

# Union County Government

EST. 1842



# Popular Annual Financial Report



For Fiscal Year Ended June 30, 2019

# Board of County Commissioners Contents

Jerry Simpson,  
Chairman



Dennis Rape,  
Vice Chairman



Richard Helms



Stony Rushing



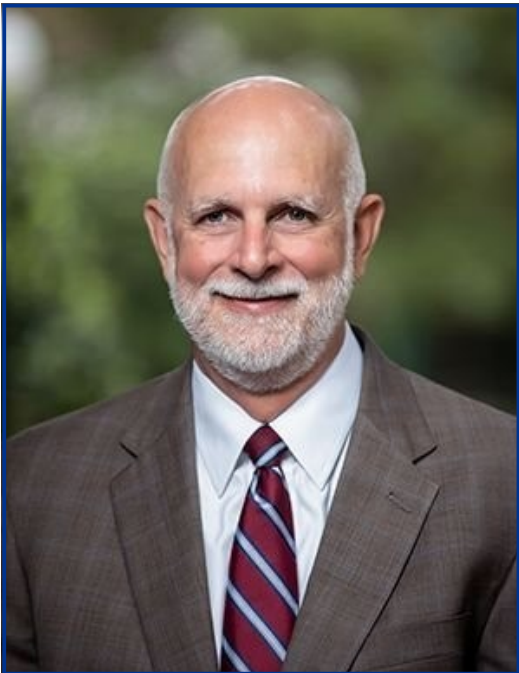
Frank Aikmus

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# Letter from the County Manager

## Mark Watson



On behalf of the Board of County Commissioners and Union County management, I am proud to present the County's Popular Annual Financial Report PAFR . The following report provides the financial highlights for Union County Government from the fiscal year that ended on June 30, 2019.

By providing the most pertinent financial information in this streamlined document, we are ensuring that our residents and interested parties can easily discover the financial information that is most important to them. For more detailed financial information, our Comprehensive Annual Financial Report CAFR is available to residents and interested parties via our website.

I'm also pleased to share that in June 2019, Union County received its third AAA rating bond with a stable outlook, the highest a county can achieve, from Standard Poor's Global.

Union County is one of only six counties in North Carolina to achieve the AAA bond rating from all three major rating agencies. This is the result of the County's strong economy combined with strong management and fiscal policies and practices.

We appreciate your interest in the County's financial information and welcome your comments and questions.

Sincerely,

A handwritten signature in blue ink that reads "Mark Watson". The signature is fluid and cursive, with a long horizontal stroke at the end.

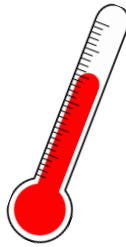
Mark Watson  
Union County Manager



# Union County: A Closer Look



Population: 237,447  
State Rank: 8th  
Median Age: 38  
State Rank: 17th



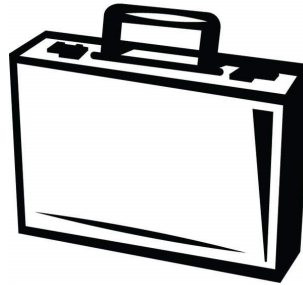
Average Temperatures:  
January—41°  
July—79.5°



Household Ownership  
Rate: 80.5%  
State Rate: 65.7%



Public School  
Enrollment: 41,581  
State Rank: 6th



Unemployment Rate: 3.2%  
State Rate: 4.0%



Median Household Income:  
\$70,858  
State Rank: 7th

Established in 1842, Union County was formed by combining portions of Anson County and Mecklenburg County. Its name is a compromise between Whigs, who wanted to name the new county for Henry Clay, and Democrats, who wanted to name it for Andrew Jackson. Situated in the south central Piedmont area of North Carolina, Union County is approximately 643 square miles of land southeast of Charlotte.





# About the PAFR

As part of its continuing efforts to improve transparency, the County publishes the PAFR as a supplement to the CAFR. This document provides an overview of Union County's fiscal health in an easy-to-read format. The PAFR is derived directly from the CAFR and the reports presented are in compliance with Generally Accepted Accounting Principles GAAP .

We hope you find the PAFR to be concise and informative. The PAFR's summary level information serves in contrast to the detailed information that is found in the CAFR. The FY 2019 CAFR is found on the [Finance section of our website](#).

Historical financial documents monthly reports, annual budgets, annual audits and other information can also be found on the [Union County website](#).



Union County, North Carolina  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2019

<http://unioncountync.gov>

# Overview

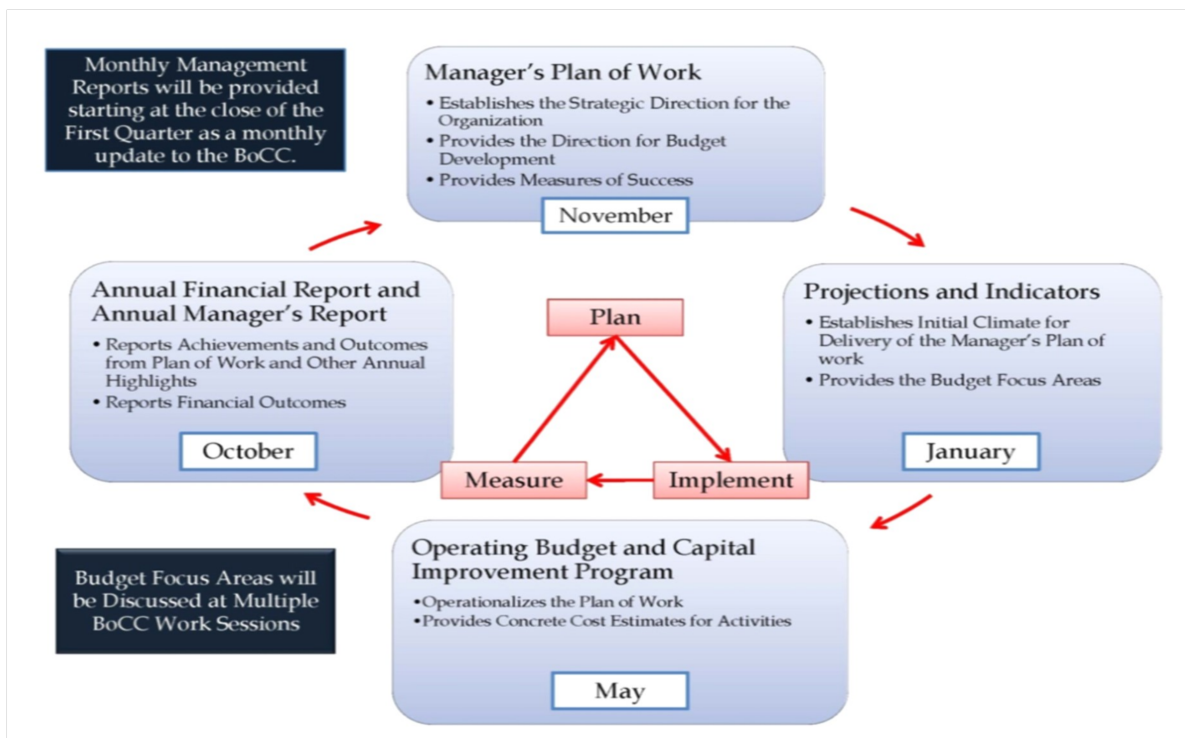
Union County's financial cycle begins each year on July 1 and ends on the following June 30. During the fiscal year we perform two major processes - Annual Audit and the Annual Operating and Capital Budget. The diagram below shows our Plan of Work Model. As the flow chart indicates, the Manager's Plan of Work is the starting place for the annual cycle, establishing the foundation and priorities for the budget process and provides measureable, tangible goals.

