



Popular Annual Financial Report

Fiscal Year Ending June 30, 2023

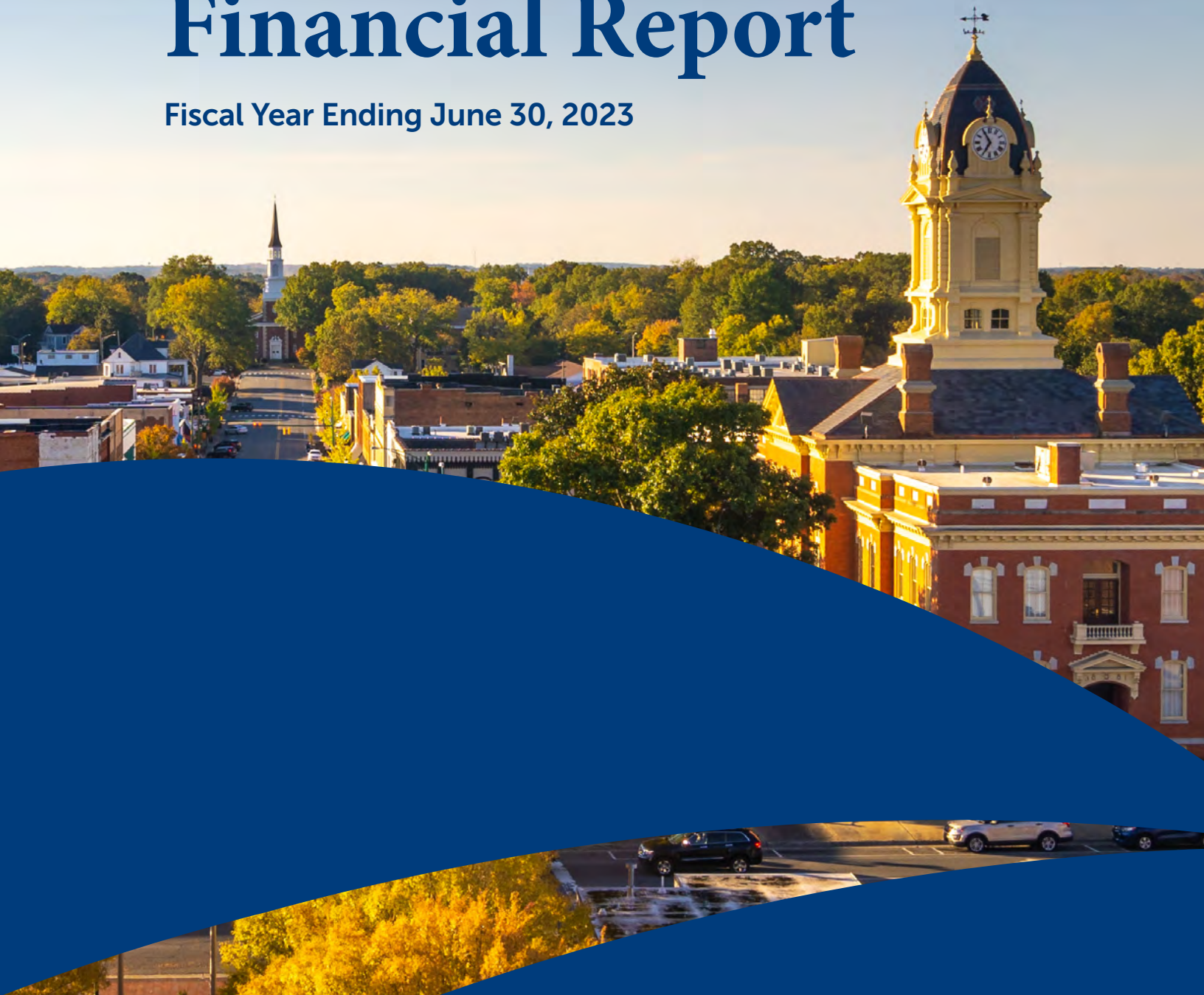


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Letter from the County Management Team

On behalf of the Board of Commissioners and the Union County Management Team, we are proud to present the County's Popular Annual Financial Report (PAFR). The following report provides the financial highlights for Union County Government for the fiscal year that ended on June 30, 2023.

For more detailed financial information, our Annual Comprehensive Financial Report (ACFR) is available on our website.

The County is committed to meeting the ever-evolving needs of our residents while maintaining strong fiscal standards and prioritizing the health and safety of our residents.

This year has been a time of growth and success for our organization. We have facilitated major projects designed to better serve our residents and to provide additional resources for our employees. We completed our Board of Elections building expansion last summer, and the new Southwest Regional Library is expected to open next spring.

Overall, our financial performance was strong last year, and we are well positioned to continue our success in the coming year. The County has maintained its bond ratings from all three rating agencies: Standard & Poor's AAA, Moody's Aaa and Fitch AAA.

We will continue to make sound financial decisions that will benefit our residents as we remain dedicated to improving our service to the County.

