



Popular Annual Financial Report

Fiscal Year Ending June 30, 2022

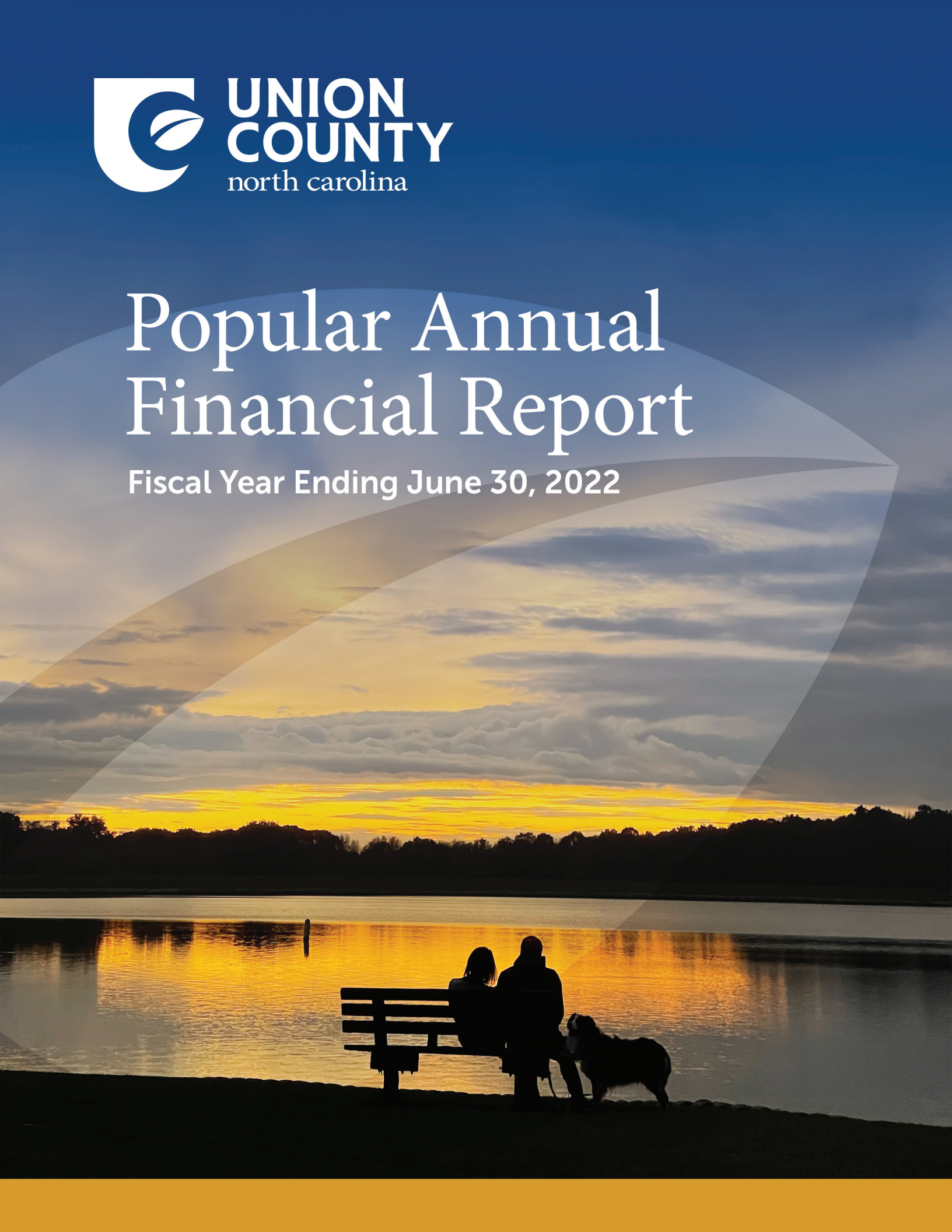



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Union County is proud to publish the Popular Annual Financial Report (PAFR) as a supplement to the Annual Comprehensive Financial Report (ACFR).

This document provides an overview of Union County’s fiscal health over the past fiscal year in an easy-to-read format. The PAFR is derived directly from the financial information presented in our comprehensive report and both reports are in compliance with Generally Accepted Accounting Principles (GAAP).

The PAFR is a recommended practice of the Government Finance Officers Association (GFOA): the authority on best practices in governmental accounting and financial reporting.

The GFOA has given its Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to Union County for the fiscal year that ended June 30, 2021. Union County has received this award for nine consecutive years. In order to receive this top honor, we must publish a Popular Annual Financial Report that has creativity and is easily understood by our readers.

We hope you find the following report to be concise and informative.

To read more details on our finances and to review the Annual Comprehensive Financial Report, please visit our Finance page on our unioncountync.gov.



Dennis Rape
Chairman



David Williams
Vice Chairman



Richard Helms



Stony Rushing



Jerry Simpson



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Union County
North Carolina**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



Letter from the County Management Team

On behalf of the Board of Commissioners and the Union County Management Team, we are proud to present the County's Popular Annual Financial Report (PAFR). The following report provides the financial highlights for Union County Government for the fiscal year that ended on June 30, 2022.

The PAFR is intended to provide a high-level overview of Union County's financial picture for the previous fiscal year. By providing this information in a succinct, easy to access document, we are ensuring our residents and interested parties can find the financial information that is most important to them.

For more detailed financial information, our Annual Comprehensive Financial Report (ACFR) is available to residents and interested parties on our website.

The County has continued to grow and our organization is evolving to ensure that we are meeting the needs of our residents while maintaining strong fiscal standards. The Board of Commissioners has prioritized the health and safety of our residents with a focus on meeting service demands in public safety, human services and education.

In the past year, we are proud of the many accomplishments that our organization has achieved. We made significant progress on four large capital projects to construct new facilities to better equip our employees and serve our residents. These projects include a new library, expansion of our Board of Elections, a new Emergency Services Center and a new administration building for our Sheriff's Office. Three of these facilities are expected to open in the fall of 2022 and early 2023. We are also pleased to share that the County has maintained its bond ratings from all three rating agencies; Standard & Poor's AAA, Moody's Aaa and Fitch AAA.