The Plan of Work is built on the importance of establishing objectives, determining deliverables, reporting/feedback, adjusting the deliverables, and ultimately celebrating successes. The Plan of Work is revisited every year through the budget process, evaluated, and adjusted.

Our end-of-year financial statements were audited by an independent external auditing firm for FY 2019 Cherry Bekaert LLP , and we have received an unmodified or clean audit opinion.



**Jeffrey Yates**  
 Financial Services Administrator  
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 Monroe, NC 28112  
 704.283.3813

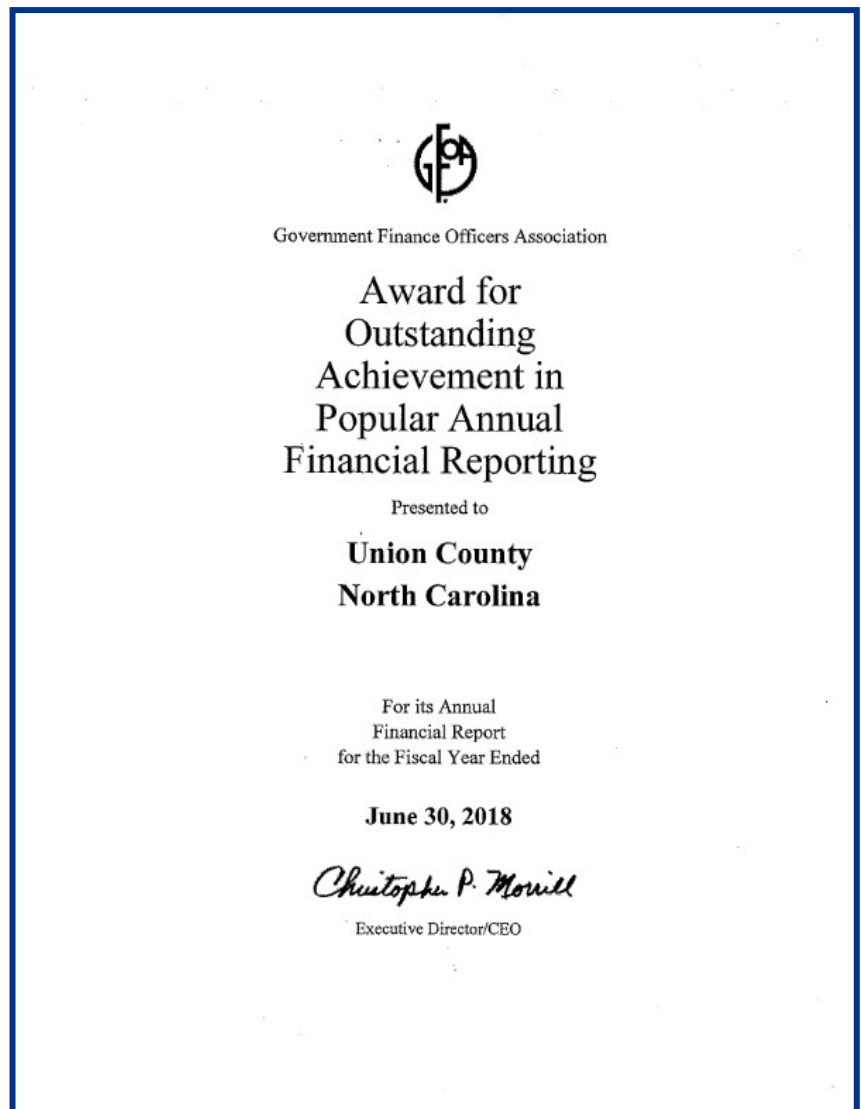


# Fiscal Year 2018 Financial Award

The Government Finance Officers Association (GFOA) of the United States and Canada has given its Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to Union County for the fiscal year that ended June 30, 2018. This prestigious national award is recognizing our adherence to the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, that conforms with the program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.





# County Services by Department

## Departments

Board of Commissioners  
 Board of Elections  
 Building Code Enforcement  
 Cooperative Extension  
 County Manager's Office  
 Emergency Communications  
 Emergency Management  
 Financial Services  
 Fire Marshall's Office  
 Human Resources  
 Information Technology  
 Parks Recreation  
 Planning  
 Public Communications  
 Public Health  
 Public Library  
 Register of Deeds  
 Sheriff's Office  
 Social Services  
 Soil Water Conservation  
 Tax Administration  
 Veteran's Services

## Primary Employers

Company Name	Industry	Employment Range
Union County Schools	Education Health Services	1,000+
Tyson Farms Inc.	Manufacturing	1,000+
TDY Industries LLC	Manufacturing	1,000+
County of Union	Public Administration	1,000+
Harris Teeter	Trade, Transportation, Utilities	1,000+
Walmart Associates Inc.	Trade, Transportation, Utilities	500-999
Pilgrim's Pride Corporation	Manufacturing	500-999
City of Monroe	Public Administration	500-999
Food Lion	Trade, Transportation, Utilities	500-999
Charlotte Pipe Foundry Company	Manufacturing	500-999
CMC-Union	Health Services	500-999

## Largest Taxpayers

Company Name	Business Type	Percentage of Total Assessed Valuation
Union Electric Membership Corp.	Utility	0.55%
Allegheny Technologies	Manufacturing	0.53%
Duke Power Corporation	Utility	0.44%
Charlotte Pipe Foundry Co	Manufacturing	0.36%
Piedmont Natural Gas	Utility	0.23%
Consolidated Metco Inc.	Manufacturing	0.14%
Time Warner Cable Southeast LLC	Utility	0.14%
Greiner Bio One North America	Manufacturing	0.10%
IA Monroe Poplin LLC	Land Developer	0.09%
CSX Transportation	Transportation	0.08%
	Total Assessed Valuation of Top 10%	2.66%

# Fiscal Sustainability: Keeping Union County's Fiscal House in Order

How do you know if the County's finances are in good shape? Considering the economic pitfalls that impacted the housing industry and the County's dependence on ad valorem taxes, what is the measure of performance among municipal governments? Below are the performance measurement tools Union County uses to gauge our annual results.

