

**CITY OF UNION,
SOUTH CAROLINA**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2018**

CITY OF UNION
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018
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INTRODUCTORY SECTION



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

December 10, 2018

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, 2018.

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

The City's financial statements have been audited by McKinley, Cooper & Co. LLC Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, 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 complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, founded in 1837, is located in the central area of Union County, 28 miles southeast of Spartanburg, South Carolina. The City currently occupies a land area of approximately 8.0 square miles and serves a population of approximately 8,393, with a total of approximately 29,000 people in the Greater Union area. The City of Union is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing Council.

The City of Union, as of June 30, 2018, operates under the Mayor Council form of government. Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six Councilmembers. The governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the government's clerk, magistrate, and attorney. The Mayor acts in a legislative capacity as a member of the Council. He acts in an executive capacity as chief administrator of the Council's policies. The Mayor is responsible for carrying out policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing, with Council ratification, the heads of various departments. The Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with three Councilmembers elected every two years. The Mayor is elected to serve a four-year term. All six of the Councilmembers are elected by district. The Mayor is elected at large.

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

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

Factors Affecting Financial Conditions

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

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

The City is considered to be forward thinking and receptive to development. The overall economic condition of the City has improved over the past year. The decline of the textile industries is being replaced with a diversity of plants and employment opportunities, with unemployment at 3.4 % for Union County.

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 2018 include:

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

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, state investment pools, and repurchase agreements. The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10 and 6-5-15. The yield on investments for the year ended June 30, 2017 varied from approximately 0.1 % to 2.0087%. The average yield on overnight federal funds for that period was 0.1%. The City earned interest revenue of \$201,822 on all investments for the year ended June 30, 2018.

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, 2018, expenditures were recognized for post-retirement health care insurance premiums or to provide a supplement for thirty-four (34) retirees.

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

Major Initiatives

A multi-purpose center, completed in 2016, is located at 107 East Main Street, and seats approximately 300 people. This center provides space for the performing arts, business meetings and social events. This center is a magnet for economic growth in the downtown area. To complement the center the City was awarded a \$500,000 streetscape grant on November 15, 2015. This grant removed and replaced sidewalks, paved and added curbing, as well as improved landscaping and lighting.

Renovations and improvements to the City's utility systems continue. Currently, there are multiple sewer collection projects, completed or under construction as of June 30, 2018. Projects are funded by a combination of loans from the State of South Carolina State Revolving Loan Fund, SRF, Community Development Block Grants, CDBG, Rural Infrastructure grants and local funds.

Acknowledgements

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

Respectfully submitted,

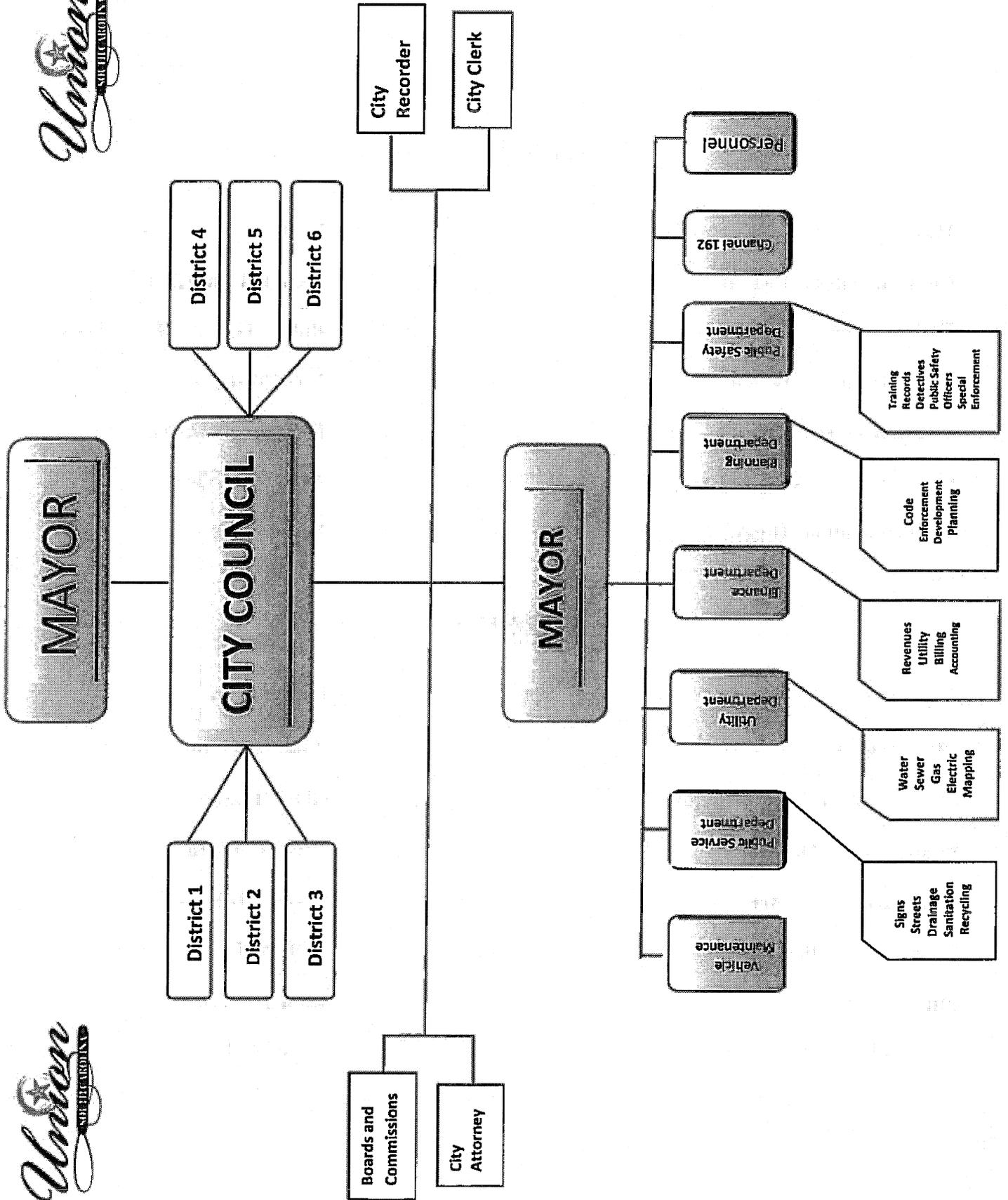


Harold E. Thompson
Mayor



Laura B. Hembree
Finance Director

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City of Union, South Carolina
LIST OF ELECTED and APPOINTED OFFICIALS
as of June 30, 2018

ELECTED

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

APPOINTED

City Attorney	Larry Flynn
City Recorder	Wade Hampton
City Clerk/Personnel Director	Gloria Rogers
Public Service Director	Perry Harmon
Maintenance Director	Leroy Edwards
Public Safety Director	Sam White
Finance Director	Laura Hembree
Utilities Director	Joe F. Nichols

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants



To the Honorable Mayor and City Council
City of Union
December 10, 2018

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, South Carolina, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.” Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, South Carolina’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplemental schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

To the Honorable Mayor and City Council
City of Union
December 10, 2018

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the City of Union’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Union’s 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’s internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
December 10, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents.

Financial Highlights

The assets and deferred outflows of resources of the City of Union exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$78,211,823 (*net position*). Of this amount, \$11,734,866 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net positions are comprised of \$(1,142,476) governmental activities and \$ 12,877,342 business type activities. The current year total net position increased by \$3,532,890 over the prior year position.

As of the close of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,712,103 an increase of \$594,033 from the prior year. Approximately 44 percent of this total amount, \$3,866,438 is *available for spending* at the government's discretion (*unassigned general fund balance*). The remaining governmental fund balance of \$4,845,665 is detailed in notes to financial statements.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,866,438 or 69 percent of the total fund expenditures.

The City of Union had \$11,017,762 in bonds, notes and leases outstanding versus \$12,625,166 last year, a decrease of \$1,607,404. This decrease represents principal payments of \$1,607,404 during the year.

The City reported a prior period adjustment to the government-wide financial statements and the proprietary fund financial statements to adjust net OPEB liability and net position of prior years to implement GASB Statement No. 75. The accounting standard has no impact on the City's governmental fund financial statements. Net position reported in the City's financial statements was decreased to reflect the cumulative change in accounting principle related to the adoption of the Statement as shown below.

Decrease in net position - governmental activities	<u>\$ 139,929</u>
Decrease in net position - business-type activities/proprietary funds	<u>\$ 174,653</u>

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 \$78,211,823 at the close of the most recent fiscal year. By far the largest portion of the City of Union’s net position (77.5%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Union uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Union’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Union's Net Position

	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total	Total
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current and other assets	6,373,328	6,762,524	20,290,243	22,437,331	26,663,571	29,199,855
Capital Assets	8,355,215	8,188,369	67,037,060	69,176,048	75,392,275	77,364,417
Total Assets	14,728,543	14,950,893	87,327,303	91,613,379	102,055,846	106,564,272
Deferred outflows of resources	1,112,561	1,150,254	1,688,285	1,416,753	2,800,846	2,567,007
Current Liabilities	511,469	484,472	3,729,285	3,670,766	4,240,754	4,155,238
Noncurrent liabilities	7,143,240	6,920,699	18,355,592	17,453,670	25,498,832	24,374,369
TOTAL LIABILITIES	7,654,709	7,405,171	22,084,877	21,124,436	29,739,586	28,529,607
Deferred inflows of resources	102,703	273,723	20,888	116,126	123,591	389,849
NET POSITION						
Invested in capital assets, net of related debt	4,699,992	4,700,732	54,163,348	55,945,231	58,863,340	60,645,963
Restricted	4,311,363	4,863,997	1,157,559	966,997	5,468,922	5,830,994
Unrestricted	(927,663)	(1,142,476)	11,588,916	12,877,342	10,661,253	11,734,866
Total net position	<u>8,083,692</u>	<u>8,422,253</u>	<u>66,909,823</u>	<u>69,789,570</u>	<u>74,993,515</u>	<u>78,211,823</u>

An additional portion of the City Of Union’s net position (7.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,734,866 may be used to meet the government’s ongoing obligations to its citizens and creditors.

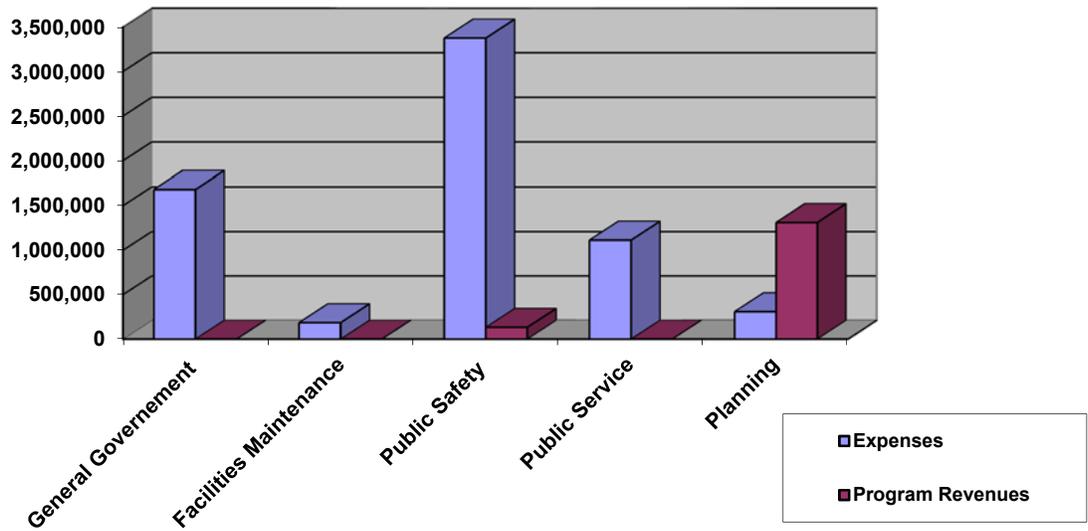
At the end of the current fiscal year, the City of Union is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business –type activities. The same situation held true for the prior fiscal year.

The City of Union’s overall net position increased \$3,218,308 from the prior fiscal year. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

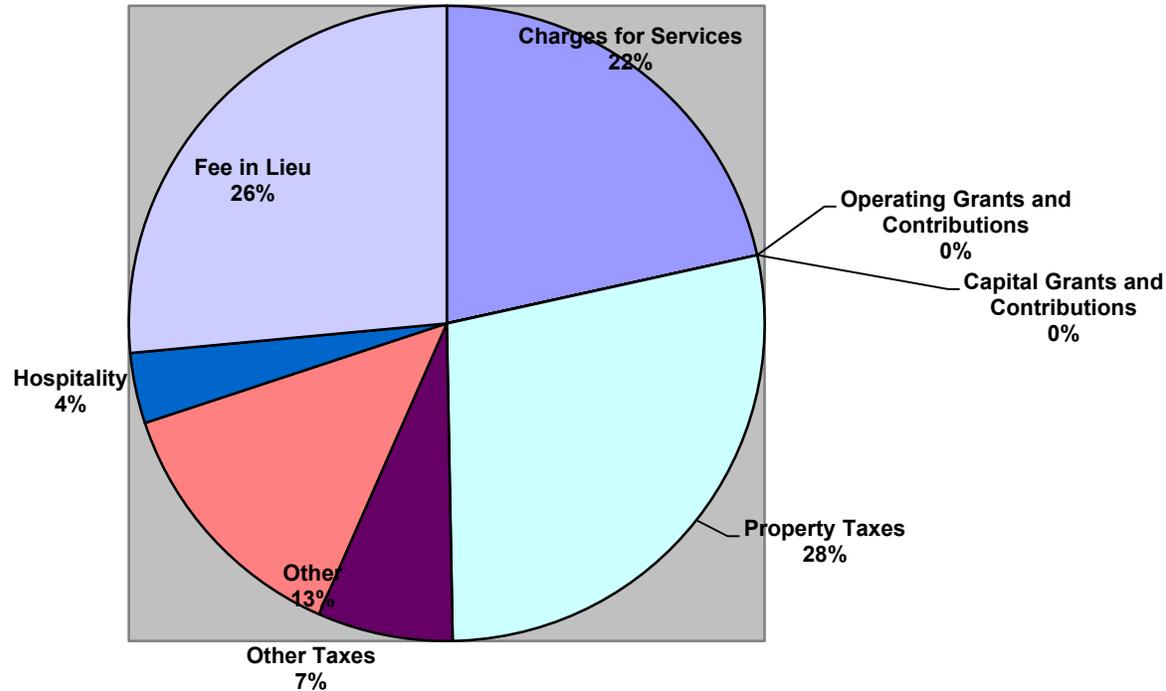
Governmental activities. During the current fiscal year, net position for governmental activities increased \$478,490 from the prior fiscal year ending balance of \$8,083,692. The increase in the overall net position of governmental activities is the result of additional tax revenue being generated due the local option sales tax. The local option sales tax, with an effective date of May 1, 2017, is projected to increase revenue by approximately \$250,000 per year. The City’s tax millage rate remained the same for Fiscal Year 2018 at 86.8 mills. Also, the fee in lieu (transfer) continues to be a major revenue source for the City’s General Fund. The Local Hospitality and Accommodations Fee are used to fund tourism related expenditures, taking pressure off of the General Fund. Local Hospitality and Accommodations fees collected for Fiscal Year 2018 totaled \$240,779.

	City of Union Changes in Net Position					
	Governmental		Business-type		Total	Total
	activities		activities			
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for services	1,424,253	1,446,296	35,378,703	36,215,576	36,802,956	37,661,872
Operating Grants	190,169	0			190,169	0
Capital Grants and contributions	0	0	346,201	959,279	346,201	959,279
General revenues:						
Property taxes	1,433,458	1,889,671			1,433,458	1,889,671
Other taxes and fees	2,424,470	2,479,961			2,424,470	2,479,961
Other	<u>924,407</u>	<u>895,145</u>	<u>123,581</u>	<u>197,480</u>	<u>1,047,988</u>	<u>1,092,625</u>
Total revenues	<u>6,396,757</u>	<u>6,711,073</u>	<u>35,848,485</u>	<u>37,372,335</u>	<u>42,245,242</u>	<u>44,083,408</u>
Expenses:						
General government	1,926,311	1,681,474			1,926,311	1,681,474
Maintenance	76,270	185,151			76,270	185,151
Public safety	3,544,002	3,376,558			3,544,002	3,376,558
Public service	590,480	1,115,376			590,480	1,115,376
Planning	323,240	309,059			323,240	309,059
Combined Utilities			32,562,166	33,148,586	32,562,166	33,148,586
Solid Waste Management			746,681	944,563	746,681	944,563
Interest expense			251,508	224,813	251,508	224,813
			0	0	0	0
Total expenses	<u>6,460,303</u>	<u>6,667,618</u>	<u>33,560,355</u>	<u>34,317,962</u>	<u>40,020,658</u>	<u>40,985,580</u>
Increase (Decrease) in net position before transfers	-63,546	478,490	2,288,130	3,054,400	2,224,584	3,532,890
Net position- 07/01	<u>8,147,238</u>	<u>8,083,692</u>	<u>64,621,693</u>	<u>66,909,823</u>	<u>72,768,931</u>	<u>74,993,515</u>
Prior Period Adjustment		<u>-139,929</u>		<u>-174,653</u>		
Net position - 06/30	<u>8,083,692</u>	<u>8,422,253</u>	<u>66,909,823</u>	<u>69,789,570</u>	<u>74,993,515</u>	<u>78,211,823</u>

Expenses and Program Revenues- Governmental Activities



Revenue By Source - Governmental Activities



Business-type Activities. For the City Of Union’s business-type activities, the results for the current fiscal year were positive in that the overall net position increased to reach an ending balance of \$69,789,570. The total increase in net position for business-type activities (electric, water, wastewater, natural gas and solid waste) was \$2,879,747 or 4.3% from the prior fiscal year net position balance of \$66,909,823. Key elements of this increase are as follows:

Electric sales increased by 1,287,055 kWh from the prior year. The City’s kWh sales for FY2018 were 128,312,859 kWh, compared to sales of 127,025,804 kWh for FY 2017. The cost of street light usage estimated at 2,524,860 kWh or \$265,110 is absorbed by the utility. The street light usage is not included in the total sales referred to above. However total electric revenue increased by \$321,986.