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

Best regards,

Brian Matthews, Patrick Niland, Clayton Voignier

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

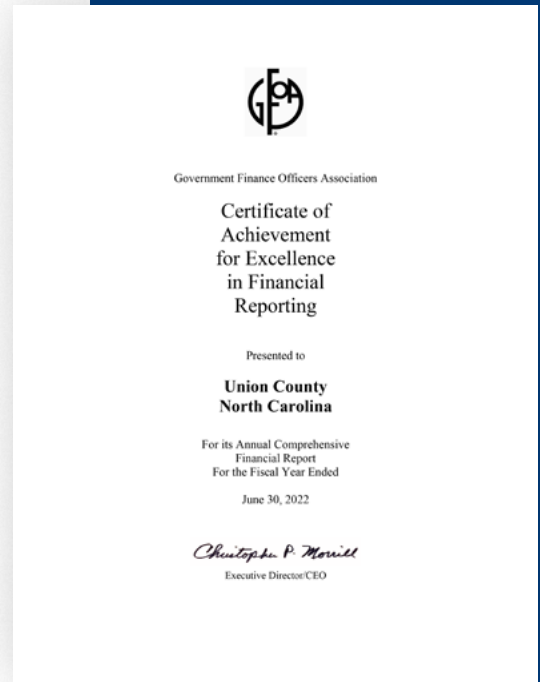
This document provides an overview of Union County’s fiscal health over the past fiscal year in an easy-to-read format. The PAFR is derived directly from the financial information presented in our comprehensive report and both reports are in compliance with Generally Accepted Accounting Principles (GAAP).

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

The GFOA has given its Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to Union County for the fiscal year that ended June 30, 2022. Union County has received this award for ten consecutive years. In order to receive this top honor, we must publish a Popular Annual Financial Report that has creativity and is easily understood by our readers.

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

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



Stony Rushing
Chairman



Melissa Merrell
Vice Chairman



Brian Helms



Richard Helms



David Williams

About Union County

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

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

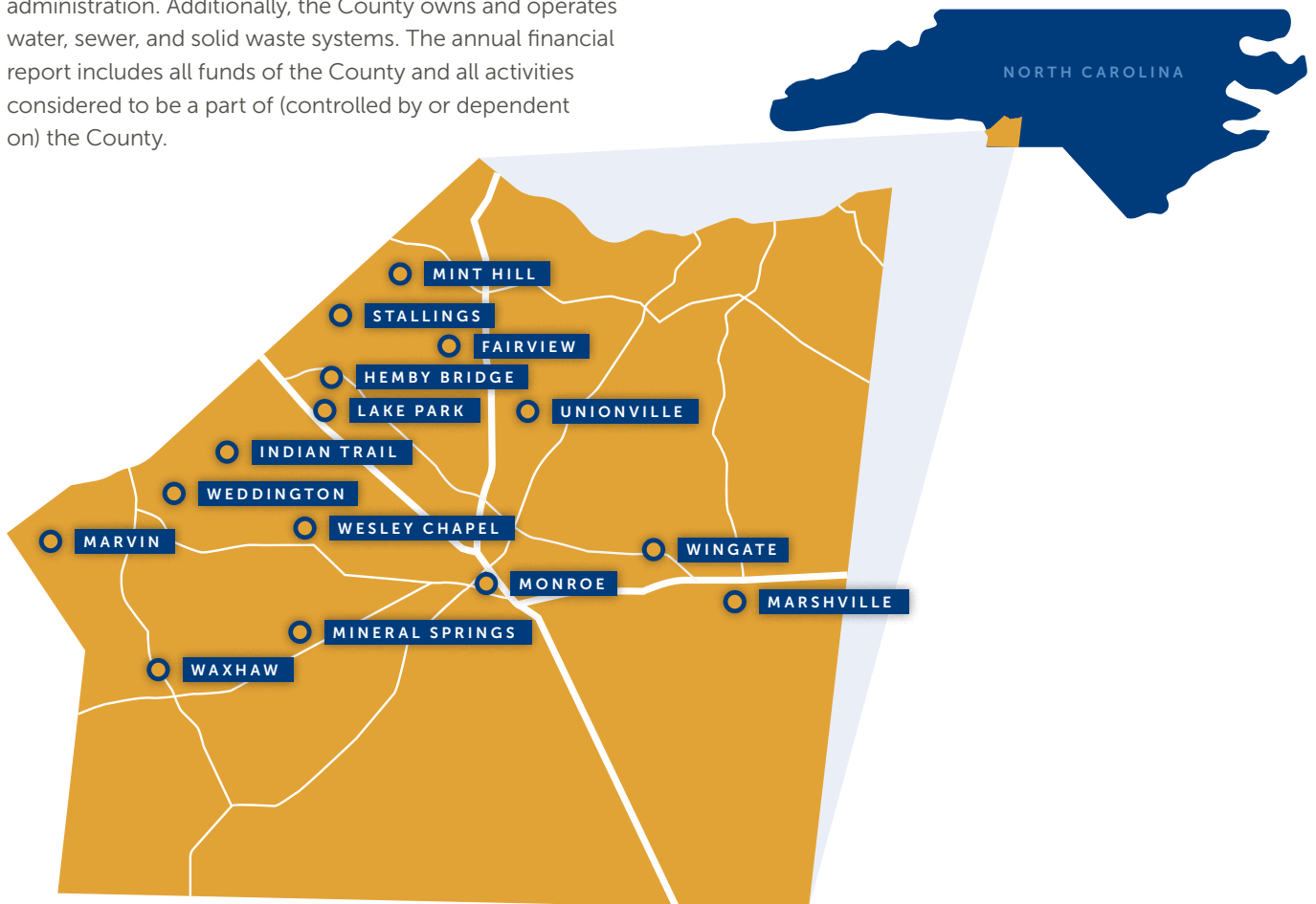
The County provides a wide range of services including public safety, human services (Social Services, Health, Veterans Services and Transportation), funding for education, cultural and recreational activities, and general administration. Additionally, the County owns and operates water, sewer, and solid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