## **Municipal Credit Rating**

Similar to a personal credit score, the County has engaged three independent bond rating agencies to monitor the County's creditworthiness. A municipal credit rating has a direct impact on the County's ability to successfully attract investors, and more importantly, achieve the lowest interest rate possible.

## **Debt**

The Board of County Commissioners has identified fiscal sustainability as a priority with good reason. Union County's residential growth imposed significant pressure on the budget during the prior decade, requiring additional taxes to pay for debt service associated with new schools. There are limits and like most households, counties do not have the ability to cash fund significant investments, so funds are raised through debt issuance.

## **Budget**

"There is no dignity quite so impressive, and no one independence quite so important, as living within your means" - Calvin Coolidge. The use of a modified, target-based budget focuses on a programmatic cost approach, and NC General Statutes require a balanced budget. The County's historical performance versus budget has been sound and often better than projection.

## **Fund Balance**

Counties provide essential public safety and health services and are the front lines during emergencies. Counties prepare for the unplanned by having savings in the form of fund balance. The Board of County Commissioner's Fund Balance Policy establishes a benchmark of 20% of budgeted expenditures. The benchmark level ensures the County's ability to operate during natural disasters.

## **Financial Planning**

Understanding the County's long-term needs and obligations is paramount to planning for their impacts. Whether accounting for retirement funding, healthcare, or building maintenance, it is important to plan today for tomorrow's needs.

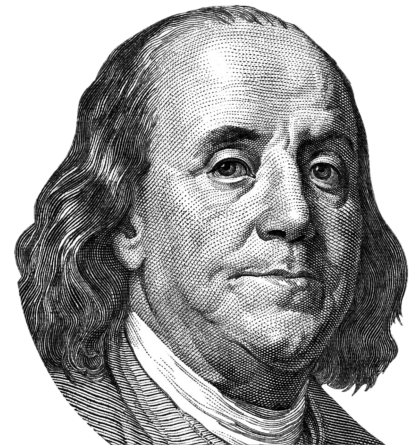


# Fiscal Sustainability Progress

The County is a mutual asset of all 237,447 residents for the purpose of providing services to the collective whole. The services provided by the County include, but are not limited to, law enforcement and fire protection, water and sewer, public health and social services, transportation, waste disposal, and funding for education.

## **Credit Rating**

The County is proud of the Aaa/AAA/AAA credit ratings, which signify the highest ratings possible in the municipal rating scale. The County rating has never been downgraded, which is a testament to its continued financial stability. Moody's and Fitch both upgraded the County to AAA/Aaa November of 2015 from Aa1/AA+. S P upgraded the county to AAA in FY 2019 from AA+.



## **Debt**

The County has \$310.2 million in general fund debt outstanding, or \$1,385 per capita. During FY 2007 the general fund debt portfolio reached its maximum outstanding balance of \$620 million. As a result of proactive debt management, advanced refund opportunities, fiscally conservative debt management, and early debt redemptions, the County decreased the outstanding balance by \$309.8 million. The County continues to look for opportunities to lessen the debt burden on the citizens while maintaining a fiscally conservative debt management approach when considering issuing new debt. New general fund debt was issued in FY 2020 for authorized voter approved general obligation bonds for \$96.5 million and two-thirds general obligation bond for \$25.6 million.

## **Budget**

The County is mandated by North Carolina General Statute to provide and pass a balanced budget. The budget provides guidance to the County to make sure spending is in line with revenues. Historically, the County has posted above average revenues, and trimmed expenditures throughout the budget year. The County's revenues have exceeded expenditures not inclusive of transfers in 18 of the past 20 fiscal years.

## **Fund Balance**

The Board of County Commissioners has passed robust policies outlining the appropriate reserve levels the County is expected to maintain. Historically this percentage was set at 16% of General Fund expenditures; however, in 2014, the BoCC strengthened this position to 20% of budgeted expenditures.

## **Financial Planning**

The County utilizes historical budget analysis, revenue projections, long range growth models and the Capital Improvement Program to determine future needs, timing, and acquisition of assets. The County also uses outside actuarial sources for calculations of other postemployment benefits, healthcare and pension obligations in order to proactively fund for future costs on a pro-rata basis.



# Government-Wide Statements

The government-wide financial statements are a review of the financial standing of Union County and provide year-over-year change in net position. They are broken down into two distinct categories— governmental activities and business activities. The County’s government-wide financial statements are prepared on a modified accrual basis of accounting. Additional information can be found on page C-3 of the FY 2019 CAFR.

Below is the County’s Net Position for FY 2019. It demonstrates the assets and liabilities that are owned and owed by the County, in addition to reflecting the net position of each category.

For Union County, the assets in the governmental activities are outweighed by the liabilities, yielding a negative net position. This is the result of assets financed by the County, and conveyed to other entities, primarily the Union County Public School District.

During the previous nine years the County financed **\$358 million** for schools, and while the County continues to carry the debt, the assets namely the buildings were conveyed to the District creating a liability without a matching asset.