Water sales increased by 2,493,000 gallons over FY 2017. This increase is mainly due to increased industrial usage and water district usage. Industrial usage increased 8,369,000 gallons and water district usage increased 6,164,000 gallons, from the prior year, with a decrease in residential and commercial usage. All water districts renewed their contracts for 10 years, with the exception of 1, who signed a 1 year contract.

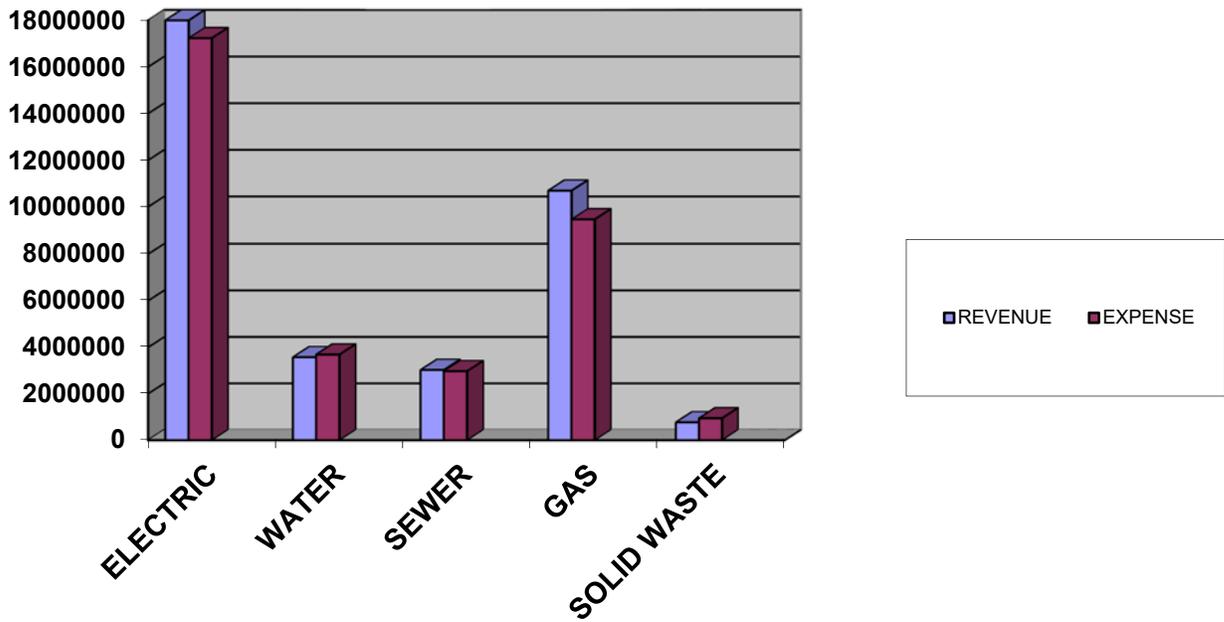
Wastewater discharged into our wastewater treatment plants increased by 2,664,000 gallons from the prior year. Industrial discharge increased by 1,123,000 gallons over FY 2017, and commercial increased 3,070,000 gallons. Residential discharge decreased by 1,529,000 gallons. Revenue compared to the prior year increased by \$416,431. The City continues to accept waste products being trucked in to our plants from septic tanks and landfills.

Natural gas sales volume increased by 10,704 (ccf) hundred cubic feet compared to the prior year. The City experienced increases in all rate classes, residential, commercial and industrial. Revenue compared to prior year increased by \$439,724. In comparison, the cost of natural gas purchases decreased by \$74,387 from FY 2017.

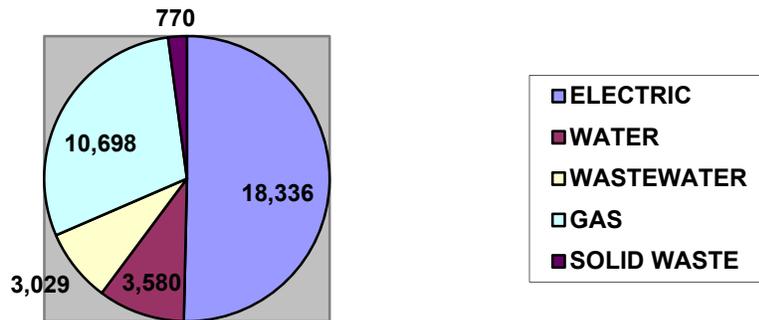
Solid Waste Management charges for services remained the same at \$16.00 per month.

- There were capital contributions to the Combined Utility during the current year totaling \$1,009,917.
- These funds are Community Development Block Grant funds and Rural Infrastructure Grant funds received for sewer improvements in the Foster Street Area and Ottaray Mill area.
- Investment earnings increased by \$73,853 for business-type activities. The major causes of this increase were more funds to invest.

Expenses and Program Revenues - Business Activities



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



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Union's governmental funds reported combined ending fund balance of \$8,712,103, an increase of \$594, from the prior year. Approximately 44 percent of this total amount \$3,866,438 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 (\$4,237,259), or (2) restricted for particular purposes (\$626,738). 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 \$3,866,438. 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 63.6 percent of total general fund expenditures.

The City of Union's General Fund, fund balance increased by \$520,668. Revenue was over budget by \$1,214,571. The fee in lieu (transfer) continues to be a major revenue source for the City's General Fund and is based on sales from the enterprise funds, combined utilities and solid management. Payments in lieu of taxes transfer from the enterprise funds, increased \$55,434 or 3.2% compared to last year. This revenue is based on the operating revenue of the City's enterprise funds from the prior year. Other General Fund revenues remained stable or increased, indicating that the economy is beginning to show signs of improving. Also, effective May 1, 2017 the Local Option Sales Tax began for Union. It is projected the City of Union's revenue will increase by approximately \$250,000, due to additional 1 cent tax on certain purchases within the County. Expenditures were over budget in the amount of \$183,923. This is due mainly to renovations at City Hall and other facilities that were deferred to fiscal year 2018. Council's philosophy has always been to prepare a budget that addresses the needs of the citizens of the City of Union.

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 \$12,877,342. The total increase in the unrestricted net position was \$1,288,426. 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, 2018, amounts to \$71,663,725 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements other than buildings, and machinery and equipment. Total investment in capital assets increased by less than 1%.

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Land	\$1,786,412	\$1,786,412	\$319,845	\$319,845	\$2,106,257	\$2,106,257
Construction in Progress	\$0	\$0	\$347,791	\$1,019,071	\$347,791	\$1,019,071
Infrastructure	\$181,952	\$166,073	\$0	\$0	\$181,952	\$166,073
Buildings	\$2,608,074	\$2,532,870	\$1,052,589	\$1,004,638	\$3,660,663	\$3,537,508
Improvements other than Buildings	\$93,324	\$86,775	\$62,902,281	\$62,817,733	\$62,995,605	\$62,904,508
Machinery, Equipment, and Vehicles	\$957,504	\$888,290	\$1,253,633	\$1,042,018	\$2,211,137	\$1,930,308
Total	\$5,627,266	\$5,460,420	\$65,876,139	\$66,203,305	\$71,503,405	\$71,663,725

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

- Electrical system improvements in the amount of \$108,274.
- Wastewater system also had several projects that were ongoing during FY2018 to include improvements in the Foster Street Area (\$624,664) and the Ottaray Mill Area (\$343,494). These projects, along with City funds, were funded by Community Development Block Grants and Rural Infrastructure Authority Grants.
- Natural Gas System improvements included: extending the City’s system and continued improvements to lines \$154,087.
- Construction in progress as of June 30, 2018 in the amount of \$1,019,071 represents several ongoing projects.

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

- On November 6, 2017 the City was awarded a Rural Infrastructure Authority Grant in the amount of \$1,000,000 to upgrade the Meansville sewer pump station and force main updates.
- On November 6, 2017 the City was Community Development Block in the amount of \$390,500 to purchase a new fire truck. \$4,946 of these grant funds were disbursed during FY 2018.

Additional information on the City of Union’s capital assets can be found in note C.3 of the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City of Union had total bonded debt outstanding of \$11,017,762. Of this amount \$0 comprises debt backed by the full faith and credit of the government. Also, lease purchase agreements in the amount of \$324,956 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 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due in <u>One Year</u>
Governmental activities:					
Capital lease obligations	\$356,825	0	\$91,661	\$265,164	\$94,161
Tax increment district bonds	570,449	0	75,925	494,524	77,710
Total	<u>\$927,274</u>	<u>\$0</u>	<u>\$167,586</u>	<u>\$759,688</u>	<u>\$171,871</u>
Business-type activities:					
Capital lease obligations	\$124,020		\$64,228	\$59,792	\$39,707
Bonds payable	<u>11,573,872</u>	<u>0</u>	<u>1,375,590</u>	<u>10,198,282</u>	<u>1,407,126</u>
Total	<u>\$11,697,892</u>	<u>\$0</u>	<u>\$1,439,818</u>	<u>\$10,258,074</u>	<u>\$1,446,833</u>
Total Lease and Bonds Outstanding	<u>\$12,625,166</u>	<u>\$0</u>	<u>\$1,607,404</u>	<u>\$11,017,762</u>	<u>\$1,618,704</u>

The City of Union had \$11,017,762 in bonds, notes and leases outstanding versus \$12,625,166 last year, a decrease of \$1,607,404. This increase represents the net of principle payments of \$1,607,404 during the year and new debt of \$0.00 issued during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City of Union is approximately \$1,289,404, which is significantly in excess of the City of Union’s outstanding general obligation debt.

Other long-term liabilities include accrued net pension liability of \$13,306,938 as of June 30, 2018. See notes to the financial statements 3.E.

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

Economic Factors and Next Year's Budgets and Rates

These factors, and others, were considered in the preparation of the City of Union's budget for the 2018-19 fiscal year.

The unemployment rate for the Union County is currently 3.4%. New industry and existing industry expansion is the reason for the decrease. In comparison, the state's unemployment rate is 3.8%, and the national rate is 3.7%.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$520,668 to \$3,866,438. The City of Union has appropriated \$6,264,240 for spending in the 2018-19 fiscal year budget. The General Fund proposed FY 2018/2019 budget does not include a tax rate increase, but will include additional revenue generated by the local option sales tax that began in May, 2017. However, the General Fund, again this year, will rely on prior year fund balance to present a balanced budget.

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

The City continues to see pressure from wholesale rates in electricity; natural gas wholesale rates have been stable. Mandates from State and Federal Agencies continue to pressure all utilities with increased cost to comply with regulations. Electric rates will not increase, and the Purchase Power Adjustment clause (PPAC) will continue to true-up the cost of electricity from our suppliers. The PPAC will continue to be a factor in computing electric rates because of our billing arrangements with Lockhart Power and Piedmont Municipal Power Agency. The natural gas rates will remain the same, but the purchase gas adjustment (PGA) will continue to true-up the cost of gas from suppliers. Water and wastewater rates will increase 2.5% and 2.5% respectively for FY 2018-19 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

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**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

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CITY OF UNION, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,077,651	\$ 461,065	\$ 2,538,716
Investments	2,219,202	18,268,461	20,487,663
Receivables (net of allowance for uncollectibles)	2,215,327	2,764,410	4,979,737
Due from other funds	250,344	(250,344)	-
Interest receivable	-	14,862	14,862
Inventories	-	873,289	873,289
Advances to other funds	-	305,278	305,278
Deposits	-	310	310
Capital asset held for resale	2,727,949	-	2,727,949
Restricted assets			
Investments	-	969,497	969,497
Intergovernmental receivable	-	3,246	3,246
Capital assets not being depreciated			
Land and construction in progress	1,786,412	1,338,916	3,125,328
Capital assets being depreciated net of accumulated depreciation			
Buildings and system	2,532,870	1,004,638	3,537,508
Improvements other than buildings	86,775	64,817,733	64,904,508
Machinery and equipment	888,290	1,042,018	1,930,308
Infrastructure	166,073	-	166,073
Total assets	14,950,893	91,613,379	106,564,272
Deferred Outflows of Resources			
Deferred charges on refunding of debt	-	176,681	176,681
Pension related deferred outflows	1,150,254	1,240,072	2,390,326
Total Deferred Outflows of Resources	1,150,254	1,416,753	2,567,007
Liabilities			
Accounts payable and other current liabilities	312,601	2,198,523	2,511,124
Accrued interest payable	-	25,410	25,410
Noncurrent accrued compensated absences and OPEB	603,971	759,124	1,363,095
Noncurrent pension liability	5,423,633	7,883,305	13,306,938
Noncurrent advances from other funds	305,278	-	305,278
Other noncurrent liabilities:			
Due within one year	171,871	1,446,833	1,618,704
Due in more than one year	587,817	8,811,241	9,399,058
Total Liabilities	7,405,171	21,124,436	28,529,607
Deferred Inflows of Resources			
Deferred inflows related to pensions	264,550	104,676	369,226
Deferred inflows related to OPEB	9,173	11,450	20,623
Total Deferred Inflows of Resources	273,723	116,126	389,849
Net Position			
Net investment in capital assets	4,700,732	55,945,231	60,645,963
Restricted for:			
Community assistance	30,321	-	30,321
Tourism promotion	338,256	-	338,256
Economic development	4,484,709	-	4,484,709
Debt service	-	966,997	966,997
Public safety	10,711	-	10,711
Unrestricted	(1,142,476)	12,877,342	11,734,866
Total Net Position	\$ 8,422,253	\$ 69,789,570	\$ 78,211,823

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

CITY OF UNION, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental Activities							
General government	\$ 1,681,474	\$ -	\$ -	\$ -	\$ (1,681,474)	\$ -	\$ (1,681,474)
Facilities maintenance	185,151	-	-	-	(185,151)	-	(185,151)
Public safety	3,376,558	133,126	-	-	(3,243,432)	-	(3,243,432)
Public service	1,115,376	-	-	435,035	(680,341)	-	(680,341)
Planning	309,059	1,313,170	-	-	1,004,111	-	1,004,111
Total Governmental Activities	<u>6,667,618</u>	<u>1,446,296</u>	<u>-</u>	<u>435,035</u>	<u>(4,786,287)</u>	<u>-</u>	<u>(4,786,287)</u>
Business-Type Activities							
Solid waste management	944,908	769,890	-	-	-	(175,018)	(175,018)
Utility system	33,373,027	35,445,686	-	959,279	-	3,031,938	3,031,938
Total Business-Type Activities	<u>34,317,935</u>	<u>36,215,576</u>	<u>-</u>	<u>959,279</u>	<u>-</u>	<u>2,856,920</u>	<u>2,856,920</u>
Total Primary Government	<u>\$ 40,985,553</u>	<u>\$ 37,661,872</u>	<u>\$ -</u>	<u>\$ 1,394,314</u>	<u>(4,786,287)</u>	<u>2,856,920</u>	<u>(1,929,367)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,889,671	-	1,889,671
Fee in lieu of property taxes					1,777,414	-	1,777,414
Local hospitality and accommodations fee					240,779	-	240,779
Other taxes					461,768	-	461,768
Intergovernmental revenue not restricted to specific programs					603,319	-	603,319
Unrestricted investment earnings					4,342	197,480	201,822
Miscellaneous					287,484	-	287,484
Total General Revenues					<u>5,264,777</u>	<u>197,480</u>	<u>5,462,257</u>
Change in Net Position					<u>478,490</u>	<u>3,054,400</u>	<u>3,532,890</u>
Net Position, beginning					8,083,692	66,909,823	74,993,515
Prior period adjustment					(139,929)	(174,653)	(314,582)
Net Position, beginning as restated					<u>7,943,763</u>	<u>66,735,170</u>	<u>74,678,933</u>
Net Position, ending					<u>\$ 8,422,253</u>	<u>\$ 69,789,570</u>	<u>\$ 78,211,823</u>

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

FUND FINANCIAL STATEMENTS

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CITY OF UNION, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Economic Development	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,618,132	\$ -	\$ 459,519	\$ 2,077,651
Investments	2,219,202	-	-	2,219,202
Receivables	400,739	1,814,588	-	2,215,327
Due from other funds	93,405	247,450	(90,511)	250,344
Capital asset held for resale	-	2,727,949	-	2,727,949
Total Assets	\$ 4,331,478	\$ 4,789,987	\$ 369,008	\$ 9,490,473
Liabilities				
Accounts payable	\$ 304,549	\$ -	\$ 8,052	\$ 312,601
Advances from other funds	-	305,278	-	305,278
Total Liabilities	304,549	305,278	8,052	617,879
Deferred Inflows of Resources				
License fees collected in advance	71,594	-	-	71,594
Unearned tax revenue	88,897	-	-	88,897
Total Deferred Inflows of Resources	160,491	-	-	160,491
Fund Balances				
Nonspendable	-	4,237,259	-	4,237,259
Restricted	-	247,450	379,288	626,738
Unassigned	3,866,438	-	(18,332)	3,848,106
Total Fund Balances	3,866,438	4,484,709	360,956	8,712,103
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,331,478	\$ 4,789,987	\$ 369,008	\$ 9,490,473

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

CITY OF UNION, SOUTH CAROLINA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET WITH THE STATEMENT OF NET POSITION
JUNE 30, 2018

