

**Union County
Government**

EST. 1842



**Union County, North Carolina
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017**

<http://unioncountync.gov>



Union County, North Carolina

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017

Prepared by
Finance Division
Department of Administrative Services



Union County, North Carolina
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Introductory Section



October 31, 2017

To the Chairman, Members of the Board of Commissioners, and Residents of Union County:

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, we hereby issue the annual financial report of Union County (the County) for the fiscal year ended June 30, 2017.

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

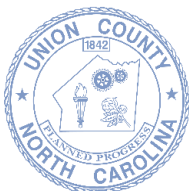
Cherry Bekaert, LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on Union County's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report. The audit was also designed to meet the requirements of the Federal Single Audit Act Amendment of 1996, as well as the State Single Audit Act, N.C.G.S. 159-34. The reports required by these Acts are submitted as separate reports, which include the schedules of financial assistance, findings and questioned costs, and the independent auditor's report on internal control and compliance.

Management's discussion and analysis (MD&A) immediately follows the report of independent auditor and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Union County, established in 1842, is located in the south-central portion of North Carolina adjacent to Charlotte/Mecklenburg County and bordering South Carolina. The County currently occupies approximately 643 square miles and serves an estimated 224,029 residents.

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 a tax rate for the



support of the County's programs. The Board consists of five commissioners, elected on a staggered basis for terms of four years. The County Manager is appointed by, and serves at the pleasure of the Board as the County's Chief Executive Officer. The Manager has appointive and removal authority over county employees. The County Manager is responsible for the daily operations of the County Government. In addition, the Manager's responsibilities include implementation of policies established by the Board of County Commissioners, as well as the administration of the annual adopted budget.

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 administrative functions. Additionally, the County owns and operates water, sewer, and solid waste systems. This 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.

The Board of County Commissioners adopts an initial budget for the fiscal year no later than July 1. The budget serves as the foundation for the County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the Board of County Commissioners adopt an annual budget for all governmental and proprietary operating funds except those authorized by project ordinance, which are multi-year in nature. Appropriations to the various funds are formally budgeted on a service area basis for the general fund and at the fund level for the special revenue, enterprise (proprietary operating) and on a program basis for capital project (multi-year) funds. The County Manager is authorized to approve appropriation transfers within and between all service areas within a fund. The Board approves budget amendments that increase the total appropriation of any fund. For expenditure control purposes the budget is monitored and controlled on a division and line-item level.

Local Economy

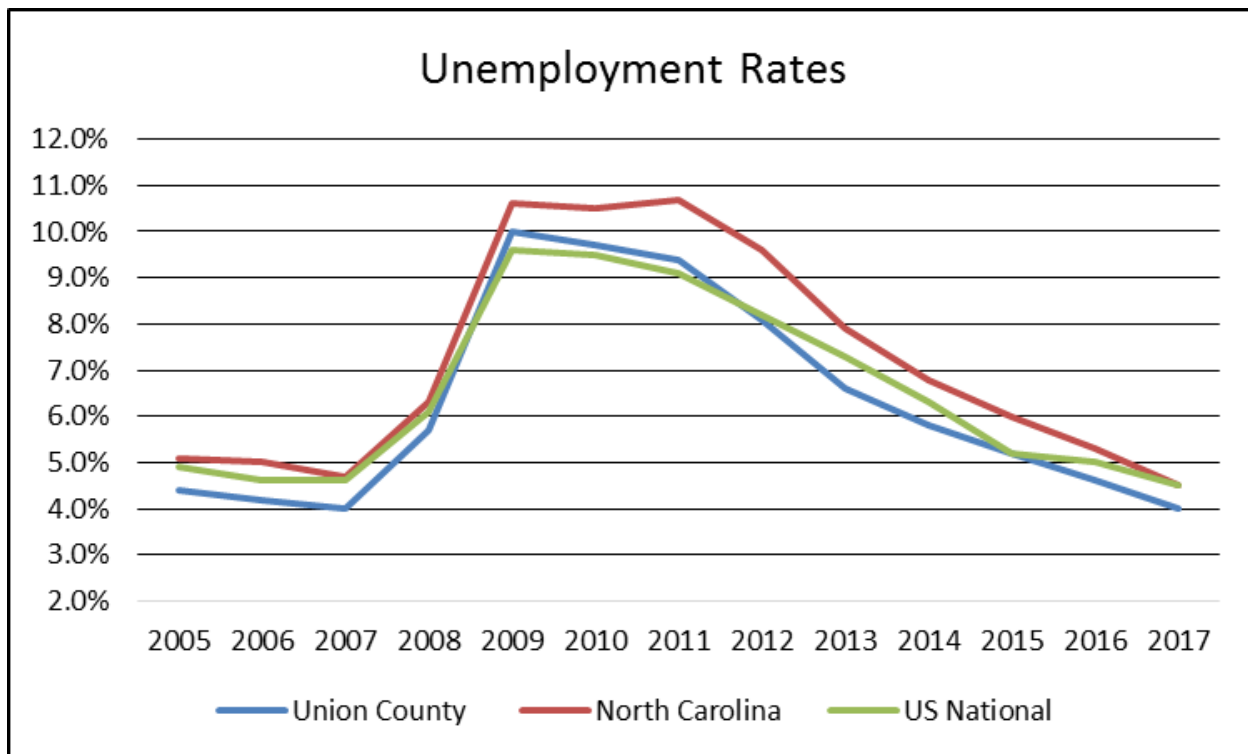
The County's tax base is predominately residential (87.4 percent of real property assessed value). The tax base does not exhibit a high degree of taxpayer concentration, with the top ten taxpayers representing a modest 3.04 percent of assessed value. TDY Industries, Tyson Farms, both manufacturers, and Harris Teeter, employ more than 1,000 people within the County.

Contributing to the County's growth during the past decade is its proximity to the City of Charlotte and Mecklenburg County, which contain the largest population in the State and comprise the major urban center of North Carolina's piedmont crescent. The County's diverse economic base and the interdependence of the Charlotte-Gastonia-Concord Metropolitan Statistical Area or MSA are major factors that have contributed to the County's rapid growth during the previous decade.

According to the North Carolina Department of Commerce (NCDC) the County's unemployment rate was 4.0 percent in the month of August 2017. The County's most recent rate of 4.0% percent continues to remain below the State's (unadjusted) unemployment rate of 4.5 percent. The County's ten year unemployment rates have ranged from a low of 3.7 percent, occurring latest in June 2017 to a high of 11.2 percent in January and February 2010. North Carolina has 100 counties, of which Union County ranks ninth lowest in unemployment during the August 2017 timeframe. The state's unemployment rate varies from a low of 3.8 percent to a high of 12.0 percent in January 2010.



The County continues to have a lower unemployment percentage rate than bordering counties of Mecklenburg and Stanly (4.2 percent), Cabarrus (4.1 percent) and Anson (5.3 percent).¹



The North Carolina median household income, from 2011-2015, was \$46,868 in comparison to the County's median household income during the same period of \$65,903. During the same time period, 10.2 percent of the County's population was below the poverty level, compared to 16.4 percent for the state. The poverty status is determined by comparing annual income to a set of dollar values called poverty thresholds that vary by family size, number of children and age of householder.²

During fiscal year 2017, there were 518 commercial and 3,445 residential construction permits issued county-wide, compared to fiscal year 2016 of 592 commercial and 3,751 residential permits; showing an 8.8 percent decrease in the total number of permits. This trend is anticipated to continue into 2018.

Monroe Expressway - In May, 2015, the North Carolina Department of Transportation began construction on the long-delayed Monroe Expressway, a toll highway, which, when complete will extend nearly twenty miles from U.S. 74 near I-485 in Mecklenburg County to U.S. 74 between the towns of Wingate and Marshville in Union County. U.S. 74 serves as an important commercial corridor for residents and businesses in Union and Mecklenburg counties as it gives retail, commercial and employment centers in the area direct access to and from the route. The Monroe Expressway will improve mobility and capacity in the U.S. 74 corridor by allowing for high-speed regional travel while maintaining access to properties along existing U.S. 74. It is scheduled to open in 2018.³

¹ North Carolina Department of Commerce, Labor & Economic Analysis division, Local Area Unemployment Statistics

² U S Census Bureau

³ [Http://www.ncdot.gov/projects](http://www.ncdot.gov/projects)



Long-Term Financial Planning and Major Initiatives

The North Carolina State Demographics Unit expects the County's population to grow by 20.92 percent or about 46,000 residents between 2015 and 2025, reaching almost 267,000 residents by the year 2025. Union County Public Schools' (UCPS) demographer, McKibben Demographic Research forecasted student populations dropping around 2019-2020, when a negative 11 percent change was forecasted across all grades. The forecast shows the numbers steadying after that. The forecast presented goes through 2025-26 and the district wide enrollment is forecasted at 42,396, compared to the 2016-17 Average Daily Membership (ADM) of 41,481 students.⁴ The County's utility system added approximately 1,253 new water connections during fiscal year 2017.

Maintenance of existing infrastructure and facilities continues to be a challenge. While the County's current debt load is significant, 42.6 percent or \$158.2 million of the County's general fund debt will be retired within the next five years. Within the next ten years, 76 percent or \$282.2 million of the County's general fund debt will be retired. This maturation of debt continues to add to the long-term fiscal sustainability of the County.

The tax-supported Capital Improvement Plan (CIP) contains projected capital expenditures for UCPS, South Piedmont Community College and County programs and functions such as law enforcement, parks and recreation and general government. The CIP is supported through pay as you go funding from current revenues, capital contributions and long-term debt. The CIP and financial forecast is updated annually to reflect changing priorities and circumstances.

In the fall of 2016, the public approved, through a referendum, \$104 million of new general obligation bond debt. The approved bonds will be used to fund a new transportation facility and renovations and expansions at six schools for UCPS (\$54 million), renovations and two new facilities at South Piedmont Community College (SPCC) (\$40 million), and a new Western Union Library (\$10 million). The first tranche of this funding (\$50 million) is scheduled for issuance in October 2017. During the FY 2018 Operating and Capital Improvement Budget, the BOCC approved a 3.09 cent tax rated dedicated to retirement of this new debt.

In 2011, Union County Public Works retained the services of Black and Veatch to develop a Comprehensive Water and Wastewater Master Plan. The plan provides for an assessment of each utility's service areas (water supply, water treatment and distribution, wastewater collection, wastewater treatment and disposal). It also provides an integrated strategy for improving and expanding its water and wastewater systems. The integrated plan offers a comprehensive approach to the County's water resources development and utilization and serves as a guide for future system development and investment decisions.

This plan included Community Outreach, Population & Demand/Flow Projections, System Performance Criteria, Water and Wastewater System Models, Future Water and Wastewater scenarios and a 20-year CIP. Based on the service area projections and system evaluations and assessments, the CIP defines the needed system improvements for the 20-year planning horizon.

Needed capacity and system improvements for existing and future system conditions were identified, prioritized and compiled into a CIP for the 20-year planning horizon. The CIP developed in the Master Plan assumed a new eastern water supply project would be developed in cooperation with Anson County, from whom the County currently purchases water; and was further based on an assumption

⁴ <http://www.ucps.k12.nc.us/Page2784>



of an Inter-Basin Transfer (IBT) increase from five million gallons per day to ten million gallons per day from the Catawba River Basin to the Yadkin River basin granted by the state by 2017.

In 2015 Union County again retained Black and Veatch to perform an update to the 2011 Master Plan. The update evaluated changes to the water and wastewater system models based on the new location of the source water and opportunity to evaluate the location of future wastewater treatment capacity with the change in the IBT strategy. The update re-evaluated the CIP for the original 20-year planning horizon from the 2011 Master Plan and adjusted as needed based on the new water and wastewater strategies.

System improvement projects are categorized as water supply/treatment projects, wastewater treatment/disposal projects, water distribution projects, or wastewater collection projects. A project identification system defines the project location and type. System improvements and expansions will be funded through a combination of pay-as-you-go funding and revenue bonds supported through utility rates.

Relevant Financial Policies

The investment policy of the County is guided in a large part by State statutes. The County believes strongly in making the best possible use of idle cash resources, and as a result, investments have been made in securities that ensure that ample funds are available as needed to meet disbursement requirements as well as to take advantage of market fluctuations. This approach allows the County to maximize financial return within the parameters of acceptable risk.

Debt Administration: In October of 2017, the County's general obligation bond ratings of Aaa, AA+ and AAA was affirmed by Moody's Investors Service, Standard and Poor's and Fitch, , respectively. The Enterprise System Revenue bond rating for the County was upgraded from AA to AA+ from Standard and Poor's Corporation in April 2017 and maintained at Aa1/AA from Moody's Investment Services and Fitch Ratings respectively. The County's key financial ratios relating to tax-supported debt are summarized in the following table.

Union County, North Carolina Debt Statistics FY 2013 - FY 2017					
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Assessed Value	\$ 24,579,263,896	\$ 23,796,785,051	\$ 24,665,059,406	\$ 24,629,644,596	\$ 23,635,819,299
Net Tax Supported Debt	\$ 338,060,234	\$ 371,311,399	\$ 407,843,659	\$ 446,026,148	\$ 481,551,944
Net Tax Supported Debt as a Percentage of Assessed Value	1.38%	1.56%	1.65%	1.81%	2.04%
Debt Service as a Percentage of Expenditures	16.40%	17.80%	17.90%	19.50%	23.40%
Population	224,029	220,546	215,956	211,539	210,410
Debt Per Capita	\$ 1,509	\$ 1,684	\$ 1,889	\$ 2,108	\$ 2,289
Available Fund Balance as a Percentage of General Fund Expenditures	28.30%	27.00%	23.50%	26.80%	29.90%

The County continues to fulfill its pledged revenue coverage per the revenue bond indenture for the Water and Sewer Bonds. For fiscal year 2016, the County changed the coverage test, amending the two-pronged test by no longer allowing the inclusion of 20 percent of the balance of the Surplus Fund from the prior fiscal year. The more stringent test going forward will omit the Surplus Fund from the coverage ratio (2.93 times and 2.54 times coverage respectively, as stated in Table 16 of the Statistical Section).



Adherence to the County's debt management policy is critical in light of the County's projected infrastructure requirements and its current debt ratios.

Risk management: The County is exposed to various risks of loss related to assets, liabilities claimed by third parties and employee injury. Stop-loss insurance provides statutory worker compensation benefits above the County's self-insurance limit of \$450,000 per occurrence for police/fire employees and \$375,000 per occurrence for all other employees. Claims are administered under contract with a third party administrator. Claim reserves are established when an injury occurs, and the ultimate expected exposure of each claim can be reasonably estimated by the third party claims administrator.

There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

Pension plan: County employees are required to participate in one of several multiple-employer defined benefit pension plans administered by the State of North Carolina. In addition to the pension plans administered by the State, the County administers a single-employer defined benefit plan, a supplemental retirement income plan and a single-employer defined benefit retiree healthcare benefits plan for certain qualified employees. All of these plans are discussed in the notes to the financial statements.

Awards and Acknowledgements

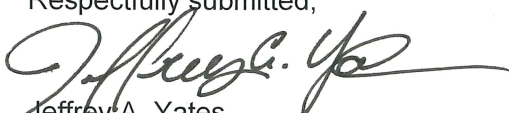
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This is the fifth consecutive year in which the County has received this recognition. In order to be awarded a Certificate of Achievement, the government was required to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. The GFOA award is valid for a period of one year.

Each of the County's service areas maintain a strong commitment to the goals, vision and mission statements of the County and this is reflected in its provision of services to the citizens of Union County. We appreciate the cooperation of all County divisions in conducting financial activities, including the preparation of this report.

Preparation of this report would not have been possible without the combined dedicated efforts of both Finance and Budget Division staff. Special thanks are extended to Beverly Liles, project team leader, as well as team members Ebru Cukro, Daniel Purser, Amanda Austin and Trina Horne who compiled and reviewed the information needed to complete the Comprehensive Annual Financial Report.

We also wish to express appreciation to the Board of County Commissioners and County Manager, Cynthia Coto, for their continued support.

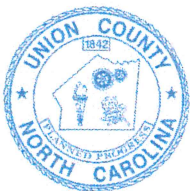
Respectfully submitted,



Jeffrey A. Yates
Executive Director of Administrative
Services/CFO



Deborah H. Cox, C.P.A.
Controller





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

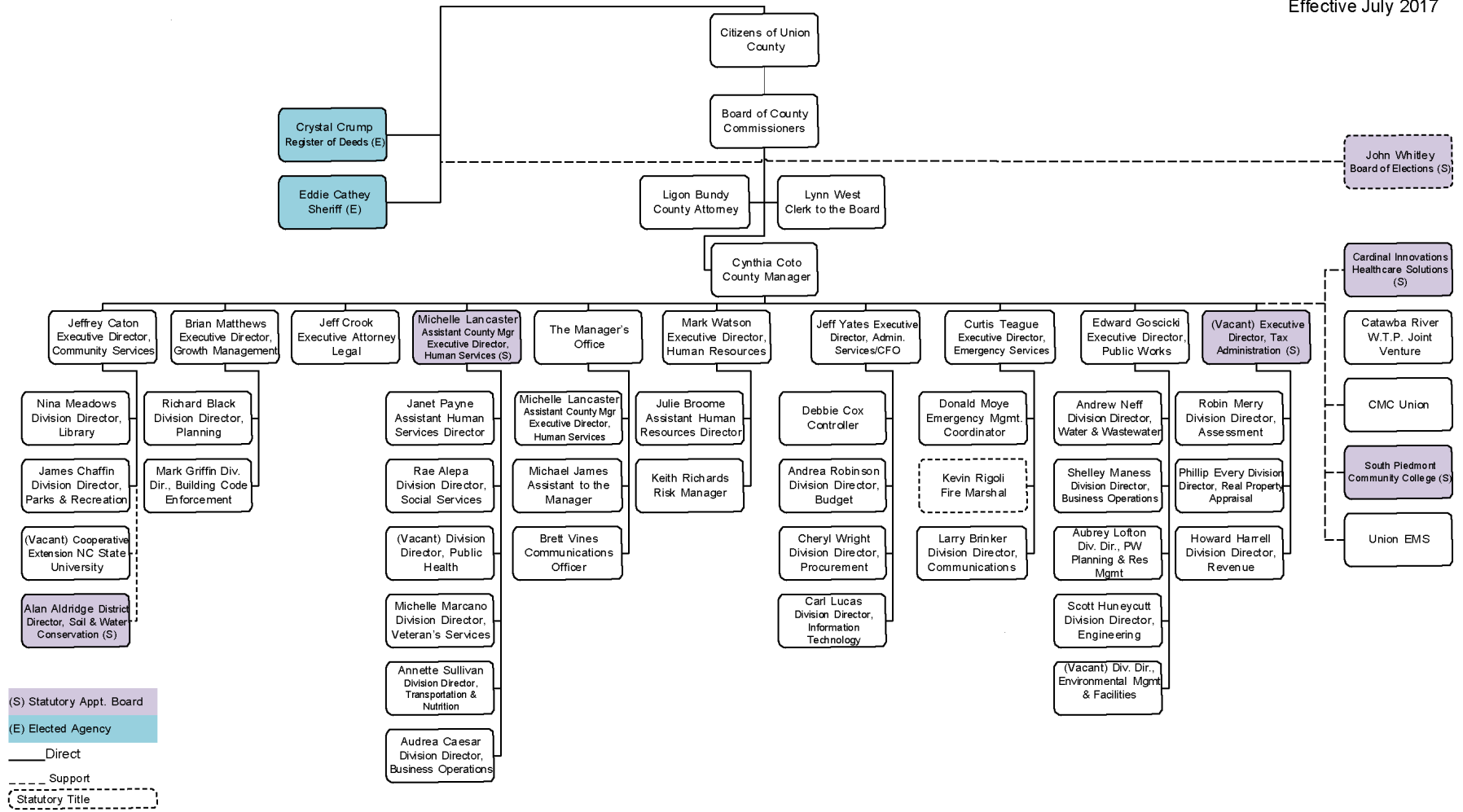
Presented to

**Union County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Union County, North Carolina
List of Principal Officials
June 30, 2017

Board of County Commissioners

Frank Aikmus, Chairman
Richard Helms, Sr., Vice-Chairman
Stony Rushing
Jerry Simpson
Lance Simpson

County Officials

Cynthia Coto	County Manager
Michelle Lancaster	Assistant County Manager
Michael James	Assistant to the County Manager
John Whitley	Board of Elections
Lynn G. West	Clerk to the Board
Janine Rywak	Cooperative Extension Service Division Director - Interim
Ligon Bundy	County Attorney
Jeff Crook	Executive Attorney
Jeffrey Yates	Executive Director, Administrative Services/CFO
Jeffrey Caton	Executive Director, Community Services
Curtis Teague	Executive Director, Emergency Services
Brian Matthews	Executive Director, Growth Management
Mark Watson	Executive Director, Human Resources
Michelle Lancaster	Executive Director, Human Services
Edward Goscicki	Executive Director, Public Works
Stan Duncan	Executive Director, Tax Administrator - Interim
Crystal Crump	Register of Deeds
Eddie Cathey	Sheriff



Financial Section



Report of Independent Auditor

The Board of Commissioners
Union County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Catawba River Treatment Plant, a joint venture project (the "Venture") in which the County has a 50% ownership interest and represents approximately 8% of the assets and less than 1% of the revenues of the water and sewer fund which is reported in the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Venture is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Venture were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As provided in Note 9 to the financial statements, effective July 1, 2016, the County adopted the provisions of Governmental Accounting Standards Board Statements ("GASBS") No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, additional financial data, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, additional financial data, and schedule of expenditures of federal and state awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Cherry Rickett LLP

Charlotte, North Carolina
October 31, 2017



Management's Discussion and Analysis

As management of Union County (the County), we offer readers of Union County's financial statements narrative overview and analysis of the financial activities of Union County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages A3-A9 of this report, and the County's financial statements, which follow this narrative.

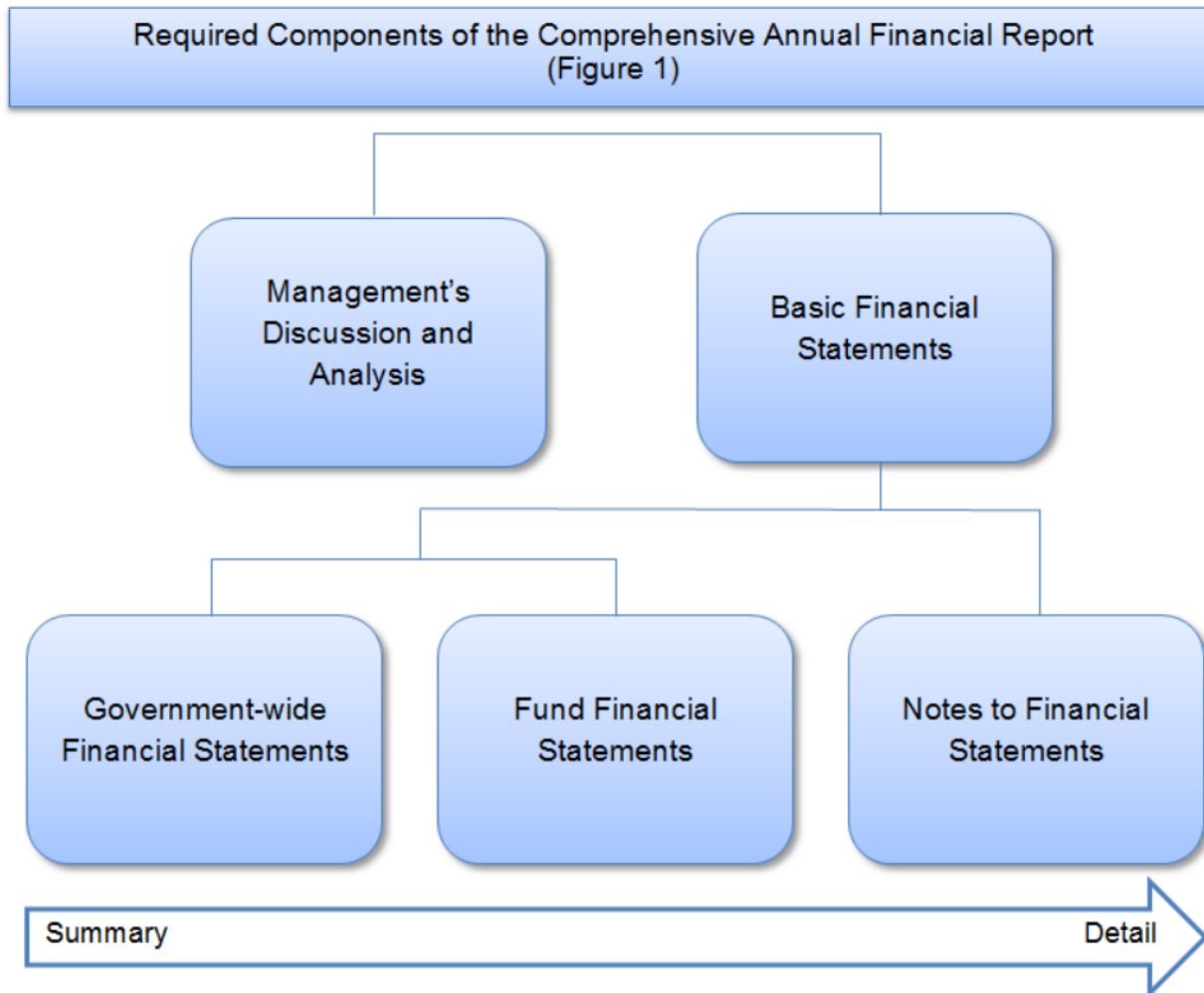
Financial Highlights

- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$188,241,725 (*net position*), an improvement of \$61,776,329.
- Union County's governmental activities' total net position reflected a deficit of \$117,152,832 largely because Union County recognizes the long-term liability for school related debt while the accompanying assets were transferred to the Union County Public Schools and South Piedmont Community College respectively. In accordance with North Carolina general statutes, the County is financially responsible for funding school facilities and the issuance of any debt in connection with school facilities; however, since school assets are not reflected in the County's financial statements, school capital improvements are expensed annually.
- At the close of the current fiscal year, Union County's governmental funds reported combined fund balances of \$146,824,729, a decrease of \$10,428,037 in comparison with the prior year. Approximately 7.6 percent of this amount \$11,172,122 is available for appropriation at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$79,099,107, or approximately 30.9 percent of total general fund expenditures for FY 2017.
- Union County's total outstanding long-term debt decreased by \$36,629,862 or 8.33 percent during the current fiscal year. The key factors in this change in the debt balance were: annual debt service payments, cash defeasance of long-term debt, new debt issuance, and a refunding of GO Bonds.
- Union County maintained its ratings of Aaa/AA+/AAA on the general obligation bond ratings. Union County's enterprise system revenue bonds were upgraded by Standard and Poor's to AA+, while Moody's and Fitch maintained its Aa1/AA respectively.

Overview of the Financial Statements

The management's discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other

supplemental information that will enhance the reader's understanding of the financial condition of Union County.



Basic Financial Statements

The first two statements (Exhibits A & B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through L) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, each of which are added together in separate columns on the basic financial statements. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, education, cultural and recreational, general government, and economic and physical development. Property taxes, local option sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those the County charges customers to provide. These include the water and sewer, solid waste and stormwater services offered by Union County.

The government-wide financial statements are on Exhibits A & B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Union County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the County's budget ordinance. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the *Statement of Net Position* and the *Statement of Activities*, Exhibits A

and B) and governmental funds (Exhibits C and E) is described in reconciliations (Exhibits D and F) that are a part of the fund financial statements.

Union County adopts an annual budget for its General Fund, as required by the General Statutes. 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 budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The *budgetary comparison statement* uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Union County maintains two different types of proprietary funds, Enterprise and Internal Service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Union County uses enterprise funds to account for its water and sewer activity, solid waste activity, and stormwater activity.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for health benefits, worker's compensation, fleet services, Information Technology, facilities management, and property and casualty insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Solid Waste, and the Stormwater operations. Conversely, the internal service funds are combined in a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements, in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found in Exhibits H through J of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Union County maintains ten different fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Union County maintains two different types of fiduciary funds; *pension trust funds* and *agency funds*. Two *Pension Trust Funds* are used to report resources held in trust for qualified County retirees covered by the Special Separation Allowance Fund and the Other Postemployment Retiree Healthcare Benefits (OPEB) Fund.

The *Agency Funds* report resources held by Union County in a custodial capacity for individuals, private organizations, or other governments. These funds include the Social Services Fund, Fines and Forfeitures Fund, Jail Inmate Fund, Monroe and Union County School District Funds, Municipal Tax Collection Fund, Gross Rental Receipts Tax Fund, and the Department of State Treasurer Motor Vehicle Tax Fund.

The basic fiduciary fund financial statements can be found in Schedules 49 through 51 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages C19-C71 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain *required supplementary information* concerning Union County's progress in funding its obligation to provide special separation allowance benefits, pension benefits and other postemployment retiree healthcare benefits (OPEB) to its retired employees. Required supplementary information can be found beginning on page D-1 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary pension trust and agency funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on Schedules 1 through 12 of this report.

Government-Wide Financial Analysis

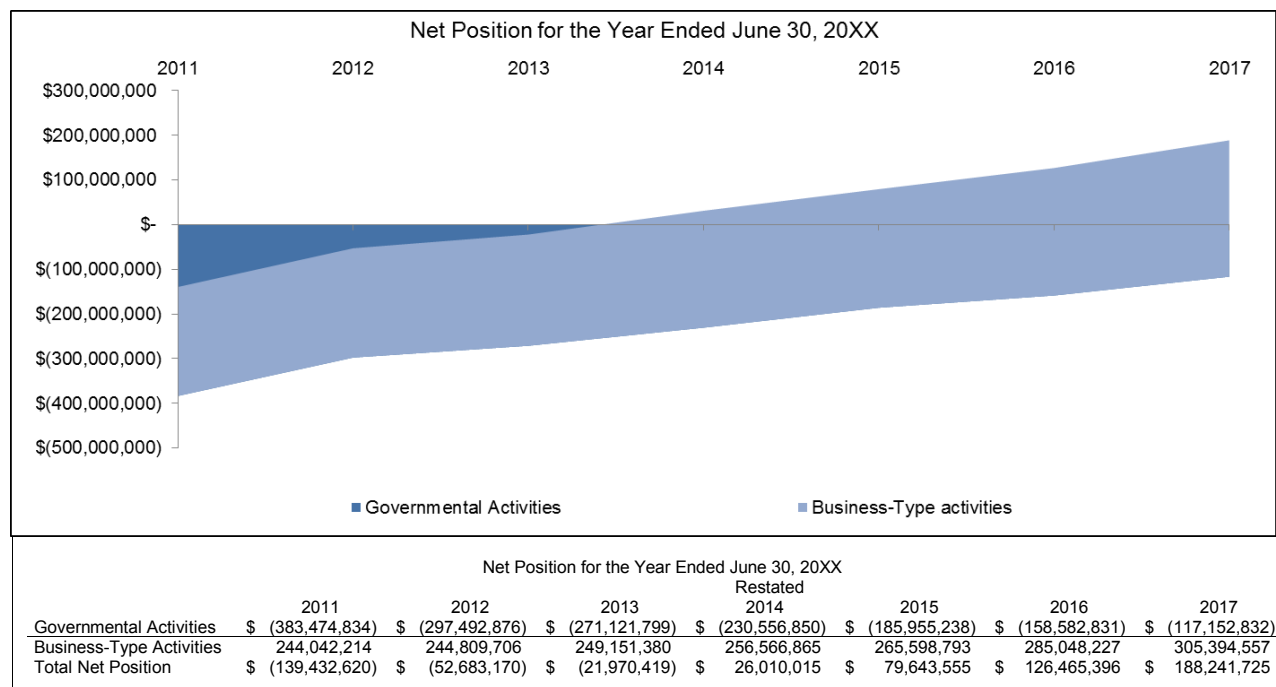
As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$188,241,725 as of June 30, 2017. One of the largest portions, \$278,346,663, reflects 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.

Although Union County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Union County's net position, \$53,450,276, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$143,555,214 is unrestricted.

At the end of the current fiscal year, Union County reports a negative balance unrestricted category of net position for governmental activities and positive balances for business-type activities. The same situation held true in prior fiscal years.

Union County, North Carolina Net Position June 30, 2017 and 2016							
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Current and Other Assets	\$ 186,451,899	\$ 197,717,416	\$ 126,020,389	\$ 128,223,319	\$ 312,472,288	\$ 325,940,735	
Capital Assets	85,592,809	66,341,746	266,456,205	244,208,198	352,049,014	310,549,944	
Total Assets	272,044,708	264,059,162	392,476,594	372,431,517	664,521,302	636,490,679	
Total Deferred Outflows of Resources	33,459,450	25,983,418	5,832,409	6,167,340	39,291,859	32,150,758	
Long-Term Liabilities	363,305,606	388,346,323	77,427,136	81,014,922	440,732,742	469,361,245	
Other Liabilities	52,841,833	52,518,349	15,179,422	12,182,238	68,021,255	64,700,587	
Total Liabilities	416,147,439	440,864,672	92,606,558	93,197,160	508,753,997	534,061,832	
Total Deferred Inflows of Resources	6,509,551	7,760,739	307,888	353,470	6,817,439	8,114,209	
Net Position:							
Net investment in capital assets	72,437,355	50,856,584	205,909,308	180,438,094	278,346,663	231,294,678	
Restricted	52,573,379	62,691,666	876,897	913,570	53,450,276	63,605,236	
Unrestricted	(242,163,566)	(272,131,081)	98,608,352	103,696,563	(143,555,214)	(168,434,518)	
Total net position	\$ (117,152,832)	\$ (158,582,831)	\$ 305,394,557	\$ 285,048,227	\$ 188,241,725	\$ 126,465,396	

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position in the amount of \$242,163,566 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.

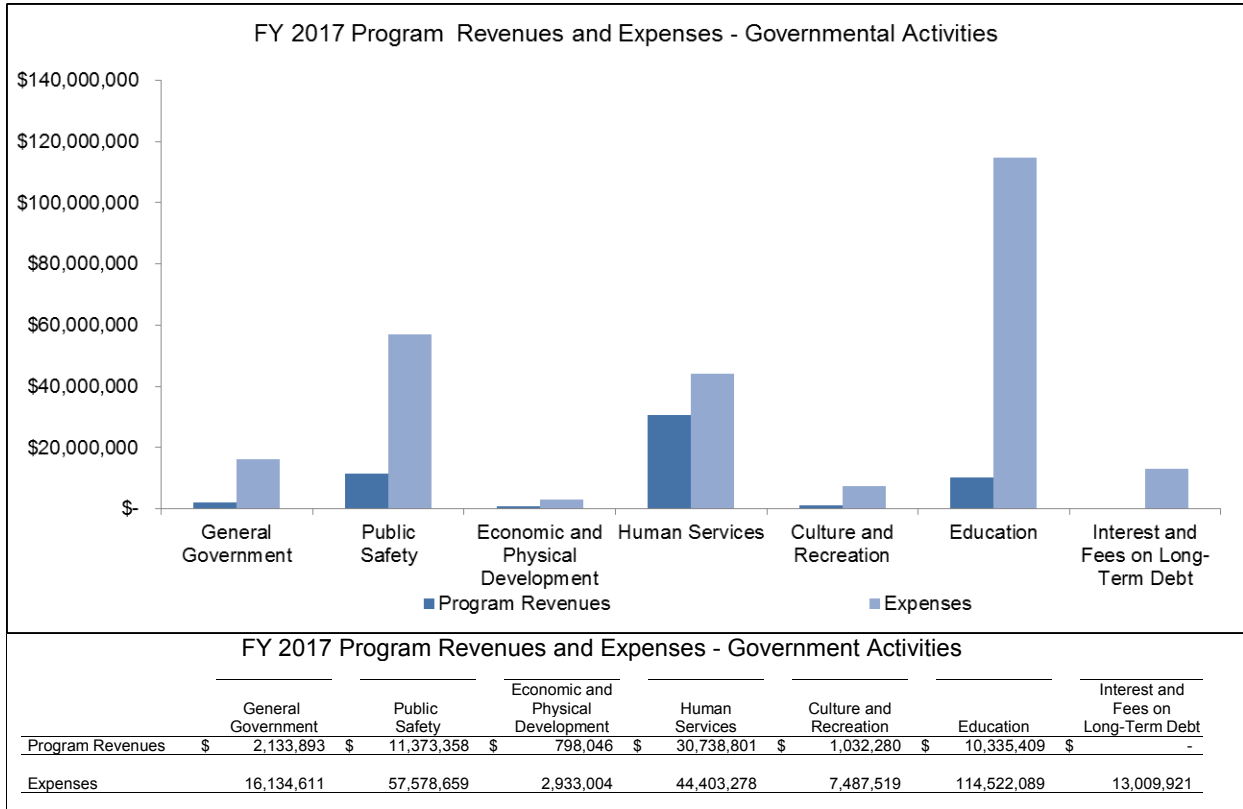


The County's overall net position increased \$61,776,329 from the prior fiscal year. Key elements of this increase are included below:

Union County, North Carolina Changes in Net Position June 30, 2017 and 2016						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for Services	\$ 20,111,503	\$ 20,176,067	\$ 58,192,994	\$ 45,238,500	\$ 78,304,497	\$ 65,414,567
Operating grants and contributions	36,058,058	33,446,037	-	-	36,058,058	33,446,037
Capital grants and contributions	242,226	68,520	11,322,960	17,816,555	11,565,186	17,885,075
General Revenues:						
Property taxes	194,800,497	191,316,580	-	-	194,800,497	191,316,580
Other taxes	45,650,301	40,042,913	-	-	45,650,301	40,042,913
Grants and contributions not restricted to a specific purpose	120,366	115,081	-	-	120,366	115,081
Other	516,129	1,051,175	332,838	750,816	848,967	1,801,991
Transfers	-	-	-	-	-	-
Total Revenues	297,499,080	286,216,373	69,848,792	63,805,871	367,347,872	350,022,244
Expenses:						
General government	16,134,611	17,427,812	-	-	16,134,611	17,427,812
Public safety	57,578,659	52,402,492	-	-	57,578,659	52,402,492
Economic and physical Environment	2,933,004	2,729,040	-	-	2,933,004	2,729,040
Human Services	44,403,278	38,311,835	-	-	44,403,278	38,311,835
Cultural and recreational	7,487,519	6,996,026	-	-	7,487,519	6,996,026
Education	114,522,089	114,373,247	-	-	114,522,089	114,373,247
Interest and fees on long-term debt	13,009,921	12,220,595	-	-	13,009,921	12,220,595
Water and sewer	-	-	44,396,330	37,743,763	44,396,330	37,743,763
Solid waste	-	-	4,746,161	4,480,119	4,746,161	4,480,119
Stormwater	-	-	359,971	166,741	359,971	166,741
Total Expenses	256,069,081	244,461,047	49,502,462	42,390,623	305,571,543	286,851,670
Increase in net position	41,429,999	41,755,326	20,346,330	21,415,248	61,776,329	63,170,574
Net position as of July 1	(158,582,831)	(185,955,238)	285,048,227	265,598,793	126,465,396	79,643,555
Cumulative change in accounting principal	-	(14,382,919)	-	(1,965,814)	-	(16,348,733)
Net position as of June 30	\$ (117,152,832)	\$ (158,582,831)	\$ 305,394,557	\$ 285,048,227	\$ 188,241,725	\$ 126,465,396

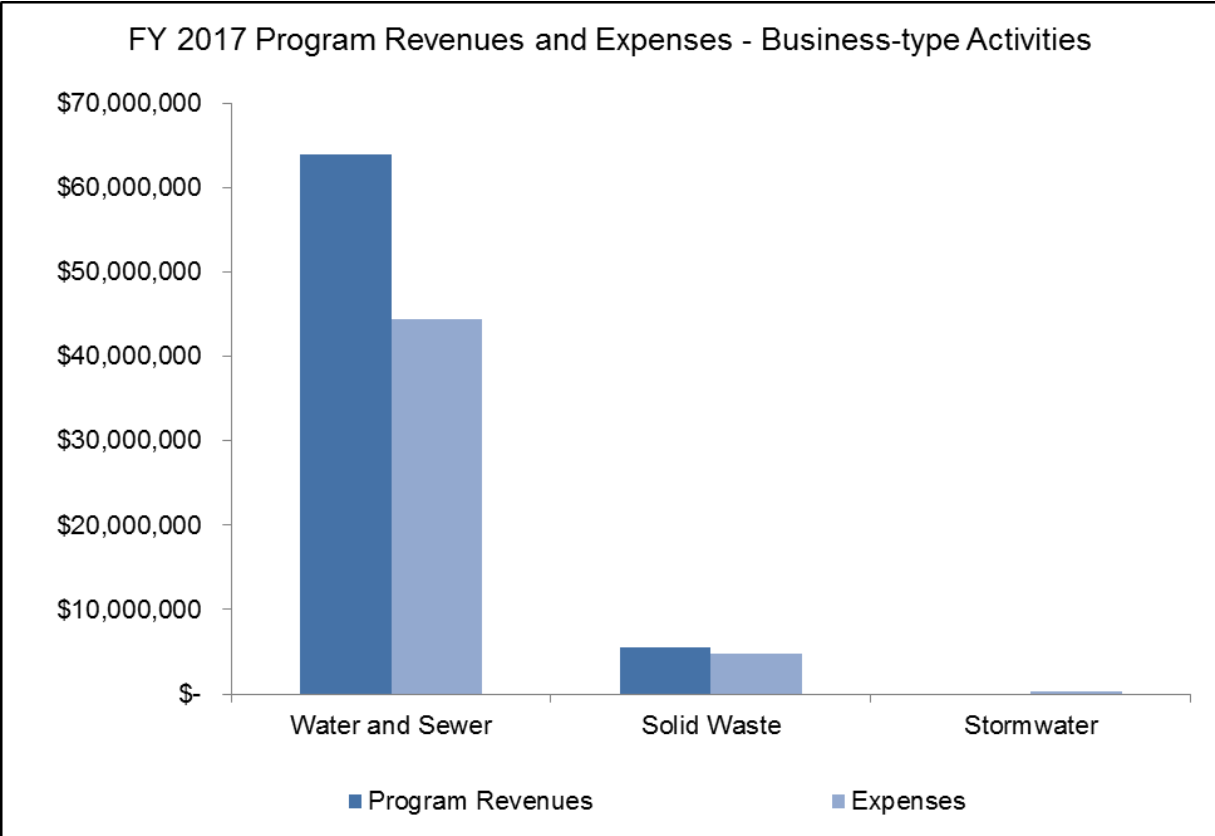
Governmental Activities – During the current fiscal year, net position for governmental activities increased by \$41,429,999, to reach an ending negative balance of \$117,152,832. This is due primarily to previously mentioned outstanding debt related to the school and community college.

As indicated on the following page, the majority of the County's expenses are related to education, \$114,522,089 (44.7 percent); public safety, \$57,578,659 (22.5 percent); and human services, \$44,403,278 (17.3 percent).



Business-type Activities – For Union County’s business-type activities, the results for the current fiscal year were positive in that overall net position increased by \$20,346,330 to reach an ending balance of \$305,394,557.

As indicated on the following page, the majority of the County’s business-type expenses are related to water and sewer, \$44,396,330 (89.7 percent) and solid waste, \$4,746,161 (9.6 percent).



	Water and Sewer	Solid Waste	Stormwater
Program Revenues	\$ 63,934,472	\$ 5,581,482	\$ -
Expenses	44,396,330	4,746,161	359,971

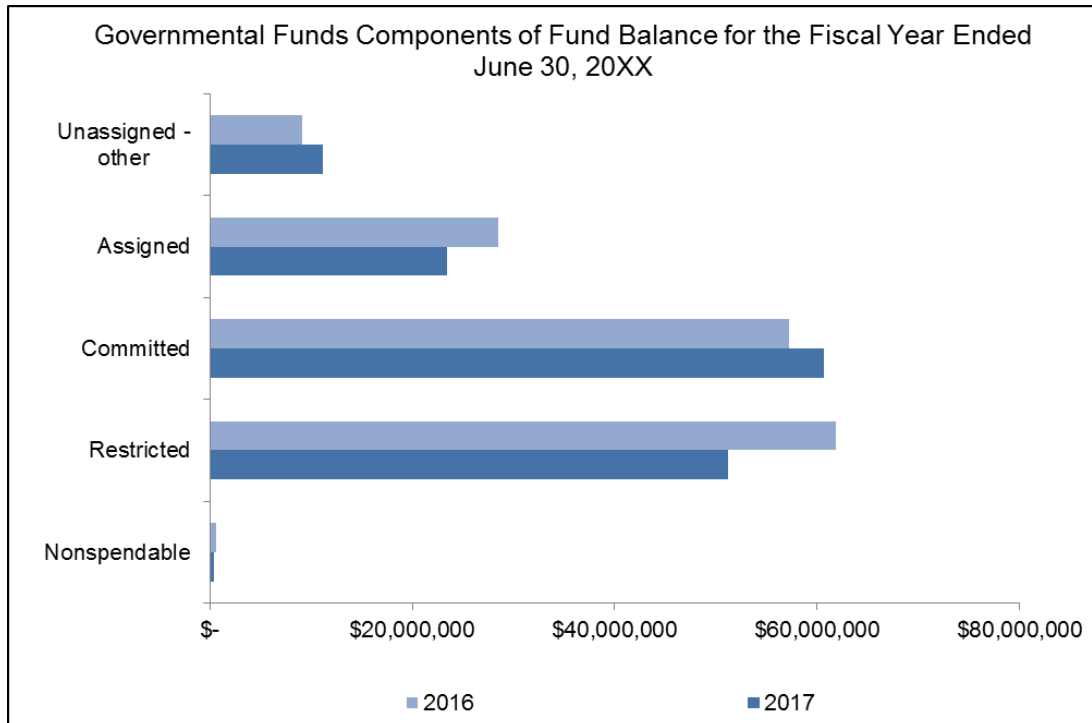
Financial Analysis of the County's Funds

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

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

At June 30, 2017, Union County's governmental funds reported combined fund balances of \$146,824,729, a decrease of \$10,428,037 in comparison with the prior year. Approximately 7.6 percent of this amount (\$11,172,122) constitutes *unassigned fund balance*, which is available for appropriation at the Board of County Commissioners' discretion. The remainder of the fund

balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) non-spendable and not in a spendable form (\$342,875), 2) restricted to specific purposes as imposed by law (\$51,187,335), 3) committed amounts that can be used only for the specific purposes determined by a formal action of the Board of County Commissioners (\$60,642,715), or 4) assigned and intended to be used for specific purposes (\$23,479,682).

