

Reader s Guide to the Budget

Purpose

This budget document summarizes all the Department programs provided by Union County government and represents the annual plan for the allocation of resources. The budget presented covers the period of July 1, 2020, to June 30, 2021 ("Fiscal Year 2021").

Summary Format

For FY 2021, the budget reports that are shown for each Department depend on the programmatic levels within the area. The reports are arranged from Department summary level to subprogram detailed level.

The report provides actual figures for FY 2016 through FY 2019; the FY 2020 revised budget, and the adopted budget for FY 2021; approved as of June 15th 2020. For each Department, a Program Summary Report and Subprogram Summary Report is provided and includes similar information.

Full time Equivalent Positions

Personnel information includes the authorized number of full-time equivalent (FTE) positions in the Department or Fund. FTE position count calculates staffing levels by the number of hours worked relative to a standard working schedule of 2,080 hours per year. For instance, a part-time position for 20 hours per week, or 1,040 hours per year, is considered 0.50 FTE.

Budget Process

The annual budget process commences in the fall of the preceding year, with the distribution of the Budget Instruction Manual and the development of the Budget Calendar. The calendar establishes the time lines for the process, including the date of submission of Department requests, budget work sessions and public hearings that lead to final adoption of the Operating and Capital Budget Ordinance.

Department requests are based on guidance from the Budget Instruction Manual and annual training for key staff involved in the

budget preparation. A target based budget using zero-based budgeting model was used in arriving at the target amount in preparing the budget. This concept consists of building the cost from the ground up. Core concepts for budget development include the following:

- Maintaining fiscal discipline
- Investing in Core Services
- Implementing a strategic framework for internal business processes.

Board of Commissioners Authorization and Appropriations

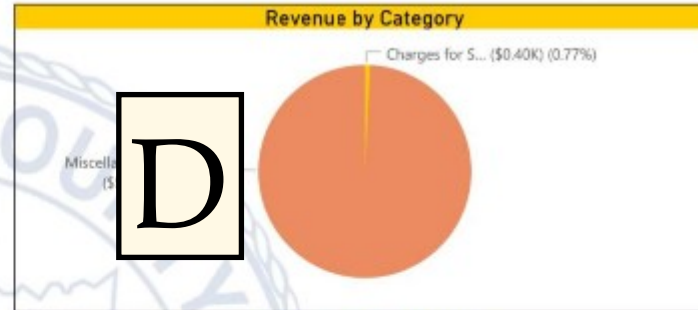
In compliance with the *North Carolina Local Government Budget and Fiscal Control Act* (G.S. 159-8) the Board of Commissioners adopts an annual balanced budget ordinance for all governmental and proprietary funds except funds authorized by project ordinances. All budget ordinances are prepared using the modified accrual basis of accounting. The annual budget for governmental funds and proprietary funds must be adopted no later than July 1. Agency funds are not required by State Law to be budgeted. All capital projects funds and certain special revenue funds and expendable trust funds are budgeted under project ordinances spanning more than one fiscal year and are controlled by project. Project appropriations continue until the projects are complete.

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Union County FY2021 Adopted Budget in Brief-Financial Services-120

Net Program Costs by Department	
Program Name	Adopted FY2021
Budget	\$498,390.00
Debt Refundings	\$0.00
Finance	\$864,460.00
Procurement	\$404,664.00
Total	\$1,767,514.00

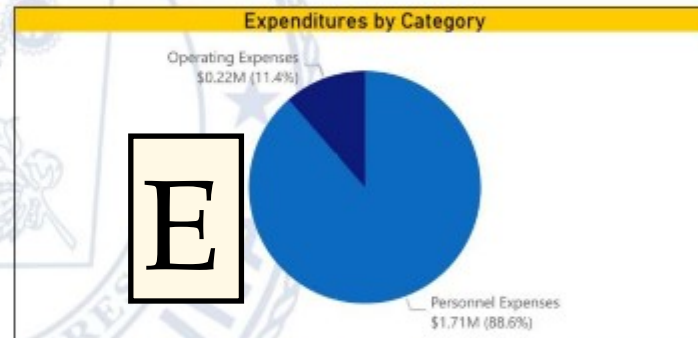
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D

Net County Cost of Adopted Expansions for FY 2021	
Expansion Title	Amount
Addition of Ricoh Printer to Budget Office	\$1,105.00
Additional Operating Expense for (2) Analysts (Travel/Training/Food/Dues)	\$6,090.00
Increased Copier Costs	\$700.00
Replace Desktop Computers with Laptops	\$2,900.00
Total	\$10,795.00

B



E

FTE By Year						
	FT/PT	Actual FY2017	Actual FY2018	Actual FY2019	Revised FY2020	Adopted FY2021
▲						
Full-Time		14.90	14.90	16.00	19.10	19.00
Total		14.90	14.90	16.00	19.10	19.00

C



F

- | | | |
|---|---|---|
| <p>A–Net Program Costs by Department</p> <p>The table lists the FY 2021 Adopted projected expenditures amounts by programs.</p> | <p>B – Net County Cost of Adopted Expansions</p> <p>Expenditures and Personnel that are adopted as a part of Department Expansions.</p> | <p>C– FTE by Year</p> <p>Personnel could be allocated across multiple Departments. Portion of Personnel allocated to this particular Department.</p> |
| <p>D– Revenue by Category</p> <p>The table lists the FY 2021 Adopted projected revenue amounts and the percentage weight by revenue category (type).</p> | <p>E – Expenditures by Category</p> <p>The table lists the FY 2021 Adopted projected expenditure amounts and the percentage weight by expenditure category (type).</p> | <p>F– Revenue and Expenditure Trend by Year</p> <p>The bar graph shows the yearly change in Revenue and Expenditures from Actual FY 2015 to Adopted FY 2021.</p> |

Financial Services

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Department Mission

Financial Services provides essential financial, budgeting and procurement services to support the County in its pursuit of excellence and public service to the residents of Union County through collaboration and engagement.

Department Mission, Services Provided and Goals for the Year.

Department Services Provided

Financial Services consists of Budget, Finance, and Procurement.

Finance is responsible for maintaining accurate and complete financial records for the County in accordance with Generally Accepted Accounting Principles (GAAP), providing excellent customer service; and providing meaningful and timely financial information to the public, county departments and management.

Budget is responsible for the development and monitoring of the County's annual adopted budget, capital improvement, and debt programs.

Procurement is responsible for the acquisition and procurement of goods, services and construction throughout the County in accordance with applicable laws and policy.

Department FY 2021 Discussion

The Financial Services department is working to develop long-term staffing and succession strategies. The regulatory environment that Financial Services works in is constantly changing, which in many cases will change the operations of the County as a whole. Staff continues to work to find ways to minimize the impact of changes and facilitate the other County departments. Several finance staff members serve on the County's Coordinating Council for the 2020 CARES Act Funding to address the immediate impact of the Coronavirus in Union County.

Financial Services also aggressively manages the County's debt portfolio and investments to minimize risk and maximize return.

Department Analysis

The FY 2021 Adopted Budget includes additional travel & training funds for Budget Management staff that were added in the FY 2020 budget (\$6,090) and funding for a printer in the budget work area (\$1,105). Additionally, access to laptops for Procurement staff would allow for the flexibility of working outside the office (\$2,900).

Department Analysis highlights the major budgetary changes year over year.

Financial Services Adm

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Object Code	Object Description	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Revised FY 2020	Adopted FY 2021	\$ Change FY 2020 - 21	% Change FY 2020 - 21
Revenue									
	Intergovernmental Revenues	0	0	0	0	0	0	0	0.00%
	Federal Grants	0	0	0	0	0	0	0	0.00%
	Charges for Services	-346	-388	-407	-355	-400	-400	0	0.00%
	Debt Proceeds	-48,555,017	0	0	0	0	0	0	0.00%
	Miscellaneous Revenues	0	0	0	-188,948	-72,399	-51,394	21,005	-29.01%
	Interfund Revenues	0	0	0	0	0	0	0	0.00%
	Contingencies and Fund Balance	0	0	0	0	0	0	0	0.00%
	Total Revenue	-48,555,363	-388	-407	-189,302	-72,799	-51,794	21,005	-28.85%
Expenditures									
	Personnel Expenses	1,307,588	1,467,800	1,408,830	1,548,759	1,984,446	1,705,497	-278,949	-14.06%
	Operating Expenses	327,236	301,387	393,153	418,785	373,872	219,353	-154,519	-41.33%
	Equipment, Vehicles, & Facilities Investments	0	0	0	0	15,000	0	-15,000	-100.00%
	Debt Payments	48,722,393	0	0	0	0	0	0	0.00%
	Interfund Charges	-100,433	-100,149	-100,277	-101,981	0	-105,542	-105,542	0.00%
	Contingencies and Fund Balance Contributions	0	0	0	0	0	0	0	0.00%
	Total Expenditures	50,256,783	1,669,039	1,701,705	1,865,562	2,373,318	1,819,308	-554,010	-23.34%
	Total Financial Services Adm	1,701,420	1,668,651	1,701,299	1,676,260	2,300,519	1,767,514	-533,005	-23.17%

FTE Summary

Position Type*	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Revised FY 2020	Adopted FY 2021	\$ Change FY 2020 - 21	% Change FY 2020 - 21
Full-Time	13.90	14.90	14.90	16.00	19.10	19.00	-0.10	-0.52%
Total 120	13.90	14.90	14.90	16.00	19.10	19.00	-0.10	-0.52%

*Position type categories were updated during FY2020 to align with the Enterprise Resource Planning Software. Part-Time-Benefited and Part Time-Non-Benefited FTEs were referred to as Part-Time and Temp-Part-Time, respectively, for Actual FY2019 and prior years.