Our Vision Statement

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

Our Mission Statement

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



Union County: A Closer Look

23rd

Largest county in NC by area

8th

Largest county in NC by population

254,070

Population

3.1%

Unemployment Rate

94,168

Median Household Income

336,600

Median Housing Value

39

Median Age

6%

Veterans

1,656

Number of County Employees

3

Number of County parks

12.9%

Foreign Born

53

Number of schools

4

Number of libraries

80.7%

Homeownership

117,750

Meals Served by Senior Nutrition

75,784

Number of trips by Transportation Permits

597

Commercial Construction Permits

758

Miles of sewer lines

2,293

Number of visitors to Veterans Services

4,744

Number of patients with Public Health

Primary Employers

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

Largest Taxpayers

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

Union County: Award-Winning Departments

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

National Association of Counties (NACo):

- Achievement Award in the Category of Arts, Culture & Historic Preservation for the Historic Roof Tiles Campaign
- Achievement Award in the Category of Civic Education & Public Information for the Development – Microsite.

North Carolina City & County Communicators (NC3C):

- Digital Resource Award for UC Store

Communicator Awards:

- Popular Annual Financial Report
- Union County Store

North Carolina Association of Governmental Purchasing:

- Union County Procurement and Contract Management received the 2022 Sustained Professional Purchasing Award

Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ended 2022
- Award for Outstanding Achievement in Popular Financial Reporting for Fiscal Year Ended 2022
- Distinguished Budget Presentation Award for Fiscal Year Beginning 2023

American Water Works Association – Water & Waste Management Division:

- Won 1st place in the Collections Event
- Sixth Place in the Overall Operations Challenge
- Spirit Award

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

- Third Nationally with the Center for Digital Government Survey for Technology Excellence Award



Fiscal Control

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

Union County Government serves all of the 254,070 residents by providing services to the collective whole. The services provided by the County include, but are not limited to, law enforcement, fire protection, water and sewer, public health, social services, transportation, waste disposal and funding for education.

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

BOND RATING

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

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

DEBT

The County has \$499.8 million in general fund debt outstanding, or \$1,967 per debt capita. During fiscal year 2023, Union County increase its debt portfolio, adding new debt for Union County Public Schools. Also, the County refunded Series 2013 Limited Obligation Bonds debt, as well as changed reporting methods to include the right to use assets for lease and subscription-based information technology arrangements (SBITAs) as per Governmental Accounting Standards Board (GASB)'s requirements. The County continues to look for opportunities to lessen the debt burden on the citizens, by focusing on a proactive debt management strategy, advanced refund opportunities, and early debt redemptions while maintaining a fiscally conservative debt management approach when considering issuing new debt.

BUDGET

The North Carolina General Statute mandates that the County provides and adopts a balanced budget in accordance with the provision of the Local Government Budget and Fiscal Control Act. The budget is a legally adopted document that incorporates input from the citizens of the county, the management of the county, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the county to obtain funds from identified sources to finance these current period activities.

The budget provides guidance to a county making sure spending is in line with revenues. The budget is considered balanced when estimated net revenue equals appropriations. Historically, Union County has posted above average revenues and trimmed expenditures throughout the budget year. The balanced budget ordinance must be adopted prior to the beginning of the fiscal year. The Union County Budget Ordinance is located at <https://www.unioncountync.gov/government/departments-a-e/budget>

FINANCIAL PLANNING

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

ANNUAL INDEPENDENT FINANCIAL AUDIT

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



Net Position

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

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

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

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position in the amount of \$291,579,857 is due primarily to the portion of the County's outstanding debt incurred for the Union County Board of Education (the "school") and the South Piedmont Community College (the "community college").

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

	Governmental	Business-type	Total
Net Investment in Capital Assets	67,197,900	254,079,819	321,277,719
Restricted	227,642,813	251,004	227,893,817
Unrestricted	(291,579,857)	174,561,233	(117,018,624)
Total Net Position	3,260,856	428,892,056	432,152,912

Fund Balance

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

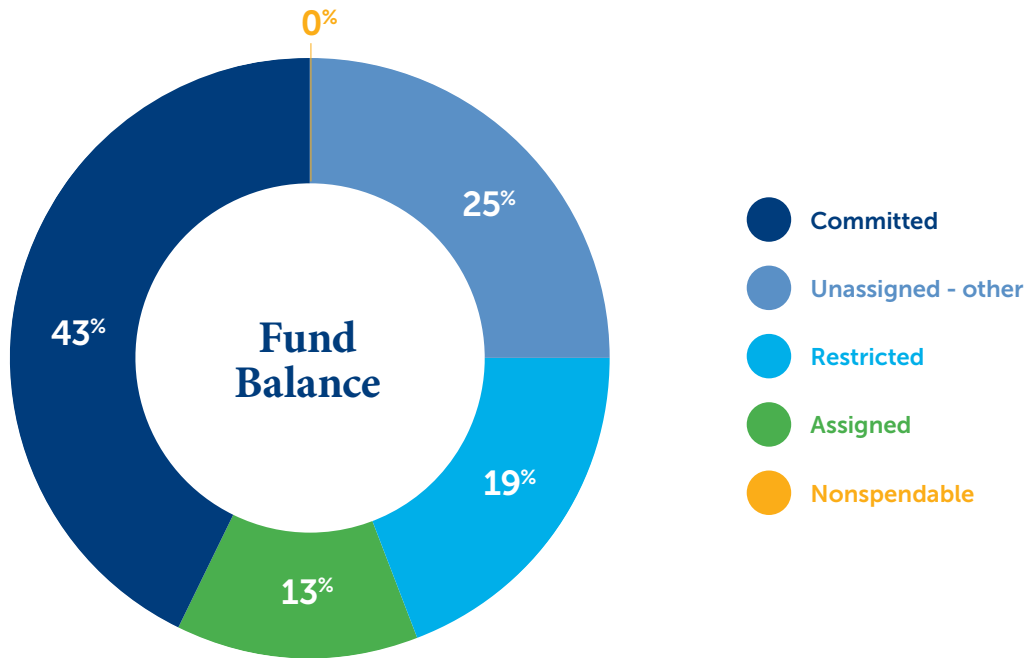
The Board of County Commissioners has passed robust policies outlining the appropriate reserve levels the County is expected to maintain. The Board has determined the County should maintain an available reserved (committed) fund balance of 20 percent of total expenditures for unforeseen needs or opportunities.