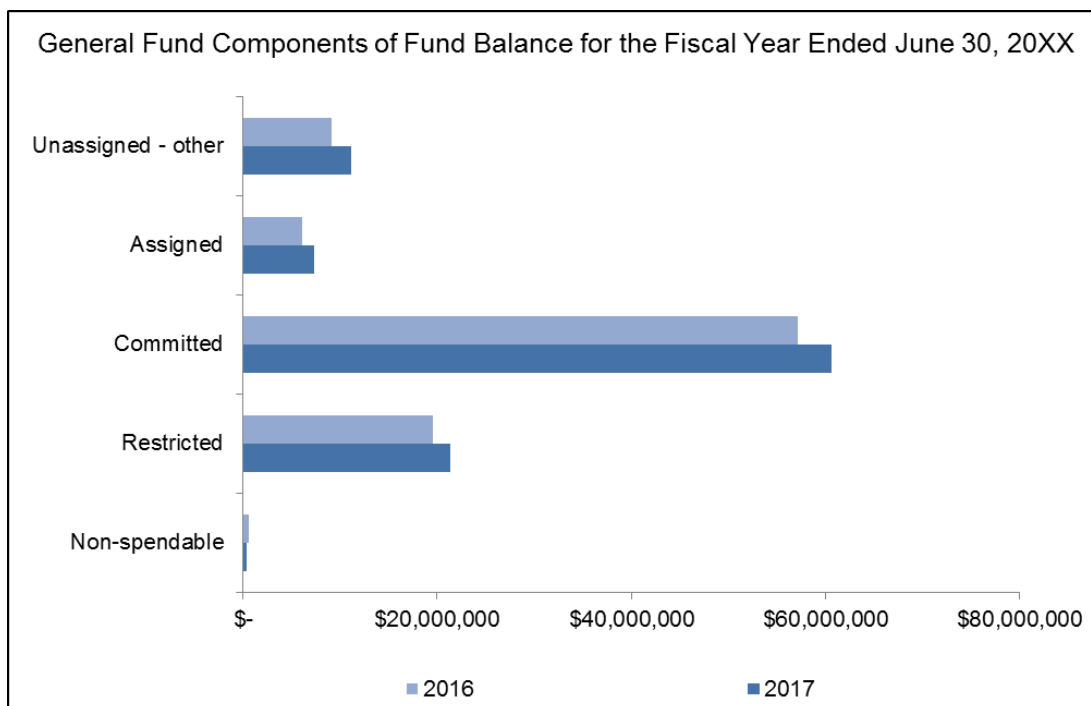


	2017		2016	
	\$		\$	
Nonspendable	\$	342,875	\$	547,783
Restricted		51,187,335		61,918,734
Committed		60,642,715		57,191,296
Assigned		23,479,682		28,514,652
Unassigned - other		11,172,122		9,080,301

The General Fund is the chief operating fund of Union County. At the end of the current fiscal year, the County's unassigned fund balance of the General Fund was \$11,172,122, while total fund balance increased by \$8,293,998, from \$92,471,195 to \$100,765,193. 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.

The Board of Commissioners has determined that the County should maintain an available reserved fund balance of 20 percent of total expenditures including regular inter-fund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. As of June 30, 2017, the County has a fund balance (based on committed, assigned,

and unassigned) of 30.9 percent of general fund expenditures, while total fund balances represent 39.3 percent of that same amount.



	2017	2016
Nonspendable	\$ 342,875	\$ 547,783
Restricted	21,323,211	19,608,677
Committed	60,642,715	57,191,296
Assigned	7,284,270	6,043,138
Unassigned - other	11,172,122	9,080,301

The increase was primarily due to greater than anticipated revenues of \$5.4 million of ad valorem taxes and fees, and \$1.4 million in local option sales tax, as well as operational efficiencies of \$9.4 million or 3.6 percent of total General Fund operating budget.

The fund balance of the General Capital Project Fund, a major fund, had a net decrease of \$18,341,565 to \$42,504,375. There were \$39,935,681 of capital and related expenditures during the current fiscal year. There were \$21,594,116 in transfers from other funds, a majority from the school district for capital improvements to existing structures.

Proprietary Funds – Union County’s proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$92,737,690; a decrease of \$5,740,993. The overall net position of the Water and Sewer Fund increased by

\$19,738,321 to \$297,081,031. A portion of the net position, net investment in capital assets, increased by \$25,515,987 to \$203,466,444 due primarily to pay-as-you-go capital program expenditures.

Unrestricted net position of the Solid Waste Fund at the end of the year was \$5,639,483; an increase of \$897,108.

Unrestricted net position of the Stormwater Fund at the end of the year was zero; a decrease of \$356,979. This was due to the Stormwater Fund being closed down during fiscal year 2017.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget – During the year the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The General Fund final budget for expenditures increased \$1,404,912 primarily due to the increases in human services and public safety. The General Fund final budget for revenue increased by \$185,750, primarily due to an increase in intergovernmental revenues from federal and State grants.

Final Budget Compared to Actual Results – The most significant differences between estimated revenues and actual revenues were as follows:

FY 2017 General Fund Revenue Compared to Estimates			
	Estimated	Actual	Differences
Ad valorem taxes	\$ 184,696,998	\$ 190,062,198	5,365,200
Local option sales tax	40,481,775	41,860,292	1,378,517
Other taxes and license	2,473,000	2,822,173	349,173
Intergovernmental	35,636,435	36,411,720	775,285
Permits and fees	4,329,581	4,737,108	407,527
Sales and services	4,998,411	4,572,667	(425,744)
Investment earnings	827,969	444,209	(383,760)
Miscellaneous	6,912,135	7,064,591	152,456

Capital Assets and Debt Administration

Capital Assets – Union County’s investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$352,049,014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and water and wastewater infrastructure. The total increase in capital assets for the current fiscal year was approximately 13.4 percent.

Union County, North Carolina Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,574,873	\$ 7,574,873	\$ 2,860,642	\$ 2,860,642	\$ 10,435,515	\$ 10,435,515
Buildings	36,178,194	37,583,152	10,096,856	936,327	46,275,050	38,519,479
Infrastructure	-	-	220,656,080	203,012,418	220,656,080	203,012,418
Improvements other than buildings	3,430,678	3,580,172	490,229	531,711	3,920,907	4,111,883
Machinery and equipment	8,412,445	8,869,187	2,925,579	2,144,122	11,338,024	11,013,309
Construction in progress	29,996,619	8,734,362	29,426,819	34,722,978	59,423,438	43,457,340
Total Capital Assets	\$ 85,592,809	\$ 66,341,746	\$ 266,456,205	\$ 244,208,198	\$ 352,049,014	\$ 310,549,944

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles and related mobile data equipment; and replacement of transportation, water and sewer operations, and solid waste operations vehicles
- Continuation of planning, design services, and construction related to the human services replacement facility and campus
- Continuation of the construction of the firearms training and qualifications range
- Construction of Sheriff’s Storage Garage
- Construction of the Weddington Elevated Storage Tank
- Continuation of engineering and design of, and land purchase for New 880 Pressure Zone water system improvements
- Continuation of engineering and design of Twelve Mile Creek sewer system improvements
- Continuation of engineering and construction of Short Line Extensions water system improvements
- Continuation of construction of Town Center Sewer Development sewer system improvements
- Construction and continuation of engineering and design of Public Works Operations Center Expansion
- Continuation of engineering and design of Yadkin River Water Supply water system improvements
- Continuation of construction of Water Rehabilitation and Replacement projects
- Continuation of engineering and design of Crooked Creek Basin Sewer Improvements

Additional information on Union County’s capital assets can be found in Note 5 of this report.

Long-Term Debt – At the end of the current fiscal year, the County had total debt outstanding of \$402,880,234. Of this amount, \$273,565,000 is debt backed by the full faith and credit of the

government. The remainder of Union County’s long-term obligations is comprised of certificates of participation, installment financing, limited obligation bonds, revenue bonds, and State sanitary sewer loans (other).

Union County, North Carolina Outstanding Debt							
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
General Obligation Bonds	\$ 273,565,000	\$ 300,545,000	\$ -	\$ -	\$ 273,565,000	\$ 300,545,000	
Certificates of participation	62,320,000	67,565,000	-	-	62,320,000	67,565,000	
Installment financing	2,175,234	3,201,399	-	-	2,175,234	3,201,399	
Revenue Bonds	-	-	56,570,000	58,965,000	56,570,000	58,965,000	
Other	-	-	8,250,000	9,233,697	8,250,000	9,233,697	
Total	\$ 338,060,234	\$ 371,311,399	\$ 64,820,000	\$ 68,198,697	\$ 402,880,234	\$ 439,510,096	

Union County’s total outstanding principal debt decreased by \$36,629,862 during the past fiscal year, mainly due to annual debt service payments.

As mentioned in the financial highlights section of this document, Union County maintained its ratings of Aaa/AA+/AAA respectively on the general obligation bonds. The Enterprise System Revenue bond rating for the County was upgraded from AA to AA+ from Standard and Poor's Corporation in April 2017 and maintained at Aa1/AA from Moody's Investment Services and Fitch Ratings respectively. The bond rating upgrade is a clear indication of the sound financial condition of Union County. Union County is one of the few counties in the country that maintains high financial ratings from all major rating agencies. This achievement is a key factor in keeping interest costs low on the County’s outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Union County is \$1,523,960,890. The County has authorized and unissued bonds for \$104,320,000 as of June 30, 2017.

Additional information regarding Union County’s long-term debt can be found in Note 15 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following economic factors currently affect Union County and were considered during the development of the FY 2018 budget and rates:

- North Carolina’s statewide unemployment rate (seasonally adjusted) was 4.1 percent in August. This remained unchanged from July’s revised rate of 4.1 percent, and a .9 percentage-point decrease over the year. During the month, the unemployment rate decreased in 25 counties, increased in 26 and remained the same in 49. All 100 counties experienced decrease in unemployment year over year as compared to August 2016. Twenty-six counties had unemployment rates at or below the state’s 4.1 percent rate during the month of August.¹
- The County’s unemployment rate was 4.0 percent in August 2017. This remained unchanged from July’s revised rate of 4.0 percent and a decrease of .6 percent from August 2016. The County’s unemployment rate in August was below the state’s 4.1 percent rate.¹
- The Conference Board, a New York based private research group, announced Tuesday, September 26, 2017, that its Consumer Confidence Index, which had improved

marginally in August, declined slightly in September. The Index now stands at 119.8 (1985=100), down from 120.4 in August.²

- Thirteen of the state's fifteen economic sectors are forecast to experience output increases during 2017. The sectors with the strongest expected growth are wholesale trade with a projected real increase of 4.1 percent; construction with a projected real increase of 3.8 percent; business and professional services with a projected real increase of 3.6 percent; mining with a projected real increase of 3.5 percent; other services with a projected real increase of 2.8 percent; and durable goods manufacturing with a projected real increase of 2.4 percent.³
- Within North Carolina, one of the fastest growing regions continue to be the larger metropolitan areas, particularly those in an arc from the Triangle west to the Triad and south to Charlotte and Asheville. Several regions, mainly in the eastern section of the state, continue to struggle having very low or negative job growth.³
- The housing market continues to improve although sales and construction (permit) levels still fall below pre-recessionary highs. The market is driven by young buyers, and many of the millennial generation (those born between 1980 and 2004) have not yet shifted to buying from renting as they stay in school longer and deal with college debt. There is also concern about the ability of small contractors to obtain loans.⁴
- During fiscal year 2017, there were 518 commercial and 3,445 residential construction permits issued county-wide, compared to fiscal year 2016 of 592 commercial and 3751 residential permits; showing a slight decrease in the total number of permits. This trend is anticipated to continue into 2018. ⁵
- Housing data represents an indicator of overall economic health, as well as an indicator of the mind of the consumer. Increases nationally and locally in permits and starts demonstrate positive growth, which in turn leads to growth in other sectors. These indices have market impact as investors watch to attempt to forecast the economic future, thus moving markets higher or lower.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Countywide, for FY2018, estimated revenues and expenditures, excluding refunding debt and expenditures, are anticipated to increase by 4.2 percent, or about \$15.2 million, going from \$362.9 million to \$378.1 million.

Governmental Activities – Ad Valorem Taxes and Local Option Sales Tax provide the largest portion of funding for Union County. Reflective of the recent economic conditions and the County's revaluation process in 2015, Ad Valorem Taxes are anticipated to see an increase of \$9.7 million or 5.14 percent from the FY 2017 budget, largely due to the Debt related tax increase of 3.09 cents. Sales taxes are anticipated to see growth of 10.47 percent or \$4.3 million from FY 2017 budget as a result of a new distribution formula by the State of North Carolina.

Expenditures in the General Funds (General Fund, Debt Fund, Schools Budgetary Fund, Radio Budgetary Fund, Fire Budgetary Fund, and EMS Budgetary Fund) are anticipated to increase by 4.2 percent or about \$12.3 million from the FY 2016 budget. This increase is a mix of interfund transfers for paygo capital funding, employee costs, and increased expenditures on contracts and subsidies.

The Adopted FY 2018 General Fund Budget includes use of \$4.5 million in fund balance; and the Schools Budgetary Fund includes \$2.4 million of planned fund balance usage for capital projects.

Business-type Activities – On April 21, 2014, the Board of County Commissioners adopted an ordinance setting new water and sewer rates for the next three years. The FY 2017 budget reflects the final year of that increase at 6.5 percent, effective July 1, 2016. These increases are reflective of the funding necessary for capital and operations of the water and sewer utility.

It is important to note, as in previous years, the enterprise revenues are used only in the operations of the enterprises and are not used to fund general County operations.

Request for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to Jeffrey Yates, Executive Director of Administrative Services/Chief Financial Officer, Union County, 500 N. Main Street, Monroe, North Carolina. You can also call (704)-283-3631, visit our website at www.unioncountync.gov, or send an email to finance@unioncountync.gov for more information.

¹ NC Department of Commerce – Labor and Economic Analysis Division, News Release, September 15, 2017.

² Additional information concerning The Conference Board and the ETI can be found at www.conference-board.org

³ Babson Capital/UNC Charlotte Economic Forecast. September 7, 2017. <http://belkcollege.uncc.edu>

⁴ The North Carolina Economic Outlook. Prepared by Dr. Michael L. Walden, William Neal Reynolds Distinguished Professor, Department of Agricultural and Resource Economics, North Carolina State University.

⁵ The County's data includes permits issued by Union County, City of Monroe, and the Town of Waxhaw

Basic Financial Statements



Statement of Net Position

June 30, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 117,950,026	\$ 67,178,903	\$ 185,128,929
Property taxes receivable (net)	1,864,687	-	1,864,687
Accounts receivable (net)	20,465,373	6,485,365	26,950,738
Inventories	26,971	870,542	897,513
Internal balances	(231,179)	231,179	-
Cash and investments, restricted	-	876,897	876,897
Cash and investments, restricted-deposits	1,031,245	530,611	1,561,856
Total current assets	<u>141,107,123</u>	<u>76,173,497</u>	<u>217,280,620</u>
Noncurrent assets:			
Cash and investments	26,421,265	18,692,580	45,113,845
Accounts receivable	335,575	424,400	759,975
Net pension asset, ROD	487,471	-	487,471
Unamortized swap termination costs	18,100,465	337,861	18,438,326
Investment in joint venture	-	30,392,051	30,392,051
Capital assets:			
Land and other assets not being depreciated	37,571,492	32,287,461	69,858,953
Buildings, equipment and infrastructure	48,021,317	234,168,744	282,190,061
Total noncurrent assets	<u>130,937,585</u>	<u>316,303,097</u>	<u>447,240,682</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>33,459,450</u>	<u>5,832,409</u>	<u>39,291,859</u>
Total assets and deferred outflows of resources	<u>305,504,158</u>	<u>398,309,003</u>	<u>703,813,161</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	11,123,163	10,880,440	22,003,603
Liabilities payable by restricted assets	1,031,245	530,611	1,561,856
Workers' compensation claims	112,566	-	112,566
Health care benefits	1,230,879	-	1,230,879
Property and casualty claims payable	207,675	-	207,675
Current portion of compensated absences	3,072,941	332,520	3,405,461
Current portion of long-term obligations	36,063,364	3,435,851	39,499,215
Total current liabilities	<u>52,841,833</u>	<u>15,179,422</u>	<u>68,021,255</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	4,741,553	4,741,553
Noncurrent portion of compensated absences	1,499,989	152,509	1,652,498
Net OPEB obligation	14,698,114	1,630,255	16,328,369
Net pension liability, LGERS	14,795,907	1,779,317	16,575,224
Net pension liability, separation allowance	9,465,138	1,183,069	10,648,207
Derivative liability	-	3,104,300	3,104,300
Noncurrent portion of long-term obligations	322,846,458	64,836,133	387,682,591
Total noncurrent liabilities	<u>363,305,606</u>	<u>77,427,136</u>	<u>440,732,742</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,509,551</u>	<u>307,888</u>	<u>6,817,439</u>
Total liabilities and deferred inflows of resources	<u>422,656,990</u>	<u>92,914,446</u>	<u>515,571,436</u>
NET POSITION			
Net investment in capital assets	72,437,355	205,909,308	278,346,663
Restricted for:			
Stabilization by State statute	31,389,016	-	31,389,016
General government	145,744	-	145,744
Public safety	2,996,537	-	2,996,537
Economic and physical development	97,677	-	97,677
Human services	264,699	-	264,699
Cultural and recreational	21,329	-	21,329
Education	17,029,958	-	17,029,958
Debt service	-	876,897	876,897
Pension benefits	628,419	-	628,419
Unrestricted	(242,163,566)	98,608,352	(143,555,214)
Total net position	<u>\$ (117,152,832)</u>	<u>\$ 305,394,557</u>	<u>\$ 188,241,725</u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 16,134,611	\$ 1,827,054	\$ 306,839	\$ -	\$ (14,000,718)	\$ -	\$ (14,000,718)
Public safety	57,578,659	7,542,449	3,830,909	-	(46,205,301)	-	(46,205,301)
Economic and physical development	2,933,004	349,277	448,769	-	(2,134,958)	-	(2,134,958)
Human services	44,403,278	9,602,369	20,894,206	242,226	(13,664,477)	-	(13,664,477)
Cultural and recreational	7,487,519	790,354	241,926	-	(6,455,239)	-	(6,455,239)
Education	114,522,089	-	10,335,409	-	(104,186,680)	-	(104,186,680)
Interest and fees on long-term debt	13,009,921	-	-	-	(13,009,921)	-	(13,009,921)
Total governmental activities	256,069,081	20,111,503	36,058,058	242,226	(199,657,294)	-	(199,657,294)
Business-type activities:							
Water and sewer	44,396,330	52,611,512	-	11,322,960	-	19,538,142	19,538,142
Solid waste	4,746,161	5,581,482	-	-	-	835,321	835,321
Stormwater	359,971	-	-	-	-	(359,971)	(359,971)
Total business-type activities	49,502,462	58,192,994	-	11,322,960	-	20,013,492	20,013,492
Total primary government	\$ 305,571,543	\$ 78,304,497	\$ 36,058,058	\$ 11,565,186	(199,657,294)	20,013,492	(179,643,802)
General revenues:							
Property taxes levied for general purposes					194,800,497	-	194,800,497
Local option sales tax					42,828,128	-	42,828,128
Other taxes and licenses					2,822,173	-	2,822,173
Grants and contributions not restricted to specific programs					120,366	-	120,366
Investment earnings, unrestricted					483,772	274,237	758,009
Miscellaneous, unrestricted					112	-	112
Gains on sales and disposals of capital assets					32,245	58,601	90,846
Total general revenues					241,087,293	332,838	241,420,131
Change in net position					41,429,999	20,346,330	61,776,329
Net position - beginning					(158,582,831)	285,048,227	126,465,396
Net position - ending					\$ (117,152,832)	\$ 305,394,557	\$ 188,241,725

The notes to the financial statements are an integral part of this statement.

Balance Sheet
Governmental Funds
 June 30, 2017

	Major		Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 84,362,743	\$ 46,349,565	\$ 3,285,349	\$ 133,997,657
Property taxes receivable, net	1,811,063	-	53,624	1,864,687
Accounts receivable, net	20,105,530	-	312,605	20,418,135
Accounts receivable, long-term	335,575	-	-	335,575
Inventories	7,300	-	-	7,300
Cash and investments, restricted-deposits	1,031,245	-	-	1,031,245
Total assets	<u>\$ 107,653,456</u>	<u>\$ 46,349,565</u>	<u>\$ 3,651,578</u>	<u>\$ 157,654,599</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,184,158	\$ 3,845,190	\$ 30,280	\$ 7,059,628
Deposits	1,031,245	-	-	1,031,245
Total liabilities	<u>4,215,403</u>	<u>3,845,190</u>	<u>30,280</u>	<u>8,090,873</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,672,860</u>	<u>-</u>	<u>66,137</u>	<u>2,738,997</u>
FUND BALANCES				
Nonspendable	342,875	-	-	342,875
Restricted	21,323,211	26,483,745	3,380,379	51,187,335
Committed	60,642,715	-	-	60,642,715
Assigned	7,284,270	16,020,630	174,782	23,479,682
Unassigned	11,172,122	-	-	11,172,122
Total fund balances	<u>100,765,193</u>	<u>42,504,375</u>	<u>3,555,161</u>	<u>146,824,729</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 107,653,456</u>	<u>\$ 46,349,565</u>	<u>\$ 3,651,578</u>	<u>\$ 157,654,599</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds	\$ 146,824,729
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,592,809
Other long-term assets, related to the net pension asset, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	487,471
Other long-term assets, related to unearned taxes, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,573,769
Other long-term assets, related to unearned revenues, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	501,002
Other long-term assets, unamortized swap termination costs.	18,100,465
Unamortized gains on advance refunding, deferred inflows.	(5,104,645)
Unamortized loss on advance refunding, deferred outflows.	19,063,710
Contributions to pension plans in the current fiscal year are deferred outflows of resources	4,303,675
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities are included in governmental activities in the statement of net position.	3,196,379
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The current assets and liabilities are included in governmental activities in the statement of net position.	1,575,768
Internal service funds are used by management to charge the costs of property and casualty insurance to individual funds. The current assets and liabilities of this are included in governmental activities in the statement of net position.	620,439
Internal service funds are used by management to charge the costs of information technology services to individual funds. The current assets (net of capital assets and deferred outflows) and liabilities (net of compensated absences, OPEB obligation, pension liabilities, and deferred inflows) are included in the governmental activities in the statement of net position.	1,408,709
Internal service funds are used by management to charge the costs of facilities management services to individual funds. The current assets (net of capital assets and deferred outflows) and liabilities (net of compensated absences, OPEB obligation, pension liabilities, and deferred inflows) are included in the governmental activities in the statement of net position.	1,010,605

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position**

June 30, 2017

Internal service funds are used by management to charge the costs of fleet management services to individual funds. The current assets (net of capital assets, pension assets, and deferred outflows) and liabilities (net of compensated absences, OPEB obligation, and deferred inflows) are included in the governmental activities in the statement of net position.	\$ 235,379
Internal balance due from Business-Type Activities to Governmental Activities.	(231,179)
Pension related deferrals.	9,351,385
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(4,572,930)
Long-term liabilities for net other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(14,698,114)
Long-term liabilities for net pension liability for LGERS are not due and payable in the current period and, therefore, are not reported in the funds.	(14,795,907)
Long-term liabilities for net pension liability for separaion allowance are not due and payable in the current period and, therefore, are not reported in the funds.	(9,465,138)
Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and, therefore, are not reported in the funds (principal and unamortized balances for governmental activities, per Note 15. A. 2, in the amount of \$358,909,822, as well as accrued interest payable of \$3,221,391).	(362,131,213)
Net position of governmental activities	<u>\$ (117,152,832)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances**Governmental Funds**

For the Year Ended June 30, 2017

	Major		Nonmajor	Total Governmental Funds
	General Fund	General Capital Project Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 190,062,198	\$ -	\$ 5,212,174	\$ 195,274,372
Local option sales tax	41,860,292	-	967,836	42,828,128
Other taxes and licenses	2,822,173	-	830,578	3,652,751
Intergovernmental	36,411,720	-	116,076	36,527,796
Permits and fees	4,737,108	-	2,490,278	7,227,386
Sales and services	4,572,667	-	27,300	4,599,967
Investment earnings	444,209	-	7,497	451,706
Miscellaneous	7,064,591	-	518,865	7,583,456
Total revenues	287,974,958	-	10,170,604	298,145,562
EXPENDITURES				
Current:				
General government	12,939,589	-	60,572	13,000,161
Public safety	46,614,816	-	10,393,426	57,008,242
Economic and physical development	2,716,436	-	97,076	2,813,512
Human services	43,900,232	-	-	43,900,232
Cultural and recreational	6,888,443	-	-	6,888,443
Intergovernmental:				
Education	97,247,541	-	-	97,247,541
Capital outlay:				
General government	-	1,269,014	-	1,269,014
Public safety	-	4,275,518	-	4,275,518
Human services	-	16,684,968	-	16,684,968
Cultural and recreational	-	496,416	-	496,416
Education	-	17,209,765	-	17,209,765
Debt service:				
Principal retirement	33,251,165	-	-	33,251,165
Interest and fees	12,607,982	-	-	12,607,982
Nondepartmental	165,023	-	-	165,023
Total expenditures	256,331,227	39,935,681	10,551,074	306,817,982
Excess (deficiency) of revenues over (under) expenditures	31,643,731	(39,935,681)	(380,470)	(8,672,420)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	21,594,116	-	21,594,116
Transfers to other funds	(23,349,733)	-	-	(23,349,733)
Total other financing sources (uses)	(23,349,733)	21,594,116	-	(1,755,617)
Net change in fund balances	8,293,998	(18,341,565)	(380,470)	(10,428,037)
FUND BALANCES				
Beginning	92,471,195	60,845,940	3,935,631	157,252,766
Ending	\$ 100,765,193	\$ 42,504,375	\$ 3,555,161	\$ 146,824,729

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (10,428,037)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	19,273,858
Governmental funds report certain transactions as revenues and reductions in deferred revenue. However, in the statement of activities these transactions are eliminated and reflected as reductions in receivables until their maturity.	(181,879)
Net book value of assets sold.	(22,795)
Revenues in the statement of activities from deferred property taxes that do not provide current financial resources are not reported as revenues in the funds.	(473,875)
Revenues in the statement of activities from internal service funds' investment earnings.	32,066
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	32,660,151
Contributions to the pension plans in the current fiscal year are not included on the statement of activities.	605,006
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(851,939)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of health and dental insurance program.	(292,229)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of workers' compensation program.	307,075
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and casualty insurance program.	68,258
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of information technology services program.	361,856
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of facilities management services program.	291,803
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of fleet management services program.	80,680
Change in net position of governmental activities	<u>\$ 41,429,999</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balance**Budget and Actual - General Fund**

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Positive Negative)
REVENUES				
Ad valorem taxes	\$ 184,688,698	\$ 184,696,998	\$ 190,062,198	\$ 5,365,200
Local option sales tax	40,481,775	40,481,775	41,860,292	1,378,517
Other taxes and licenses	2,473,000	2,473,000	2,822,173	349,173
Intergovernmental	35,449,177	35,636,435	36,411,720	775,285
Permits and fees	4,329,581	4,329,581	4,737,108	407,527
Sales and services	5,008,219	4,998,411	4,572,667	(425,744)
Investment earnings	827,969	827,969	444,209	(383,760)
Miscellaneous	6,912,135	6,912,135	7,064,591	152,456
Total revenues	<u>280,170,554</u>	<u>280,356,304</u>	<u>287,974,958</u>	<u>7,618,654</u>
EXPENDITURES				
Current:				
General government	13,391,530	13,894,236	12,939,589	954,647
Public safety	46,904,155	48,153,362	46,614,816	1,538,546
Economic and physical development	4,390,724	4,761,031	2,716,436	2,044,595
Human services	46,638,540	47,568,754	43,900,232	3,668,522
Cultural and recreational	6,966,605	7,181,319	6,888,443	292,876
Intergovernmental:				
Education	97,454,381	97,534,276	97,247,541	286,735
Debt service:				
Principal retirement	33,250,166	33,250,166	33,251,165	(999)
Interest and fees	12,690,188	12,690,188	12,607,982	82,206
Contingency	100,000	100,000	-	100,000
Nondepartmental	2,576,070	633,939	165,023	468,916
Total expenditures	<u>264,362,359</u>	<u>265,767,271</u>	<u>256,331,227</u>	<u>9,436,044</u>
Revenues over (under) expenditures	<u>15,808,195</u>	<u>14,589,033</u>	<u>31,643,731</u>	<u>17,054,698</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(21,594,115)	(23,349,733)	(23,349,733)	-
Total other financing sources (uses)	<u>(21,594,115)</u>	<u>(23,349,733)</u>	<u>(23,349,733)</u>	<u>-</u>
Revenues and other financing sources under expenditures and other financing uses	(5,785,920)	(8,760,700)	8,293,998	17,054,698
APPROPRIATED FUND BALANCE				
	<u>5,785,920</u>	<u>8,760,700</u>	<u>-</u>	<u>(8,760,700)</u>
Revenues, other financing sources, and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	8,293,998	<u>\$ 8,293,998</u>
FUND BALANCE				
Beginning			92,471,195	
Ending			<u>\$ 100,765,193</u>	

The notes to the financial statements are an integral part of this statement.



Statement of Net Position**Proprietary Funds**

June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 57,894,810	\$ 9,284,093	\$ -	\$ 67,178,903	\$ 10,373,634
Accounts receivable, net	5,883,822	601,543	-	6,485,365	47,238
Inventories	870,542	-	-	870,542	19,669
Cash and investments, restricted	876,897	-	-	876,897	-
Cash and investments, restricted-deposits	508,181	22,430	-	530,611	-
Total current assets	66,034,252	9,908,066	-	75,942,318	10,440,541
Noncurrent assets:					
Cash and investments	17,132,993	1,559,587	-	18,692,580	-
Accounts receivable	424,400	-	-	424,400	-
Unamortized swap termination costs	337,861	-	-	337,861	-
Investment in joint venture	30,392,051	-	-	30,392,051	-
Capital assets:					
Land and other assets not being depreciated	31,953,204	334,257	-	32,287,461	-
Buildings, equipment, and infrastructure, net of depreciation	232,060,137	2,108,607	-	234,168,744	324,235
Total noncurrent assets	312,300,646	4,002,451	-	316,303,097	324,235
DEFERRED OUTFLOWS OF RESOURCES					
Total assets and deferred outflows of resources	5,620,374	212,035	-	5,832,409	378,513
	383,955,272	14,122,552	-	398,077,824	11,143,289
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	10,356,262	524,178	-	10,880,440	842,143
Current portion of compensated absences	309,663	22,857	-	332,520	79,255
Deposits	508,181	22,430	-	530,611	-
Long-term liabilities, due within one year:					
Revenue bonds payable	2,685,851	-	-	2,685,851	-
State sanitary sewer loan payable	750,000	-	-	750,000	-
Workers' compensation claims payable	-	-	-	-	112,566
Health care benefits payable	-	-	-	-	1,230,879
Property and casualty claims payable	-	-	-	-	207,675
Total current liabilities	14,609,957	569,465	-	15,179,422	2,472,518
Noncurrent liabilities:					
Accrued landfill postclosure care costs	-	4,741,553	-	4,741,553	-
Non current portion of compensated absences	116,646	35,863	-	152,509	33,261
Net OPEB obligation	1,311,478	318,777	-	1,630,255	81,240
Net pension liability, LGERS	1,559,364	219,953	-	1,779,317	390,910
Net pension liability, separation allowance	1,039,318	143,751	-	1,183,069	269,676
Derivative liability	3,104,300	-	-	3,104,300	-
Long-term liabilities, due in more than one year:					
Revenue bonds	57,336,133	-	-	57,336,133	-
State sanitary sewer loan	7,500,000	-	-	7,500,000	-
Total noncurrent liabilities	71,967,239	5,459,897	-	77,427,136	775,087
DEFERRED INFLOWS OF RESOURCES					
Total liabilities and deferred inflows of resources	297,045	10,843	-	307,888	19,581
	86,874,241	6,040,205	-	92,914,446	3,267,186
NET POSITION					
Net investment in capital assets	203,466,444	2,442,864	-	205,909,308	324,235
Restricted for debt service	876,897	-	-	876,897	-
Unrestricted	92,737,690	5,639,483	-	98,377,173	7,551,868
Total net position	\$ 297,081,031	\$ 8,082,347	\$ -	305,163,378	\$ 7,876,103
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				231,179	
Net position of business-type activities				\$ 305,394,557	

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position**Proprietary Funds**

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING REVENUES					
Charges for services	\$ 41,092,016	\$ 5,124,116	\$ -	\$ 46,216,132	\$ 57,711
Disposal fees	-	442,132	-	442,132	-
Interfund charges and employee contributions	-	-	-	-	24,752,254
Miscellaneous revenue	11,593	4,701	-	16,294	6,093
Other operating revenue	1,943,793	10,533	-	1,954,326	12,567
Total operating revenues	<u>43,047,402</u>	<u>5,581,482</u>	<u>-</u>	<u>48,628,884</u>	<u>24,828,625</u>
OPERATING EXPENSES					
Personnel	7,530,656	1,270,293	(45,332)	8,755,617	1,845,256
Operating expenses	16,270,913	3,044,398	3,073	19,318,384	7,617,647
Depreciation	14,054,442	325,514	-	14,379,956	122,523
Operating leases	326,832	-	-	326,832	-
Landfill closure	-	60,849	-	60,849	-
Worker's compensation claims	-	-	-	-	66,327
Health benefit claims and premiums	-	-	-	-	15,777,068
Property and casualty claims and premiums	-	-	-	-	561,423
Total operating expenses	<u>38,182,843</u>	<u>4,701,054</u>	<u>(42,259)</u>	<u>42,841,638</u>	<u>25,990,244</u>
Operating income (loss)	<u>4,864,559</u>	<u>880,428</u>	<u>42,259</u>	<u>5,787,246</u>	<u>(1,161,619)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	240,928	33,309	-	274,237	32,066
Sale of capital assets	58,170	431	-	58,601	-
Interest and fees on long-term debt	(2,046,386)	-	-	(2,046,386)	-
Gain (loss) on investment in joint venture	(356,017)	-	-	(356,017)	-
Total nonoperating revenue (expenses)	<u>(2,103,305)</u>	<u>33,740</u>	<u>-</u>	<u>(2,069,565)</u>	<u>32,066</u>
Income (loss) before contributions and transfers	<u>2,761,254</u>	<u>914,168</u>	<u>42,259</u>	<u>3,717,681</u>	<u>(1,129,553)</u>
TRANSFERS AND CONTRIBUTIONS					
Transfers from General Fund	-	-	-	-	1,755,618
Transfer to Internal Service Funds	(372,173)	(58,761)	-	(430,934)	(78,448)
Transfer from Internal Service Funds	-	-	-	-	78,448
Transfers to other enterprise funds	-	-	(402,310)	(402,310)	-
Transfers from other enterprise funds	402,310	-	-	402,310	430,934
Capital contributions - cash-other	475,374	-	-	475,374	-
Capital contributions - cash-capacity fees	5,349,525	-	-	5,349,525	-
Capital contributions - non-cash	11,122,031	-	-	11,122,031	-
Total transfers and contributions	<u>16,977,067</u>	<u>(58,761)</u>	<u>(402,310)</u>	<u>16,515,996</u>	<u>2,186,552</u>
Change in net position	<u>19,738,321</u>	<u>855,407</u>	<u>(360,051)</u>	<u>20,233,677</u>	<u>1,056,999</u>
NET POSITION					
Beginning	277,342,710	7,226,940	360,051		6,819,104
Ending	<u>\$ 297,081,031</u>	<u>\$ 8,082,347</u>	<u>\$ -</u>		<u>\$ 7,876,103</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				112,653	
Change in net position of business-type activities				<u>\$ 20,346,330</u>	

The notes to the financial statements are an integral part of this statement.



Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Total	Governmental
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund		Activities - Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 41,551,365	\$ 5,022,789	\$ -	\$ 46,574,154	\$ 24,991,520
Other operating revenue	1,955,386	457,366	-	2,412,752	18,660
Cash paid to employees	(7,483,716)	(1,307,287)	(4,196)	(8,795,199)	(5,341,408)
Cash paid for goods and services	(14,101,483)	(2,785,651)	(3,272)	(16,890,406)	(20,717,757)
Net cash provided (used) by operating activities	<u>21,921,552</u>	<u>1,387,217</u>	<u>(7,468)</u>	<u>23,301,301</u>	<u>(1,048,985)</u>
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	402,310	-	-	402,310	2,265,000
Transfers to other funds	(372,173)	(58,761)	(402,310)	(833,244)	(78,448)
Net cash provided (used) by noncapital financing activities	<u>30,137</u>	<u>(58,761)</u>	<u>(402,310)</u>	<u>(430,934)</u>	<u>2,186,552</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	58,170	431	-	58,601	-
Proceeds from capacity fees	5,349,525	-	-	5,349,525	-
Proceeds from capacity fees deferred	60,600	-	-	60,600	-
Proceeds from tap fees	274,445	-	-	274,445	-
Proceeds from developer contributions	200,929	-	-	200,929	-
Payments on revenue bond debt	(2,395,000)	-	-	(2,395,000)	-
Payments on state sanitary loan	(983,697)	-	-	(983,697)	-
Interest paid on bonds and other debt	(2,098,446)	-	-	(2,098,446)	-
Change in interest expense accrual	(11,119)	-	-	(11,119)	-
Interest capitalized	(573,468)	-	-	(573,468)	-
Amortization of debt defeasance, gain, loss	(6,062)	-	-	(6,062)	-
Acquisition and construction of capital assets	(24,651,723)	(283,813)	3,072	(24,932,464)	(217,371)
Net cash used by capital and related financing activities	<u>(24,775,846)</u>	<u>(283,382)</u>	<u>3,072</u>	<u>(25,056,156)</u>	<u>(217,371)</u>
INVESTING ACTIVITIES					
Investment earnings	240,928	33,309	-	274,237	32,066
Investment in Joint Venture, construction work in progress	(10,722,846)	-	-	(10,722,846)	-
Net cash provided (used) by investing activities	<u>(10,481,918)</u>	<u>33,309</u>	<u>-</u>	<u>(10,448,609)</u>	<u>32,066</u>
Net change in cash and investments	(13,306,075)	1,078,383	(406,706)	(12,634,398)	952,262
CASH AND INVESTMENTS					
Beginning of year	89,718,956	9,787,727	406,706	99,913,389	9,421,372
End of year	<u>\$ 76,412,881</u>	<u>\$ 10,866,110</u>	<u>\$ -</u>	<u>\$ 87,278,991</u>	<u>\$ 10,373,634</u>
Reconciliation of cash and investments to the statement of net position:					
Cash and investments	\$ 57,894,810	\$ 9,284,093	\$ -	\$ 67,178,903	\$ 10,373,634
Cash and investments, noncurrent	17,132,993	1,559,587	-	18,692,580	-
Cash and investments, restricted assets	876,897	-	-	876,897	-
Cash and investments, restricted assets-deposits	508,181	22,430	-	530,611	-
Total statement of net position cash and cash equivalents	<u>\$ 76,412,881</u>	<u>\$ 10,866,110</u>	<u>\$ -</u>	<u>\$ 87,278,991</u>	<u>\$ 10,373,634</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 4,864,559	\$ 880,428	\$ 42,259	\$ 5,787,246	\$ (1,161,619)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	14,054,442	325,514	-	14,379,956	122,523
Provision for uncollectible accounts	(151,765)	-	-	(151,765)	-
Landfill closure and post closure care costs	-	60,849	-	60,849	-
Change in assets, deferred outflows, liabilities and deferred inflows					
Accounts receivable, net	610,078	(99,377)	-	510,701	181,555
Inventories	(353,838)	-	-	(353,838)	(2,098)
Deferred outflows of resources	(1,062,932)	(159,847)	12,040	(1,210,739)	(261,271)
Accounts payable and accrued liabilities	2,899,948	231,380	(4,395)	3,126,933	(185,842)
Deposits	1,036	(1,950)	-	(914)	-
Net pension liability, LGERS	1,245,977	173,902	(8,640)	1,411,239	308,218
Net pension liability, separation allowance	(314,799)	(54,409)	(39,781)	(408,989)	(60,865)
Compensated absences payable	48,968	3,993	(3,428)	49,533	(1,874)
Other post employment benefit obligations	165,446	26,734	(1,032)	191,148	35,687
Deferred inflows of resources	(85,568)	-	(4,491)	(90,059)	(23,399)
Total adjustments	<u>17,056,993</u>	<u>506,789</u>	<u>(49,727)</u>	<u>17,514,055</u>	<u>112,634</u>
Net cash provided (used) by operating activities	<u>\$ 21,921,552</u>	<u>\$ 1,387,217</u>	<u>\$ (7,468)</u>	<u>\$ 23,301,301</u>	<u>\$ (1,048,985)</u>
Noncash investing, capital, and financing activities:					
Loss on investment in joint venture	\$ (356,017)	\$ -	\$ -	\$ (356,017)	\$ -
Contribution of capital infrastructure	<u>\$ 11,122,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,122,031</u>	<u>\$ -</u>
Capitalized interest	<u>\$ 573,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,469</u>	<u>\$ -</u>

Statement of Fiduciary Net Position**Fiduciary Funds**

June 30, 2017

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 3,755,929	\$ 169,676
Investments:		
Separation Allowance Trust Fund	3,036,342	-
State Treasurer's Office OPEB Trust	21,589,677	-
Property taxes receivable, net	<u> -</u>	<u> 892</u>
Total assets	<u>28,381,948</u>	<u>170,568</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	20,461
Due to Program Participants	<u> -</u>	<u> 150,107</u>
Total liabilities	<u> -</u>	<u>\$ 170,568</u>
NET POSITION RESTRICTED FOR PENSIONS		
Employees' pension benefits	<u>28,381,948</u>	
Total net position	<u>\$ 28,381,948</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position**Fiduciary Funds - Pension Trust Funds**

For the Year Ended June 30, 2017

	<u>Pension Trust Funds</u>
ADDITIONS	
Employer contributions	\$ 5,989,038
Net investment income	<u>1,586,197</u>
Total additions	<u>7,575,235</u>
DEDUCTIONS	
Benefits	<u>1,187,163</u>
Change in net position	6,388,072
NET POSITION RESTRICTED FOR PENSIONS	
Beginning	<u>21,993,876</u>
Ending	<u><u>\$ 28,381,948</u></u>

The notes to the financial statements are an integral part of this statement.



Union County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Union County, North Carolina (the County) and its component units conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10 (hereinafter references to the North Carolina General Statutes will be cited as G.S.). As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The County has determined that it has three blended component units, although legally separate entities, which are, in substance, a part of the County's operations.

Union County Industrial Facilities and Pollution Control Financing Authority

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.

Union County Public Facilities Corporation

Union County Public Facilities Corporation (Corporation) is a blended component unit of the County and exists to encourage the modernization of public facilities, through the financing, acquisition, construction, operation and lease of real estate, improvements, facilities, and equipment for the use of Union County. 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.

Union County Water and Sewer District

Union County Water and Sewer District (the "District") is a municipal corporation created on January 3, 2017, pursuant to the authority set forth in Article 6 of Chapter 162A of the North Carolina General Statutes. Pursuant to generally accepted accounting principles, the District is considered a blended component unit of Union County.

The governing body of the District is the Union County Water and Sewer District Board of Governors ("Board of Governors"). Pursuant to N.C.G.S. § 162A-9, the Board of Governors, as the District's governing body, is the Union County Board of Commissioners. The District is subject to the Local Government and Fiscal Control Act.

The District operates the County's Water and Sewer system, continues operations under the name Union County Public Works, sets certain rate and fee schedules, and performs other functions as set forth in an

interlocal agreement between the District and the County (approved by the Board of County Commissioners on February 20, 2017, and the District's Board of Governors on April 17, 2017).

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government net position (Union County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund activities between the governmental activities and the business-type activities have not been eliminated. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues, such as investment earnings, are ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. The General Fund accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, human services, education and debt service. The General Fund includes the Schools' Budgetary Fund, the Fire Budgetary Fund, the Emergency Medical Services (EMS) Budgetary Fund, and the Schools' Radio Budgetary Fund. The Schools Budgetary Fund was established in accordance with the General Assembly of North Carolina Session Law 2014-8, in order to fund the State mandated level of funding for the Union County Public Schools. A portion of the county-wide tax rate is budgeted to the Schools Budgetary Fund to finance Union County Public Schools' current expense appropriations and capital funding. Portions of the county-wide tax rate are also budgeted to the Fire and EMS Budgetary Funds to finance fire and EMS operations within the County. The Schools Radio Budgetary Fund was established as part of an Interlocal Agreement with the Union County Board of Education for the purpose of providing the Union County Public Schools' Transportation Department a radio communications system. An

appropriation from General Fund Balance was made to the Schools' Radio Budgetary Fund to provide for capital and related expenditures for this radio system.

General Capital Project Fund – The sources of this fund are primarily transfers from the General Fund and general obligation bonds which are expended for capital asset acquisition, improvement and construction of various governmental projects, and funds for recurring capital contributions for educational purposes and facilities.

The County reports the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the County's water and sewer operations. The Water and Sewer Capital Project Fund and the Union County Water and Sewer District Fund are consolidated with the Water and Sewer Fund (the operating fund) for financial reporting purposes.

Solid Waste Fund – The Solid Waste Fund accounts for the County's solid waste operations. The Solid Waste Capital Reserve Fund is a reserve established by the County to accumulate the funds necessary to cover the post closure care costs that will be incurred by the landfill in the future. The Solid Waste Capital Reserve Fund is consolidated with the Solid Waste Fund (the operating fund) for financial reporting purposes.

Stormwater Fund – The Stormwater Fund accounts for the County's stormwater planning program. During FY 2017 the County closed down the stormwater operations under Enterprise Funds. FY 2017 will be the last fiscal year that the stormwater fund activity will be presented.

The Solid Waste and Stormwater Funds are presented as major funds for consistency purposes.

Additionally, the County reports the following fund types:

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains nine Special Revenue Funds: the Springs Fire District Fund, the Waxhaw Fire District Fund, the Hemby Bridge Fire District Fund, the Stallings Fire District Fund, the Wesley Chapel Fire District Fund, the Fee Supported Fire Districts Fund, the Emergency Telephone System Fund, the General Special Revenue Fund, and the Automation Enhancement Fund.

Capital Project Funds - Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The County has one non-major capital project fund: the Library Capital Project Fund.

Proprietary Funds are used to account for the County's business-type activities. The County reports the Water and Sewer Fund, the Solid Waste Fund and the Stormwater Fund as major enterprise funds. Proprietary funds also include the following fund types:

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The County has six Internal Service Funds: the Health Benefits Fund (which includes dental benefits), the Workers' Compensation Fund, the Property and Casualty Fund, the Information Technology Fund, the Facilities Management Fund and the Fleet Management Fund. The Health Benefits Fund accounts for the accumulation and allocation of costs associated with insurance for employee, retiree (under 65 years of age), and family medical and dental claims. The Workers' Compensation Fund accounts for the costs associated with workers' compensation claims. The Property and Casualty Fund accounts for the accumulation and allocation of costs associated with property and casualty insurance and claims for the County. The Information Technology Fund, the Facilities

Management Fund and the Fleet Management Fund are maintained by internal service charges to the service areas they support.

Fiduciary Funds account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Fiduciary Funds include the following funds:

Pension Trust Fund - The County maintains two Pension Trust Funds - the Special Separation Allowance Fund and the Other Postemployment Retiree Healthcare Benefits (OPEB) Fund. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Special Separation Allowance Fund is a single-employer, public employee retirement system. The resources in the Special Separation Allowance Fund have been set aside to pay future obligation of the Special Separation Allowance and are held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4. For reporting purposes, the measurement date for the Special Separation Allowance Trust is December 31, 2016. The resolution to establish the Separation Allowance Trust was approved by the Board of County Commissioners and funded in June 2017 for the fiscal year ending June 30, 2017 (reporting date). The Other Postemployment Retiree Healthcare Benefits Fund accounts for a portion of the County's contributions to the net OPEB obligation for healthcare coverage provided to qualified retirees.