Fund Balance - Governmental Funds		\$ 8,712,103
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
The cost of capital assets is	10,433,200	
Accumulated depreciation is	<u>(4,972,780)</u>	5,460,420
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These assets are reported in the governmental activities of the Statement of Net Position, thus increasing the net assets.		
Deferred inflows of resources- Unearned property taxes	71,594	
- Licenses collected in advance	<u>88,897</u>	160,491
Long-term liabilities, such as bonds payable, notes payable, capital leases payable, net pension liability, and long-term compensated absences are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of net position. The reporting of these liabilities reduces the net assets of the governmental activities in the statement of net position		
Tax increment district bonds payable	(494,524)	
Capital lease obligations	(265,164)	
OPEB obligation	(523,912)	
Compensated absences	(80,059)	
Net pension liability	<u>(5,423,633)</u>	(6,787,292)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,150,254	
Deferred inflows of resources related to pensions	(264,550)	
Deferred inflows of resources related to OPEB	<u>(9,173)</u>	<u>876,531</u>
Total Net Position - Governmental Activities		\$ <u><u>8,422,253</u></u>

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

CITY OF UNION, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes and penalties	\$ 1,828,190	\$ -	\$ 75,166	\$ 1,903,356
Payment in lieu of taxes	1,777,414	-	-	1,777,414
Local hospitality and accommodations tax	-	-	240,779	240,779
Licenses, permits, and fees	1,313,170	-	-	1,313,170
Fines and forfeitures	55,038	-	-	55,038
Intergovernmental revenues/grants/contributions	1,116,442	-	-	1,116,442
State collected revenues	461,768	-	-	461,768
Investment earnings	1,520	2,582	240	4,342
Miscellaneous revenues	44,199	159,870	83,415	287,484
Total Revenues	<u>6,597,741</u>	<u>162,452</u>	<u>399,600</u>	<u>7,159,793</u>
Expenditures				
Current				
General government	1,196,141	7,533	376,338	1,580,012
Facilities maintenance	185,151	-	-	185,151
Public safety	3,116,682	-	15,485	3,132,167
Public service	1,101,424	-	-	1,101,424
Planning	309,059	-	-	309,059
Capital outlay				
General government	-	-	-	-
Facilities maintenance	-	-	-	-
Public safety	53,644	-	-	53,644
Public service	14,600	-	-	14,600
Debt service				
General government	-	-	89,331	89,331
Public safety	100,372	-	-	100,372
Total Expenditures	<u>6,077,073</u>	<u>7,533</u>	<u>481,154</u>	<u>6,565,760</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>520,668</u>	<u>154,919</u>	<u>(81,554)</u>	<u>594,033</u>
Other Financing Sources (Uses)				
Transfers in (out)				
Transfer - Economic Development	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	520,668	154,919	(81,554)	594,033
Fund Balances, beginning of year	<u>3,345,770</u>	<u>4,329,790</u>	<u>442,510</u>	<u>8,118,070</u>
Fund Balances, end of year	<u>\$ 3,866,438</u>	<u>\$ 4,484,709</u>	<u>\$ 360,956</u>	<u>\$ 8,712,103</u>

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

**CITY OF UNION, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds		\$ 594,033
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Depreciation expense	(235,090)	
Capital outlay	68,244	(166,846)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The details of this difference is as follows:</p>		
Unavailable property tax revenue - net change		(13,685)
<p>Governmental funds report the issuance of long-term debt (e.g., bond proceeds and capital lease issuances) as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.</p>		
Repayment of long-term debt		167,586
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the (increase) decrease in liability for these expenses.</p>		
Net OPEB obligation		(9,661)
<p>Changes in the proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities. This difference is the increase in retirement expense related to the net pension liability.</p>		
		(92,937)
Change in Net Position of Governmental Activities		\$ 478,490

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

CITY OF UNION, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes and penalties	\$ 1,261,400	\$ 1,261,400	\$ 1,828,190	\$ 566,790
Payment in lieu of taxes	1,715,360	1,715,360	1,777,414	62,054
Licenses, permits and fees	1,225,800	1,225,800	1,313,170	87,370
Fines and forfeitures	100,000	100,000	55,038	(44,962)
Intergovernmental revenues/grants/contribution	612,480	612,480	1,116,442	503,962
State collected revenues	426,460	426,460	461,768	35,308
Investment earnings	-	-	1,520	1,520
Miscellaneous revenues	41,670	41,670	44,199	2,529
Total Revenues	<u>5,383,170</u>	<u>5,383,170</u>	<u>6,597,741</u>	<u>1,214,571</u>
Expenditures				
Current				
General government	1,249,540	1,249,540	1,196,141	53,399
Facilities maintenance	111,000	111,000	185,151	(74,151)
Public safety	3,285,950	3,285,950	3,116,682	169,268
Public service	622,900	622,900	1,101,424	(478,524)
Planning	373,280	373,280	309,059	64,221
Capital outlay				
Facilities maintenance	60,000	60,000	-	60,000
Public safety	81,400	81,400	53,644	27,756
Public service	-	-	14,600	(14,600)
Debt service				
Public safety	109,080	109,080	100,372	8,708
Total Expenditures	<u>5,893,150</u>	<u>5,893,150</u>	<u>6,077,073</u>	<u>(183,923)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(509,980)</u>	<u>(509,980)</u>	<u>520,668</u>	<u>1,030,648</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(509,980)</u>	<u>(509,980)</u>	<u>520,668</u>	<u>1,030,648</u>
Fund Balances, beginning	<u>3,345,770</u>	<u>3,345,770</u>	<u>3,345,770</u>	<u>-</u>
Fund Balances, ending	<u>\$ 2,835,790</u>	<u>\$ 2,835,790</u>	<u>\$ 3,866,438</u>	<u>\$ 1,030,648</u>

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

CITY OF UNION, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Combined Utility	Solid Waste Management	Total Proprietary Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 245,836	\$ 215,229	\$ 461,065
Investments	18,268,461	-	18,268,461
Interest receivable	14,862	-	14,862
Receivables (net of allowance for uncollectibles)	2,764,410	-	2,764,410
Due to/from other funds	(219,793)	(30,551)	(250,344)
Inventories	873,289	-	873,289
Total current assets	21,947,065	184,678	22,131,743
Noncurrent Assets			
Advances to other funds	305,278	-	305,278
Deposits	310	-	310
Restricted cash, cash equivalents, and investments			
Investments	969,497	-	969,497
Intergovernmental receivables	3,246	-	3,246
Capital assets			
Land and construction	1,338,146	770	1,338,916
Buildings	1,785,705	457,490	2,243,195
Improvements other than buildings	114,708,676	-	114,708,676
Machinery and equipment	4,534,562	1,440,470	5,975,032
Less accumulated depreciation	(56,538,595)	(1,523,919)	(58,062,514)
Total capital assets (net of accumulated depreciation)	65,828,494	374,811	66,203,305
Total noncurrent assets	67,106,825	374,811	67,481,636
Total Assets	89,053,890	559,489	89,613,379
Deferred Outflows of Resources			
Deferred charges on refunding of debt	176,681	-	176,681
Deferred outflows related to pensions	1,137,486	102,586	1,240,072
Total Deferred Outflows of Resources	1,314,167	102,586	1,416,753
Liabilities			
Current liabilities			
Accounts payable	2,187,827	10,696	2,198,523
Total current liabilities	2,187,827	10,696	2,198,523
Current liabilities payable from restricted assets			
Revenue bonds payable	1,407,126	-	1,407,126
Lease-purchase payable	39,707	-	39,707
Accrued interest payable	25,410	-	25,410
Total current liabilities payable from restricted assets	1,472,243	-	1,472,243
Noncurrent liabilities			
Accrued compensated absences and OPEB	709,197	49,927	759,124
Revenue bonds payable	8,791,156	-	8,791,156
Lease-purchase payable	20,085	-	20,085
Net pension liability	7,231,158	652,147	7,883,305
Total noncurrent liabilities	16,751,596	702,074	17,453,670
Total Liabilities	20,411,666	712,770	21,124,436
Deferred Inflows of Resources			
Deferred inflows related to pensions	96,017	8,659	104,676
Deferred inflows related to OPEB	10,658	792	11,450
Total Deferred Inflows of Resources	106,675	9,451	116,126
Net Position			
Net investment in capital assets	55,570,420	374,811	55,945,231
Restricted for debt service	966,997	-	966,997
Unrestricted	13,312,299	(434,957)	12,877,342
Total Net Position	\$ 69,849,716	\$ (60,146)	\$ 69,789,570

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

CITY OF UNION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Business-type Activities		
	Combined Utility	Solid Waste Management	Total
Operating revenues			
Sales	\$ 32,061,437	\$ -	\$ 32,061,437
Sewer charges	2,934,131	-	2,934,131
Collection fees	-	777,514	777,514
Other revenues	38,631	(7,596)	31,035
Total operating revenues	<u>35,034,199</u>	<u>769,918</u>	<u>35,804,117</u>
Operating expenses			
Purchased power and natural gas	20,692,791	-	20,692,791
System operations	7,835,064	850,098	8,685,162
Payments in lieu of franchise fee	1,714,752	38,064	1,752,816
Depreciation and amortization	2,905,979	56,374	2,962,353
Total operating expenses	<u>33,148,586</u>	<u>944,536</u>	<u>34,093,122</u>
Operating income	<u>1,885,613</u>	<u>(174,618)</u>	<u>1,710,995</u>
Nonoperating revenues (expenses)			
Investment earnings	197,343	137	197,480
Other	411,487	(28)	411,459
Interest expense	(224,441)	(372)	(224,813)
Total nonoperating revenues (expenses)	<u>384,389</u>	<u>(263)</u>	<u>384,126</u>
Income before contributions and transfers	2,270,002	(174,881)	2,095,121
Capital contributions and grants	959,279	-	959,279
Changes in net assets	3,229,281	(174,881)	3,054,400
Total net position, beginning	66,783,015	126,808	66,909,823
Prior period adjustment	(162,580)	(12,073)	(174,653)
Total net position, beginning, as restated	<u>66,620,435</u>	<u>114,735</u>	<u>66,735,170</u>
Total net position, ending	<u>\$ 69,849,716</u>	<u>\$ (60,146)</u>	<u>\$ 69,789,570</u>

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

CITY OF UNION, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2018

	Utility	Solid Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 34,812,381	\$ 769,918	\$ 35,582,299
Payments for electricity and gas for resale	(20,692,791)	-	(20,692,791)
Payments in lieu of franchise fee	(1,714,752)	(38,064)	(1,752,816)
Payments to suppliers	(3,287,068)	(385,636)	(3,672,704)
Payments to employees and related benefit providers	(4,353,836)	(294,733)	(4,648,569)
Net cash provided (used) by operating activities	4,763,934	51,485	4,815,419
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to (from) other funds	110,379	(86,969)	23,410
Net cash provided (used) by noncapital financing activities	110,379	(86,969)	23,410
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions and grants	1,009,917	-	1,009,917
Construction and purchase of fixed assets	(3,014,695)	-	(3,014,695)
Principal paid on capital debt	(1,414,688)	(25,130)	(1,439,818)
Interest paid on capital debt	(224,441)	(372)	(224,813)
Nonoperating income/(expense)	360,849	(28)	360,821
Net cash provided (used) by capital and related financing activities	(3,283,058)	(25,530)	(3,308,588)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments, net	(1,814,171)	-	(1,814,171)
Interest income received	197,343	137	197,480
Net cash provided (used) by investing activities	(1,616,828)	137	(1,616,691)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(25,573)	(60,877)	(86,450)
CASH, beginning of year	271,409	276,106	547,515
CASH, end of year	\$ 245,836	\$ 215,229	\$ 461,065
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,885,613	\$ (174,618)	\$ 1,710,995
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization expense	2,905,979	56,374	2,962,353
(Increase) decrease in accounts receivable	(221,818)	-	(221,818)
(Increase) decrease in inventories	(32,781)	-	(32,781)
(Increase) decrease in deferred charge on refunding	56,375		56,375
Increase (decrease) in accounts payable and accrued expenses	(69,096)	3,515	(65,581)
Increase (decrease) in OPEB liability and deferred resources	11,224	834	12,058
Increase (decrease) in net pension liability and deferred resources	228,438	165,380	393,818
Total adjustments	2,878,321	226,103	3,104,424
Net cash provided (used) by operating activities	\$ 4,763,934	\$ 51,485	\$ 4,815,419

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

CITY OF UNION, SOUTH CAROLINA
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018

	<u>Police Seizure Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 37,749
Total assets	<u>\$ 37,749</u>
LIABILITIES	
Accounts payable	\$ 37,749
Total liabilities	<u>\$ 37,749</u>

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

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**CITY OF UNION, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Union, South Carolina (the “City”) is a municipal corporation incorporated in 1837. The City is located in the north central area of South Carolina and serves a population of approximately 8,393. The City is governed by an elected mayor and six-member council. The City operates under the mayor-council form of government. The financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements include all City funds and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit within the City’s reporting entity is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity’s governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the City. Finally, an entity could be a component unit if excluding it would cause the City’s financial statements to be misleading or incomplete. Based on these criteria, the City has no component units.

B. Basis of presentation

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

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the reporting government as a whole. Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

Governmental funds

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

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

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

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

Proprietary funds - Enterprise funds

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

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

Significant New Accounting Standards Adopted – Change in Accounting Principle

The City implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in the year ended June 30, 2018. The primary objective of this Statement is to improve the usefulness of information about other postemployment benefits (primarily retiree medical benefits) other than pensions (“OPEB”) in external financial reports. The requirements of the Statement aim to provide citizens and other users of the financial statements with a clearer picture of the entity’s financial obligations to current and former employers for past services rendered. Previous standards required an employer to recognize a liability for unfunded required contributions to the OPEB plan (called “Net OPEB Obligation”). GASB Statement No. 75 establishes standards for recognizing deferred outflows of resources, deferred inflows of resources, and the “Net OPEB Liability,” which is the total OPEB liability less the fiduciary net position of the plan assets. More extensive note disclosures are also required.

The adoption of the Statement had no impact on the City’s governmental fund financial statements since governmental funds do not report long-term assets and liabilities. However, the adoption has resulted in the restatement of the City’s net position of the proprietary fund financial statements and its government-wide financial statements as of July 1, 2017 to reflect the reporting of net OPEB liability and

deferred outflows of resources related to the City’s OPEB plan. Net position reported in the City’s financial statements was decreased, to reflect the cumulative change in accounting principle related to the adoption of the Statement as shown below:

Decrease in net position - governmental activities	\$ 139,929
Decrease in net position - business-type activities/proprietary funds	<u>\$ 722,268</u>

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

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

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

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

Governmental fund revenues and expenditures are recognized on the *modified accrual basis*. Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. The revenues susceptible to accrual include property

taxes, franchise fees, licenses, interest revenues, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recognized when the fund liability is incurred, except principal and interest on General Long-Term Obligations which are recognized when due or when funds have been made available for payment.

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

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

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

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

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

Deposits and investments

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

Receivables and payables

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

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

The City Code provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by Union County and remitted to the City monthly during the year. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15 with penalties assessed of 10% if paid after January 15, 12% if paid after January 31, and 15% if paid after February 28. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2017 was 86.8 mills.

Utility sales revenues are recognized at the time the services are provided. Substantially all customers with balances over 30 days past due are disconnected and considered inactive. Periodically, inactive accounts are reviewed to consider bad debt status. Bad debts are removed from active accounts receivable and expensed; however, customer history is retained for future reference. Bad debts net of recoveries for the year ended June 30, 2018 amounted to \$89,791.

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

Inventories and prepaid items

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

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

Restricted assets

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Construction interest is not capitalized in governmental-type funds.

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

	<u>Useful Life</u>
Buildings	39 years
Infrastructure	10-40 years
Electric plant in service	40 years
Water plant in service	40 years
Sewer plant in service	40 years
Natural gas plant in service	40 years
Vehicles and equipment	5-10 years

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

Compensated absences

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

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

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

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

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

Fund equity classifications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Comparative data/reclassifications

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

Expenses/expenditures

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

classification, *intergovernmental expenditures*, for situations where one governmental entity provides resources to another.

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to pension related deferred outflows being reported for all fund types, the combined utility fund also reports deferred outflows for deferred charges on refunding of debt.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

In February, the budget process begins with a special comprehensive work session in which the Finance Department and Mayor's Office meet with all department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects, and initiatives to be considered in the upcoming budget and meet with Finance department

staff and the Mayor’s Office individually. During March and April formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

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

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

For the year ended June 30, 2018, expenditures exceeded revenues in the following funds:

Tax increment district	\$ (14,121)
Events center fund	(814)
Firemen's fund	(1,148)
Drug fund	1,204

C. Deficit fund equity

At the year ended June 30, 2018, the Tax Increment District special revenue fund had a deficit fund balance of \$18,332.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At yearend, the government’s bank balance of cash and cash equivalents was \$2,823,391. The bank balance was covered by federal depository insurance, by collateralized securities held by the pledging financial institution’s trust department or agent but not in the government’s name, and by irrevocable letters of credit issued by Federal Agencies in which the City of Union is named as beneficiary. Book value is not materially different from bank balances.

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

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of approved Federal agencies that have a debt rating in one of the top two ratings categories.
3. Obligations of the State of South Carolina or any of its political subdivisions.

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

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

The City uses the following recurring fair value measurements:

- South Carolina Local Government Investment Pool (the "Pool" or "LGIP") investments – The fair value of the position in the pool is the same as the value of the pool shares. The pool is included as an investment trust fund in the State of South Carolina Comprehensive Annual Financial Report. At June 30, 2017, the underlying security ratings of the District's investments in the LGIP is classified in risk category "A" and may be obtained from the

LGIP's complete financial statements by writing to the following address: Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211.