Union County reported \$167,680,654 total fund balance for general fund. This is \$32,609,185 more than the fiscal year

2022 fund balance. This is primarily due to the Local Option Sales Tax and Ad Valorem collections being higher than estimated; and a reduction in operating costs for departments in Economic and Physical Development.

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

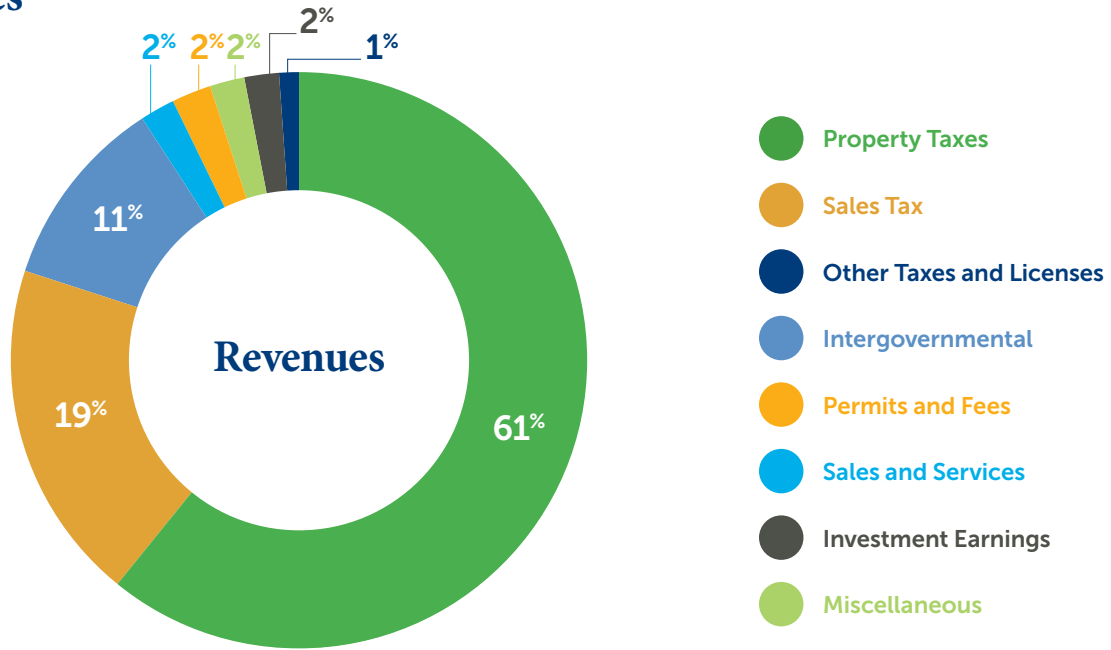
As of June 30, 2023, the County has a fund balance (based on committed, assigned, and unassigned) of 40.8 percent of general fund expenditures, while total fund balances represent 50.3 percent of that same amount.



Fund Balance Categories:

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

Revenues



GENERAL FUND

Like the majority of North Carolina counties, Union County relies heavily on ad valorem taxes; which are the taxes collected by the County on physical and personal property, based on its estimated value. In fiscal year 2023, ad valorem tax revenue accounted for 61 percent of all revenues collected by the general fund, largely due to organic growth of the County property tax base while maintaining the 58.80 cents tax rate. \$227 million in revenues reflects an increase of 4 percent. The County expects the growth throughout our area to continue.