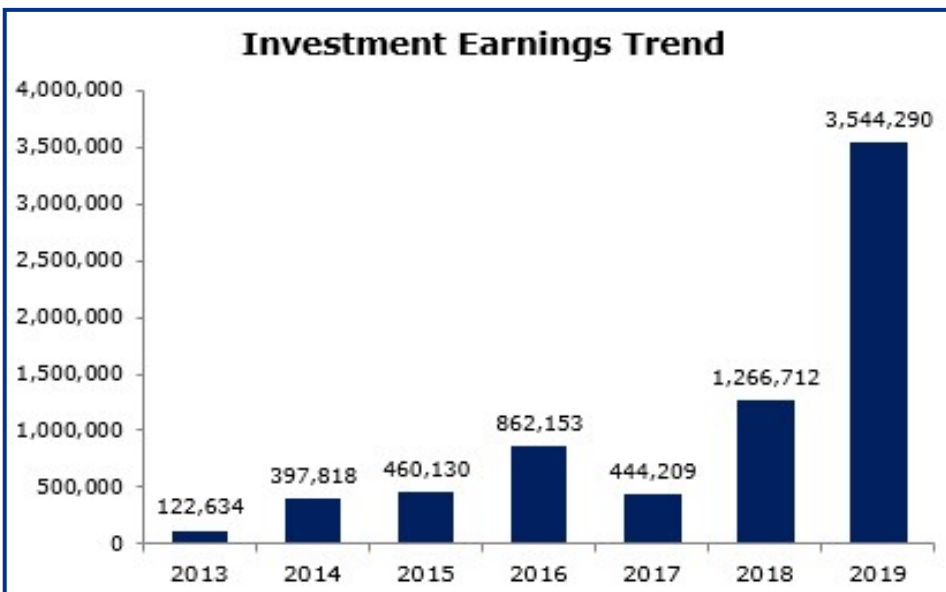
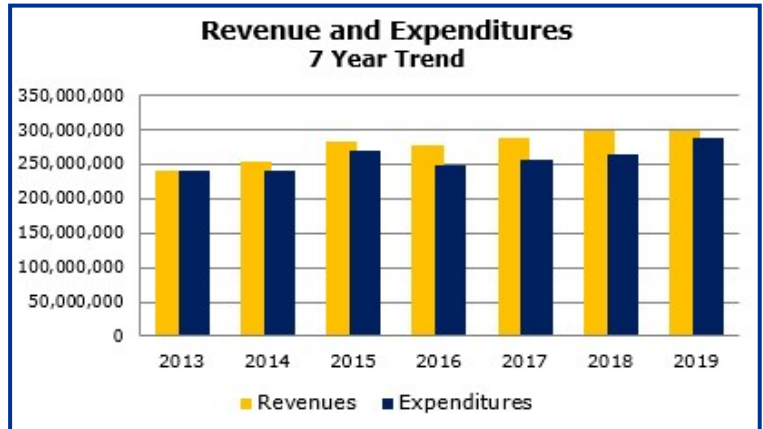
During FY 2019, net position for governmental activities increased by \$15 million, to reach an ending negative balance of \$116 million.

Net Position (in Millions)						
	Government Activities		Business Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 166.9	\$ 196.0	\$ 185.6	\$ 122.8	\$ 352.5	\$ 318.8
Non current Assets (inclusive of Capital Assets)	\$ 140.6	\$ 142.2	\$ 373.2	\$ 342.5	\$ 513.8	\$ 484.7
<b>Total Assets</b>	<b>\$ 307.5</b>	<b>\$ 338.2</b>	<b>\$ 558.8</b>	<b>\$ 465.3</b>	<b>\$ 866.3</b>	<b>\$ 803.5</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 33.3</b>	<b>\$ 27.3</b>	<b>\$ 6.3</b>	<b>\$ 4.5</b>	<b>\$ 39.6</b>	<b>\$ 31.8</b>
Current Liabilities	\$ 53.1	\$ 58.5	\$ 18.8	\$ 16.5	\$ 71.9	\$ 75.0
Non Current Liabilities	\$ 90.3	\$ 86.4	\$ 20.1	\$ 18.1	\$ 110.4	\$ 104.5
Non Current Long-Term Debt	\$ 301.8	\$ 338.3	\$ 195.6	\$ 123.2	\$ 497.4	\$ 461.5
<b>Total Liabilities</b>	<b>\$ 445.2</b>	<b>\$ 483.2</b>	<b>\$ 234.5</b>	<b>\$ 157.8</b>	<b>\$ 679.7</b>	<b>\$ 641.0</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 11.6</b>	<b>\$ 13.3</b>	<b>\$ 1.2</b>	<b>\$ 1.3</b>	<b>\$ 12.8</b>	<b>\$ 14.6</b>
<i>Net Position</i>						
Net Investment in Capital Assets	\$ 98.9	\$ 86.5	\$ 142.2	\$ 182.8	\$ 241.1	\$ 269.3
Restricted	\$ 97.7	\$ 101.5	\$ 55.4	\$ 18.2	\$ 153.1	\$ 119.7
Unrestricted	\$ (312.6)	\$ (319.1)	\$ 131.8	\$ 109.7	\$ (180.8)	\$ (209.4)
<b>Total Net Position</b>	<b>\$ (116.0)</b>	<b>\$ (131.0)</b>	<b>\$ 329.4</b>	<b>\$ 310.7</b>	<b>\$ 213.4</b>	<b>\$ 179.7</b>

# Total Government Funds Revenues Expenditures: Hitting Our Targets Trends

The County has successfully managed expenditures and conservatively budgeted revenues in order to maintain adequate reserves in the recent past. As a result of these efforts, the County's stability has improved. In the graph to the right you can see the County has stayed "in the black," meaning revenues are in excess of expenditures.

Although the County had experienced significant declines in local option sales tax revenue in the years prior to FY 2013, it has steadily been on the rise since. It has increased by \$18.3 million since FY 2013.



The County has achieved rising investment earnings in the recent years due to favorable market trends and strategic investment in long-term financial assets. The County avoids investments with maturities of more than five years and ensures its investments are relatively low risk.

# General Fund

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, with the exception of those required to be accounted for separately, such as business-type activities.

The primary sources of revenues are ad valorem taxes followed by local option sales tax. Since the economic downturn in 2009, the County has experienced growth of the local option sales tax. From 2018 to 2019 the growth was approximately \$2.7 million, or 6.3%.

Despite seeing a decrease in sales, services, permits and fees, all other revenues and investment earnings increased by \$2.2 million, or 170%.

In addition to being the largest source of revenues in the County, ad valorem taxes are essentially the only revenue source the County has the ability to increase or decrease through the setting of the tax rate. Local option sales tax and the rest of the revenues are essentially based on the market, residential growth, and usage. As a result the County has little flexibility to increase revenues throughout the year.

Union County experienced growth in expenditures in FY 2019. Debt service had the largest increase at \$11.6 million, which is an increase of 25% from FY 2018. This is due to numerous debt funded investments within the County such as buildings and improvements and the early redemption of \$9M in outstanding general obligation bonds in FY 2019.

