72%
HOPE SMALL	COMMERCIAL	7,910	0.70%
NORFOLK SOUTHERN	COMMERCIAL	7,690	0.68%
ARTHUR STATE BANK	COMMERCIAL	7,648	0.68%
PROVIDENT COMMUNITY BANK	COMMERCIAL	7,263	0.65%
BROWN EUGENIA A	RESIDENTIAL	7,099	0.63%
PREMIER COLORS INC	INDUSTRIAL	7,029	0.63%
NEW BUENA VISTA APTS LLC	COMMERCIAL	6,850	0.61%
UNION SQUARE SHOPPING CENTER	COMMERCIAL	<u>6,734</u>	0.60%
TOTAL OF LARGEST TAXPAYERS		<u>\$240,450</u>	17.06%
TOTAL 2014 TAXABLE ASSESSED VALUE		<u>\$1,123,627</u>	* 100.00%

\*EXCLUDES HOMESTEAD EXEMPTION, ABATEMENTS AND VEHICLES

**CITY OF UNION, SOUTH CAROLINA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2015**

Total assessed value – 2014-General fund-estimated	\$ 15,732,000
Debt limit – 8 percent of assessed value	\$ 1,258,560
Total amount of debt applicable to debt limit	<u>0</u>
Legal Debt Margin	\$ 1,258,560

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  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

FISCAL YEAR	GROSS REVENUES (1)	OPERATING EXPENSES (2)	NET REVENUES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			TIMES COVERAGE(3)
				PRINCIPAL	INTEREST	TOTAL	
2006	39,571,484	33,966,968	5,604,516	640,073	538,222	1,178,295	4.76
2007	35,834,875	30,363,547	5,471,328	678,625	512,271	1,190,896	4.59
2008	36,529,208	32,337,943	4,191,265	707,519	484,977	1,192,496	3.51
2009	33,975,979	31,445,684	2,530,295	736,770	456,525	1,193,295	2.12
2010	33,656,302	27,448,119	6,208,183	746,422	423,378	1,169,800	5.31
2011	31,492,548	26,681,099	4,811,449	787,199	441,617	1,228,816	3.92
2012	29,383,816	25,011,203	4,372,613	881,766	417,548	1,299,314	3.37
2013	31,539,591	26,081,823	5,457,768	734,335	311,930	1,046,265	5.22
2014	34,259,783	27,934,218	6,325,565	1,253,568	283,615	1,537,183	4.12
2015	34,369,027	30,042,636	4,326,391	1,389,202	424,669	1,813,871	2.39

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%

**CITY OF UNION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

<b>EMPLOYER(1)</b>	<b>2015</b>		
	<b>EMPLOYEES</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL COUNTY ACTIVE EMPLOYMENT *</b>
UNION COUNTY SCHOOL DISTRICT	675	1	6.23%
DOLLAR GENERAL DISTRIBUTION	610	2	5.63%
WALLACE THOMSON HOSPITAL	404	3	3.73%
GESTAMP SOUTH CAROLINA, LLC	291	5	2.69%
TIMKEN	277	4	2.56%
S.C. STATE GOVERNMENT	230	6	2.12%
MILLIKEN - CEDAR HILL PLANT	201	7	1.86%
COUNTY OF UNION	162	8	1.50%
BELK Ecommerce	137	9	1.26%
CITY OF UNION	128	10	1.17%
CARLISLE FINISHING PLANT	127	11	1.17%
HAEMONETICS	116	12	1.07%
SONOCO PRODUCTS	100	15	0.92%
ESAB WELDING AND CUTTING	65	14	0.60%
LOCKHART POWER	53	16	0.49%
<b>TOTAL</b>	<b>3576</b>		<b>33.01%</b>

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

\* Union County labor force as of 11/2015 is total labor pool of 11,786 with 10,946 employed and 840 unemployed resulting in an unemployment rate of 7.10%.

Source: Union County Development Board

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

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

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. The City Attorney has been removed. The attorney is paid through the Legislative Department.

**City of Union**  
**Operating Indicators by Function**

**DATE OF INCORPORATION - December , 1837**

**FORM OF GOVERNMENT - Mayor/Council**

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

	2011	2012	2013	2014	2015
<b>ELECTRIC SYSTEM-Established 1898</b>					
Number of Customer Billing per Month	6,961	6,985	6,877	6,867	6,851
Substations	3	3	3	3	3
Circuits	12	12	12	12	12
Security Lights	2,690	2,828	2,867	2,958	2,963
Number of Miles of Electric Lines Owned by City	165	165	165	165	165
<b>WATER SYSTEM - Established 1898</b>					
Number of Customer Billing per Month	6,196	6,199	6,101	6,079	6,061
Number of Water Districts Served	5	5	5	5	5
Maximum Filtration Plant Capacity per day-Gallons	10,400,000	10,400,000	10,400,000	10,400,000	10,400,000
Number of Miles of Water Line Owned by City	183	183	183	183	183
<b>WASTEWATER SYSTEM-Established 1917</b>					
Number of Customer Billing per Month	4,961	4,979	4,887	4,859	4,847
Maximum Plant Capacity per Day					
Tosch Creek	6,000	6,000	6,000	6,000	6,000
Meng Creek	1,000.00				
Number of Wastewater Miles Owned by City	123	123	123	123	123
<b>NATURAL GAS SYSTEM-Established 1956</b>					
Number of Customer Billing per Month	6,348	6,446	6,163	6,159	6,192
Maximum Capacity Available on Pipeline in dekatherms					
Transco	10,147	10,147	10,147	10,147	10,147
Number of Miles of Main Gas Line Owned by City	411	411	411	411	428
<b>PUBLIC SAFETY</b>					
Number of Stations	1	1	1	1	1
Number of Public Safety Officers	31	31	31	31	31
Number of Firefighters	3	3	3	4	4
<b>BUILDINGS (based on calendar year 2014)</b>					
Permits Issued	548	1,269	948	474	993
Estimated Cost of Construction	7,251,504	11,459,105	5,435,549	4,232,110	18,891,908
<b>Streets and Sanitaion</b>					
Streets(in miles)	20	20	20	20	20
Transfer Station	1	1	1	1	1
MSW Tons Transferred to landfill	2,886	2,851	2,897	3,063	3,073

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