Agency Funds - Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains seven Agency Funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Union County Board of Education; the Jail Inmate Fund, which accounts for monies deposited and held for individual inmates in the Union County Jail; the Monroe and Union County School District Funds, which account for the ad valorem school tax assessed; the Municipal Tax Collection Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities within the County and the Gross Rental Receipts Tax Fund, which accounts for municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which serves as a substitute to the ad valorem tax previously levied on such property.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-Wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, Solid Waste Fund and the government's internal service funds are charges to customers for sales and services. The principal operating revenue of the Stormwater Fund is Water and Sewer Fund inter-fund transfers. It is anticipated that fees for stormwater planning services will be charged, eventually. Operating expenses for enterprise funds and internal service 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.

Governmental Fund Financial Statements. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Those revenues susceptible to accrual are sales taxes and certain intergovernmental revenues, both collected and held by the state at year-end on behalf of the County. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Springs Fire District, Waxhaw Fire District, Hemby Bridge Fire District, Stallings Fire District, Wesley Chapel Fire District, Fee Supported Fire Districts, Emergency Telephone System, and Automation Enhancement Special Revenue Funds; Business Type Activity Funds (operating funds), Pension Trust, and Internal Service Funds. All annual appropriations lapse at fiscal year-end. Project ordinances (multi-year budgets) are adopted for the General Special Revenue Fund, General Capital Project Fund, Library Capital Project Fund, and the Water and Sewer Capital Projects Fund which is consolidated with the Water and Sewer Fund (enterprise operating fund) for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the service area level for the General Fund and at the fund level for Special Revenue, Enterprise and Capital Project Funds. The County Manager is authorized by resolution to transfer appropriations within a service area and between service area appropriations, within the same fund, without limitation. The County Manager is also authorized to transfer personnel compensation pay plan adjustments, limited to the amount approved by the Board of County Commissioners in the original budget ordinance for the fiscal year, and insurance appropriations both contained in non-departmental to the benefiting departments without limitation. The County Manager is authorized to appropriate funds identified as restrictions or assignments of fund balance as reflected in the financial statements. The County Manager is also authorized to appropriate funds for grant applications authorized by or grant agreements accepted by the governing body thereby increasing the total appropriation for the fund. The County Manager reports to the governing body all budget ordinance transfers, appropriations and adjustments on a monthly basis. During the year, several budget amendments to the original budget became necessary. Budget data presented in the financial statements represent the final authorized amounts as of June 30, 2017. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

General Statute 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC and G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer, in their discretion, may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds: the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S. 147-69.2(b)(8).

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147.69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share. Black Rock's MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at 19.1579 per share at June 30, 2017.

2. Cash and Investments

The County pools monies from several funds, except the Social Services Fund and the Jail Inmate Fund and the portion of the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund that has not yet been remitted to the OPEB Trust managed by the staff of the Department of the State Treasurer (as explained in Note 1. E. 1); to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended debt proceeds of the General Fund and the Water and Sewer Fund are due to bonds issued by the County which are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied and those held as account security deposits are restricted to the services for which the deposits were collected. The restricted assets of the General Capital Project Fund are unexpended recurring capital contributions, from the General Fund, for educational purposes and facilities of the Union County Board of Education. The restricted assets of the General Special Revenue Fund are unexpended funds, which are restricted for the purpose of drug enforcement programs and other multi-year grant programs.

Restricted Cash

Governmental Activities:

General Fund	Security Deposits	<u>\$ 1,031,245</u>
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Business-Type Activities:

Water and Sewer Fund	2009 revenue bond debt service reserve	256,158
Water and Sewer Fund	2015 revenue bond debt service reserve	1,760
Water and Sewer Fund	2011A revenue bond debt service reserve	618,979
Water and Sewer Fund	Customer deposits	<u>508,181</u>
		<u>1,385,078</u>

Solid Waste Fund	Customer deposits	<u>22,430</u>
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Total Restricted Cash		<u><u>\$ 2,438,753</u></u>
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4. Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with G.S. 105-347 and G.S. 159-13(a), the County levies ad valorem taxes on property, other than motor vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest and penalties do not accrue until the following January 6, when property taxes attach as enforceable liens. The taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures as

used rather than when purchased. The inventory of the County's Enterprise Funds consists of materials and supplies held for consumption. The cost is recorded as an expense when the inventory is consumed.

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

7. Capital Assets

Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The County holds title to certain Union County Board of Education properties that have not been included in the County's capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Union County Board of Education.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	5-10
Computer software (intangible)	5-10
Vehicles	4-5
Land Improvements	20-30
Buildings	25-40
Building Improvements	7-30
Plant Distribution, Collection	25
Water rights (intangible)	40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has a derivative of debt for cash flow hedging that had previously been classified as an asset and unamortized loss on refunded debt that meets this criteria, as well as pension related deferrals, and contributions made to the pension plans in the current year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category -

prepaid taxes, deferred revenue from developers for future water and sewer line extensions, unamortized gains on refunded debt, and other pension related deferrals.

9. Long-term Obligations (Debt)

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The Water and Sewer Fund's revenue bond and general obligation bond debt service requirements are being met by water and sewer revenues, but the County's taxing power is pledged to make the general obligation debt service payments if water and sewer revenues should ever be insufficient.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave. The compensatory time policy for overtime hours worked provides for time off in lieu of immediate overtime pay for covered nonexempt employees at the option of the County Manager. Time off may be accrued at the rate of one and one-half hours for each hour of overtime worked. The maximum compensatory time that may be accrued by an eligible employee shall be 480 hours (320 actual overtime hours) for nonexempt law enforcement and detention employees and 240 hours (160 actual overtime hours) for all other nonexempt employees. Once the maximums have been met, overtime compensation will be paid for any additional overtime hours worked.

County employees accrue holiday leave within the 12-month period of November 1st through October 31st. Employees must use their accrued holiday leave within the designated 12-month period. Each year, at the end of the pay period that includes October 31st, all unused holiday leave is forfeited.

Vacation leave, holiday leave and compensatory time are fully vested when earned. For the County's government-wide financial statements and in the proprietary fund types in the fund financial statements, an expense and a liability for these compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

11. Sick Leave

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Long-term receivables - portion of fund balance that is not an available resource because it represents the portion of receivables that are longer than one year at year end, therefore, not spendable resources.

Inventories and Prepaid Balances - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid balances, which are not spendable resources.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or as imposed by law through constitutional provisions or enabling legislation.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. These amounts include outstanding encumbrances which are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Restricted for grants, contributions, etc - portion of fund balance that is restricted by revenue source as delineated in the following tables by function and purpose.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote of the County's Board of Commissioners. Any changes or removal of specific purposes requires majority action by the Board of Commissioners. Such formal action may be in the form of an ordinance, and may only be modified or rescinded by a subsequent formal action.

Committed for Reserves - General Fund - as part of the adopted budget ordinance, the Board of County Commissioners established a twenty-percent fund balance reserve requirement. This commitment is reaffirmed annually in the County's adopted budget.

Assigned Fund Balance - portion of fund balance that the County governing board has budgeted.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body can approve these appropriations. Also, a resolution approved June 20, 2005 authorizes the County Manager, or his/her designee, to transfer appropriations between line item expenditures within a departmental appropriation and fund without limitation. The County Manager may also transfer amounts between departmental appropriations within the same fund. The County Manager is authorized to increase appropriations in the annual operating funds for carryovers representing contract balances, purchase order encumbrances and designations for special projects and purposes as reflected in the audit report.

Assigned for General Capital Project Fund - portion of fund balance that has been budgeted by the board for various projects as delineated in the following table by function and purpose.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The County's standard practice when an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the restricted funds should be spent first, followed in order by committed funds, then assigned funds, and finally unassigned funds, if available, unless the Board has provided otherwise in its commitment or assigned actions.

The following table provides the detailed fund balance information for fund balance amounts in Exhibit C:

	Major		Non-major	Total Govern- mental Funds
	General Fund	General Capital Project Fund	Other Govern- mental Funds	
Fund balances:				
Nonspendable:				
Long-term receivables	\$ 335,575	\$ -	\$ -	\$ 335,575
Inventories	7,300	-	-	7,300
Prepaid items	-	-	-	-
Restricted:				
Stabilization by State Statute-accounts receivable	20,105,530	-	312,605	20,418,135
Stabilization by State Statute-encumbrances	818,159	9,954,787	197,935	10,970,881
General Government:				
Register of Deeds automation enhancement funds	-	-	145,744	145,744
Public Safety:				
Law enforcement SCAAP grant funds	15,817	-	-	15,817
Law enforcement federal forfeited property funds	-	-	473,522	473,522
Law enforcement controlled substance tax funds	-	-	65,702	65,702
Emergency management Catawba Nuclear grant funds	-	-	86,287	86,287
Emergency management CERT grant funds	-	-	21,844	21,844
Communications PSAP funds	-	-	1,435,691	1,435,691
Fire protection	-	-	272,687	272,687
Economic and physical development:				
Cooperative extension service fee based programs' funds	97,677	-	-	97,677
Community Block Grant	-	-	368,362	368,362
Human Services:				
Health, Susan G. Komen breast cancer grant funds	5,529	-	-	5,529
Social services contribution and donation programs' funds	45,376	-	-	45,376
Social services federal adoption assistance grant funds	169,701	-	-	169,701
Transportation equipment	44,093	-	-	44,093
Cultural and Recreational:				
Library contribution and donation program funds	21,329	-	-	21,329
Education:				
School regular capital outlay	-	883,204	-	883,204
School capital acquisition and construction projects	-	15,645,754	-	15,645,754
Committed:				
Twenty percent reserve policy - General Fund	60,642,715	-	-	60,642,715
Assigned:				
General Government:				
Government facility renovation projects	-	166,625	-	166,625
Revolving energy fund	-	117,108	-	117,108
County facility repairs	-	338,997	-	338,997
Information technology infrastructure projects	-	554,509	-	554,509
Information technology phone system upgrade	-	99,653	-	99,653
Tax administration software	-	587,512	-	587,512
Union Village roof repair	-	23,636	-	23,636
Public Safety:				
Law enforcement jail expansion project	-	82,416	-	82,416
Law enforcement firearms range project	-	138,614	-	138,614
Law enforcement special response vehicles storage	-	26,076	-	26,076
Economic and Physical Development:				
4H pavilion and ancillary facilities	-	91,000	-	91,000
Ag center display sign	-	100,000	-	100,000
Human Services:				
Public health electronic medical records	-	1,809	-	1,809
Social services business automation system project - II	-	90	-	90
Human service campus	-	11,348,285	-	11,348,285
Education:				
SPCC deferred capital maintenance	-	186,432	-	186,432
SPCC technology	-	465,857	-	465,857
SPCC HVAC and security	-	150,000	-	150,000
SPCC resurfacing of parking lot	-	467,100	-	467,100
SPCC Parking	-	345,000	-	345,000
Cultural and Recreational:				
Library facility improvement projects	-	398,898	7,782	406,680
Community Services replacement and renewal	-	143,878	-	143,878
Parks and recreation Jesse Helms passive area project	-	38,737	-	38,737
Parks and recreation Cane Creek Park renovations and improvements	-	132,059	-	132,059
Nondepartmental pay-go-capital funds	-	16,339	-	16,339
Subsequent year's expenditures	7,284,270	-	167,000	7,451,270
Unassigned	11,172,122	-	-	11,172,122
Total	\$ 100,765,193	\$ 42,504,375	\$ 3,555,161	\$ 146,824,729

The following table provides the detailed fund balance information for the General Fund balance amounts in Schedule 11:

	General Fund	Schools Budgetary Fund	Schools Radios Budgetary Fund	Countywide Fire Budgetary Fund	Countywide EMS Budgetary Fund	Total General Fund
Fund balances:						
Nonspendable:						
Long-term receivables	\$ 1,575	\$ -	\$ 334,000	\$ -	\$ -	\$ 335,575
Inventories	7,300	-	-	-	-	7,300
Prepaid items	-	-	-	-	-	-
Restricted:						
Stabilization by State Statute-accounts receivable	19,921,763	15,474	167,273	151	869	20,105,530
Stabilization by State Statute-encumbrances	818,159	-	-	-	-	818,159
Public Safety:						
Law enforcement SCAAP grant funds	15,817	-	-	-	-	15,817
Economic and physical development:						
Cooperative extension service fee based programs' funds	97,677	-	-	-	-	97,677
Human Services:						
Health, Susan G. Komen breast cancer grant funds	5,529	-	-	-	-	5,529
Social services contribution and donation programs' funds	45,376	-	-	-	-	45,376
Social services federal adoption assistance grant funds	169,701	-	-	-	-	169,701
Transportation equipment	44,093	-	-	-	-	44,093
Cultural and Recreational:						
Library contribution and donation program funds	21,329	-	-	-	-	21,329
Committed:						
Twenty percent reserve policy - General Fund	60,642,715	-	-	-	-	60,642,715
Assigned:						
Subsequent year's expenditures	4,722,336	2,405,365	-	31,469	125,100	7,284,270
Unassigned	8,597,591	3,145,443	(1,020,726)	31,739	418,075	11,172,122
Total	<u>\$ 95,110,961</u>	<u>\$ 5,566,282</u>	<u>\$ (519,453)</u>	<u>\$ 63,359</u>	<u>\$ 544,044</u>	<u>\$ 100,765,193</u>

The following table provides the detailed fund balance information for fund balance amounts in Schedule 1:

	Total Special Revenue Funds	Library Capital Project Fund	Total Nonmajor Governmental Funds
Fund balances:			
Restricted:			
Stabilization by State Statute-accounts receivable	\$ 312,605	\$ -	\$ 312,605
Stabilization by State Statute-encumbrances	197,935	-	197,935
General Government:			
Register of Deeds automation enhancement funds	145,744	-	145,744
Public Safety:			
Law enforcement federal forfeited property funds	473,522	-	473,522
Law enforcement controlled substance tax funds	65,702	-	65,702
Emergency management Catawba Nuclear grant funds	86,287	-	86,287
Emergency management CERT grant funds	21,844	-	21,844
Communications PSAP funds	1,435,691	-	1,435,691
Fire protection	272,687	-	272,687
Economic and Physical Development:			
Community Development Block Grant	368,362	-	368,362
Assigned:			
Cultural and Recreational:			
Library facility improvement projects	-	7,782	7,782
Subsequent year's expenditures	167,000	-	167,000
Unassigned	-	-	-
Total	<u>\$ 3,547,379</u>	<u>\$ 7,782</u>	<u>\$ 3,555,161</u>

The following table provides the detailed fund balance information for fund balance amounts in Schedule 4:

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Automation Enhance. Fund	Total Special Revenue Funds
Fund balances:										
Restricted:										
Stabilization by State Statute-accounts receivable	\$ 30,085	\$ 45,267	\$ 73,348	\$ 66,804	\$ 80,387	\$ 2	\$ -	\$ 16,712	\$ -	\$ 312,605
Stabilization by State Statute-encumbrances	-	-	-	-	-	-	197,935	-	-	197,935
General Government:										
Register of Deeds automation enhancement funds	-	-	-	-	-	-	-	-	145,744	145,744
Public Safety:										
Law enforcement federal forfeited property funds	-	-	-	-	-	-	-	473,522	-	473,522
Law enforcement controlled substance tax funds	-	-	-	-	-	-	-	65,702	-	65,702
Emergency mgmt. Catawba Nuclear grant funds	-	-	-	-	-	-	-	86,287	-	86,287
Emergency management CERT grant funds	-	-	-	-	-	-	-	21,844	-	21,844
Communications PSAP funds	-	-	-	-	-	-	1,435,691	-	-	1,435,691
Fire protection	(5,413)	30,929	48,608	82,666	24,373	91,524	-	-	-	272,687
Economic and Physical Development:										
Community Development Block Grant	-	-	-	-	-	-	-	368,362	-	368,362
Assigned:										
Subsequent year's expenditures	-	-	-	-	-	-	167,000	-	-	167,000
Unassigned	-	-	-	-	-	-	-	-	-	-
	<u>\$ 24,672</u>	<u>\$ 76,196</u>	<u>\$ 121,956</u>	<u>\$ 149,470</u>	<u>\$ 104,760</u>	<u>\$ 91,526</u>	<u>\$ 1,800,626</u>	<u>\$ 1,032,429</u>	<u>\$ 145,744</u>	<u>\$ 3,547,379</u>

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted fund balances available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as these amounts stand at the close of the fiscal year next preceding the budget year.

Union County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that the fund balance policy level is at least equal to or greater than 20% of the adopted General Fund budget. Furthermore, on August 18th, 2014, the policy was amended so that the fund balance policy level of the General Fund is at least equal to or greater than 20% of the combined adopted General Fund and Schools Budgetary Fund budgets. Any portion of the General Fund unassigned fund balance above the fund balance policy level of 20% of the combined budgeted expenditures may be appropriated for one-time expenditures or to reduce long-term liabilities.

The County has also adopted fund balance targets for the maintenance of adequate fund balance, which is necessary to provide working capital, funds for unanticipated expenditures, funds for capital expenditures in advance of their reimbursement from debt proceeds and other revenue sources. The 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. General Fund and Water and Sewer Operating Fund 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.

13. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State(OPEB); the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). The County also has a single employer defined benefit pension plan for Special Separation Allowance. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions

have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds and installment financing payables are not due and payable in the current period, and therefore, are not recorded in the funds. The details of this \$362,131,213 difference are as follows:

Description	Amount
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing principal payments	\$ (358,909,822)
Accrued interest payable	(3,221,391)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (362,131,213)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$51,858,036 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 24,687,853
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(5,413,995)
Net book value of capital assets disposed of	(22,795)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences are as follows:</p>	
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	33,251,165
Proceeds of debt instruments are reported as a source of funds on the funds statements but again affect only the statement of net position in the government-wide statements	-
Debt issuance premium amortization	3,083,942
Debt issuance deferred inflows of gain amortization	462,176
Debt issuance deferred outflows of loss amortization	(34,009)
Remittance of funds to escrow agent to defease debt instruments	-
Swap termination costs are recorded as a use of funds on the fund statements but again do not affect the Statement of Net Position in the government-wide statements until amortized	(1,489,364)
Defeasance amortization over remaining life of debt	(2,613,759)
<p>Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.</p>	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	189,071
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(401,782)
Net other post employment obligation	(1,519,740)
County's portion of collective pension expense	880,512
Contribution to the pension plan in the current fiscal year	605,006
<p>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.</p>	
Reversal of deferred tax revenue recorded at 7/1/16	(2,047,643)
Recording of tax receipts deferred in the fund statements as of 6/30/17	1,811,062
Decrease in accrued taxes receivable for year ended 6/30/17	(237,294)
Internal service funds' net investment earnings	32,066
Adjustment payment received on a deferred loan to an outside agency	(181,879)
Health and dental insurance costs, net of investment earnings	(292,229)
Workers' compensation costs, net of investment earnings	307,075
Property and casualty costs, net of investment earnings	68,258
Information technology costs, net of investment earnings	361,856
Facilities management costs, net of investment earnings	291,803
Fleet management cost, net of investment earnings	80,680
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position-governmental activities	\$ 51,858,036

NOTE 3 - DEPOSITS AND INVESTMENTS

The County pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash and maximize investment income. The Central Depository is used by all funds except the Social Services Fund and the Jail Inmate Fund and the portion of the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund that has not yet been remitted to the OPEB Trust managed by the staff of the Department of the State Treasurer (as explained in Note 1. E. 1.). Each fund owns a pro rata share of the cash and investments, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its pro rata share.

The Social Services Fund and the Jail Inmate Fund monies are each held in official depositories of the County in separate accounts for the benefit of certain individuals.

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of \$37,133,404 and a bank balance of \$42,085,256. Of the bank balance, \$364,756 was covered by federal depository insurance and \$41,720,500 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30, 2017, the County had \$8,200 cash on hand.

As of June 30, 2017, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years
NC Cash Management Trust - Cash Portfolio	Amortized Cost	\$ 34,366,837	\$ 34,366,837	\$ -	\$ -	\$ -
NC Cash Management Trust - Term Portfolio	Fair Value - Level 1	110,208,643	110,208,643	-	-	-
US Government Agencies	Fair Value - Level 1	51,134,119	-	6,167,060	31,785,021	13,182,038
Total		<u>\$ 195,709,599</u>	<u>\$ 144,575,480</u>	<u>\$ 6,167,060</u>	<u>\$ 31,785,021</u>	<u>\$ 13,182,038</u>

All investments are measured using the market value approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The cash and investments described above include those recorded in the County's Statement of Net Position (\$232,681,527) and Agency Funds (\$169,676).

Also, at June 30, 2017, the Special Separation Allowance Pension Trust Fund deposits had a carry amount and bank balance of \$3,036,342 as shown on the Statement of Fiduciary Net Position.

Also, at June 30, 2017, the Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund deposits had a carrying amount and bank balance of \$25,345,606 as shown on the Statement of Fiduciary Net Position.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of no more than five years. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. As of June 30, 2017, the County had no investments in commercial paper. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio has a duration of 0.09 years and is not rated. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Farm Credit Corporation) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investments with custodial credit risk. The County has no policy on custodial credit risk.

Concentration of Credit Risk – Cash and Investments. The County has adopted a policy stating that of total cash and investments, the County places a limit of 10 percent on the amount that the County may invest in any one issuer of commercial paper, no more exposure than 25 percent in commercial paper, and no limitations on Federal Agencies. At June 30, 2017, the County was not holding more than 10 percent of the total cash and investments portfolio in any one issuer of commercial paper.

Concentration of Credit Risk – Investments. More than 5% of the County's investments are in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. These investments are 12.30%, 0.37%, and 6.91% respectively of the County's total investments.

At June 30, 2017, the County's Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund had a cash balance of \$3,755,929 and \$21,589,677 was invested in the State Treasurer's

Local Government Other Post-Employment Benefits (OPEB) Trust Fund pursuant to G.S. 147-69.4. The amount, valued at fair market value, represents a portion of the County's contribution to the net OPEB obligation. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 24.29%; State Treasurer's Bond Index Fund (BIF) 38.15%; and Black Rock's MSCI ACWI EQ Index Non-Lendable Class B Fund 37.15%.

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2017. The State Treasurer's BIF is unrated and had a weighted average maturity of 7.99 years at June 30, 2017.

Credit Risk: The County does not have a formal investment policy regarding credit risk for the OPEB Pension Trust Fund invested in the State Treasurer's Local Government OPEB Trust Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The BIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's BIF is invested in high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6).

NOTE 4 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 20,105,530	\$ 2,965,108	\$ 23,070,638
Special Revenue	312,605	53,624	366,229
Internal Service	47,238	-	47,238
Total Receivables	<u>20,465,373</u>	<u>3,018,732</u>	<u>23,484,105</u>
Allowance for doubtful accounts	-	<u>(1,154,045)</u>	<u>(1,154,045)</u>
Total-governmental activities	<u>\$ 20,465,373</u>	<u>\$ 1,864,687</u>	<u>\$ 22,330,060</u>
Business-type Activities:			
Water and Sewer	\$ 6,996,209	-	\$ 6,996,209
Solid Waste	615,194	-	615,194
Total Receivables	7,611,403	-	7,611,403
Allowance for doubtful accounts	<u>(1,126,038)</u>	-	<u>(1,126,038)</u>
Total-business-type activities	<u>\$ 6,485,365</u>	<u>\$ -</u>	<u>\$ 6,485,365</u>

B. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, the County may tax agriculture, horticulture, and forestland at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statement.

Fiscal Year	Tax Year	Tax	Interest	Total
2014	2013	\$ 12,617,350	\$ 725,498	\$ 13,342,848
2015	2014	14,665,844	843,286	15,509,130
2016	2015	8,131,423	467,557	8,598,980
2017	2016	8,030,425	461,749	8,492,174
		<u>\$ 43,445,042</u>	<u>\$ 2,498,090</u>	<u>\$ 45,943,132</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2017 was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements & Adjustments	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 7,574,873	\$ -	\$ -	\$ -	\$ 7,574,873
Construction in progress	8,734,362	21,568,635	-	(306,378)	29,996,619
Total capital assets not being depreciated	<u>16,309,235</u>	<u>21,568,635</u>	<u>-</u>	<u>(306,378)</u>	<u>37,571,492</u>
Capital assets being depreciated:					
Other improvements	7,554,412	108,174	-	-	7,662,586
Buildings	72,607,283	694,430	-	226,483	73,528,196
Furniture and equipment	29,142,276	504,891	7,395	79,895	29,719,667
Vehicles	8,849,177	1,745,581	433,392	47,949	10,209,315
Computer software	424,851	63,070	-	6,584	494,505
Total capital assets being depreciated	<u>118,577,999</u>	<u>3,116,146</u>	<u>440,787</u>	<u>360,911</u>	<u>121,614,269</u>
Less accumulated depreciation for:					
Other improvements	3,974,240	257,668	-	-	4,231,908
Buildings	35,024,131	2,325,871	-	-	37,350,002
Furniture and equipment	23,365,508	1,651,365	-	-	25,016,873
Vehicles	5,984,435	1,125,597	417,992	47,949	6,739,989
Computer software	197,174	53,494	-	3,512	254,180
Total accumulated depreciation	<u>68,545,488</u>	<u>5,413,995</u>	<u>417,992</u>	<u>51,461</u>	<u>73,592,952</u>
Total capital assets being depreciated, net	<u>50,032,511</u>	<u>(2,297,849)</u>	<u>22,795</u>	<u>309,450</u>	<u>48,021,317</u>
Governmental activities capital assets, net	<u>\$ 66,341,746</u>	<u>\$ 19,270,786</u>	<u>\$ 22,795</u>	<u>\$ 3,072</u>	<u>\$ 85,592,809</u>

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

General government	\$ 1,640,117
Public safety	2,061,019
Economic and physical development	161,423
Human services	807,191
Education	90,063
Cultural and recreational	654,182
Total depreciation expense	<u>\$ 5,413,995</u>

Capital asset activity for the business-type activities for the year ended June 30, 2017, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements and Adjustments	Transfers	Ending Balances
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 1,412,752	\$ -	\$ -	\$ -	\$ 1,412,752
Land - easements	1,113,633	-	-	-	1,113,633
Construction in progress	34,722,978	23,989,418	-	(29,285,577)	29,426,819
Total capital assets not being depreciated	37,249,363	23,989,418	-	(29,285,577)	31,953,204
Capital assets being depreciated:					
Plant and collection systems	202,267,777	6,234,257	-	8,664,340	217,166,374
Plant and distribution systems	140,539,090	5,022,127	-	11,191,036	156,752,253
Water rights (intangible asset)	1,902,757	-	-	-	1,902,757
Administration Building	1,343,807	-	-	9,430,201	10,774,008
Equipment	2,724,020	283,369	11,466	-	2,995,923
Vehicles	2,656,325	792,057	156,789	(25,544)	3,266,049
Computer Software	81,913	25,994	-	-	107,907
Total capital assets being depreciated	351,515,689	12,357,804	168,255	29,260,033	392,965,271
Less accumulated depreciation for:					
Plant and collection systems	80,043,620	7,747,588	-	-	87,791,208
Plant and distribution systems	61,158,943	5,576,795	-	-	66,735,738
Water rights intangible asset	1,153,547	47,569	-	-	1,201,116
Administration Building	407,480	269,672	-	-	677,152
Equipment	2,299,702	103,785	11,466	-	2,392,021
Vehicles	1,941,182	290,512	156,789	(25,544)	2,049,361
Computer Software	40,017	18,521	-	-	58,538
Total accumulated depreciation	147,044,491	14,054,442	168,255	(25,544)	160,905,134
Total capital assets being depreciated, net	204,471,198	(1,696,638)	-	29,285,577	232,060,137
Water and Sewer capital assets, net	241,720,561	22,292,780	-	-	264,013,341
Solid Waste					
Capital assets not being depreciated:					
Land	334,257	-	-	-	334,257
Total capital assets no being depreciated	334,257	-	-	-	334,257
Capital assets being depreciated:					
Other improvements	884,378	-	-	-	884,378
Plant and collection systems	2,351,306	-	-	-	2,351,306
Equipment	2,176,128	283,813	-	-	2,459,941
Vehicles	877,545	-	-	-	877,545
Total capital assets being depreciated	6,289,357	283,813	-	-	6,573,170
Less accumulated depreciation for:					
Other improvements	352,667	41,482	-	-	394,149
Plant and collection systems	1,692,402	96,146	-	-	1,788,548
Equipment	1,474,283	150,550	-	-	1,624,833
Vehicles	619,697	37,336	-	-	657,033
Total accumulated depreciation	4,139,049	325,514	-	-	4,464,563
Total capital assets being depreciated, net	2,150,308	(41,701)	-	-	2,108,607
Solid Waste capital assets, net	2,484,565	(41,701)	-	-	2,442,864
Storm Water					
Capital assets being depreciated:					
Vehicles	22,405	-	-	(22,405)	-
Computer Software	6,584	-	-	(6,584)	-
Total capital assets being depreciated	28,989	-	-	(28,989)	-
Less accumulated depreciation for:					
Vehicles	22,405	-	-	(22,405)	-
Computer Software	3,512	-	-	(3,512)	-
Total accumulated depreciation	25,917	-	-	(25,917)	-
Total capital assets being depreciated, net	3,072	-	-	(3,072)	-
Storm Water capital assets, net	3,072	-	-	(3,072)	-
Business-type activities capital assets, net	\$ 244,208,198	\$ 22,251,079	\$ -	\$ (3,072)	\$ 266,456,205

During the year \$573,469 of Water and Sewer Fund interest expense was capitalized.

NOTE 6 - LIABILITIES

Payables at the government-wide level at June 30, 2017, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 6,652,956	\$ 10,533,951	\$ 17,186,907
Salaries and benefits	1,248,816	137,965	1,386,781
Accrued Interest	3,221,391	208,524	3,429,915
Total	\$ 11,123,163	\$ 10,880,440	\$ 22,003,603

NOTE 7 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.32% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$3,644,496 for the year ended June 30, 2017.

Refunds of Contributions. County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2017, the County reported a liability of \$16,575,224 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was 0.781%, which was an increase of 0.03% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$921,153. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 311,420	\$ 580,814
Changes of assumptions	1,135,255	
Net difference between projected and actual earnings on pension plan investments	9,164,012	-
Changes in proportion and differences between County contributions and proportionate share of contributions	444,444	-
County contributions subsequent to the measurement date	3,644,496	-
Total	<u>\$ 14,699,627</u>	<u>\$ 580,814</u>

\$3,644,496 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,689,242
2019	1,689,878
2020	4,440,402
2021	2,654,795
2022	-
Thereafter	-
Total	\$ <u>10,474,317</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including

LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 39,340,739	\$ 16,575,224	\$ (2,440,227)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

B. Special Separation Allowance

Description

The County administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified employees. The Separation Allowance was enacted by the General Assembly on January 1, 1987 for law enforcement officers. The Union County Board of Commissioners extended this benefit to all County employees effective July 1, 1990. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the employee for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County’s report as a pension trust fund. The Separation Allowance does not issue separate financial statements.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. General Statute 159.30.2 authorizes a local government to establish and fund an irrevocable trust for the purpose of paying special separation allowance benefits for which the unit of local government is liable. The County established an irrevocable trust for the Separation Allowance plan on June 6, 2016.

The eligibility of local law enforcement officers for special separation allowance shall be determined in accordance with North Carolina General Statute 143-166.42.

All permanent full-time and permanent part-time County employees employed before July 1, 2013 are covered by the Separation Allowance. To qualify for the allowance the employee must have completed 30 years or more of creditable service or have attained 55 years of age and completed five or more years of creditable service; and not have attained 62 years of age; and have completed at least five years of continuous service preceding a service retirement.

At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	88
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>506</u>
Total	<u><u>594</u></u>

Summary of Significant Accounting Policies

Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$1,947,863 or 7.637% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

Actuarial Assumptions

The total pension liability for the fiscal year ended June 30, 2017 was determined as part of the December 31, 2016 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.50-7.35%, average, including inflation
Investment rate of return	3.86%, net of pension plan investment expense, including inflation
Mortality	The rates of mortality for the period after service retirement are according to the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For Law Enforcement Officers, rates are adjusted by 104% for males and 100% for females. For General Employees, rates are adjusted by 115% for males and 79% for females for ages under 78; by 135% for males and 116% for females for age 78 and older.

Discount Rate

The discount rate used to measure the total pension liability was 3.86%. Since the Separation Allowance assets are held in short term investments, the discount rate used is equal to the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating AA/Aa or higher. The index used for this purpose is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

The projection of cash flows used to determine the discount rate assumed that the employer would contribute the actuarially determined contribution in the future. The long-term expected rate of return on pension plan investments is assumed to be 3.86% annually. Since the Separation Allowance assets are held in short term investments, the discount rate used is equal to the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating AA/Aa or higher. The index used for this purpose is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

The discount rate uses municipal bond rates of 3.86% as of the measurement date and 3.57% at the beginning of the measurement period. The projected future benefit payments for all current plan members were projected through 2054. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class will be provided by the Plan's investment monitor.

Net Pension Liability

The components of the net pension liability of the County as of June 30, 2017 are as follows:

Total pension liability	\$ 13,031,726
Plan fiduciary assets	2,383,519
Net pension liability	<u>\$ 10,648,207</u>
Plan fiduciary assets as a percentage of total pension liability	18.29%

At June 30, 2017, the County reported a net pension liability of \$10,648,207. The net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of December 31, 2016.

For the fiscal year ended June 30, 2017, the County recognized pension expense in the amount of \$875,847. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	\$ 100,943	\$ 229,604
Net difference between projected and actual earnings on plan investments	-	2,703
Employer contributions subsequent to the measurement date	1,156,151	-
Total	<u>\$ 1,257,094</u>	<u>\$ 232,307</u>

Employer contributions subsequent to the actuarial measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension
2018	\$ 12,265	\$ 45,001	\$ (32,736)
2019	12,265	45,001	(32,736)
2020	12,265	45,001	(32,736)
2021	12,265	45,000	(32,735)
2022	12,265	44,325	(32,060)
Thereafter	39,618	7,979	31,639
Total	<u>\$ 100,943</u>	<u>\$ 232,307</u>	<u>\$ (131,364)</u>

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

The following presents the net pension liability of the Plan, calculated using the discount rate of percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 2.86%	Current Discount Rate 3.86%	1% Increase 4.86%
Net pension liability	\$ 11,620,651	\$ 10,648,207	\$ 9,753,249

Changes in the Net Pension Liability

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance as of December 31, 2015	\$ 13,520,682	\$ -	\$ 13,520,682
Changes for the year:			
Service Cost	445,951	-	445,951
Interest	462,632	-	462,632
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	(273,929)	-	(273,929)
Contributions - employer	-	3,503,749	(3,503,749)
Contributions - member	-	-	-
Net investment income	-	3,380	(3,380)
Refunds of contributions	-	-	-
Benefits paid	(1,123,610)	(1,123,610)	-
Plan administrative expenses	-	-	-
Other changes	-	-	-
Net changes	<u>(488,956)</u>	<u>2,383,519</u>	<u>(2,872,475)</u>
Balance as of December 31, 2016	<u>\$ 13,031,726</u>	<u>\$ 2,383,519</u>	<u>\$ 10,648,207</u>

Total Pension Liability Roll-Forward

December 31, 2015 is the actuarial valuation date upon which the Total Pension Liability (TPL) is based. An expected TPL is determined as of December 31, 2016 using standard roll-forward techniques. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the TPL as of December 31, 2016, as shown in the following table:

<u>Total Pension Liability Roll-Forward</u>	<u>Development of TPL for Year Ending 2016 Prior to Assumption Change</u>	<u>Development of TPL for Year Ending 2016 After Assumption Change</u>
Interest Rate	3.57%	3.86%
Valuation Date for Measurement	December 31, 2015	December 31, 2015
TPL as of December 31, 2015	\$13,520,682	\$13,242,653
Entry Age Normal Cost for the period January 1, 2016 - December 31, 2016 at the end of the year	445,951	423,202
Actual Benefit Payments for the period January 1, 2016 - December 31, 2016	1,123,610	1,123,610
TPL as of December 31, 2016	13,305,655	13,031,726
Discount Rate Change (Gain)/Loss	-	\$(273,929)

Since the prior measurement date, the assumed rate of return was increased from 3.57% to 3.86% to reflect the change from the municipal bond rate. There were no changes in benefit terms that affected measurement of the total pension liability since the prior measurement period.

C. Supplemental Retirement Income Plan

Description

All regular full-time and regular part-time Union County employees participate in the Supplemental Retirement Income Plan 401(k), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the County, and the Union County Board of County Commissioners has agreed to extend this benefit to all non-law enforcement employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% of each officer's salary and the Union County Board of County Commissioners has agreed to contribute an equal amount for all regular full-time and regular part-time non-law enforcement employee salaries. All amounts contributed are vested immediately. County employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$3,656,493 which consisted of \$2,454,413 from the County and \$1,202,080 from employees.

D. Register of Deeds' Supplemental Pension Fund

Plan Description. Carolina County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$22,706 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$487,471 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 2.607%, which was a decrease of 0.011% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$11,077. At June 30, 2017 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 521	\$ 6,310
Changes of assumptions	129,873	-
Net difference between projected and actual earnings on pension plan investments	834	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,731	9,407
County contributions subsequent to the measurement date	22,706	-
Total	<u>\$ 156,665</u>	<u>\$ 15,717</u>

\$22,706 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 46,092
2019	54,546
2020	23,049
2021	(5,445)
2022	-
Thereafter	-
Total	<u>\$ 118,242</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (393,060)	\$ (487,471)	\$ (566,788)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

NOTE 8 - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation distribution is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

A. Other Postemployment Retiree Healthcare Benefits (OPEB)

Plan Description - Eligibility. Under the terms of a County resolution, the County administers a single-employer defined benefit Retiree Healthcare Benefits Plan (the RHCB Plan). As of July 1, 2008, this plan provides postemployment healthcare benefits to retirees of the County who (1) retire from service under the provisions of the North Carolina Local Governmental Employees' Retirement System or the North Carolina Law Enforcement Officer's Benefit and Retirement Fund (together the "Systems") and (2) immediately prior to such retirement earns ten (10) consecutive years of credible, continuous service with the County. Employees hired on or after July 1, 2008 require twenty (20) years of credible, continuous service with the County and must retire from service under the Systems to receive the postemployment healthcare benefit. Employees hired on or after July 1, 2013, are not eligible to participate in the Retiree Healthcare Benefits Plan.

Plan Description – Benefits Covered. Eligible retirees younger than age 65 and their eligible dependents receive the same medical benefits (including prescription drug and vision benefits) as active, full-time employees through the County group health and dental plan. Retirees pay the same monthly premium(s) for coverage as active employees.

Coverage for eligible retirees and covered spouses in the County group health and dental plan ends on the day the retiree attains age 65. In addition, all coverage (except COBRA) in the group health and dental plan ends for eligible dependents upon the death of an eligible retiree who had not attained age 65.

Upon attaining age 65, eligible retirees are enrolled by the County in a Supplement to Medicare plan that is combined with a prescription Part D plan. These plans are sponsored and premium is paid by the County. Retiree participants do not contribute towards the premium cost of these plans. Spouses of post-65 retirees are not eligible for coverage in either supplemental plan. All employees hired on or after July 1, 2013, are not eligible to receive Supplement to Medicare Benefit.

Membership of the RHCBC Plan (County group health and dental plan and the Medicare Supplement plans) consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>Number of Participants</u>
Inactive plan members or beneficiaries currently receiving benefit payments	336
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>616</u>
Total	<u><u>952</u></u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended, subject to certain limitations, by the County Board of County Commissioners. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 17.23% of annual covered payroll. For the current year, the County contributed \$3,634,511 or 11.49% of annual covered payroll. The County healthcare benefits for the County group health and dental plans are self-insured with specific and aggregate stop-loss coverage provided through re-insurers. Claims are administered under a contract with a third party administrator. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to RHCBC Plan is established and may be amended, subject to certain limitations, by the Board of County Commissioners.

Investment Policy. The County makes cash contributions to the Trust throughout the fiscal year. The Trustee is responsible for maintaining records and accounts for the assets of the Trust. The County invests the assets of the Trust pursuant to the North Carolina General Statute 159-30 or deposited with the State Treasurer for investment pursuant to General Statute 147-69.2.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Fixed Income	40.00%
Equity Funds	35.00%
Cash and Cash Equivalents	25.00%
Total	100.00%

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, the Emergency Telephone System Fund, and the Enterprise Funds, which are maintained on the modified and full accrual basis of accounting, respectively. Effective July 1, 2008, the County increased its contributions to the RHCBC Plan with the objective of funding the Annual Required Contribution by fiscal year 2014. A portion of the contributions above the modified accrual expenditures are being set aside to pay for the future benefits and administration costs.

Net OPEB Liability. The Net OPEB Liability is equal to the Total OPEB Liability less the Fiduciary Net Position. The result as the June 30, 2017 measurement date is presented in the table below:

Measurement Date of June 30, 2017	
Total OPEB Liability	\$ 111,379,190
Fiduciary Net Position	21,589,677
Net OPEB Liability	\$ 89,789,513
Ratio of Fiduciary Net Position to Total OPEB Liability	19.38%

Actuarial Assumptions. The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.18%
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Year Fiduciary Net Position to be depleted	
Prior Measurement Date	2029
Measurement Date	2029
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	3.08%
Measurement Date	3.61%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate used to measure the Total OPEB Liability was based upon the Single Equivalent Interest Rate. Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

Discount Rate. The discount rate used to measure the TOL as of the Measurement Date was 3.61%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Active employees do not explicitly contribute to the Plan.
- In all years, the employer pays benefits from the trust.
- Projected assets include employer contributions of \$2,190,000 each year. This is the average contribution for the last four years.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's Fiduciary Net Position (FNP) was projected to be depleted in 2029 and, as a result, the Municipal Bond Index Rate was used in the determination of the discount rate. Here, the long-term expected rate of return of 4.18% on Plan investments was applied to periods through 2029 and the Municipal Bond Index Rate at the Measurement Date (3.56%) was applied to periods on and after 2029, resulting in an SEIR at the Measurement Date (3.61%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.08% at the Prior Measurement Date to 3.61% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trends. The following exhibit presents the Net OPEB Liability (NOL) of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Health Care Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 70,732,564	\$ 89,789,513	\$ 114,672,341

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following exhibit presents the Net OPEB Liability (NOL) of the Plan, calculated using the discount rate of 3.61%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Changes in the Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	2.61%	3.61%	4.61%
Net OPEB Liability	\$ 110,957,765	\$ 89,789,513	\$ 73,227,076

Total OPEB Liability Calculation and Roll-Forward. The Total OPEB Liability (TOL) is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2016. An expected TOL is determined as of June 30, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of June 30, 2016, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). Actuarial gains and losses arising from the change in the SEIR from 3.08% on the Prior Measurement Date to 3.61% on the Measurement Date are accounted for as changes of assumptions or other inputs. The procedure used to determine the TOL, as of June 30, 2017, is shown in the following table:

Total OPEB Liability Roll-Forward

Total OPEB Liability as of June 30, 2016	\$ 120,062,993
Actual Benefit Payments and Refunds for the Year July 1, 2016 - June 30, 2017	(3,634,511)
Interest on Total OPEB Liability	3,641,969
Service Cost for the Year July 1, 2016 - June 30, 2017 at the End of the Year	4,117,337
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience at the End of the Year	-
Changes of Assumptions or Other Inputs	(12,808,598)
Total OPEB Liability Rolled Forward to June 30, 2017	\$ 111,379,190

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 5,447,207
Interest on net OPEB obligation	1,057,181
Adjustment to annual required contribution	(1,123,301)
Annual OPEB cost (expense)	5,381,087
Contributions made	3,634,511
Increase (decrease) in net OPEB obligation	1,746,576
Net OPEB obligation, beginning of year	14,581,793
Net OPEB obligation, end of year	\$ 16,328,369

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 thru 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 6,512,949	70.55%	\$ 13,726,715
2016	6,504,252	86.85%	14,581,793
2017	5,381,086	67.50%	16,328,369

Funded Status and Funding Progress. The following is the ADC based upon an actuarial valuation dated June 30, 2016. Based on the 4.18% assumed Long-term Investment Rate of Return, the valuation shows an Accrued Liability of \$99,933,936. Against this, the plan has \$20,005,169 in assets. When this amount is deducted from the Accrued Liability, there remains \$79,928,767 as the Unfunded Accrued Liability for the Plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return, which is the expected long-term investment returns on the plan's assets and an annual medical cost trend increase of 7.50 to 5.00 percent annually and an inflation component of 2.50 percent. The UAAL is being amortized on a level dollar basis. The remaining amortization period at June 30, 2017 was 30 years.

B. Other Employment Benefits - Death Benefits

Under the terms of the Board of Commissioner's resolution, the County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively. For the fiscal year ended June 30, 2017, the County contributed \$26,194 for employees not engaged in law enforcement and \$15,435 for employees for law enforcement officers for a total of \$41,629.

NOTE 10 - CLOSURE AND POST CLOSURE CARE COSTS - LANDFILL FACILITY

State and federal laws and regulations required the County to place a final cover on its landfill facility when it stopped accepting municipal solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure of the municipal solid waste collection cell. The County has continued to collect construction and demolition waste in different cells which are opened based on

demand and closed when each cell reaches its capacity. Closure and post closure care costs have been accumulated up to the dates of closure for each of the cells; therefore, the County has reported these closure and post closure care costs as an operating expense in each prior period based on landfill capacity used as of each balance sheet date. The County stopped accepting municipal solid waste into its Austin-Chaney Road facility, permit number 90-01, on December 31, 1997. The site still serves as a transfer station for the collection of local municipal solid waste, which is transported to other sites outside of the County. The \$4,741,553 reported as landfill closure and post closure care liability at June 30, 2017 represents a cumulative liability amount reported to date, based on the use of 100% of the total estimated post closure maintenance and monitoring costs associated with the closed municipal solid waste collection and construction and demolition cells and closure costs associated with 38% of the construction and demolition capacity. At June 30, 2017, there was an increase of \$60,849 from the prior year. The liability represents the estimated present value of the amount needed to fund the post closure care costs that will be incurred during the 30-year period after closure. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met and continues to meet the requirements of a local government financial test that is one option under state and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. The County elected to establish a reserve fund several years ago to accumulate resources for the payment of closure and post closure care costs. The actual landfill closure and post closure costs have been less than engineering estimates due to use of County personnel for closure activities and proper planning for closure. The Solid Waste Capital Reserve Fund has remaining funds being held in investments with a fair value of \$6,537,047. The County expects that future inflation costs will be paid from the interest earnings on these remaining funds. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future transfer station users or by future tax revenues.

NOTE 11 - COMMITMENTS

A. Contractual Commitments

The County had several outstanding projects as of June 30, 2017. At year end, the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Capital Projects Fund:</u>		
Human Services Campus	\$ 20,591,191	\$ 3,784,809
Firearms Range	5,102,865	1,639,965
<u>Water Capital Projects:</u>		
CRWTP Reservoir Expansion	8,087,190	17,275,153
<u>Sewer Capital Projects:</u>		
Crooked Creek Headworks Improvements	5,652,348	2,122,292
12 Mile Creek WWTP Expansion	14,294,864	36,673,000
Total	<u>\$ 53,728,458</u>	<u>\$ 61,495,219</u>

The General capital projects are commitments of the General Capital Projects Fund and are funded by a combination of certificates of participation, installment financing, general obligation bonds, grants, and General Fund monies. The Water and Sewer Capital Projects are commitments of the County's Water and Sewer Capital Projects Fund and are funded by a combination of revenue bonds and other enterprise fund monies.