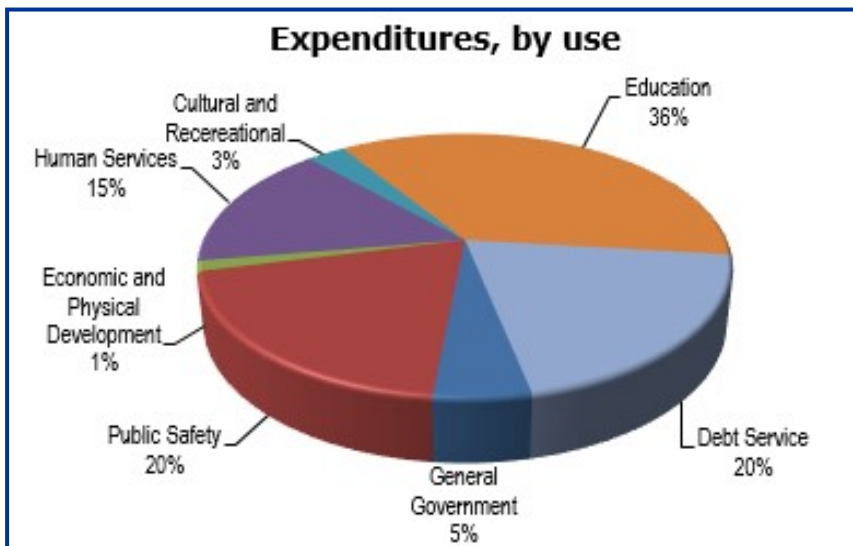
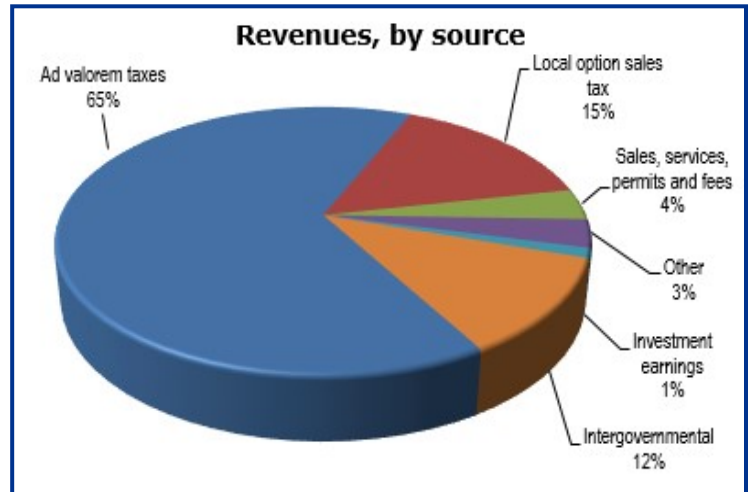
<b>Revenues, Expenditures and Changes in Fund Balance (in millions)</b>		
	<b>General Fund</b>	
<b>Revenues</b>	2019	2018
Ad valorem taxes	\$193.5	\$199.8
Local option sales tax	45.8	43.1
Sales, services, permits and fees	6.5	8.1
Other	50.1	47.1
Investment earnings	3.5	1.3
<b>Total Revenues</b>	<b>298.8</b>	<b>299.4</b>
<b>Expenditures</b>		
General Government	14.2	13.3
Public Safety	56.4	52.4
Economic and Physical Development	3.6	3.2
Human Services	44.8	42.8
Cultural and Recreational	8.0	7.6
Education	103.2	99.7
Debt service	57.2	45.6
Non-Departmental	0.1	0.1
<b>Total Expenditures</b>	<b>287.5</b>	<b>264.7</b>
Excess of revenues over expenditures before transfers	<b>11.3</b>	<b>34.7</b>
Other funding sources	(14.7)	(22.6)
Increase in fund balance	(3.4)	12.1
Fund Balance-Beginning of Year	112.9	100.8
<b>Fund Balance-End of Year</b>	<b>\$109.5</b>	<b>\$112.9</b>

\*Amounts herein may not total as a result of rounding



# General Fund: Sources Use

Like the majority of North Carolina counties, Union County relies heavily on ad valorem taxes; which are the taxes collected by the County on physical and personal property, based on its estimated value. In FY 2019, ad valorem tax revenue accounted for 65 percent of all revenues collected by the General Fund. The next largest single revenue source was local option sales tax, which brought in just over 15 percent of all revenues last year.



On the expenditure side, we have broken out the uses in a broad spectrum. Educational funding continues to be the largest cost within the County. With roughly 41,500 students, or nearly one in every five residents of the County attending primary school or South Piedmont Community College, education continues to drive expenditures.

The dramatic population growth, combined with the number of students mentioned above, required a level of capital funding that could only be accomplished through debt funding. Today, combined debt service remains the second largest expenditure of the

county, along with public safety at 20 percent.

Public Safety and Human Services both require significant funding due to the services they provide. Law enforcement, fire and EMS remain diligent and prepared to protect and serve our residents in need. Funding is established for new equipment, training and better apparatus.

# A Review of the County's Debt

The County has issued debt for a variety of capital projects to fulfill capital needs during prior years. Capital projects that were completed with debt proceeds include schools, libraries, parks, agriculture and conference center, water and sewer infrastructure, jail, public safety, emergency communications equipment, and court facilities.



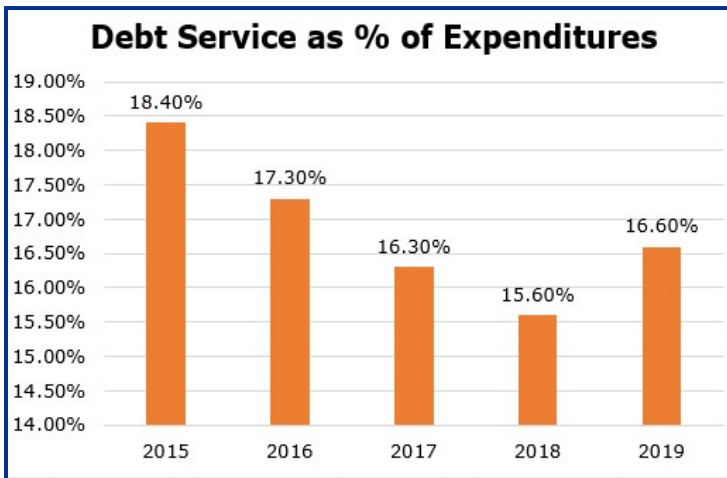
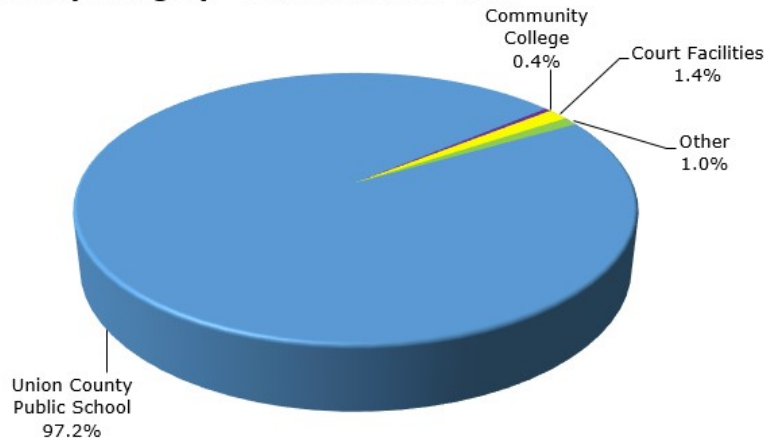
## **Outstanding Principal (in millions)**