We will continue to find ways to improve the efficiency and effectiveness of service provided to the County.

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

Best regards,

**Mark Watson, Brian Matthews,
Michelle Lancaster, Patrick Niland**

About Union County

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.

The County operates under a Commission-Manager form of government. The governing body of the County is the Board of County Commissioners, which formulates policies for the administration of the County. In addition, the Board annually adopts a balanced budget and establishes tax rates for the support of County programs. The Board consists of five commissioners, elected on a staggered basis for terms of four years.

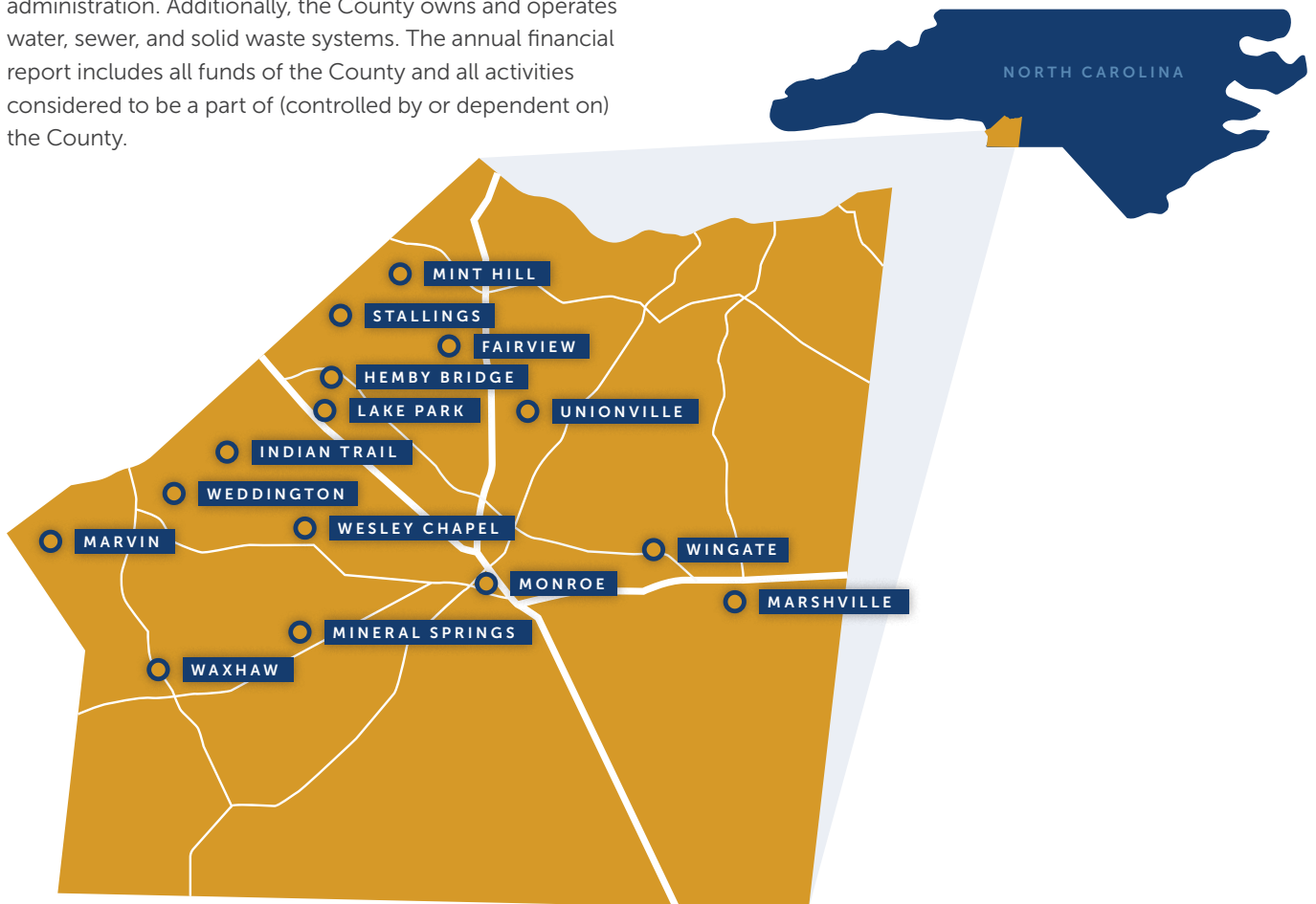
The County provides a wide range of services including public safety, human services (Social Services, Health, Veterans Services and Transportation), funding for education, cultural and recreational activities, and general administration. Additionally, the County owns and operates water, sewer, and solid waste systems. The annual financial report includes all funds of the County and all activities considered to be a part of (controlled by or dependent on) the County.

Our 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. Our number one priority is to serve the residents of Union County.

Our Mission Statement

One team, working together in a positive environment based on trust, empowerment, creative thought, and professionalism that delivers customer-focused results.



Union County: A Closer Look

23rd

Largest county in NC by area

8th

Largest county in NC by population

247,058

Population

3.5%

Unemployment Rate

86,606

Median Household Income

254,100

Median Housing Value

39

Median Age

6%

Veterans

1,428

Number of County Employees

3

Number of County parks

10%

Foreign Born

53

Number of schools

4

Number of libraries

81.3%

Homeownership

138,263

Meals Served by Senior Nutrition

71,335

Number of trips by Transportation

528

Commercial Construction Permits

736

Miles of sewer lines

2,072

Number of visitors to Veterans Services

11,031

Number of patients with Public Health

Primary Employers

- Union County Public Schools
- Union County Government
- Harris Teeter
- Tyson Farms Inc.
- TDY Industries LLC

Largest Taxpayers

- Allegheny Technologies
- Union Electric Membership Corp
- Duke Power Company
- Charlotte Pipe & Foundry Co.
- Piedmont Natural Gas

Union County: Award-Winning Departments

Several of our County departments were recognized throughout the year for their innovative programs, service delivery or outstanding staff. A highlight of some of those awards include:

National Association of Counties (NACo):

- Achievement Award in the category of Civic Education and Public Information for the development and accomplishments of the Public Communications team for Branding and Website Redesign.
- Achievement Award in the category of Planning for the Union County 2050 Comprehensive Plan.
- Achievement Award in the category of Planning Best in Category Award for Union County 2050 Comprehensive Plan.