The County has entered into an agreement with the City of Charlotte (CMUD) for the treatment of wastewater in the Six Mile Creek drainage basin located within both Union and Mecklenburg Counties. Under the agreement, the County is responsible for one sixteenth of the debt service on debt issued by the City of Charlotte to construct the new outfall lines and plant expansion and any capital maintenance thereto. In consideration for the debt service payments made by the County, the County receives the exclusive right to convey up to 3 million gallons per day of wastewater into the McAlpine Creek Waste Water Treatment Plant at cost. The remaining commitment under the contract is \$2,996,973.

B. Other Commitments

The County has an economic development and incentive grants program that is offered to companies meeting certain agreed upon criteria. Amounts to be paid in the future under these agreements are not readily determinable; however, management estimates an amount of up to \$7,592,406 and expects the payments to be made over the next five years.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss, with the exception of injuries to employees. The County self-insures workers' compensation, medical, and dental claims and purchases stop-loss insurance for workers' compensation and medical claims that exceed certain amounts.

There has been no significant reduction in insurance coverage from the previous year and settled claims subject to insurance coverage have not exceeded insurance policy limits in the last three years.

The County has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of contributions from the County, the County's employees, and unrestricted net position to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net position to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with County operations and the availability of unrestricted net position to fund projected claims.

The County's medical and Rx benefits are partially self-insured. Individual member claims are self-insured up to \$200,000 annually. Specific Stop-Loss Insurance is purchased to cover individual member claims in excess of the self-insured retention. In addition, Aggregate Stop-Loss Insurance is purchased to cover the combined eligible claims expense of all members in excess of 125% of expected eligible claims incurred and paid during the coverage period. Claims paid through an individual member HRA (Health Reimbursement Account) are excluded from specific and aggregate stop-loss coverage. Claims are administered under contract with a third-party administrator. Claim reserves are established at the end of the plan year (currently June 30) based on a combination of insurance industry standards, the County and third-party administrator's analysis of claims submission, processing, and payment.

The County's workers' compensation is self-insured; stop-loss insurance provides statutory worker compensation benefits above the County's self-insurance limit of \$450,000 per occurrence for police/fire employees and \$375,000 per occurrence for all other employees. A "buffer" layer of insurance provides coverage of \$100,000 over the \$450,000 limit for police/fire employees and \$175,000 over the \$375,000 for all other employees. An excess workers' compensation carrier provides coverage in excess over \$550,000. Claims are administered under contract with a third party administrator. Claim reserves are established when an injury occurs and the ultimate expected exposure of each claim can be reasonably estimated by the third-party claims administrator.

Unpaid liabilities at year end are as follows:

	Health Benefit Fund		Workers' Compensation Fund		Property and Casualty Fund	
	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016
Unpaid Claims beginning of fiscal year	\$ 1,313,638	\$ 1,016,102	\$ 185,357	\$ 512,538	\$ 274,412	\$ 78,381
Incurring claims and premiums	15,694,309	14,560,914	(139,118)	(128,210)	494,686	1,125,792
Claims and premiums paid	(15,777,068)	(14,263,378)	66,327	(198,971)	(561,423)	(929,761)
Unpaid Claims end of fiscal year	<u>\$ 1,230,879</u>	<u>\$ 1,313,638</u>	<u>\$ 112,566</u>	<u>\$ 185,357</u>	<u>\$ 207,675</u>	<u>\$ 274,412</u>

The County carries commercial insurance for its exposure to various risks related to torts, theft, damage to, and destruction of assets and errors and omissions. The finance officer is bonded at \$100,000, the tax administrator is bonded at \$60,000, the sheriff is bonded at \$5,000, and the register of deeds is bonded at \$25,000. The remaining employees are covered by a crime insurance policy with limits of \$1,000,000 per loss. The County has \$10,000,000 in flood coverage with a \$50,000 deductible for all structures, with the exception of the Farmers' Market, where a separate flood policy was purchased.

The County also has Security & Privacy Liability insurance (Cyber) with limits of \$3,000,000.

NOTE 13 - CLAIMS AND JUDGEMENTS

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

NOTE 14 - OPERATING LEASES

The County has entered into a five-year lease with Lancaster County Water and Sewer District (LCWSD) to utilize temporary 3 MGD (Millions of Gallons per Day) of excess allocated water capacity between Union and LCWSD, as stated in our Joint Venture Agreement. Under this lease, the County will be able to supply any anticipated demand in excess of the County's Allocated Capacity of 18 MGD. Rents paid under all operating leases totaled \$981,105 for the year ended June 30, 2017.

Minimum future lease payments are as follows:

Year Ending June 30	Lancaster County	Other
2018	\$ 325,176	\$ 625,168
2019	-	107,152
2020	-	100,252
2021-2025	-	67,752
2026-2030	-	-
2031-2035	-	-
2036-2039	-	-
	<u>\$ 325,176</u>	<u>\$ 900,324</u>

On July 17, 1997, Union County entered into a lease agreement for the premises known as Union Village. This facility houses most of the offices of the Department of Social Services and the Health Department. Payments made under this lease are included in the schedule of minimum lease payments. This lease has been extended to run from July 1, 2017, through June 30, 2018 with the option to extend the term for an additional one year to begin upon the expiration of the previous term. The premises include additional space, which is subleased to Piedmont Behavioral Healthcare (PBH) under a sublease agreement entered into on October 5, 1998. This agreement is coterminous with the July 17, 1997 lease agreement. The sub-lessee is required to extend the sublease agreement if Union County elects to exercise the option to extend the term of the original lease agreement. Amounts received under this agreement totaled \$83,903 during the fiscal year ended June 30, 2017. During the remaining term of the sublease agreement, rent paid by sub-lessee shall be increased or decreased based on the rent paid as of the expiration of the preceding one-year period in the same percentage as the percentage change in the cost of living index for the month of June just prior to the preceding one-year term until the month of June just prior to the current term. The cost of living index shall be measured by the Personal Consumption Expenditure (PCE) index as published in The Wall Street Journal.

NOTE 15 - LONG-TERM OBLIGATIONS

A. General Obligation Bonds, Certificates of Participation, Revenue Bonds' Indebtedness, and Derivatives

The general obligation bonds, installment financing, and certificates of participation (COPs) for school facilities and various general government capital projects and items are serviced by the General Fund. The general obligation bonds and revenue bonds issued to finance the construction of facilities or purchase equipment utilized in the operations of the water and sewer systems are being retired by their resources. Principal and interest requirements are appropriated when due for all debt. The general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. The revenue bonds are secured by the pledge of net revenues derived from the acquired or constructed assets of the water and sewer system. The derivatives are interest swap agreements with the objective of protecting Union County against the risk of interest rate changes in connection with variable rate debt and to effect lower debt service costs on the County's fixed rate debt. Any derivative that the County enters into must first have the approval of the Local Government Commission (LGC) and the County Commissioners. The COPs and Installment Financing are collateralized by the assets financed and are not secured by the taxing power of the County. The COPs require the County to follow customary covenants including providing insurance certificates, budget data, and financial information on an annual basis. The other long-term obligations, the North Carolina Clean Water Revolving Loans, are described further in Note 15. E.

1. Long-term obligations at June 30, 2017 are reflected in the following table. Bonds and installment financings appearing in the table that have associated derivative products are denoted with a lower case letter of the alphabet in parenthesis. A detailed description of each corresponding derivative appears after the following tables.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2017
1. General Obligation Bonds					
2004 School Facility - Series A	Dec. 14, 2004	March 01, 2029	2.28%	48,265,000	\$ 31,637,708
2004 Law Enf. Facility - Series A	Dec. 14, 2004	March 01, 2029	2.28%	1,735,000	1,137,292
2004 Refunding Bonds - Series B (School Fac.)	Dec. 14, 2004	March 01, 2020	1.40%	21,630,000	5,460,000
2007 School Facility - Series A	Sept. 06, 2007	March 01, 2033	2.19%	65,365,000	30,745,000
2007 School Facility - Series B	Sept. 06, 2007	March 01, 2033	Variable	39,200,000	18,465,000
2007 School Facility - Series C	Sept. 06, 2007	March 01, 2033	2.19%	26,145,000	12,295,000
2007 School Facility - Series D	Sept. 06, 2007	March 01, 2029	4.25% - 5.00%	90,000,000	6,000,000
2009 School Facility - Series A	March 10, 2009	March 01, 2029	3.00% - 5.00%	64,500,000	10,850,000
2009 Refunding Bonds (School Facility) - Series B	March 10, 2009	March 01, 2030	2.50% - 5.00%	72,000,000	10,290,000
2009 Refunding Bonds (School Facility) - Series C	Aug. 13, 2009	March 01, 2020	2.25% - 4.50%	39,332,628	13,735,000
2010 Refunding Bonds (School Facility) - Series A	July 08, 2010	March 01, 2022	3.00% - 5.00%	55,010,000	22,715,000
2012 Refunding Bonds (School Facility)	May 01, 2012	March 01, 2024	2.00% - 5.00%	28,845,000	27,665,000
2013A Refunding Bonds (School Facility)	March 19, 2013	March 01, 2029	1.50% - 5.00%	42,890,000	41,550,000
2015 Refunding Bonds (School Facility)	Dec. 08, 2015	Sept. 01, 2029	2.00% - 5.00%	41,020,000	41,020,000
					<u>273,565,000</u>
2. Installment Financing					
2009 Installment Financing (Communications)	June 17, 2009	June 01, 2019	3.90%	9,390,000	2,175,234
2011 Limited Obligation Bonds	December 01, 2011	June 01, 2020	2.28%	12,390,000	5,725,000
2012 Limited Obligation Bonds	May 01, 2012	December 01, 2024	1.00% - 5.00%	27,850,000	27,445,000
2013 Limited Obligation Bonds	March 19, 2013	December 01, 2031	2.00 - 5.00%	29,310,000	29,150,000
					<u>64,495,234</u>
3. Revenue Bonds					
2009 Enterprise System (b, d)	Aug. 20, 2009	June 01, 2034	Variable	20,000,000	15,785,000
2011 Enterprise System - Series A (c)	December 21, 2011	June 01, 2021	2.00% - 5.00%	22,960,000	18,410,000
2015 Enterprise System	December 9, 2015	June 01, 2040	2.00% - 5.00%	22,955,000	22,375,000
					<u>56,570,000</u>
4. Other Long-term Obligations (Note 15. E.)					
2007 North Carolina Clean Water Revolving Loan	June 19, 2008	May 01, 2028	0.023	15,000,000	8,250,000
					<u>8,250,000</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligation					<u>\$ 402,880,234</u>

2. Details regarding recent debt refundings are as follows:

On March 19, 2013 the County issued General Obligation Refunding Bonds, Series 2013A, totaling \$42,890,000 with an interest rate ranging from 1.50% to 5.00% to partially advance refund \$17,000,000 of the outstanding amount of the County's School General Obligation Bonds, Series 2007D and to partially advance refund \$21,570,000 of the outstanding principal amount of the County's School General Obligation Bonds, Series 2009B. The proceeds of the new bonds were used to purchase U.S. Treasury Notes and Resolution Funding Strips, obligations issued by an agency controlled or supervised by and acting as an instrumentality of the United States of America, the timely payment of the principal of and interest thereon is fully guaranteed as a full faith and credit obligation of the United States of America. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded General Obligation Bonds, Series 2007D and Series 2009B. As a result, the bonds described above are considered to be defeased and the liability for the defeased portion of the bonds has been removed from the statement of net position. The advance refunding reduced cash flow required for debt service on the general obligation bonds by \$1,620,100. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,638,456. At June 30, 2017, \$38,570,000 of defeased bonds remain in escrow.

Also, on December 22, 2015 the County issued General Obligation Refunding Bonds, Series 2015, totaling \$41,020,000 with an interest rate ranging from 2.00% to 5.00% to partially advance refund \$31,495,000 of the outstanding amount of the County's School General Obligation Bonds, Series 2009A and to partially advance refund \$12,710,000 of the outstanding principal amount of the County's School General Obligation Bonds, Series 2009B. The proceeds of the new bonds were used to purchase U.S. Treasury Notes and Resolution Funding Strips, obligations issued by an agency controlled or supervised

by and acting as an instrumentality of the United States of America, the timely payment of the principal of and interest thereon is fully guaranteed as a full faith and credit obligation of the United States of America. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded General Obligation Bonds, Series 2009A and Series 2009B. As a result, the bonds described above are considered to be defeased and the liability for the defeased portion of the bonds has been removed from the statement of net position. The advance refunding reduced cash flow required for debt service on the general obligation bonds by \$4,677,815. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$3,595,017. At June 30, 2017, \$44,205,000 of defeased bonds remain in escrow.

3. Derivative Instruments outstanding as of June 30, 2017, are reflected in the following summary table. Following the summary table, each derivative's objectives, terms, reference rates, relevant dates and risks are more fully described.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

	Changes in Fair Value since June 30, 2016		Fair Value at June 30, 2017		Notional
	Classification	Amount	Classification	Amount	
Business-type activities					
Cash flow hedges:					
Pay fixed-receive floating (a)	Deferred outflow	1,430,853	Debt	\$ (3,104,300)	15,785,000
Total interest rate swaps		\$ 1,430,853		\$ (3,104,300)	\$ 15,785,000

These mark-to-market valuations were established by market quotations obtained from the counterparties, representing estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date.

As of June 30, 2017, the County determined that the pay fixed-receive floating interest rate swap listed as a cash flow hedge derivative instrument under business-type activities did meet the criteria for effectiveness. The County used regression analysis to measure the effectiveness of its cash flow hedges as it does not qualify for effectiveness under the consistent critical terms method. Accordingly, the accumulated changes in fair value of this swap has been recorded in deferred outflows on derivative instruments (asset) and the derivative liability category on the Statement of Net Position. See details in Note 15-A.3.(a).

(a) Derivative Disclosure – Pay-Fixed, Receive-Floating Interest Rate Forward Swap Agreement dated October 11, 2005 (subsequently amended and restated on May 3, 2007 and June 26, 2008) and effective June 15, 2009 – Assumptions

Objective of the interest rate swap. In order to protect against the potential of higher future interest rates in connection with its issuance of Water and Sewer Enterprise System Variable Rate Revenue Bonds, Series 2009 ("Series 2009 Bonds"), the County entered into a pay-fixed, receive-variable interest rate swap on October 11, 2005 with an effective date of June 15, 2009. The forward swap agreement would effectively change the County's interest rate on the Series 2009 Bonds to a synthetic fixed rate of 3.82%, excluding liquidity, remarketing, and other fees associated with the Series 2009 Bonds. The Series 2009 Bonds were issued August 20, 2009.

Terms. Under the terms of the amended and restated swap agreement effective June 15, 2009, Citibank, N.A. New York ("Citibank") would pay the County 70% of USD-LIBOR-BBA semi-annually on the notional amount of \$20,000,000. On a semi-annual basis, the County would pay Citibank an amount at a fixed rate of 3.82% on the same notional amount. The notional amount declines with the amortization of the corresponding Water and Sewer Enterprise System Variable

Rate Revenue Bonds, Series 2009 over a period beginning June 1, 2010 and ending June 1, 2034. The agreement matures June 1, 2034.

On August 22, 2011, the swap originally entered into with Citibank was transferred, “novated”, from Citibank to The Bank of New York Mellon (“BNY Mellon”) under the terms of the Novation Confirmation dated August 22, 2011. The purpose of the novation was to increase the credit quality of the County’s counterparty to the swap. The terms of the swap remained consistent to the County. The transferor, Citibank, paid consideration to the transferee, BNY Mellon, in consideration of the trade novation as more fully described in the Novation Confirmation.

As of June 30, 2017, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to BNY Mellon	Fixed	3.820%
Variable payment from BNY Mellon	70% LIBOR	<u>(0.735%)</u>
Net interest rate swap payments		3.085%
Variable rate bond coupon payments	Bond Rate	<u>0.900%</u>
Synthetic interest rate on Bonds		3.985%
Remarketing, Liquidity, Other		<u>0.542%</u>
Total Cost		<u>4.527%</u>

Fair Value. As of June 30, 2017, the agreement had a negative fair value of \$3,104,300. This mark-to-market valuation was established by market quotations obtained from the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions, excluding accrued interest from the last payment date.

Credit Risk. As of June 30, 2017, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap agreement become positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. Under those circumstances, should the counterparty fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement’s positive fair value, if any, at the time of any failure to perform. BNY Mellon, rated “Aa2” by Moody’s Investor’s Service, “AA-” by Standard and Poor’s Ratings Services, and “AA” by Fitch Ratings as of June 30, 2017, will collateralize any net market value on all outstanding swaps to the extent positive to the County over a predetermined threshold that varies depending on BNY Mellon’s ratings. At BNY Mellon’s current ratings, such threshold is Infinity.

Basis Risk. The County receives from BNY Mellon 70% of USD-LIBOR-BBA and pays the Bond Rate to its bondholders set by the remarketing agent. The County is exposed to basis risk when its Series 2009 Bonds begin to trade at a yield which exceeds 70% of USD-LIBOR-BBA. In the event of such an occurrence, the County will experience an increase in debt service above the fixed rate on the swap.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the “BBB” credit rating category. Termination could result in the County being required to make an unanticipated termination payment.

Rollover Risk. The County is not exposed to rollover risk on the derivative contract because the maturity of the derivative is coterminous with the maturity of the associated debt.

Swap payments and associated debt: Using rates as of June 30, 2017, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the

same for the term of the bonds, are reflected in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate	Remarketing	Total
	Principal	Interest	Sw aps, Net *	Liquidity, Other	
2018	\$ 640,000	\$ 142,065	\$ 486,912	\$ 85,541	\$ 1,354,518
2019	670,000	136,305	467,170	82,073	1,355,548
2020	700,000	130,275	446,503	78,442	1,355,220
2021	730,000	123,975	424,911	74,648	1,353,534
2022	760,000	117,405	402,393	70,692	1,350,490
2023 - 2027	4,355,000	477,945	1,638,103	287,783	6,758,831
2028 - 2032	5,415,000	263,655	903,649	158,753	6,741,057
2033 - 2034	2,515,000	34,200	117,217	20,593	2,687,010
Total	<u>\$ 15,785,000</u>	<u>\$ 1,425,825</u>	<u>\$ 4,886,858</u>	<u>\$ 858,525</u>	<u>\$ 22,956,208</u>

* Computed using $(3.82\% - 0.735\%) \times (\$15,785,000 - \text{annual reduction})$

4. The preceding long-term obligations are included in Exhibit A as follows:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 289,513,224	\$ -	\$ 289,513,224
Certificates of Participation	67,221,364	-	67,221,364
Installment Financing	2,175,234	-	2,175,234
Revenue Bonds	-	60,021,984	60,021,984
N.C. Clean Water Revolving Loan	-	8,250,000	8,250,000
Total	<u>\$ 358,909,822</u>	<u>\$ 68,271,984</u>	<u>\$ 427,181,806</u>

5. The table in Note 15 part A differs from the long-term obligations in Note 15 part B due to the following:

	Unamortized Premium
<u>General Obligation Bonds</u>	
2007 School Facility - Series D	\$ (149,027)
2009 School Facility - Series A	(506,044)
2009 Refunding Bonds (School Facility) - Series B	(407,104)
2009 Refunding Bonds (School Facility) - Series C	(685,118)
2010 Refunding Bonds (School Facility) - Series A	(2,671,805)
2012 School Refunding	(1,967,048)
2013A School Refunding	(2,866,334)
2015 School Refunding	(6,695,744)
<u>Installment Financing</u>	
2012 Limited Obligation Bonds (Schools)	(1,778,676)
2012 Limited Obligation Bonds (Other)	(499,670)
2013 Limited Obligation Bonds (Schools)	(2,623,018)
<u>Revenue Bonds</u>	
2011A Refunding Enterprise System	(1,371,550)
2015 Enterprise System Revenue Bonds	(2,080,434)
Total	<u>(24,301,572)</u>
Long-term Obligations (per Note 15, A)	<u>427,181,806</u>
Future Maturities of Long-term Obligations (per Note 15, B)	<u>\$ 402,880,234</u>

B. Future Maturities of Long-Term Obligations

Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences):

	General Obligation Bonds		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities						
2018	\$ 26,865,000	\$ 9,168,618	\$ 6,336,601	\$ 2,502,114	\$ 33,201,601	\$ 11,670,732
2019	26,830,000	8,088,418	6,273,633	2,300,870	33,103,633	10,389,288
2020	26,205,000	7,000,442	5,070,000	211,644	31,275,000	7,212,086
2021	22,445,000	5,862,650	4,935,000	1,906,350	27,380,000	7,769,000
2022	22,245,000	5,094,389	4,900,000	1,709,650	27,145,000	6,804,039
2023-2027	95,965,000	14,248,391	21,095,000	5,309,500	117,060,000	19,557,891
2028-2032	51,510,000	2,432,137	15,885,000	1,309,875	67,395,000	3,742,012
2033-2036	1,500,000	17,400	-	-	1,500,000	17,400
	<u>\$ 273,565,000</u>	<u>\$ 51,912,445</u>	<u>\$ 64,495,234</u>	<u>\$ 15,250,003</u>	<u>\$ 338,060,234</u>	<u>\$ 67,162,448</u>

	Revenue Bonds		Other Long-term Obligations (E)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Business Type Activities						
2018	\$ 2,475,000	\$ 2,234,850	\$ 750,000	\$ 186,863	\$ 3,225,000	\$ 2,421,713
2019	2,555,000	2,154,652	750,000	169,875	3,305,000	2,324,527
2020	2,660,000	2,052,658	750,000	152,888	3,410,000	2,205,546
2021	2,760,000	1,959,218	750,000	135,900	3,510,000	2,095,118
2022	2,870,000	1,851,032	750,000	118,913	3,620,000	1,969,945
2023-2027	16,255,000	7,440,317	3,750,000	339,750	20,005,000	7,780,067
2028-2032	13,990,000	4,086,057	750,000	16,987	14,740,000	4,103,044
2033-2037	8,700,000	1,645,535	-	-	8,700,000	1,645,535
2038-2041	4,305,000	304,850	-	-	4,305,000	304,850
	<u>\$ 56,570,000</u>	<u>\$ 23,729,169</u>	<u>\$ 8,250,000</u>	<u>\$ 1,121,176</u>	<u>\$ 64,820,000</u>	<u>\$ 24,850,345</u>

Total Long-term Obligations for Governmental and Business-type Activities

	<u>\$ 402,880,234</u>	<u>\$ 92,012,793</u>
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As of June 30, 2017, Union County had general obligation bonds authorized but unissued of \$104,320,000, and had a legal debt margin of \$1,523,960,890.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2017 (and agrees to table in Note 15 part A):

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable					
General obligation bonds	\$ 300,545,000	\$ -	\$ 26,980,000	\$ 273,565,000	\$ 26,865,000
Certificates of participation	67,565,000	-	5,245,000	62,320,000	5,270,000
Installment financing	3,201,399	-	1,026,165	2,175,234	1,066,602
Premium	23,933,530	-	3,083,942	20,849,588	2,861,762
Total Bonds Payable	<u>395,244,929</u>	<u>-</u>	<u>36,335,107</u>	<u>358,909,822</u>	<u>36,063,364</u>
Compensated absences	4,173,022	5,571,459	5,171,551	4,572,930	3,072,941
Net OPEB obligation	13,142,686	1,555,428	-	14,698,114	-
Net pension liability (LGERS)	3,003,127	11,792,780	-	14,795,907	-
Net pension liability, separation allowance	11,928,624	-	2,463,486	9,465,138	-
Government activities long term liabilities	<u>\$ 427,492,388</u>	<u>\$ 18,919,667</u>	<u>\$ 43,970,144</u>	<u>\$ 402,441,911</u>	<u>\$ 39,136,305</u>
Business-type Activities:					
Bonds Payable					
Revenue bonds	\$ 58,965,000	\$ -	\$ 2,395,000	\$ 56,570,000	\$ 2,475,000
NC Clean Water Revolving Loan	9,233,697	-	983,697	8,250,000	750,000
Premium	3,662,835	-	210,851	3,451,984	210,851
Total Bonds Payable	<u>71,861,532</u>	<u>-</u>	<u>3,589,548</u>	<u>68,271,984</u>	<u>3,435,851</u>
Compensated absences	435,496	650,285	600,752	485,029	332,520
Net OPEB obligation	1,439,107	191,148	-	1,630,255	-
Net pension liability (LGERS)	368,078	1,411,239	-	1,779,317	-
Net pension liability, separation allowance	1,592,058	-	408,989	1,183,069	-
Business-type activities long term liabilities	<u>\$ 75,696,271</u>	<u>\$ 2,252,672</u>	<u>\$ 4,599,289</u>	<u>\$ 73,349,654</u>	<u>\$ 3,768,371</u>

Compensated absences, LGERS, Separation Allowance, and OPEB for governmental activities typically have been liquidated in the General Fund or one of the Enterprise Funds depending on the location status of the employee at the time of liquidation.

D. Revenue Bonds

The County issued combined system enterprise revenue bonds for water and sewer system improvements pursuant to a General Trust Indenture dated as of May 1, 1996; Series Indenture Number 2, dated as of May 15, 2003; Series Indenture Number 3, dated as of August 1, 2009; Series Indenture Number 4, dated as August 4, 2011; Series Indenture Number 5, dated as of December 1, 2011; and Series Indentures Number 6, dated as of December 1, 2015 (together the "Indentures") between the County and First Union National Bank of North Carolina (now succeeded by U.S. Bank National Association), as trustee. The Indentures authorize and secure all outstanding revenue bonds of the County's water and sewer system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system, and insurance.

The rate covenant of the County is as follows: Before the commencement of each Fiscal Year, the County will fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the Enterprise Systems and revise or cause to be revised the same, as necessary, as will produce revenues at least equal in such Fiscal Year to the total of the current expenses budgeted for such Fiscal Year, as may be amended from time to time, plus 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus 100% of (1.00 times) the Principal and Interest Requirement on General Obligation Indebtedness and Subordinate Indebtedness to become due in such Fiscal Year plus 100% of (1.00 times) the Principal and Interest Requirements on Other Indebtedness to become due in such Fiscal Year plus 100% (1.00 times) the amount required to reimburse the provider of a qualified reserve fund substitute for any amounts owing hereunder.

The County was in compliance with all such covenants during the fiscal year ended June 30, 2017. The calculation for the various debt service coverage ratios for the year ended June 30, 2017 is as follows:

Revenues	\$ 43,316,500
Current Expenses	24,128,401
Net revenues available for debt service	<u>\$ 19,188,099</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 4,185,374
Subordinate debt service:	
Debt service, principal and interest paid	<u>1,195,562</u>
Total debt service:	
Total debt service, principal and interest paid	5,380,936
Add: 20% of senior debt service	837,075
Adjusted debt service requirements	<u>\$ 6,218,011</u>
Coverage Test 1	
Net revenues / adjusted debt service	3.09
Coverage Test 2	
Net revenues / total debt service	3.57

E. Other Long-Term Debt

North Carolina Clean Water Revolving Loans -During fiscal year ended June 30, 2007, the County received approval on a loan from the North Carolina Clean Water Revolving Loan and Grant Fund with a maximum limit of \$15,000,000. This loan is payable over 20 years with interest at 2.265% and is secured by the net revenues of the water and sewer system. This loan contains certain financial and operating covenants. The County was in compliance with all such covenants as of June 30, 2017. The amount

outstanding at June 30, 2017 is \$8,250,000. These funds are being used for the 12 Mile Creek Sewer Plant 6 MGD Expansion project of the County's Water and Sewer Enterprise Fund.

The following table summarizes the annual requirements to amortize the long-term debt associated with this loans.

Year Ending June 30	2007 NC Clean Water Revolving Loan	
	Principal	Interest
2018	\$ 750,000	\$ 186,863
2019	750,000	169,875
2020	750,000	152,888
2021	750,000	135,900
2022	750,000	118,913
2023-2027	3,750,000	339,750
2028	750,000	16,988
Total	<u>\$ 8,250,000</u>	<u>\$ 1,121,177</u>

F. Conduit Debt Obligations

Union County Industrial Facility and Pollution Control Financing Authority (the Authority) has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, or any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there was one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$10,000,000.

G. Debt Related to Capital Activities

As of June 30, 2017, of the total Governmental Activities debt listed, only \$13,015,818 relates to assets the County holds title to. As of June 30, 2017, there are no unspent restricted cash related to this debt amount. The remaining \$345,894,004 in outstanding debt is for Union County Public Schools Facilities and South Piedmont Community College.

NOTE 16 - INTERFUND BALANCES AND ACTIVITY

A. INTERFUND BALANCES

The composition of inter-fund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ (203,732)	Note 1
General Fund	Solid Waste Fund	(27,447)	Note 1
		<u>\$ (231,179)</u>	

Note 1: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (as shown on Exhibit A).

B. INTERFUND ACTIVITY

Transfers to/from other funds at June 30, 2017, consist of the following:

Governmental activities:

From the Information Technology Internal Service Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	\$ 44,185
From the General Fund to the General Capital Projects fund to provide funding for the FY 2017 Capital Improvement Plan planned projects.	3,844,916
From the General Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	1,755,618
From the Schools Budgetary Fund to the General Capital Projects funds to provide funding for Union County Public Schools Capital Projects.	17,749,200
From the Fleet Management Internal Service Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	15,165
From the Facilities Management Internal Service Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	19,098
Total governmental activities	<u>23,428,182</u>

Business-type activities:

From Water and Sewer Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	372,173
From the Solid Waste Fund to the Health Internal Service Fund to provide funding for health claims and benefits.	58,761
From Stormwater Fund to the Water and Sewer Fund to close out the Stormwater Fund. Previous funding for the Stormwater Funds were transfers from the Water and Sewer Fund.	402,310
Total business-type activities	<u>833,244</u>
Total transfers	<u>\$ 24,261,425</u>

NOTE 17 - BLENDED COMPONENT UNIT

Union County's Water and Sewer District's sole purpose is to operate the County's Water and Sewer system, continues operations under the name Union County Public Works, sets certain rate and fee schedules, and performs other functions as set forth in an interlocal agreement between the District and the County. The Water and Sewer District is a blended component unit of the County.

Summary business-type activities financial information for the County's Water and Sewer Fund and Water and Sewer District blended component unit are presented as follows.

	<u>Water and Sewer Operating Fund</u>	<u>Water and Sewer District</u>	<u>Total Water and Sewer Fund</u>
<i>Combining Statement of Net Position</i>			
Assets			
Current assets	\$ 63,886,175	\$ 762,999	\$ 64,649,174
Restricted assets	1,385,078	-	1,385,078
Non-current assets	48,287,305	-	48,287,305
Capital Assets	264,013,341	-	264,013,341
Total assets	<u>377,571,899</u>	<u>762,999</u>	<u>378,334,898</u>
Deferred Outflows of Resources	5,620,374	-	5,620,374
Total assets and deferred outflows of resources	<u>383,192,273</u>	<u>762,999</u>	<u>383,955,272</u>
Liabilities			
Current liabilities	14,101,773	-	14,101,773
Current liabilities payable from restricted assets	508,184	-	508,184
Non-current liabilities	71,967,239	-	71,967,239
Total liabilities	<u>86,577,196</u>	<u>-</u>	<u>86,577,196</u>
Deferred Inflows of Resources	297,045	-	297,045
Total liabilities and deferred inflows of resources	<u>86,874,241</u>	<u>-</u>	<u>86,874,241</u>
Net position			
Net invested in capital assets	203,466,444	-	203,466,444
Restricted for debt service	876,897	-	876,897
Unrestricted	91,974,691	762,999	92,737,690
Total net position	<u>\$ 296,318,032</u>	<u>\$ 762,999</u>	<u>\$ 297,081,031</u>

	Water and Sewer Operating Fund	Water and Sewer District	Total Water and Sewer Fund
<i><u>Combining Statement of Revenues, Expenses, and Changes in Net Position</u></i>			
Operating Revenues			
Charges for services	\$ 32,208,889	\$ 8,883,127	\$ 41,092,016
Miscellaneous revenue	11,593	-	11,593
Other operating revenue	1,549,773	394,020	1,943,793
Total operating revenue	<u>33,770,255</u>	<u>9,277,147</u>	<u>43,047,402</u>
Operating expenses			
Personnel	7,530,656	-	7,530,656
Other operating expenses	9,438,580	6,832,333	16,270,913
Depreciation	14,054,442	-	14,054,442
Operating leases	326,832	-	326,832
Total operating expenses	<u>31,350,510</u>	<u>6,832,333</u>	<u>38,182,843</u>
Operating income(loss)	<u>2,419,745</u>	<u>2,444,814</u>	<u>4,864,559</u>
Non-operating revenues (expenses)			
Investment earnings	240,928	-	240,928
Sale of capital assets	58,170	-	58,170
Interest and fees on long term debt	(2,046,386)	-	(2,046,386)
Gain (loss) on investment in joint venture	(356,017)	-	(356,017)
Total non-operating revenues (expenses)	<u>(2,103,305)</u>	<u>-</u>	<u>(2,103,305)</u>
Income (loss) before contributions and transfers	<u>316,440</u>	<u>2,444,814</u>	<u>2,761,254</u>
Transfers	3,710,102	(3,679,965)	30,137
Capital contributions-capacity fees	3,394,405	1,955,120	5,349,525
Capital contributions-other	432,344	43,030	475,374
Capital contributions-non-cash	11,122,031	-	11,122,031
Total transfers and contributions	<u>18,658,882</u>	<u>(1,681,815)</u>	<u>16,977,067</u>
Change in net position	18,975,322	762,999	19,738,321
Beginning net position	277,342,710	-	277,342,710
Ending net position	<u>\$ 296,318,032</u>	<u>\$ 762,999</u>	<u>\$ 297,081,031</u>

	Water and Sewer Operating Fund	Water and Sewer District	Total Water and Sewer Fund
<i><u>Combining Statement of Cash Flows</u></i>			
Net cash provided (used) by:			
Operating activities			
	\$ 19,476,738	\$ 2,444,814	\$ 21,921,552
Noncapital financing activities	3,710,102	(3,679,965)	30,137
Capital and related financing activities	(26,773,996)	1,998,150	(24,775,846)
Investing activities	(10,481,918)	-	(10,481,918)
Net increase (decrease)	<u>(14,069,074)</u>	<u>762,999</u>	<u>(13,306,075)</u>
Beginning cash and cash equivalents	89,718,956	-	89,718,956
Ending cash and cash equivalents	<u>\$ 75,649,882</u>	<u>\$ 762,999</u>	<u>\$ 76,412,881</u>

NOTE 18 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Governmental Activities:</u>		
Pensions - difference between expected and actual experience		
LGERS	\$ 277,990	\$ 518,465
Register of Deeds	521	6,310
Pensions - Changes of assumptions		
LGERS	1,013,389	-
Register of Deeds	129,873	-
Pensions - difference between projected and actual investment earnings		
LGERS	8,180,266	-
Register of Deeds	834	-
Separation Allowance	-	2,403
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	396,734	-
Register of Deeds	2,731	9,407
Contributions to pension plans subsequent to measurement date		
LGERS	3,253,272	-
Register of Deeds	22,706	-
Separation Allowance	1,027,697	-
Pensions - changes of assumptions and other inputs for separation allowance	89,727	204,094
Prepaid taxes not yet earned (General)	-	312,102
Prepaid taxes not yet earned (Special Revenue)	-	61,206
Taxes receivable, net, less penalties (General)	-	237,295
Taxes receivable, net, less penalties (Special Revenue)	-	53,624
Unamortized Loss on Debt Refundings	19,063,710	-
Unamortized Gain on Debt Refundings	-	5,104,645
Total governmental activities	<u>33,459,450</u>	<u>6,509,551</u>
<u>Business-Type Activities:</u>		
Pensions - difference between expected and actual experience - LGERS	33,430	62,349
Pensions - changes of assumptions - LGERS	121,866	-
Pensions - difference between projected and actual investment earnings		
LGERS	983,746	-
Separation Allowance	-	300
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions - LGERS	47,710	-
Contributions to pension plans subsequent to measurement date		
LGERS	391,224	-
Separation Allowance	128,454	-
Pensions - changes of assumptions and other inputs for separation allowance	11,216	25,510
Developer contributions for future Water and Sewer line extensions, not yet earned	-	185,110
Prepaid intergovernmental not yet earned (W&S)	-	-
Unamortized Loss on Debt Refunding (W&S)	1,010,463	-
Unamortized Gain on Debt Refundings (W&S)	-	34,619
Derivative of Debt for Cash Flow Hedging	3,104,300	-
Total business type activities	<u>5,832,409</u>	<u>307,888</u>
Total	<u>\$ 39,291,859</u>	<u>\$ 6,817,439</u>

NOTE 19 - JOINT VENTURES

A. Catawba River Treatment Plant

Union County and Lancaster County Water and Sewer District (district) constructed a water impoundment and treatment facility on the Catawba River in Lancaster County. The joint venture is known as the Catawba River Water Treatment Plant (the "CRWTP"). The agreement between the two parties called for the payment of one-half the audited and agreed upon costs of acquiring, constructing, and equipping the project. The County has a 50% undivided interest in the facility. Management of the facility is the responsibility of a joint board. The joint board is composed of an equal number of members from the district and County. A minimum of three (3) members from the district and County each serve on the joint board. The district has responsibility for operating the facility under the joint board's direction.

The agreement further calls for an annual audit each June 30 to determine actual expenses and gallons used. A final settlement will be made each year based on audited amounts. Operating costs of the facility will be split between the parties based on metered gallons drawn by each. The joint venture serves only the County and district as customers. All purchases of water are considered to be related party transactions. During the year, the County purchased \$2,546,200 of water.

The County's net investment is recorded in the Water and Sewer Enterprise Fund and is accounted for on the equity method. The County's equity interest as of June 30, 2017 was \$30,392,051. This included the County's recognized loss of \$376,852 for the year. Complete separate financial statements for the joint venture may be obtained from Catawba River Water Treatment Plant, 5107 Riverside Road, P.O. Box 214, Van Wyck, SC 29744. Summary financial information as of, and for the fiscal year ended June 30, 2017, is as follows:

Cash and investments	\$	2,399,547
Other assets		61,048,770
Total assets	\$	<u>63,448,317</u>
Total liabilities	\$	2,664,216
Total net position		60,784,101
Total liabilities and net position	\$	<u>63,448,317</u>
Total revenues	\$	4,967,002
Total expenses		(5,720,705)
Capital contributions		21,487,361
Net increase in net position	\$	<u>20,733,658</u>

Water supply and water transfers from the Catawba River are presently the subject of legislation activity. North Carolina has enacted new inter-basin transfer legislation and South Carolina has surface water legislation pending in its legislature. These legislative activities may affect the availability of raw water for treatment at the CRWTP and/or consumption of treated water by the joint venture. Additionally, South Carolina brought suit against North Carolina in the United States Supreme Court over the withdrawals, transfers, and consumption of water that crosses over the boundary between the two states. This matter has been settled and the County was not adversely impacted by the settlement. Due to the uncertainty of the pending legislation, no provision has been included in the financial statements.

B. Union Memorial Regional Medical Center

Union Memorial Regional Medical Center, Inc. d/b/a Carolinas Medical Center-Union (CMC-Union) is a not-for-profit organization which provides health care service to the residents of Union and surrounding counties. The County has an agreement, originally entered into August 27, 1995, between the County, CMC-Union and a subsidiary of the Charlotte-Mecklenburg Hospital Authority, d/b/a Carolina HealthCare System (CHS) to operate and manage CMC-Union. An amendment to the agreement was entered into as of December 6, 1999, whereby the term was extended to August 26, 2020, with options to extend and renew the agreement for additional periods not to exceed nine years each, upon mutual agreement of the parties. A new amendment was negotiated and entered into effective January 1, 2012 and remaining in effect until December 31, 2061. The new amended agreement with CMC-Union requires an annual

payment of lease to the County of \$6,100,000 per year payable on or before January 15th of each year. The new lease payment of \$6,100,000 per year increases by one percent (1%) on January 1, 2017, and on the first January 1 of each five (5) year period thereafter. In addition to the annual lease for 2012, CHS paid the remainder of the annual rent under the old lease (\$1,566,879). Under the new amendment, in addition to the annual lease, CHS paid the County an upfront lease payment in the amount of \$54,000,000. The County does not provide any financial assistance for operating expenses. On January 29, 2007, the County entered into a contract with CMC-Union whereby the County reimburses CMC-Union for 50% of the costs for qualifying physicians providing indigent care services to Union County residents through the emergency department. The County's participation is conditioned upon annual funding and limited to \$250,000 per fiscal year. The amount of funding for the current fiscal year was \$0. The County does not have an equity interest in the joint venture; therefore, no equity interest is reflected in the County's financial statements. Complete financial statements may be obtained at the Carolinas Medical Center-Union offices at P.O. Box 5003, Monroe, NC 28111.

The North Carolina Medical Care Commission (the "Commission") issued \$25,000,000 Health Care Facilities Revenue Bonds, Series 2002A (the "Series 2002A Bonds") dated June 15, 2002 and \$15,000,000 Health Care Facilities Revenue Bonds, Series 2002B (the "Series 2002B Bonds" and collectively, with the Series 2002A Bonds the "Bonds") dated July 11, 2002 for the Union Regional Medical Center Project (the "Project").

Concurrently with the issuance of the Bonds, the Commission entered into a loan agreement with Union Regional Memorial Medical Center, Inc. currently d/b/a Carolinas Medical Center-Union (the "Corporation"), a North Carolina nonprofit corporation. The Commission lent the proceeds of the Bonds to the Corporation for the purpose of providing funds, together with other available funds, for the purpose of paying costs of facility expansions and improvements, repayment of an interim financing incurred by the Corporation in connection with the Project, a debt service reserve fund and issuance expenses.

The Bonds are limited obligations of the Commission, payable solely from money received from the Corporation pursuant to the terms of the loan agreement issued by the Corporation to the Commission. Neither the faith and credit nor the taxing power of the State of North Carolina or Union County is pledged as security for the Bonds.

C. South Piedmont Community College

The County, in conjunction with the State of North Carolina and Anson County Community College, participates in a joint venture to operate the Union Campus of South Piedmont Community College. The County appoints three members of the 14 member board of trustees of each community college. The president of the community colleges' student government association serves as a non-voting, ex-officio member of the board of trustees. The community colleges are included as component units of the state. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. Of the last installment financing for this purpose, \$2,118,903 in debt is still outstanding. The County contributed \$1,846,163 to South Piedmont Community College for operating and \$540,824 for capital purposes during the fiscal year ended June 30, 2017. In addition, the County made debt service payments of \$321,980 during the fiscal year on installment financing debt issued for the community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2017. Complete financial statements for the community colleges may be obtained from the community colleges' administrative offices at South Piedmont Community College, East Campus, P.O. Box 126, Polkton, NC 28135.

D. Piedmont Behavioral Healthcare and Cardinal Innovations Healthcare Solutions

The County also participates in a joint venture to operate Piedmont Behavioral Healthcare (PBH) with five other counties; Cabarrus, Davidson, Rowan, Stanly, and Union counties. PBH provides mental health, intellectual/other developmental disability treatment, and substance abuse services for the residents of these counties. Each participating government appoints four board members to the 20 member board. The County has an ongoing financial responsibility for the joint venture because PBH's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in PBH, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$726,601 to PBH to supplement its activities for the year ended June 30, 2017. Complete financial statements for PBH can be obtained from PBH's offices at 245 LePhillip Court, NE, Concord, NC 28025.

On June 23, 2011, the State of North Carolina passed Session Law 2011-264, which requires state wide expansion of the 1915 (b)/(c) Medicaid waiver to be managed by area authorities operating as managed care organizations. In response, PBH and four local management entities (LME's) comprised of 15 counties, negotiated to merge the counties of each LME into one organization. The four LME's are comprised of (1) Alamance-Caswell (counties), (2) Five County (consisting of Franklin, Granville, Halifax, Vance, and Warren counties), (3) Orange-Person-Chatham (counties), and (4) the PBH LME (consisting of Cabarrus, Davidson, Rowan, Stanly, and Union counties). The merger allows for the expansion of the Medicaid waivers, and will meet minimum population requirements as established by the North Carolina General Assembly. Over the past several months, each of the 15 county's Board of Commissioners have adopted a resolution to be served by a single area authority operating as a managed care organization which is now known as Cardinal Innovations Healthcare Solutions ("Cardinal Innovations"). The Union County Board of Commissioners adopted this resolution on June 4th, 2012. The joint resolution became effective July 1, 2012. On October 11, 2012, PBH announced that it was rebranding to (becoming) Cardinal Innovations Healthcare Solutions. This area authority is comprised of a single Governing Board and four Community Oversight Boards (COB); one for each Community Operations Center previously served by the four LME's. The COB's will be responsible for recommending priorities for expenditure of state/county funds for development of the annual budget, determine local priorities for inclusion in the area wide strategic plan, identify community needs and concerns, and monitor resolution of issues. Each COB will consist of the following members: a local Consumer and Family Advisory Committee (CFAC) Chair or designee and three members from each county appointed by the County Commission (County Commissioner or designee, consumer of family member, other citizen, or stakeholder). The Governing Board will consist of 13 members with one representative from each of the four COB's, two at large County Commissioners from among the counties, one representative for the Regional CFAC, and six members with special expertise in healthcare, insurance, finance and health/behavioral health, intellectual/developmental disabilities, physician, or other profession.

As with PBH, the County has an ongoing financial responsibility for the Cardinal Innovations joint venture because its continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Cardinal Innovations, so no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for Cardinal Innovations can be obtained from the same address of the PBH's offices; 245 LePhillip Court, NE, Concord, NC 28025.

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of nine County governments and seventy municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The County paid membership dues of \$57,824 during the fiscal year ended

June 30, 2017. The County was the sub-recipient of a grant for \$843,639 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

NOTE 21 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	Federal	State
TANF Payments and Penalties	\$ 396,543	\$ -
Refugee Assistance Payment	13,335	-
CWS Adoption Subsidy and Vendor	-	276,997
IV-E Adoption Subsidy and Vendor	500,717	125,461
State/County Special Assistance for Adults	-	586,457
Women, Infants and Children	2,703,082	-
Medical Assistance Program	117,025,132	59,537,783
Health Choice	5,142,128	26,845
	<u>\$ 125,780,937</u>	<u>\$ 60,553,543</u>

NOTE 22 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 23 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Union County currently collects water and sewer capacity fees (“Capacity Fees”) from developers who wish to reserve water and/or sewer capacity in the County’s utility system to serve proposed developments. Under the County’s water and sewer extension ordinance (the “Ordinance”), the Capacity Fees are paid after the State of North Carolina has approved the construction of the water or sewer infrastructure that must be built to serve the proposed developments. Upon payment of the Capacity Fees and the signing of a standard water and sewer services extension agreement by the County and the developer, the County allocates water and/or sewer capacity in its utility system for the proposed development, and the developer can move forward with construction with the assurance that water and/or sewer capacity will be available for its development when it is completed.