Expenditure Categories

Revenue Categories

Department Name

Total Revenue (over)/
under Expenditures for
the specified fiscal year

Department FTE
count for the spec-
ified year

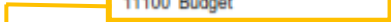
Dollar amount
change from FY
2020 to FY 2021

Percentage
change from FY
2020 to FY 2021

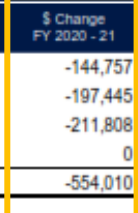
Financial Services Adm

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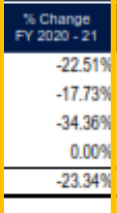
Program Number	Program Name	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Revised FY 2020	Adopted FY 2021	\$ Change FY 2020 - 21	% Change FY 2020 - 21
11100	Budget	0	0	361,077	468,823	643,147	498,390	-144,757	-22.51%
11200	Finance	1,128,220	1,242,125	865,238	916,804	1,113,699	916,254	-197,445	-17.73%
11400	Procurement	406,171	426,914	475,390	479,936	616,472	404,664	-211,808	-34.36%
11500	Debt Refundings	48,722,393	0	0	0	0	0	0	0.00%
Total Financial Services Adm		50,256,783	1,669,039	1,701,705	1,865,562	2,373,318	1,819,308	-554,010	-23.34%



Program Name

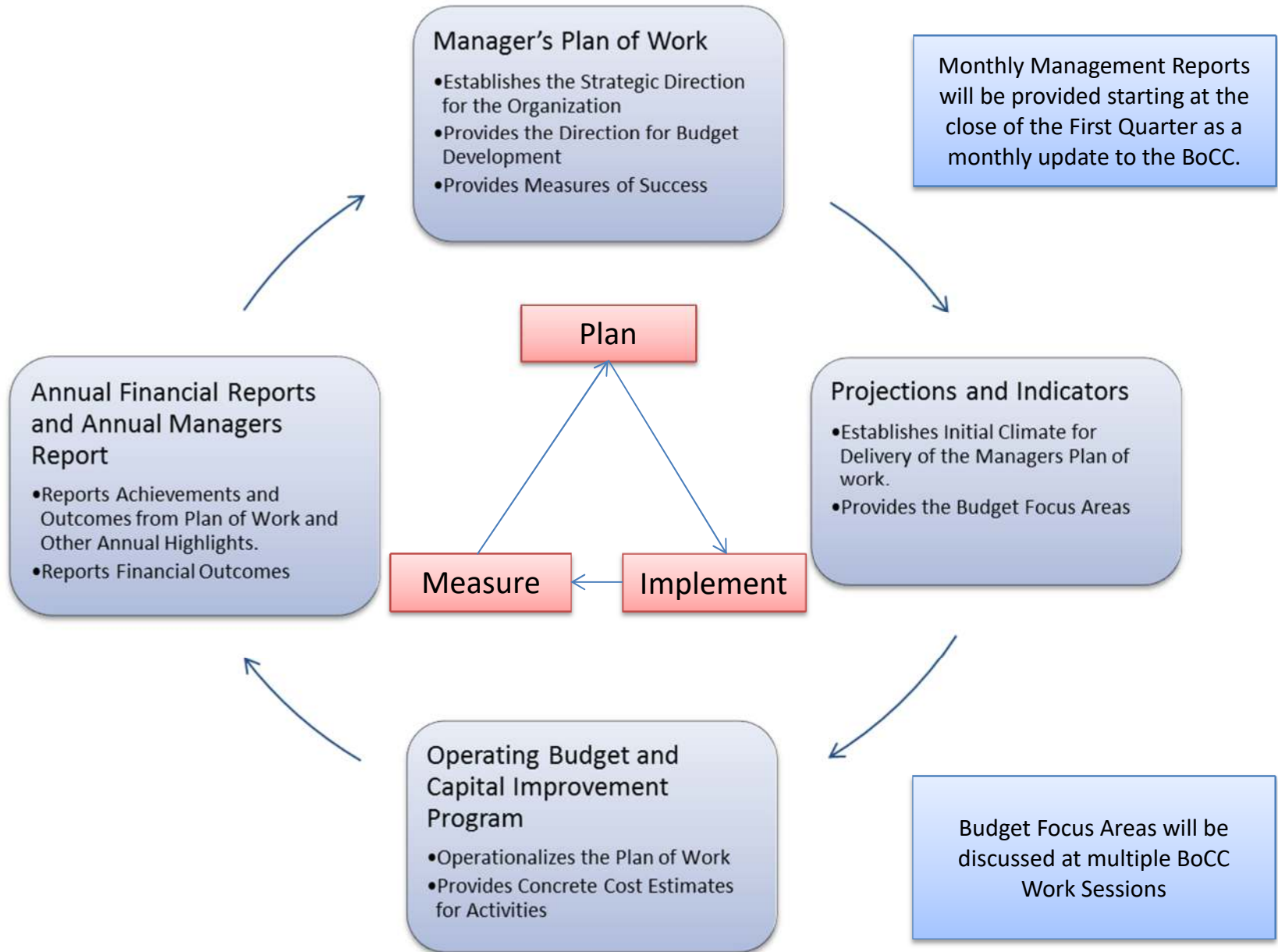


Dollar amount change from FY 2020 to FY 2021



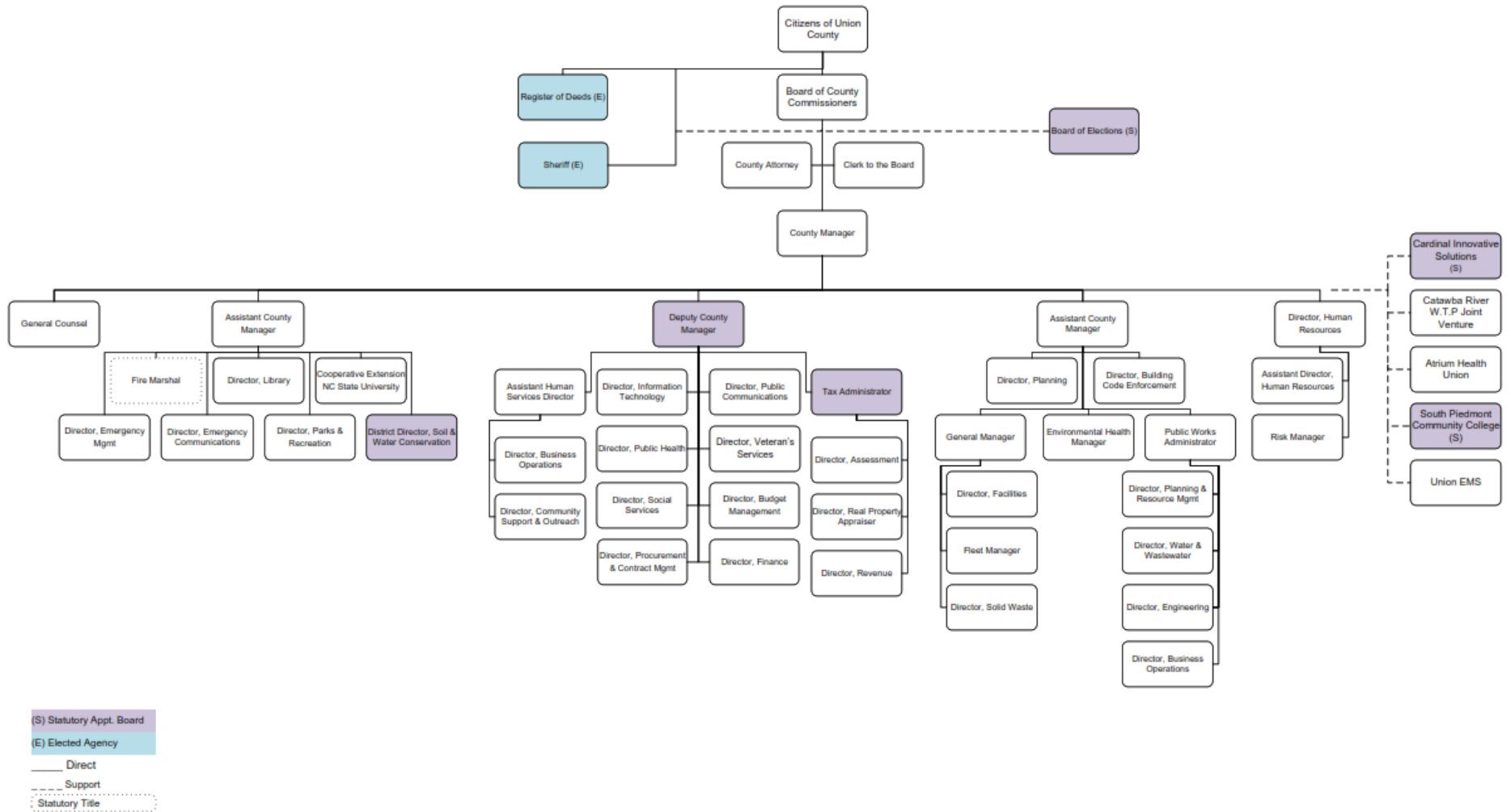
Percentage change from FY 2020 to FY 2021

Budget Process



Budget Calendar for Fiscal Year 2021

Date	Task
December	
Dec. 9, 2019	Union County Board of Commissioners' Budget Workshop-FY 2021 Economic Overview, Revenues, Expenditures & Highlights
January	
Jan. 31, 2020	Department Budget Requests, Expansions, and Narratives due to Budget Office for Review
February	
Feb. 24, 2020	Union County Board of Commissioner's Special Meeting-Joint Meeting with Union County Board of Education
March	
March 3, 2020	Executive Team and Departments provided Manager's Workbook
March 16, 2020	Union County declares State of Emergency in Preparation of COVID-19. Formal Department Management meetings suspended
April	
April 1-30, 2020	Government Offices operate virtually in response to COVID-19 Pandemic. Management team works with Departments on Expansions
May	
May 4, 2020	Union County Board of Commissioners' Regular Meeting-FY 2020 Year End Projections, Economic and Service Demand Impacts of COVID-19
May 20, 2020	Union County Board of Commissioners' Budget Workshop-FY 2021 Preview, UCPS Budget, Community Partner Funding & Facilities
June	
June 1, 2020	Union County Board of Commissioners' Regular Meeting-Presentation of the County Manager's Proposed FY 2021 Budget
June 15, 2020	Union County Board of Commissioners' Public Hearing for the County Manager's Proposed FY 2021 Operating and Capital Budget
June 15, 2020	Union County Board of Commissioners' Adoption of the FY 2021 Operating and Capital Budget Ordinance



(S) Statutory Appt. Board
 (E) Elected Agency
 — Direct
 - - - Support
 - - - - Statutory Title

Basis of Budgeting and Basis of Accounting

Basis of Budgeting

All funds of the County are budgeted for and accounted for during the year on the modified accrual basis of accounting in accordance with North Carolina General Statutes. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the costs for goods or services are incurred (except for un-matured principal and interest on general long-term debt, which are recognized when due).