City-County Communications & Marketing Association (3CMA):

- Silver Circle Award Community Visioning or Branding
- Award of Excellence for Branding/New Logo

Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ended 2021
- Distinguished Budget Presentation Award for Fiscal Year Beginning 2022
- Award for Outstanding Achievement in Popular Financial Reporting for Fiscal Year Ended 2021

Carolinas Association of Governmental Purchasing:

- 2021 Sustained Professional Purchasing Award for our Procurement team

Center for Digital Government (CDG) and the National Association of Counties (NACo):

- Union County ranks 8th nationally in Government Technology Magazine Survey



Fiscal Control

Unlike a for-profit organization whose primary goal is to generate income, a local government's objective is to provide services and focus on the availability of resources to provide those services. Local governments impose various taxes to be able to provide these services.

Union County Government serves all of the 247,058 residents by providing services to the collective whole. The services provided by the County include, but are not limited to, law enforcement, fire protection, water and sewer, public health, social services, transportation, waste disposal and funding for education.

The following key factors contribute to the fiscal health of the organization.

BOND RATING

Similar to a personal credit score, this is a representation of the creditworthiness of a government's bonds. Bond rating is a key indicator of a bond issuer's financial strength and capacity to repay the principal and interest. This has a direct impact on the County's ability to successfully attract investors, and more importantly, achieve the lowest interest rate possible.

The County is proud of the Aaa/AAA/AAA credit ratings, which signify the highest ratings possible in the municipal rating scale. Union County is one of the few counties in the country that maintains high financial ratings from all major rating agencies.

DEBT

The County has \$380.7 million in general fund debt outstanding, or \$1,541 per debt capita. Over the past several years, the County decreased the outstanding balance in the debt portfolio significantly by focusing on a proactive debt management strategy, advanced refund opportunities, and early debt redemptions. 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.

BUDGET

The County is mandated by North Carolina General Statute to provide and adopt a balanced budget. The budget is a legally adopted document that incorporates input from the citizens of the county, the management of the county, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the county to obtain funds from identified sources to finance these current period activities.

The budget provides guidance to a county to make sure spending is in line with revenues. Historically, Union 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 19 of the past 19 fiscal years.

FINANCIAL PLANNING

Union 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.

ANNUAL INDEPENDENT FINANCIAL AUDIT

North Carolina General Statutes require an annual audit be performed by an independent certified public accountant. This annual audit relates to the Annual Comprehensive Finance Report (ACFR), and the purpose of the audit is to ensure Union County is complying with general accepted accounting principles (GAAP). This year's Independent Auditor's Report confirms that the County's financial statements are "present fairly, in all material respects, the respective financial position: All financial information stated in this Popular Annual Financial Report is presented in accordance with GAAP, more detail can be found on the Finance Department's website.



Many resources received by governmental entities are to be used for specified purposes, this requires them to be accounted for separately. Governments use “funds” to be able to distinguish these resources.

Governmental funds are used to record transactions that are funded by nonexchange resources such as taxes, intergovernmental revenues and grants. Most of the basic services are accounted for in these funds. These include the general fund, special revenue funds, capital projects funds, and debt service funds.

GENERAL FUND

The General Fund is the County’s primary operating fund. It accounts for all financial resources of the general government that are not required to be accounted for separately.

PROPRIETARY FUNDS

Proprietary funds are for activities where the government acts much like a for-profit organization; services are provided and customers are charged for services they use. Union County provides water, sewer and solid waste services that are accounted for in these funds. Proprietary funds also include internal service funds which are used to account for goods and services provided for one department by another department.