- U.S. Treasury Securities – Valued using quoted market prices (Level 1 inputs).
- Certificates of Deposit (“CD”) and Money Market Accounts – Deposits held by banking institutions are valued at quoted market prices (Level 1 inputs).

Investments carried at fair value at June 30, 2018 are as follows:

	<u>Fair Value</u>	<u>Weighted Maturity</u>
SC Local Government		
Investment Pool	\$ 8,307,776	Less than one year
Certificates of Deposit	5,299,664	Less than two years
Money Market	<u>7,847,221</u>	Less than two years
Total	<u>\$ 21,454,661</u>	

Restricted investments, as reported in the government-wide statements, reflects government securities in the amount of \$996,997 held in debt service accounts. The amount included under “net position - restricted for debt service” reflects amounts required by bond ordinance to be set aside as cushion funds.

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

Credit risk – The government does not invest in commercial paper or corporate bonds in order to limit its exposure to credit risk. The S.C. Local Government Investment Pool as overseen by the State, which invests in instruments allowed under state laws. The Investment Pool is not rated. It’s a money market type pool, which is fully collateralized, and the underlying securities are held by a third party bank for the pool.

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name. As of June 30, 2018, all deposits are either insured or fully collateralized.

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

B. Receivables

Receivables at June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively:

	General	Special Revenue	Enterprise	Total
Receivables				
Property taxes and assessments	\$ 99,537	\$ -	\$ -	\$ 99,537
Other governments	260,137	-	3,246	263,383
Utility accounts	-	-	2,669,886	2,669,886
Notes receivable	-	1,814,588	-	1,814,588
Other	41,065	-	94,524	135,589
Net total receivables per fund financials	<u>\$ 400,739</u>	<u>\$ 1,814,588</u>	<u>\$ 2,767,656</u>	<u>\$ 4,982,983</u>

Receivables include seven long-term promissory notes receivable that are reported in the Economic Development Special Revenue Fund that will not be collected within one year. The promissory notes have maturity dates in excess of thirty years. The appropriate fund balance restrictions have been established. The loans were extended to private developers to rehabilitate buildings in downtown Union.

These notes are as follows:

Principal
Balance at June
30, 2018

Promissory note from Fairforest Limited Partnership in the original amount of \$65,000. The note dated May 14, 1993, has a 4.5% interest rate with yearly payment due annually for 24 years.

\$ 132

Promissory notes receivable from Fairforest II Limited Partnership in the original amount of \$953,588 dated September 26, 1994. The Construction Loan portion of the note in the amount of \$843,512 has an interest rate of 1%. The Acquisition Loan portion of the note in the amount of \$110,076 has an interest rate of 5.84%. Both loans have a balloon payment at the end of 35 years. At that time, the borrower has a conditional option to extend the loan for an additional 15 years.

953,588

Promissory note from Fairforest Limited Partnership in the original amount of \$50,868. The note, dated 1994, has a 0% interest rate with a balloon payment due on February 8, 2046.	\$ 50,868
Promissory note from Fairforest IV Limited Partnership in the original amount of \$235,000. The note, dated September 3, 1997, is non-interest bearing and is due in 40 annual consecutive payments beginning the 30th anniversary of the loan date. The payment amount will be based on adjusted cash flow derived from operations.	235,000
Promissory note from Fairforest V Limited Partnership in the original amount of \$245,000. The note dated January 17, 2003 has 1% interest due each year for 30 years beginning December 31, 2004. Beginning December 31, 2034, principal and interest will be due at a rate of 2% with 20 equal payments of \$14,848.	245,000
Promissory note from Fairforest V Limited Partnership in the original amount of \$330,000. The note dated January 17, 2003 has a 0% interest. Beginning December 31, 2035, 20 equal payments of \$16,500 will be due annually.	330,000
Total	<u>\$ 1,814,588</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities:	June 30, 2017	Additions	Transfers and Retirements	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,786,412	\$ -	\$ -	\$ 1,786,412
Total capital assets not being depreciated	<u>1,786,412</u>	<u>-</u>	<u>-</u>	<u>1,786,412</u>
Capital assets being depreciated:				
Infrastructure	1,349,407	-	-	1,349,407
Buildings and improvements	3,384,999	-	-	3,384,999
Improvements other than buildings	327,451	-	-	327,451
Machinery and equipment	3,516,687	68,244	-	3,584,931
Total depreciable capital assets	<u>8,578,544</u>	<u>68,244</u>	<u>-</u>	<u>8,646,788</u>
Less accumulated depreciation:				
Infrastructure	1,167,455	15,879	-	1,183,334
Buildings and improvements	776,925	75,204	-	852,129
Improvements other than buildings	234,127	6,549	-	240,676
Machinery and equipment	2,559,183	137,458	-	2,696,641
Total accumulated depreciation	<u>4,737,690</u>	<u>235,090</u>	<u>-</u>	<u>4,972,780</u>
Total depreciable assets - net of accumulated depreciation	<u>3,840,854</u>	<u>(166,846)</u>	<u>-</u>	<u>3,674,008</u>
Governmental activities capital assets, net	<u>\$ 5,627,266</u>	<u>\$ (166,846)</u>	<u>\$ -</u>	<u>\$ 5,460,420</u>

Business-type Activities:	<u>June 30, 2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Construction in progress	\$ 347,791	\$ 904,799	\$ (233,519)	\$ 1,019,071
Land	319,845	-	-	319,845
Total capital assets not being depreciated	<u>667,636</u>	<u>904,799</u>	<u>(233,519)</u>	<u>1,338,916</u>
Capital assets being depreciated:				
Buildings and improvements	2,243,195	-	-	2,243,195
Improvements other than buildings	112,476,361	2,232,315	-	114,708,676
Machinery and equipment	5,938,594	54,726	(18,288)	5,975,032
Total depreciable capital assets	<u>120,658,150</u>	<u>2,287,041</u>	<u>(18,288)</u>	<u>122,926,903</u>
Less accumulated depreciation:				
Buildings and improvements	1,190,606	47,951	-	1,238,557
Improvements other than buildings	49,574,080	2,316,863	-	51,890,943
Machinery and equipment	4,684,961	266,341	(18,288)	4,933,014
Total accumulated depreciation	<u>55,449,647</u>	<u>2,631,155</u>	<u>(18,288)</u>	<u>58,062,514</u>
Total depreciable assets - net of accumulated depreciation	<u>65,208,503</u>	<u>(344,114)</u>	<u>-</u>	<u>64,864,389</u>
Business- type activities capital assets, net	<u>\$ 65,876,139</u>	<u>\$ 560,685</u>	<u>\$ (233,519)</u>	<u>\$ 66,203,305</u>

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

Governmental Activities:	
General government	\$ 97,962
Public safety	123,176
Public works	13,952
Total depreciation expense - governmental activities	<u>\$ 235,090</u>
Business-type Activities	
Electric	\$546,872
Water	672,991
Sewer	821,887
Natural gas	533,031
Solid waste	56,374
Total depreciation expense - business-type activities	<u>\$2,631,155</u>

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

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

D. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

	Due from receivable	Due to payable	Net Receivable (payable)
General fund	\$ 340,855	\$ (247,450)	\$ 93,405
Special Revenue funds	1,614	(92,125)	(90,511)
Economic Development fund	247,450	(305,278)	(57,828)
Solid Waste Management Enterprise fund	-	(30,551)	(30,551)
Utility Enterprise fund	433,138	(347,653)	85,485
Total	<u>\$ 1,023,057</u>	<u>\$ (1,023,057)</u>	<u>\$ -</u>

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

Due to/from other funds:

	<u>Government-wide</u>
Governmental funds	\$ 250,344
Enterprise funds	(250,344)
Total (net)	<u>\$ -</u>

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

E. Long-term liabilities

Governmental Activities Debt

Bonds Payable

On October 27, 2009, the City issued \$1,100,000 Tax Increment District Bonds to construct a multipurpose center. The bonds were refinanced on February 26, 2013. The refinanced bonds are payable in annual installments of \$89,331 through April of 2024 including interest at 2.35%. The principal balance at June 30, 2018 is \$494,524.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 77,710	\$ 11,621
2020	79,536	9,795
2021	81,405	7,926
2022	83,318	6,013
2023	85,276	4,055
2024	87,279	2,051
Total	<u>\$ 494,524</u>	<u>\$ 41,461</u>

Capital Lease Obligations

On December 15, 2010, the City entered into a lease-purchase agreement for \$873,000 to buy an aerial platform fire truck. The lease-purchase is due in quarterly installments of \$25,093 through February of 2021, including interest at 2.7%. The principal balance due at June 30, 2018 is \$265,164.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 94,161	\$ 6,211
2020	96,729	3,643
2021	74,274	1,006
Total	<u>\$ 265,164</u>	<u>\$ 10,860</u>

Interest expense totaling \$22,117 was reported as a direct expense in the governmental type funds. Interest expense in the amount of \$8,711 for a fire truck loan was reported under the public safety function. Interest expense in the amount of \$13,406 for a tax increment district bond was reported as a direct expense under the general government function.

Business-type Activities Debt

Capital Lease Obligations

Capital leases payable at June 30, 2018 were comprised of the following:

\$198,870 utility bucket truck lease for 5 years, beginning in 2014 through November 2019, due in quarterly installments of \$10,101 including interest at 1.55%.	\$ 59,792
	<u>\$ 59,792</u>

The future minimum lease obligations as of June 30, 2018 are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2019	\$ 39,707	\$ 697
2020	20,085	117
Total	<u>\$ 59,792</u>	<u>\$ 814</u>

Revenue bonds and Notes Payable

The government also issues bonds and notes payable where the government pledges income derived from the acquired or constructed assets to pay debt service. The net revenues of the utility system are pledged for the repayment of Combined Public Utility Revenue Bond principal and interest. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of, and flow of moneys through various restricted assets, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant financial limitations and restrictions. Revenue bonds and notes payable outstanding at year end are as follows:

2008 Note payable of \$1,593,723 from the SC Water Pollution Control Revolving Fund for waste treatment system improvements. The loan is due in quarterly installments of \$25,051 including interest at 2.25% through May 2029.	\$ 974,014
2010 Note payable of \$2,421,854 from the SC State Revolving Fund for the Meng Creek Wastewater Treatment Plant Closure project. The loan is due in quarterly installments of \$35,005 including interest at 2.25% through December 2031.	1,626,221
2011 Note payable of \$2,792,906 from the SC State Revenue Revolving Fund for the Tosch's Creek Wastewater Treatment Plant Improvements and Replacement of Three Pump Stations project. The loan is due in quarterly installments of \$43,876 including blended interest at 2.3% through December 2032.	2,069,516
Series 2012 B Revenue Refunding Bonds totaling \$1,833,015 were issued to Refund and redeem previous bond issues. The bonds have an interest rate of 1.96% and are due in varying quarterly installments through June 2021.	629,731
Series 2012C Revenue Refunding Bonds totaling \$5,710,000 were issued to refund and redeem previous bond issues. The bonds have an interest rate of 1.96% and are due in varying quarterly installments through December 2020.	2,235,000
Series 2013A Revenue Bonds totaling \$2,032,260 for Water and Sewer Improvements have an interest rate of 1.9% and are due in quarterly installments of \$30,594 through August 2034.	1,707,027

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

	\$ 956,773
	10,198,282
Less current portion	(1,407,126)
Non-current portion	<u>\$ 8,791,156</u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2019	\$ 1,407,126	\$ 195,462
2020	1,433,943	167,143
2021	1,397,886	138,568
2022	477,373	119,431
2023	487,387	109,419
2024	497,625	99,179
2025	508,096	88,709
2026	518,804	78,002
2027	529,755	67,049
2028	540,953	55,851
2029	552,407	44,396
2030	463,068	33,534
2031	472,755	23,846
2032	412,458	14,135
2033	265,841	6,824
2034	185,872	2,874
2035	46,933	207
Total	<u>\$ 10,198,282</u>	<u>\$ 1,244,629</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due within one year
Governmental activities					
Capital lease obligations	\$ 356,825	\$ -	\$ 91,661	\$ 265,164	\$ 94,161
Accrued OPEB	523,424	488	-	523,912	-
Accrued compensated absences	80,059	-	-	80,059	-
Tax increment district bonds	570,449	-	75,925	494,524	77,710
Net pension liability (see note)	5,454,850	-	31,217	5,423,633	-
Total	<u>\$ 6,985,607</u>	<u>\$ 488</u>	<u>\$ 198,803</u>	<u>\$ 6,787,292</u>	<u>\$ 171,871</u>

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due within one year
Business-type activities					
Capital lease obligations	\$ 124,020	\$ -	\$ 64,228	\$ 59,792	\$ 39,707
Accrued compensated absences	105,202	-	-	105,202	-
Accrued OPEB	653,314	608	-	653,922	-
Net pension liability (see note)	7,513,608	369,697	-	7,883,305	-
Bonds payable	11,573,872	-	1,375,590	10,198,282	1,407,126
Total	<u>\$ 19,970,016</u>	<u>\$ 370,305</u>	<u>\$ 1,439,818</u>	<u>\$ 18,900,503</u>	<u>\$ 1,446,833</u>

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

F. Fund equity classifications

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

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

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

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

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

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

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

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

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

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

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

The following is a breakdown of yearend governmental fund balance types:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund	\$ -	\$ -	\$ 3,864,552
Economic Development Fund	4,237,259	247,450	-
Local Hospitality and Accom. Fund	-	283,234	-
Tax Increment District Fund	-	-	(18,332)
Drug Fund	-	4,789	-
Community Change Fund	-	30,321	-
Main Street Junction Fund	-	53,662	-
Union Events Center Fund	-	1,360	-
Fireman's Fund	-	5,922	-
Total	<u>\$ 4,237,259</u>	<u>\$ 626,738</u>	<u>\$ 3,846,220</u>

G. Major and Nonmajor Special Revenue Funds Activity

Nonmajor funds:

Downtown Redevelopment Project (Tax Increment District)

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

Union Events Center Fund

These funds are used to support the multipurpose center in downtown Union.

Drug Account Fund

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

Community Change Fund

Participating utility customers have their bill rounded up the next dollar. Funds generated from this are maintained in a separate bank account and are committed to offset utility bills for qualifying customers.

Grant Funds

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

Main Street Junction Fund

These funds are restricted for tourism.

Firemen's Fund

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

Local Hospitality and Accommodations Fund

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

Major fund:

Economic Development Fund

The Economic Development Fund includes \$2,727,949 which represents the investment in the Spec Building located at the Union County Commerce Park. The property is being marketed as an asset for resale. This building has been up fitted to certain standards and is being leased to TIMKEN, LLC until it is sold. The initial lease on this building is for ten years with options to extend or purchase.

This fund is also comprised of several promissory notes receivable from projects rehabilitating buildings in downtown Union. The balance receivable on these notes is \$1,814,588 at June 30, 2018.

NOTE 4 – OTHER INFORMATION

A. Risk Management

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance purchased from two of three pools sponsored by the South Carolina Municipal Association. Workers' compensation is carried by the South Carolina Municipal Insurance Trust Fund and has a \$25,000 deductible. Employee health care is carried by the South Carolina Public Employee Benefits Authority. The remaining policies are carried by the South Carolina Municipal Insurance and Risk Financing Fund. The City is subject to a \$1,000 deductible requirement on all insured properties, "all risk" and crime policies only, a \$1,000 deductible per claim for workers compensation, as well as a \$10,000 deductible per claim for general liability and auto liability claims.

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

B. Related party transactions

During the year ended June 30, 2018, the City had no material related party transactions.

C. Commitment and Contingent liabilities

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

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

The City had several commitments for construction contracts in progress totaling \$1,093,695 at June 30, 2018. Yearend retainages being withheld totaled \$0. The contracts were in varying stages of completion at yearend. The construction in progress at year end was comprised of \$1,093,695 for utility improvements.

D. Jointly governed organization

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

E. Other post-employment benefits

Plan description

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. Participants must be eligible to retire under the South Carolina Retirement System (SCRS or PORS) to receive the benefits upon retirement. In addition, the retiree must meet one of the following criteria:

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

The City provides two options to its retirees.

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

Option 2: Retirees can elect to stay on the City's group insurance plan until age 65 or until Medicare eligible, whichever is first. This option allows retirees to cover spouses. Coverage for spouses ends when they reach age 65, become Medicare eligible, or retiree coverage ends. Retirees may receive a monthly \$150 supplement but must first pay the remaining portion of the premium cost of coverage for both themselves and their spouses.

The plan includes a disability benefit after 10 years of service the same as the above benefit. The plan does not include a pre-retirement death benefit. The plan does not include a withdrawal benefit. Service is determined from date of hire. The City provides a monthly subsidy of \$150 to retirees under Option 2.

As of July 1, 2016, there were 148 employees enrolled in the plan, of which 25 members were retirees receiving benefits and 123 were active participants in the plan eligible to receive future benefits. There were 7 additional participants who qualified as beneficiaries or spouses of retirees.

Funding Policy: the City's finding policy is based on pay-as-you-go financing requirements.

Total OPEB Liability: In previous years, the City has reported a net OPEB obligation (liability) consisting of the difference between the annual required contribution into the plan and the actual contributions made by the City. New reporting standards (GASB 75) require employers to determine the total OPEB liability using the entry age normal actuarial funding method and to report a net OPEB liability consisting of the difference between the total OPEB liability and the plan's fiduciary net position.