The County maintains encumbrance accounts under which purchase orders, contracts and other commitments are reserved against available appropriations.

The operating budget appropriation unit is defined as the function within a given fund. The capital improvement budget appropriation unit is defined as the program and is as outlined in "Attachment C – Capital Projects Ordinance", except as outlined in Section XXV of the FY 2021 Operating and Capital Budget Ordinance (found in the Budget Message).

Any Department or agency appropriation increase must first be approved by the Board of County Commissioners. The County Manager is authorized to approve transfers of appropriations in an amount up to \$50,000 between appropriations units included in the budget ordinance. In addition, the County Manager may transfer, in amounts necessary, appropriation from all Reserves for Contingencies, within funds, except the General Fund Reserve for Contingencies, within the intent of the reserve as approved by the Commission. In accordance with the General Statutes for the State of North Carolina Chapter 159-15, a report of such transfers will be provided to the BOCC at its next regular meeting. Operating budget appropriations lapse at year-end.

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Applicable Financial Reporting Framework (Basis of Accounting)

Basis of accounting refers to how revenues and expenditures or expenses and related assets and liabilities are recognized in the accounts and reported in the combined financial statements.

The governmental funds (General Fund, Special Revenue and Capital Projects Funds) are also presented on a modified accrual basis in the combined financial statements in the Comprehensive Annual Financial Report (Financial Statements). The accounting records for the County's enterprise and internal service funds are reported on a full accrual basis of accounting. Under this basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

The Financial Statements present the status of the County's finances on the basis of generally accepted accounting principles (GAAP). In most cases, GAAP presentation conforms to the County budget presentation. Exceptions are as follow:

- Compensated absences are accrued as earned by employees per GAAP as opposed to being expended when paid.
- Principal payments on long-term debt within the proprietary funds are applied to the outstanding liability on a GAAP basis as opposed to being expended on a budget basis.
- Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis.
- Depreciation expenses are recorded on a GAAP basis only.
- The Financial Statements include fund expenditures and revenues on both a GAAP basis and a budgetary basis for comparison purposes.

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Capital Improvement Program Management Policy

Objective

The purpose of the Capital Improvement Program (CIP) is to systematically identify, plan, schedule, finance, track, and monitor capital projects to ensure cost-effectiveness as well as conformance to established policies, procedures, and appropriations.

The performance and continued use of capital infrastructure is essential to delivering public services. Deferring essential maintenance and/or asset replacement can negatively impact service delivery and increase the long-term costs. As such, the County will periodically assess the condition of assets and infrastructure and appropriately plan for required major maintenance and replacement needs. Efforts will be made to allocate sufficient funds in the six-year CIP and operating budgets for condition assessment, preventative and major maintenance, and repair and replacement of critical infrastructure assets.

Policy

- I. The CIP shall consist of all funds appropriated by the Board of County Commissioners for capital improvements either by county departments, external organizations, offices of county government, or outside agencies for which the County provides capital funding.
 - a. Capital improvement projects shall be defined as construction projects, renovation projects, property acquisition, and equipment purchases that cost at least \$100,000 and have a useful life of at least ten years.
 - i. For the purposes of the CIP, information technology projects of at least \$100,000 may be considered as capital improvement projects provided the useful life is at least five years.
 - ii. For the purposes of the CIP, fleet acquisition will be evaluated and recommended in accordance with fleet replacement procedures.

- b. Minor capital outlay and equipment acquisition (less than \$100,000 or a useful life of less than ten years) shall be included in the operating budget.
- II. The County Manager, as the County's Budget Officer, shall annually submit a financially balanced, six-year Capital Improvement Program for review and approval by the County Commission, pursuant to the timelines established in the annual budget preparation schedule.
 - a. The CIP will be updated annually as part of the annual budget process.
 - b. The first year of the adopted CIP will be the capital budget for that year.
 - c. Submission of the CIP shall be consistent with the requirements established by North Carolina General Statutes Chapter 159.
 - d. The County Manager will develop necessary procedures and internal controls to develop and manage the implementation of the adopted CIP.
- III. The Capital Improvement Program shall include:
 - a. A Capital Improvement Program Message that provides a statement of CIP objectives and clearly demonstrates the program's relationship to the County's operating budget proposal and strategic and master plans.
 - b. Summaries of project request and funding sources that demonstrate the six-year Capital Improvement Program is balanced.
 - c. Detailed capital project descriptions to include the following:
 - i. Scope of the project that defines or describes the project.
 - ii. Justification for the project that clearly states the need and pertinent history.
 - iii. Estimated cost by project phase.
 - iv. Estimated funding by project.
 - v. Estimated operating budget impact by budget category.

- vi. Estimated implementation schedule that provides for the coordination of project timing, construction, and funding.
- vii. Identification of Managing Department.
- d. Schedule of proposed and existing debt requirements.

IV. Staff will monitor projects in progress to ensure their timely completion or identify needed adjustments of the CIP as approved by the Board of County Commissioners.

- a. The County Manager may make necessary transfers between phases and accounts within a project, however, transfers between projects, regardless of funding source, require Board of County Commissioner approvals.
- b. Within ninety-days of the completion of a capital project any remaining appropriated funds for the project will revert to the fund balance of the funding source. Expenditure of excess funds may only occur by Board of County Commission action.
- c. Appropriations for capital projects lapse three years after budget adoption if there is no progress on project implementation, as determined by the County Manger and recommended to Board of County Commissioners. Projects which lapse from a lack of activity may be resubmitted for inclusion in a future capital improvement program.

V. Project expenditures and related accounting shall be in accordance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) requirements, and other bond and legal requirements.

- a. Project funding shall be in accordance with the County's Debt Policies and the North Carolina General Statutes Chapter 159.
- b. The County Finance Officer will evaluate project funding and expenditures to ensure compliance and appropriate accounting in accordance with applicable policies, procedures, principles, and standards.

VI. It is anticipated that new general obligation debt funded projects shall be voted by referendum.

- a. It is anticipated that new general obligation debt will be funded through increased tax rate, and that voter approval of general obligation debt represents a tacit approval of the accompanying tax rate.
- b. It is anticipated that new general obligation debt matures; the associated tax rate will be reduced accordingly.

Adopted By the Board of County Commissioners on November 19, 2012.

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Debt Policy

Union County's Finance Director is charged with the responsibility for prudently and properly managing any and all debt incurred by Union County, (the "County"). The following policy provides the methods, procedures, policies and practices which, when exercised, ensure the sound fiscal management of the County's debt program.

Scope

This policy applies to all debt issued or incurred by the County. This may include general obligation bonds, certificates of obligation/participation, limited obligation bonds, revenue bonds, capital leases, private placements, installment financings, and letters of credit.

Debt Limits

The net debt of the County, as defined in G.S. 159-55, is statutorily limited to 8% of the assessed valuation of the taxable property within the County. Total General Fund debt service will not exceed any limits imposed by the Local Government Commission (LGC). As a guide, formulas established by the LGC and rating agencies will be monitored and appropriately applied by the County. Debt service as a percentage of the General Fund operating budget should not exceed 15%

The County evaluates new debt issuance as it relates to the current debt level. The amount of debt retired each year is compared to the amount of debt to be issued any given year and an analysis performed to determine the community's ability to assume and support additional debt service payments. When appropriate, the issuance of self-supporting revenue bonds and other self-supporting obligations are also considered.

An objective, analytical approach is used to make the determination of whether debt is issued. The process compares generally accepted standards of affordability to the current values for the County. Those standards may include measures such as: debt per capita, debt as a percent of assessed value, debt service payments as a percent of current revenues and/or current expenditures, and the level of overlapping net debt of all local taxing jurisdictions.

Objectives

Legal and Regulatory Compliance

The County's debt policies and procedures are designed to ensure compliance with all State and Federal Law governing debt, including but not limited to, State Law, Federal Law, Internal Revenue Service rules and regulations, Securities and Exchange Commission ("SEC") regulations, Municipal Securities Rulemaking Board ("MSRB") regulations, court rulings, and existing debt covenants.

As a result of the importance of complying with all legal and regulatory requirements, the Finance Director and the County Attorney will coordinate all activities necessary to issue debt, including but not limited to:

- selection of bond counsel;
- review of ordinances and resolutions provided by bond counsel;
- review of all documents necessary to issue debt provided by bond counsel; and
- verify compliance with the North Carolina Local Government Commission (LGC)

Responsibility and Control

The ultimate responsibility and authority for issuing debt is approval by the County's governing body, the Union County Board of Commissioners. The Finance Director is charged with the responsibility for the appropriate management of the County's debt program. The Cash and Debt Management Analyst executes the day-to-day debt functions of the debt program following the policies and procedures as well as the guidance and recommendations of the Finance Director, the Senior Management, and Commissioners.

Selection of Service Providers

Financial Advisor

The Finance Director provides recommendations to Senior Management and the Board for the selection of a financial advisor for the County's debt program. The financial advisor may perform the following duties including but not limited to: presenting all available financing alternatives, comprehensive analyses for debt refinancing, recommendations for alternative financial structures, development of timing and sale of new issues, coordinating the market timing and pricing of debt securities, issuing and disseminating the bond offering documents and other disclosure requirements, coordinating with the underwriters of the bond issuance, seeking and coordinating ratings from the nationally recognized rating agencies, and providing guidance and advice about debt-related topics and the capital markets.

The recommendations to select a financial advisor will be based on the results of a formal request for proposal process. When the recommendation is made for Senior Management and Board approval, the basis for the recommendation will be submitted for review. The engagement of a financial advisor is implemented through the approval of a contract by the Union County Board of Commissioners that has a term of no more than five years.

Bond Counsel

The Finance Director coordinates with the County Attorney and Senior Management on the selection of bond counsel for any issue. When the bond counsel has been selected, they are responsible for providing an opinion to investors in two specific areas: first, the bond counsel must assure investors that the securities are valid and legally binding obligations of the County. Second, the bond counsel will state whether the interest on the bonds is exempt or not from federal taxation. The bond counsel also prepares or supervises the preparation of all bond documents necessary to execute the bond issuance. The bond counsel is responsible for coordinating with the County Attorney's office, Clerk to the Board and Finance Office as well as the County's financial advisor to ensure that all tasks associated with the bond issuance are completed within prescribed timeframes.