On August 19, 2016, the North Carolina Supreme Court, in the case of *Quality Built Homes, Inc. v. Town of Carthage*, No. 315PA15, ___N.C.___, issued an opinion in which the Court held that the Town of Carthage’s ordinances that required developers to pay an “impact fee” for expansion of the Town’s water and/or sewer system before the Town would issue building permits or approve subdivision plats exceeded the Town’s authority that had been delegated by the North Carolina Legislature. Although there are significant differences between Union County’s Ordinance and the ordinances of the Town of Carthage, the language of the Court’s opinion is sufficiently broad that this decision may affect Union County’s Ordinance. Therefore, Union County’s staff, and its legal team are reviewing whether this

decision affects the County's Ordinance, and if so, what corrective action should be taken by the County. The financial impact of this development is not known at this time.

On August 11, 2017, the County sold \$58,990,000, fixed rate, Enterprise Systems Revenue Bonds, Series 2017. The Series 2017 are being used to finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the County's Water and Sewer System.

In the fall of 2016, the voters of Union County, via referendum, approved \$104 million of general obligation bonds. These bonds were approved for Union County Public Schools projects (\$54 million), South Piedmont Community College project (\$40 million), and a new Western Union County Library (\$10 million). On October 31, 2017 the County plans to sell \$50,000,000, fixed rate, General Obligation Bonds, Series 2017, of which will be the first tranche of the \$104 million.

Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

Special Separation Allowance

Schedule of Changes in the Net Pension Liability

Schedule of the Net Pension Liability

Schedule of Employer Contributions

Notes to the Required Schedules

Other Postemployment Retiree Healthcare Benefits (OPEB)

Schedule of Changes in the Net OPEB Liability and Related Ratios

Schedule of Employer Contributions

Schedule of Investment Returns

Notes to the Required Schedules

Local Government Employees' Retirement System

Schedule of the County's Proportionate Share of the Net Pension
Local Governmental Employees' Retirement System

Schedule of County Contributions
Local Governmental Employees' Retirement System

Register of Deeds Supplemental Pension Fund

Schedule of the County's Proportionate Share of the Net Pension
Register of Deeds Supplemental Pension Fund

Schedule of County Contributions
Register of Deeds Supplemental Pension Fund



**Special Separation Allowance
Required Supplementary Information
Schedule of Changes in the Net Pension Liability**

	Measurement Date	
	2016	2015
Total pension liability		
Service cost	\$ 445,951	\$ 435,613
Interest	462,632	482,738
Benefit changes	-	-
Difference between expected and actual experience	-	-
Changes of assumptions and other inputs	(273,929)	125,473
Benefit payments	(1,123,610)	(1,140,254)
Refunds of contributions	-	-
Net change in total pension liability	(488,956)	(96,430)
Total pension liability - beginning	13,520,682	13,617,112
Total pension liability - ending	<u>\$ 13,031,726</u>	<u>\$ 13,520,682</u>
Plan net position		
Contributions - employer	\$ 3,503,749	\$ 1,140,254
Contributions - member	-	-
Net investment income	3,380	-
Benefit payments	(1,123,610)	(1,140,254)
Administrative expense	-	-
Refunds of contributions	-	-
Other	-	-
Net Change in plan net position	2,383,519	-
Plan net position - beginning	-	-
Plan net position - ending	<u>2,383,519</u>	<u>-</u>
Net pension liability - ending	<u>\$ 10,648,207</u>	<u>\$ 13,520,682</u>

This schedule will not present ten years' worth of fiscal information until 2025.

**Special Separation Allowance
Required Supplementary Information
Schedule of Net Pension Liability**

Measurement Date	Total Pension Liability	Plan Net Position	Net Pension Liability	Ratio of Plan Net Position to Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Employee Payroll
2015	\$ 13,520,682	\$ -	\$ 13,520,682	0.00%	\$ 25,506,915	53.01%
2016	13,031,726	2,383,519	10,648,207	18.29%	25,506,915	41.75%

This schedule will not present ten years' worth of fiscal information until 2025.

**Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Fiscal Year	Actuarially Determined Employer Contribution	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percentage of Covered Employee Payroll
2008	\$ 477,327	\$ 881,356	\$ (404,029)	\$ 37,572,967	2.35%
2009	527,637	891,907	(364,270)	38,589,407	2.31%
2010	580,462	631,086	(50,624)	36,769,426	1.72%
2011	725,358	564,349	161,009	37,245,068	1.52%
2012	695,688	723,890	(28,202)	36,870,843	1.96%
2013	728,783	1,092,962	(364,179)	37,225,200	2.94%
2014	903,943	1,207,462	(303,519)	27,184,187	4.44%
2015	1,135,321	1,766,810	(631,489)	27,091,069	6.52%
2016	1,216,080	1,947,863	(731,783)	27,091,069	7.19%
2017	1,490,931	2,250,437	(759,506)	25,506,915	8.82%

Notes to the Required Schedules:

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Changes of benefit terms. None

Changes of assumption. 2016: The assumed rate of return was increased from 3.57% to 3.86%.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization method	15 years as of December 31, 2015
Asset valuation method	Market value
Inflation	3.00%
Salary increase	3.50-7.35%, including inflation
Investment rate of return	3.57%, net of pension plan investment expense, including inflation

**Other Postemployment Retiree Healthcare Benefits (OPEB)
 Required Supplementary Information
 Schedule of Changes in the Net OPEB Liability and Related Ratios**

Total OPEB Liability	2017
Service Cost at end of year	\$ 4,117,337
Interest on the Total OPEB Liability	3,641,969
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(12,808,598)
Benefit payments	(3,634,511)
Net change in Total OPEB Liability	<u>(8,683,803)</u>
Total OPEB Liability - beginning	120,062,993
Total OPEB Liability - ending	<u>\$ 111,379,190</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 3,634,511
Contributions - non-employer	-
Contributions - active member	-
Net investment income	1,610,803
Benefit payments	(3,634,511)
Administrative expense	(26,295)
Other	-
Net change in Plan Fiduciary Net Position	<u>1,584,508</u>
Plan Fiduciary Net Position - beginning	20,005,169
Plan Fiduciary Net Position - ending	<u>21,589,677</u>
Net OPEB Liability - ending	<u>\$ 89,789,513</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	19.38%
Covered Payroll	31,621,099
Net OPEB Liability as a percentage of covered payroll	283.95%

This schedule will not present ten years' worth of fiscal information until 2026.

**Other Postemployment Retiree Healthcare Benefits (OPEB)
Required Supplementary Information
Schedule of Employer Contributions**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contribution	Annual Contribution Deficiency/ (Excess)	Covered Payroll	Actual Contributions as a percentage of Covered Payroll
2008	\$ 4,689,039	\$ 1,157,671	\$ 3,531,368	\$ 37,669,545	3.07%
2009	5,067,038	1,939,090	3,127,948	38,074,668	5.09%
2010	4,966,681	2,339,298	2,627,383	36,938,542	6.33%
2011	4,966,681	5,169,306	(202,625)	37,007,819	13.97%
2012	5,937,951	5,373,430	564,521	36,772,539	14.61%
2013	6,182,123	5,362,713	819,410	37,255,775	14.39%
2014	5,652,958	6,398,387	(745,429)	39,719,155	16.11%
2015	6,566,497	4,595,039	1,971,458	41,940,748	10.96%
2016	5,447,207	5,649,173	(201,966)	31,621,099	17.87%
2017	5,447,207	3,634,511	1,812,696	31,621,099	11.49%

**Other Postemployment Retiree Healthcare Benefits (OPEB)
Required Supplementary Information
Schedule of Investment Returns**

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	4.18%

This schedule will not present ten years' worth of fiscal information until 2026.

Notes to the Required Schedules:

Methods and assumptions used in calculations of Actuarially Determined Contributions. The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions (Schedule A) are calculated with each biennial actuarial valuation. The following actuarial methods and assumptions (from the June 30, 2016 GASB 45 actuarial valuation prepared by the prior actuary) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Amortization period	30 years, Closed
Asset valuation method	Market Value of Assets
Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	4.50%
Law Enforcement Officers	4.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	7.25%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2016 decreasing to an ultimate rate of 5.00% by 2021
Medicare	6.00% for 2016 decreasing to an ultimate rate of 5.00% by 2019

**Schedule of the County's Proportionate Share of the Net Pension
Local Governmental Employees' Retirement System
Liability (Asset)**

<u>Fiscal Year Ending June 30</u>	<u>County's Proportion of the Net Pension Liability (Asset) %</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) \$</u>	<u>County's Covered- Employee Payroll</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	0.677 %	\$ 8,156,834	\$ 37,047,982	22.02 %	94.35 %
2015	0.698 %	(4,115,601)	39,641,790	(10.38) %	102.64 %
2016	0.751 %	3,371,206	41,860,837	8.05 %	98.09 %
2017	0.781 %	16,575,224	45,271,231	36.61 %	91.47 %

This schedule will not present ten years' worth of fiscal information until 2024.

**Schedule of County Contributions
Local Governmental Employees' Retirement System**

<u>Fiscal Year Ending June 30</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
2014	\$ 2,828,849	\$ 2,828,849	\$ -	\$ 39,641,790	7.14 %
2015	2,987,462	2,987,462	-	41,860,837	7.14 %
2016	3,101,050	3,101,050	-	45,271,231	6.85 %
2017	3,644,496	3,644,496	-	48,703,037	7.48 %

This schedule will not present ten years' worth of fiscal information until 2024.

Schedule of the County's Proportionate Share of the Net Pension Register of Deed's Supplemental Pension Fund Liability (Asset)

<u>Fiscal Year Ending June 30</u>	<u>County's Proportion of the Net Pension Liability (Asset) %</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) \$</u>	<u>County's Covered-Employee Payroll</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	2.580 %	\$ (551,028)	\$ 74,068	(743.95) %	190.50 %
2015	2.508 %	(568,361)	77,365	(734.65) %	193.88 %
2016	2.618 %	(606,651)	79,911	(759.16) %	197.29 %
2017	2.607 %	(487,471)	83,109	(586.54) %	160.17 %

This schedule will not present ten years' worth of fiscal information until 2024.

**Schedule of County Contributions
Register of Deed's Supplemental Pension Fund**

<u>Fiscal Year Ending June 30</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
2014	\$ 20,473	\$ 20,473	\$ -	\$ 77,365	26.46 %
2015	20,947	20,947	-	79,911	26.21 %
2016	21,300	21,300	-	83,109	25.63 %
2017	22,706	22,706	-	85,526	26.55 %

This schedule will not present ten years' worth of fiscal information until 2024.

Combining and Individual Fund Statements

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds	Library Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 3,277,567	\$ 7,782	\$ 3,285,349
Property taxes receivable, net	53,624	-	53,624
Accounts receivable, net	312,605	-	312,605
Total assets	<u>\$ 3,643,796</u>	<u>\$ 7,782</u>	<u>\$ 3,651,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 30,280	\$ -	\$ 30,280
Total liabilities	<u>30,280</u>	<u>-</u>	<u>30,280</u>
DEFERRED INFLOWS OF RESOURCES	<u>66,137</u>	<u>-</u>	<u>66,137</u>
FUND BALANCES			
Restricted	3,380,379	-	3,380,379
Assigned	167,000	7,782	174,782
Total fund balances	<u>3,547,379</u>	<u>7,782</u>	<u>3,555,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,643,796</u>	<u>\$ 7,782</u>	<u>\$ 3,651,578</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances**Nonmajor Governmental Funds**

For the Year Ended June 30, 2017

	Special Revenue Funds	Library Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	\$ 5,212,174	\$ -	\$ 5,212,174
Local option sales tax	967,836	-	967,836
Other taxes and licenses	830,578	-	830,578
Intergovernmental	116,076	-	116,076
Permits and fees	2,490,278	-	2,490,278
Sales and services	27,300	-	27,300
Investment earnings	7,497	-	7,497
Miscellaneous	518,865	-	518,865
Total revenues	<u>10,170,604</u>	<u>-</u>	<u>10,170,604</u>
EXPENDITURES			
Current:			
General government	60,572	-	60,572
Public safety	10,393,426	-	10,393,426
Economic and physical development	97,076	-	97,076
Total expenditures	<u>10,551,074</u>	<u>-</u>	<u>10,551,074</u>
Net change in fund balances	(380,470)	-	(380,470)
FUND BALANCES			
Beginning	<u>3,927,849</u>	<u>7,782</u>	<u>3,935,631</u>
Ending	<u>\$ 3,547,379</u>	<u>\$ 7,782</u>	<u>\$ 3,555,161</u>

Union County, North Carolina

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2017

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
ASSETS				
Cash and investments	\$ 5,137	\$ 31,462	\$ 48,607	\$ 84,080
Property taxes receivable, net	11,709	12,926	11,699	13,132
Accounts receivable, net	30,085	45,267	73,348	66,804
Total assets	<u>\$ 46,931</u>	<u>\$ 89,655</u>	<u>\$ 133,654</u>	<u>\$ 164,016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>22,259</u>	<u>13,459</u>	<u>11,698</u>	<u>14,546</u>
FUND BALANCES				
Restricted	24,672	76,196	121,956	149,470
Assigned	-	-	-	-
Total fund balances	<u>24,672</u>	<u>76,196</u>	<u>121,956</u>	<u>149,470</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,931</u>	<u>\$ 89,655</u>	<u>\$ 133,654</u>	<u>\$ 164,016</u>

Schedule 3

Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Automation Enhancement Fund	Total Nonmajor Special Revenue Funds
\$ 24,388	\$ 91,526	\$ 1,801,618	\$ 1,015,730	\$ 175,019	\$ 3,277,567
4,158	-	-	-	-	53,624
80,387	2	-	16,712	-	312,605
<u>\$ 108,933</u>	<u>\$ 91,528</u>	<u>\$ 1,801,618</u>	<u>\$ 1,032,442</u>	<u>\$ 175,019</u>	<u>\$ 3,643,796</u>
\$ -	\$ -	\$ 992	\$ 13	\$ 29,275	\$ 30,280
-	-	992	13	29,275	30,280
4,173	2	-	-	-	66,137
104,760	91,526	1,633,626	1,032,429	145,744	3,380,379
-	-	167,000	-	-	167,000
104,760	91,526	1,800,626	1,032,429	145,744	3,547,379
<u>\$ 108,933</u>	<u>\$ 91,528</u>	<u>\$ 1,801,618</u>	<u>\$ 1,032,442</u>	<u>\$ 175,019</u>	<u>\$ 3,643,796</u>

Union County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Springs Fire District Fund	Waxhaw Fire District Fund	Hemby Bridge Fire District Fund	Stallings Fire District Fund
REVENUES				
Ad valorem taxes	\$ 494,082	\$ 780,572	\$ 1,242,611	\$ 1,180,335
Local option sales tax	95,591	149,476	235,428	218,449
Other taxes and licenses	-	-	-	-
Intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	41	53	102	79
Miscellaneous	-	-	-	-
Total revenues	<u>589,714</u>	<u>930,101</u>	<u>1,478,141</u>	<u>1,398,863</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	699,382	1,079,385	1,707,975	1,447,094
Economic and physical development	-	-	-	-
Total expenditures	<u>699,382</u>	<u>1,079,385</u>	<u>1,707,975</u>	<u>1,447,094</u>
Net change in fund balances	(109,668)	(149,284)	(229,834)	(48,231)
FUND BALANCES				
Beginning	<u>134,340</u>	<u>225,480</u>	<u>351,790</u>	<u>197,701</u>
Ending	<u>\$ 24,672</u>	<u>\$ 76,196</u>	<u>\$ 121,956</u>	<u>\$ 149,470</u>

Schedule 4

Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Automation Enhancement Fund	Total Nonmajor Special Revenue Funds
\$ 1,514,574	\$ -	\$ -	\$ -	\$ -	\$ 5,212,174
268,892	-	-	-	-	967,836
-	-	830,578	-	-	830,578
-	-	-	116,076	-	116,076
-	2,362,608	-	-	127,670	2,490,278
-	-	-	27,300	-	27,300
89	-	5,340	1,793	-	7,497
-	-	-	518,865	-	518,865
<u>1,783,555</u>	<u>2,362,608</u>	<u>835,918</u>	<u>664,034</u>	<u>127,670</u>	<u>10,170,604</u>
-	-	-	-	60,572	60,572
1,965,103	2,383,495	869,008	241,984	-	10,393,426
-	-	-	97,076	-	97,076
<u>1,965,103</u>	<u>2,383,495</u>	<u>869,008</u>	<u>339,060</u>	<u>60,572</u>	<u>10,551,074</u>
(181,548)	(20,887)	(33,090)	324,974	67,098	(380,470)
<u>286,308</u>	<u>112,413</u>	<u>1,833,716</u>	<u>707,455</u>	<u>78,646</u>	<u>3,927,849</u>
<u>\$ 104,760</u>	<u>\$ 91,526</u>	<u>\$ 1,800,626</u>	<u>\$ 1,032,429</u>	<u>\$ 145,744</u>	<u>\$ 3,547,379</u>

Union County, North Carolina

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Information Technology Fund
ASSETS				
Current assets:				
Cash and investments	\$ 4,602,737	\$ 1,696,787	\$ 827,894	\$ 1,615,801
Accounts receivable, net	43,534	1,161	544	1,020
Inventories	-	-	-	-
Buildings, equipment, and infrastructure, net of depreciation	-	-	-	234,583
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	213,125
Total assets and deferred outflows of resources	<u>4,646,271</u>	<u>1,697,948</u>	<u>828,438</u>	<u>2,064,529</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	219,013	9,614	324	208,113
Current portion of compensated absences	-	-	-	54,235
Workers' compensation claims payable	-	112,566	-	-
Health care benefits payable	1,230,879	-	-	-
Property and casualty claims payable	-	-	207,675	-
Non-current liabilities:				
Non current portion of compensated absences	-	-	-	13,743
Net OPEB obligation	-	-	-	35,097
Net pension liability, LGERS	-	-	-	219,904
Net pension liability, separation allowance	-	-	-	153,355
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	11,052
Total liabilities and deferred inflows of resources	<u>1,449,892</u>	<u>122,180</u>	<u>207,999</u>	<u>695,499</u>
NET POSITION				
Net investment in capital assets	-	-	-	234,583
Unrestricted	<u>3,196,379</u>	<u>1,575,768</u>	<u>620,439</u>	<u>1,134,447</u>
Total net position	<u>\$ 3,196,379</u>	<u>\$ 1,575,768</u>	<u>\$ 620,439</u>	<u>\$ 1,369,030</u>

Facilities Management Fund	Fleet Management Fund	Total
\$ 1,405,892	\$ 224,523	\$ 10,373,634
924	55	47,238
-	19,669	19,669
35,191	54,461	324,235
99,700	65,688	378,513
<u>1,541,707</u>	<u>364,396</u>	<u>11,143,289</u>
396,211	8,868	842,143
16,660	8,360	79,255
-	-	112,566
-	-	1,230,879
-	-	207,675
709	18,809	33,261
18,042	28,101	81,240
102,766	68,240	390,910
72,525	43,796	269,676
5,183	3,346	19,581
<u>612,096</u>	<u>179,520</u>	<u>3,267,186</u>
35,191	54,461	324,235
<u>894,420</u>	<u>130,415</u>	<u>7,551,868</u>
<u>\$ 929,611</u>	<u>\$ 184,876</u>	<u>\$ 7,876,103</u>

Union County, North Carolina

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2017

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Information Technology Fund
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ 57,711
Interfund charges and employee contributions	14,615,038	594,839	653,069	2,894,176
Miscellaneous revenue	-	3,917	1,358	-
Other operating revenue	-	-	-	1,967
Total operating revenues	<u>14,615,038</u>	<u>598,756</u>	<u>654,427</u>	<u>2,953,854</u>
OPERATING EXPENSES				
Personnel	-	-	-	1,029,004
Operating expenses	1,429,678	187,952	-	1,352,467
Depreciation	-	-	-	111,610
Worker's compensation claims	-	66,327	-	-
Health benefit claims and premiums	15,777,068	-	-	-
Property and casualty claims and premiums	-	-	561,423	-
Total operating expenses	<u>17,206,746</u>	<u>254,279</u>	<u>561,423</u>	<u>2,493,081</u>
Operating income	(2,591,708)	344,477	93,004	460,773
NONOPERATING REVENUES				
Investment earnings	<u>14,446</u>	<u>5,310</u>	<u>2,239</u>	<u>5,661</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,577,262)	349,787	95,243	466,434
TRANSFERS AND CONTRIBUTIONS				
Transfers from General Fund	1,755,618	-	-	-
Transfer to Internal Service Funds	-	-	-	(44,185)
Transfer from Internal Service Funds	78,448	-	-	-
Transfers from other enterprise funds	430,934	-	-	-
TOTAL TRANSFERS	<u>2,265,000</u>	<u>-</u>	<u>-</u>	<u>(44,185)</u>
Change in net position	(312,262)	349,787	95,243	422,249
NET POSITION				
Beginning	3,508,641	1,225,981	525,196	946,781
Ending	<u>\$ 3,196,379</u>	<u>\$ 1,575,768</u>	<u>\$ 620,439</u>	<u>\$ 1,369,030</u>

Schedule 6

Facilities Management Fund	Fleet Management Fund	Total
\$ -	\$ -	\$ 57,711
4,887,793	1,107,339	24,752,254
515	303	6,093
10,600	-	12,567
<u>4,898,908</u>	<u>1,107,642</u>	<u>24,828,625</u>
490,165	326,087	1,845,256
4,044,071	603,479	7,617,647
4,871	6,042	122,523
-	-	66,327
-	-	15,777,068
-	-	561,423
<u>4,539,107</u>	<u>935,608</u>	<u>25,990,244</u>
359,801	172,034	(1,161,619)
<u>4,354</u>	<u>56</u>	<u>32,066</u>
364,155	172,090	(1,129,553)
-	-	1,755,618
(19,098)	(15,165)	(78,448)
-	-	78,448
-	-	430,934
<u>(19,098)</u>	<u>(15,165)</u>	<u>2,186,552</u>
345,057	156,925	1,056,999
<u>584,554</u>	<u>27,951</u>	<u>6,819,104</u>
<u>\$ 929,611</u>	<u>\$ 184,876</u>	<u>\$ 7,876,103</u>



Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Information Technology Fund	Facilities Management Fund	Fleet Management Fund	Total
OPERATING ACTIVITIES							
Cash received from customers for services	\$ 14,795,674	\$ 596,867	\$ 652,876	\$ 2,951,358	\$ 4,887,407	\$ 1,107,338	\$ 24,991,520
Other operating revenue	-	3,917	1,358	1,967	11,115	303	18,660
Cash paid to employees	(1,429,678)	(66,327)	(627,836)	(2,383,890)	(502,251)	(331,426)	(5,341,408)
Cash paid for goods and services	(15,839,289)	(257,921)	-	83,161	(4,100,871)	(602,837)	(20,717,757)
Net cash provided (used) by operating activities	(2,473,293)	276,536	26,398	652,596	295,400	173,378	(1,048,985)
Noncapital financing activities							
Transfers from other funds	2,265,000	-	-	-	-	-	2,265,000
Transfers to other funds	-	-	-	(44,185)	(19,098)	(15,165)	(78,448)
Net cash provided (used) by noncapital	2,265,000	-	-	(44,185)	(19,098)	(15,165)	2,186,552
CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Acquisition and construction of capital assets	-	-	-	(129,615)	(35,046)	(52,710)	(217,371)
Net cash provided (used) by capital and related financing activities	-	-	-	(129,615)	(35,046)	(52,710)	(217,371)
INVESTING ACTIVITIES							
Investment earnings	14,446	5,310	2,239	5,661	4,354	56	32,066
Net cash provided by investing activities	14,446	5,310	2,239	5,661	4,354	56	32,066
Net change in cash and investments	(193,847)	281,846	28,637	484,457	245,610	105,559	952,262
CASH AND INVESTMENTS							
Beginning of year	4,796,584	1,414,941	799,257	1,131,344	1,160,282	118,964	9,421,372
End of year	\$ 4,602,737	\$ 1,696,787	\$ 827,894	\$ 1,615,801	\$ 1,405,892	\$ 224,523	\$ 10,373,634
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income	\$ (2,591,708)	\$ 344,477	\$ 93,004	\$ 460,773	\$ 359,801	\$ 172,034	\$ (1,161,619)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	-	-	-	111,610	4,871	6,042	122,523
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable	180,636	2,028	(193)	(529)	(386)	(1)	181,555
Inventories	-	-	-	-	-	(2,098)	(2,098)
Deferred outflows of resources	-	-	-	(148,302)	(67,485)	(45,484)	(261,271)
Accounts payable and accrued liabilities	(62,221)	(69,969)	(66,413)	76,883	(62,113)	(2,009)	(185,842)
Compensated absences payable	-	-	-	6,997	(11,230)	2,359	(1,874)
Net OPEB obligation	-	-	-	20,407	8,517	6,763	35,687
Net pension liability, LGERS	-	-	-	174,342	80,031	53,845	308,218
Net pension liability, separation allowance	-	-	-	(36,956)	(9,972)	(13,937)	(60,865)
Deferred inflows of resources	-	-	-	(12,629)	(6,634)	(4,136)	(23,399)
Total adjustments	118,415	(67,941)	(66,606)	191,823	(64,401)	1,344	112,634
Net cash provided (used) by operating activities	\$ (2,473,293)	\$ 276,536	\$ 26,398	\$ 652,596	\$ 295,400	\$ 173,378	\$ (1,048,985)

Combining Statement of Fiduciary Net Position - Pension Trust Funds

June 30, 2017

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,755,929	\$ 3,755,929
Investments:			
Separation Allowance Trust Fund	3,036,342	-	3,036,342
State Treasurer's Office OPEB Trust	<u>-</u>	<u>21,589,677</u>	<u>21,589,677</u>
Total assets	<u>3,036,342</u>	<u>25,345,606</u>	<u>28,381,948</u>
NET POSITION			
Employees' pension benefits	<u>\$ 3,036,342</u>	<u>\$ 25,345,606</u>	<u>\$ 28,381,948</u>

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds

For the Year Ended June 30, 2017

	Special Separation Allowance Pension Trust Fund	Other Postemployment Retiree Healthcare Benefits (OPEB) Pension Trust Fund	Total
ADDITIONS			
Employer contributions	\$ 2,250,437	\$ 3,738,601	\$ 5,989,038
Net investment income	1,689	1,584,508	1,586,197
Total additions	<u>2,252,126</u>	<u>5,323,109</u>	<u>7,575,235</u>
DEDUCTIONS			
Benefits	<u>1,187,163</u>	-	<u>1,187,163</u>
Change in net position	1,064,963	5,323,109	6,388,072
NET POSITION			
Beginning	<u>1,971,379</u>	<u>20,022,497</u>	<u>21,993,876</u>
Ending	<u>\$ 3,036,342</u>	<u>\$ 25,345,606</u>	<u>\$ 28,381,948</u>

Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2017

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund	Monroe School District Fund
ASSETS				
Cash and cash equivalents	\$ 76,311	\$ 969	\$ 73,796	\$ -
Property taxes receivable, net	-	-	-	248
	<u>-</u>	<u>-</u>	<u>-</u>	<u>248</u>
Total assets	<u>\$ 76,311</u>	<u>\$ 969</u>	<u>\$ 73,796</u>	<u>\$ 248</u>
LIABILITIES				
Accounts payable and accrued liabilities	-	969	-	248
Due to Program Participants	76,311	-	73,796	-
	<u>76,311</u>	<u>-</u>	<u>73,796</u>	<u>-</u>
Total liabilities	<u>\$ 76,311</u>	<u>\$ 969</u>	<u>\$ 73,796</u>	<u>\$ 248</u>

Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Total
\$ -	\$ 14,846	\$ 3,754	\$ 169,676
<u>644</u>	<u>-</u>	<u>-</u>	<u>892</u>
<u>\$ 644</u>	<u>\$ 14,846</u>	<u>\$ 3,754</u>	<u>\$ 170,568</u>
644	14,846	3,754	20,461
<u>-</u>	<u>-</u>	<u>-</u>	<u>150,107</u>
<u>\$ 644</u>	<u>\$ 14,846</u>	<u>\$ 3,754</u>	<u>\$ 170,568</u>



General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Union County, North Carolina

General Fund - Combining

Balance Sheet

June 30, 2017

	General	Schools Budgetary Fund	Schools Radios Budgetary Fund	Countywide Fire Budgetary Fund
ASSETS				
Cash and investments	\$ 77,691,043	\$ 5,721,789	\$ 315,274	\$ 64,299
Property taxes receivable, net	977,470	788,598	-	6,944
Accounts receivable, net	19,921,763	15,474	167,273	151
Accounts receivable, long-term	1,575	-	334,000	-
Inventories	7,300	-	-	-
Advances to other funds	835,000	-	-	-
Cash and investments, restricted-deposits	1,031,245	-	-	-
Total assets	<u>\$ 100,465,396</u>	<u>\$ 6,525,861</u>	<u>\$ 816,547</u>	<u>\$ 71,394</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,162,243	\$ 8	\$ -	\$ 112
Deposits	1,031,245	-	-	-
Advances from other funds	-	-	835,000	-
Total liabilities	<u>4,193,488</u>	<u>8</u>	<u>835,000</u>	<u>112</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>1,160,947</u>	<u>959,571</u>	<u>501,000</u>	<u>7,923</u>
FUND BALANCE				
Nonspendable	8,875	-	334,000	-
Restricted	21,139,444	15,474	167,273	151
Committed	60,642,715	-	-	-
Assigned	4,722,336	2,405,365	-	31,469
Unassigned	8,597,591	3,145,443	(1,020,726)	31,739
Total fund balance	<u>95,110,961</u>	<u>5,566,282</u>	<u>(519,453)</u>	<u>63,359</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 100,465,396</u>	<u>\$ 6,525,861</u>	<u>\$ 816,547</u>	<u>\$ 71,394</u>

Countywide EMS Budgetary Fund	Total
\$ 570,338	\$ 84,362,743
38,051	1,811,063
869	20,105,530
-	335,575
-	7,300
-	835,000
-	1,031,245
<u>\$ 609,258</u>	<u>\$ 108,488,456</u>

\$ 21,795	\$ 3,184,158
-	1,031,245
-	835,000
<u>21,795</u>	<u>5,050,403</u>
<u>43,419</u>	<u>2,672,860</u>

-	342,875
869	21,323,211
-	60,642,715
125,100	7,284,270
418,075	11,172,122
<u>544,044</u>	<u>100,765,193</u>
<u>\$ 609,258</u>	<u>\$ 108,488,456</u>

Union County, North Carolina

Schedule of Revenues, Expenditures, and Changes in Fund Balances

General Fund

For the Year Ended June 30, 2017

	General	Schools Budgetary Fund	Schools Radios Budgetary Fund	Countywide Fire Budgetary Fund
REVENUES				
Ad valorem taxes	\$ 69,741,632	\$ 112,678,243	\$ -	\$ 1,179,474
Local option sales tax	41,860,292	-	-	-
Other taxes and licenses	2,822,173	-	-	-
Intergovernmental	36,244,720	-	167,000	-
Permits and fees	4,737,108	-	-	-
Sales and services	3,915,458	-	-	-
Investment earnings	410,788	25,903	1,772	552
Miscellaneous	6,939,637	-	-	-
Total revenues	<u>166,671,808</u>	<u>112,704,146</u>	<u>168,772</u>	<u>1,180,026</u>
EXPENDITURES				
Current:				
General government	12,939,589	-	-	-
Public safety	38,474,329	-	-	1,194,221
Economic and physical development	2,716,436	-	-	-
Human services	43,900,232	-	-	-
Cultural and recreational	6,888,443	-	-	-
Intergovernmental:				
Education	2,235,107	94,873,298	139,136	-
Debt service:				
Principal retirement	33,251,165	-	-	-
Interest and fees	12,607,982	-	-	-
Nondepartmental	165,023	-	-	-
Total expenditures	<u>153,178,306</u>	<u>94,873,298</u>	<u>139,136</u>	<u>1,194,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,493,502</u>	<u>17,830,848</u>	<u>29,636</u>	<u>(14,195)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(5,600,533)	(17,749,200)	-	-
Total other financing sources (uses)	<u>(5,600,533)</u>	<u>(17,749,200)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,892,969	81,648	29,636	(14,195)
FUND BALANCES				
Beginning	87,217,992	5,484,634	(549,089)	77,554
Ending	<u>\$ 95,110,961</u>	<u>\$ 5,566,282</u>	<u>\$ (519,453)</u>	<u>\$ 63,359</u>

Countywide EMS Budgetary Fund	Total
\$ 6,462,849	\$ 190,062,198
-	41,860,292
-	2,822,173
-	36,411,720
-	4,737,108
657,209	4,572,667
5,194	444,209
124,954	7,064,591
<u>7,250,206</u>	<u>287,974,958</u>
-	12,939,589
6,946,266	46,614,816
-	2,716,436
-	43,900,232
-	6,888,443
-	97,247,541
-	33,251,165
-	12,607,982
-	165,023
<u>6,946,266</u>	<u>256,331,227</u>
<u>303,940</u>	<u>31,643,731</u>
-	(23,349,733)
-	(23,349,733)
303,940	8,293,998
<u>240,104</u>	<u>92,471,195</u>
<u>\$ 544,044</u>	<u>\$ 100,765,193</u>

General Fund**Balance Sheet**

June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$ 77,691,043	\$ 71,347,953
Property taxes receivable, net	977,470	1,465,531
Accounts receivable, net	19,921,763	18,760,599
Accounts receivable, long-term	1,575	1,575
Inventories	7,300	8,735
Prepaid Item	-	36,473
Advances to other funds	835,000	835,000
Cash and investments, restricted-deposits	1,031,245	1,194,379
	<u>100,465,396</u>	<u>93,650,245</u>
Total assets	<u>\$ 100,465,396</u>	<u>\$ 93,650,245</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,162,243	\$ 3,566,605
Deposits	1,031,245	1,194,379
Total liabilities	<u>4,193,488</u>	<u>4,760,984</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,160,947</u>	<u>1,671,269</u>
FUND BALANCE		
Nonspendable	8,875	46,783
Restricted	21,139,444	19,346,048
Committed	60,642,715	57,191,296
Assigned	4,722,336	3,013,962
Unassigned	8,597,591	7,619,903
	<u>95,110,961</u>	<u>87,217,992</u>
Total fund balance	<u>95,110,961</u>	<u>87,217,992</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 100,465,396</u>	<u>\$ 93,650,245</u>

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 67,546,867	\$ 69,741,632	\$ 2,194,765	\$ 70,686,849
Local option sales tax	40,481,775	41,860,292	1,378,517	36,441,346
Other taxes and licenses	2,473,000	2,822,173	349,173	2,622,315
Intergovernmental	35,469,435	36,244,720	775,285	33,602,458
Permits and fees	4,329,581	4,737,108	407,527	4,999,589
Sales and services	4,411,636	3,915,458	(496,178)	4,589,300
Investment earnings	822,138	410,788	(411,350)	696,134
Miscellaneous	6,832,635	6,939,637	107,002	6,983,309
<i>Total revenues</i>	<u>162,367,067</u>	<u>166,671,808</u>	<u>4,304,741</u>	<u>160,621,300</u>
EXPENDITURES				
General Government				
Board of Commissioners	584,600	519,494	65,106	465,239
Central Administration	978,204	816,582	161,622	920,644
County Dues and Memberships	109,947	108,529	1,418	106,136
Legal	566,626	543,569	23,057	519,341
Human Resources	1,240,808	1,146,968	93,840	1,128,370
Finance	1,271,456	1,242,126	29,330	1,128,221
Tax Administration	5,152,345	4,715,526	436,819	4,359,659
Court Facilities	1,400,599	1,367,418	33,181	1,310,124
Board of Elections	1,278,213	1,226,283	51,930	1,299,490
Register of Deeds	1,233,160	1,177,499	55,661	1,204,014
Procurement	429,543	426,913	2,630	406,170
Property Management	(351,265)	(351,318)	53	(681,688)
<i>Total General Government</i>	<u>13,894,236</u>	<u>12,939,589</u>	<u>954,647</u>	<u>12,165,720</u>
Public Safety				
Law Enforcement	32,123,017	30,921,047	1,201,970	28,650,205
911 Communications	4,268,248	4,095,671	172,577	3,949,873
Emergency Management	246,316	245,075	1,241	184,039
Fire Marshal's Office	789,622	728,711	60,911	688,893
Building Code Enforcement	2,301,687	2,253,108	48,579	2,153,933
Other Public Safety Outside Agencies				
Medical Examiner	105,000	100,124	4,876	65,395
Juvenile Detention	164,533	125,593	38,940	113,680
American Red Cross	5,000	5,000	-	4,978
<i>Total Public Safety</i>	<u>40,003,423</u>	<u>38,474,329</u>	<u>1,529,094</u>	<u>35,810,996</u>

Continued on next page.

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Economic and Physical Development				
Planning	\$ 1,011,480	\$ 908,859	\$ 102,621	\$ 815,210
Community Development	13,091	3,459	9,632	14,185
Cooperative Extension Service	1,439,049	1,103,973	335,076	1,146,622
Soil and Water Conservation	147,030	123,648	23,382	137,575
Other Economic and Physical Dev. Outside Agencies				
Economic Development	2,051,453	507,192	1,544,261	455,813
Forest Resources	98,928	69,305	29,623	60,293
<i>Total Economic and Physical Development</i>	<u>4,761,031</u>	<u>2,716,436</u>	<u>2,044,595</u>	<u>2,629,698</u>
Human Services				
Human Services Administration	3,720	3,294	426	5,833
Public Health	10,882,790	10,158,431	724,359	10,007,836
Social Services	31,834,707	29,051,711	2,782,996	27,901,194
Transportation and Nutrition	2,295,633	2,270,607	25,026	1,673,281
Veterans' Services	418,566	399,400	19,166	384,379
Other Human Services Outside Agencies				
Mental Health	956,747	956,343	404	953,202
Health Quest	103,880	30,353	73,527	41,432
Charlotte Area Transportation	108,806	99,737	9,069	99,936
DJJDP - Programs	307,009	275,741	31,268	289,732
Turning Point	44,682	44,682	-	44,682
Community Shelter	161,444	161,444	-	11,220
Community Action	66,574	66,574	-	67,905
Council of Aging	383,891	381,915	1,976	367,401
Other Human Services	305	-	305	-
<i>Total Human Services</i>	<u>47,568,754</u>	<u>43,900,232</u>	<u>3,668,522</u>	<u>41,848,033</u>
Cultural and Recreational				
Library	4,958,839	4,824,339	134,500	4,651,597
Parks and Recreation	2,143,303	1,989,567	153,736	1,853,949
Other Cultural and Recreational Outside Agencies				
Arts Council	49,998	49,998	-	49,351
Historical Properties	24,539	24,539	-	25,016
A.J. Historical Foundation	4,640	-	4,640	-
<i>Total Cultural and Recreational</i>	<u>7,181,319</u>	<u>6,888,443</u>	<u>292,876</u>	<u>6,579,913</u>
Education				
Public Schools - current expense (occupancy cost)	386,655	386,655	-	405,316
Public Schools - other costs	100,000	-	100,000	65,114
Subtotal	<u>486,655</u>	<u>386,655</u>	<u>100,000</u>	<u>470,430</u>
Community College - operations	1,846,163	1,846,163	-	1,755,960
Literacy Council	2,289	2,289	-	2,244
<i>Total Education</i>	<u>2,335,107</u>	<u>2,235,107</u>	<u>100,000</u>	<u>2,228,634</u>

Continued on next page.

General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Debt Service				
Principal retirement	\$ 33,250,166	\$ 33,251,165	\$ (999)	\$ 33,292,147
Interest and fees	12,690,188	12,607,982	82,206	14,522,294
<i>Total Debt Service</i>	<u>45,940,354</u>	<u>45,859,147</u>	<u>81,207</u>	<u>47,814,441</u>
Contingency	100,000	-	100,000	-
Nondepartmental	633,939	165,023	468,916	135,000
Total expenditures	<u>162,418,163</u>	<u>153,178,306</u>	<u>9,239,857</u>	<u>149,212,435</u>
Revenues over (under) expenditures	<u>(51,096)</u>	<u>13,493,502</u>	<u>13,544,598</u>	<u>11,408,865</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(5,600,533)	(5,600,533)	-	(1,760,083)
Proceeds from refunding general obligation bonds	-	-	-	41,020,000
Proceeds from refunding general obligation bonds issuance premiums, etc.	-	-	-	7,535,017
Payments to refunded bonds escrow agents	-	-	-	(48,215,017)
Total other financing sources (uses)	<u>(5,600,533)</u>	<u>(5,600,533)</u>	<u>-</u>	<u>(1,420,083)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(5,651,629)	7,892,969	13,544,598	9,988,782
APPROPRIATED FUND BALANCE	<u>5,651,629</u>	<u>-</u>	<u>(5,651,629)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>7,892,969</u>	<u>\$ 7,892,969</u>	<u>9,988,782</u>
FUND BALANCE				
Beginning		<u>87,217,992</u>		<u>77,229,210</u>
Ending		<u>\$ 95,110,961</u>		<u>\$ 87,217,992</u>

Schools Budgetary Fund**Balance Sheet**

June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$ 5,721,789	\$ 5,596,076
Property taxes receivable, net	788,598	754,578
Accounts receivable, net	<u>15,474</u>	<u>15,090</u>
Total assets	<u>\$ 6,525,861</u>	<u>\$ 6,365,744</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 8	\$ 4,715
Total liabilities	<u>8</u>	<u>4,715</u>
DEFERRED INFLOWS OF RESOURCES	<u>959,571</u>	<u>876,395</u>
FUND BALANCE		
Restricted	15,474	15,090
Assigned	2,405,365	2,944,204
Unassigned	<u>3,145,443</u>	<u>2,525,340</u>
Total fund balance	<u>5,566,282</u>	<u>5,484,634</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,525,861</u>	<u>\$ 6,365,744</u>

Schools Budgetary Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 109,751,439	\$ 112,678,243	\$ 2,926,804	\$ 109,151,584
Investment earnings	3,958	25,903	21,945	154,481
Total revenues	<u>109,755,397</u>	<u>112,704,146</u>	<u>2,948,749</u>	<u>109,306,065</u>
EXPENDITURES				
Public Schools - current expense	94,544,835	94,544,835	-	91,922,668
Public Schools - other costs	405,566	328,463	77,103	284,786
Total expenditures	<u>94,950,401</u>	<u>94,873,298</u>	<u>77,103</u>	<u>92,207,454</u>
Revenues over (under) expenditures	14,804,996	17,830,848	3,025,852	17,098,611
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(17,749,200)	(17,749,200)	-	(16,626,627)
Total other financing sources (uses)	<u>(17,749,200)</u>	<u>(17,749,200)</u>	<u>-</u>	<u>(16,626,627)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,944,204)	81,648	3,025,852	471,984
APPROPRIATED FUND BALANCE	<u>2,944,204</u>	<u>-</u>	<u>(2,944,204)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>81,648</u>	<u>\$ 81,648</u>	<u>471,984</u>
FUND BALANCE				
Beginning		<u>5,484,634</u>		<u>5,012,650</u>
Ending		<u>\$ 5,566,282</u>		<u>\$ 5,484,634</u>

Schools Radios Budgetary Fund**Balance Sheet**

June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$ 315,274	\$ 285,809
Accounts receivable, net	167,273	167,102
Accounts receivable, long-term	<u>334,000</u>	<u>501,000</u>
Total assets	<u>\$ 816,547</u>	<u>\$ 953,911</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Advances from other funds	\$ 835,000	\$ 835,000
Total liabilities	<u>835,000</u>	<u>835,000</u>
DEFERRED INFLOWS OF RESOURCES	<u>501,000</u>	<u>668,000</u>
FUND BALANCE		
Nonspendable	334,000	501,000
Restricted	167,273	246,997
Unassigned	<u>(1,020,726)</u>	<u>(1,297,086)</u>
Total fund balance	<u>(519,453)</u>	<u>(549,089)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 816,547</u>	<u>\$ 953,911</u>

Schools Radios Budgetary Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 167,000	\$ 167,000	\$ -	\$ 167,000
Investment earnings	1,873	1,772	(101)	183
Total revenues	<u>168,873</u>	<u>168,772</u>	<u>(101)</u>	<u>167,183</u>
EXPENDITURES				
Public Schools - other costs	248,768	139,136	109,632	560,245
Total expenditures	<u>248,768</u>	<u>139,136</u>	<u>109,632</u>	<u>560,245</u>
Revenues over (under) expenditures	<u>(79,895)</u>	<u>29,636</u>	<u>109,531</u>	<u>(393,062)</u>
APPROPRIATED FUND BALANCE	<u>79,895</u>	<u>-</u>	<u>(79,895)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>29,636</u>	<u>\$ 29,636</u>	<u>(393,062)</u>
FUND BALANCE				
Beginning		(549,089)		(156,027)
Ending		<u>\$ (519,453)</u>		<u>\$ (549,089)</u>

Countywide Fire Budgetary Fund**Balance Sheet**

June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$ 64,299	\$ 78,157
Property taxes receivable, net	6,944	5,304
Accounts receivable, net	<u>151</u>	<u>115</u>
Total assets	<u>\$ 71,394</u>	<u>\$ 83,576</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 112	\$ 112
Total liabilities	<u>112</u>	<u>112</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,923</u>	<u>5,910</u>
FUND BALANCE		
Restricted	151	115
Assigned	31,469	50,886
Unassigned	<u>31,739</u>	<u>26,553</u>
Total fund balance	<u>63,359</u>	<u>77,554</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 71,394</u>	<u>\$ 83,576</u>

Countywide Fire Budgetary Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 1,148,959	\$ 1,179,474	\$ 30,515	\$ 1,147,173
Investment earnings	-	552	552	2,379
Total revenues	<u>1,148,959</u>	<u>1,180,026</u>	<u>31,067</u>	<u>1,149,552</u>
EXPENDITURES				
Emergency Management	<u>1,199,845</u>	<u>1,194,221</u>	<u>5,624</u>	<u>1,071,998</u>
Total expenditures	<u>1,199,845</u>	<u>1,194,221</u>	<u>5,624</u>	<u>1,071,998</u>
Revenues over (under) expenditures	<u>(50,886)</u>	<u>(14,195)</u>	<u>36,691</u>	<u>77,554</u>
APPROPRIATED FUND BALANCE	<u>50,886</u>	<u>-</u>	<u>(50,886)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>(14,195)</u>	<u>\$ (14,195)</u>	<u>77,554</u>
FUND BALANCE				
Beginning		<u>77,554</u>		<u>-</u>
Ending		<u>\$ 63,359</u>		<u>\$ 77,554</u>

Countywide EMS Budgetary Fund**Balance Sheet**

June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$ 570,338	\$ 243,160
Property taxes receivable, net	38,051	29,067
Accounts receivable, net	<u>869</u>	<u>427</u>
Total assets	<u>\$ 609,258</u>	<u>\$ 272,654</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,795	\$ 165
Total liabilities	<u>21,795</u>	<u>165</u>
DEFERRED INFLOWS OF RESOURCES	<u>43,419</u>	<u>32,385</u>
FUND BALANCE		
Restricted	869	427
Assigned	125,100	34,086
Unassigned	<u>418,075</u>	<u>205,591</u>
Total fund balance	<u>544,044</u>	<u>240,104</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 609,258</u>	<u>\$ 272,654</u>

Countywide EMS Budgetary Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 6,249,733	\$ 6,462,849	\$ 213,116	\$ 6,285,226
Sales and services	586,775	657,209	70,434	557,194
Investment earnings	-	5,194	5,194	8,976
Miscellaneous	79,500	124,954	45,454	83,547
Total revenues	<u>6,916,008</u>	<u>7,250,206</u>	<u>334,198</u>	<u>6,934,943</u>
EXPENDITURES				
Emergency Medical Services	6,950,094	6,946,266	3,828	6,694,839
Total expenditures	<u>6,950,094</u>	<u>6,946,266</u>	<u>3,828</u>	<u>6,694,839</u>
Revenues over (under) expenditures	<u>(34,086)</u>	<u>303,940</u>	<u>338,026</u>	<u>240,104</u>
APPROPRIATED FUND BALANCE	<u>34,086</u>	<u>-</u>	<u>(34,086)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>303,940</u>	<u>\$ 303,940</u>	<u>240,104</u>
FUND BALANCE				
Beginning		<u>240,104</u>		<u>-</u>
Ending		<u>\$ 544,044</u>		<u>\$ 240,104</u>

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

- Expenditures by Appropriation Unit

For the Year Ended June 30, 2017

	2017		
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 67,546,867	\$ 69,741,632	\$ 2,194,765
Local option sales tax	40,481,775	41,860,292	1,378,517
Other taxes and licenses	2,473,000	2,822,173	349,173
Intergovernmental	35,469,435	36,244,720	775,285
Permits and fees	4,329,581	4,737,108	407,527
Sales and services	4,411,636	3,915,458	(496,178)
Investment earnings	822,138	410,788	(411,350)
Miscellaneous	6,832,635	6,939,637	107,002
Total revenues	<u>162,367,067</u>	<u>166,671,808</u>	<u>4,304,741</u>
EXPENDITURES			
Administrative Services	1,700,999	1,669,039	31,960
Board of Elections	1,278,213	1,226,283	51,930
Community Services	9,243,026	8,590,859	652,167
Emergency Services	6,445,373	6,210,643	234,730
General County Administration	14,967,002	13,616,224	1,350,778
Growth Management	3,313,167	3,161,967	151,200
Human Services	45,435,416	41,883,443	3,551,973
Outside Partners and Community Agencies	9,334,771	7,560,842	1,773,929
Public Works	(351,265)	(351,318)	53
Register of Deeds	1,233,160	1,177,499	55,661
Sheriff's Office	32,222,592	31,020,622	1,201,970
Union County Public Schools	43,196,242	43,012,736	183,506
Total expenditures and other financing uses	<u>168,018,696</u>	<u>158,778,839</u>	<u>9,239,857</u>
Revenues under expenditures	<u>(5,651,629)</u>	<u>7,892,969</u>	<u>13,544,598</u>
APPROPRIATED FUND BALANCE	<u>5,651,629</u>	<u>-</u>	<u>(5,651,629)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>7,892,969</u>	<u>\$ 7,892,969</u>
FUND BALANCE			
Beginning		87,217,992	
Ending		<u>\$ 95,110,961</u>	

Special Revenue Funds

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Springs Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Waxhaw Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Hemby Bridge Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Wesley Chapel Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Fee Supported Fire Districts Fund - This fund accounts for the fees levied in these fire districts in Union County.