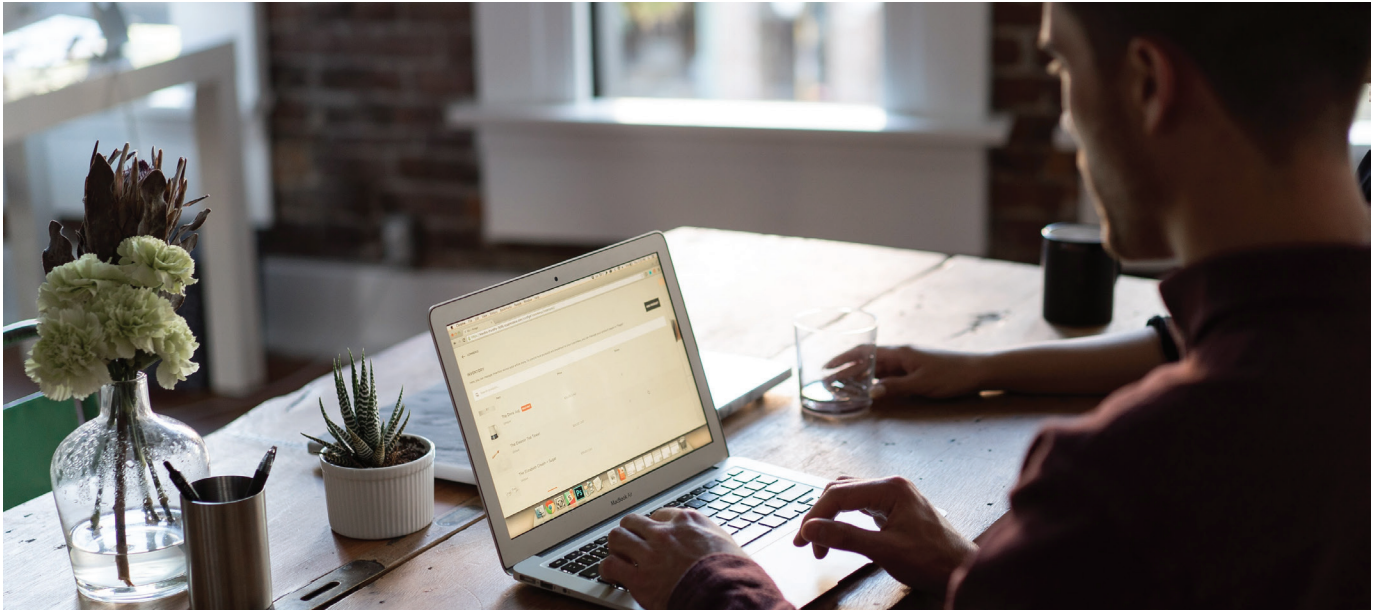
FIDUCIARY FUNDS

Fiduciary funds are used for transactions that are managed on behalf of other entities. Union County maintains five different fiduciary funds.

GOVERNMENT-WIDE FINANCIAL STATEMENT

A broad overview of the County finances are presented in the government-wide financial statements section of the Annual Comprehensive Financial Report. It is presented in a format similar to financial statements of a for-profit business. These statements provide short and long-term information about the County as a whole. The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include governmental funds while business-type activities include water and sewer; and solid waste funds.

Fiduciary funds are not reported here, as the resources of these funds are not available for use by the County. These statements report the net position of the County which may serve as a useful indicator of whether financial position is improving or deteriorating.



Net Position

Net position may be found on the government-wide balance sheet, and it represents what the County owns (assets plus deferred outflows) and owes (liabilities and deferred inflows). It is reported for governmental activities and business-type activities. This amount is broken down to three categories including net investment in capital assets, restricted net position and unrestricted net position. Net position may serve over time as a useful indicator of government's financial condition.

Net investment in capital assets category reflects the County's net investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt that was issued to acquire those assets. Union County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position represents resources available to the County to provide services to the residents if there were no additional revenues were available.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position in the amount of \$193,063,777 is due primarily to the portion of the County's outstanding debt incurred for the Union County Board of Education (the "school") and the South Piedmont Community College (the "community college").

Under North Carolina General Statute, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems' capital funding by using a mixture of County funds, general obligation debt and installment financings. The assets funded by the County, unless otherwise obligated, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets.

	Governmental	Business-type	Total
Net Investment in Capital Assets	50,651,906	242,855,607	293,507,513
Restricted	89,263,583	4,741,596	94,005,179
Unrestricted	(193,063,777)	150,575,115	(42,488,662)
Total Net Position	(53,148,288)	398,172,318	345,024,030

Fund Balance

Fund Balance is the amount of reserve funds that the County has on hand that can be used in the event of unforeseen circumstances, state of emergencies and for future needs. Fund balance is an indicator of fiscal stability that is measured at year-end. Available fund balance is the total amount that is not restricted or committed to a specific use or purpose.

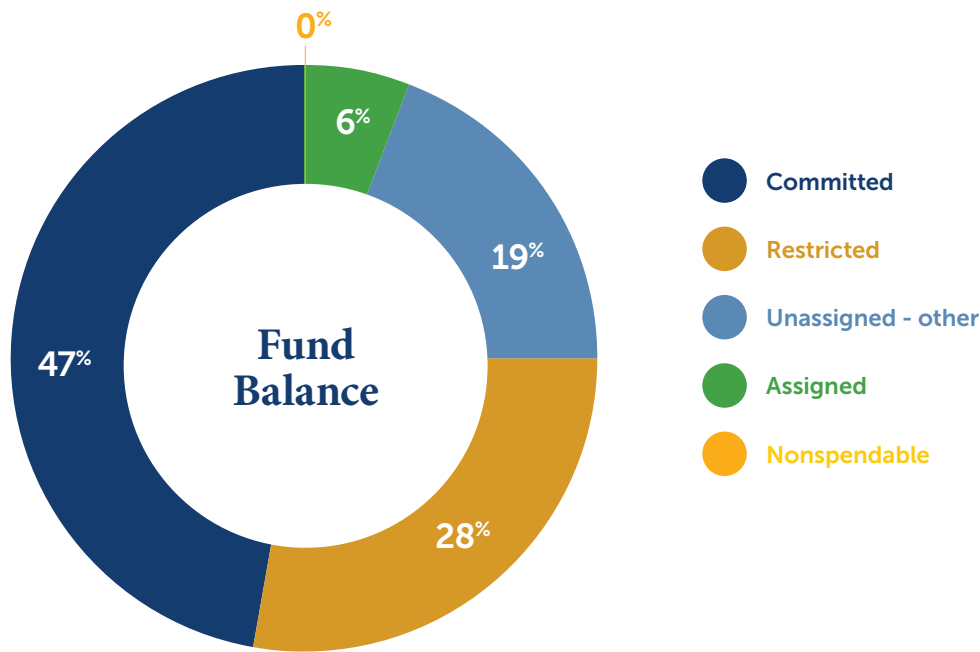
The Board of County Commissioners has passed robust policies outlining the appropriate reserve levels the County is expected to maintain. The Board has determined the County should maintain an available reserved (committed) fund balance of 20 percent of total expenditures for unforeseen needs or opportunities.