Underwriters

In a negotiated sale (See Methods of Sale), the Finance Director, after review with Senior Management, makes recommendations concerning underwriting firms to include in the underwriting syndicate. A diverse group of securities firms will be chosen based on past performance, demonstrated ability to resell, prior municipal issuance experience and other factors. While past demonstrated performance is the primary criteria for selection, within those criteria, the participation of historically underutilized businesses (HUBs) will be strongly encouraged.

The primary function of the underwriter is to purchase securities from the County and resell them to investors. Underwriters will be selected for each issue based on the particular experience and expertise necessary for that issue. The underwriter's compensation (an "underwriter's discount") is a percentage of the amount of bonds sold and is negotiated for each issuance. When the amount of bonds to be issued exceeds twenty million dollars (\$20 million) the LGC requires a Co-Manager Underwriting firm in addition to the primary Underwriting firm (Senior Managing Underwriter). Underwriter's employ their own Counsel.

Trustee

The Trustee receives funds from the County and makes payments to bondholders, maintains records of bond ownership and acts as fiduciary agent for the benefit of the bondholders in enforcing the terms of the bond contract.

Local Government Commission

All bonds issued under the authority of the Local Government Bond Act are approved by the Local Government Commission (LGC). Approval of an application as noted in N.C.G.S. 159-51 for a bond issue to the LGC is contingent on criteria established in N.C.G.S. 159-52. Such criteria require resolution of issues such as low tax collection rate (below ninety percent (90%)), receipt of a qualified audit opinion, or violations of the Local Government Budget and Fiscal Control Act.

The County is required to send notice to the Joint Legislative Committee on Local Government at least 45 days before the LGC

approves the County's application for all bonds or other debt obligations issued over \$1,000,000 for new projects, with the exception of schools, jails, courthouses, and administrative buildings.

No part of this policy may be construed or interpreted to supplant LGC authority or alleviate the County of any LGC requirements.

Bond Insurers / Liquidity Providers

Credit quality and marketability of securities may be enhanced through the purchase of municipal bond insurance. The County may pay a single premium and in turn the bond insurer unconditionally guarantees the payment of principal and interest to bondholders in the event of default. Prior to purchasing insurance for an issue, the County performs a cost-effectiveness analysis with assistance from the financial advisor and bond counsel. Due to the County's high credit quality, the costs of insurance typically outweigh the benefits the County may derive by insuring an issue, but due consideration will be given to the possibility of insurance.

Methods of Sale

The County typically chooses from three different methods of selling debt securities. The methods and the description of each method are listed below:

1. Competitive Sale - Bonds are awarded in an auction-style of sale to an underwriter or syndicate of underwriters that provides the lowest True Interest Cost (TIC) bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

2. Negotiated Sale - The County chooses an under-writer or underwriting syndicate that is interested in reoffering a particular series of bonds to investors. The terms of the sale, including the size of the underwriter's discount, date of sale, and other factors are negotiated between the County and the Underwriter(s).

Although the method of sale is termed negotiated, individual components of the sale may be competitively bid. The components are subject to a market analysis and reviewed prior to recommendation by staff. Negotiated sales are more advantageous when there needs to be some flexibility in the sale date and market

volatility is a concern. Negotiated sales are also often used when the issue is particularly large, if the sale of the debt issuance would be perceived to be more successful with pre-marketing efforts when a desired debt structure is a necessity and when market timing is a consideration.

3. Private Placement - Debt may be privately placed with a lending institution when private placement will enhance the attractiveness of the offering consistent with the receipt of the lowest true interest cost possible. The Local Government Commission must approve the use of all private placements, in accordance with NC Statute 159-153.

The County considers the following criteria when determining the appropriate method of sale for any debt issuance:

(1) Complexity of the Issue - Municipal securities with complex security features require greater marketing and buyer education efforts on the part of the underwriter, to improve the investors' willingness to purchase.

(2) Volatility of Bond Yields - If municipal markets are subject to abrupt changes in interest rates, there may need to be some flexibility in the timing of the sale to take advantage of positive market changes or to delay a sale in the face of negative market changes.

(3) Familiarity of Underwriters with the County's Credit quality - If underwriters are familiar with the County's credit quality, a lower True Interest Cost may be achieved. Awareness of the credit quality of the County has a direct impact on True Interest Cost an underwriter will bid on an issue. Therefore, where additional information in the form of presale marketing benefits the interest rate, a negotiated sale may be recommended.

(4) Size of the Issue - The County may choose to offer sizable issues as negotiated so that pre-marketing and buyer education efforts may be done to promote the bond sale.

(5) Costs of Issuance - Should the County decide to offer a small issue, it may choose a private placement in order to avoid the usual higher costs of issuance generally associated with competitive and negotiated sales.

Bid Verifications

The County awards successful bidders on the basis of the lowest "True Interest Cost".

Allowable Discounts

In most cases, the County requires bidders to purchase bonds at par. When there are no prevailing limitations, a discount is permitted when market conditions indicate a discount provides a more competitive bid and when there is flexibility to increase the par amount of the issue. If there is considerable market activity on the date of the proposed sale or other market-related factor to necessitate improving the marketability of the issue, discounts may be permitted. Bidders are notified in advance of the allowance for discounts.

Term Bonds

Bidders may form term bonds based on the length of the maturity schedule. The resulting term bond structure must completely mirror the serial bond structure and must comply with the LGC requirements for weighted average maturity.

Retention

Prior to pricing a bond issue, the County will select a lead underwriter and co-managing underwriters for the underwriting syndicate. Each member of the syndicate will then be assigned an "account liability" for purposes of determining the amount of the unsold bonds that will be allocated to each member of the syndicate. The total account liabilities will add up to 100 percent and the lead underwriter will typically have a larger liability than the co-managing underwriters.

Management Fee

A management fee may be awarded to compensate the underwriters for providing assistance in structuring of the transaction, review of documents, coordination of the working group, efforts to obtain credit enhancement and other tasks. The management fee is typically allocated in the same allocation as the account liabilities.

Bond Rating Agency Application

Prior to issuing new debt or to issuing refunding debt, the County will submit a rating application to at least two of the nationally recognized rating agencies, which are Moody's Investors Service, Standard & Poor's Rating Service and Fitch Ratings.

As part of the application process, County staff may make a bond rating presentation directly to the credit analysts of the selected rating agencies. The County evaluates each time whether the circumstances favor making the presentation at the Bond Rating Agency offices, as a site visit or in some other convenient location. Included in the presentation, staff compiles information relevant to the County's current economic and financial condition as well as County initiatives. When issues occur the rating agency application and offering document will be supplemented by a minimum of a written presentation of updated information about the County since the last rating application.

Annually, the County will distribute the CAFR and the current operating and capital budgets to each of the bond rating agencies that maintain ratings on the County's outstanding debt obligations. Information about the County is also available on the County's website, www.co.union.nc.us.

Disclosure Documents

The financial advisor normally assists the County in the preparation of the Official Statement in conjunction with the sale of bond. The Official Statement contains relevant economic, financial and debt information to prospective purchasers of the new issue. Underwriters are required by SEC Rule 15c2-12 to obtain a copy of the Official Statement that is "deemed final" within 7 business days following the bidding or purchasing a new issue of securities. The senior underwriter files a copy of each Official Statement with the MSRB via its Electronic Municipal Market Access database ("EMMA").

Continuing Disclosure

The County is required under the provisions of SEC Rule 15c2-12 to provide current information annually to update certain information typically required in each Official Statement. The Official Statement provides relevant information in a series of tables. Those tables are updated and provided in the County's Comprehensive Annual

Financial Report on an annual basis. This ensures the underwriters and investors have the opportunity to preview current information about the County prior to bidding or purchasing part or all of a County issuance or purchasing outstanding obligations in the secondary market. The CAFRs are filed with EMMA.

Additionally, the County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to bonds issued within ten business days after the occurrence of an event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) redemption of the Obligations, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

Capital Program

One of the County's goals is to maintain the excellent quality of the County's infrastructure. One of the mechanisms to achieve that objective is the maintenance of a Capital Program. The Capital Program is outlined in the County's Capital Improvement Program Management Policy and also recommends a course of action if a new debt issuance is required.

Bond Type & Structure

Fixed Interest versus Variable Interest

The County primarily issues fixed rate bonds to protect the organization against interest rate risk. The County has the option to issue variable rate bonds, and may if market conditions warrant consideration of such a structure. The County will limit the amount of variable rate bonds to no more than 10% of its total debt portfolio.

Derivatives

A derivative is a financial instrument whose value depends on other, more basic underlying variables. Derivatives may take the form of interest rate swaps; futures and options contracts; options on swaps; and other hedging mechanisms such as caps, floors, collars, and rate locks. Derivatives can provide interest rate savings, alter debt service patterns, and provide a hedge against risk associated with variable interest rate debt. However, derivatives also come with multiple risks that currently outweigh the benefits. The County believes capital objectives can be accomplished with traditional and more conservative financing methods and therefore limits the use of derivatives.

The County will also use an outside financial advisor for the preparation of derivative disclosures in our CAFR.

General Obligation Bonds

The County issues General Obligation Bonds for general purpose capital improvements when benefits accrue to the entire community. General Obligation Bonds are also used when the expectation of the project is that it will not generate significant revenues. The County pledges its "full faith and credit" and levies property tax to repay the debt. In order to issue General Obligation Bonds, the County's voters must authorize the amount to be issued through a referendum. General Obligation Bonds are sold for a term equal to, or less than, the useful life of the project that it is funding. The County may also issue two-thirds bonds of the prior year's general obligation net reduction without voter referendum as defined in N.C. GS 159-49.

As stated in the Union County Capital Improvement Program Management Policy, it is anticipated that new general obligation debt will be funded through increased tax rate, and that voter approval of general obligation debt represents a tacit approval of the

accompanying tax rate. It is also anticipated that as new general obligation debt matures; the associated tax rate will be reduced accordingly.