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

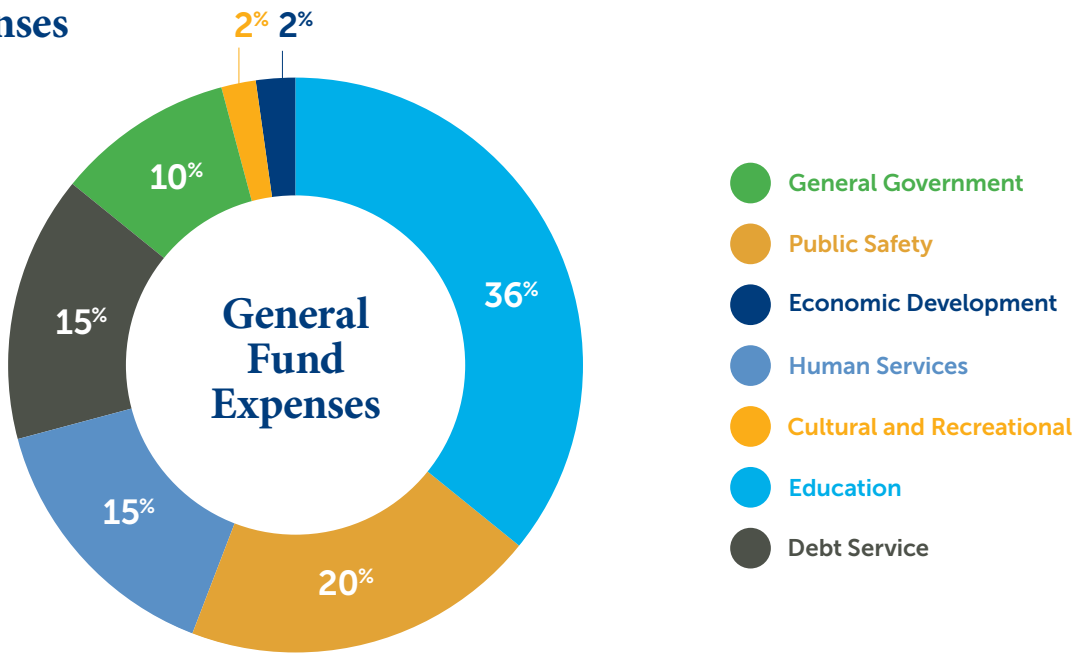
The County has the ability to increase or decrease revenues through the setting of the tax rate. Local option sales tax and the rest of the revenues are essentially based on the market, residential growth, and usage. As a result, the County has very little flexibility to increase revenues throughout the year.

PROPRIETARY FUNDS

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

Business-Type Activities	2023	2022	2021	2020
Operating Revenues	91,057,943	84,503,623	74,536,352	63,044,897

Expenses



GENERAL FUND

The County has successfully managed expenditures and conservatively budgeted revenues to maintain adequate reserves in the recent past. As a result of these efforts, the County’s stability continues to improve.

On the expenditure side, we have broken out the uses in a broad spectrum. Educational funding continues to be the largest cost within the County. With roughly 41,278 students, or nearly one in every five residents of the County attending primary school or South Piedmont Community College, education continues to drive expenditures.

The dramatic population growth, combined with the number of students mentioned above, required a level of capital funding that could only be accomplished through debt funding. While the County is fiscally sound and has enough resources to withstand economic downturn, it continues to have a relatively high debt burden. Today, (combined) debt service and Human Services areas are 15 percent of the County’s expenditures. This is the third largest expenditure of the county. Public Safety at 20 percent, is the second largest expenditure of the county.

Public Safety and Human Services both require significant funding due to the services they provide. Law enforcement,

fire and EMS remain diligent and prepared to protect and serve our residents in need. Funding is established for new equipment, training and better apparatus.

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

PROPRIETARY FUNDS

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Business-Type Activities	2023	2022	2021	2020
Operating Expenses	65,376,659	62,681,384	58,836,147	54,157,849

A Review of the County's Debt

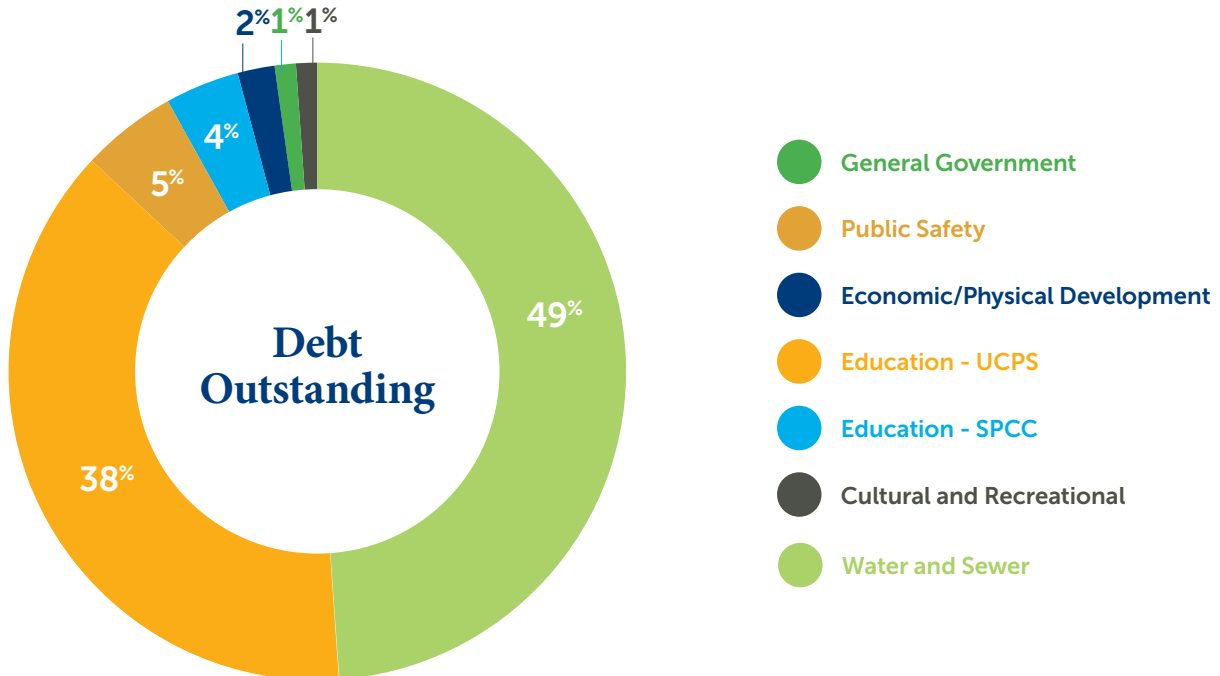
The County has a total of \$872,249,000 debt outstanding. \$366.6 million is for Education including the public school system and the community college, \$40.7 million is for Public Safety, \$17 million is for Economic and Physical Development, \$11.3 million is for Cultural & Recreational, \$13 million is for General Government, and lastly \$423.4 million is for Water and Sewer functions of the County.