Total OPEB Liability

	June 30,	
	2017	2018
Total OPEB liability	\$ 1,176,738	\$ 1,177,834
Covered payroll	5,535,300	5,535,300
Total OPEB liability as a % of covered payroll	21.26%	21.28%

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

Discount Rate

Discount rate	3.58%	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.58%	3.87%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed

Valuation date	July 1, 2016	July 1, 2016
Measurement date	June 30, 2017	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.30%	2.30%
Medical Trend Rate	7.3%-4.1% over 71 years	7.3%-4.1% over 71 years
Salary increases including inflation	Graded Scale; ultimate rate of 3.94%	Graded Scale; ultimate rate of 3.94%

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.

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2017, as previously reported	\$ 862,156
Restatement in accordance with GASB 75	314,582
Balance as of June 30, 2017, as restated	1,176,738
Changes for the year	
Service cost	44,389
Interest on total OPEB liability	42,675
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(27,276)
Benefit payments	(58,692)
Balance as of June 30, 2018	\$ 1,177,834

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

Total OPEB Liability		
1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
\$ 1,274,669	\$ 1,177,834	\$ 1,088,778

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's totaled OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

Total OPEB Liability		
1% Decrease	Current Trend Rate	1% Increase
\$ 1,044,758	\$ 1,177,834	\$ 1,344,282

The calculation of OPEB Expense for the year ended June 30, 2018 is as follows:

OPEB Expense

	July 1, 2017 to June 30, 2018
Service cost	\$ 44,389
Interest on total OPEB liability	42,675
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	-
Recognition of assumption changes or inputs	(6,653)
OPEB Expense	\$ 80,411

As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	(20,623)	-
Total	\$ (20,623)	\$ -

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(6,653)
2020		(6,653)
2021		(6,653)
2022		(664)
2023		-
Thereafter*		-

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Rec. Period*	Amount Recognized in Expense for FYE June 30, 2018	Amount Recognized in Expense through June 30, 2018	Balance of Deferred Inflows June 30, 2018	Balance of Deferred Outflows June 30, 2018
Economic/demographic (gains) or losses	\$ -	June 30, 2018	0.0	\$ -	\$ -	\$ -	\$ -
		Total		-	-	-	-
Assumption changes or inputs	(27,276)	June 30, 2018	4.1	(6,653)	(6,653)	(20,623)	-
		Total		(6,653)	(6,653)	(20,623)	-
Total deferred (inflows)/outflows						(20,623)	\$ -
Total net deferrals						\$ (20,623)	

* Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Changes in Total OPEB Liability and Related Ratios

	Fiscal Year Ending June 30, 2018
Total OPEB Liability	
Service cost	\$ 44,389
Interest on total OPEB liability	42,675
Effect of plan changes	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(27,276)
Benefit payments	(58,692)
Net change in total OPEB liability	1,096
Covered payroll	\$ 5,535,300
Total OPEB liability as a % covered payroll	21.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

NOTE 5 – EMPLOYEE RETIREMENT SYSTEMS – PENSION FUNDS

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 State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conduction that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SCPEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

PEBA issued a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 Descriptions

- The South Carolina Retirement System (SCRS), a cot-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 State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefits 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.

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement (SCNG).

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 to the South Carolina General Assembly beginning with the November 2012 general election. And employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP – As an alternative to membership SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, and 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 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 exempt 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 year 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 Three members are eligible to receive deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA board may increase the percentage rate in 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 total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half 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 in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	13.41%	11.41%
Employee Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

PORS

Employee Class Two	15.84%	13.84%
Employee Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability 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 as least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA project from the year 2016.

Assumptions used in the determination of the June 30, 2017 TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Position Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30 year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Global Equity	45.0%		
Global public equity	31.0%	6.72%	2.08%
Private equity	9.0%	9.60%	0.83%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real estate (private)	5.0%	4.32%	0.22%
Real estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/ Risk parity	10.0%	4.16%	0.42%
Hedge funds (non-PA)	4.0%	3.82%	0.15%
Other opportunistic strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed credit	6.0%	3.92%	0.24%
Emerging markets debt	5.0%	5.01%	0.25%
Private debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core fixed income	10.0%	1.60%	0.16%
Cash and short duration (net)	2.0%	0.92%	0.02%
Total expected real return	100.0%		5.31%
Inflation for Actuarial purposes			2.25%
Total expected nominal return			7.56%

Discount Rate

The discount rate used to measure the TPL was 7.25%. 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 Code of Laws. Based on those

assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 12,360,702	\$ 9,590,395	\$ 7,909,445
PORS	\$ 5,018,040	\$ 3,716,543	\$ 2,691,371

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$13,306,938 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2018, the City recognized pension expense of \$1,346,314. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 42,754	\$ 5,316
Net difference between projected and actual earnings on pension plan investments	267,719	-
Assumption changes	561,415	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	60,810	122,027
City contributions subsequent to the measurement date	575,905	-
Total SCRS	1,508,603	127,343
PORS		
Differences between expected and actual experience	33,141	-
Net difference between projected and actual earnings on pension plan investments	132,436	-
Assumption changes	352,734	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	79,758	241,883
City contributions subsequent to the measurement date	283,654	-
Total PORS	881,723	241,883
Total SCRS and PORS	\$ 2,390,326	\$ 369,226

\$859,559 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.073 years for SCRS. The difference between each year's expected and actual funding experience and the changes in proportionate share are required to be amortized over 4.073 years. However, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

Measurement Period Ending June 30,	SCRS	PORS	Total
2018	\$ 197,730	\$ 87,451	\$ 285,181
2019	197,730	87,451	285,181
2020	197,730	87,451	285,181
2021	197,730	87,451	285,181
2022	14,435	6,382	20,817
Net Balance of Deferred Outflow/(Inflow) of Resources	\$ 805,355	\$ 356,186	\$ 1,161,541

Payables to the Pension Plan

The City had an outstanding payable of \$108,784 due to the pension plans for its legally required contributions. The payable represented amounts due for the month at June, 2018 and was paid in July, 2018.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS - RESTATEMENT

Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period. The impact of the change is to decrease net position of the governmental activities at July 1, 2017 by \$139,929, and decrease net position of the enterprise fund/business-type activities by \$174,653 at July 1, 2017. The reporting change had no effect on current year operations or cash flows of the City.

NOTE 7 – SUBSEQUENT EVENTS

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF UNION

**SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

	Fiscal Year Ending
	June 30,
	2018
Total OPEB Liability	
Service cost	\$ 44,389
Interest on total OPEB liability	42,675
Effect of plan changes	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(27,276)
Benefit payments	(58,692)
Net change in total OPEB liability	1,096
Covered payroll	\$ 5,535,300
Total OPEB liability as a % covered payroll	21.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

CITY OF UNION, SOUTH CAROLINA

NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2017, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2018 reported in that schedule can be found in Note 4 of the basic financial statements.

CITY OF UNION, SOUTH CAROLINA

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 4 FISCAL YEARS

	2018	2017	2016	2015
<u>SCRS</u>				
Contractually required Contribution	\$ 575,905	\$ 490,453	\$ 465,797	\$ 517,635
Contributions in relation to the contractually required contribution	(575,905)	(490,453)	(465,797)	(517,635)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 4,294,592	\$ 4,298,446	\$ 4,211,558	\$ 4,006,631
Contributions as a percentage of covered-employee payroll	13.41%	11.41%	13.81%	10.90%
	2018	2017	2016	2015
<u>PORS</u>				
Contractually required Contribution	\$ 283,654	\$ 252,846	\$ 255,784	\$ 246,942
Contributions in relation to the contractually required contribution	(283,654)	(252,846)	(255,784)	(246,942)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,790,744	\$ 1,826,923	\$ 1,861,594	\$ 1,727,093
Contributions as a percentage of covered-employee payroll	15.84%	13.84%	12.65%	13.41%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF UNION, SOUTH CAROLINA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 4 FISCAL YEARS

	2018	2017	2016	2015
<u>SCRS</u>				
Proportion of the net pension liability	0.0426%	0.0434%	0.0427%	0.0429%
Proportionate share of the net pension liability	\$ 9,590,395	\$ 9,264,622	\$ 8,104,330	\$ 7,385,441
Covered-employee payroll	\$ 4,294,592	\$ 4,298,446	\$ 4,211,558	\$ 4,006,631
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.3133%	215.5342%	192.4307%	184.3305%
Plan's fiduciary net position	\$ 25,732,829,268	\$ 23,996,362,354	\$ 25,131,828,101	\$ 25,738,521,026
Plan's total pension liability	\$ 48,244,437,494	\$ 45,356,214,752	\$ 44,097,310,230	\$ 42,955,205,796
Plan fiduciary net position as a percentage of the total pension liability	53.3%	52.9%	57.0%	59.9%
	2018	2017	2016	2015
<u>PORS</u>				
Proportion of the net pension liability	0.1357%	0.1460%	0.1394%	0.1474%
Proportionate share of the net pension liability	\$ 3,716,543	\$ 3,703,836	\$ 3,038,436	\$ 2,822,594
Covered-employee payroll	\$ 1,790,744	\$ 1,826,923	\$ 1,861,594	\$ 1,727,093
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.5418%	202.7363%	163.2169%	163.4303%
Plan's fiduciary net position	\$ 4,274,123,178	\$ 3,876,035,732	\$ 3,971,824,838	\$ 3,985,101,996
Plan's total pension liability	\$ 7,013,684,001	\$ 6,412,510,458	\$ 6,151,321,222	\$ 5,899,529,434
Plan fiduciary net position as a percentage of the total pension liability	60.9%	60.4%	64.6%	67.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF UNION, SOUTH CAROLINA

NOTES TO PENSION PLAN REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2017, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2018 reported in that schedule can be found in Note 5 of the basic financial statements.

**OTHER SUPPLEMENTARY
INFORMATION**

CITY OF UNION, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue						Main Street Junction	Total Nonmajor Governmental Funds
	Local Hospitality & Accommodations	Tax Increment District	Drug Account	Community Change	Union Events Center	Firemen's Fund		
Assets								
Cash and cash equivalents	\$ 284,034	\$ 71,327	\$ 4,789	\$ 28,707	\$ 1,360	\$ 5,922	\$ 63,380	\$ 459,519
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Due (to) from other funds	(800)	(89,659)	-	1,614	-	-	(1,666)	(90,511)
Total Assets	<u>\$ 283,234</u>	<u>\$ (18,332)</u>	<u>\$ 4,789</u>	<u>\$ 30,321</u>	<u>\$ 1,360</u>	<u>\$ 5,922</u>	<u>\$ 61,714</u>	<u>\$ 369,008</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,052	\$ 8,052
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,052</u>	<u>8,052</u>
Fund Balances								
Restricted	283,234	-	4,789	30,321	1,360	5,922	53,662	379,288
Unassigned	-	(18,332)	-	-	-	-	-	(18,332)
Total Fund Balances (deficits)	<u>283,234</u>	<u>(18,332)</u>	<u>4,789</u>	<u>30,321</u>	<u>1,360</u>	<u>5,922</u>	<u>53,662</u>	<u>360,956</u>
Total Liabilities and Fund Balances (deficits)	<u>\$ 283,234</u>	<u>\$ (18,332)</u>	<u>\$ 4,789</u>	<u>\$ 30,321</u>	<u>\$ 1,360</u>	<u>\$ 5,922</u>	<u>\$ 61,714</u>	<u>\$ 369,008</u>

CITY OF UNION, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue							Total Nonmajor Governmental Funds
	Local Hospitality and Accommodations	Tax Increment District	Drug Account	Community Change	Union Events Center	Firemen's Fund	Main Street Junction	
Revenues								
Property taxes and penalties	\$ -	\$ 75,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,166
Local hospitality & accommodation tax	240,779	-	-	-	-	-	-	240,779
Intergovernmental revenues/grants/contributons	-	-	-	-	-	-	-	-
Investment earnings	159	44	2	17	1	-	17	240
Miscellaneous revenues	-	-	1,202	18,943	-	14,337	48,933	83,415
Total Revenues	<u>240,938</u>	<u>75,210</u>	<u>1,204</u>	<u>18,960</u>	<u>1</u>	<u>14,337</u>	<u>48,950</u>	<u>399,600</u>
Expenditures								
Current								
General government	207,398	-	-	30,192	818	-	137,930	376,338
Public safety	-	-	-	-	-	15,485	-	15,485
Capital outlay								
General government	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Debt service								
General government	-	89,331	-	-	-	-	-	89,331
Total Expenditures	<u>207,398</u>	<u>89,331</u>	<u>-</u>	<u>30,192</u>	<u>818</u>	<u>15,485</u>	<u>137,930</u>	<u>481,154</u>
Excess (deficiency) of revenues (under) expenditures	<u>33,540</u>	<u>(14,121)</u>	<u>1,204</u>	<u>(11,232)</u>	<u>(817)</u>	<u>(1,148)</u>	<u>(88,980)</u>	<u>(81,554)</u>
Other Financing Sources (Uses)								
Transfers in (out)	(85,000)	-	-	-	-	-	85,000	-
Net Change in Fund Balances	<u>(51,460)</u>	<u>(14,121)</u>	<u>1,204</u>	<u>(11,232)</u>	<u>(817)</u>	<u>(1,148)</u>	<u>(3,980)</u>	<u>(81,554)</u>
Fund Balances - beginning	<u>334,694</u>	<u>(4,211)</u>	<u>3,585</u>	<u>41,553</u>	<u>2,177</u>	<u>7,070</u>	<u>57,642</u>	<u>442,510</u>
Fund Balances (deficits) - ending	<u>\$ 283,234</u>	<u>\$ (18,332)</u>	<u>\$ 4,789</u>	<u>\$ 30,321</u>	<u>\$ 1,360</u>	<u>\$ 5,922</u>	<u>\$ 53,662</u>	<u>\$ 360,956</u>

CITY OF UNION, SOUTH CAROLINA
 COMBINING SCHEDULE OF REVENUES AND EXPENSES BY DIVISION
 UTILITY ENTERPRISE FUND
 JUNE 30, 2018

	Electric Division	Water Division	Sewer Division	Gas Division	Total
Operating revenues					
Sales	\$ 17,964,220	\$ 3,507,152	\$ -	\$ 10,590,065	\$ 32,061,437
Sewer charges	-	-	2,934,131	-	2,934,131
Other revenues	3,308	16,117	(8,718)	27,924	38,631
Total operating revenues	<u>17,967,528</u>	<u>3,523,269</u>	<u>2,925,413</u>	<u>10,617,989</u>	<u>35,034,199</u>
Operating expenses					
Purchased power and natural gas	13,997,365	-	-	6,695,426	20,692,791
System operations	1,751,030	2,697,863	1,785,277	1,600,894	7,835,064
Payments in lieu of franchise fee	883,416	177,324	143,040	510,972	1,714,752
Depreciation and amortization	596,802	776,383	890,541	642,253	2,905,979
Total operating expenses	<u>17,228,613</u>	<u>3,651,570</u>	<u>2,818,858</u>	<u>9,449,545</u>	<u>33,148,586</u>
Operating income (loss)	<u>738,915</u>	<u>(128,301)</u>	<u>106,555</u>	<u>1,168,444</u>	<u>1,885,613</u>
Nonoperating revenues (expenses)					
Investment earnings	86,831	17,761	13,814	78,937	197,343
Other	281,967	38,704	89,717	1,099	411,487
Interest expense	(9,444)	(40,978)	(156,217)	(17,802)	(224,441)
Total nonoperating revenues (expenses)	<u>359,354</u>	<u>15,487</u>	<u>(52,686)</u>	<u>62,234</u>	<u>384,389</u>
Net income (loss) before contributions and transfers	<u>\$ 1,098,269</u>	<u>\$ (112,814)</u>	<u>\$ 53,869</u>	<u>\$ 1,230,678</u>	<u>\$ 2,270,002</u>

CITY OF UNION, SOUTH CAROLINA
 LOCAL HOSPITALITY AND ACCOMMODATIONS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Local hospitality and accommodations tax	\$ 405,000	\$ 405,000	\$ 240,779	\$ (164,221)
Investment earnings	-	-	159	159
Total revenues	<u>405,000</u>	<u>405,000</u>	<u>240,938</u>	<u>(164,062)</u>
EXPENDITURES				
Current				
General Government	405,000	405,000	292,398	112,602
Total expenditures	<u>405,000</u>	<u>405,000</u>	<u>292,398</u>	<u>112,602</u>
Excess of revenue over expenditures	-	-	(51,460)	(51,460)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(51,460)	(51,460)
Fund balances - beginning	334,694	334,694	334,694	-
Fund balances - ending	<u>\$ 334,694</u>	<u>\$ 334,694</u>	<u>\$ 283,234</u>	<u>\$ (51,460)</u>

CITY OF UNION, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL
ELECTRIC DIVISION
YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 9,070,000	\$ 8,975,816	\$ (94,184)
Sales - commercial	7,246,940	6,968,092	(278,848)
Sales - industrial	1,148,290	1,331,738	183,448
Sales - other	372,030	688,574	316,544
Other revenues	(26,000)	3,308	29,308
Total operating revenues	<u>17,811,260</u>	<u>17,967,528</u>	<u>156,268</u>
Operating expenses			
Purchase power and natural gas	14,859,000	13,997,365	861,635
System operations	2,016,700	1,751,030	265,670
Payment in lieu of franchise fee	866,000	883,416	(17,416)
Depreciation and amortization	-	596,802	(596,802)
Total operating expenses	<u>17,741,700</u>	<u>17,228,613</u>	<u>513,087</u>
Operating income (loss)	<u>69,560</u>	<u>738,915</u>	<u>669,355</u>
Nonoperating revenues (expenses)			
Investment earnings	27,200	86,831	59,631
Other	151,000	281,967	130,967
Interest expense	(163,740)	(9,444)	154,296
Total nonoperating revenue (expenses)	<u>14,460</u>	<u>359,354</u>	<u>344,894</u>
Income (loss) before contributions and transfers	<u>\$ 84,020</u>	<u>\$ 1,098,269</u>	<u>\$ 1,014,249</u>