Union County reported \$135,071,379 total fund balance for general fund. This is \$3.5 million more than fiscal year 2021

fund balance. This is primarily due to the sales taxes and ad valorem collections being more than estimated, as well as operating expenditures being less than previous years due to preventative actions taken in response to the uncertainty during the early stages of the COVID-19 pandemic.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

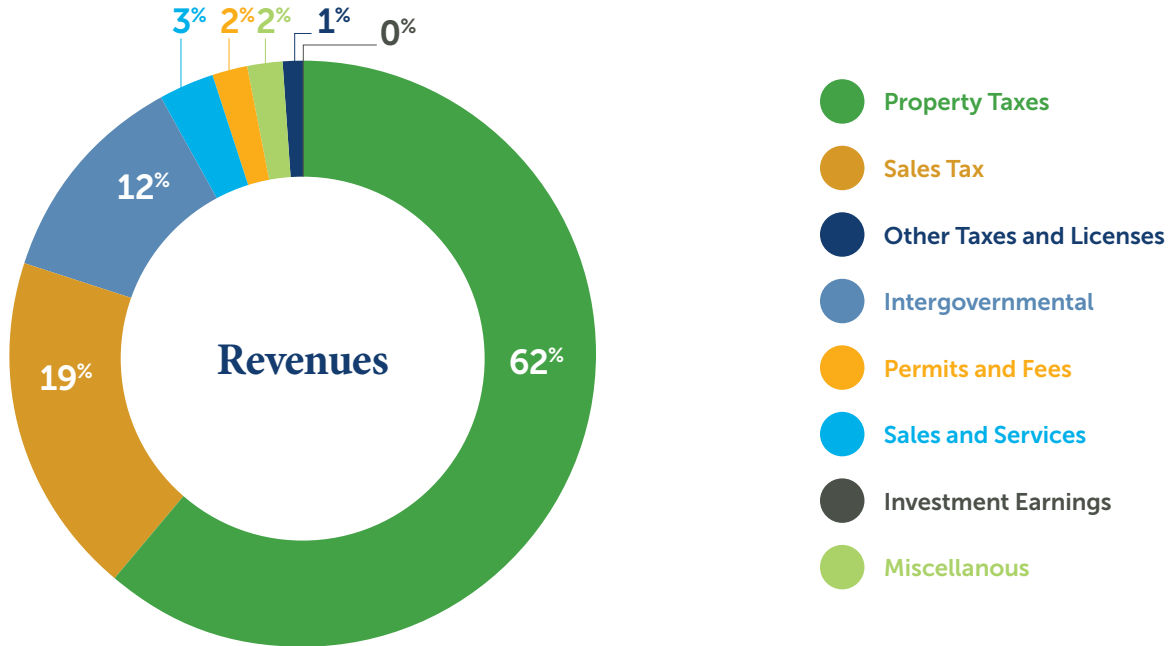
As of June 30, 2022, the County has a fund balance (based on committed, assigned, and unassigned) of 33.8 percent of general fund expenditures, while total fund balances represent 43.5 percent of that same amount.



Fund Balance Categories:

Nonspendable:	Amounts that cannot be spent because they are either not in spendable form such as inventory, prepaid expenses, buildings; or the government is contractually bound to maintain the amount
Restricted:	Amounts that are restricted to a specific purpose by external parties, or laws or regulations, constitutional provisions or legislation.
Committed:	Amounts that are committed for a specific purpose by formal action of the government’s highest level of decision-making. (the Board)
Assigned:	Amounts that are intended by the government to be used for specific purposes.
Unassigned:	Amounts available for any purpose.

Revenues



GENERAL FUND

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 fiscal year 2022, ad valorem tax revenue accounted for 62 percent of all revenues collected by the general fund, largely due to organic growth of the County property tax base while maintaining the 58.80 cents tax rate. \$218 million in revenues reflects an increase of 4 percent. A revaluation of real property was completed in fiscal year 2021, and is reflected in fiscal year 2022 tax collections.

The next largest single revenue source was local option sales tax, which brought in just over 19 percent of all revenues last year.

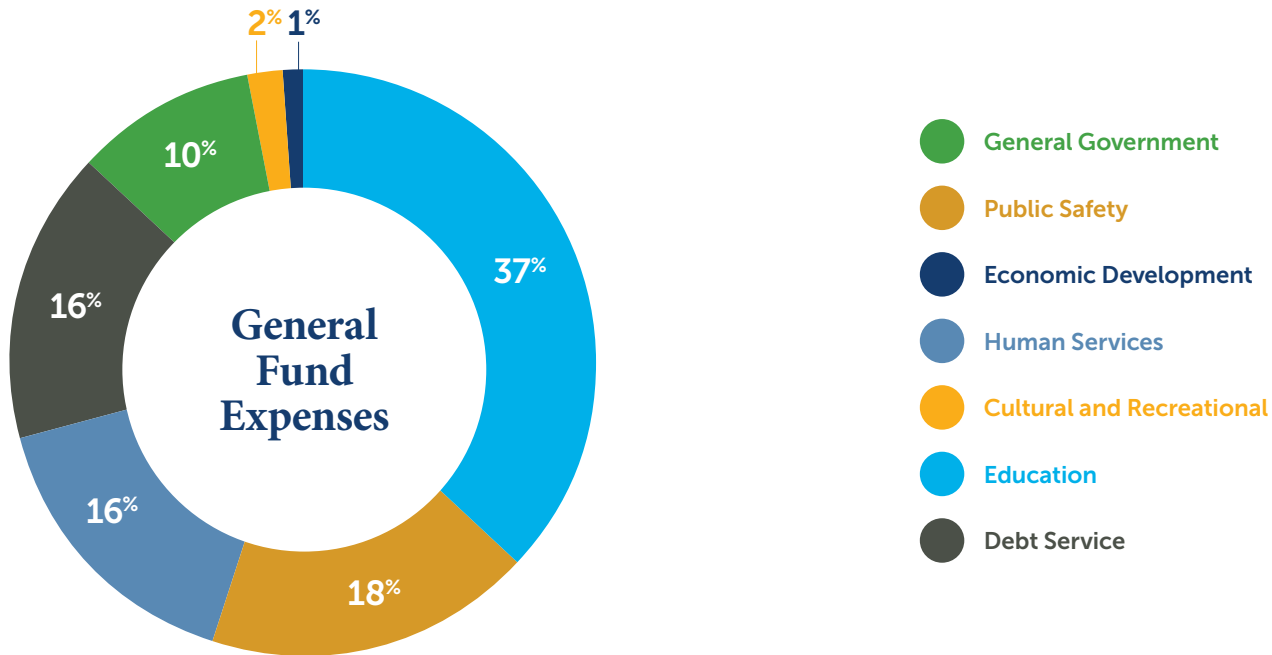
The County has the ability to increase or decrease revenues through the setting of the tax rate. Local option sales tax and the rest of the revenues are essentially based on the market, residential growth, and usage. As a result, the County has very little flexibility to increase revenues throughout the year. Aside from those factors, we are in uncharted territory as the County may feel the effects of the COVID-19 pandemic many years to come.