	Governmental		Business-Type		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Bond	\$258.3	\$296.7	\$0.0	\$0.0	\$258.3	\$296.7
Installment Financing	51.9	58.2	0.0	0.0	51.9	58.2
Revenue Bonds	0.0	0.0	177.3	113.1	177.3	113.1
Other	0.0	0.0	6.7	7.5	6.7	7.5
	<u>\$310.2</u>	<u>\$354.9</u>	<u>\$184.0</u>	<u>\$120.6</u>	<u>\$494.2</u>	<u>\$475.5</u>

# General Fund Debt

The pie chart illustrates a breakdown of debt, showing the current percentage balances by use. Approximately 97 percent of the County's outstanding tax backed debt portfolio is for Union County Public Schools. This is a combined result of the tenure of the debt, and the majority of the school debt that was issued in the previous 14 years. Debt service is viewed as a necessary tool among municipal governments because few municipalities have the ability to cash fund large projects. The rating agencies understand this, but discount a rating if the debt service as a percentage of expenditures becomes too high. Union County has been actively working to mitigate debt service while saving residents funds and working towards reducing the debt. Debt as a percentage of expenditures continues to decline from the peak in 2015 of 18.4 percent and has declined by 1.8 percent over the last 4 years.

**Debt by Category - Governmental Funds**



General Obligation Bond Ratings		
Rating	Agency	Since
Aaa	Moody's Investors Services	FY 2016
AAA	Standard and Poor's	FY 2019
AAA	Fitch Ratings	FY 2016

\*\*Bond ratings indicate credit quality and financial strength of the issuer. Typically, bonds with higher ratings reflect a strong likelihood the issuer is able to repay the bond's principal and interest in a timely fashion.

# Enterprise Debt

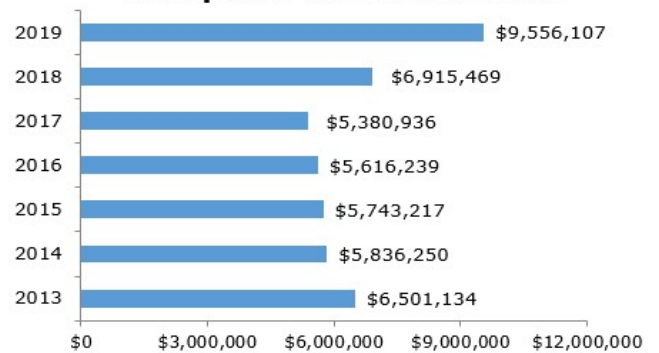
The County has issued enterprise system debt for water and sewer capital improvements throughout the prior fiscal years.

The utility system has four revenue bond issues outstanding and a Clean Water Revolving Loan from North Carolina Department of Environmental Natural Resources NC DENR .

The debt issued benefitted the system and rate payers by providing capital funding for projects such as:

- Catawba River Water Treatment Plant
- 12 Mile Waste Water Treatment Plant
- Water pressure, distribution and collection systems
- Crooked Creek Headworks Improvements

**Enterprise Fund Debt Service**



**Enterprise System Bond Ratings**

Rating	Agency	Since
Aa1	Moody's Investors Services	FY 2016
AA+	Standard and Poor's	FY 2019
AA	Fitch Ratings	FY 2016





# Enterprise Revenue Expenses

The Enterprise Funds increased revenues by approximately \$5 million over FY 2018. This includes revenue of 49.6 million from water and sewer utility operations and \$6.2 million from solid waste operations. The water and sewer system continues to grow the customer base, both through new development and the line extensions.

## Revenues, Expenses, and Changes in Net Position (in millions)

	Business Type Activities - Enterprise Funds	
	2019	2018
<b>Operating Revenues</b>		
Charges for service	\$53.4	\$48.2
Disposal fees	0.5	0.5
Other Operating Revenues	1.9	2.1
<b>Total Revenues</b>	<b>55.8</b>	<b>50.8</b>
<b>Operating Expenses</b>		
Personnel	11.9	9.7
Operating expenses	22.5	21.2
Depreciation	15.6	15.0
Operating leases	0.4	0.3
Landfill closure	0.1	0.1
<b>Total Expenses</b>	<b>50.5</b>	<b>46.3</b>
Operating gain/(loss)	<b>\$5.3</b>	<b>\$4.5</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings	3.1	1.2
Gain on sale of assets	0.1	0.1
Interest/fees on long term debt	(5.2)	(4.8)
Gain (loss) on investment in joint venture	(0.2)	(0.3)
	<b>(2.2)</b>	<b>(3.8)</b>
Interfund Transfers Out	1.9	(0.3)
Capital contributions	13.7	14.1
Increase in net position	<b>\$18.7</b>	<b>\$14.5</b>

\*Amounts herein may not total as a result of rounding



# Capital Improvement Program CIP

The Adopted FY 2020 to 2025 Union County Capital Improvement Program CIP is made up of two components and totals \$1.02 billion during the six-year plan. Major programs projected for future years in the CIP:

## General Capital Program

General Capital Program provides the six-year capital plan for non-utility activity County projects, including South Piedmont Community College.

- Emergency Management
- Facilities Maintenance Renewal
- Firearms Training Range
- Jail Replacement Expansion
- Law Enforcement Facilities Replacement/Expansion
- Library Building, Expansion and Development
- South Piedmont Community College Expansion



## Public Works Capital Program

The Public Works Capital Program provides the six-year capital plan for the water and wastewater utility program.