Installment Financings / Certificates of Participation / Limited Obligation Bonds

The County has the opportunity to enter into installment financings under N.C. GS 160A-20, which are basically general obligation debt that do not require voter approval and the debt service obligations are subject to the annual appropriation by the Board of Commissioners. Although voter approval is not required, additional notification requirements do apply. The installment financings are secured by a lien on all or a portion of the property being financed, but otherwise are non-recourse to the County.

The County can enter into an installment financing as a private placement directly with a financial institution or, with the assistance of the Union County Public Facilities Corporation (Corporation), use Certificates of Participation (COPs) or Limited Obligation Bonds (LOBs) as a vehicle to finance the projects in the public markets.

The Corporation is a blended component unit of the County and exists to solely assist the County in financing public facilities. The Corporation is governed by a three-member board, all of whom are appointed by the County Board of Commissioners. The Board can remove any Corporation member with or without cause. The Corporation's transactions are reported within the General and Capital Projects Funds. The Corporation does not issue separate financial statements.

Revenue Bonds

The County issues Revenue Bonds primarily for Union County's Water and Sewer Enterprise Systems. Revenue Bonds are secured by a specific source of revenue. There is no tax pledge. Revenue Bonds are issued to pay for improvements that benefit the users that repay the debt through user fees. When Revenue Bonds are issued or are outstanding, coverage requirements consistent with the bond covenant will be maintained. In addition to coverage requirements, additional system maintenance and renewal contribution levels may be required.

Conduit Securities

The County acts as a conduit for tax-exempt financing for several entities within the County. Union County Industrial Facilities and Pollution Control Financing Authority (Authority) is a component unit of the County and exists to issue and service revenue bond debt of private business for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Board of Commissioners (Board). The Board can remove any Authority member with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

The County may compel the entity issuing conduit financing to (1) commit to provide the municipal securities market with continuing disclosure information, (2) issue an Official Statement or other disclosure document that clearly describes the lack of direct financial support from the County or (3) obtain an opinion that states that the County will not be liable for the payment of principal and interest in the event of default by the conduit borrower. If the opinion cannot be obtained, the County may ask the conduit borrower to purchase bond insurance or provide a letter of credit in the County's name to protect taxpayers in event of default.

Structure

Bonds are **generally** issued with an average life of 20 years or less for general obligation bonds or 30 years for revenue bonds. **Typically** interest is paid in the first fiscal year after a bond sale and principal is paid no later than the second fiscal year after the debt is issued. Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the County. The targeted maximum length to call is 10 years.

When considering structure, issues such as asset life, inter-generational equity, and affordability, among others, will be considered.

Investment of Bond Proceeds

Interest on bond proceeds is restricted such that it may only be used to fund projects that have the same purpose as the purpose for which the bonds were originally issued. Construction proceeds are typically invested in short-term securities so that they are liquid. Interest & Sinking funds may be invested longer as they have to be maintained for the life of the issue.

Post Issuance Compliance

The County will comply with all tax rules on its tax-exempt debt, including arbitrage rebate requirements, spending of bond proceeds, use of financed facilities and record keeping as established by the Internal Revenue Service, and all disclosure requirements established by the Securities and Exchange Commission. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with the tax law and remitting rebatable earnings to the federal government in a timely manner in order to preserve the tax exempt status of the County's outstanding debt issues. The County Finance Director is responsible for such compliance efforts in consultation with the County Attorney and bond counsel.

Refunding & Restructuring Options

The County may elect to refund existing debt for any of the following reasons:

- To achieve interest rate savings in a declining interest rate environment, the minimum savings achieved will be in accordance with LGC standards and guidance;
- To update covenants on outstanding debt which impair efficient operations, require burdensome coverage, or prohibit necessary or desirable activities;
- To restructure the pattern of debt service associated with outstanding bond issues; and
- To alter bond characteristics such as call provision or payment dates.

The Tax Reform Act of 1986 limits each issue to one advance refunding for all issues issued after 1986.

When interest rate savings is the principal reason for advance refunding an issue, the County will have as a goal to, but not a requirement to, include issues that contribute three percent or more present value savings. Other factors may also affect the County's decision to advance refund an issue.

Debt Ratios

The County has identified key debt ratios that investors and financial analysts use when reviewing the County's creditworthiness. The County will periodically update for investors and others the values for these ratios. These ratios include:

- Debt as a percentage of assessed value – This ratio indicates the relationship between the County's debt and the taxable value of property in the County or the County's ability to repay the debt.
- Debt per capita is the ratio that indicates the per capita debt burden and is a general indicator of the County's debt burden.
- Debt per capita as a percentage of per capita income is a measure of the capacity of the County of citizens to finance tax-supported debt. A low ratio means that taxes required to pay debt represent a smaller portion of the average residents' income.
- Debt Service as a percent of general governmental expenditures – County's ability to repay debt without hampering other County services.
- Unreserved General Fund Balance as a percent of General Fund Operating Expenses.

Budget and Projections

The annual operating budget will include a detailed debt analysis and discussion to include:

- Debt Service Requirements;
- Debt Ratios;
- Projection of Debt Service Payments for future years; and
- Current Credit Ratings.

In addition, during the annual projection process, all projections should include anticipated debt service for new issuances based on the adopted CIP.

Adopted By the Board of County Commissioners on June 17, 2013

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County Financial Policy

Overview

These “best management practices”, adopted by the Board of County Commissioners on March 15, 2004, are influenced by the North Carolina Local Government Budget and Fiscal Control Act, sound financial principles and credit guidelines advocated by the rating agencies and Local Government Commission. Operating independently of changing circumstances and conditions, these practices guide the Board in policy decision making and provide the Manager with a framework in developing budgetary and financial planning recommendations – both in the short term (the annual budget) and long-term (capital planning and financial forecasting).

The practices were modified November 1, 2004, to include parameters defining the use of derivative products to mitigate the County’s interest rate exposure, October 17, 2005, to include limitations regarding the duration in which independent accounting firms may conduct the annual audit, October 15, 2007, to include parameters regarding the imposition of user fees, September 15, 2008, to reflect refinements in the tax-supported debt capacity limits and March 30, 2010, to reflect debt composition (fixed, variable and derivatives), fiscal impact statements, tax rate increases in connection with bond referendums and the expansion of benchmarking metric definitions.

Operating Budget

1. The County will annually adopt a balanced budget by June 30, which will provide an operational plan for the upcoming fiscal year. A budget is balanced when planned expenditures equal anticipated revenues as required by the State of North Carolina.
2. The Manager will develop a budget which contains detailed budget recommendations for the next succeeding fiscal year (year 1) and financial targets for next budget year (year 2) following the first succeeding year.
3. The County will maintain a system of budgetary controls to ensure adherence to the budget.

4. Current operating revenues will be sufficient to support current operating expenditures. Fund balance appropriated for recurring expenditures will not exceed an amount that the County can reasonably expect to save during the fiscal year.
5. The County will maintain an appropriated contingency account. The contingency account will not exceed 5 percent of all other appropriations within the same fund.
6. Debt proceeds or non-recurring revenues will not be used to finance recurring operating and recurring capital expenditures.

Accounting

7. The County will establish and maintain an accounting system in accordance with the North Carolina Local Budget and Fiscal Control Act.
8. An annual audit will be performed by an independent accounting firm in accordance with generally accepted accounting principles.
9. Auditing independence is enhanced by requiring that the independent accounting firm be replaced at the end of the audit contract period – a period of at least five years.
10. Financial systems will be maintained to monitor revenues and expenditures on a continual basis.

Debt Tax Supported

11. Tax supported debt to be issued over a 5-year capital planning period will be managed to a projected ratio of no more than 3 percent of the assessed valuation of taxable property of the County, may exceed the 3 percent ratio in any single year during the 5-year capital planning period, with the 5-year capital planning trend at or below 3 percent.
12. Payout of aggregate principal outstanding shall be no less than 50% repaid within 10 years.
13. Capital projects will be financed for a period not to exceed the expected useful life of the project.

14. The County will maintain its financial condition in order to maintain a minimum bond rating in the "AA" category for outstanding G.O. debt and "A" category for outstanding installment financing agreements from at least one nationally recognized municipal debt rating service.
15. Bond referendum and voted and non-voted debt issuance shall be considered only after inclusion of the financed projects in the County's Capital Improvement Plan and Financial Feasibility Plan.
16. Bond referendum initiatives shall be placed on the ballot in connection with countywide or municipal elections.
17. Tax supported bond referendum initiatives shall be placed on the election ballot only after the development of a comprehensive debt service management plan that provides for the:
 - Establishment of cash flow projections which provide an indication of fund requirements and the timing of bond sales
 - Development of principal and interest repayment schedules associated with bond sales
 - Development of annual operating costs associated with capital projects
 - Allocation of General Fund unrestricted revenues to support the repayment of issued bonds.
18. Projected bond cash flow deficits (the difference between projected bond repayment schedules and available revenues) shall be funded through increased taxes or reduction in General Fund services and programs.
19. A debt service management plan and fiscal impact statement shall be developed in connection with each bond referendum initiative and shall be disseminated to the general public.
20. Bond referendum initiatives that pass which contain debt service management plans providing for increased taxes shall be imposed in the first fiscal year immediately following the passage of the referendum. Fiscal impact statements that contain property tax rate increases shall be limited to \$0.04 per \$100 in any one fiscal year. By way of illustration, a fiscal impact statement contains a \$0.07 per \$100 property tax rate

increase. A property tax rate increase of \$0.04 shall be imposed in the first fiscal year immediately following the passage of the referendum with the balance of \$0.03 occurring the second year following the referendum passage.

- 20a. A comprehensive debt service management plan, repayment plan and fiscal impact statement shall be developed prior to the issuance of non-voted debt.
21. General Fund resources (taxes) required to service debt service expenditures shall be calculated and communicated to the general public with the annual tax bill or annual report.

Debt Utility Revenue Supported

22. Utility debt service coverage ratios shall be maintained at a level of 1.25 to 1.5 times coverage or greater (as measured by net revenues, excluding capital contributions, available for debt service divided by total debt service requirements).
23. Utility system debt to equity shall not exceed 70% - 75% (as measured by total long-term debt divided by total net assets).
 - 23a. Combined water and wastewater rates shall not exceed 1.5% of median household income.
 - 23b. Payout of aggregate principal outstanding shall be no less than 40% repaid within 10 years and 80% repaid within 20 years.
 - 23c. Capital contributions shall be used to fund non-recurring asset additions contained in the capital improvement plan thereby reducing the requirement to issue utility system debt.
24. Utility capital projects will be financed for a period not to exceed the expected useful life of the project.
25. Utility capital projects shall be consistent and conform with other master plans such as Land Use, Economic Development and Transportation.