CITY OF UNION, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL
WATER DIVISION
YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 1,551,460	\$ 1,525,822	\$ (25,638)
Sales - commercial	451,440	440,740	(10,700)
Sales - industrial	575,710	597,222	21,512
Sales - water districts	913,580	921,468	7,888
Sales - other	20,590	21,900	1,310
Other revenues	8,000	16,117	8,117
Total operating revenues	<u>3,520,780</u>	<u>3,523,269</u>	<u>2,489</u>
Operating expenses			
System operations	2,789,880	2,697,863	92,017
Payment in lieu of franchise fee	173,000	177,324	(4,324)
Depreciation and amortization	-	776,383	(776,383)
Total operating expenses	<u>2,962,880</u>	<u>3,651,570</u>	<u>(688,690)</u>
Operating income (loss)	<u>557,900</u>	<u>(128,301)</u>	<u>(686,201)</u>
Nonoperating revenues (expenses)			
Investment earnings	3,300	17,761	14,461
Other	31,000	38,704	7,704
Interest expense	(468,620)	(40,978)	427,642
Total nonoperating revenue (expenses)	<u>(434,320)</u>	<u>15,487</u>	<u>449,807</u>
Income (loss) before contributions and transfers	<u>\$ 123,580</u>	<u>\$ (112,814)</u>	<u>\$ (236,394)</u>

CITY OF UNION, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL
SEWER DIVISION
YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sewer charges - residential	\$ 1,638,120	\$ 1,608,722	\$ (29,398)
Sewer charges - commercial	492,610	503,869	11,259
Sewer charges - industrial	811,630	821,540	9,910
Other revenues	1,000	(8,718)	(9,718)
Total operating revenues	<u>2,943,360</u>	<u>2,925,413</u>	<u>(17,947)</u>
Operating expenses			
System operations	1,960,540	1,785,277	175,263
Payment in lieu of franchise fee	141,930	143,040	(1,110)
Depreciation and amortization	-	890,541	(890,541)
Total operating expenses	<u>2,102,470</u>	<u>2,818,858</u>	<u>(716,388)</u>
Operating income (loss)	<u>840,890</u>	<u>106,555</u>	<u>(734,335)</u>
Nonoperating revenues (expenses)			
Investment earnings	14,400	13,814	(586)
Other	-	89,717	89,717
Interest expense	(736,960)	(156,217)	580,743
Total nonoperating revenue (expenses)	<u>(722,560)</u>	<u>(52,686)</u>	<u>669,874</u>
Income (loss) before contributions and transfers	<u>\$ 118,330</u>	<u>\$ 53,869</u>	<u>\$ (64,461)</u>

CITY OF UNION, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL
GAS DIVISION
YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Sales - residential	\$ 3,706,290	\$ 3,503,992	\$ (202,298)
Sales - commercial	2,255,650	2,060,423	(195,227)
Sales - interruptible	6,377,860	5,022,512	(1,355,348)
Sales - other	-	3,138	3,138
Other revenues	9,000	27,924	18,924
Total operating revenues	<u>12,348,800</u>	<u>10,617,989</u>	<u>(1,730,811)</u>
Operating expenses			
Purchase power and natural gas	8,523,070	6,695,426	1,827,644
System operations	1,532,870	1,600,894	(68,024)
Payment in lieu of franchise fee	475,430	510,972	(35,542)
Depreciation and amortization	-	642,253	(642,253)
Total operating expenses	<u>10,531,370</u>	<u>9,449,545</u>	<u>1,081,825</u>
Operating income (loss)	<u>1,817,430</u>	<u>1,168,444</u>	<u>(648,986)</u>
Nonoperating revenues (expenses)			
Investment earnings	55,000	78,937	23,937
Other	2,000	1,099	(901)
Interest expense	(269,800)	(17,802)	251,998
Total nonoperating revenue (expenses)	<u>(212,800)</u>	<u>62,234</u>	<u>275,034</u>
Income (loss) before contributions and transfers	<u>\$ 1,604,630</u>	<u>\$ 1,230,678</u>	<u>\$ (373,952)</u>

CITY OF UNION, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES - BUDGET AND ACTUAL
SOLID WASTE MANAGEMENT FUND
YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Collection fees	\$ 767,200	\$ 777,514	\$ 10,314
Other revenues - net of bad debts	(9,000)	(7,596)	1,404
Total operating revenues	<u>758,200</u>	<u>769,918</u>	<u>11,718</u>
Operating expenses			
System operations	728,640	850,098	(121,458)
Payment in lieu of franchise fee	35,000	38,064	(3,064)
Depreciation and amortization	-	56,374	(56,374)
Total operating expenses	<u>763,640</u>	<u>944,536</u>	<u>(180,896)</u>
Operating income (loss)	<u>(5,440)</u>	<u>(174,618)</u>	<u>(169,178)</u>
Nonoperating revenues (expenses):			
Investment earnings	-	137	137
Other	-	(28)	(108)
Interest expense	(740)	(372)	2
Total nonoperating revenue (expenses)	<u>(740)</u>	<u>(263)</u>	<u>31</u>
Income (loss) before contributions and transfers	<u>\$ (6,180)</u>	<u>\$ (174,881)</u>	<u>\$ (169,147)</u>

**CITY OF UNION, SOUTH CAROLINA
 SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
 VICTIM'S RIGHTS FUNDS
 YEAR ENDED JUNE 30, 2018**

Municipal Court revenue to the City of Union

Court revenue booked in General Fund, excluding Victim's rights and other police revenues	\$ -
Court assessment and surcharges to the State of SC	(68,826)
Court refunds	-
	-
Net Court Revenues to the City of Union	(68,826)

Municipal Court revenue to the State of SC

Court assessments to the State Treasurer	43,276
DUI Assessments to the State Treasurer	87
DUI Spinal Cord Research Charges to the State	729
DUI DPS Pullouts to the State	729
DUS DPS Pullouts to the State	3,991
Drug Surcharges to the State	3,591
Law Enforcement Surcharges to the State	16,244
Criminal Justice Academy Surcharges	86
DUI DUAC TEST convictions Fees	93
Total Court Revenue Sent to State	68,826

Victim Services

Court Assessments allocated to Victim Services	5,436
Court Surcharges allocated to Victim Services	5,558
Funds Allocated to Victim Services	10,994
Victim Services and Expenditures	(10,994)

Excess Revenues Over (Under) Expenditures for Victim Services \$ -

NOTES TO THE SCHEDULE:

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

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

**CITY OF UNION, SOUTH CAROLINA
 SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
 COLLECTED AND REMITTED
 YEAR ENDED JUNE 30, 2018**

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

Fines collected and retained	\$	41,678
Assessments/surcharges/pullouts collected		80,624
Assessments retained for victim's rights assistance		5,436
Surcharges retained for victim's rights assistance		6,363
Assessments/surcharges/pullouts remitted		68,825
6-30-2017 Fund balance - restricted for victims' rights assistance	\$	-
FY 2018 Victims' assistance assessments and surcharges collected		11,799
8 Expenditures for victims' rights assistance		(11,799)
6-30-2018 Fund balance - restricted for victims' rights assistance	\$	-

NOTES TO THE SCHEDULE:

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

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

SINGLE AUDIT SECTION

CITY OF UNION, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through South Carolina Department of Commerce			
Community Development Block Grant (CDBG)	14.228	4-CE-17-010	4,946
Community Development Block Grant (CDBG)	14.228	4-CI-16-012	\$ 624,664
Community Development Block Grant (CDBG)	14.228	4-CE-15-006	435,035
	Total 14.228		<u>1,064,645</u>
Total Federal Awards Expended			<u><u>\$ 1,064,645</u></u>

See accompanying notes to schedule.

CITY OF UNION, SOUTH CAROLINA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Union, South Carolina (the “City”) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented on the modified accrual basis of accounting and in accordance with the requirements of the Uniform Guidance. 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 or changes in net position of the City.

NOTE 2 – COST PRINCIPLES

Expenditures are recognized following the cost principles contained in 2 CFR Part 200, Cost Principles for States, Local Governments, and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Matching costs, i.e., the non-federal share of certain program costs, are not included in the Schedule.

NOTE 3 – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 GOVERNMENT AUDITING STANDARDS

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

We 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, South Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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S.C. Association of Certified Public Accountants



To the Honorable Mayor and City Council
City of Union
December 10, 2018

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
December 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Union, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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To the Honorable Mayor and City Council
City of Union
December 10, 2018

Opinion on Each Major Federal Program

In our opinion, the City 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, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Our 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
December 10, 2018

CITY OF UNION, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

There were none.

CITY OF UNION, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs: **Unmodified Opinion**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

The programs tested as major programs for the City of Union, South Carolina for the year ended June 30, 2018 are:

<u>Program Name</u>	<u>CFDA Number</u>
Community Development Block Grant (CDBG)	14.228

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

II. Financial Statement Findings

None Reported.

III. Major Federal Award Findings and Questioned Costs

None Reported.

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, utility system receipts. Additional data is presented on property tax revenue, the most significant general fund revenue source and a traditional revenue source of readers of this report.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,298,016	\$ 789,457	\$ 920,387	\$ 1,370,217	\$ 1,663,947	\$ 1,978,429	\$ 2,150,103	\$ 4,390,797	\$ 4,699,992	\$ 4,700,732
Restricted	3,038,050	4,909,251	6,205,317	6,213,136	6,194,904	6,351,875	5,659,791	4,334,743	4,311,363	4,863,997
Unrestricted	6,443,452	5,179,917	4,083,016	4,124,280	3,665,492	3,383,883	81,520	(578,302)	(927,663)	(1,142,476)
Total governmental activities net assets	<u>\$ 10,779,518</u>	<u>\$ 10,878,625</u>	<u>\$ 11,208,720</u>	<u>\$ 11,707,633</u>	<u>\$ 11,524,343</u>	<u>\$ 11,714,187</u>	<u>\$ 7,891,414</u>	<u>\$ 8,147,238</u>	<u>\$ 8,083,692</u>	<u>\$ 8,422,253</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 48,338,314	\$ 48,741,936	\$ 48,015,063	\$ 49,241,814	\$ 50,902,239	\$ 51,343,154	\$ 52,176,918	\$ 53,443,659	\$ 54,163,348	\$ 55,945,231
Restricted	1,184,860	1,381,878	1,743,995	2,073,810	1,177,673	1,139,536	1,105,619	1,143,975	1,157,559	966,997
Unrestricted	8,812,412	10,276,095	11,079,329	9,874,609	10,826,101	12,899,474	8,952,670	10,034,060	11,588,916	12,877,342
Total business-type activities net assets	<u>\$ 58,335,586</u>	<u>\$ 60,399,909</u>	<u>\$ 60,838,387</u>	<u>\$ 61,190,233</u>	<u>\$ 62,906,013</u>	<u>\$ 65,382,164</u>	<u>\$ 62,235,207</u>	<u>\$ 64,621,694</u>	<u>\$ 66,909,823</u>	<u>\$ 69,789,570</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 49,636,330	\$ 49,531,393	\$ 48,935,450	\$ 50,612,031	\$ 52,566,186	\$ 53,321,583	\$ 54,327,021	\$ 57,834,456	\$ 58,863,340	\$ 60,645,963
Restricted	4,222,910	6,291,129	7,949,312	8,286,946	7,372,577	7,491,411	6,765,410	5,478,718	5,468,922	\$ 5,830,994
Unrestricted	15,255,864	15,456,012	15,162,345	13,998,889	14,491,593	16,283,357	9,034,190	9,455,758	10,661,253	\$ 11,734,866
Total primary government net assets	<u>\$ 69,115,104</u>	<u>\$ 71,278,534</u>	<u>\$ 72,047,107</u>	<u>\$ 72,897,866</u>	<u>\$ 74,430,356</u>	<u>\$ 77,096,351</u>	<u>\$ 70,126,621</u>	<u>\$ 72,768,932</u>	<u>\$ 74,993,515</u>	<u>\$ 78,211,823</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$3,036,482	\$1,401,406	\$1,439,935	\$1,331,121	\$1,534,521	\$1,575,240	\$1,626,995	\$1,498,067	\$1,926,311	\$1,681,474
Tax and License	0	0	0	0	0	0	0	0	0	0
Facilities maintenance	72,315	62,449	63,507	102,716	105,274	68,674	99,342	59,213	76,270	185,151
Public safety	3,108,049	3,214,795	2,943,617	3,046,719	3,180,666	3,313,262	3,437,654	3,432,105	3,544,002	3,376,558
Public service	528,259	576,833	776,336	619,057	792,853	617,074	628,227	719,011	590,480	1,115,376
Planning	271,890	213,418	213,855	193,835	219,593	226,822	243,146	269,719	323,240	309,059
Interest on long-term debt	7,738	0	0	0	0	0	0	0	0	0
Total governmental activities expenses	<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>	<u>5,978,115</u>	<u>6,460,303</u>	<u>6,667,618</u>
Business-type activities:										
Solid waste management	828,676	820,127	828,261	784,316	785,828	807,779	851,938	728,587	747,419	944,908
Combined utilities	35,799,271	31,720,190	30,977,702	29,212,313	30,459,901	32,137,601	32,182,671	31,403,841	32,812,936	33,373,027
Total business type activities expenses	<u>36,627,947</u>	<u>32,540,317</u>	<u>31,805,963</u>	<u>29,996,629</u>	<u>31,245,729</u>	<u>32,945,380</u>	<u>33,034,609</u>	<u>32,132,428</u>	<u>33,560,355</u>	<u>34,317,935</u>
Total primary government expenses	<u>\$43,652,680</u>	<u>\$38,009,218</u>	<u>\$37,243,213</u>	<u>\$35,290,077</u>	<u>\$37,078,636</u>	<u>\$38,746,452</u>	<u>\$39,069,973</u>	<u>\$38,110,543</u>	<u>\$40,020,658</u>	<u>\$40,985,553</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$338,317	\$256,395	\$180,892	\$146,277	\$158,814	\$170,609	\$134,867	\$172,060	\$180,389	\$133,126
Planning	22,883	22,335	28,985	23,873	28,628	23,009	40,230	42,177	1,243,864	1,313,170
Operating grants and contributions	12,022	13,613	14,494	15,338	13,236	12,776	13,212	13,448	190,169	435,035
Capital grants and contributions	599,900	231,148	339,162	423,096	306,974	33,978	11,100	49,950	0	0
Total governmental activities program revenues	<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>	<u>277,635</u>	<u>1,614,422</u>	<u>1,881,331</u>
Business-type activities:										
Charges for services-solid waste mgt.	588,504	537,689	625,842	667,347	665,868	713,968	757,907	761,075	761,049	769,890
Charges for services-combined utilities	33,669,101	33,416,702	31,356,231	29,266,524	31,478,577	34,202,961	34,297,349	33,392,697	34,617,654	35,445,686
Capital grants and contributions	1,296,379	279,619	417,256	403,769	707,544	491,013	903,758	834,587	346,201	959,279
Total business-type activities program revenues	<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>	<u>34,988,359</u>	<u>35,724,904</u>	<u>37,174,855</u>
Total primary government program revenues	<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>\$35,265,994</u>	<u>\$37,339,326</u>	<u>\$39,056,186</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (expense)/revenue										
Governmental activities	-\$6,051,610	-\$4,945,410	-\$4,873,717	-\$4,684,863	-\$5,325,255	-\$5,560,700	-\$5,835,955	-\$5,700,479	-\$4,845,881	-\$47,786,287
Business-type activities	<u>-1,073,964</u>	<u>1,693,692</u>	<u>593,366</u>	<u>341,011</u>	<u>1,606,260</u>	<u>2,462,562</u>	<u>2,924,406</u>	<u>2,855,932</u>	<u>2,164,549</u>	<u>2,856,920</u>
Total primary government net expense	<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>	<u>-\$2,844,547</u>	<u>-\$2,681,332</u>	<u>-\$44,929,367</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Property taxes	\$1,202,275	\$1,061,709	\$1,084,836	\$1,253,120	\$1,233,963	\$1,418,245	\$1,405,180	\$1,272,330	\$1,433,458	\$1,889,671
Fee in lieu of property taxes	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057	1,769,964	1,721,980	1,777,414
Local hospitality and accomodations tax			135,174	171,836	206,506	210,873	225,710	237,766	233,149	240,779
Other taxes	504,495	448,936	399,302	388,263	420,954	449,845	467,982	436,368	469,341	461,768
Occupational Licenses and Franchise Fees	1,170,093	1,077,523	1,207,433	1,040,792	1,128,029	1,260,327	1,274,682	1,156,557	0	0
Miscellaneous	211,632	216,789	274,606	139,183	202,466	337,630	339,777	576,531	398,038	287,484
Unrestricted investment earnings	134,640	68,905	38,618	18,800	16,226	12,786	14,066	14,737	11,126	4,342
Intergovernmental revenue	534,474	568,338	501,089	448,200	464,697	493,616	478,731	492,050	515,243	603,319
Contributed Capital										
Transfers	-130,000	-130,000	-130,000	106,786	-48,370	-49,110	0	0	0	0
Total governmental activities	<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>	<u>5,956,303</u>	<u>4,782,335</u>	<u>5,264,777</u>
Business-type activities-Utility system										
Interest revenue	278,881	240,631	136,709	117,622	61,150	56,873	71,741	91,434	123,581	197,480
Loss on sale/discontinuance of capital assets			-421,598					-560,879	0	0
Transfers	130,000	130,000	130,000	-106,786	48,370	49,110	0	0	0	0
Total business-type activities	<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>	<u>-469,445</u>	<u>123,581</u>	<u>197,480</u>
Total primary government	<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>	<u>5,486,858</u>	<u>4,905,916</u>	<u>5,462,257</u>
Changes in Net Position										
Government activities	-581,533	99,107	330,096	498,913	-183,290	189,843	142,230	255,824	-63,546	478,490
Business-type activities	<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>	<u>2,386,487</u>	<u>2,288,130</u>	<u>3,054,400</u>
Total primary government	<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>	<u>\$2,642,311</u>	<u>\$2,224,584</u>	<u>\$3,532,890</u>