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

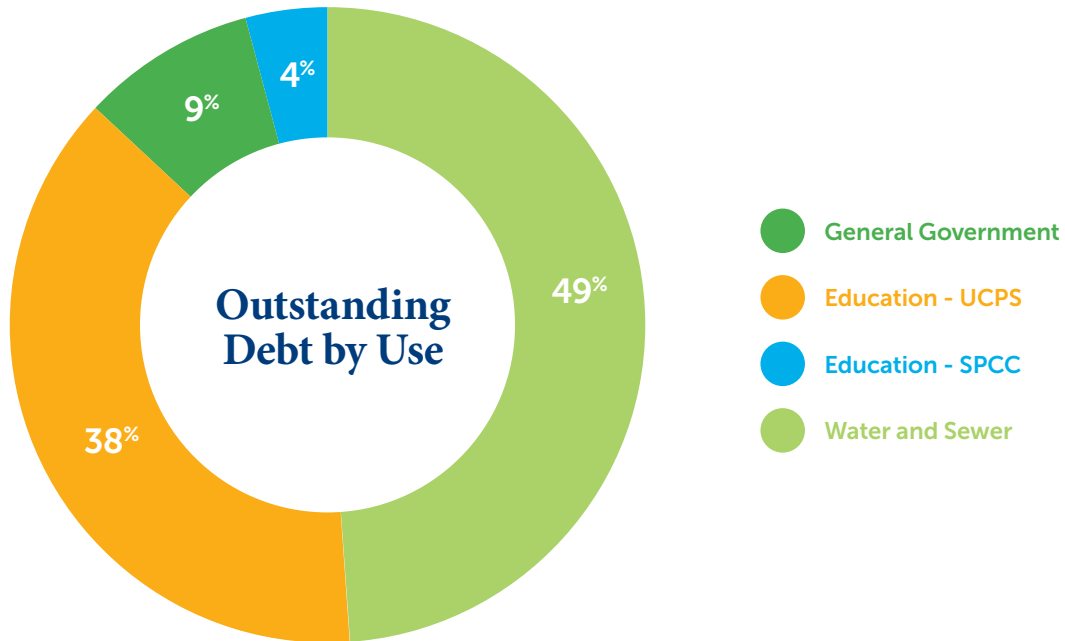
The County has issued debt for a variety of capital projects to fulfill capital needs during prior years. Capital projects that were completed with debt proceeds include schools, libraries, parks, agriculture and conference center, water and sewer infrastructure, jail, public safety, emergency communications equipment, and court facilities. Union County uses financing options such as General Obligation Bonds, Revenue Bonds and Certificates of Participation to finance these projects.

General Obligation bonds serves as a way for a local government to raise funds for projects that create streams of income for resources such as roads, parks, equipment and bridges. These bonds are usually used to fund government projects that will serve the public community and they are backed by general revenue of the issuing government entity which is the power of the local government to tax its citizens. It is commonly subject to voter approval and other requirements. In FY23, the County issued General Obligation School Bonds, Series 2023, and refunded the Refunding Limited Obligation Bond, Series 2013.

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



A Review of the County's Debt



Function:	GO Bonds	Installment Financing	Revenue Bonds	Total Outstanding Principal
General Government	7,189,000	5,821,225	-	13,010,225
Public Safety	40,765,495	-	-	40,765,495
Economic/Physical Development	16,765,000	303,627	-	17,068,627
Education - UCPS	303,116,505	28,072,048	-	331,188,553
Education - SPCC	35,207,000	278,771	-	35,485,771
Cultural and Recreational	11,129,000	171,529	-	11,300,529
Water and Sewer	-	-	423,430,000	423,430,000
Total	\$414,172,000	\$34,647,000	\$423,430,000	\$872,249,000