Emergency Telephone System Fund - This fund accounts for the user fees charged to support the emergency telephone system.

General Special Revenue Fund - This multi-year fund accounts for multi-year special revenues.

Automation Enhancement Fund - This fund accounts for ten percent (10%) of the fees collected, by the County's Register of Deeds, pursuant to G.S. 161-10 and retained by the county, or three dollars and twenty cents (\$3.20) in the case of a fee collected pursuant to G.S. 161-10(a)(1a) for the first page of a deed trust or mortgage, which is set aside annually and placed in a nonreverting Automation Enhancement (and Preservation) Fund, the proceeds of which shall be expended on computer or imaging technology and needs associated with the preservation and storage of public records in the office of the register of deeds.



Springs Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 499,281	\$ 494,082	\$ (5,199)	\$ 515,524
Local option sales tax	108,728	95,591	(13,137)	105,980
Investment earnings	-	41	41	29
Total revenues	<u>608,009</u>	<u>589,714</u>	<u>(18,295)</u>	<u>621,533</u>
EXPENDITURES				
Public safety	<u>700,045</u>	<u>699,382</u>	<u>663</u>	<u>579,229</u>
Total expenditures	<u>700,045</u>	<u>699,382</u>	<u>663</u>	<u>579,229</u>
Revenues over (under) expenditures	(92,036)	(109,668)	(17,632)	42,304
APPROPRIATED FUND BALANCE				
	<u>92,036</u>	-	<u>(92,036)</u>	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(109,668)</u>	<u>\$ (109,668)</u>	42,304
FUND BALANCE				
Beginning of year - July 1		<u>134,340</u>		<u>92,036</u>
End of year - June 30		<u>\$ 24,672</u>		<u>\$ 134,340</u>

Waxhaw Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 740,887	\$ 780,572	\$ 39,685	\$ 785,224
Local option sales tax	162,729	149,476	(13,253)	159,728
Investment earnings	-	53	53	34
Total revenues	<u>903,616</u>	<u>930,101</u>	<u>26,485</u>	<u>944,986</u>
EXPENDITURES				
Public safety	<u>1,080,208</u>	<u>1,079,385</u>	<u>823</u>	<u>877,587</u>
Total expenditures	<u>1,080,208</u>	<u>1,079,385</u>	<u>823</u>	<u>877,587</u>
Revenues over (under) expenditures	(176,592)	(149,284)	27,308	67,399
APPROPRIATED FUND BALANCE				
	<u>176,592</u>	<u>-</u>	<u>(176,592)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(149,284)</u>	<u>\$ (149,284)</u>	<u>67,399</u>
FUND BALANCE				
Beginning of year - July 1		<u>225,480</u>		<u>158,081</u>
End of year - June 30		<u>\$ 76,196</u>		<u>\$ 225,480</u>

Hemby Bridge Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,191,492	\$ 1,242,611	\$ 51,119	\$ 1,267,697
Local option sales tax	244,812	235,428	(9,384)	245,923
Investment earnings	-	102	102	70
Total revenues	<u>1,436,304</u>	<u>1,478,141</u>	<u>41,837</u>	<u>1,513,690</u>
EXPENDITURES				
Public safety	<u>1,709,619</u>	<u>1,707,975</u>	<u>1,644</u>	<u>1,435,215</u>
Total expenditures	<u>1,709,619</u>	<u>1,707,975</u>	<u>1,644</u>	<u>1,435,215</u>
Revenues over (under) expenditures	(273,315)	(229,834)	43,481	78,475
APPROPRIATED FUND BALANCE				
	<u>273,315</u>	-	<u>(273,315)</u>	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(229,834)</u>	<u>\$ (229,834)</u>	<u>78,475</u>
FUND BALANCE				
Beginning of year - July 1		<u>351,790</u>		<u>273,315</u>
End of year - June 30		<u>\$ 121,956</u>		<u>\$ 351,790</u>

Stallings Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 1,128,914	\$ 1,180,335	\$ 51,421	\$ 1,161,955
Local option sales tax	192,614	218,449	25,835	191,283
Investment earnings	-	79	79	50
Total revenues	<u>1,321,528</u>	<u>1,398,863</u>	<u>77,335</u>	<u>1,353,288</u>
EXPENDITURES				
Public safety	<u>1,448,311</u>	<u>1,447,094</u>	<u>1,217</u>	<u>1,270,370</u>
Total expenditures	<u>1,448,311</u>	<u>1,447,094</u>	<u>1,217</u>	<u>1,270,370</u>
Revenues over (under) expenditures	(126,783)	(48,231)	78,552	82,918
APPROPRIATED FUND BALANCE				
	<u>126,783</u>	<u>-</u>	<u>(126,783)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(48,231)</u>	<u>\$ (48,231)</u>	<u>82,918</u>
FUND BALANCE				
Beginning of year - July 1		<u>197,701</u>		<u>114,783</u>
End of year - June 30		<u>\$ 149,470</u>		<u>\$ 197,701</u>

Wesley Chapel Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,453,992	\$ 1,514,574	\$ 60,582	\$ 1,394,629
Local option sales tax	285,266	268,892	(16,374)	276,338
Investment earnings	-	89	89	57
Total revenues	<u>1,739,258</u>	<u>1,783,555</u>	<u>44,297</u>	<u>1,671,024</u>
EXPENDITURES				
Public safety	<u>1,961,115</u>	<u>1,965,103</u>	<u>(3,988)</u>	<u>1,600,972</u>
Total expenditures	<u>1,961,115</u>	<u>1,965,103</u>	<u>(3,988)</u>	<u>1,600,972</u>
Revenues over (under) expenditures	(221,857)	(181,548)	40,309	70,052
APPROPRIATED FUND BALANCE				
	<u>221,857</u>	-	<u>(221,857)</u>	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(181,548)</u>	<u>\$ (181,548)</u>	<u>70,052</u>
FUND BALANCE				
Beginning of year - July 1		<u>286,308</u>		<u>216,256</u>
End of year - June 30		<u>\$ 104,760</u>		<u>\$ 286,308</u>

Fee Supported Fire Districts Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Permits and fees	\$ 2,383,495	\$ 2,362,608	\$ (20,887)	\$ 2,353,288
Total revenues	<u>2,383,495</u>	<u>2,362,608</u>	<u>(20,887)</u>	<u>2,353,288</u>
EXPENDITURES				
Public safety	2,383,495	2,383,495	-	2,350,033
Total expenditures	<u>2,383,495</u>	<u>2,383,495</u>	<u>-</u>	<u>2,350,033</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(20,887)</u>	<u>\$ (20,887)</u>	<u>3,255</u>
FUND BALANCE				
Beginning of year - July 1		<u>112,413</u>		<u>109,158</u>
End of year - June 30		<u>\$ 91,526</u>		<u>\$ 112,413</u>

Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Other taxes and licenses	\$ 832,555	\$ 830,578	\$ (1,977)	\$ 513,741
Investment earnings	-	5,340	5,340	3,669
Miscellaneous	-	-	-	150
Total revenues	<u>832,555</u>	<u>835,918</u>	<u>3,363</u>	<u>517,560</u>
EXPENDITURES				
Capital outlay	-	-	-	118,250
Hardware maintenance	598,668	343,298	255,370	154,650
Implemental functions	139,661	138,028	1,633	152,174
Software maintenance	188,383	203,903	(15,520)	133,170
Telephone	287,252	155,883	131,369	169,660
Training	38,686	27,896	10,790	22,635
Total expenditures	<u>1,252,650</u>	<u>869,008</u>	<u>383,642</u>	<u>750,539</u>
Revenues over (under) expenditures	(420,095)	(33,090)	387,005	(232,979)
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	-	10,083
APPROPRIATED FUND BALANCE	<u>420,095</u>	<u>-</u>	<u>(420,095)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(33,090)</u>	<u>\$ (33,090)</u>	<u>(222,896)</u>
FUND BALANCE				
Beginning of year - July 1		<u>1,833,716</u>		<u>2,056,612</u>
End of year - June 30		<u>\$ 1,800,626</u>		<u>\$ 1,833,716</u>

General Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 1,723,369	\$ 917,265	\$ 116,076	\$ 1,033,341	\$ (690,028)
Sales and services	120,000	170,300	27,300	197,600	77,600
Investment earnings	59,276	59,276	1,793	61,069	1,793
Miscellaneous	1,592,291	1,535,523	518,865	2,054,388	462,097
Total revenues	<u>3,494,936</u>	<u>2,682,364</u>	<u>664,034</u>	<u>3,346,398</u>	<u>(148,538)</u>
EXPENDITURES					
Public Safety					
Cert Grant Program	18,500	7,581	-	7,581	10,919
Controlled Substance Tax	487,338	376,997	53,060	430,057	57,281
Federal Forfeited Property	1,718,174	1,147,597	175,597	1,323,194	394,980
Homeland Security-Catawba Nuclear	135,575	113,562	13,327	126,889	8,686
Indian Trail GHSP Grant	547,616	498,296	-	498,296	49,320
Economic and Physical Development					
Community Development Block Grant	745,626	-	97,076	97,076	648,550
Total expenditures	<u>3,652,829</u>	<u>2,144,033</u>	<u>339,060</u>	<u>2,483,093</u>	<u>1,169,736</u>
Revenues over (under) expenditures	(157,893)	538,331	324,974	863,305	1,021,198
OTHER FINANCING SOURCES					
Transfers from other funds	<u>157,893</u>	<u>169,124</u>	<u>-</u>	<u>169,124</u>	<u>11,231</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 707,455</u>	324,974	<u>\$ 1,032,429</u>	<u>\$ 1,032,429</u>
FUND BALANCE					
Beginning of year - July 1			<u>707,455</u>		
End of year - June 30			<u>\$ 1,032,429</u>		

Automation Enhancement Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Permits and fees	\$ 106,800	\$ 127,670	\$ 20,870	\$ 119,538
Total revenues	<u>106,800</u>	<u>127,670</u>	<u>20,870</u>	<u>119,538</u>
EXPENDITURES				
General government	92,000	60,572	31,428	43,445
Total expenditures	<u>92,000</u>	<u>60,572</u>	<u>31,428</u>	<u>43,445</u>
Revenues over (under) expenditures	14,800	67,098	52,298	76,093
APPROPRIATED FUND BALANCE				
	(14,800)	-	14,800	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	67,098	<u>\$ 67,098</u>	76,093
FUND BALANCE				
Beginning of year - July 1		<u>78,646</u>		<u>2,553</u>
End of year - June 30		<u>\$ 145,744</u>		<u>\$ 78,646</u>



Capital Project Funds

Capital Project Funds account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

General Capital Project Fund - This fund accounts for various capital improvement projects that will be financed from General Fund resources, as well as general obligation and installment financing(s).

Library Capital Project Fund - This fund accounts for capital improvements to the main library and satellite libraries from within the County. These improvements are funded by transfers from the General Fund, contributions, and donations.



General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 512,205	\$ 206,817	\$ -	\$ 206,817	\$ (305,388)
Investment earnings	897,511	897,512	-	897,512	1
Miscellaneous	16,363	16,363	-	16,363	-
Total revenues	1,426,079	1,120,692	-	1,120,692	(305,387)
EXPENDITURES					
Capital outlay					
General Government					
Board of Elections Voting Machines	807,630	-	-	-	807,630
Government Facilities Renovations	5,811,064	5,482,033	181,896	5,663,929	147,135
County Facility Repairs	500,000	36,003	-	36,003	463,997
County Facilities Audio Visual Equipment	725,000	-	385,273	385,273	339,727
Energy Savings Projects	168,235	49,957	-	49,957	118,278
Historic Courthouse Renovation	650,000	1,875	73,125	75,000	575,000
I. T. Infrastructure	1,536,238	745,479	184,059	929,538	606,700
Phone System Upgrade	655,000	427,330	81,832	509,162	145,838
Tax Administration Software	1,200,000	-	243,899	243,899	956,101
Union Village Roof	142,566	-	118,930	118,930	23,636
Public Safety					
Law Enforcement-Jail Expansion	1,895,045	1,812,629	-	1,812,629	82,416
Law Enforcement-Firearms Range	8,805,665	1,778,292	4,246,446	6,024,738	2,780,927
Law Enforcement-Storage Garage	277,700	251,624	-	251,624	26,076
Sheriff's Office Renovations	130,000	-	29,072	29,072	100,928
Emergency Management Radios	466,667	-	-	-	466,667
Emergency Management Radios-Schools	450,000	-	-	-	450,000
Human Services					
DSS Business Automation Ph 2	1,024,410	988,734	31,458	1,020,192	4,218
Human Services Campus	42,150,000	7,571,226	16,646,141	24,217,367	17,932,633
Electronic Medical Records	175,000	165,823	7,369	173,192	1,808
Cultural and Recreation					
Community Services Facility Repair	505,655	82,553	112,970	195,523	310,132
Jesse Helms Park	1,013,402	668,405	213,661	882,066	131,336
Cane Creek Park Lake Enhancements	87,095	-	-	-	87,095
Cane Creek Park Arcade Renovations	122,250	-	-	-	122,250
Monroe Library Redesign	253,332	-	-	-	253,332
Monroe Library Carpet Replacement	360,000	-	-	-	360,000
Monroe Library Chiller Replacement	200,000	86,008	75,094	161,102	38,898
Library RFID	100,000	-	-	-	100,000
Parks & Recreation Paving	188,100	-	94,691	94,691	93,409
Southwest Union Library	1,850,000	-	-	-	1,850,000
Economic and Physical Development					
4H Pavilion	119,000	47,107	-	47,107	71,893
Ag Center Display Sign	100,000	-	-	-	100,000
Education					
ADA Projects	4,219,529	-	1,158,163	1,158,163	3,061,366
Antioch Roof Repair	476,809	19,885	420,244	440,129	36,680
Benton Heights ADA Door Hardware	16,720	-	3,846	3,846	12,874
Benton Heights ADA Upgrade Restrooms	491,906	-	-	-	491,906
Benton Heights Auditorium	1,268,187	-	-	-	1,268,187
Benton Heights Renovations	1,891,623	7,500	296,242	303,742	1,587,881
Benton Heights Roof Repair	949,823	907,678	-	907,678	42,145
Benton Heights Site Improvements	489,720	-	5,000	5,000	484,720
CATA Roof Repair	257,123	257,123	-	257,123	-
Data Center Technology Upgrades	779,281	-	533,673	533,673	245,608
East Union Roof Repair	326,970	326,970	-	326,970	-
East Union Technology Upgrade-Juniper	50,000	-	47,748	47,748	2,252
Facilities Vehicle Replacements	109,354	-	109,247	109,247	107
Facilities GPS System Upgrade	137,000	-	-	-	137,000
Fairview Roof Repair	596,700	538,715	27,985	566,700	30,000

Continued on next page.

General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2017

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
Forest Hills Emergency Lighting	16,500	-	-	-	16,500
Forest Hills Roof Repair	451,326	451,326	-	451,326	-
Forest Hills Roof Repair FY16	12,200	-	-	-	12,200
Hemby Bridge Technology Upgrade	40,661	-	40,661	40,661	-
Indian Trail Roof Repair	355,065	355,065	-	355,065	-
Indian Trail Technology Upgrade	37,546	-	36,867	36,867	679
Kensington Roof Repair	114,236	-	25,500	25,500	88,736
Marshville Roof Repair	393,594	393,536	-	393,536	58
Marshville Technology Upgrade	44,100	-	39,624	39,624	4,476
Marvin Elementary Roof Repair	642,861	601,892	40,969	642,861	-
Marvin Elementary Upgrade Fire Alarm Panel	47,973	-	6,909	6,909	41,064
Monroe High AC for Kitchen	35,750	-	-	-	35,750
Monroe High Auditorium	509,872	-	14,994	14,994	494,878
Monroe High Lights in Aux Gym	45,000	-	-	-	45,000
Monroe High Windows/Doors	415,000	-	-	-	415,000
Monroe High School Bond Project	3,452,760	-	-	-	3,452,760
Monroe Middle Technology Upgrade	57,238	-	57,238	57,238	-
Monroe Middle School STEM Lab	1,975,000	-	-	-	1,975,000
New Salem Roof Repair	203,300	159,900	-	159,900	43,400
New Salem Roof Repair FY16	130,837	112,110	18,727	130,837	-
New Town Roof Repair	29,935	12,000	17,935	29,935	-
Piedmont High Bond Project	2,148,384	-	6,800	6,800	2,141,584
Parkwood High Outside Air	275,000	-	-	-	275,000
Parkwood High Roof Repair	551,503	551,503	-	551,503	-
Parkwood High Strategic Fencing & HID	11,000	-	-	-	11,000
Parkwood Middle Roof Repair	1,282,085	1,246,615	-	1,246,615	35,470
Piedmont High Lighting	357,500	-	-	-	357,500
Piedmont High Roof Repair	144,260	144,260	-	144,260	-
Piedmont High Roof Repair FY16	270,200	9,800	257,900	267,700	2,500
Piedmont Middle Chiller Replacement	62,700	-	62,633	62,633	67
Piedmont Middle Roof Repair	34,500	34,500	-	34,500	-
Piedmont Middle Technology Upgrade	46,073	-	46,073	46,073	-
Porter Ridge Elem Roof Repair	525,834	493,117	32,717	525,834	-
Porter Ridge High Bond Project	1,496,196	-	2,820	2,820	1,493,376
Porter Ridge High Roof Repair	1,334,509	1,236,197	62,906	1,299,103	35,406
Porter Ridge Middle Bond Project	6,272,514	-	11,280	11,280	6,261,234
Prospect ADA Access to Mobile Classrooms	152,781	-	-	-	152,781
Prospect ADA Toilet Rooms	86,781	-	20,702	20,702	66,079
Prospect Fire Alarm	55,670	-	3,525	3,525	52,145
Prospect Roof Repair	682,339	635,499	46,840	682,339	-
Rea View Roof Repair	492,225	10,500	429,546	440,046	52,179
Rock Rest Roof Repair	556,860	22,432	466,298	488,730	68,130
Roofing Audits	72,000	72,000	-	72,000	-
Sandy Ridge Roof Repair	489,757	10,500	447,257	457,757	32,000
Shiloh Technology Upgrade	45,000	-	40,081	40,081	4,919
Sun Valley High Chiller Replacement	53,100	-	-	-	53,100
Sun Valley High School Bond Project	24,364,734	-	202,798	202,798	24,161,936
Sun Valley Middle AC for Kitchen	35,200	-	-	-	35,200
Sun Valley Middle ADA Restrooms	12,672	-	-	-	12,672
Sun Valley Middle HVAC/Chiller Replacement	662,895	-	-	-	662,895
Sun Valley Middle Roof Repair	930,183	926,817	-	926,817	3,366
Sun Valley Middle Technology Upgrade	46,500	-	46,100	46,100	400
South Providence Roof Repair	393,500	393,500	-	393,500	-
Transportation Facility-Bond Project	12,000,000	-	99,426	99,426	11,900,574

Continued on next page.

General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2017

	Actual				
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Technical Services Roof Repair	153,870	153,870	-	153,870	-
Unionville Elementary Chiller Replacement	121,417	-	-	-	121,417
Unionville Elementary DDC Building System	220,000	-	-	-	220,000
Unionville Elementary Outside Air	220,000	-	191,158	191,158	28,842
Unionville Elementary Roof Repair	26,236	26,236	-	26,236	-
Unionville Elementary Roof Repair FY16	883,459	743,640	139,819	883,459	-
Various Locations OCR Compliance	218,480	-	38,320	38,320	180,160
Various Locations Building Automation System	278,646	-	171,929	171,929	106,717
Various Locations Furniture/Equipment	300,000	-	248,923	248,923	51,077
Various Locations Roofing Repair	3,000,000	-	2,665,313	2,665,313	334,687
Various Locations Network Cards and Power Supply	140,550	-	6,720	6,720	133,830
Walter Bicket Education Center Roof Repair	652,243	651,656	-	651,656	587
Walter Bickett Ed Center Roof Repair FY16	464,550	9,200	417,100	426,300	38,250
Walter Bickett Elem Roof Repair	493,348	207,472	242,378	449,850	43,498
Warehouse Demo of Gym	65,000	-	800	800	64,200
Warehouse Roofing	139,395	-	-	-	139,395
Weddington Elementary DDC System	192,500	-	-	-	192,500
Weddington High Roof Repair	645,328	510,746	134,582	645,328	-
Weddington High Technology Upgrade	75,000	-	66,403	66,403	8,597
Weddington Middle DDC Control	300,000	-	-	-	300,000
Weddington Middle/Elementary Roof Repair	260,300	260,300	-	260,300	-
Wesley Chapel Elementary Roof Repair	4,000	4,000	-	4,000	-
Wesley Chapel Outside Air	170,500	-	-	-	170,500
Wesley Chapel Elem Repair FY16	115,618	112,618	1,000	113,618	2,000
Wesley Chapel Technology Upgrade	40,232	-	40,232	40,232	-
Wesley Chapel Storm Drain	85,000	-	-	-	85,000
Wingate Elementary Roof Repair	620,267	620,268	-	620,268	(1)
Wingate Elementary Roof Repair FY16	236,107	223,777	12,330	236,107	-
Western Union ADA Restrooms	203,284	-	-	-	203,284
Western Union ADA Toilet Access	145,000	-	-	-	145,000
Western Union Fire Alarm	63,427	-	3,666	3,666	59,761
Western Union Lighting	74,000	-	29,458	29,458	44,542
Western Union Replace Flooring	514,567	-	87,069	87,069	427,498
Western Union Roof Repair FY16	1	-	-	-	1
Western Union ES Bond Project	3,882,437	-	-	-	3,882,437
Western Union Roof Repair	290,008	281,408	-	281,408	8,600
Wolfe Roof Repair	334,113	6,000	328,113	334,113	-
Schools Capital Outlay FY14-Additional Funds	5,357,859	5,343,594	-	5,343,594	14,265
Schools Capital Outlay FY15-Facilities	19,334,779	13,720,832	4,931,622	18,652,454	682,325
Schools Capital Outlay FY15-Technology	377,359	377,359	-	377,359	-
Schools Capital Outlay FY16	2,457,649	435,934	780,594	1,216,528	1,241,121
Schools Capital Outlay FY16-Security Cameras	1,307,250	38,478	740,952	779,430	527,820
Schools Capital Outlay FY16-Tech/Trans	1,000,000	662,504	188,449	850,953	149,047
School Capital Outlay-FY 2018 ADA	2,064,080	-	-	-	2,064,080
School Capital Outlay-FY 2018 Building Systems	2,359,000	-	-	-	2,359,000
School Capital Outlay-FY 2018 Expansion/Renovation	6,078,149	-	-	-	6,078,149
School Capital Outlay-FY 2018 F&E	108,000	-	-	-	108,000
School Capital Outlay-FY 2018 Roofing	994,841	-	-	-	994,841
School Capital Outlay-FY 2018 Safety & Security	850,000	-	-	-	850,000
School Capital Outlay-FY 2018 Technology	1,580,959	-	-	-	1,580,959
SPCC Capital Maintenance	1,156,148	659,852	138,365	798,217	357,931
SPCC HVAC and Security	305,000	-	-	-	305,000
SPCC Parking	345,000	-	-	-	345,000
SPCC Resurfacing of Parking Lot	467,100	-	-	-	467,100
SPCC Technology	1,343,315	-	402,458	402,458	940,857
SPCC Welding Lab	765,352	765,351	-	765,351	1
SPCC Tyson Center	4,900,000	-	-	-	4,900,000
SPCC-STEM Building	19,700,000	-	-	-	19,700,000
SPCC Renovations Building A	517,500	-	-	-	517,500
Total expenditures	238,619,411	55,941,113	39,935,681	95,876,794	142,742,617

Continued on next page.

General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2017

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total To Date	
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	155,340,807	114,398,361	21,594,116	135,992,477	(19,348,330)
Transfer in-Water and Sewer Fund	327,500	327,500	-	327,500	-
Transfers to other funds	(52,000)	(52,000)	-	(52,000)	-
Proceeds from general obligation bonds	81,577,025	992,500	-	992,500	(80,584,525)
Total other financing sources (uses)	<u>237,193,332</u>	<u>115,666,361</u>	<u>21,594,116</u>	<u>137,260,477</u>	<u>(99,932,855)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 60,845,940</u>	<u>(18,341,565)</u>	<u>\$ 42,504,375</u>	<u>\$ 42,504,375</u>
FUND BALANCE					
Beginning of year - July 1			<u>60,845,940</u>		
End of year - June 30			<u>\$ 42,504,375</u>		

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
REVENUES					
Miscellaneous	\$ -	\$ 6,591	\$ -	\$ 6,591	\$ 6,591
Total revenues	-	6,591	-	6,591	6,591
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
Misc. Library Capital Project	69,870	62,088	-	62,088	7,782
South West Union Library	51,333	51,333	-	51,333	-
Total expenditures	121,203	113,421	-	113,421	7,782
Revenues under expenditures	(121,203)	(106,830)	-	(106,830)	14,373
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	3,607,203	3,599,188	-	3,599,188	(8,015)
Transfers to other funds	(3,486,000)	(3,484,576)	-	(3,484,576)	1,424
Total other financing sources and uses	121,203	114,612	-	114,612	(6,591)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 7,782	-	\$ 7,782	\$ 7,782
FUND BALANCE					
Beginning of year - July 1			7,782		
End of year - June 30			\$ 7,782		



Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund accounts for the County's water and sewer operations.

Solid Waste Fund - This fund accounts for the County's solid waste operations.

Stormwater Fund - This fund accounts for the County's stormwater program.



Water and Sewer Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
REVENUES				
Operating revenues				
Charges for services	\$ 23,390,257	\$ 32,208,889	\$ 8,818,632	\$ 37,501,037
Miscellaneous revenue	-	11,593	11,593	14,447
Other operating revenue	1,388,912	1,549,773	160,861	2,051,286
Total	<u>24,779,169</u>	<u>33,770,255</u>	<u>8,991,086</u>	<u>39,566,770</u>
Nonoperating revenues				
Investment earnings	451,916	240,928	(210,988)	814,408
Proceeds from sale of capital assets	-	-	-	112,177
Sale of capital assets	-	58,170	58,170	-
Total	<u>451,916</u>	<u>299,098</u>	<u>(152,818)</u>	<u>926,585</u>
Total revenues	<u>25,231,085</u>	<u>34,069,353</u>	<u>8,838,268</u>	<u>40,493,355</u>
EXPENDITURES				
Administration	2,525,067	1,921,874	603,193	6,975,039
Water system operations	5,130,768	4,986,113	144,655	5,145,545
Water system maintenance and repairs	2,668,110	2,743,787	(75,677)	2,540,440
Sewer-county customers system operations	7,580,462	6,632,459	948,003	6,764,620
Sewer-county customers system maint and repairs	1,935,719	1,978,036	(42,317)	1,576,845
Sewer-Marshville/Monroe system operations	212,392	241,795	(29,403)	223,012
Sewer-Marshville/Monroe system maint and repairs	18,000	5,949	12,051	17,354
General obligation bonds - principal	-	-	-	55,113
Revenue bonds - principal	2,395,000	2,395,000	-	8,345,000
State sanitary loan - principal	983,697	983,697	-	983,697
Interest and fees	2,957,786	2,700,214	257,572	2,807,348
Total expenditures	<u>26,407,001</u>	<u>24,588,924</u>	<u>1,818,077</u>	<u>35,434,013</u>
Revenues over (under) expenditures	<u>(1,175,916)</u>	<u>9,480,429</u>	<u>10,656,345</u>	<u>5,059,342</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from revenue bonds	-	-	-	588,618
Transfers out				
Transfer to Internal Service Funds	(372,173)	(372,173)	-	-
Water and Sewer Capital Project Fund	(6,980,500)	(6,980,500)	-	(7,442,319)
Stormwater Operating Fund	-	-	-	(214,829)
Transfers In				
Water and Sewer District Fund	5,748,000	3,679,965	(2,068,035)	-
Stormwater Operating Fund	-	402,310	402,310	-
Capital contributions - cash	-	-	-	7,126,857
Capital contributions - cash-other	5,140,900	235,404	(4,905,496)	-
Capital contributions - cash-capacity fees	-	3,394,405	3,394,405	-
Total other financing sources (uses)	<u>3,536,227</u>	<u>359,411</u>	<u>(3,176,816)</u>	<u>58,327</u>
APPROPRIATED FUND BALANCE	<u>(2,360,311)</u>	<u>-</u>	<u>2,360,311</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 9,839,840</u>	<u>\$ 9,839,840</u>	<u>\$ 5,117,669</u>

Water and Sewer District Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
REVENUES				
Operating revenues				
Charges for services	\$ 13,183,000	\$ 8,883,127	\$ (4,299,873)	\$ -
Other operating revenue	-	394,020	394,020	-
Total	<u>13,183,000</u>	<u>9,277,147</u>	<u>(3,905,853)</u>	<u>-</u>
Total revenues	<u>13,183,000</u>	<u>9,277,147</u>	<u>(3,905,853)</u>	<u>-</u>
EXPENDITURES				
Operating expense	<u>7,435,000</u>	<u>6,832,333</u>	<u>602,667</u>	<u>-</u>
Total expenditures	<u>7,435,000</u>	<u>6,832,333</u>	<u>602,667</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,748,000</u>	<u>2,444,814</u>	<u>(3,303,186)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Water and Sewer Operating Fund	(5,748,000)	(3,679,965)	2,068,035	-
Capital contributions - cash-other	-	43,030	43,030	-
Capital contributions - cash-capacity fees	-	1,955,120	1,955,120	-
Total other financing sources (uses)	<u>(5,748,000)</u>	<u>(1,681,815)</u>	<u>4,066,185</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 762,999</u>	<u>\$ 762,999</u>	<u>\$ -</u>

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
EXPENDITURES					
Administrative Capital Outlay					
Expand Operations Center	\$ 9,458,326	\$ 8,496,634	\$ 752,142	\$ 9,248,776	\$ 209,550
Water and Sewer Capital Outlay					
Master Plan Update	318,000	183,828	105,565	289,393	28,607
Water Capital Outlay					
762 Zone Misc Improvements	400,000	-	-	-	400,000
935 Zone Study	100,000	-	-	-	100,000
CRWTP Expansion	26,557,606	5,094,558	461,690	5,556,248	21,001,358
CRWTP Reservoir Expansion	27,440,916	5,508,449	10,261,155	15,769,604	11,671,312
Doster Rd Main Replacement	481,361	25,230	361,865	387,095	94,266
Galvanized Water Line Replacement	2,863,716	1,100,045	420,780	1,520,825	1,342,891
Hwy 75 Pump Station Generator	1,080,600	700,313	35,689	736,002	344,598
Indian Trail Additional Tank	393,100	2,485	137,219	139,704	253,396
Marshville Water Tank Rehab	639,000	17,400	-	17,400	621,600
Misc. Water 762 Zone Trans. Main (Bypass)	1,681,700	73,800	-	73,800	1,607,900
Misc. Water 84 24" Line Relocation	493,860	493,935	-	493,935	(75)
Misc. Water Line Replacement	1,954,665	1,828,987	125,825	1,954,812	(147)
New Additional Marshville Tank	3,701,000	-	-	-	3,701,000
Raw Water Intake & Pump Station	900,000	-	-	-	900,000
Raw Water Transmission Main	12,500,000	-	-	-	12,500,000
SCADA Master Plan Water	1,300,000	-	121,048	121,048	1,178,952
Short Line Extensions Water	3,816,000	1,807,894	887,203	2,695,097	1,120,903
Storage Tank Rehab	718,000	219,619	-	219,619	498,381
Water R&R Program	2,254,777	14,844	140,222	155,066	2,099,711
Weddington Elevated Storage Tank	5,774,045	4,443,959	62,894	4,506,853	1,267,192
Yadkin Distribution System Improvements	4,300,000	-	-	-	4,300,000
Yadkin Water Supply	4,730,410	2,796,905	672,079	3,468,984	1,261,426
Yadkin Water Treatment Plant	9,242,630	-	380,743	380,743	8,861,887
Sewer Capital Outlay					
12 Mile Creek WWTP Expansion	42,379,577	2,635,790	11,400,439	14,036,229	28,343,348
12 ML WWTP Design & Interim Imprv	3,490,093	3,187,161	212,110	3,399,271	90,822
853 South Zone Tank	412,000	-	-	-	412,000
853 West Zone Transmission Main	1,301,900	1,095,217	28,918	1,124,135	177,765
Blythe Creek Sewer Improvements	3,083,200	102,053	124,365	226,418	2,856,782
Collection System SSES & Rehab	580,000	-	34,800	34,800	545,200
Crooked Creek Headworks Improvements	11,152,000	743,325	5,126,996	5,870,321	5,281,679
Crooked Creek I&I Study & Remediation	513,425	473,547	-	473,547	39,878
Crooked Creek Interceptor Improvements Phase I	4,240,375	-	-	-	4,240,375
Development of 880 Pressure Zone	5,126,200	4,316,320	252,837	4,569,157	557,043
East Fork 12M Creek Parallel Trunk	7,366,865	7,355,608	8,528	7,364,136	2,729
Fairview Downtown WW Service	206,000	-	-	-	206,000
Forest Park PS Replacement	2,540,000	9,200	256,338	265,538	2,274,462

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual	Total To Date	Variance Positive (Negative)
Hunley Creek WWTP	127,000	13,129	109,840	122,969	4,031
Manhole Rehab	614,565	612,717	-	612,717	1,848
Mineral Springs-Collection System	1,267,240	1,123,896	-	1,123,896	143,344
Olde Sycamore WWTP	270,000	29,914	-	29,914	240,086
Poplin Road Pump Station Interim IP	1,100,000	-	-	-	1,100,000
Pumping Station Upgrades	962,000	164,790	45,512	210,302	751,698
Rays Fork Interceptor	6,180,000	3,715,889	1,107,754	4,823,643	1,356,357
SCADA Master Plan Wastewater	1,300,000	-	121,048	121,048	1,178,952
Suburban Estates PS & Force Main	43,000	-	-	-	43,000
Stallings- Collection System	431,200	64,200	-	64,200	367,000
Tallwood WWTP Replacement	2,381,745	2,381,745	-	2,381,745	-
Unionville Comm Center WW Service	103,000	-	-	-	103,000
Waxhaw Interceptor	500,000	-	-	-	500,000
Waxhaw Marvin PS Decommission	400,000	-	-	-	400,000
Wastewater Pump Station Improvement	1,503,000	120,296	270,802	391,098	1,111,902
Wastewater R&R Program	3,748,860	-	286,641	286,641	3,462,219
Wastewater Treatment Plant R&R	1,500,000	-	-	-	1,500,000
Weddington Downtown Development	100,000	-	-	-	100,000
West Fork 12ML Interceptor Improvement	1,859,295	-	-	-	1,859,295
Yadkin Basin WRF	1,500,000	-	52,901	52,901	1,447,099
Total expenditures	231,382,252	60,953,682	34,365,948	95,319,630	136,062,622
Revenues over expenditures	(231,382,252)	(60,953,682)	(34,365,948)	(95,319,630)	136,062,622
OTHER FINANCING SOURCES					
Transfer from other funds:					
Revenue bonds issuance	152,301,160	23,921,353	-	23,921,353	(128,379,807)
Transfers from water and sewer operating fund	75,522,788	66,623,904	6,980,500	73,604,404	(1,918,384)
Nonoperating revenues					
Capital contributions - cash-other	3,558,304	3,633,855	196,940	3,830,795	272,491
Total other financing sources	231,382,252	94,179,112	7,177,440	101,356,552	(130,025,700)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 33,225,430	(27,188,508)	\$ 6,036,922	\$ 6,036,922
FUND BALANCE					
Beginning of year - July 1			33,225,430		
End of year - June 30			<u>\$ 6,036,922</u>		

Water and Sewer Fund**Schedule of Reconciliation of Budgetary Basis (Non-GAAP)****to Full Accrual Basis**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017	2016
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 9,839,840	\$ 5,117,669
Water and Sewer District	762,999	-
Water and Sewer Capital Project Fund	(27,188,508)	5,919,846
Total	<u>(16,585,669)</u>	<u>11,037,515</u>
Reconciling items		
Amortization of G.O. and revenue bond defeasance	(101,725)	(99,248)
Amortization of G.O. and revenue bond premium	210,851	175,861
Amortization of G.O. and revenue bond gains and (losses) on refunding	3,031	(698,363)
Revenue bond proceeds	-	(22,955,000)
Revenue bond premium	-	(2,222,150)
Capitalized interest	573,468	867,698
Payment of debt principal	3,378,697	9,383,810
Increase (decrease) in compensated absences payable	(48,969)	(25,765)
Increase (decrease) in interest expense accrual	11,119	(45,397)
Increase (decrease) in inventories	353,839	(24,891)
Decrease in allowance for uncollectible accounts	(151,420)	(314,806)
Increase (decrease) in net pension asset, separation allowance	305,698	118,326
Increase (decrease) in net other post employment benefit obligation	(165,446)	(58,941)
Investment derivatives gains	-	(223,063)
Capital Outlay	35,374,568	28,842,653
Capital contributions	11,122,031	8,785,718
Gain on investment in joint venture	(356,017)	(222,151)
Depreciation	(14,054,442)	(12,373,740)
Increase (decrease) in pension expense	(88,377)	101,051
Amortization of revenue bond swap termination cost	(42,916)	(18,223)
Revenue bond swap termination cost	-	399,000
Total	<u>36,323,990</u>	<u>9,392,379</u>
Change in net position	<u>\$ 19,738,321</u>	<u>\$ 20,429,894</u>

Solid Waste Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
REVENUES				
Operating Revenues				
Charges for services	\$ 4,786,085	\$ 5,124,116	\$ 338,031	\$ 4,770,844
Disposal fees	386,900	442,132	55,232	416,524
Miscellaneous revenue	-	4,701	4,701	-
Other operating revenue	1,999	10,533	8,534	12,722
Total	<u>5,174,984</u>	<u>5,581,482</u>	<u>406,498</u>	<u>5,200,090</u>
Nonoperating Revenue				
Investment earnings	52,692	33,309	(19,383)	45,536
Proceeds from sale of capital assets	-	-	-	1,758
Sale of capital assets	-	431	431	-
Total	<u>52,692</u>	<u>33,740</u>	<u>(18,952)</u>	<u>47,294</u>
Total revenues	<u>5,227,676</u>	<u>5,615,222</u>	<u>387,546</u>	<u>5,247,384</u>
EXPENDITURES				
Personnel	1,305,493	1,279,920	25,573	1,215,734
Operating expense	3,452,722	3,327,049	125,673	3,847,625
Total expenditures	<u>4,758,215</u>	<u>4,606,969</u>	<u>151,246</u>	<u>5,063,359</u>
Revenues over (under) expenditures	<u>469,461</u>	<u>1,008,253</u>	<u>538,792</u>	<u>184,025</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Internal Service Funds	(58,761)	(58,761)	-	-
Transfers in				
Solid Waste Capital Reserve Fund	-	-	-	(45,000)
Total other financing sources (uses)	<u>(58,761)</u>	<u>(58,761)</u>	<u>-</u>	<u>(45,000)</u>
APPROPRIATED FUND BALANCE	<u>410,700</u>	<u>-</u>	<u>(410,700)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ 821,400</u>	<u>\$ 949,492</u>	<u>\$ 128,092</u>	<u>\$ 139,025</u>

Solid Waste Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
OTHER FINANCING SOURCES (USES)				
Transfers out				
Solid Waste Capital Reserve Fund	\$ -	\$ -	\$ -	\$ 45,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,000</u>

Solid Waste Fund**Schedule of Reconciliation of Budgetary Basis (Non-GAAP)****to Full Accrual Basis**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 949,492	\$ 229,025
Capital Reserve Fund	-	(45,000)
Total	<u>949,492</u>	<u>184,025</u>
Reconciling items		
Increase (decrease) in compensated absences payable	(3,992)	(12,183)
Decrease in allowance for uncollectible accounts	(1,162)	345,789
Increase (decrease) in net pension asset, separation allowance	51,978	17,638
Increase (decrease) in net other post employment benefit obligation	(26,734)	(17,401)
Capital Outlay	283,813	548,699
Depreciation	(325,514)	(291,550)
Increase in accrued landfill postclosure care costs	(60,849)	(46,344)
Increase (decrease) in pension expense	(11,625)	15,203
Total	<u>(94,085)</u>	<u>559,851</u>
Change in net position	<u>\$ 855,407</u>	<u>\$ 743,876</u>

Stormwater Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ 46,312
Miscellaneous revenue	-	-	-	74
Total revenues	-	-	-	46,386
EXPENDITURES				
Personnel	-	-	-	165,842
Operating expense	-	-	-	7,270
Total expenditures	-	-	-	173,112
Revenues over (under) expenditures	-	-	-	(126,726)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Water and Sewer Operating Fund	-	-	-	214,829
Transfers out				
Water and Sewer Operating Fund	(402,310)	(402,310)	-	-
Total other financing sources (uses)	(402,310)	(402,310)	-	214,829
APPROPRIATED FUND BALANCE	(402,310)	-	402,310	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ (804,620)</u>	<u>\$ (402,310)</u>	<u>\$ 402,310</u>	<u>\$ 88,103</u>

Stormwater Fund**Schedule of Reconciliation of Budgetary Basis (Non-GAAP)****to Full Accrual Basis**

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (402,310)	\$ 88,103
Total	<u>(402,310)</u>	<u>88,103</u>
Reconciling items		
Increase (decrease) in compensated absences payable	3,428	17
Increase (decrease) in net pension asset, separation allowance	36,937	3,084
Increase (decrease) in net other post employment benefit obligation	1,032	(72)
Capital Outlay	(3,073)	-
Depreciation	-	(1,317)
Increase (decrease) in pension expense	3,935	2,680
Total	<u>42,259</u>	<u>4,392</u>
Change in net position	<u>\$ (360,051)</u>	<u>\$ 92,495</u>

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis.

Health Benefits Fund - This fund accounts for amounts from individual departments and employees to pay health benefit costs.

Workers' Compensation Fund - This fund accounts for amounts from individual departments to pay workers' compensation claims.

Property and Casualty Fund - This fund accounts for amounts from individual departments to pay property and casualty claims and premiums.

Information Technology Fund - This fund accounts for amounts from individual departments to pay for information technology services.

Facilities Management Fund - This fund accounts for amounts from individual departments to pay for facilities/property management services.

Fleet Management Fund - This fund accounts for amounts from individual departments to pay for fleet management services.