PROPRIETARY FUNDS

The proprietary funds (business-type activities) operating revenue include charges for services for water and sewer as well as solid waste disposal fees. Union County Government's operating budget is for tax-funded services, such as education, county department programs and services, the Union County Sheriff's Office, supporting community partners, and other crucial services residents rely on. The operating budget for Union County Water is funded solely by rates and fees collected from ratepayers of the utility, and is not funded by taxpayer dollars. It is important to note, as in previous years, these revenues are used only in the operations of proprietary funds, and not in general county operations.

Business-type Activities	2022	2021	2020
Operating Revenues	84,503,623	74,536,352	63,044,897

Expenses



GENERAL FUND

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.

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 41,200 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. While the County is fiscally sound and has enough resources to withstand economic downturn, it continues to have a relatively high debt burden. Today, (combined) debt service and Human Services areas are 16 percent of the County’s expenditures. Public Safety remains at 18 percent, the second largest expenditure of the county. 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.

Aside from debt service, major expenditure categories that are funded by tax dollars include: General Government, Public Safety (Sheriff’s Office, Emergency Management, Emergency Communications, Fire Marshal’s Office, Building Code Enforcement, Outside Agencies); Economic and Physical Development (Planning, Cooperative Extension Service, Soil and Water Conservation, Outside Agencies); Cultural and Recreational (Libraries, Parks & Recreation, Outside Agencies); Education (Union County Public Schools, South Piedmont Community College, Literacy Council); Human Services (Public Health, Social Services, Transportation, Community Outreach, Veterans Services, Outside Agencies).

PROPRIETARY FUNDS

Operating expenses for proprietary 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 non-operating revenues and expenses.

Business-type Activities	2022	2021	2020
Operating Expenditures	62,681,384	58,836,147	54,157,849

A Review of the County's Debt

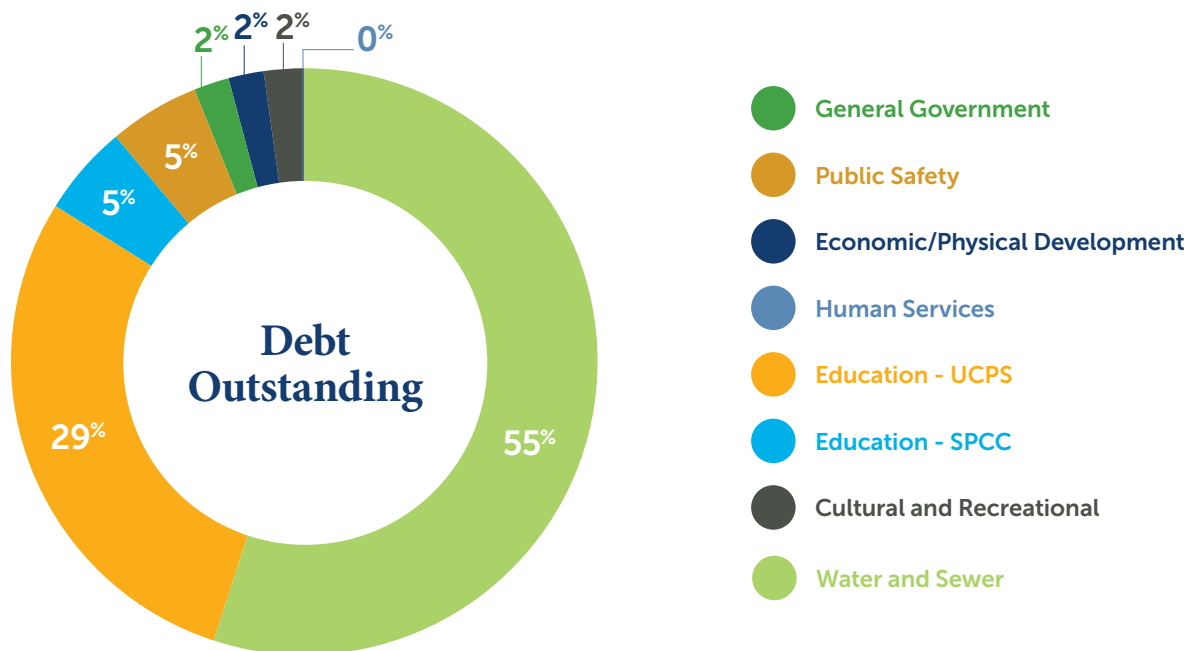
The County has a total of \$787,698,000 debt outstanding. \$265.3 million is for Education including the public school system and the community college, \$43.1 million is for Public Safety, \$18.3 million is for Economic and Physical Development, \$12 million is for Cultural & Recreational, \$14 million is for General Government, and lastly \$434.3 million is for Water and Sewer functions of the County.

Debt service is viewed as a necessary tool among municipal governments because few municipalities have the ability to cash fund large projects.

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. Union County uses financing options such as General Obligation Bonds, Revenue Bonds and Certificates of Participation to finance these projects.