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

Fiscal YEAR	General Fund Property Tax(1)	Local Option Sales Tax(2)	Licenses, Permits, (3)
2009	998,421		1,192,977
2010	972,541		1,132,126
2011	980,570		1,268,967
2012	1,144,990		1,101,502
2013	1,119,507		1,212,990
2014	1,311,822		1,203,177
2015	1,276,643		1,254,403
2016	1,234,853		1,291,773
2017	1,257,359	53,699	1,249,734
2018	834,931	993,259	1,313,170

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

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

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

Source: City of Union Finance Department

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund										
Nonspendable										
Restricted										
Unreserved	3,418,580	3,359,751								
Unrestricted:										
Committed										
Assigned										
Unassigned			3,593,106	3,347,028	3,011,089	2,980,868	3,137,003	3,077,439	3,345,770	3,866,438
Total general fund	<u>3,418,580</u>	<u>3,359,751</u>	<u>3,593,106</u>	<u>3,347,028</u>	<u>3,011,089</u>	<u>2,980,868</u>	<u>3,137,003</u>	<u>3,077,439</u>	<u>3,345,770</u>	<u>3,866,438</u>
All other governmental funds										
Nonspendable	2,838,114	2,985,316	3,123,742	4,574,725	4,563,679	4,558,636	4,558,635	3,926,693	4,080,180	4,237,259
Reserved		1,707,658								
Restricted	976,889	55,345		187,386	272,814	235,049	280,072	317,983	696,331	626,738
Unreserved, reported in:										
Special Revenue Funds	64,785	34,757	111,778							
Debt Service Fund	114,668	119,347								
Unrestricted:										
Committed			1,901,761	2,146,805	1,941,561	1,875,192	1,638,915	282,101		
Assigned										
Unassigned			<u>-1457161</u>	<u>-989,091</u>	<u>-805,331</u>	<u>-670,682</u>	<u>-536,002</u>	<u>430,007</u>	<u>-4,211</u>	<u>-18,332</u>
Total all other governmental funds	<u>3,994,456</u>	<u>4,902,423</u>	<u>5,137,281</u>	<u>5,919,825</u>	<u>5,972,723</u>	<u>5,998,195</u>	<u>5,941,620</u>	<u>4,956,784</u>	<u>4,772,300</u>	<u>4,845,665</u>
Total all governmental funds	<u>\$7,413,036</u>	<u>\$8,262,174</u>	<u>\$8,730,387</u>	<u>\$9,266,853</u>	<u>\$8,983,812</u>	<u>\$8,979,063</u>	<u>\$9,078,623</u>	<u>\$8,034,223</u>	<u>\$8,118,070</u>	<u>\$8,712,103</u>

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Taxes	\$1,093,891	\$1,090,270	\$1,083,663	\$1,248,334	\$1,223,559	\$1,423,304	\$1,390,105	\$1,272,525	\$1,395,579	\$1,903,356
Fee in lieu of taxes	1,842,468	1,732,317	1,692,755	1,616,796	1,517,494	1,616,331	1,772,057	1,769,964	1,721,980	1,777,414
Local hospitality and accommodations tax	0	0	135,174	171,836	206,506	210,873	225,710	237,766	233,149	240,779
Licenses, permits and franchise fees	1,192,977	1,132,126	1,268,967	1,101,502	1,212,990	1,203,177	1,254,403	1,291,773	1,249,734	1,313,170
Fines and forfeitures	136,720	117,307	111,222	74,858	89,737	97,491	67,532	97,343	91,588	55,038
Intergovernmental	1,666,863	952,186	924,414	930,303	842,884	602,389	559,277	580,216	794,213	1,116,442
State collected revenues	504,495	448,936	399,302	388,263	420,954	449,845	467,982	436,368	469,341	461,768
Investment earnings	134,640	68,906	38,618	18,800	16,226	12,786	14,066	14,737	11,126	4,342
Miscellaneous	211,632	216,789	274,606	139,183	202,466	337,630	237,800	537,388	398,038	287,484
Total revenues	<u>6,783,686</u>	<u>5,758,837</u>	<u>5,928,721</u>	<u>5,689,875</u>	<u>5,732,816</u>	<u>5,953,826</u>	<u>5,988,932</u>	<u>6,238,080</u>	<u>6,364,748</u>	<u>7,159,793</u>
Expenditures										
General government	1,706,859	1,280,247	1,283,266	1,142,488	1,436,257	1,492,783	1,557,531	2,739,369	1,522,719	1,580,012
Taxes and licenses	0	0	0	0	0	0	0	0	0	0
Facilities Maintenance	67,308	62,449	63,507	102,716	105,205	68,674	99,342	67,339	76,270	185,151
Public Safety	2,960,766	2,819,134	2,739,922	2,876,452	3,004,726	3,077,298	3,149,074	3,171,826	3,181,420	3,132,167
Public service	498,462	548,310	531,609	545,745	587,931	589,278	597,065	678,752	585,320	1,101,424
Planning	264,241	202,862	206,414	186,395	214,525	222,548	237,744	261,764	323,240	309,059
Capital outlay	1,091,069	791,452	1,190,531	178,137	390,581	241,900	133,611	91,866	402,230	68,244
Debt Service								0	0	0
Principal	102,890	146,157	91,737	159,330	164,283	185,558	181,256	279,089	163,410	167,586
Interest	<u>7,751</u>	<u>29,087</u>	<u>96,519</u>	<u>68,932</u>	<u>63,979</u>	<u>31,426</u>	<u>35,728</u>	<u>31,616</u>	<u>26,293</u>	<u>22,117</u>
Total expenditures, including capital	<u>6,699,346</u>	<u>5,879,698</u>	<u>6,203,505</u>	<u>5,260,195</u>	<u>5,967,487</u>	<u>5,909,465</u>	<u>5,991,351</u>	<u>7,321,621</u>	<u>6,280,902</u>	<u>6,565,760</u>
Excess of revenues over (under) expenditures	84,340	-120,861	-274,784	429,680	-234,671	44,361	-2,419	-1,083,541	83,846	594,033
Other financing sources (uses)										
Contributed capital										
Loan and lease purchase proceeds	370,000	1,100,000	873,000							
Insurance proceeds							101,976	39,143	0	0
Transfer- In (Out)	<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>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>240,000</u>	<u>970,000</u>	<u>743,000</u>	<u>106,786</u>	<u>-48,370</u>	<u>-49,110</u>	<u>101,976</u>	<u>39,143</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$324,340</u>	<u>\$849,139</u>	<u>\$468,216</u>	<u>\$536,466</u>	<u>-\$283,041</u>	<u>-\$4,749</u>	<u>\$99,557</u>	<u>-\$1,044,398</u>	<u>\$83,846</u>	<u>\$594,033</u>
Debt service as a percentage of noncapital expenditures	2.0%	3.6%	3.9%	4.7%	4.3%	4.0%	3.8%	4.5%	3.3%	3.0%

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

Fiscal Year	Electric Receipts	Percent of Total	Water Receipts	Percent of Total	Sewer Receipts	Percent of Total	Gas Receipts	Percent of Total	Other Operating Revenue	Percent of Total	Total Combined Public Utility Operating Revenue
2009	13,402,927	39.8%	2,857,173	8.5%	1,616,440	4.8%	15,837,563	47.0%	-29,543	-0.1%	33,684,560
2010	14,603,775	44.8%	2,789,237	8.6%	1,732,367	5.3%	13,433,800	41.2%	54,635	0.2%	32,613,814
2011	14,290,390	46.1%	2,873,486	9.3%	1,751,958	5.7%	12,172,761	39.3%	-84,932	-0.3%	31,003,663
2012	14,764,890	51.0%	3,061,643	10.6%	1,836,070	6.3%	9,342,547	32.2%	-30,922	-0.1%	28,974,228
2013	15,751,527	50.6%	3,080,697	9.9%	1,963,425	6.3%	10,347,228	33.2%	-18,481	-0.1%	31,124,396
2014	16,001,114	47.1%	3,362,162	9.9%	2,266,548	6.7%	12,561,150	37.0%	-228,452	-0.7%	33,962,522
2015	16,786,838	49.5%	3,446,084	10.2%	2,487,721	7.3%	11,192,441	33.0%	7,665	0.0%	33,913,084
2016	17,329,402	52.3%	3,449,583	10.4%	2,850,108	8.6%	9,483,096	28.6%	21,326	0.1%	33,133,515
2017	17,645,542	51.4%	3,525,388	10.3%	2,860,365	8.3%	10,178,446	29.7%	95,336	0.3%	34,305,077
2018	17,964,220	51.3%	3,507,152	10.0%	2,934,131	8.4%	10,590,065	30.2%	38,631	0.1%	35,034,199

**City of Union
Electric Largest Users
For the Year Ended June 30, 2018**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-kWh</u>	<u>% of Total 2017 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2017 Billed Revenue</u>
HAEMONETICS	PHARMACEUTICAL	8,314,440	6.48%	978,288	5.44%
CITY OF UNION	GOVERNMENT	4,942,135	3.85%	639,634	3.56%
UNION MEDICAL CENTER	HOSPITAL	4,760,208	3.71%	543,119	3.02%
UNION COUNTY SCHOOLS	EDUCATION	3,795,301	2.96%	559,418	3.11%
WAL-MART #01-0629	GROCERY/MERCHANDISE	3,269,280	2.55%	375,558	2.09%
BI-LO #167	GROCERY	1,897,440	1.48%	217,840	1.21%
UNION COUNTY SUPERVISOR	GOVERNMENT	1,635,155	1.27%	261,741	1.46%
OAKMONT OF UNION	HEALTHCARE	1,361,760	1.06%	162,324	0.90%
GLOBAL FELT TECHNOLOGY	SPECIALTY PRODUCTS	1,202,700	0.94%	171,776	0.96%
FRESH AIR GALAXY	GROCERY	1,190,439	0.93%	138,526	0.77%
TOTAL LARGEST USER		<u>32,368,858</u>	25.23%	<u>\$4,048,224</u>	22.53%
TOTAL USAGE BILLED		128,312,859			
USAGE NOT BILLED(STREET LIGHTS)		<u>2,524,860</u>			
TOTAL USAGE NET OF LOSSES		130,837,719			
TOTAL AUDITED REVENUE				\$17,967,528	

(1) Source: City of Union utility records.

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

**City of Union, South Carolina
Natural Gas Largest Users
For the Year ended June 30,2018**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-CCF</u>	<u>% of Total 2018 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2018 Billed Revenue</u>
KOHLER CO	CERAMIC FIXTURES	4,305,420	25.68%	\$1,805,251	17.00%
BASF WYANDOTTE CORP.	CHEMICAL	1,855,240	11.06%	814,600	7.67%
STANDARD TEXTILE COMPANY	TEXTILES	1,730,005	10.32%	742,125	6.99%
CEDAR HILL PLANT	TEXTILES	969,220	5.78%	426,007	4.01%
THE TIMKEN CO	BEARINGS	928,310	5.54%	407,157	3.83%
GEORGIA PACIFIC-SHARED CT	PAPER PRODUCTS	491,500	2.93%	216,155	2.04%
HAEMONETICS	PHARMACEUTICAL	380,110	2.27%	347,087	3.27%
SLOAN CONSTRUCTION CO.	ASPHALT/PAVING	321,603	1.92%	141,775	1.34%
KINGS ASPHALT	ASPHALT	302,940	1.81%	132,099	1.24%
SOUTHEAST EMULSIONS INC	ASPHALT PREPARATION	300,380	1.79%	130,974	1.23%
TOTAL LARGEST USER		<u>11,584,728</u>	69.08%	<u>\$5,163,230</u>	48.63%
TOTAL USAGE BILLED		16,768,836			
TOTAL AUDITED REVENUE				\$10,617,989	

(1) Source: City of Union utility records.

**City of Union
Water Largest User
For the Year Ended June 30, 2018**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2017 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2017 Billed Revenue</u>
MEANSVILLE RILEY WATER DIST	WATER DISTRICT	118126500	14.39%	\$180,028	5.11%
BROWNS CREEK WATER DIST	WATER DISTRICT	85,188,000	10.38%	259,046	7.35%
SANTUC-HEBRON WATER DIST	WATER DISTRICT	81,291,100	9.91%	248,135	7.04%
STANDARD TEXTILE COMPANY	TEXTILE	67,404,900	8.21%	263,059	7.47%
ROCKY CREEK WATER DIST	WATER DISTRICT	63,016,200	7.68%	196,965	5.59%
CEDAR HILL PLANT	TEXTILE	29,997,500	3.66%	125,696	3.57%
HAEMONETICS	PHARMACEUTICAL	13,652,900	1.66%	43,016	1.22%
THE TIMKEN COMPANY	BEARINGS	12,127,200	1.48%	56,479	1.60%
TOWN OF CARLISLE	WATER DISTRICT	11,465,500	1.40%	37,293	1.06%
GESTAMP OF SOUTH CAROLINA	AUTOMOTIVE	9,293,100	1.13%	42,910	1.22%
TOTAL LARGEST USER		<u>491,562,900</u>	59.90%	<u>\$1,452,627</u>	41.23%
TOTAL USAGE BILLED		820,695,810			
TOTAL AUDITED REVENUE				\$3,523,269	

(1) Source: City of Union utility records.

**City of Union
Sewer Largest Users
For the Year Ended June 30, 2018**

<u>USER NAME</u>	<u>USER SERVICE OR BUSINESS</u>	<u>CONSUMPTION-GAL</u>	<u>% of Total 2018 Billed Usage</u>	<u>BILLED REVENUES</u>	<u>% of Total 2018 Billed Revenue</u>
STANDARD TEXTILE COMPANY	TEXTILE	59,768,400	17.24%	\$228,510	7.81%
CEDAR HILL PLANT	TEXTILE	8,656,920	2.50%	62,326	2.13%
THE TIMKEN CO	BEARINGS	7,842,700	2.26%	56,467	1.93%
UNION MEDICAL CENTER	HOSPITAL	6,728,800	1.94%	20,568	0.70%
PROFESSIONAL REALTY MANAGEMENT	RESIDENTIAL APARTMENTS	5,985,300	1.73%	41,148	1.41%
UNION COUNTY SCHOOLS	EDUCATION	5,720,300	1.65%	37,894	1.30%
CITY OF UNION	GOVERNMENT	5,230,900	1.51%	26,144	0.89%
OAKMONT OF UNION	RESIDENTIAL CARE CENTER	5,057,500	1.46%	24,295	0.83%
UNION COUNTY	GOVERNMENT	4,749,000	1.37%	34,760	1.19%
HAEMONETICS	PHARMACEUTICAL	4,095,200	1.18%	19,705	0.67%
TOTAL LARGEST USER		<u>113,835,020</u>	32.84%	<u>\$551,817</u>	18.86%
TOTAL USAGE USED TO CALCULATE SEWER CHARGES		346,603,430			
TOTAL AUDITED REVENUE				\$2,925,413	

(1) Source: City of Union utility records.

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

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

Fiscal Year	Fiscal Year	Tax Year	Real Property \$	Personal Property			Total Taxable Assessed Value \$	Total Direct Tax Rate \$	Estimated Actual Taxable Value \$	Assessed Value as a Percentage of Actual Value
				Motor Vehicles \$	Other Personal Property \$	Total Personal Property \$				
2009	2009	2008	10,846,240	1,943,378	1,448,200	3,391,578	14,237,818	74.3	253,807,525	5.61%
2010	2010	2009	10,877,120	1,733,808	2,099,920	3,833,728	14,710,848	74.3	248,567,420	5.92%
2011	2011	2010	11,628,650	1,625,505	1,743,890	3,369,395	14,998,045	74.3	258,965,490	5.79%
2012	2012	2011	12,264,300	1,617,809	2,049,500	3,667,309	15,931,609	79.9	273,006,513	5.84%
2013	2013	2012	12,303,700	1,730,775	2,149,970	3,880,745	16,184,445	79.9	274,446,550	5.90%
2014	2014	2013	12,294,380	1,754,508	1,425,390	3,179,898	15,474,278	92.5	274,949,800	5.63%
2015	2015	2014	12,353,600	1,983,675	1,677,690	3,661,365	16,014,965	92.5	278,970,690	5.74%
2016	2016	2015	11,992,510	2,107,553	2,142,900	4,250,453	16,242,963	84.2	277,674,153	5.85%
2017	2017	2016	12,286,920	1,982,834	1,841,930	3,824,764	16,111,684	86.8	272,371,122	5.92%
2018	2018	2017	12,353,960	1,993,023	1,770,570	3,763,593	16,117,553	86.8	271,243,045	5.94%

(1) Source: Union County Auditor

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

Fiscal Year	City of Union			Union County			Union County School District				Total Direct & Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Special Levies	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		Special Districts
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
2016	84.2		84.2	111.0	4.0	24.7	139.7	119.9	48.0	167.9		391.8
2017	86.8		86.8	111.0	6.2	30.2	147.4	119.9	48.0	167.9		402.1
2018	86.8		86.8	112.4	6.2	30.4	149.0	124.9	48.0	172.9		408.7

(1) Source: Union County Auditor

**CITY OF UNION, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
NOVEMBER 30, 2018**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2017 TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>	<u>2008 TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL ASSESSED</u>
HAEMONETICS CORP	INDUSTRIAL	534,990	1	4.31%	460,610	2	4.23%
WAL MART REAL ESTATE/UNION DEV GROUP LL	COMMERCIAL	458,200	2	3.69%	98,280	10	
CHARTER COMMUNICATIONS	COMMUNICATIONS	213,290	3	1.72%	105,020	9	0.96%
LOCKHART POWER COMPANY	UTILITY	203,660	4				
BELLSOUTH COMMUNICATIONS	COMMUNICATIONS	198,300	5	1.60%	546,410	1	5.02%
UNION STATION LLC/WINDSOR HILL CO LLC	COMMERCIAL	165,150	6	1.33%	172,500	6	
GRAHAM, WILLIAM M	COMMERCIAL	121,740	7	0.98%	127,900	7	
UNION ELDERLY HOUSING LP	RESIDENTIAL	109,410	8	0.88%			
FAIRFOREST LTD PARTNERSHIP	RESIDENTIAL	93,270	9	0.75%			
DIALYSIS CLINIC INC	MEDICAL	<u>92,060</u>	10	<u>0.74%</u>			
MAYA 7 LLC	COMMERCIAL				359,550	3	3.30%
MILLIKEN & COMPANY INC	TEXTILES				193,670	4	1.78%
FOOD LION LLC	COMMERCIAL				137,630	5	1.26%
4031 HCR PROPERTIES (OAKMONT)	RESIDENTIAL				<u>109,970</u>	8	<u>1.01%</u>
TOTAL OF LARGEST TAXPAYERS		<u>2,190,070</u>		<u>16.00%</u>	<u>2,311,540</u>		<u>17.57%</u>
TOTAL 2016 TAXABLE ASSESSED VALUE		<u>12,415,680</u>	*	<u>100.00%</u>	<u>10,885,210</u>	*	<u>100.00%</u>

*EXCLUDES HOMESTEAD EXEMPTION, ABATEMENTS AND VEHICLES

Source: City of Union Tax Department

17.64%

21.24%

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

Fiscal Year ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Tax Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2017	1,082,484	1,030,677	95.21%	30,955	1,061,632	98.07%
2018	757,853	697,440	92.03%	30,595	728,035	96.07%

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

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

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

(4) Fiscal year 2018 levy includes the first year of the Local Option Sales Tax credit.