Health Benefits Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 14,648,014	\$ 14,615,038	\$ (32,976)	\$ 14,011,028
Total	14,648,014	14,615,038	(32,976)	14,011,028
Nonoperating revenues				
Other operating revenue	-	-	-	58
Investment earnings	16,486	14,446	(2,040)	26,982
Total revenues	14,664,500	14,629,484	(35,016)	14,038,068
EXPENDITURES				
Operating expenditures				
Other operating expenditures	1,390,638	1,429,678	(39,040)	1,075,235
Health benefit claims and premiums	16,510,756	15,808,014	702,742	14,235,559
Total expenditures	17,901,394	17,237,692	663,702	15,310,794
Revenues over (under) expenditures	(3,236,894)	(2,608,208)	628,686	(1,272,726)
TRANSFERS				
Transfers from General Fund	1,755,618	1,755,618	-	1,500,000
Transfer from Internal Service Funds	78,448	78,448	-	-
Transfers from other enterprise funds	430,934	430,934	-	-
APPROPRIATED FUND BALANCE	971,894	-	(971,894)	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ (343,208)	\$ (343,208)	\$ 227,274
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ (343,208)		\$ 227,274
Increase (decrease) in health benefit claims payable		30,946		(27,818)
Change in net position		\$ (312,262)		\$ 199,456

Workers Compensation Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 575,184	\$ 594,839	\$ 19,655	\$ 556,174
Insurance Reimbursement	-	3,917	3,917	6,699
Total	575,184	598,756	23,572	562,873
Nonoperating revenues				
Investment earnings	6,350	5,310	(1,040)	7,623
Total revenues	581,534	604,066	22,532	570,496
EXPENDITURES				
Operating expenditures				
Other operating expenditures	187,810	187,952	(142)	163,576
Worker's compensation claims	383,800	139,118	244,682	231,285
Total expenditures	571,610	327,070	244,540	394,861
Revenues over (under) expenditures	9,924	276,996	267,072	175,635
APPROPRIATED FUND BALANCE				
	(9,924)	-	9,924	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ 276,996	\$ 276,996	\$ 175,635
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over expenditures		\$ 276,996		\$ 175,635
Increase (decrease) in workers' compensation claims payable		72,791		327,181
Change in net position		<u>\$ 349,787</u>		<u>\$ 502,816</u>

Property and Casualty Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 686,728	\$ 653,069	\$ (33,659)	\$ 865,645
Total	686,728	653,069	(33,659)	865,645
Nonoperating revenues				
Miscellaneous revenue	-	1,358	1,358	-
Other operating revenue	-	-	-	51
Investment earnings	3,226	2,239	(987)	3,887
Total revenues	689,954	656,666	(33,288)	869,583
EXPENDITURES				
Operating expenditures				
Property and casualty claims and premiums	808,850	628,160	180,690	733,730
Total expenditures	808,850	628,160	180,690	733,730
Revenues over (under) expenditures	(118,896)	28,506	147,402	135,853
APPROPRIATED FUND BALANCE				
APPROPRIATED FUND BALANCE	118,896	-	(118,896)	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ 28,506	\$ 28,506	\$ 135,853
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 28,506		\$ 135,853
Increase (decrease) in property and casualty claims payable		66,737		(196,031)
Change in net position		<u>\$ 95,243</u>		<u>\$ (60,178)</u>

Information Technology Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		2016	
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Charges for services	\$ 59,305	\$ 57,711	\$ (1,594)	\$ 187
Interfund charges and employee contributions	2,894,176	2,894,176	-	2,696,876
Other operating revenue	-	1,967	1,967	-
Investment earnings	1,688	5,661	3,973	8,360
Total revenues	<u>2,955,169</u>	<u>2,959,515</u>	<u>4,346</u>	<u>2,705,423</u>
EXPENDITURES				
Personnel	1,084,287	1,025,145	59,142	948,175
Other operating expenditures	2,123,947	1,482,082	641,865	1,095,896
Total expenditures	<u>3,208,234</u>	<u>2,507,227</u>	<u>701,007</u>	<u>2,044,071</u>
Revenues over (under) expenditures	<u>(253,065)</u>	<u>452,288</u>	<u>705,353</u>	<u>661,352</u>
TRANSFERS				
Transfer to Internal Service Funds	(44,185)	(44,185)	-	-
APPROPRIATED FUND BALANCE				
	<u>297,250</u>	<u>-</u>	<u>(297,250)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>\$ 408,103</u>	<u>\$ 408,103</u>	<u>\$ 661,352</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 408,103		\$ 661,352
Increase (decrease) in compensated absences payable		(6,997)		(122)
Increase (decrease) in net pension asset, separation allowance		35,385		17,706
Increase (decrease) in pension expense		(11,840)		(57,248)
Increase (decrease) in net other post employment benefit obligation		(20,407)		(4,381)
Capital Outlay		129,615		49,658
Depreciation Expense		(111,610)		(104,686)
Capital contributions - non-cash		-		-
Change in net position		<u>\$ 422,249</u>		<u>\$ 562,279</u>

Facilities Management Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Interfund charges and employee contributions	\$ 4,831,697	\$ 4,887,793	\$ 56,096	\$ 4,810,486
Miscellaneous revenue	-	515	515	260
Other operating revenue	-	10,600	10,600	713
Investment earnings	2,098	4,354	2,256	8,864
Total revenues	4,833,795	4,903,262	69,467	4,820,323
EXPENDITURES				
Personnel	518,353	496,938	21,415	492,345
Other operating expenditures	4,464,915	4,079,117	385,798	3,775,227
Total expenditures	4,983,268	4,576,055	407,213	4,267,572
Revenues over (under) expenditures	(149,473)	327,207	476,680	552,751
TRANSFERS				
Transfer to General Capital Project Fund	-	-	-	(45,560)
Transfer to Internal Service Funds	(19,098)	(19,098)	-	-
APPROPRIATED FUND BALANCE	168,571	-	(168,571)	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ 308,109	\$ 308,109	\$ 507,191
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 308,109		\$ 507,191
Increase (decrease) in compensated absences payable		11,231		(6,034)
Increase (decrease) in net pension asset, separation allowance		8,935		8,693
Increase (decrease) in pension expense		(4,876)		(26,158)
Increase (decrease) in net other post employment benefit obligation		(8,517)		(2,706)
Capital Outlay		35,046		-
Depreciation Expense		(4,871)		(1,584)
Capital contributions - non-cash		-		-
Change in net position		\$ 345,057		\$ 479,402

Fleet Management Fund
Schedule of Revenues and Expenditures
(Non-GAAP)

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES				
Interfund charges and employee contributions	\$ 1,047,177	\$ 1,107,339	\$ 60,162	\$ 885,737
Miscellaneous revenue	-	303	303	810
Investment earnings	298	56	(242)	795
Proceeds from sale of capital assets	-	-	-	2,784
Total revenues	1,047,475	1,107,698	60,223	890,126
EXPENDITURES				
Personnel	326,505	326,676	(171)	316,901
Other operating expenditures	731,305	656,189	75,116	517,714
Total expenditures	1,057,810	982,865	74,945	834,615
Revenues over (under) expenditures	(10,335)	124,833	135,168	55,511
TRANSFERS				
Transfer to Internal Service Funds	(15,165)	(15,165)	-	-
APPROPRIATED FUND BALANCE				
	25,500	-	(25,500)	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ 109,668	\$ 109,668	\$ 55,511
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues over (under) expenditures		\$ 109,668		\$ 55,511
Increase (decrease) in compensated absences payable		(2,359)		(4,276)
Increase (decrease) in net pension asset, separation allowance		13,269		5,295
Increase (decrease) in pension expense		(3,558)		(18,236)
Increase (decrease) in net other post employment benefit obligation		(6,763)		(6,465)
Capital Outlay		52,710		-
Depreciation Expense		(6,042)		(2,574)
Capital contributions - non-cash		-		-
Change in net position		<u>\$ 156,925</u>		<u>\$ 29,255</u>

Fiduciary Funds

Trust Funds account for assets held by the County in a trustee capacity. Agency Funds account for assets held by the County as an agent for individuals or other governments.

Pension Trust Fund

Special Separation Allowance Fund - This fund accounts for the accumulation of resources for the payment of special separation benefits to qualified County employees.

Other Postemployment Retiree Healthcare Benefits (OPEB) Fund - This fund accounts for the accumulation of resources for the payment of retirees' healthcare benefits to qualified County employees.

Agency Funds

Social Services Fund - This fund accounts for monies held by the Department of Social Services for the benefit of certain individuals.

Fines and Forfeitures Fund - This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Union County Public Schools Board of Education.

Jail Inmate Fund - This fund accounts for monies held by the Union County Sheriff's Office (Jail) for the benefit of certain individuals.

Monroe and Union County School District Funds - These funds account for the proceeds of the special tax levies that are collected by the County on behalf of these school districts.

Municipal Tax Collection Fund - This fund accounts for the proceeds of taxes that are collected by the County on behalf of the municipalities within the County.

Gross Rental Receipts Tax Fund - This fund accounts for the proceeds of municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which are collected by the County on behalf of the municipalities within the County.

Special Separation Allowance Fund
Schedule of Revenues, Expenses, and Changes in
Fiduciary Net Position - Pension Trust Fund

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Operating revenues		
Employer contributions	\$ 2,250,437	\$ 1,947,863
Net investment income	1,689	12,264
Total revenues	<u>2,252,126</u>	<u>1,960,127</u>
DEDUCTIONS		
Operating expenses		
Employee benefits	<u>1,187,163</u>	<u>1,212,344</u>
Revenues under expenses	1,064,963	747,783
NET POSITION		
Beginning of year-July 1	<u>1,971,379</u>	<u>1,223,596</u>
End of year-June 30	<u>\$ 3,036,342</u>	<u>\$ 1,971,379</u>

Other Postemployment Retiree Healthcare Benefits (OPEB) Fund
Schedule of Revenues, Expenses, and Changes in
Fiduciary Net Position - Pension Trust Fund

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Operating revenues		
Employer contributions	\$ 3,738,601	\$ 2,939,839
Net investment income	1,584,508	(212,701)
Total revenues	<u>5,323,109</u>	<u>2,727,138</u>
DEDUCTIONS		
Operating expenses		
Employee benefits	<u>-</u>	<u>-</u>
Revenues under expenses	5,323,109	2,727,138
NET POSITION		
Beginning of year-July 1	<u>20,022,497</u>	<u>17,295,359</u>
End of year-June 30	<u>\$ 25,345,606</u>	<u>\$ 20,022,497</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 65,991	\$ 372,501	\$ 362,181	\$ 76,311
LIABILITIES				
Due to program participants	\$ 65,991	\$ 372,501	\$ 362,181	\$ 76,311
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and investments	\$ 10,904	\$ 791,500	\$ 801,435	\$ 969
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 969	\$ -	\$ 969
Due to program participants	10,904	844,771	855,675	-
Total Liabilities	\$ 10,904	\$ -	\$ -	\$ 969
<u>JAIL INMATE FUND</u>				
ASSETS				
Cash and investments	\$ 68,020	\$ 541,418	\$ 535,642	\$ 73,796
LIABILITIES				
Due to program participants	\$ 68,020	\$ 541,418	\$ 535,642	\$ 73,796
<u>MONROE SCHOOL DISTRICT</u>				
ASSETS				
Property taxes receivable (net)	\$ 457	\$ -	\$ 209	\$ 248
LIABILITIES				
Accounts payable and accrued liabilities	\$ 457	\$ -	\$ 209	\$ 248
<u>UNION COUNTY SCHOOL DISTRICT</u>				
ASSETS				
Property taxes receivable (net)	\$ 4,379	\$ 163	\$ 3,898	\$ 644
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,379	\$ 163	\$ 3,898	\$ 644
<u>MUNICIPAL TAX COLLECTION</u>				
ASSETS				
Cash and investments	\$ 9,730	\$ 9,910,416	\$ 9,905,300	\$ 14,846
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,730	\$ 20,112,742	\$ 20,107,626	\$ 14,846

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>GROSS RENTAL RECEIPTS TAX FUND</u>				
ASSETS				
Cash and investments	\$ 3,651	\$ 161,826	\$ 161,723	\$ 3,754
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,651	\$ 209,007	\$ 208,904	\$ 3,754
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 158,296	\$ 11,777,661	\$ 11,766,281	\$ 169,676
Property taxes receivable (net)	4,836	163	4,107	892
Total assets	<u>\$ 163,132</u>	<u>\$ 11,777,824</u>	<u>\$ 11,770,388</u>	<u>\$ 170,568</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 18,217	\$ 20,322,881	\$ 20,320,637	\$ 20,461
Due to program participants	144,915	1,758,690	1,753,498	150,107
Total liabilities	<u>\$ 163,132</u>	<u>\$ 22,081,571</u>	<u>\$ 22,074,135</u>	<u>\$ 170,568</u>



Additional Financial Data

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable - General Fund

Analysis of Current Tax Levy - County-Wide Levy

Schedule of Ad Valorem Taxes Receivable - General Fund
June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2017
2017-2018	\$ -	\$ 600,644	\$ 312,102	\$ 288,542
2016-2017	270,583	188,432,411	187,912,101	790,893
2015-2016	704,349	(2,400)	431,829	270,120
2014-2015	481,101	(37,062)	180,257	263,782
2013-2014	628,405	(188,511)	240,561	199,333
2012-2013	298,670	(25,145)	111,086	162,439
2011-2012	265,320	(18,302)	91,157	155,861
2010-2011	259,013	(27,832)	42,197	188,984
2009-2010	310,720	(15,252)	31,422	264,046
2008-2009	280,461	(9,229)	18,930	252,302
2007-2008	145,592	(5,216)	11,570	128,806
2006-2007	161,575	-	161,575	-
	<u>\$ 3,805,789</u>	<u>\$ 188,704,106</u>	<u>\$ 189,544,787</u>	<u>2,965,108</u>

Add: Releases on 2016-2017 registered motor vehicles	-
Less: Allowance for uncollectible ad valorem taxes receivable	(1,154,045)
Ad valorem taxes receivable (net)	<u>\$ 1,811,063</u>

Reconcilement with revenues	
Taxes - ad valorem	<u>\$ 190,062,198</u>

Reconciling items	
2017 tax prepayments	312,102
Write-offs per statute of limitations	161,575
Write-offs of uncollected 2012 and 2013 motor vehicle tax	98,575
Collections in advance	(285,559)
Interest, advertising cost recovery, and garnishments	(795,793)
Foreclosure fees and overpayments	(8,309)
Collections on written off motor vehicle amounts	-
Rounding adjustment	(2)
Total reconciling items	<u>(517,411)</u>
Total collections and credits	<u>\$ 189,544,787</u>

**Analysis of Current Tax Levy
County-Wide Levy
For the Year Ended June 30, 2017**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	23,947,304,453	0.7665	\$ 183,552,598	\$ 168,722,385	\$ 14,830,213
Motor vehicles taxed at prior year's rate	593,278,973	0.7765	4,606,641	-	4,606,641
Motor vehicles taxes at prior year's rate	925,059	0.7614	7,044	-	7,044
Total	<u>24,541,508,485</u>		<u>188,166,283</u>	<u>168,722,385</u>	<u>19,443,898</u>
Discoveries					
Property taxed at current year's rate	152,068,873	0.7665	1,135,470	1,131,474	3,996
Total	<u>152,068,873</u>		<u>1,135,470</u>	<u>1,131,474</u>	<u>3,996</u>
Abatements					
Property taxed at current year's rate	114,313,462	0.7665	869,342	867,949	1,393
Total	<u>114,313,462</u>		<u>869,342</u>	<u>867,949</u>	<u>1,393</u>
Total property valuation	<u>24,579,263,896</u>				
Net levy			188,432,411	168,985,910	19,446,501
Add: Uncollected taxes at June 30, 2016			270,583	270,583	-
Less: Uncollected taxes at June 30, 2017			(790,893)	(790,763)	(130)
Total collections and credits for 2016-2017			<u>\$ 187,912,101</u>	<u>\$ 168,465,730</u>	<u>\$ 19,446,371</u>
Percent current year collected			99.72 %	99.69 %	100.00 %

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	20,277,954,447		
Personal property	1,358,789,650		
Public service companies	413,136,008		
Total	<u>22,049,880,105</u>	0.7665	<u>\$ 168,985,910</u>
Personal property-motor vehicles	1,935,179,759	0.7665	14,832,816
Personal property-motor vehicles	593,278,973	0.7765	4,606,641
Personal property-motor vehicles	925,059	0.7614	7,044
Total	<u>2,529,383,791</u>		<u>19,446,501</u>
Total	<u>24,579,263,896</u>		<u>\$ 188,432,411</u>

In addition to the county-wide rate, the following table lists the levies by the county on behalf of school districts and fire protection districts for the fiscal year ended June 30, 2016:

School districts	\$ -
Fire protection districts	4,620,991
Total	<u>\$ 4,620,991</u>



Statistical Section

The information presented in this section is provided for additional analysis purposes only and has not been subjected to audit verification as presented.

Financial Trends – These tables contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Net Position by Component	Table 1
Changes in Net Position	Table 2
Fund Balances of Governmental Funds	Table 3
Changes in Fund Balances of Governmental Funds	Table 4

Revenue Capacity – These tables contain information to help the reader assess the government’s most significant local revenue source, the property tax

Ad Valorem Taxes	Table 5
Assessed Value of Taxable Property	Table 6
Estimated Actual Value of Taxable Property	Table 7
Property Tax Rates – Direct and Overlapping Governments	Table 8
Construction Information	Table 9
Principal Property Taxpayers	Table 10
Property Tax Levies and Collections	Table 11

Debt Capacity – These tables present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	Table 12
Ratios of General Bonded Debt Outstanding	Table 13
Legal Debt Margin Information	Table 14
Pledged Revenue Coverage per Revenue Bond Indenture – Water and Sewer Bonds	Table 15
Pledged Revenue Coverage – Water and Sewer Bonds	Table 16

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Demographic and Economic Statistics	Table 17
Principal Employers	Table 18

Operating Information – These tables contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.

Full-time Equivalent Governmental Employees by Function/Program	Table 19
Operating Indicators by Function/Program	Table 20
Capital Asset Statistics by Function/Program	Table 21



Table 1

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	Restated 2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 43,813,345	\$ 44,026,312	\$ 43,744,128	\$ 43,648,788	\$ 44,186,127	\$ 44,668,785	\$ 44,817,727	\$ 47,600,898	\$ 50,856,584	\$ 72,437,355
Restricted	49,900,699	33,511,919	18,214,536	24,290,336	22,189,074	20,887,064	34,036,154	40,924,767	62,691,666	52,573,379
Unrestricted	(446,227,697)	(484,507,872)	(463,995,879)	(451,413,958)	(363,868,077)	(336,677,648)	(309,410,731)	(274,480,903)	(272,131,081)	(242,163,566)
Total governmental activities net position	\$ (352,513,653)	\$ (406,969,641)	\$ (402,037,215)	\$ (383,474,834)	\$ (297,492,876)	\$ (271,121,799)	\$ (230,556,850)	\$ (185,955,238)	\$ (158,582,831)	\$ (117,152,832)
Business-type activities:										
Net investment in capital assets	\$ 156,680,551	\$ 161,451,399	\$ 157,759,859	\$ 151,130,981	\$ 152,962,211	\$ 158,884,335	\$ 163,571,185	\$ 170,517,222	\$ 180,438,094	\$ 205,909,308
Restricted	2,885,491	2,770,308	2,819,884	2,880,533	554,740	1,052,416	1,319,906	1,323,962	913,570	876,897
Unrestricted	75,283,250	74,375,814	80,411,689	90,030,700	91,292,755	89,214,629	96,864,668	93,757,609	103,696,563	98,608,352
Total business-type activities net position	\$ 234,849,292	\$ 238,597,521	\$ 240,991,432	\$ 244,042,214	\$ 244,809,706	\$ 249,151,380	\$ 261,755,759	\$ 265,598,793	\$ 285,048,227	\$ 305,394,557
Primary government:										
Net investment in capital assets	\$ 200,493,896	\$ 205,477,711	\$ 201,503,987	\$ 194,779,769	\$ 197,148,338	\$ 203,553,120	\$ 208,388,912	\$ 218,118,120	\$ 231,294,678	\$ 278,346,663
Restricted	52,786,190	36,282,227	21,034,420	27,170,869	22,743,814	21,939,480	35,356,060	42,248,729	63,605,236	53,450,276
Unrestricted	(370,944,447)	(410,132,058)	(383,584,190)	(361,383,258)	(272,575,322)	(247,463,019)	(212,546,063)	(180,723,294)	(168,434,518)	(143,555,214)
Total primary government net position	\$ (117,664,361)	\$ (168,372,120)	\$ (161,045,783)	\$ (139,432,620)	\$ (52,683,170)	\$ (21,970,419)	\$ 31,198,909	\$ 79,643,555	\$ 126,465,396	\$ 188,241,725

Table 2

**Union County, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	Restated 2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 15,436,928	\$ 13,262,354	\$ 11,936,694	\$ 12,770,039	\$ 13,154,999	\$ 12,753,596	\$ 12,881,769	\$ 9,816,624	\$ 17,427,812	\$ 16,134,611
Public safety	34,470,213	35,654,917	36,887,177	38,692,049	42,417,985	41,235,748	45,991,521	49,473,142	52,402,492	57,578,659
Economic and physical development	2,287,932	2,209,346	2,388,964	3,710,570	2,930,309	2,329,378	2,588,795	2,612,048	2,729,040	2,933,004
Human services	40,185,620	38,883,954	37,060,432	37,806,928	38,855,691	37,146,051	36,905,034	43,219,454	38,311,835	44,403,278
Cultural and recreational	7,217,315	6,790,945	6,277,980	6,153,502	6,432,361	6,492,900	6,470,275	6,716,756	6,996,026	7,487,519
Education	189,941,022	161,488,954	105,000,374	90,656,362	83,419,258	90,964,332	89,813,013	106,525,203	114,373,247	114,522,089
Interest and fees on long term debt	22,947,274	25,079,081	23,915,195	22,974,484	21,943,425	18,770,059	16,686,228	15,560,572	12,220,595	13,009,921
Total Governmental Activities	<u>312,486,304</u>	<u>283,369,551</u>	<u>223,466,816</u>	<u>212,763,934</u>	<u>209,154,028</u>	<u>209,692,064</u>	<u>211,336,635</u>	<u>233,923,799</u>	<u>244,461,047</u>	<u>256,069,081</u>
Business-type Activities:										
Water and sewer	26,223,999	27,277,258	27,421,775	27,785,295	29,762,394	30,349,615	32,291,195	34,271,677	37,743,763	44,396,330
Solid waste	4,271,774	4,772,424	4,420,864	4,184,286	4,497,006	4,505,743	4,534,458	4,566,593	4,480,119	4,746,161
Stormwater	213,187	211,501	207,437	191,859	148,634	200,613	235,519	135,036	166,741	359,971
Total Business-type Activities	<u>30,708,960</u>	<u>32,261,183</u>	<u>32,050,076</u>	<u>32,161,440</u>	<u>34,408,034</u>	<u>35,055,971</u>	<u>37,061,172</u>	<u>38,973,306</u>	<u>42,390,623</u>	<u>49,502,462</u>
Total Expenses	<u>\$ 343,195,264</u>	<u>\$ 315,630,734</u>	<u>\$ 255,516,892</u>	<u>\$ 244,925,374</u>	<u>\$ 243,562,062</u>	<u>\$ 244,748,035</u>	<u>\$ 248,397,807</u>	<u>\$ 272,897,105</u>	<u>\$ 286,851,670</u>	<u>\$ 305,571,543</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Public safety	\$ 5,837,190	\$ 3,659,533	\$ 3,510,111	\$ 4,370,029	\$ 5,135,843	\$ 5,840,128	\$ 7,104,127	\$ 6,981,473	\$ 7,755,805	\$ 7,542,449
Human services	6,057,364	4,723,863	3,383,886	3,512,006	3,607,474	2,906,371	9,795,257	10,046,988	9,895,788	9,602,369
Other activities	2,374,633	2,031,547	1,837,864	1,872,790	2,298,505	2,202,798	2,175,261	2,361,696	2,524,474	2,966,685
Operating grants and contributions:										
Human services	18,094,056	18,995,386	19,113,246	19,217,655	19,465,996	19,274,946	18,670,709	19,629,643	20,348,777	20,894,206
Education	4,813,403	5,590,655	7,646,005	7,714,618	7,410,421	7,819,965	7,548,402	9,836,712	9,119,985	10,335,409
Other activities	3,680,965	4,367,395	4,602,339	5,044,980	4,810,361	5,067,919	4,101,117	3,871,387	3,977,275	4,828,443
Capital grants and contributions	660,626	95,704	421,017	423,685	573,183	150,079	270,327	41,598	68,520	242,226
Total Governmental Activities	<u>41,518,237</u>	<u>39,464,083</u>	<u>40,514,468</u>	<u>42,155,763</u>	<u>43,301,783</u>	<u>43,262,206</u>	<u>49,665,200</u>	<u>52,769,497</u>	<u>53,690,624</u>	<u>56,411,787</u>
Business-type Activities:										
Charges for services:										
Water and sewer	24,556,277	23,360,413	24,928,808	26,321,204	26,073,700	28,526,457	34,120,018	39,350,178	39,992,024	52,611,512
Solid waste	4,074,830	4,347,375	3,564,996	3,507,672	3,790,340	4,386,568	4,639,562	4,150,265	5,200,090	5,581,482
Stormwater	3,295	-	-	-	-	-	16,100	28,694	46,386	-
Operating grants and contributions	230,170	227,158	309,190	344,414	372,658	362,703	2,120,364	392,039	-	-
Capital grants and contributions:										
Water and sewer	19,989,669	6,504,645	4,373,167	3,890,400	6,679,066	7,361,297	8,471,433	4,458,111	17,816,555	11,322,960
Total Business-type Activities	<u>48,854,241</u>	<u>34,439,591</u>	<u>33,176,161</u>	<u>34,063,690</u>	<u>36,915,764</u>	<u>40,637,025</u>	<u>49,367,477</u>	<u>48,379,287</u>	<u>63,055,055</u>	<u>69,515,954</u>
Total Primary Revenues	<u>\$ 90,372,478</u>	<u>\$ 73,903,674</u>	<u>\$ 73,690,629</u>	<u>\$ 76,219,453</u>	<u>\$ 80,217,547</u>	<u>\$ 83,899,231</u>	<u>\$ 99,032,677</u>	<u>\$ 101,148,784</u>	<u>\$ 116,745,679</u>	<u>\$ 125,927,741</u>
Net (Expense) /Revenue										
Governmental Activities	\$ (270,968,067)	\$ (243,905,468)	\$ (18,295,234)	\$ (170,608,171)	\$ (165,852,245)	\$ (166,429,858)	\$ (161,671,435)	\$ (181,154,302)	\$ (190,770,423)	\$ (199,657,294)
Business-type Activities	18,145,281	2,178,408	1,126,085	1,902,250	2,507,730	5,581,054	12,306,305	9,405,981	20,664,432	20,013,492
Total primary government net expense	<u>\$ (252,822,786)</u>	<u>\$ (241,727,060)</u>	<u>\$ (18,169,149)</u>	<u>\$ (168,705,921)</u>	<u>\$ (163,344,515)</u>	<u>\$ (160,848,804)</u>	<u>\$ (149,365,130)</u>	<u>\$ (171,748,321)</u>	<u>\$ (170,105,991)</u>	<u>\$ (179,643,802)</u>

Table 2 (continued)

Union County, North Carolina
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	Restated 2014	2015	2016	2017
General Revenues										
Governmental Activities:										
Property taxes levied for general purposes	\$ 127,405,534	\$ 154,149,099	\$ 156,773,697	\$ 159,049,464	\$ 160,375,634	\$ 161,590,726	\$ 168,913,593	\$ 193,496,714	\$ 191,316,580	\$ 194,800,497
Local option sales tax	38,191,635	31,509,387	23,974,645	23,944,051	26,373,178	27,595,031	30,284,689	33,023,307	37,420,598	42,828,128
Other taxes and licenses	2,862,903	1,830,883	1,716,487	1,568,697	1,742,152	2,093,213	2,410,251	2,433,979	2,622,315	2,822,173
Unrestricted grants and contributions	108,755	104,914	112,326	108,028	86,716	89,481	75,773	82,050	115,081	120,366
Unrestricted rental income	-	-	3,295,689	3,156,330	7,666,879	6,100,000	-	-	-	-
Unrestricted investment earnings	9,635,050	2,834,234	1,908,892	1,223,133	1,429,626	(687,300)	420,138	491,943	923,829	483,772
Unrestricted miscellaneous	102,972	14,559	7,974	34,914	32,836	182,066	8,380	10,313	714	112
Transfers in/out	-	-	-	-	-	-	-	327,500	-	-
Gain / (loss) on sale of capital assets	333,257	(993,597)	95,064	85,935	127,182	(178,573)	123,560	91,095	126,632	32,245
Extraordinary item	-	-	-	-	54,000,000	-	-	-	-	-
Total general revenues and transfers	<u>178,640,106</u>	<u>189,449,479</u>	<u>187,884,774</u>	<u>189,170,552</u>	<u>251,834,203</u>	<u>196,784,644</u>	<u>202,236,384</u>	<u>229,956,901</u>	<u>232,525,749</u>	<u>241,087,293</u>
Business-type Activities:										
Unrestricted investment earnings	3,738,139	1,556,621	1,263,078	1,173,194	490,219	(193,033)	232,586	399,689	636,881	274,237
Transfers	-	-	-	-	-	-	-	(327,500)	-	-
Gain / (loss) on sale of capital assets	(160,735)	13,199	4,748	(24,662)	53,637	19,729	65,488	126,724	113,935	58,601
Special item	-	-	-	-	-	-	-	-	-	-
Extraordinary item	(1,499,544)	-	-	-	-	-	-	-	-	-
Total Business-type activities	<u>2,077,860</u>	<u>1,569,820</u>	<u>1,267,826</u>	<u>1,148,532</u>	<u>543,856</u>	<u>(173,304)</u>	<u>298,074</u>	<u>198,913</u>	<u>750,816</u>	<u>332,838</u>
Total primary government	<u>\$ 180,717,966</u>	<u>\$ 191,019,299</u>	<u>\$ 189,152,600</u>	<u>\$ 190,319,084</u>	<u>\$ 252,378,059</u>	<u>\$ 196,611,340</u>	<u>\$ 202,534,458</u>	<u>\$ 230,155,814</u>	<u>\$ 233,276,565</u>	<u>\$ 241,420,131</u>
Change in Net Position										
Governmental Activities	\$ (92,327,961)	\$ (54,455,989)	\$ 4,932,426	\$ 18,562,381	\$ 85,981,958	\$ 30,354,786	\$ 40,564,949	\$ 48,802,599	\$ 41,755,326	\$ 41,429,999
Business-type Activities	20,223,141	3,748,228	2,393,911	3,050,782	3,051,586	5,407,750	12,604,379	9,604,894	21,415,248	20,346,330
Total Change in Net Position	<u>\$ (72,104,820)</u>	<u>\$ (50,707,761)</u>	<u>\$ 7,326,337</u>	<u>\$ 21,613,163</u>	<u>\$ 89,033,544</u>	<u>\$ 35,762,536</u>	<u>\$ 53,169,328</u>	<u>\$ 58,407,493</u>	<u>\$ 63,170,574</u>	<u>\$ 61,776,329</u>

Table 3

**Union County, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 103,287	\$ 84,618	\$ 279,914	\$ 204,937	\$ 783,121	\$ 547,783	\$ 342,875
Restricted	-	-	-	12,754,599	13,161,506	13,342,913	14,979,838	17,830,894	19,608,677	21,323,211
Committed	-	-	-	-	-	-	31,916,595	53,982,762	57,191,296	60,642,715
Assigned	-	-	-	1,656,054	1,497,776	3,761,390	31,104,920	3,382,024	6,043,138	7,284,270
Unassigned	-	-	-	39,980,344	51,249,617	62,284,839	1,941,549	6,107,032	9,080,301	11,172,122
Reserved	18,762,186	11,548,975	11,232,158	-	-	-	-	-	-	-
Unreserved	35,345,281	44,697,716	40,706,179	-	-	-	-	-	-	-
Total general fund	\$ 54,107,467	\$ 56,246,691	\$ 51,938,337	\$ 54,494,284	\$ 65,993,517	\$ 79,669,056	\$ 80,147,839	\$ 82,085,833	\$ 92,471,195	\$ 100,765,193
All other governmental funds										
Restricted:										
Special revenue funds	\$ -	\$ -	\$ -	\$ 4,230,291	\$ 2,977,249	\$ 3,234,227	\$ 3,491,543	\$ 3,474,171	\$ 3,632,849	\$ 3,380,379
Debt service funds	-	-	-	1,510,656	-	-	-	-	-	-
Capital project funds	-	-	-	5,676,015	4,425,317	2,403,336	15,396,322	18,661,115	38,677,208	26,483,745
Assigned:										
Capital project funds	-	-	-	20,587,727	73,084,142	43,260,589	41,227,050	48,605,776	22,168,732	16,020,630
Public Safety	-	-	-	-	-	-	-	354,782	302,782	174,782
Unassigned:										
Public Safety	-	-	-	-	-	-	-	-	-	-
Reserved	13,038,989	8,977,547	3,870,955	-	-	-	-	(20,941)	-	-
Unreserved, reported in:										
Special revenue funds	851,988	1,627,992	2,202,136	-	-	-	-	-	-	-
Debt service funds	13,357,788	13,357,788	1,510,656	-	-	-	-	-	-	-
Capital project funds	40,770,271	37,848,554	34,793,625	-	-	-	-	-	-	-
Total all other governmental funds	\$ 68,019,036	\$ 61,811,881	\$ 42,377,372	\$ 32,004,689	\$ 80,486,708	\$ 48,898,152	\$ 60,114,915	\$ 71,074,903	\$ 64,781,571	\$ 46,059,536

Note: The County adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Previous year's amounts are shown at pre-GASB 54 definitions.

Table 4

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$ 126,527,705	\$ 152,040,519	\$ 156,356,729	\$ 159,650,925	\$ 160,909,290	\$ 162,147,454	\$ 169,710,100	\$ 194,255,775	\$ 192,395,861	\$ 195,274,372
Local option sales tax	38,191,635	31,509,387	23,974,645	23,944,051	26,373,178	27,595,031	30,284,689	33,023,307	37,420,598	42,828,128
Other taxes and licenses	3,680,253	3,075,348	2,960,952	2,813,162	2,746,674	3,068,956	3,492,149	3,201,693	3,136,056	3,652,751
Intergovernmental revenue	25,899,097	27,519,200	30,155,918	30,829,071	31,053,330	31,130,202	29,679,942	31,928,468	33,831,925	36,527,796
Permits and fees	6,592,908	4,066,554	3,699,306	4,371,446	5,099,529	6,098,103	6,982,279	6,783,000	7,472,415	7,227,386
Sales and services	4,602,861	4,668,297	4,766,268	5,083,297	5,281,772	4,398,686	4,911,808	5,182,376	5,173,794	4,599,967
Investment earnings	9,510,665	3,233,332	1,454,313	707,344	1,069,847	122,634	397,818	467,683	867,318	451,706
Miscellaneous	3,996,371	2,128,833	4,178,287	4,027,650	8,804,467	7,171,956	7,250,003	7,433,477	7,145,607	7,583,456
Extraordinary item	-	-	-	-	54,000,000	-	-	-	-	-
Total Revenues	219,001,495	228,241,470	227,546,418	231,426,946	295,338,087	241,733,022	252,708,788	282,275,779	287,443,574	298,145,562
Expenditures										
Current:										
General government	12,690,960	12,549,523	10,044,406	11,487,049	11,238,063	11,493,384	11,625,201	11,254,881	12,344,165	13,165,184
Public safety	34,770,230	34,277,288	34,475,802	35,812,639	39,997,069	39,134,681	43,980,663	48,720,595	52,681,383	57,008,242
Economic and physical development	2,056,913	2,042,598	2,183,870	3,534,815	2,734,165	2,158,639	2,383,306	2,565,477	2,629,698	2,813,512
Human services	39,086,647	37,561,560	35,921,058	37,826,248	37,796,024	36,855,320	37,430,037	40,496,633	41,848,033	43,900,232
Cultural and recreational	6,531,016	6,177,574	5,484,191	5,554,470	5,788,887	5,791,576	6,006,214	6,278,455	6,579,913	6,888,443
Intergovernmental:										
Education	72,215,699	78,670,638	80,799,320	80,781,286	80,562,304	82,882,387	85,180,373	89,885,541	94,996,333	97,247,541
Debt Service:										
Principal	21,504,015	24,855,116	26,928,112	27,231,937	29,506,575	30,542,075	31,705,585	33,368,401	33,292,147	33,251,165
Interest and fiscal charges	21,589,851	25,687,672	24,895,699	23,561,225	22,861,021	21,236,696	15,643,292	14,968,596	14,522,294	12,607,982
Capital Outlay	121,465,606	88,226,983	30,829,406	13,941,595	5,643,198	11,208,917	7,058,571	22,134,201	23,343,138	39,935,681
Total Expenditures	331,910,937	310,048,952	251,561,864	239,731,264	236,127,306	241,303,675	241,013,242	269,672,780	282,237,104	306,817,982
Excess (Deficiency) of Revenues over (under) Expenditures	(112,909,442)	(81,807,482)	(24,015,446)	(8,304,318)	59,210,781	429,347	11,695,546	12,602,999	5,206,470	(8,672,420)
Other Financing Sources (Uses)										
Transfers from other funds	16,165,122	4,976,822	23,434,549	3,304,238	58,516,401	20,075,766	21,428,507	32,648,952	16,932,270	21,594,116
Transfers to other funds	(16,165,122)	(4,976,822)	(23,434,549)	(3,304,238)	(58,516,401)	(20,075,766)	(21,428,507)	(32,681,469)	(18,386,710)	(23,349,733)
Transfer in-Water and Sewer Fund	-	-	-	-	-	-	-	327,500	-	-
Proceeds from borrowing	224,214,820	77,265,407	-	-	-	-	-	-	-	-
Proceeds from refunding	-	76,074,144	42,040,683	61,411,729	76,440,701	79,521,253	-	-	48,555,017	-
Proceeds from termination	-	-	-	-	-	953,000	-	-	-	-
Payments to escrow agent	-	(75,600,000)	(41,768,100)	(55,380,000)	(75,670,230)	(78,792,830)	-	-	(48,215,017)	-
Payments to terminate swaps	-	-	-	(5,544,147)	-	(20,023,787)	-	-	-	-
Total Other Financing Sources (Uses)	224,214,820	77,739,551	272,583	487,582	770,471	(18,342,364)	-	294,983	(1,114,440)	(1,755,617)
Net change in fund balances	\$ 111,305,378	\$ (4,067,931)	\$ (23,742,863)	\$ (7,816,736)	\$ 59,981,252	\$ (17,913,017)	\$ 11,695,546	\$ 12,897,982	\$ 4,092,030	\$ (10,428,037)
Debt service as a percentage of non-capital expenditures	12.7%	15.9%	20.0%	20.8%	21.8%	21.1%	19.3%	18.4%	17.0%	15.9%

Table 5

**Union County, North Carolina
Ad Valorem Taxes - General Fund
Last Ten Fiscal Years
(in thousands of dollars)**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES										
Ad Valorem Taxes										
Current year levy	\$ 121,074,196	\$ 145,202,930	\$ 148,045,812	\$ 150,435,645	\$ 152,186,072	\$ 153,550,056	\$ 160,701,501	\$ 186,316,459	\$ 184,604,610	\$ 188,197,662
Prior years' levy	2,256,679	2,482,963	3,666,239	3,959,296	3,158,223	2,888,114	2,692,210	1,741,779	1,641,647	1,060,434
Penalties and interest	622,522	736,108	886,268	1,013,773	1,201,507	1,265,282	1,636,238	1,105,634	1,024,575	804,102
Total	<u>\$ 123,953,397</u>	<u>\$ 148,422,001</u>	<u>\$ 152,598,319</u>	<u>\$ 155,408,714</u>	<u>\$ 156,545,802</u>	<u>\$ 157,703,452</u>	<u>\$ 165,029,949</u>	<u>\$ 189,163,872</u>	<u>\$ 187,270,832</u>	<u>\$ 190,062,198</u>

Table 6

**Union County, North Carolina
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)**

Fiscal Year	Tax Year	Real Property		Personal Property		Public Service Company Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Commercial	Residential	Motor Vehicles	Other			
2008	2007	\$ 1,773,675	\$ 12,619,083	\$ 1,716,434	\$ 1,116,150	\$ 313,762	\$ 17,539,104	0.7111
2009	2008	2,538,940	16,730,100	1,499,935	1,206,628	316,631	22,292,234	0.665
2010	2009	2,570,973	17,116,297	1,554,412	1,317,492	346,513	22,905,687	0.665
2011	2010	2,632,122	17,258,428	1,545,618	1,337,551	357,989	23,131,708	0.665
2012	2011	2,639,194	17,452,960	1,654,529	1,297,412	351,399	23,395,494	0.665
2013	2012	2,656,787	17,536,158	1,718,147	1,281,969	357,878	23,550,939	0.66
2014	2013	2,672,689	17,803,130	2,484,134	1,314,726	354,966	24,629,645	0.66
2015	2014	2,676,766	18,273,843	2,111,720	1,250,481	352,249	24,665,059	0.7614
2016	2015	2,553,722	17,219,581	2,352,928	1,283,277	387,277	23,796,785	0.7765
2017	2016	2,549,763	17,728,191	2,529,384	1,358,790	413,136	24,579,264	0.7665

Source: County Assessor's Office

Note: Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The Board of County Commissioners may accelerate the frequency of revaluations. Prior revaluations were completed for tax years 2008 and 2015.

Table 7

Union County, North Carolina
Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Tax Year	Sales Assessment Ratio	Real Property	Personal Property		Public Service Company Property	Estimated Actual Taxable Value
				Motor Vehicles	Other		
2008	2007	84.03%	\$ 17,128,119	\$ 1,716,434	\$ 1,116,150	\$ 313,762	\$ 20,274,465
2009	2008	96.45%	19,978,269	1,499,935	1,206,628	316,631	23,001,463
2010	2009	96.00%	20,507,573	1,554,412	1,317,492	346,513	23,725,990
2011	2010	106.46%	18,683,590	1,545,618	1,337,551	357,989	21,924,748
2012	2011	111.16%	18,074,986	1,654,529	1,297,412	351,399	21,378,326
2013	2012	119.78%	16,872,206	1,776,330	1,292,083	357,878	20,298,497
2014	2013	117.86%	17,373,000	2,484,134	1,314,726	354,966	21,526,826
2015	2014	110.96%	18,646,043	2,111,720	1,240,541	352,249	22,350,553
2016	2015	99.71%	19,830,812	2,352,928	1,283,277	387,277	23,854,294
2017	2016	95.33%	21,271,325	2,529,384	1,358,790	413,136	25,572,635

Source: County Assessor's Office

Table 8

Union County, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxes Levied by Union County										
County-wide rate	0.7111	0.665	0.665	0.665	0.665	0.660	0.660	0.7614	0.7765	0.7665
Supplemental School Districts (Approved by the Voters)										
Monroe Schools District	-	-	-	-	-	-	-	-	-	-
County Schools District	-	-	-	-	-	-	-	-	-	-
Supplemental Fire Districts										
Hemby VFD	0.377	0.0493	0.0493	0.0476	0.0493	0.0526	0.0526	0.0526	0.0512	0.0485
Springs VFD	0.0312	0.0306	0.0306	0.03	0.0315	0.0355	0.0355	0.0483	0.0474	0.0437
Stallings VFD	0.0262	0.0406	0.0406	0.0428	0.0428	0.0428	0.0428	0.0428	0.0509	0.0503
Waxhaw VFD	0.0513	0.0248	0.0248	0.037	0.0372	0.0386	0.0386	0.0386	0.038	0.0357
Wesley VFD	0.0167	0.0191	0.0191	0.022	0.022	0.0241	0.0241	0.0281	0.0282	0.0293
Total County Rates										
Maximum	1.0881	0.7143	0.7143	0.7126	0.7143	0.7126	0.7126	0.8140	0.8277	0.8168
Minimum	0.7111	0.665	0.665	0.665	0.665	0.660	0.660	0.7614	0.7765	0.7665
Average	0.8996	0.6897	0.6897	0.6888	0.6897	0.6863	0.6863	0.7877	0.8021	0.7917
Overlapping Taxes Levied by Municipalities										
City of Monroe	0.49	0.53	0.55	0.495	0.495	0.555	0.555	0.555	0.5863	0.5863
Downtown Monroe District	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.219	0.219
Town of Fairview	0.02	0.02	0.02	0.02	0.0151	0.02	0.02	0.02	0.02	0.02
Town of Hemby Bridge	0.03	0.03	0.03	0.025	0.025	-	-	-	-	-
Town of Indian Trail	0.08	0.1	0.15	0.15	0.145	0.145	0.185	0.185	0.185	0.185
Town of Marshville	0.38	0.38	0.38	0.38	0.38	0.41	0.48	0.48	0.48	0.48
Town of Mineral Springs	0.027	0.027	0.027	0.025	0.025	0.025	0.025	0.025	0.025	0.025
Town of Mint Hill	0.275	0.275	0.275	0.215	0.275	0.275	-	-	-	-
Town of Stallings	0.25	0.25	0.25	0.22	0.215	0.215	0.215	0.215	0.215	0.215
Town of Unionville	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Town of Waxhaw	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.36	0.36
Town of Weddington	0.03	0.03	0.03	0.03	0.03	0.03	0.052	0.052	0.052	0.052
Town of Wingate	0.36	0.38	0.39	0.39	0.39	0.39	0.39	0.39	0.42	0.42
Village of Lake Park	0.22	0.23	0.23	0.21	0.23	0.23	0.23	0.23	0.23	0.23
Village of Marvin	0.0517	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Village of Wesley Chapel	0.02	0.02	0.02	0.017	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165

Table 9

**Union County, North Carolina
Construction Information
Last Ten Fiscal Years
(in thousands of dollars)**

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
2008	472	\$ 268,061	2,638	\$ 356,472
2009	409	105,730	1,725	148,101
2010	278	51,858	1,759	118,588
2011	210	56,050	1,537	134,358
2012	232	66,330	1,829	178,837
2013	255	150,362	2,385	269,294
2014	400	104,010	3,285	320,781
2015	519	85,815	3,177	284,674
2016	592	189,488	3,751	370,714
2017	518	113,835	3,445	366,948

Building Permits are compiled from Union County Planning Dept., City of Monroe, and Town of Waxhaw.

Table 10

Union County, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	June 30, 2017			June 30, 2008		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Allegheny Technologies (Allvac)	Metals	\$ 155,941,045	1	0.63 %	\$ 99,293,090	2	0.57 %
Union Electric Membership Corp	Utility	147,801,590	2	0.60 %	94,190,474	3	0.54 %
Duke Power Company	Utility	94,175,893	3	0.38 %	76,424,223	5	0.44 %
Charlotte Pipe & Foundry CO INC	Plastics	86,150,544	4	0.35 %	121,014,570	1	0.69 %
Piedmont Natural Gas CO INC	Utility	59,534,768	5	0.24 %	70,713,653	4	0.40 %
AEP Industries INC	Maufacturing	42,505,091	6	0.17 %	-	-	-
Wal-Mart Real Estate Business	Retail	41,105,400	7	0.17 %	-	-	-
Time Warner Cable Southeast LLC	Utility	31,912,772	8	0.13 %	-	-	-
Inland American Monroe Poplin	Retail	31,324,500	9	0.13 %	-	-	-
TDY Industries Inc	Manufacturing	30,456,100	10	0.12 %	-	-	-
Parker & Orleans Homebuilders	Home Builder	-	-	-	40,448,510	6	0.23 %
Tyson Foods/ Holly Farms	Poultry	-	-	-	29,503,160	9	0.17 %
Harris Teeter Inc.	Distribution Center	-	-	-	27,086,003	10	0.15 %
Windstream/Alltel Carolina	Utility	-	-	-	38,707,289	7	0.22 %
Verizon	Utility	-	-	-	33,446,409	8	0.19 %
Total assessed valuation of top 10 taxpayers		<u>\$ 720,907,703</u>		<u>2.94 %</u>	<u>\$ 630,827,381</u>		<u>3.60 %</u>
Total county-wide assessed valuation		<u>\$ 24,579,263,896</u>			<u>\$ 17,539,105,100</u>		

Source: County Assessor's Office.