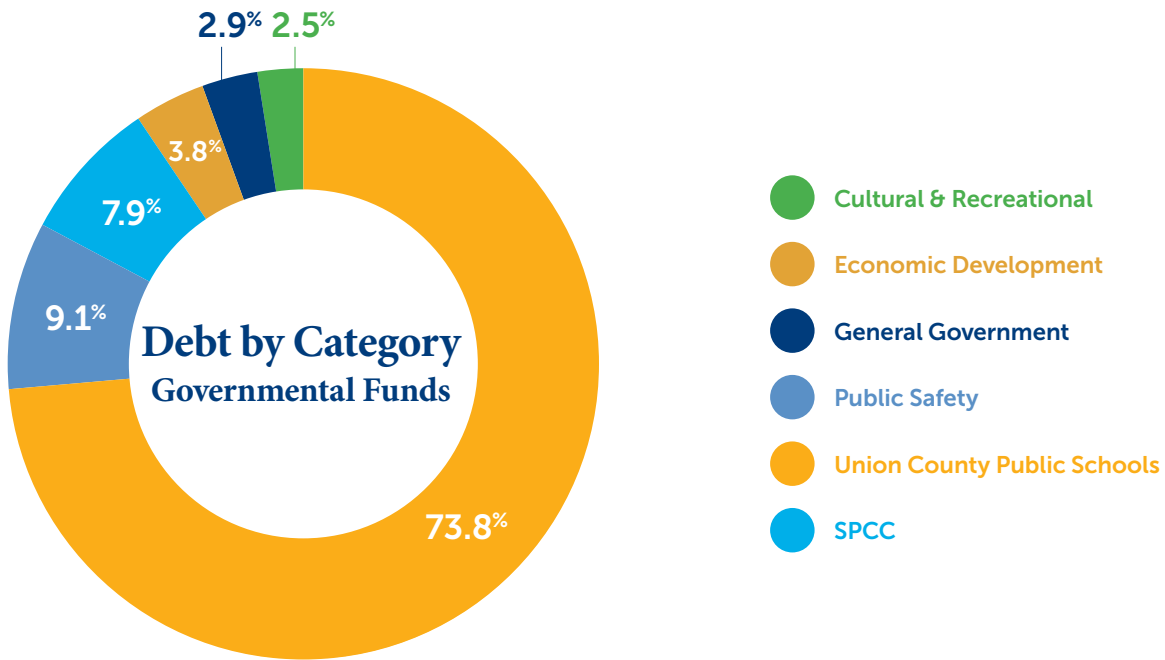
General Fund Debt

Total outstanding debt for General Fund is \$448 million. Of this amount, \$414 million is General Obligation Bonds and \$34.6 million is for Certificates of Participation and Installment Financing.

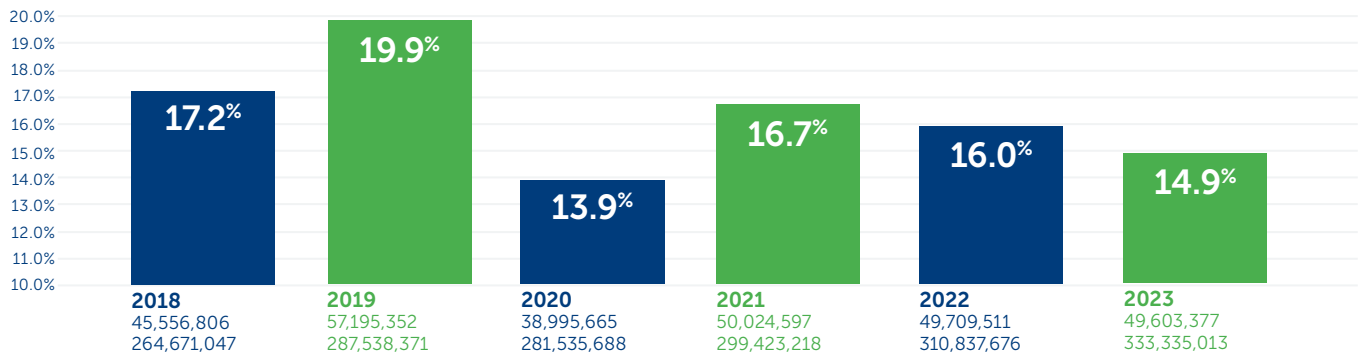
Approximately 73.8% percent of the County's outstanding tax backed debt is for Union County Public Schools. This is a combined result of the length of the debt, and the majority of the school debt that was issued in the previous 17 years.

It is important to keep in mind that a government unit may affect its bond ratings negatively if the debt service as a percentage of expenditures becomes too high.

Union County has been actively working to mitigate debt service while saving residents funds and working towards reducing the debt. Debt service as a percentage of expenditures is 15 percent for FY23.



Debt Service as Percentage of Expenditures



*Bond ratings indicate credit quality and financial strength of the issuer. Typically, bonds with higher ratings reflect a strong likelihood the issuer can.