Source: Union County Auditor

City of Union Tax Department

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

Legal Debt Margin Calculation For Fiscal Year 2018

Assessed value	<u>\$16,117,553</u>
Debt limit (8% of total assessed value)	<u>\$1,289,404</u>
Debt applicable to limit	<u>0</u>
Legal Debt Margin	<u>\$1,289,404</u>

	Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$1,289,404	\$1,288,935	\$1,299,437	\$1,281,197	\$1,237,942	\$1,294,755	\$1,274,528	\$1,199,844	\$1,176,867	\$1,139,025
Total Net Debt Applicable to limit	<u>0</u>									
Legal Debt Margin	<u>\$1,289,404</u>	<u>\$1,288,935</u>	<u>\$1,299,437</u>	<u>\$1,281,197</u>	<u>\$1,237,942</u>	<u>\$1,294,755</u>	<u>\$1,274,528</u>	<u>\$1,199,844</u>	<u>\$1,176,867</u>	<u>\$1,139,025</u>
Total net Debt Applicable to the Limit as a % of Debt Limit	0	0	0	0	0	0	0	0	0	0
Total General Bonded Debt as a Percentage of Actual Taxable Value	0	0	0	0	0	0	0	0	0	0
Total Net General Bonded Debt per Capita	0	0	0	0	0	0	0	0	0	0

Notes: 1 Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property Schedule."

2 The legal debt limit is 8% of total assessed value.

3 The legal debt margin is the government's available borrowing under SC Code of Laws and is calculated by subtracting the debt applicable to the legal debt from the legal debt limit.

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

Fiscal Year Ended <u>June, 30</u>	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation <u>Bonds</u>	Special Assessment Bonds(2)	Capital Leases	Revenue <u>Bonds(3)</u>	Deferred and Unamortized Loss on <u>Refunding</u>	Capital <u>Leases</u>			
2009	0	382,290	79,372	12,151,223	-701,249	308,702	12,220,338	8.7	1,472
2010	0	1,380,836	34,669	11,885,906	-644,259	221,574	12,878,726	8.5	1,581
2011	0	1,302,212	857,887	12,162,530	-585,576	141,980	13,879,033	8.9	1,708
2012	0	1,193,127	779,892	15,139,111	-2,823,472	91,714	14,380,372	9.5	1,713
2013	0	1,097,866	699,770	14,010,719	-781,930	161,902	15,188,327	9.5	1,824
2014	0	994,616	617,462	15,918,398	-1,704,601	98,343	15,924,218	10.0	1,922
2015	0	886,812	532,910	14,546,506	-254,866	249,590	15,960,952	10.6	1,959
2016	0	644,631	446,052	13,026,925	0	187,281	14,304,889	9.5	1,788
2017	0	570,449	356,825	11,573,872	0	124,020	12,625,166	8.4	1,578
2018	0	494,524	265,164	10,198,282	0	59,792	11,017,762	7.3	1,377

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

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

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

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

FISCAL YEAR	GROSS REVENUES (1)	OPERATING EXPENSES (2)	NET REVENUES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			TIMES COVERAGE(3)
				PRINCIPAL	INTEREST	TOTAL	
2009	33,975,979	31,445,684	2,530,295	736,770	456,525	1,193,295	2.12
2010	33,656,302	27,448,119	6,208,183	746,422	423,378	1,169,800	5.31
2011	31,492,548	26,681,099	4,811,449	787,199	441,617	1,228,816	3.92
2012	29,383,816	25,011,203	4,372,613	881,766	417,548	1,299,314	3.37
2013	31,539,591	26,081,823	5,457,768	734,335	311,930	1,046,265	5.22
2014	34,259,783	27,934,218	6,325,565	1,253,568	283,615	1,537,183	4.12
2015	34,369,027	27,682,685	6,686,342	1,389,202	424,669	1,813,871	3.69
2016	33,484,049	27,682,685	5,801,364	1,454,406	279,493	1,733,899	3.35
2017	34,741,144	28,246,812	6,494,332	1,453,053	250,770	1,703,823	3.81
2018	35,643,029	28,527,855	7,115,174	1,375,590	224,441	1,600,031	4.45

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

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

(3) Minimum net revenue requirement per bond ordinance is 1.20%, but per City's financial Policy the minimum is set at 1.35%.

**CITY OF UNION
PRINCIPAL EMPLOYERS
CURRENT YEAR**

AS OF SEPTEMBER, 2018

EMPLOYER(1)	EMPLOYEES	RANK	PERCENTAGE OF TOTAL COUNTY ACTIVE EMPLOYMENT *
DOLLAR GENERAL DISTRIBUTION	610	1	5.25%
BELK Ecommerce	575	2	4.95%
UNION COUNTY SCHOOLS	544	3	4.68% (2)
GESTAMP SOUTH CAROLINA, LLC	416	4	3.58%
TIMKEN	241	5	2.07%
HAEMONETICS	234	6	2.01%
MILLIKEN - CEDAR HILL PLANT	234	7	2.01%
S.C. STATE GOVERNMENT	230		1.98%
COUNTY OF UNION	170	8	1.46%
STANDARD TEXTILE CAROLINA	160	9	1.38%
CARLISLE FINISHING PLANT	150	10	1.29%
CITY OF UNION	124	11	1.07%
SONOCO PRODUCTS	100	12	0.86%
MILLIKEN - GILLESPIE PLANT	90	13	0.77%
GONVAUTO SOUTH CAROLINA	80	14	0.69%
LOCKHART POWER	<u>53</u>	15	0.46%
TOTAL PRINCIPAL EMPLOYERS	4011		34.51%
TOTAL LABOR FORCE	11623		

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

(2) Seasonal Employer

* Union County labor force as of 5/2018 is total labor pool of 11,623 with 11,230 employed and 393 unemployed resulting in an unemployment rate of 3.4%

Source: Union County Development Board/Labor Profile/May,2018

SC Department of Employment and Workforce/March, 2018

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

CLASSIFICATION	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
LEGISLATIVE	9	9	9	9	9	9	9	9	9	9 (1)
CITY COURT	1	1	1	1	2	2	2	2	2	2
CITY ATTORNEY	1	1	1	1	1	1	0	0	0	0 (2)
THE UNION CONNECTION	2	2	4	3	3	2	3	3	3	3
PUBLIC SAFETY	42	41	41	40	40	41	41	41	41	38 (3)
PUBLIC SERVICE - STREET DEPT.	7	8	8	8	8	8	8	8	8	7 (4)
PUBLIC SERVICE - SOLID WASTE	7	7	7	6	5	5	5	5	5	5
BUILDING & ZONING	4	2	2	2	2	3	3	3	4	4
MAIN STREET JUNCTION	0	0	0	0	0	0	0	0	0	1 (5)
VEHICLE MAINTENANCE	4	4	4	4	4	4	4	4	4	4
ACCOUNTING	5	6	5	5	5	5	5	5	5	5
UTILITY BILLING	11	9	9	9	9	9	9	9	9	8 (6)
UTILITIES - ADMINISTRATION	3	3	3	3	3	3	3	4	4	4
UTILITIES - SUPPORT SERVICES	4	4	4	4	4	4	4	4	4	4
UTILITIES - ELECTRIC	8	8	8	8	8	8	8	8	9	8 (7)
UTILITIES - WATER	13.5	13	14	14	14	14	14	14	15	14 (8)
UTILITIES - WASTEWATER	6.5	6	6	6	6	7	7	6	6	5 (9)
UTILITIES - GAS	10	10	10	10	10	10	10	10	10	10
TOTAL	138	134	136	133	133	135	135	135	138	131
LESS ELECTED OFFICIALS	7									
	131	127	129	126	126	128	128	128	131	124

1. The Mayor, six councilmembers, the Municipal Clerk/Personnel Director, and the Management Services Secretary are budgeted in this account.
2. The attorney is paid through the Legislative Department.
3. Three (3) vacant PSO positions have been moved to Firefighter positions in this department. Two (2) part-time animal control positions have been removed. One (1) School Resource Officer has been moved to a PSO position.
4. A Heavy Equipment Operator position has been removed from this department.
5. A Facilities Manager has been added to the new Main Street Junction Department.
6. An IT/Billing/Collections Specialist has been removed from this account as of January 1, 2018.
7. A lineman position has been removed from this department as of January 1, 2018.
8. A Water Plant Trainee has been removed from this account.
9. A Wastewater Plant Operator has been removed from this account.

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

FISCAL YEAR	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (1)</u>	<u>Median Household Income (1)</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (1)</u>	<u>Pecent of Unemployment Rate (3)</u>
2009	8302	140,503,048	16,924	26420	43.8	1,099	22.0
2010	8143	146,948,578	18,046	26425	41.1	1,329	17.7
2011	8123	155,003,086	19,082	27130	40.6	1,431	17.2
2012	8,143	155,050,863	19,041	26,071	41.1	1,503	16.5
2013	8,123	154,986,840	19,080	26,438	41.0	1,577	10.4
2014	8,088	153,574,944	18,988	26,689	38.7	1,567	7.4
2015	8,037	150,870,564	18,772	25,862	39.0	1,560	7.1
2016	8,000	150,176,000	18,772	25,862	39.0	1,560	5.2
2017	8,000	150,176,000	18,772	25,862	39.0	1,560	5.0
2018	8,000	150,176,000	18,772	25,862	39.0	1,560	3.4

Sources:

1. U.S. Census Bureau.
2. Mathematical computation of per capita peronal income multiplied by population.
3. Unemployment Information from the SC Department of Employment and Workforce
4. Estimates by City of Union Finance Department for fiscal years 2016 through 2018 for all categories except unemployment rate.

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

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

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
ELECTRIC SYSTEM-Established 1898						
Number of Customer Billing per Month	6,877	6,867	6,851	6,873	6,856	6,935
Substations	3	3	3	3	3	3
Circuits	12	12	12	12	12	12
Security Lights	2,867	2,958	2,963	2,963	2,963	2,635
Street Lights	5,393	5,393	5,393	5,393	5,393	1,809
Number of Miles of Electric Lines Owned by City	165	165	165	165	165	165
WATER SYSTEM - Established 1898						
Number of Customer Billing per Month	6,101	6,067	6,055	6,018	6,075	6,100
Number of Water Districts Served	5	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	10,400,000
Number of Water Tanks	6	6	6	6	6	6
Number of Miles of Water Line Owned by City	183	183	183	183	183	183
WASTEWATER SYSTEM-Established 1917						
Number of Customer Billing per Month	4,887	4,875	4,841	4,815	4,887	4,908
Maximum Plant Capacity per Day						
Tosch Creek	6,000	6,000	6,000	6,000	6,000	6,000
Number of Pump Stations	14	14	14	14	14	14
Number of Wastewater Miles Owned by City	123	123	123	123	123	123
NATURAL GAS SYSTEM-Established 1956						
Number of Customer Billing per Month	6,163	6,095	6,101	6,144	6,165	6,208
Maximum Capacity Available on Pipeline in dekatherms- Transco	10,147	10,147	10,147	10,147	10,147	10,147
Number of Miles of Main Gas Line Owned by City	411	411	428	428	428	418
PUBLIC SAFETY						
Number of Stations	1	1	1	1	1	1
Number of Public Safety Officers	31	31	31	31	31	27
Number of Firefighters	3	4	4	4	4	7
BUILDINGS (based on calendar year 2015)						
Permits Issued	948	474	993	525	525	433
Estimated Cost of Construction	5,435,549	4,232,110	18,891,908	5,953,674	5,953,674	8,092,577
Streets and Sanitation						
Streets(in miles)	20	20	20	20	20	20
Transfer Station	1	1	1	1	1	1
MSW Tons Transferred to landfill	2,897	3,063	3,073	3,223	3,136	3,161
Brush Pit		2646	2,457	2,150	1,334	1,474

Information for fiscal years 2009-2012 is not available.

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

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Electric Customers:						
Residential	5,766	5,752	5,737	5,763	5,739	5,804
Commercial	1,099	1,103	1,102	1,097	1,105	1,119
Industrial	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>12</u>	<u>12</u>
Total Customers	<u>6,877</u>	<u>6,867</u>	<u>6,851</u>	<u>6,873</u>	<u>6,856</u>	<u>6,935</u>
Kilowatts Hour Sales (thousands):						
Residential	65,287	65,422	64,879	62,574	63,783	64,516
Commercial	56,818	55,177	54,087	52,578	49,015	50,008
Industrial	8,478	7,825	8,180	8,449	10,513	10,916
Other	<u>6,241</u>	<u>6,159</u>	<u>6,148</u>	<u>6,340</u>	<u>6,238</u>	<u>5,041</u>
Total Kilowatt Hours (thousands)	<u>136,824</u>	<u>132,059</u>	<u>130,770</u>	<u>129,941</u>	<u>129,549</u>	<u>130,481</u>
Water Customers:						
Residential	5,240	5,206	5,195	5,164	5,224	5,226
Commercial	838	838	837	836	833	828
Industrial(38 meters)	18	18	18	18	18	34
Water Districts(11 meters)	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Customers	<u>6,101</u>	<u>6,067</u>	<u>6,055</u>	<u>6,018</u>	<u>6,075</u>	<u>6,093</u>
Water Sales-gallons in thousands)						
Residential	239,793	229,110	227,159	226,703	223,852	220,742
Commercial	107,694	98,670	103,336	106,359	103,604	94,674
Industrial	95,591	97,395	100,434	124,141	137,819	146,188
Water Districts	<u>359,055</u>	<u>363,073</u>	<u>308,221</u>	<u>290,293</u>	<u>352,922</u>	<u>359,086</u>
Total Water Sales (thousands)	<u>802,133</u>	<u>788,248</u>	<u>739,150</u>	<u>747,496</u>	<u>818,197</u>	<u>820,690</u>
Sewer Customers:						
Residential	4,212	4,200	4,182	4,161	4,225	4,248
Commercial	656	656	641	636	644	641
Industrial	<u>19</u>	<u>19</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total Customers	<u>4,887</u>	<u>4,875</u>	<u>4,841</u>	<u>4,815</u>	<u>4,887</u>	<u>4,907</u>
Sewer Charges- Based on Water						
Sales(Thousands)						
Residential	191,725	182,921	181,879	181,925	179,625	178,096
Commercial	79,495	74,852	77,145	78,158	73,598	76,668
Industrial	<u>54,947</u>	<u>60,801</u>	<u>64,015</u>	<u>82,984</u>	<u>90,713</u>	<u>91,836</u>
Total Sales (thousands)	<u>326,167</u>	<u>318,574</u>	<u>323,039</u>	<u>343,067</u>	<u>343,936</u>	<u>346,600</u>
Natural Gas Customers						
Residential	5,526	5,458	5,447	5,502	5,520	5,554
Commercial	623	623	640	628	631	633
Industrial(23 Meters)	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>12</u>
Total Customers	<u>6,163</u>	<u>6,095</u>	<u>6,101</u>	<u>6,144</u>	<u>6,165</u>	<u>6,199</u>
Natural Gas Sales(MCF)						
Residential	299,190	322,021	305,346	250,717	232,672	292,955
Commercial	208,965	227,825	229,782	206,437	183,958	213,424
Industrial	<u>924,757</u>	<u>1,076,203</u>	<u>1,012,263</u>	<u>1,113,826</u>	<u>1,153,160</u>	<u>1,170,451</u>
Total Natural Gas Sales(MCF)	<u>1,432,912</u>	<u>1,626,049</u>	<u>1,547,391</u>	<u>1,570,980</u>	<u>1,569,790</u>	<u>1,676,830</u>

Information for fiscal years 2009-2012 is not available.