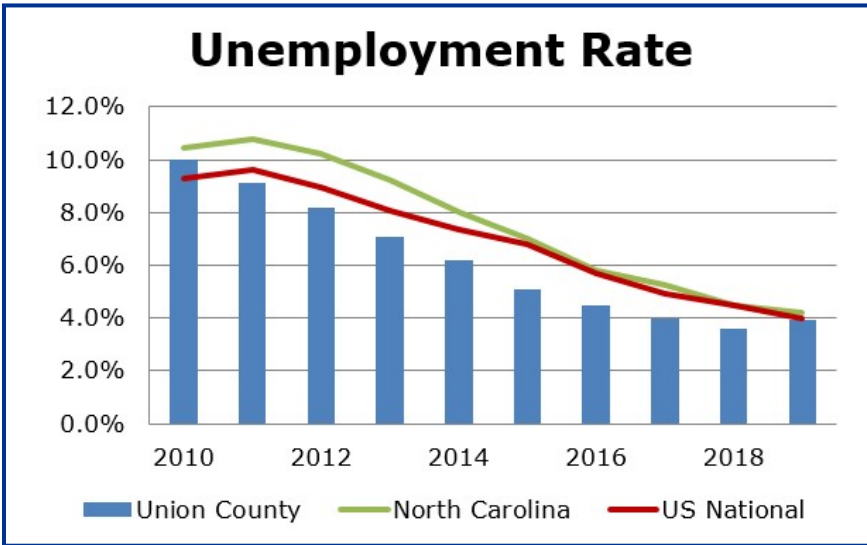
- Catawba River Water Treatment Plant Improvements
- Crooked Creek Basin Improvements
- Eastside Wastewater Improvements
- Lower Crooked Creek WRF
- Twelve Mile Creek WWTP System Improvements
- Various Rehabilitation and Replacements
- West Zone Improvements
- Yadkin Water Supply
- 762 Zone Improvements
- 853 South Zone Improvements
- 853 West Zone Improvements



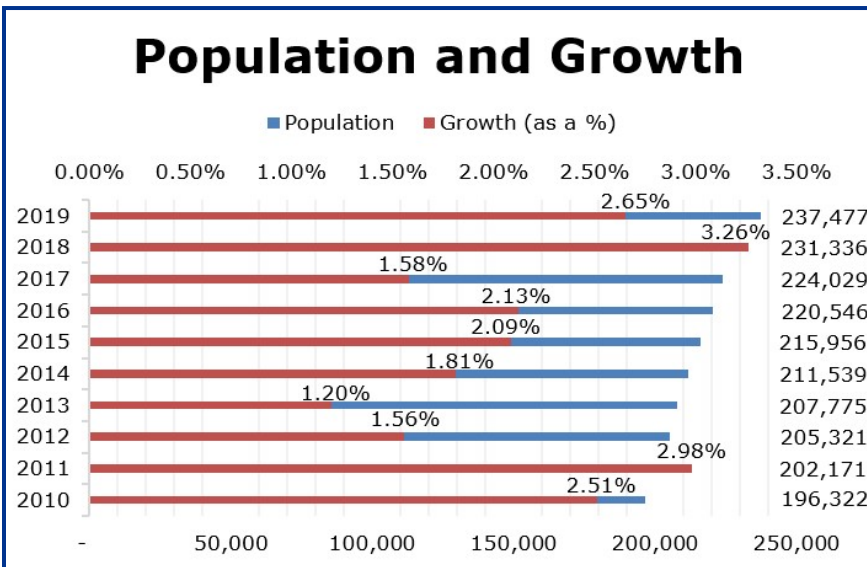
For more information, reference the CIP on [our website](#).



# Employment Population Demographics



As evidenced by the graphs, the County has experienced significant growth and was affected by the economic shift over the past decade. The County has historically fared well, experiencing lower than state and national unemployment averages during stable economic times. During times of increased economic tension, the County experiences faster than average unemployment changes, yet adapts quicker as jobs became available again.

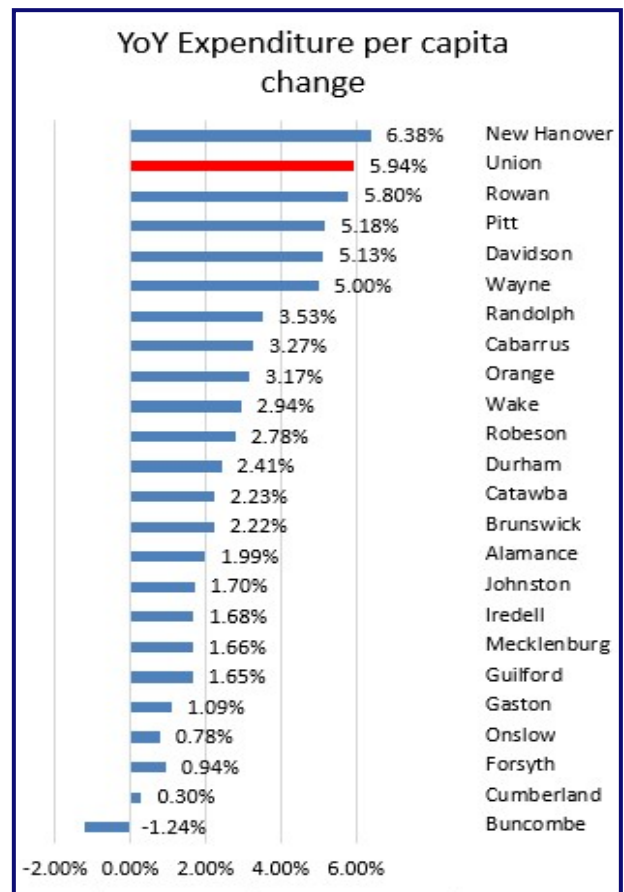
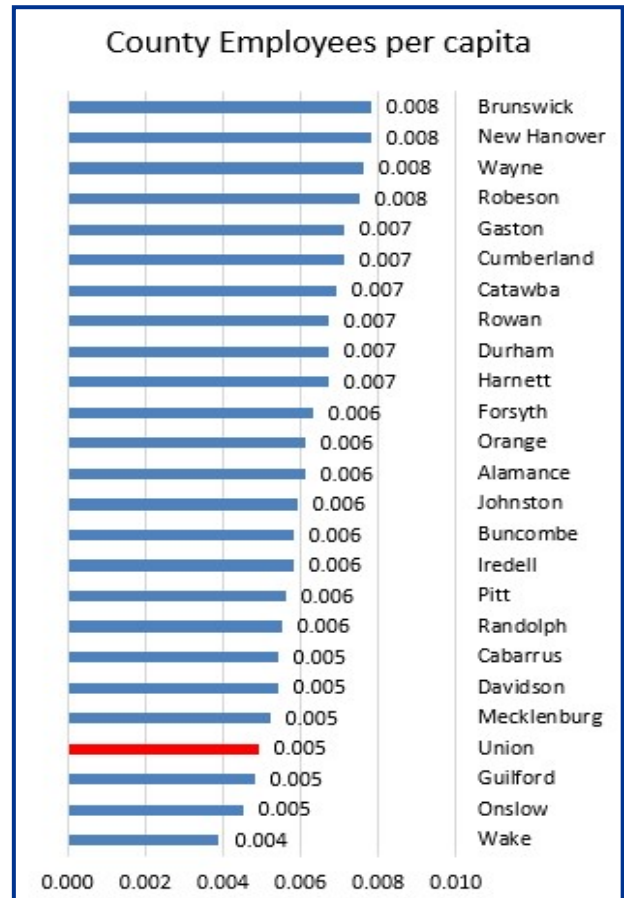
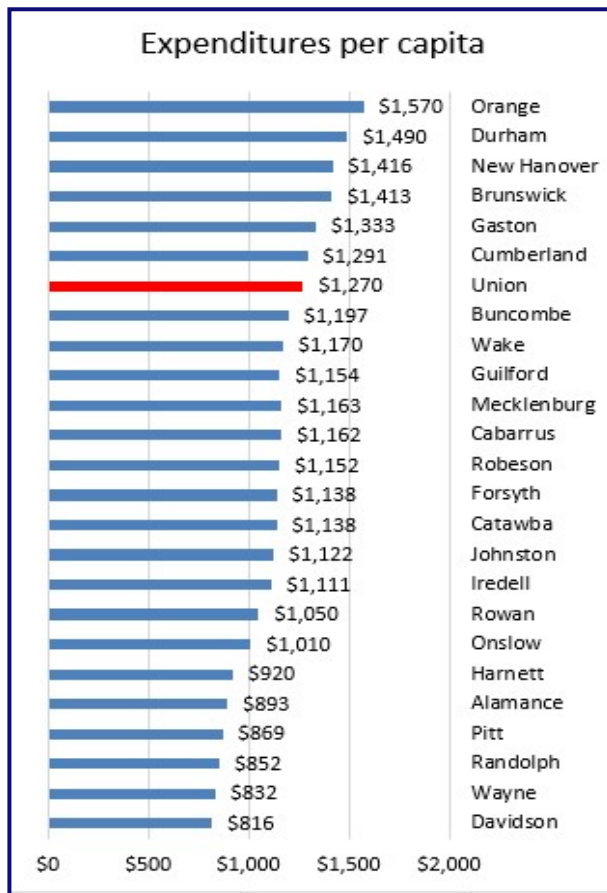