26. Utility capital projects shall satisfy area wide benefits relating to production, treatment, transmission and distribution, as well as being economically viable.
27. The County will maintain its enterprise financial condition in order to maintain a minimum bond rating in the "A" category for outstanding Revenue debt from at least one nationally recognized municipal debt rating service.
28. Utility debt issuance shall be considered only after inclusion of the financed projects in the County's Capital Improvement Plan and Financial Feasibility Plan.
29. Debt issuance shall be considered only after the:
 - Establishment of cash flow projections which provide an indication of fund requirements and the timing of bond sales;
 - Development of principal and interest repayment schedules associated with bond sales;
 - Development of annual operating costs associated with capital projects;
 - Development of a financial feasibility plan to support the repayment of issued bonds.

Investments

30. The County will monitor the receipt and disbursement of all funds to ensure the maximum investment of idle cash.
31. The County will invest only in instruments which comply with the North Carolina Budget and Fiscal Control Act.

Capital Planning

32. The County will develop, and annually update, a comprehensive 5-year capital improvement plan for the General Fund (in collaboration with and to include the Union County Public Schools) which identifies and balances both sources (where the money comes from) and uses (where the money goes).
33. The County will develop, and update semi-annually, a comprehensive 5-year capital improvement plan for the Enterprise Funds which identifies and balances both sources (where the money comes from) and uses (where the money goes).

Fund Balance Targets

34. The maintenance of adequate fund balance is necessary to provide working capital, funds for unanticipated expenditures, and funds for capital expenditures in advance of their reimbursement from debt proceeds and tax rate stabilization.
35. General Fund target unreserved fund balances are estimated at 20% as measured by unrestricted cash and investments minus liabilities divided by expenditures plus recurring interfund transfers.
36. Water and Sewer Operating Fund target fund balances are estimated at 365 days cash on hand (as measured by unrestricted cash and investments minus non-GAAP liabilities divided by operating expenses to include depreciation).

Excess Fund Balance

37. General and Enterprise Fund balances in excess of target levels will be transferred to capital reserve funds to provide equity resources to fund the County's capital improvement plan or will be used to redeem outstanding debt.

Swap Agreements

38. Authorized to achieve a reduction and/or limit the financial exposure of debt service payments.
39. Must receive an opinion of bond counsel law firm that agreement is legal and binding.
40. Must receive Local Government Commission approval.
41. Must retain independent certification from financial advisor that swap agreement provides fair market value and that the associated risks are prudent risk appropriate for the County.
42. Counterparty must have two long-term, unsecured credit ratings in at least double A category.

43. Swap agreements may be procured either through negotiation or competitive. If negotiated, County must receive fair market opinion from financial advisor.

43a. Swap agreements which synthetically fix variable rate debt, combined with unhedged variable rate debt, will not exceed 20% to 30% of all long-term debt outstanding; this metric will be applied separately to tax supported and enterprise debt.

User Fees

44. County encourages the establishment of fees at a level that maximizes revenues.

45. Regulatory fees shall be set at a level that strives to recover full costs (direct and indirect costs, such as depreciation or usage costs associated with capital assets) of providing the service, unless statutory restrictions limit the fee amount.

46. Non-regulatory fees are charged for a wide variety of services with the primary purpose for non-regulatory fees being to: 1) influence the use of the service and 2) increase equity.

47. Non-regulatory goods or services provided to specific, identifiable recipients shall be self-sustaining and therefore, shall be financed through user fees.

48. Non-regulatory user fees shall be set at a level that is competitive in the marketplace and strives to recover full costs (direct and indirect costs, such as depreciation or usage costs associated with capital assets) except when:

- free or subsidized service provides a significant public benefit;
- the County has determined that it should influence personal choice to achieve community-wide public benefits;
- full cost recovery would result in reduced use of the service or limit access to intended users thereby not achieving community-wide public benefits;
- the cost of collecting the user fees would be excessively high;
- Ensuring the users pay the fees would require extreme measures.

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Not Supplanting Policy

Objective

Supplanting, for the purposes of this policy, refers to the substituting of local funds for reductions in State, federal, or private funding.

The residents of Union County receive important, beneficial services from a wide variety of State, federal, and private agencies, as well as County programs which rely on funding from these agencies. These agencies are critical partners with the County and Union County Public Schools (UCPS) in the provision of programs to the community. When these agencies terminate programming, reduce services, or curtail funding, it cannot be assumed that the County will maintain these programs. The County's ability to assume the financial responsibility for these services without significantly impacting other service areas which are solely the responsibility of the County or without having to increase tax rates is limited.

The purpose of this policy is to formalize a Board of County Commissioners policy of not automatically supplanting funds from state, federal, or private agencies with local funds when those agencies reduce or eliminate funding to County or UCPS programs.

Policy

1. It is the policy of the Board of County Commissioners to prevent, to the extent possible, the shifting of financial responsibility for State, federal, or privately funded programs to the residents of Union County by not supplanting those funds with local funds when those agencies reduce funding to the various community programs that rely on that funding.
2. The County Manager will provide information, on a periodic basis, to the Board of County Commissioners concerning any reductions in funding from State, federal, or private sources that are expected to adversely affect services to the residents of Union County. When services are severely affected by such reductions, the County Manager will determine what actions, if any, may be necessary to mitigate the impact on local services.

3. The Board of County Commissioners may from time to time express concerns, via resolution, to the County's legislative delegation, concerning possible impacts of reduced funding or increased/unfunded mandates.

Adopted By the Board of County Commissioners on February 4, 2013.

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School Funding Formula Policy (suspended)

Purpose Statements

The purpose of the funding formula policy is to establish a procedure for allocating funding to the Union County Public Schools (UCPS) from Union County (the County). This policy reflects the collaborative effort and shared responsibility to serve the residents of Union County. This policy also reflects the shared, continued commitment to education.

This policy is established to provide transparent, fair, sustainable, and predictable means of sharing local ad valorem revenue and to establish a balance between UCPS needs and the wide range of other services provided to the residents of the County. This policy will provide both UCPS and the County the necessary revenue sustainability and predictability necessary for long-term planning.

Revenues allocated under this policy, by the County to UCPS, represent a portion of the County's direct and indirect contributions to UCPS.

The policy is established to provide an objective framework to review, amend, and modify various components of the funding relationship between UCPS and the County.

Formula

The UCPS will receive an allocation of 35.36 cents annually of the current Ad Valorem Tax revenue for current operating expense. For planning purposes the contribution will be estimated at 98 percent of the estimated valuation. At the end of each fiscal year, the contribution will be "trued up" to reflect actual collections. Actual collections in excess of the estimate will be contributed to UCPS and if actual collections fall below estimates, the difference will be returned to the County as prescribed by G.S. 159-13(b)(9).

In addition to the current Ad Valorem Tax revenue sharing through the formula, the County will continue to contribute 100 percent of the "late list penalties".

The County, at its sole expense, will provide School Resource Officers, in such number as is agreed upon annually.

Funding for UCPS Capital Improvements will be in addition to the funding formula and will be in accordance with the Union County Capital Improvement Program Management Policy. For the purposes of this policy, Capital Improvements include capitalizable costs in Categories I, II, and III projects as defined by the Uniform Budget Format.

Procedures

- The County will provide, on or before December 31, annually, any amendments to County fiscal policies that will impact the development of the UCPS Capital Improvement Project request or other pertinent items.
- The County will provide, on or before January 31, annually, a projected allocation to UCPS for budgetary planning purposes. The penny value and schools allocated rate provides an initial estimate of the total anticipated revenue for the schools current operating expense.
- The County encourages UCPS in conjunction with the County's Five-Year Projections, on or before January 31, annually, to provide to the County, a briefing of previous year financial results and current year financial projections. The County will provide to UCPS a briefing of same. The briefing may occur during a joint meeting.
- The County encourages UCPS to provide to County Management, on or before March 1, annually the UCPS Six-Year Capital Request, pursuant to County financial policy as outlined in the Union County Capital Improvement Program Management Policy. The UCPS Six-Year Capital Request is limited to capitalizable costs in Categories I, II, and III projects as defined by the Uniform Budget Format and pursuant to G.S. 115C-429(c).
- The County encourages UCPS to provide to the County Management, on or before April 15, annually the UCPS operating budget, by purpose code, pursuant to G.S. 115C-429(c). The operating budget, by purpose code and by function, will be in

such detail as agreed upon by UCPS and the County and pursuant to G.S.115-429(c).

- The funding formula will be reviewed no more frequently than every two years and no less frequently than every five years, each measured from the time of the last review.
- The funding formula will be reviewed during a revaluation year to establish the allocation based on the new valuation.
- It is anticipated that UCPS and the Union County Board of County Commissioners agree that the funding formula provides sufficient funding to support a system of free public schools. In the event either group feels this is not the case, there will be a joint meetings of the bodies to attempt to resolve the outstanding concerns before entering the dispute resolution procedure as outlined in G.S. 115C-431.
- UCPS may, in the event of emergency, request by resolution a one-time additional contribution, pursuant to G.S. 159-15.

As Adopted By the Board of County Commissioners on March 18, 2013 and SUSPENDED on April 21, 2014.

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Cash Handling Policy

Purpose

The purpose of this policy is to establish the Cash Handling Policy in accordance with North Carolina General Statutes (N.C.G.S.) §§159-25(a) and §159-32.

Applicability

All employees or County representatives that receive moneys on behalf of the County.

Policy

The Finance Officer, in accordance with N.C.G.S. §159-25(a), will supervise the receipt and deposit of all moneys received by the County.

It is required by N.C.G.S. §159-32 that any officer or employee of local government who collects and receives taxes or other moneys deposit the collection and receipts daily, except as otherwise provided by law.

Pursuant to N.C.G.S. §159-32, the Board of Commissioners does hereby approve requiring daily deposit only when the moneys on hand amount to as much as five hundred dollars (\$500), but in any event a deposit shall be made on the last business day of the month. The five hundred dollar limit is an aggregate total for all County operations on a given day and not a limit for each individual County department or division. The Finance Officer, in such officer's sole discretion, is authorized to apply the five hundred dollar exception when determined necessary and appropriate for business reasons for a given department or division.