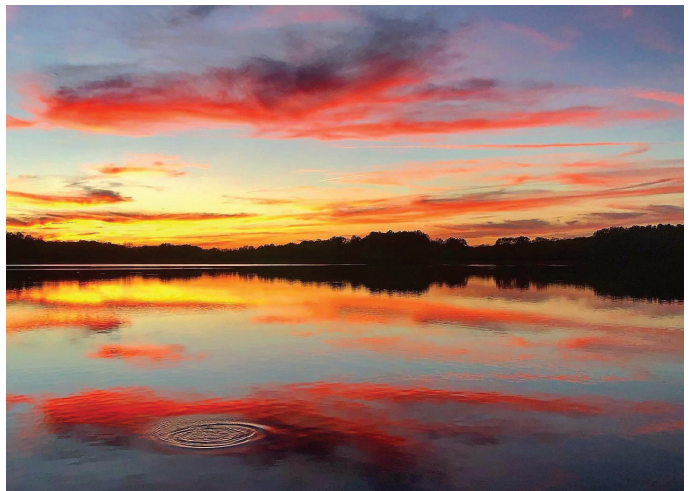
General obligation bonds serve as a way for a local government to raise funds for projects that create streams of income for such things as roads, parks, equipment, and bridges. These bonds are usually used to fund government projects that will serve the public community and they are backed by general revenue of the issuing government entity which is the power of the local government to tax its citizens. It is commonly subject to voter approval and other requirements. New \$20.5 general obligation bond debt was issued in fiscal year 2022 for general fund.

Revenue Bonds issued by a local government unit is backed by a specific stream of revenue. In Union County's case, these are used to finance the construction of water lines and sewer treatment facilities and are paid by water and sewer fees paid by their customers.



A Review of the County's Debt

Function:	GO Bonds	Installment Financing	Revenue Bonds	Total Outstanding Principal
General Government	7,604,000	7,359,649	-	14,963,649
Public Safety	43,196,144	-	-	43,196,144
Economic/Physical Development	17,848,000	-	-	17,848,000
Human Services	-	-	-	-
Education - UCPS	193,518,856	34,091,405	-	227,610,261
Education - SPCC	37,252,000	467,371	-	37,719,371
Cultural and Recreational	11,768,000	287,575	-	12,055,575
Water and Sewer	-	-	434,305,000	434,305,000
Total	\$311,187,000	\$42,206,000	\$434,305,000	\$787,698,000



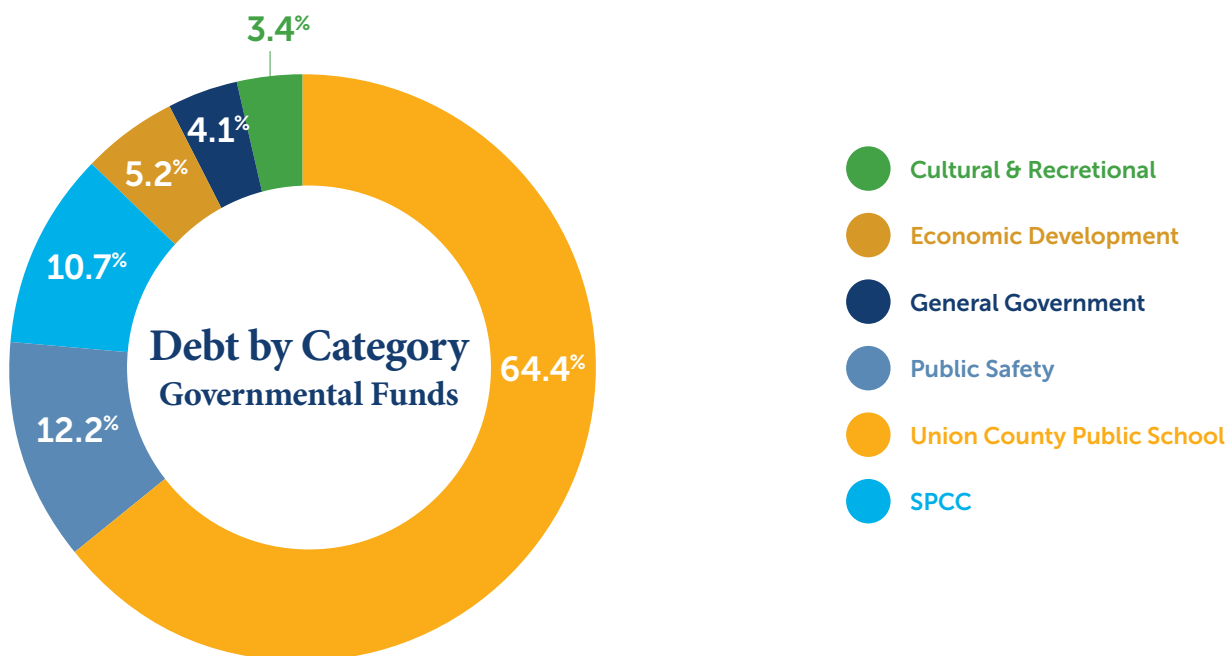
General Fund Debt

Total outstanding debt for General Fund is \$353 million. Of this amount, \$311 million is General Obligation Bonds and \$42.2 million is for Certificates of Participation and Installment Financing.

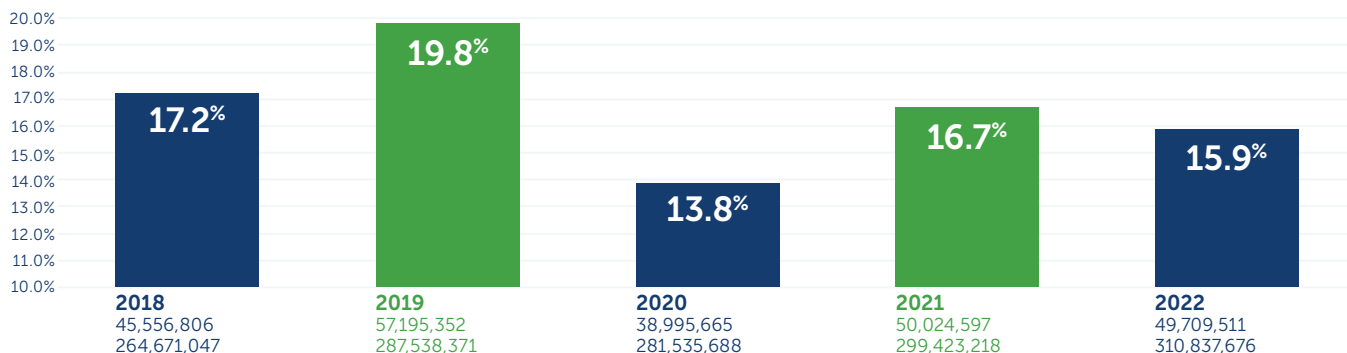
Approximately 64.4% percent of the County's outstanding tax backed debt is for Union County Public Schools. This is a combined result of the length of the debt, and the majority of the school debt that was issued in the previous 17 years.