The 60 percent increase in population yielded growing pains in the early 2000's, yet the County adjusted by addressing necessary infrastructure. The County just ended the slowest 5 year growth cycle since the 1970's and benefitted from the slowdown. The slowdown allowed the County to catch up with the needs of the residents.



# Comparison with Other Counties

While year-over-year YOY comparison can provide good indicators of financial health, it is also helpful to see how our County ranks as compared to other similar-sized entities. Below are charts that show where Union County falls in these comparisons:



Source: NCACC Budget Tax Survey 2018-2019





# Going Forward

While the financial results for the year ended June 30, 2019 were positive, it is anticipated that the County will continue to experience growth in population which increases demand for public services, such as law enforcement, education and utilities. The financial management of the County will continue to focus on five key components:

- Fiscal Sustainability – Finding long-term sustainable solutions for the changing needs of the community, while making sound financial decisions is a theme that is interwoven throughout the adopted operating and capital budget. Whether through consolidation of services, reorganization or the investment in infrastructure, the long-term sustainability of each decision point is analyzed.
- Transparency – Transparency is a core value of Union County and the County strives to partner with our residents throughout the budget and financial reporting process. Staff works to develop documents and information for public consumption that are meaningful and easily understood.
- Stewardship – Maintaining the assets and resources the residents have entrusted to the County.
- Responsiveness – The County is experiencing dynamic service demands. The County continues to adapt its service offerings to address the changing needs of the residents, while continuing to reflect organizational responsiveness.
- Balance – Financial balance and balanced service provision to all residents.

Through these five components, the County can ensure sound financial management and budgetary practices as well as continued financial stability.



# Governmental Accounting Terms

**Accrual basis of accounting** is the method of accounting that recognizes the financial effect of transactions, events when they are incurred rather than at the time when cash is received or disbursed.

**Assets** are resources with present service capacity that the County controls. For example, cash from taxes paid by citizens is an asset that can be put to use to provide public safety.

**Capital assets** are tangible or intangible nonfinancial assets that have an initial useful life of more than one year and are used in providing services for the County and its residents.

**Change in net position** represents the increase or decrease in net position over the previous year.

**Current assets** include cash or near cash items that can be used to liquidate liabilities due within a year.

**Deferred inflows of resources** is an acquisition of net position inflow of resources during the year by the County that is applicable to a future reporting period.

**Deferred outflows of resources** is a consumption of net position by the County outflow of resources during the year that is applicable to a future reporting period.

**Fund balance** denotes the difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources in governmental funds balance sheets.

**Government-wide reporting** provides an aggregate view of the County's financial activities by consolidating both the governmental and business type activities using the accrual basis of accounting.

**Liabilities** are present obligations of the County to sacrifice resources that it has little or no discretion to avoid, such as, the amounts the County owes to suppliers and creditors.

**Long-term liabilities** include items such as bonds, loans, compensated absences, pension liabilities and other County obligations, typically due beyond the current reporting period.

**Modified accrual basis of accounting** is the method of accounting used in governmental funds where revenues are not recognized until they are both measurable and available. Expenditures are recognized in the period when the liability is liquidated rather than incurred.



# Governmental Accounting Terms continued

**Net investment in capital assets** is the portion of net position that represents the County's equity interest in its capital assets capital assets less the amount of debt used to acquire them .

**Net position** is the residual of all other financial statement elements in accrual basis statement of net position: the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

**Restricted net position** is the portion of net position subject to external restrictions e.g. state law, bond covenants, etc. .

**Statement of activities** reports both governmental and business-type activities using the accrual basis of accounting showing the County's total expenses and the extent of funding from program revenues and general revenues.

**Unrestricted net position** is the portion of net position not tied to capital assets or subject to legal restrictions, hence, available to be programmed for services.

**Year-over-year YoY** is a method of evaluating two or more measured events to compare the results at one time period with those of a comparable time period on an annualized basis. YoY performance is frequently used by investors seeking gauge whether a company's financial performance is improving or worsening.

Union County, North Carolina Vision Statement:

Through continuity of leadership and direction, and built upon consensus of the community, we identify and implement strategies, programs, and services necessary to promote and sustain the quality of life and lifestyles unique to Union County.



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