Pursuant to N.C.G.S. §159-32, the Finance Officer shall have the authority to audit the records of any officer or employee collecting or receiving taxes or other moneys for the County. The Finance Officer may also prescribe the methods to be used and records necessary to accomplish this review.

The Finance Officer is authorized to establish the necessary system of internal controls, procedures, and training to

implement this policy. These controls and procedures shall require the segregation of related duties, proper authorizations, adequate documentation and written procedures.

The County's independent auditor shall review for compliance with the established cash handling policy as part of their annual audit and include any findings in the Management Letter presented to the Board of County Commissioners.

Adopted By the Board of County Commissioners on April 20, 2020.

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Donations Policy

Purpose

On occasion, the County receives donations to support County projects and programs. Contributions made to the County may be deductible for Federal Income Tax purposes under provisions of the Internal Revenue Code.

The Union County Donations Policy provides general guidelines and authorizes the County Manager and the Finance Director to have certain authority relative to the receipt of donations.

Applicability

This policy applies to donations of personal property received by the County.

Policy

Donation is defined as a gift or a free contribution, something voluntarily transferred by one person or entity to Union County without compensation. The Finance Director shall establish procedures and processes necessary to ensure that donations are managed to their optimum potential and that they are properly accounted for.

For single monetary donations less than or equal to \$15,000, the Finance Director shall estimate the annual operating impact of the donation, if any, and obtain approval from the County Manager prior to acceptance. Such donations may be used for their intended purpose without approval of the Union County Board of Commissioners (the "BOCC"). Monetary donations greater than \$15,000 will require approval and appropriation by the BOCC. The BOCC, in its sole discretion, may decline to accept monetary donations of any value.

(Note: The FY 2016 Operating Budget will contain a reserve for donations that will provide small donation appropriations in accordance with the budget ordinance. The reserve for donations will be funded through anticipated small donations and transferred as donations are received.)

For non-monetary donations the estimated value of which is less than or equal to \$50,000, the Finance Director shall estimate the annual operating impact of the donation, if any, and obtain approval

from the County Manager prior to acceptance. Such donations may be used for their intended purpose without approval of the BOCC. If the estimated value of the donation is greater than \$50,000, the Finance Director shall instruct the recipient Department to notify the BOCC in writing by describing the donation, its intended use, and possible operating impacts. The BOCC, in its sole discretion, may decline to accept non-monetary donations of any value.

It shall be the responsibility of the recipient Departments to send letters of appreciation to donors and to ensure that each donation is used only for its intended purpose. It is also the responsibility of the recipient Department to provide the donor with a "Donation Receipt." County staff will not provide tax advice concerning the impact of donations on an individual or business's tax liabilities.

Adopted By the Board of County Commissioners on April 6, 2015.

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Capital Asset Policy

Purpose

It is required by North Carolina General Statute §159-26(b)(8) that local governments, including counties, establish and maintain "a ledger or group of accounts in which to record the details relating to the general fixed assets of the unit or public authority" in its accounting system.

The Capital Asset Policy provides certain guidelines and authorizes the Finance Director to establish procedures and processes necessary to adhere to the North Carolina General Statutes and Generally Accepted Accounting Principles, subject to approval by the County Manager.

Applicability

All capital assets, as defined below.

Policy

Capital assets will be defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period and a capitalization threshold of \$5,000.00 or more. Capital assets include land, land improvements, buildings, building improvements, water tanks, water distribution lines, wastewater collection lines, water and wastewater operating plants, software, equipment and vehicles.

Capital assets are recorded at their original cost at the time of acquisition. As a general rule, cost includes the purchase price and other acquisition costs such as installation costs, freight charges, and transportation. Donated assets are recorded at their estimated fair value at the date of donation.

The acquisition, disposal, and transfer of fixed assets is done in accordance with applicable North Carolina General Statutes and with the appropriate procedures and processes not inconsistent with such statutes, as implemented by the Finance Director.

Capital assets are depreciated using the straight-line method over the asset's estimated useful life. Capital assets will be reported in the County's Comprehensive Annual Financial Report.

The Finance Director is authorized to establish procedures and processes to implement this policy in accordance with North Carolina General Statutes, Generally Accepted Accounting Principles, and best practices, subject to approval by the County Manager.

Adopted By the Board of County Commissioners on October 20, 2014.

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Procurement Policy

I. Introduction

The purpose of this Policy is to establish guidelines for the procurement of goods and services by County officials and employees (collectively, "Employees" or "Employee" when used in the singular) for any County office, service area, department, division, board, commission or other organizational unit of Union County (collectively, the "County Departments"). Union County's procurement operations are governed by North Carolina General Statutes ("N.C.G.S.") Chapter 143 (State Departments, Institutions and Commissions), Chapter 153A (Counties), Chapter 159 (Local Government Finance), ordinances approved by the Union County Board of Commissioners, and all other applicable laws, rules, regulations, codes, standards, and orders of governmental bodies, agencies, authorities, and courts having jurisdiction ("Applicable Law"). The procurement of goods and services by Employees shall be in strict accordance with Applicable Law and with the requirements of this Policy. It is the intent of this Policy, where appropriate, to prescribe procurement requirements beyond Applicable Law and to confer on County staff the authority to make certain discretionary decisions, when authorized by Applicable Law. Where there is no prescribed policy for the procurement of goods or services, such as when in an amount for which these policies are not cost effective or administratively feasible, Employees are expected to seek competitive proposals, when practicable, and to utilize such practices as necessary to ensure that County business is not concentrated among a few vendors or service providers.

Union County's procurement practices are based on the principle of open competition in support of the dual goals of securing value and promoting fairness. All Employees involved in the procurement process have a responsibility to provide fiscal stewardship when expending County funds. The taxpayers entrust County government to expend money in the most efficient and effective manner possible. The integrity of the procurement process must be maintained at all times.

II. Purchase of Goods

The following provisions apply to the purchase of apparatus, supplies, materials, and equipment valued greater than or equal to \$5,000.

- A. Purchases Greater Than or Equal To \$90,000. Such purchases shall be subject to formal bidding pursuant to N.C.G.S. §143-129. The contract for any such purchase, if awarded, must be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for the performance of the contract.
- B. Purchases Greater Than or Equal To \$30,000 but Less Than \$90,000. Such purchases shall be subject to informal bidding pursuant to N.C.G.S. §143-131. The contract for any such purchase, if awarded, must be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for the performance of the contract.
- C. Purchases Greater Than or Equal To \$5,000 but Less Than \$30,000. Such purchases may be made without soliciting either formal or informal bids; provided, however, that Division Directors shall solicit three verbal quotations, and document such quotations in writing, in order to ensure that such purchases are made at the lowest available price. If in the judgment of a Division Director an item is available for purchase from fewer than three vendors or the solicitation of three verbal quotations is otherwise impractical and not in the interest of Union County, then the Division Director may purchase the item after securing the highest number of quotations reasonably practicable and recording the justification for securing fewer than three.

The Procurement Division Director (the "Procurement Director") may exempt a purchase from formal or informal bidding if such exemption is (i) justifiable from a technical perspective (e.g. a bona fide sole source), (ii) expressly authorized by statute, and (iii) delegable by the Board of Commissioners and not expressly reserved by statute to action by the governing body. Examples of exemptions from formal and informal bidding include, but are not limited to: (a) purchases from other units of government, (b) group purchasing programs, (c) sole-source purchases, (d) State contract purchases, and (e) "piggybacking" purchase by another governmental entity.

III. Procurement of Construction or Repair Services

The following provisions apply to contracts for construction or repair services when greater than or equal to \$10,000.

- A. Contracts for Construction or Repair Services Greater Than or Equal To \$500,000. Such services shall be subject to formal bidding pursuant to N.C.G.S. §143-129. The contract for any such service, if awarded, must be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for the performance of the contract.
- B. Contracts for Construction or Repair Services Greater Than or Equal To \$30,000 but Less Than \$500,000. Such services shall be subject to informal bidding pursuant to N.C.G.S. §143-131. The contract for any such service, if awarded, must be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for the performance of the contract. Exempted from informal bidding are construction projects when the work is performed by Employees using force account qualified labor on the permanent payroll of the County, provided that the value of such work does not exceed the limits prescribed by statute.
- C. Contracts for Construction or Repair Services Greater Than or Equal To \$10,000 but Less Than \$30,000. Such construction or repair services may be procured without soliciting either formal or informal bids; provided, however, that Division Directors shall solicit three verbal quotations, and document such quotations in writing, in order to ensure that such services are procured at the lowest available price. If in the judgment of a Division Director a construction or repair service is available from fewer than three contractors or the solicitation of three verbal quotations is otherwise impractical and not in the interest of Union County, then the Division Director may procure the service after securing the highest number of quotations reasonably practicable and recording the justification for securing fewer than three. Exempted from verbal quotations are construction projects when the work is performed by Employees using force account qualified labor on the permanent payroll of the County, provided that the value of such work does not exceed the limits prescribed by statute.

IV. Procurement of other Services

The following provisions apply to contracts for services when greater than or equal to \$10,000, except for architectural, engineering, and surveying services which are addressed separately in Subsection IV(C) below.

- A. Contracts for Services Greater Than or Equal To \$30,000. Unless governed by other County policy, contract, or by State or federal requirements, such services shall be procured by the Procurement Director upon issuance of a Request for Proposal (RFP). The terms of the RFP shall be prepared by the Procurement Director in conjunction with the Division Director requesting the service. The RFP shall include a list of factors to be utilized in evaluating the proposals. The Procurement Director shall secure not fewer than three proposals, when practicable. The award of a service agreement shall be made to the offeror whose proposal is determined to be the most advantageous to the County, taking into consideration the evaluation factors set forth in the RFP. Because there are no statutory requirements applicable to the procurement of such services, the County Manager may exempt a service from the RFP process for good cause and when in the best interests of Union County. The exemption of any such service exceeding \$50,000 shall be reported to the Board of Commissioners at its next regular meeting and shall include the justification for exemption.
- B. Contracts for Services Greater Than or Equal To \$10,000 but Less Than \$30,000. Such services may be procured without utilizing an RFP; provided, however, that Division Directors shall solicit three verbal quotations, and document such quotations in writing, in order to ensure that such services are procured at the lowest available price. If in the judgment of a Division Director a service is available from fewer than three contractors or the solicitation of three verbal quotations is otherwise impractical and not in the interest of Union County, then the Division Director may procure the service after securing the highest number of quotations reasonably practicable and recording the justification for securing fewer than three.
- C. Architectural, Engineering and Surveying Services. Such services shall be procured using the Request for Qualifications (RFQ) process established pursuant to N.C.G.S. §143-64.31. In

accordance with N.C.G.S. §143-64.32, the County Manager, for good cause and when in the interests of Union County, may exempt particular projects in writing from the RFQ process in the case of proposed projects where an estimated professional fee is in an amount less than \$50,000.