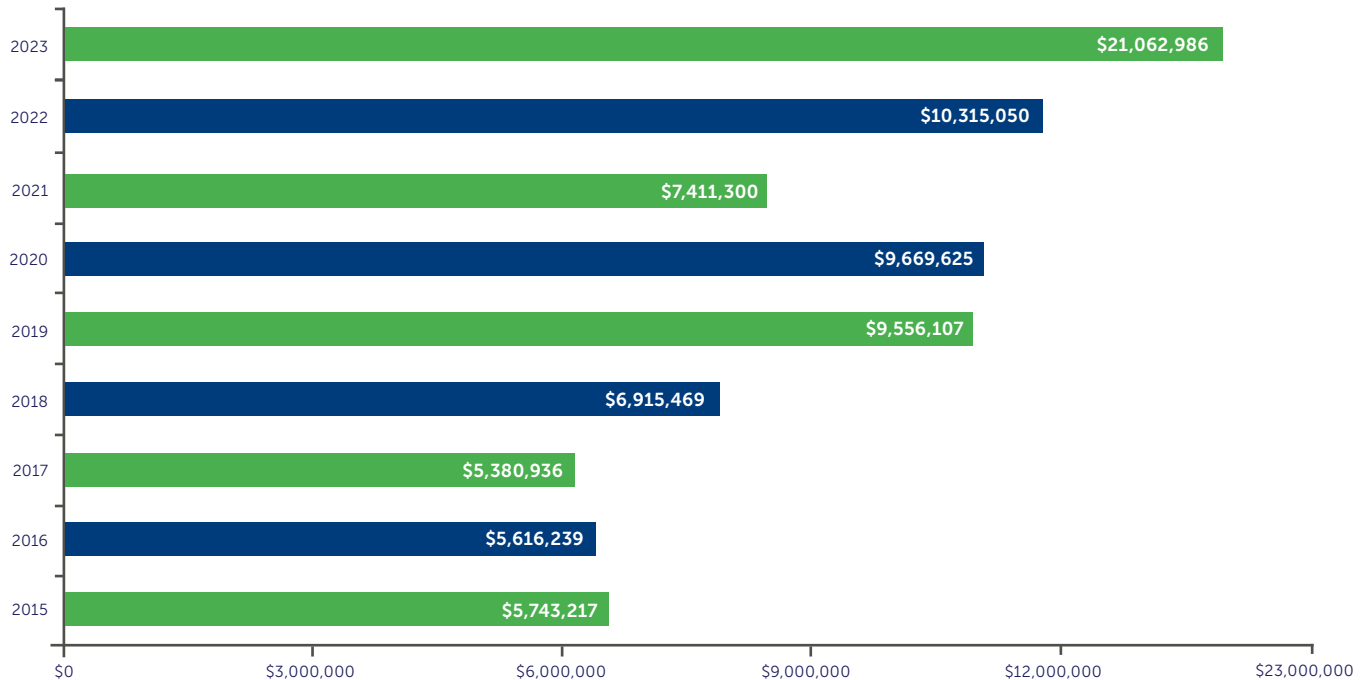
Enterprise Debt

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

The utility system has four revenue bond issues outstanding. The debt issued benefitted the system and rate payers by providing capital funding for projects such as:

- Catawba River Water Treatment Plant
- 12 Mile Waste Water Treatment Plant
- 853 West Transmission Main
- Water pressure, distribution and collection systems
- Crooked Creek Headworks Improvements
- Yadkin Regional Water Supply Project

Enterprise Fund Debt Service



Capital Improvement Program (CIP)

The adopted FY 2023-2028 Union County Capital Improvement Program (CIP) is made up of three components. Major programs projected for future years in the CIP:

GENERAL CAPITAL PROGRAM

General Capital Program provides the six-year capital plan for non-utility activity County projects, including South Piedmont Community College. The goal of these projects is to provide for new facility infrastructure, critical repairs and facility needs to maintain or improve general services of government.

- Historic Courthouse Phase 2
- Facilities Maintenance & Renewal
- Parks and Recreation Renewal and Expansion
- Jail Replacement & Expansion
- Library Building, Expansion and Development
- South Piedmont Community College Expansion

UNION COUNTY WATER CAPITAL PROGRAM

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

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

SOLID WASTE CAPITAL PROGRAM

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

- Austin Chaney Site Redesign
- Construction and Demolition Cell Expansion



Our Year In Review

The County continued to experience growth in population, which resulted in increased demand for essential public services.

Here are the major projects that Union County accomplished in the past fiscal year:



Our Emergency Services Center opened in August 2022. The nearly 24,000-square-foot center includes state-of-the-art technology and housed the County's three Emergency Services departments: Emergency Communications, the Fire Marshal's Office and Emergency Management.



The new Union County Sheriff's Office Administration Building opened in October 2022 with expanded capabilities and resources, including the County's first full-service crime laboratory. We celebrated the milestone on the two-year anniversary of the groundbreaking ceremony.



The Board of Elections building expansion was completed in the summer of 2023. The project added about 5,800 square feet of office space and included both renovations to the previous office space, as well as a new, attached facility that provides space to securely store voting equipment, a multipurpose room, a loading dock, enhanced building security and more.

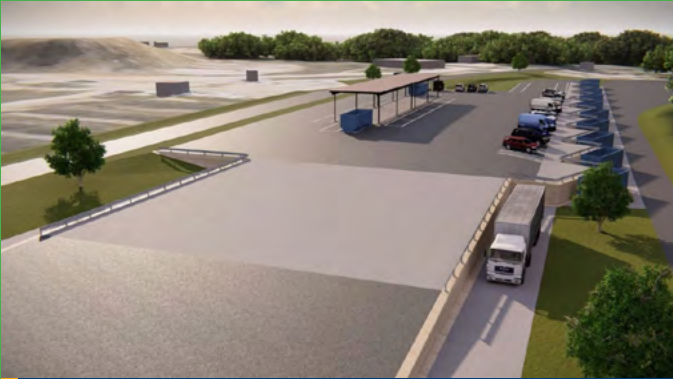


After nearly two decades, the Yadkin Regional Water Supply Project was completed in late summer 2023. Union County now has a second long-term, reliable source of water to meet current and future water supply needs. Construction for the \$300 million infrastructure project began in the fall of 2020. The County issued revenue bonds in the spring of 2021 for this project and various other water and sewer capital projects.

What's to Come

Union County continues to invest in initiatives to support our growing community.

Here are the major projects that are in progress:



The Union County Solid Waste department offers responsible and practical waste management solutions through our network of six residential waste and recycling centers, solid waste transfer station and construction materials solid waste disposal facility. We are excited to announce that our final Solid Waste Facility expansion project is underway at our primary facility on Austin Chaney Road to include upgrades to our public materials collection area, which will significantly enhance the customer experience, operational safety and efficiency.



The new Southwest Regional Library is expected to open in the Spring of 2024 with expanded collections, programs and meeting area to serve about 70,000 residents within 15-minutes of the library. The library will include a children's storytime area, reading nooks, a science, technology, engineering, arts, and mathematics (STEAM) lab, study rooms, an outdoor patio, technology spaces and more.