It is important to keep in mind that a government unit may affect its bond ratings negatively 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 service as a percentage of expenditures is 16 percent for fiscal year 2022.



Debt Service as Percentage of Expenditures



*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.



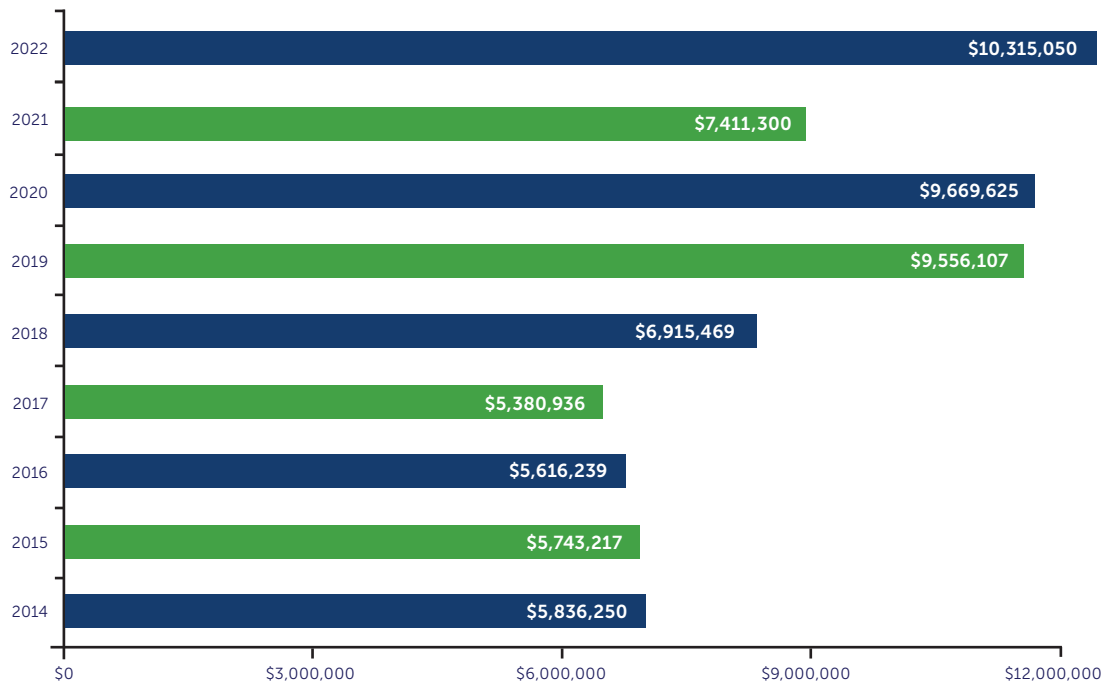
Enterprise Debt

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

The utility system has 4 revenue bond issues outstanding. 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
- Yadkin Regional Water Supply Project

Enterprise Fund Debt Service



Capital Improvement Program (CIP)

The adopted FY 2022-2027 Union County Capital Improvement Program (CIP) is made up of three components. 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. The goal of these projects is to provide for critical repairs and facility needs to maintain or improve general services of government.

- Emergency Services Center
- Historic Courthouse Renovations
- Sheriff's Office Renovation and Expansion
- Facilities Maintenance & Renewal
- Parks and Recreation Renewal and Expansion
- Jail Replacement & Expansion
- Library Building, Expansion and Development
- South Piedmont Community College Expansion



UNION COUNTY WATER CAPITAL PROGRAM

The Union County Water Capital Program provides the six-year capital plan for the water and wastewater utility program. This program is largely based on the Comprehensive Water and Wastewater Master Plan that provides a 20-year projection of system needs based on current population growth, population distribution trends, and historical demand data, among a number of other factors.

- Catawba River Water Treatment Plant Expansion
- Crooked Creek Basin Improvements
- Eastside Wastewater Improvements
- Lower Crooked Creek Water Reclamation Facility
- Twelve Mile Creek Sewer System Expansion
- Various Rehabilitation and Replacements
- West Zone Improvements
- Yadkin Regional Water Supply Project
- 762 Zone Elevated Storage Tank
- 853 West Pressure Zone Improvements



SOLID WASTE CAPITAL PROGRAM

Union County Solid Waste Capital Program provides the six-year capital plan for the program to provide for equipment purchases; expansion and renovations of current facilities, and new facilities requested at the Union County landfill and various solid waste convenience sites.

- Austin Chaney Site Redesign
- Construction and Demolition Cell Expansion

Going Forward

While the financial results for the year ended June 30, 2022 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.

Several significant events and initiatives are set to occur during the upcoming fiscal year:



The new Sheriff's Office Administration Building is expected to open in October 2022 and brings expanded capabilities and resources for this important department to the safety of our residents. We are looking forward to celebrating the completion of this building.



The new Emergency Services Center is expected to open in August 2022. The facility is nearly 24,000 square feet and will house the Fire Marshal's Office, Emergency Management, and Emergency Communications. We can't wait to celebrate the opening of this innovative center.



The construction for the \$300 million Yadkin Regional Water Supply Project that began in the fall of 2020 will take three years to complete. Union County issued revenue bonds in the spring of 2021 for this project and various other water and sewer capital projects. The first pipe was laid in April 2021 (pictured).



The construction of a new building addition to the Board of Elections is underway, and it is expected to open in early 2023. The addition will expand the office by approximately 5,800 square feet. We are looking forward to celebrating its grand opening.