V. Emergency Purchases

The County Manager may exempt the procurement of any goods or service from the requirements of this Policy in cases of special emergency involving the health and safety of the people or their property pursuant to N.C.G.S. §143-129(e)(2). In order to exercise this emergency exemption, the emergency must be present, immediate, and existing. It cannot be a condition that is merely anticipated and may never actually occur. If the condition can be foreseen in time to take action to prevent harm to the public (or if the required procurement method can be completed before any harm would occur), the emergency exception cannot be invoked. Further, if harm to the public can be averted through temporary measures while the proper procurement method is being conducted, the emergency exception cannot be used. The failure to take proper precautions to prevent the need for an emergency procurement will not be accepted as a justification for exemption from the requirements of this Policy.

VI. Additional Authorization

In order to facilitate the orderly and timely administration of the County's procurement program, the following authorization is hereby given by the Board of Commissioners: (i) the County Manager is authorized to reject formal and informal bids received for the purchase of apparatus, supplies, materials, or equipment, and to re-advertise to receive bids; (ii) the Procurement Director is authorized to advertise bids by publication in a newspaper having general circulation in Union County, or by solely electronic means, or both, in the Director's discretion; (iii) the Procurement Director, pursuant to N.C.G.S. §133-33, may keep confidential the County's estimate of any public contract prior to bidding and the identity of contractors who have obtained proposals for bid purposes; (iv) the County Manager may delegate contract signature authority for only those repetitive standard agreements for which the terms are fixed and not

subject to change (e.g. Parks & Recreation camp site leases, subscriber agreements for electronic filing in the Register of Deeds' office, license agreements for use of the Agricultural Services Center ...); (v) the County Manager may delegate, on a temporary basis, to the Assistant County Manager the ability to exercise such contract approval and appropriation transfer authority as granted to the County Manager pursuant to this Policy or the annually adopted County budget ordinance when the County Manager will be out of the office or otherwise unable to take such action; (vi) the County Manager may authorize the Procurement Director to sign and approve contracts, which would include purchase orders, which are valued at \$30,000 or less, provided that (a) the contract has been pre-audited in accordance with N.C.G.S. § 159-28 (or any successor statute), and (b) the goods or services underlying the contract were procured in accordance with this Policy; (vii) the County Manager is authorized to adopt such processes and procedures as may be necessary and expedient for implementation of this Policy; and (viii) the County Manager, in addition to such other authority granted herein, may exempt from the Policy the procurement of goods and services and may otherwise vary the application of these guidelines upon the County Manager determining one of the following exists: (a) a federal, state or local state of emergency applicable to Union County has been declared, (b) exigent circumstances affecting normal government operations, or (c) upon other good and reasonable cause, provided that such exemption or variance does not violate Applicable Law.

VII. Disposal of Personal Property

When apparatus, supplies, materials, or equipment purchased for use by a County Department are no longer suitable for use by that department, such property shall be provided to the Procurement Director for distribution to another department or for disposition as surplus. The Procurement Director shall apprise all County Departments of such property in order to maximize its benefit to Union County. If after a reasonable period of time the Procurement Director determines that such property is not suitable for use by another County Department, the Procurement Director may dispose of such surplus property as outlined below:

- A. Property Valued Greater Than or Equal To \$30,000. Upon authorization by the Board of Commissioners, such property may

be disposed of by public auction, sealed bid, negotiated offer and upset bid, or exchange.

- B. Property Valued Greater Than or Equal To \$5,000 but Less Than \$30,000. Upon authorization by the Board of Commissioners, such property may be disposed of by any of the methods described in Subsection VII(A) or by private negotiation.
- C. Property Valued at Less Than \$5,000, Excluding Vehicles. Without authorization by the Board of Commissioners, such property may be disposed of by any of the methods described in Subsection VII(B) or as set out below. Such property may be declared surplus and disposed of by the Procurement Director for fair market value at public or private sale, provided that such sale shall be reported to the County Manager at least biannually. The Procurement Director shall have authority to convey title to any property disposed of pursuant to this Subsection. The Procurement Director's estimate of value for any one item or group of items disposed of pursuant to this Subsection shall be verified by the Chief Financial Officer, or his designee, prior to sale.

In an effort to obtain market value, a current listing of all surplus property shall be posted, and regularly updated, on the Union County web page for the purpose of inviting offers to purchase. The Procurement Director shall keep a record of all property sold under this Subsection, and the record shall generally describe the property sold or exchanged, to whom it was sold, or with whom exchanged, and the amount of money or other consideration received for each sale or exchange.

Regarding the disposition of personal property, the Procurement Director is authorized to use existing private or public electronic auction services and to publish notice of all auctions solely by electronic means. The Procurement Director is authorized to discard any personal property that: (i) is determined to have no value; (ii) remains unsold or unclaimed after the County has exhausted efforts to sell the property using any applicable procedure under this Policy; or (iii) poses a potential threat to the public health or safety.

VIII. Conflicts of Interest; Gifts and Favors

This Policy requires that all business shall be transacted in compliance with Applicable Law and shall be conducted in conformance to the highest ethical standards. The proper operation of government requires that Employees be independent, impartial, responsible to the citizens, and that the public positions not be used for personal gain. The following conduct is required in furtherance of these principles.

Employees shall not undertake or make, pursuant to their public authority, any contracts for their own benefit or contracts in which they are in any manner concerned or interested or from which they receive profits. Employees are prohibited from obtaining a direct benefit from any contract in which they are involved on behalf of Union County. They are further prohibited from influencing or attempting to influence award of contracts, soliciting or receiving gifts or rewards for recommending, and influencing or attempting to influence contract awards. These matters are generally governed by N.C.G.S. §14-234.

Pursuant to N.C.G.S. §133-32, no Employee of Union County who is charged with the duty of (i) preparing plans, specifications, or estimates for public contracts; (ii) awarding or administering public contracts; or (iii) inspecting or supervising construction, shall accept any gifts or favors from any vendor or service provider who has a contract with a governmental agency, or has performed under such a contract within the past year, or anticipates bidding on such a contract in the future.

This section is not intended to prevent a gift a public servant would be permitted to accept under N.C.G.S. §138A-32, or the gift and receipt of honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets. This section is not intended to prevent any contractor, subcontractor, or supplier from making donations to professional organizations to defray meeting expenses where governmental employees are members of such professional organizations, nor is it intended to prevent governmental employees who are members of professional organizations from participation in all scheduled meeting functions available to all members of the professional organization attending the meeting. This section is also not intended to prohibit customary gifts or favors between employees or officers and their friends and relatives or the friends and relatives of their spouses, minor children, or members of their household where it is

clear that it is that relationship rather than the business of the individual concerned which is the motivating factor for the gift or favor. However, all such gifts knowingly made or received are required to be reported by the donee to their Department Director if the gifts are made by a contractor, subcontractor, or supplier doing business directly or indirectly with the governmental agency employing the recipient of such a gift.

IX. Federally and State Funded Projects and Programs

All contracts and purchases funded, in whole or in part, with any federal or state grant or loan funds must be procured by all County Services Areas and Divisions in a manner that conforms with all Applicable Law, including, without limitation, all federal laws, policies, and standards, including those under the federal Uniform Guidance (2 C.F.R. Part 200). Further, such regulations shall supersede all local purchasing provisions to the extent of any conflict. Without limiting the generality of the foregoing, purchases made by the Union County Department of Transportation with federal transit funds shall comply with the current version of FTA (Federal Transit Administration) Circular 4220.1. All sub-recipient agencies receiving federal or state funds through the County of Union shall also comply with the federal or state granting agency procurement regulations, which supersede all local purchasing resolution provisions. The procurement of goods (apparatus, supplies, materials, and equipment), services, and construction or repair projects funded in whole or in part with federal financial assistance must also comply with the Uniform Guidance Conflicts of Interest Appendix, attached hereto as Appendix A to this Policy. The Procurement Director may establish procedures consistent with this Policy to ensure compliance with the requirements of this paragraph.

X. General Provisions

In the event of any conflict between this Policy and the North Carolina General Statutes, the General Statutes shall control. Whenever any provision of this Policy refers to or cites a section of the North Carolina General Statutes and that section is later amended or superseded, the Policy shall be deemed amended to refer to the amended section or the section that most nearly

corresponds to the superseded section. To the extent any provisions of this Policy exceed the requirements of Applicable Law, such provisions shall confer no rights on vendors or service providers. Without limiting the generality of the foregoing, failure to comply with those portions of the Policy which exceed the requirements of Applicable Law shall not be deemed arbitrary and shall confer no right of appeal or resort to the courts. Pursuant to N.C.G.S. 143-133, no contract shall be divided for the purpose of evading the provisions of this Policy. Failure to comply with the requirements of this Policy shall subject such Employee to disciplinary action in accordance with County personnel policies and may subject such Employee to personal liability when authorized by applicable law.

Combined local and state governments purchase more than one trillion dollars of goods and services each year. Many of these products may contribute to problems in the overall environment, including contamination of the air and water, and depletion of environmental resources. Union County has an opportunity to serve as a community model for environmental leadership. We work proactively to identify and source environmentally friendly options to meet our organizational needs without adversely impacting operational budgets or performance requirements. By incorporating environmental consideration into public procurement, Union County can reduce its burden on the local and global environment, remove unnecessary hazards, protect public health, reduce costs and liabilities, and help develop markets for environmentally responsible products.

XI. Effective date

Adopted By the Board of County Commissioners on March 16, 2020.

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