Table 11

**Union County, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Tax Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date		
			Amount Collected	Percentage of Levy	Amount Collected		Percentage of Levy		
2008	2007	\$ 124,260,991	\$ 121,081,881	97.4 %	\$ 2,977,460	\$ 124,059,341	99.8 %		
2009	2008	150,150,175	145,163,046	96.7 %	4,624,164	149,787,210	99.8 %		
2010	2009	152,553,598	148,012,751	97.0 %	4,124,927	152,137,678	99.7 %		
2011	2010	153,958,954	150,315,372	97.6 %	3,080,702	153,396,074	99.6 %		
2012	2011	155,268,603	152,028,139	97.9 %	2,728,183	154,756,322	99.7 %		
2013	2012	156,181,568	153,431,297	98.2 %	2,149,481	155,580,778	99.6 %		
2014	2013	162,787,247	160,654,217	98.7 %	1,055,880	161,710,097	99.3 %		
2015	2014	187,119,188	186,043,063	99.4 %	273,396	186,316,459	99.6 %		
2016	2015	184,680,886	184,123,235	99.7 %	481,373	184,604,608	100.0 %		
2017	2016	188,432,411	187,912,101	99.7 %	285,561	188,197,662	99.9 %		

Table 12

Union County, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities							Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	C.O.P.'s and Installment Financing	G.O. C.P. B.A.N.'s	Total Governmental Activities	Debt to Assessed Value				
2008	\$ 426,516,575	\$ 426,516,575	\$ -	\$ 853,033,150	3.04	%	8.5	%	2,928
2009	467,778,542	107,497,083	-	575,275,625	2.60	%	9.2	%	3,026
2010	447,362,860	111,670,000	-	559,032,860	2.44	%	8.2	%	2,817
2011	425,754,698	99,707,327	-	525,462,025	2.27	%	7.3	%	2,610
2012	403,388,123	94,726,484	-	498,114,607	2.13	%	n/a	%	2,421
2013	383,275,223	89,587,309	-	472,862,532	2.00	%	n/a	%	2,247
2014	357,818,458	83,338,489	-	441,156,947	1.79	%	n/a	%	2,085
2015*	346,375,424	83,222,053	-	429,597,477	1.74	%	n/a	%	1,989
2016*	318,941,151	76,303,778	-	395,244,929	1.66	%	n/a	%	1,792
2017*	289,513,224	69,396,598	-	358,909,822	1.46	%	n/a	%	1,602

Fiscal Year	Business-Type Activities				Debt Per Water Connections	Total Primary Government			
	General Obligation Bonds	Revenue Bonds	Other Long-term Obligations	Total Business-Type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita	
2008	\$ 6,533,425	\$ 45,245,000	\$ 15,603,270	\$ 67,381,695	1,764	\$ 601,395,353	9.6	%	3,298
2009	4,646,458	43,165,000	16,119,573	63,931,031	1,643	643,379,573	10.2	%	3,359
2010	2,922,140	60,640,000	15,135,877	78,698,017	2,001	631,761,979	9.4	%	3,218
2011	1,420,302	58,065,000	14,152,180	73,637,482	1,854	599,099,507	8.4	%	2,976
2012	871,877	52,655,000	13,168,483	66,695,360	1,621	564,809,967	n/a	%	2,746
2013	329,777	49,955,000	12,184,787	62,469,564	1,462	535,332,096	n/a	%	2,544
2014	191,542	47,175,000	11,201,090	58,567,632	1,336	499,724,579	n/a	%	2,362
2015*	59,943	45,966,718	10,217,393	56,244,054	1,247	485,841,531	n/a	%	2,250
2016	-	62,627,835	9,233,697	71,861,532	1,554	467,106,461	n/a	%	2,118
2017	-	60,021,984	8,250,000	68,271,984	1,457	427,181,806	n/a	%	1,907

* - Includes unamortized premiums.

Table 13

Union County, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Debt				
	Total General Obligation Bonds	Total G.O. C.P. B.A.N.'s	Total General Obligation Debt	Percentage of Actual Taxable Value of Property	Debt Per Capita
2008	\$ 433,050,000	\$ -	\$ 433,050,000	2.47 %	2,375
2009	472,425,000	-	472,425,000	2.12 %	2,467
2010	450,285,000	-	450,285,000	1.97 %	2,294
2011	427,175,000	-	427,175,000	1.85 %	2,122
2012	404,260,000	-	404,260,000	1.74 %	1,965
2013	383,605,000	-	383,605,000	1.63 %	1,823
2014	358,010,000	-	358,010,000	1.45 %	1,564
2015	330,795,000	-	330,795,000	1.35 %	1,532
2016	300,545,000	-	300,545,000	1.25 %	1,363
2017	273,565,000	-	273,565,000	1.11 %	1,221

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Table 14

**Union County, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value of taxable property (in 000's)	\$ 17,539,105	\$ 22,292,234	\$ 22,905,687	\$ 23,131,708	\$ 23,395,494	\$ 23,635,819	\$ 24,629,645	\$ 24,665,059	\$ 23,796,785	\$ 24,579,264
Applicable percentage:	x -	x -	x -	x -	x -	x -	x -	x -	x -	x -
Debt limit - 8 percent of assessed value	1,403,128,400	1,783,378,720	1,832,454,960	1,850,536,640	1,871,639,520	1,890,865,520	1,970,371,600	1,973,204,720	1,903,742,804	1,966,341,124
Gross debt										
General obligation debt	433,050,000	472,425,000	450,285,000	427,175,000	404,260,000	383,605,000	358,010,000	330,795,000	300,545,000	273,565,000
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Authorized and unissued	64,500,000	-	-	-	-	-	-	-	-	104,320,000
Certificates of Participation	107,440,000	102,280,000	97,110,000	91,930,000	87,795,000	83,535,000	78,200,000	72,860,000	67,565,000	62,320,000
Installment Financing	57,083	9,390,000	8,591,102	7,777,327	6,931,484	6,052,309	5,138,489	4,188,659	3,201,399	2,175,234
NC Clean Water Revolving Loan	15,603,270	16,119,573	15,135,877	14,152,180	13,168,483	12,184,787	11,201,090	10,217,393	9,233,697	8,250,000
	620,650,353	600,214,573	571,121,979	541,034,507	512,154,967	485,377,096	452,549,579	418,061,052	380,545,096	450,630,234
Less: Water bonds issued and outstanding	(3,585,416)	(2,157,116)	(854,064)	-	-	-	-	-	-	-
Sewer bonds issued and outstanding	(2,948,009)	(2,489,342)	(2,068,076)	(1,420,302)	(871,877)	(329,777)	(191,542)	(55,113)	-	-
NC Clean Water Revolving Loan	(15,603,270)	(16,119,573)	(15,135,877)	(14,152,180)	(13,168,483)	(12,184,787)	(11,201,090)	(10,217,393)	(9,233,697)	(8,250,000)
Amount held in sinking fund	-	-	-	-	-	-	-	-	-	-
	(22,136,695)	(20,766,031)	(18,058,017)	(15,572,482)	(14,040,360)	(12,514,564)	(11,392,632)	(10,272,506)	(9,233,697)	(8,250,000)
Total amount of debt applicable to debt limit	598,513,658	579,448,542	553,063,962	525,462,025	498,114,607	472,862,532	441,156,947	407,788,546	371,311,399	442,380,234
Legal debt margin	\$ 804,614,742	\$ 1,203,930,178	\$ 1,279,390,998	\$ 1,325,074,615	\$ 1,373,524,913	\$ 1,418,002,988	\$ 1,529,214,653	\$ 1,565,416,174	\$ 1,532,431,405	\$ 1,523,960,890
Legal debt margin as a percentage of the debt limit	57.34%	67.51%	69.82%	71.60%	73.39%	74.99%	77.61%	79.26%	80.50%	82.81%

Table 15

Union County, North Carolina
Pledged Revenue Coverage per Revenue Bond Indenture
Water and Sewer Bonds
Last Ten Fiscal Years

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	20% Preceding Year's Surplus	Senior Debt Service	Subordinate Debt Service	Total Debt Service	Adj. Total Debt Service + 20% Senior Debt	Coverage Tests	
									Adj. Net Rev / Adj. Dbt. Svc.	Net Rev / Total Dbt. Svc.
2008	\$ 37,772,552	\$ 15,299,134	\$ 22,473,418	\$ 4,646,148	\$ 3,720,738	\$ 3,228,049	\$ 6,948,787	\$ 7,692,935	3.53	3.23
2009	28,969,915	15,460,067	13,509,848	4,909,333	3,838,514	3,540,105	7,378,619	8,146,322	2.26	1.83
2010	28,473,735	15,236,732	13,237,003	5,038,363	4,829,920	3,276,731	8,106,651	9,072,635	2.01	1.63
2011	29,346,454	16,397,633	12,948,821	5,411,524	4,836,739	2,963,395	7,800,134	8,767,482	2.09	1.66
2012	30,976,060	16,476,867	14,499,193	5,608,788	4,810,493	1,926,747	6,737,240	7,699,339	2.61	2.15
2013	30,379,214	17,316,934	13,062,280	6,075,579	4,628,653	1,872,481	6,501,134	7,426,865	2.58	2.01
2014	38,601,784	20,513,746	18,088,038	5,646,039	4,565,677	1,270,573	5,836,250	6,749,385	3.52	3.10
2015	34,506,748	20,688,255	13,818,493	7,234,929	4,497,648	1,245,569	5,743,217	6,642,747	3.17	2.41
2016	39,566,770	23,088,726	16,478,044	n/a	4,395,673	1,220,566	5,616,239	6,495,374	2.54	2.93
2017	43,316,500	24,128,401	19,188,099	n/a	4,185,374	1,195,562	5,380,936	6,218,011	3.09	3.57

Notes: In FY2003, the County issued its 2003 Revenue Bonds and authorized its Series Indenture, Number 2. The Indenture modified certain rate covenants contained in the General Indenture by providing for a two prong test - one test which permits the inclusion of 20% of the balance in the Surplus Fund from the prior fiscal year with other test omitting the Surplus Fund. In FY2003, the State Loan Agreement was subordinated to senior debt service.

Table 16

**Union County, North Carolina
Pledged Revenue Coverage
Water and Sewer Bonds
Last Ten Fiscal Years**

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service		Coverage
				Principal	Interest	
2008	\$ 37,772,552	\$ 15,299,134	\$ 22,473,418	\$ 2,070,000	\$ 1,650,738	6.04
2009	28,969,915	15,460,067	13,509,848	2,080,000	1,758,514	3.52
2010	28,473,735	15,236,732	13,237,003	2,525,000	2,304,920	2.74
2011	29,346,454	16,397,633	12,948,821	2,575,000	2,261,739	2.68
2012	30,976,060	16,476,867	14,499,193	2,695,000	2,115,493	3.01
2013	30,379,214	17,316,934	13,062,280	2,700,000	1,928,653	2.82
2014	38,601,784	20,513,746	18,088,038	2,780,000	1,785,677	3.96
2015	34,506,748	20,688,255	13,818,493	2,820,000	1,677,648	3.07
2016	39,566,770	23,088,726	16,478,044	1,735,000	1,895,513	4.54
2017	43,316,500	24,128,401	19,188,099	2,395,000	2,339,646	4.05

Table 17

**Union County, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal				Unemployment Rate (4)	Sales (5) (thousands of dollars)
		Income (thousands of dollars) (2)	Capita Personal Income (2)	School Enrollment (3)			
2008	182,360	\$ 6,620,931	\$ 34,185	37,110	5.5 %	\$ 1,200,307	
2009	191,514	6,749,803	33,998	38,554	11.0 %	1,162,891	
2010	196,322	7,034,086	34,793	39,366	10.1 %	1,076,852	
2011	202,171	7,544,045	36,770	39,900	9.6 %	1,122,433	
2012	205,321	8,258,881	39,611	40,359	8.6 %	1,197,951	
2013	207,775	8,386,195	39,417	40,958	8.0 %	1,321,781	
2014	211,539	n/a	n/a	42,047	6.2 %	1,460,830	
2015	215,956	n/a	n/a	41,266	5.3 %	1,610,426	
2016	220,546	n/a	n/a	41,780	4.3 %	1,799,712	
2017	224,029	n/a	n/a	42,000	4.0 %	2,018,468	

Sources:

1. Source: North Carolina State Demographic Unit
2. United States Dept of Commerce, Bureau of Economic Analysis
3. Amounts are estimated by UCPS. <https://www.ucps.k12.nc.us/Page/218>
4. North Carolina Employment Security Commission
5. North Carolina Department of Revenue

Table 18

**Union County, North Carolina
Principal Employers
Current Year and Nine Years Ago**

Employer	Type of Business	2017		2008	
		Employees	Rank	Employees	Rank
Union County Schools	Education & Health Services	1,000+	1	1,000+	1
Tyson Farms Inc	Manufacturing	1,000+	2	1,000+	2
TDY Industries LLC	Manufacturing	1,000+	3	1,000+	4
County of Union	Public Administration	1,000+	4	1,000+	5
Harris Teeter	Trade, Transportation & Utilities	1,000+	5	500-999	8
Walmart Associates Inc.	Trade, Transportation & Utilities	500-999	6	500-999	7
Pilgrims Pride Corporation	Manufacturing	500-999	7	500-999	10
City of Monroe	Public Administration	500-999	8	500-999	9
Food Lion	Trade, Transportation, & Utilities	500-999	9	0	-
Charlotte Mecklenburg Hospital	Education & Health Services	500-999	10	1,000+	3
McGee Brothers Co Inc	Construction			500-999	6

Source: North Carolina Department of Commerce

Table 19

Union County, North Carolina
Full-time Equivalent Employees by Function / Program
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government										
Board of Commissioners	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	2.1	2.1
Central Administration	8.1	6.1	6.2	6.3	6.1	7.1	7.10	8.1	5.0	4.5
Internal Audit	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Legal	3.1	3.0	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0
Personnel	8.0	7.0	7.0	6.0	6.0	6.0	6.0	8.1	8.1	9.1
Finance	10.2	9.0	8.0	8.0	8.0	8.8	8.8	8.8	8.8	9.8
Tax Administration	56.3	44.5	44.5	42.5	42.5	46.7	47.80	48.7	48.7	50.4
Elections	10.3	10.3	13.4	12.0	18.8	12.7	12.70	12.8	18.1	17.1
Register of Deeds	13.5	12.0	12.0	9.0	9.1	10.5	10.50	10.5	10.5	10.6
Information Systems (and GIS)	11.0	10.0	10.0	10.0	10.0	10.1	10.10	11.1	11.1	12.1
General Services	11.5	10.0	10.0	10.0	10.0	-	-	-	-	-
Procurement	-	-	-	-	-	-	3.0	4.1	5.1	5.1
Property Management	-	-	-	-	-	-	4.0	4.0	5.1	5.1
Public safety										
Law Enforcement (and AC)	242.2	248.6	261.6	261.1	262.3	284.5	284.90	284.8	295.9	300.6
Communications	45.7	41.4	41.4	41.4	42.1	43.4	42.80	42.2	42.2	50.0
Emergency Management	4.0	3.0	3.0	3.0	3.0	2.3	1.30	1.34	1.3	1.3
Fire Services	5.0	5.0	5.0	5.0	5.0	4.3	4.30	4.3	5.3	4.3
Building Code Enforcement	27.5	16.0	16.0	12.0	12.0	17.8	18.80	18.9	18.9	19.8
Economic and physical development										
Planning	6.0	4.0	4.0	4.0	4.0	4.3	4.30	5.3	5.3	6.3
Economic Development	-	-	-	-	-	-	-	-	-	-
Cooperative Extension	12.5	11.0	11.0	11.0	10.0	9.8	9.90	11.7	12.3	12.4
Soil Conservation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	2.0	2.0
Human services										
Public Health	104.7	101.7	100.0	100.2	93.2	90.1	90.1	90.4	90.4	95.7
Social Services	199.7	200.4	200.4	197.4	188.1	193.6	194.10	200.1	216.1	231.6
Transportation and Nutrition	31.0	30.0	30.3	30.9	30.0	34.6	34.60	34.6	36.0	37.0
Veterans' Services	3.0	3.0	3.0	3.0	3.5	4.0	4.00	4.0	4.0	4.0
Cultural and recreational										
Library	66.0	55.7	55.7	56.2	54.6	55.1	53.80	54.0	54.0	54.0
Parks and Recreation	27.9	26.9	23.7	23.7	23.7	24.2	24.20	24.3	24.7	25.7
Sub-total	<u>914</u>	<u>866</u>	<u>876</u>	<u>863</u>	<u>853</u>	<u>880</u>	<u>887</u>	<u>903</u>	<u>935</u>	<u>975</u>
Business-type activities:										
Water and Sewer	109.1	92.8	93.6	94.0	93.6	104.8	84.80	88.0	93.9	99.9
Solid Waste	21.5	20.6	20.8	20.4	18.8	19.4	19.50	21.0	20.6	21.6
Stormwater	2.1	2.1	2.1	2.1	2.1	2.1	2.10	2.0	1.0	-
Sub-total	<u>133</u>	<u>116</u>	<u>117</u>	<u>117</u>	<u>115</u>	<u>126</u>	<u>106</u>	<u>111</u>	<u>116</u>	<u>122</u>
Total	<u>1,047</u>	<u>981</u>	<u>993</u>	<u>980</u>	<u>967</u>	<u>1,006</u>	<u>994</u>	<u>1,014</u>	<u>1,051</u>	<u>1,096</u>

Table 20

Union County, North Carolina
Operating Indicators by Function / Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Personnel										
Number of full-time employees	854	815	827	804	790	822	821	820	864	864
Number of part-time employees	59	45	44	38	50	56	66	83	72	98
Elections										
Number of registered voters	113,057	119,538	123,132	125,401	129,821	136,500	139,836	138,597	145,645	148,448
Information Systems (and GIS)										
Number of users in system	1,282	1,234	1,232	1,214	1,230	1,313	1,397	1,239	1,242	1,257
General Services										
Number of vehicle service requests	1,077	1,093	990	1,040	1,031	1,113	1,721	3,805	4,501	4,629
Fire Services										
Number of volunteer fire personnel	645	560	560	550	550	550	550	500	500	500
Number of inspections	713	1,341	1,070	1,201	2,057	2,640	2,136	1,196	1,106	906
Human services										
Public Health										
Number of patients	13,939	13,657	18,350	13,426	11,952	9,408	8,237	8,142	6,786	10,198
Number of visits	29,026	31,745	36,857	25,907	23,869	23,650	20,729	20,681	15,716	17,508
Social Services										
Number of client visits	44,446	52,953	55,102	56,601	57,985	57,351	49,722	48,786	47,064	53,125
Transportation and Nutrition										
Number of trips	85,199	87,929	85,907	86,067	78,156	84,623	84,533	77,784	74,176	75,342
Congregate, home delivered and supplemental meals	107,034	96,117	86,772	82,324	71,276	69,835	60,968	68,573	70,497	75,134
Veterans Services										
Number of visitors	3,197	3,049	2,820	3,431	3,178	3,451	3,479	3,598	3,652	3,576
Number of phone calls	8,685	8,246	9,880	11,155	11,907	12,374	12,564	11,734	12,166	11,047
Cultural and recreational										
Library										
Number of volumes	219,255	210,457	216,363	228,169	225,174	225,788	225,181	212,961	207,748	190,370
Education										
Number of licensed employees	3,531	2,990	2,585	2,834	2,555	3,192	3,117	2,928	N/A	2,976
Number of students	36,952	38,554	39,366	39,900	40,359	40,958	42,047	41,266	41,780	42,000
Business-type Activities:										
Personnel										
Number of full-time employees	123	106	106	106	109	109	100	100	109	107
Number of part-time employees	8	10	11	11	6	17	6	11	7	18
Water and Sewer										
Average daily consumption in gallons (in 000's)	9,617	8,659	9,395	11,420	11,280	11,100	11,740	12,460	13,100	13,880
Number of water service connections	38,192	38,913	39,320	39,710	41,147	42,406	43,828	45,095	46,236	47,489
Number of sewer service connections	27,040	27,432	27,760	28,452	29,110	30,306	31,597	32,688	33,632	34,711

Source: Various county departments

Table 21

Union County, North Carolina
Capital Asset Statistics by Function / Program
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Tax Administration										
Number of tax parcels	105,714	106,749	107,406	107,287	108,297	108,297	109,941	110,998	113,574	118,525
Elections										
Number of precincts	50	50	52	52	52	52	52	52	52	52
Public safety										
Law Enforcement (and AC)										
Number of stations	8	8	8	8	8	8	8	8	8	8
Number of patrol units	308	301	314	309	318	318	N/A	N/A	332	335
Fire Services										
Number of stations-main	18	18	18	18	18	18	18	17	17	17
Number of stations-sub	7	7	7	7	7	7	7	8	8	8
Cultural and recreational										
Library										
Number of libraries	5	4	4	3	4	4	4	4	4	4
Parks and Recreation										
Number of parks	3	3	3	3	3	3	3	3	3	3
Number of acres in parks	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Number of acres in lakes	350	350	350	350	350	350	350	350	350	350
Education										
Number of schools	48	53	53	53	53	53	53	53	53	53
Number of classrooms	2,139	2,322	2,322	2,322	2,322	2,322	1,902	1,902	N/A	2379
Business-type activities:										
Water and Sewer										
Number of fire hydrants	3,850	4,280	4,490	4,559	4,579	4,571	4,638	4,736	4,843	4,964
Miles of water mains	726	759	963	972	980	980	993	1,020	1,043	1,065
Miles of sewer mains	539	592	606	606	607	610	620	640	663	684

Source: Various county departments

Compliance Section



**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

The Board of Commissioners
Union County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated October 31, 2017. We did not audit the financial statements of the Catawba River Treatment Plant, a joint venture project (the "Venture") in which the County has a 50% ownership interest and represents approximately 8% of the assets and less than 1% of the revenues of the water and sewer fund, which is reported as a business-type activity. The Venture was audited by another auditor whose report has been furnished to us and our opinions, insofar as they relate to the amounts included for the investment in the Venture are based solely on the report of the other auditor. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by that auditor. The financial statements of the Venture were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Cherry R. Ricketts LLP in cursive script.

Charlotte, North Carolina
October 31, 2017

**Report of Independent Auditor on Compliance for Each Major Federal Program
and Internal Control Over Compliance in Accordance with OMB
Uniform Guidance and the State Single Audit Implementation Act**

The Board of Commissioners
Union County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Union County, North Carolina (the “County”), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2017. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principals, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Charlotte, North Carolina
October 31, 2017

**Report of Independent Auditor on Compliance for Each Major State Program
and Internal Control Over Compliance in Accordance with OMB
Uniform Guidance and the State Single Audit Implementation Act**

The Board of Commissioners
Union County, North Carolina

Report on Compliance for Each Major State Program

We have audited Union County, North Carolina (the “County”), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County’s major State programs for the year ended June 30, 2017. The County’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination on the County’s compliance.

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as 2017-001. Our opinion on each major state program is not modified with respect to this matter.

The County’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cherry Roubert LLP

Charlotte, North Carolina
October 31, 2017

UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule 55

FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? ___ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___ yes X no
- Noncompliance material to federal awards noted? ___ yes X no

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of *Uniform Guidance* X yes ___ no

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid Cluster
93.596, 93.575, 93.558, 93.658	Subsidized Child Care Cluster

UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule 55

FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results (continued)

Identification of major federal programs (continued):

Federal programs that did not meet the criteria for a major program using the criteria discussed in *Uniform Guidance* Section 200.518 but were tested as a major program because the State awards met the threshold for a major State program or were required to be tested as a major program by the State are included in the list of major federal programs.

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 3,000,000

Auditee qualified as low-risk auditee yes X no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes X no
 - Significant deficiency(s) identified
that are not considered to be
material weaknesses? yes X no
- Noncompliance material to State awards? yes X no

Type of auditor’s report issued on compliance of major State programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act X yes no

Identification of major State programs:

Major State programs for Union County are the Medical Assistance Cluster and Subsidized Child Care Cluster which are State matches on federal programs. Therefore, these programs have been included in the list of major federal programs above.

UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule 55

FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

None reported

Section III – Federal Awards Findings and Questioned Costs

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services
Medical Assistance
CFDA # 93.778

Finding 2017-001

Nonmaterial Noncompliance – Eligibility

Criteria: The County should have adequate monitoring controls to ensure that all information is updated appropriately in recipient's files and in the NC Fast system, and to ensure that all required physical documentation is located in the file to properly document eligibility with program requirements.

Condition: Six instances in which documentation was missing or incorrectly documented in the case file.

Questioned costs: None.

Context: We examined 111 case files. Of the 111 files sampled, we noted six of the files had missing or incorrect documentation as follows:

- One case where the automated income and resource match was not completed
- One case where the Budget was not calculated correctly or budget was not properly documented
- Four cases where the Asset Verification system inquiry was not completed.

Upon reexamination of each of the files listed above, the County was able to substantiate that all of the recipients were eligible to receive Medicaid benefits. This was accomplished by such means as re-computation of the budget by retrieving the online verification form (OLV) and Asset Verification form (AVS) which matched the Medicaid Coverage period to ensure all appropriate income sources were included in the computation.

Effect: By not having the required documentation in the files or information being incorrectly documented, eligibility cannot be readily substantiated and there is a risk that the County could provide funding to individuals who are not eligible.

Cause: Agency oversight when performing reviews over applications.

Recommendation: Although these issues will occur from time to time considering the volume of case files, Union County should revise the review process to ensure proper supporting documentation of eligibility is maintained within each case file.

UNION COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule 55

FOR THE YEAR ENDED JUNE 30, 2017

Views of responsible officials: The omissions were all made by seasoned staff who know what to do in each case. While volume is not an excuse for imperfect work, it obviously contributed to some of the oversites indicated above. Again with the volume of work it is impossible to review every case prior to authorization, but we are in the process of formalizing an agency QA unit and we are encouraged that we may be able to enlist more assistance in reviewing cases in error prone areas to improve our quality. After thorough consideration, training is not the need given the makeup of the Adult Medicaid unit and a review of the errors.

Corrective Action Plan: See Corrective Action Plan prepared by the County.

Section IV – State Award Findings and Questioned Costs

Finding 2017-001 as listed in Section III Federal Award findings is also considered to be a State finding.

Service Area/Division

Street Address
Suite #0000
City, State ZIP

T. 555.555.5555

www.unioncountync.gov

10/20/17

Schedule 56

Daniel T. Gougherty, CPA
Cherry Bekaert LLP
1111 Metropolitan Avenue
Suite 1000
Charlotte, NC 28204

Dear Mr. Gougherty,

This letter outlines the corrective action in response to the 2017 Single Audit finding for Medical Assistance as outlined below:

Finding 2017-001
Nonmaterial Noncompliance – Eligibility

Criteria: The County should have adequate monitoring controls to ensure that all information is updated appropriately in recipient's files and in the NC Fast system, and to ensure that all required physical documentation is located in the file to properly document eligibility with program requirements.

Condition: Six instances in which documentation was missing or incorrectly documented in the case file.

Questioned costs: None.

Context: We examined 111 case files. Of the 111 files sampled, we noted six of the files had missing or incorrect documentation as follows:

- One case where the automated income and resource match was not completed
- One case where the Budget was not calculated correctly or the budget was not properly documented.
- Four cases where the Asset Verification system inquiry was not completed.
- Upon reexamination of each of the files listed above, the County was able to substantiate that all of the recipients were eligible to receive Medicaid benefits. This was accomplished by such means as re-computation of the budget by retrieving the online verification form (OLV) and Asset Verification form (AVS) which matched the



Medicaid Coverage period to ensure all appropriate income sources were included in the computation.

Effect: By not having the required documentation in the files or information being incorrectly documented, eligibility cannot be readily substantiated and there is a risk that the County could provide funding to individuals who are not eligible.

Cause: Agency oversight when performing reviews over applications.

Recommendation: Although these issues will occur from time to time considering the volume of case files, the County should revise the review process.

Views of responsible officials:

The omissions were all made by seasoned staff who know what to do in each case. While volume is not an excuse for imperfect work, it obviously contributed to some of the oversites indicated above. Again with the volume of work it is impossible to review every case prior to authorization, but we are in the process of formalizing an agency QA unit and we are encouraged that we may be able to enlist more assistance in reviewing cases in error prone areas to improve our quality. After thorough consideration, training is not the need given the makeup of the Adult Medicaid unit and a review of the errors.

Missing or Incorrect Documentation

As indicated in the auditors' recommendation, these errors will occur from time to time. We would like to point out that 901559110P was under Mecklenburg County's management and authority at the time of recertification when the OVS should have been completed. Tonya Martin, one of our Adult Medicaid supervisors displayed this to me in NC FAST and also brought this to the attention of the one of the examiners. The auditors noted that we were able to substantiate that all recipients were eligible to receive Medicaid benefits.

On-line Verifications:

Consistent with the information listed above regarding documentation, this was a Mecklenburg error and we could not go back and fix what was already omitted for the time in question.

Corrective Action: While this error was not attributed to the actions of Union County staff, it is engrained in staff at every monthly meeting about the necessity to run on-line verifications for each eligibility determination. In addition to emphasizing this mandate we have it on our checklist that is utilized by staff.

Implementation Date: Effective immediately.



Incorrect Budget Calculation:

We will begin to focus more of our 2nd party review efforts on budget calculations

Corrective Action: Supervisors have been instructed to target monitor more budget calculations and increase the 2nd party reviews on those staff who they find errors in their budget calculations. In addition to this I will be asking our training unit to assist with additional target monitoring on Adult Medicaid budgeting.

Implementation Date: Effective immediately.

Asset Verification System Inquiries:

Corrective Action: Staff are mandated to utilize the checklist developed and the utilization of utilizing AVS will be heavily emphasized at every monthly meeting and checked on all cases and applications that are 2nd party reviewed.

Implementation Date: Effective immediately.

Names of Contact Persons

Michelle Lancaster, Executive Director of Human Services & Interim Social Services Director
Jeff Yates, Executive Director of Administrative Services/CFO

Please let me know if there are any additional questions.
Sincerely,

Michelle Lancaster
Executive Director of Human Services & Interim Social Services Director



UNION COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Schedule 57

FOR THE YEAR ENDED JUNE 30, 2017

Finding #: 2016-001

Status: Corrected

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Schedule 58

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS:							
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Passed-through N.C. Department of Health and Human Services:							
Division of Social Services:							
Administration:							
Supplemental Nutrition Assistance Program (SNAP) Cluster							
Department of Revenue (DOR) Retention	10.551		\$ 1,937	\$ -	\$ -	\$ 1,937	\$ -
Tax Offset Program (TOP) Retention	10.551		7,150	-	-	7,150	-
SNAP - Cash Incentive Retention	10.551		19,751	-	-	19,751	-
State Administrative Matching Grants for the SNAP Program	10.561		1,739,668	-	1,956,250	3,695,918	-
Total Passed-through N.C. Department of Health and Human Services: Food Stamp Cluster			<u>1,768,506</u>	<u>-</u>	<u>1,956,250</u>	<u>3,724,756</u>	<u>-</u>
Passed-through N.C. Department of Health and Human Services:							
Division of Public Health:							
Administration:							
Special Supplemental Nutrition Program for							
Women, Infants and Children-Client Services	10.557	13A2-5403-GH	269,704	-	289,395	559,099	-
Women, Infants and Children-Client Services	10.557	13A2-5403-GG	69,855	-	74,955	144,810	-
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GH	201,364	-	222,831	424,195	-
Women, Infants and Children-Nutrition Education	10.557	13A2-5404-GG	54,329	-	60,121	114,450	-
Women, Infants and Children-General Admin	10.557	13A2-5405-GH	52,417	-	56,083	108,500	-
Women, Infants and Children-General Admin	10.557	13A2-5405-GG	13,841	-	14,809	28,650	-
Women, Infants and Children-Breastfeeding Promotion and Support	10.557	13A2-5409-GG	4,913	-	5,085	9,998	-
Women, Infants and Children-Breastfeeding Promotion and Support	10.557	13A2-5409-GH	13,634	-	14,112	27,746	-
Women, Infants and Children-Breastfeeding Peer Counseling	10.557	13A2-570A-JQ	14,305	-	18,361	32,666	-
Women, Infants and Children-Breastfeeding Peer Counseling	10.557	13A2-570J-JQ	903	-	1,159	2,062	-
Women, Infants and Children-Breastfeeding Peer Counselor	10.557	13A2-5416-GH	3,375	-	3,493	6,868	-
Direct Benefit Payments:							
Special Supplemental Nutrition Program for:							
Women, Infants and Children	10.557		2,703,082	-	-	2,703,082	-
Total Passed-through N.C. Dept. of Health and Human Services: Division of Public Health			<u>3,401,722</u>	<u>-</u>	<u>760,404</u>	<u>4,162,126</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>5,170,228</u>	<u>-</u>	<u>2,716,654</u>	<u>7,886,882</u>	<u>-</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>							
Department of Justice: Bureau of Justice Assistance							
Edward Bryne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0939	18,621	-	-	18,621	-
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0237	12,111	-	-	12,111	-
Total U.S. Department of Justice			<u>30,732</u>	<u>-</u>	<u>-</u>	<u>30,732</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>							
Passed-through N. C. Department of Commerce:							
Division of Community Assistance							
Community Development Block Grant	14.228	B-16UC-37-0004	97,063	-	-	97,063	-

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Schedule 58
(Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED):							
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed-through N. C. Department of Crime Control and Public Safety:							
Division of Emergency Management:							
Homeland Security Grant Program							
	97.067	EMW-2016-SS-00011-S01	29,815	-	-	29,815	-
Emergency Management Performance Grant							
	97.042	EMPG-2016-37179	80,459	-	-	80,459	-
Total U.S. Department of Homeland Security							
			<u>110,274</u>	<u>-</u>	<u>-</u>	<u>110,274</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Administration:							
Passed-through N. C. Department of Transportation:							
Department of Transportation:							
Enhanced Mobility of Seniors & Individuals with Disabilities							
	20.513		54,405	-	-	54,405	-
Formula Grants for Rural Areas							
	20.509	17-CT-089 Admin	39,443	76,167	-	115,610	-
	20.509	17-CT-089 Capital	204,379	37,847	-	242,226	-
Medical Assistance Program							
			56,814	28,135	-	84,949	-
Alcohol Open Container Requirements							
	20.607	154AL-2017-12-09	83,348	-	-	83,348	-
Alcohol Open Container Requirements							
	20.607	154AL-2016-12-08	305,243	-	-	305,243	-
Total U.S. Department of Transportation							
			<u>743,632</u>	<u>142,149</u>	<u>-</u>	<u>885,781</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Administration of Aging:							
Division of Aging and Adult Services:							
Passed-through Centralina Council of Governments:							
Aging Cluster:							
Nutrition Services Incentive Program							
	93.053		38,741	-	-	38,741	-
Social Services Block Grant-In Home Aide							
	93.667		27,862	3,980	-	31,842	-
Grants for Supportive Services and Senior Center							
	93.044		465,865	82,212	-	548,077	-
State Appr. - In-Home/Supp SVC							
			-	68,043	-	68,043	-
Nutrition Services							
	93.045		133,398	23,538	-	156,936	-
Administration of Aging: Aging Cluster							
			<u>665,666</u>	<u>177,773</u>	<u>-</u>	<u>843,639</u>	<u>-</u>
Administration for Children and Families:							
Division of Social Services:							
Passed-through N.C. Department of Health and Human Services:							
Foster Care and Adoption Cluster:							
Title IV-E Administration Foster Care							
	93.658		76	-	76	152	-
Title IV-E Foster Care Training							
	93.658		9,036	-	3,012	12,048	-
Title IV-E Foster Care Officer Training							
	93.658		390,239	-	390,239	780,478	-
Title IV-E Foster Care							
	93.658		(9,772)	(2,490)	(2,490)	(14,752)	-
Title IV-E Foster Care In Excess							
	93.658		(4,530)	(1,154)	(1,154)	(6,838)	-
IV-E Foster Care and Extend Max							
	93.658		56,235	14,081	14,081	84,397	-
IV-E Foster Care and Extend Reg							
	93.658		163,379	41,253	40,205	244,837	-
IV-E Admin County Paid to CCI							
	93.658		18,803	9,402	9,402	37,607	-
IV-E Family Foster Care Max Level III							
	93.658		5,268	-	2,661	7,929	-
IV-E Child Protective Services							
	93.658		147,271	87,143	60,128	294,542	-
Title IV-E Foster Care Officer Training - ADO							
	93.659		23,739	-	23,739	47,478	-
Title IV-E Optional Adoption Training							
	93.659		8,860	-	8,860	17,720	-
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments							
	93.659		500,717	125,461	125,461	751,639	-
Total Foster Care and Adoption Cluster							
			<u>1,309,321</u>	<u>273,696</u>	<u>674,220</u>	<u>2,257,237</u>	<u>-</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Schedule 58
 (Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED):							
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</u>							
Administration for Children and Families:							
Division of Social Services:							
Passed-through N.C. Department of Health and Human Services:							
<u>Temporary Assistance for Needy Families (TANF) Cluster:</u>							
Adoption/Foster Care	93.558		\$ 35,352	\$ -	\$ 503,820	\$ 539,172	\$ -
Special Children Adoption	93.558		-	48,000	-	48,000	-
TANF/Work First - Direct Benefit Payments	93.558		396,543	-	-	396,543	-
TANF Administration	93.558		323,181	-	-	323,181	-
TANF Services	93.558		1,121,173	-	-	1,121,173	-
Work First Administration	93.558		-	-	616,980	616,980	-
Work First Service	93.558		-	-	603,324	603,324	-
Total TANF Cluster			<u>1,876,249</u>	<u>48,000</u>	<u>1,724,124</u>	<u>3,648,373</u>	<u>-</u>
Division of Social Services:							
Family Preservation	93.556		31,422	-	-	31,422	-
NC Child Support Enforcement	93.563		1,213,960	-	662,611	1,876,571	-
Direct Benefit Payments:							
Refugee Assistance Administration	93.566		7,639	-	-	7,639	-
Refugee Assistance-Direct Benefit Payments	93.566		13,335	-	-	13,335	-
Child Welfare Services:							
Permanency Planning-Regular	93.645		11,355	-	3,785	15,140	-
Permanency Planning-Special	93.645		48,302	-	16,101	64,403	-
LINKS	93.674		16,808	4,202	-	21,010	-
LINKS-Independent Living/Transitional Funds	93.674		3,361	-	-	3,361	-
Low Income Home Energy Assistance Block Grant:							
Administration	93.568		471,213	-	-	471,213	-
Crisis Intervention Program	93.568		417,227	-	-	417,227	-
SSBG - In Home Services Fund	93.667		2,054	-	293	2,347	-
SSBG - In Home Services Over 60	93.667		614	-	88	702	-
SSBG - Adult Day Care	93.667		18,125	8,143	3,753	30,021	-
SSBG - Adult Day Care Over 60	93.667		49,837	14,300	9,162	73,299	-
SSBG - Adult Day Care Professional Services	93.667		21,873	-	7,291	29,164	-
SSBG - Other Services and Training	93.667		352,780	-	113,479	466,259	-
Total Division of Social Services			<u>5,865,475</u>	<u>348,341</u>	<u>3,214,907</u>	<u>9,428,723</u>	<u>-</u>

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Schedule 58
 (Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED):							
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</u>							
Administration for Children and Families (continued):							
Passed-through N.C. Department of Health and Human Services:							
Subsidized Child Care Cluster:							
Child Care Development Fund Cluster:							
Division of Child Development:							
Child Care Development Fund -Discretionary FFY 09	93.575	1380-1810-DQ	\$ 372,238	\$ -	\$ -	\$ 372,238	\$ -
Child Care Development Fund -Discretionary FFY 12	93.575	1380-1810-DY	86,663	-	-	86,663	-
Child Care Development Fund -TANF to CCDF Discretionary	93.575	1380-1810-TB	884,780	-	-	884,780	-
Child Care Development Fund -TANF Contingency	93.575	1380-1810-TK	397,704	-	-	397,704	-
Child Care Development Fund -Swap 12	93.575	1381-1810-DQ	45,121	-	-	45,121	-
Child Care Development Fund-Mandatory FFY 09	93.596	1380-1810-ML	441,695	-	-	441,695	-
Child Care Development Fund-Mandatory FFY 12	93.596	1380-1810-MP	186,088	-	-	186,088	-
Child Care Development Fund-Match/Federal-FFY 12	93.596	1380-1810-VD	123,861	65,877	-	189,738	-
Child Care Development Fund-Match/Federal - FFY 11-Pre-K	93.596	1380-1810-V1	128,949	67,082	-	196,031	-
Child Care Development Fund-Match/Federal-FFY 12	93.596	1380-1810-V2	291,862	153,661	-	445,523	-
Child Care Development Fund-State Funding	N/A	1380-1812-00	-	257,769	-	257,769	-
Child Care Development Fund-Match/State FFY 12	N/A	1381-1740-VD	-	96,702	-	96,702	-
Child Care Development -Smart Start TANF MOE	N/A	1381-1740-TM	-	549,277	-	549,277	-
Child Care Development -Smart Start	N/A	1381-1740-40	-	25,145	-	25,145	-
Child Care Development Fund-Match/State Match FFY 12	N/A	1381-1740-VZ	-	220,630	-	220,630	-
TANF- Maintenance of Effort	N/A	1380-1810-T6	-	317,837	-	317,837	-
Division of Social Services:							
Child Care Development Fund-Administration	93.596		195,205	-	-	195,205	-
Total Child Care Development Fund Cluster			3,154,166	1,753,980	-	4,908,146	-
Temporary Assistance for Needy Families (TANF) Child Care Cluster:							
TANF Child Care 100%	93.558	1380-1810-T2	522,650	-	-	522,650	-
Total TANF Child Care Cluster			522,650	-	-	522,650	-
Foster Care Child Care Cluster:							
IV-E- Foster Care	93.658	1380-1817-K4	59,794	29,911	-	89,705	-
Total TANF Child Care Cluster			59,794	29,911	-	89,705	-
Total Subsidized Child Care Cluster			3,736,610	1,783,891	-	5,520,501	-
Total Administration for Children and Families			9,602,085	2,132,232	3,214,907	14,949,224	-

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Schedule 58
(Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED):							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)							
Centers for Medicare and Medicaid Services:							
Passed-through N.C. Department of Health and Human Services:							
Division of Social Services:							
Administration:							
Adult Care Home Case Management/Special	93.778		\$ 60,796	\$ 13,793	\$ 47,002	\$ 121,591	\$ -
State/County Special Assistance	93.778		69,850	-	23,331	93,181	-
Medical Assistance Administration (Note 3)	93.778		12,220	-	12,220	24,440	-
HCWD Fees	93.778		(75)	-	(75)	(150)	-
Medical Transportation Administration	93.778		4,089,940	-	1,439,486	5,529,426	-
MAC CORD / TRANSP	93.778		35,499	-	35,499	70,998	-
MAC APS/OUTR	93.778		716	-	716	1,432	-
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		236,993	212	356	237,561	-
Direct Benefit Payments:							
State Children's Insurance Program-N.C. Health Choice (Note 3)	93.767		5,142,128	26,845	-	5,168,973	-
Total Division of Social Services			9,648,067	40,850	1,558,535	11,247,452	-
Division of Medical Assistance:							
Medical Assistance Program (Note 3)	93.778		282,556	142,627	-	425,183	-
Direct Benefit Payments:							
Medical Assistance Program (Note 3)	93.778		117,025,132	59,537,783	-	176,562,915	-
Total Centers for Medicare and Medicaid Services			126,955,755	59,721,260	1,558,535	188,235,550	-
Centers for Disease Control							
Passed-through N.C. Department of Health and Human Services:							
Division of Public Health:							
Healthy Communities Activity	93.758	1261-5503-PF	21,341	-	191,646	212,987	-
Breast and Cervical Cancer Control Program	93.752	1320-310E-JS	21,186	-	61,162	82,348	-
WISEWOMAN Project	93.094	1313-372D-SW	15,033	-	34,660	49,693	-
Public Health Emergency Preparedness Ebola	93.074	1264-2680-M8	1,100	-	1,716	2,816	-
Public Health Emergency Preparedness	93.074	1264-2680-EX	29,590	-	46,161	75,751	-
Public Health Emergency Preparedness	93.074	1264-2680-EY	3,462	-	5,401	8,863	-
Public Health Emergency Preparedness	93.074	1264-2679-EX	10,000	-	15,600	25,600	-
Public Health Emergency Preparedness	93.074	1264-2679-EY	833	-	-	833	-
Tuberculosis Control Program	93.116	1460-272B-NF	29	-	229	258	-
Tuberculosis Control Program	93.116	1460-272C-NF	21	-	166	187	-
Gonorrhea Partner Services	93.977	1311-462C-NB	338	-	23	361	-
Gonorrhea Partner Services	93.977	1311-462D-NB	650	-	44	694	-
CAPUS Patient Navigators	93.940	1311-981E-HV	1,600	-	108	1,708	-
CAPUS Patient Navigators	93.940	1311-981F-HV	1,400	-	94	1,494	-
Ryan White Part A Grant	93.914	2-H89HA11434-07-00	228	-	-	228	-
Immunization Action Plan	93.268	1331-627C-VP	9,531	-	156,574	166,105	-
Immunization Action Plan	93.268	1331-627E-VP	6,143	-	100,916	107,059	-
Immunization Action Plan	93.268	1331-631D-EJ	7,057	-	115,931	122,988	-
Total Centers for Disease Control			129,542	-	730,431	859,973	-
Health Resources and Services Administration:							
Passed-through N.C. Department of Health and Human Services:							
Division of Public Health:							
Family Planning Services Title X	93.217	13A1-5107-AP	17,668	13,328	(59,681)	(28,685)	-
Family Planning Services Title X	93.217	13A1-592B-FP	46,135	-	317,219	363,354	-
TANF-Family Planning (TANF Cluster)	93.558	13A1-5151-T2	16,141	-	110,984	127,125	-
Women's Preventive Health-MCH Services Block Grant	93.994	13A1-5735-AP	24,586	18,548	296,585	339,719	-
Maternal Health-MCH Services Block Grant	93.994	13A1-5740-AP	18,834	14,208	293,996	327,038	-
Care Coordination for Children-MCH Services Block Grant	93.994	1271-5318-AP	19,010	14,341	(10,897)	22,454	-
Child Health-MCH Services Block Grant	93.994	1271-5745-AP	24,227	16,277	913,700	956,204	-
Child Health-MCH Services Block Grant	93.994	1271-5351-AP	627	507	25,353	26,487	-
Total Health Resources and Services Administration			167,228	79,209	1,887,259	2,133,696	-
Total U. S. Department of Health and Human Services			137,520,476	62,110,474	7,391,132	207,022,082	-

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Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Schedule 58
(Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED):							
<u>N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES</u>							
Division of State Library:							
Library Services and Technology Act Grant	45.310		\$ 27,700	\$ -	\$ -	\$ 27,700	\$ -
Total federal awards			143,700,105	62,252,623	10,107,786	216,060,514	\$ -
STATE AWARDS:							
<u>N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES</u>							
Division of State Library:							
State Aid to Public Libraries	N/A		-	196,444	-	196,444	-
<u>N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
Passed-through North Carolina Partnership for Children, Incorporated							
Department of Social Services	N/A		-	118,359	-	118,359	-
Health	N/A		-	105,893	-	105,893	-
Total Passed-through North Carolina Partnership for Children, Incorporated			-	224,252	-	224,252	-
Division of Social Services Programs:							
DCD Smart Start	N/A		-	158,941	-	158,941	-
SSBG State	N/A		-	110,867	8,338	119,205	-
Share the Warmth	N/A		-	8,023	8,023	16,046	-
County Funded	N/A		-	-	5,111,969	5,111,969	-
Work First Non-Reimbursable	N/A		-	-	89,034	89,034	-
Foster Care At Risk Maximization	N/A		-	227	112	339	-
State Foster Home Fund Maximization	N/A		-	66,415	66,415	132,830	-
State Foster Home	N/A		-	52,191	52,190	104,381	-
CWS Adoption Subsidy and Vendor Payments-Direct Benefit Payments	N/A		-	276,997	54,247	331,244	-
State/County Special Assistance For Adults-Direct Benefit Payments	N/A		-	586,457	586,457	1,172,914	-
Total Division of Social Services			-	1,260,118	5,976,785	7,236,903	-

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Schedule 58
(Continued)

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures	Passed-through to Subrecipients
STATE AWARDS (CONTINUED):							
<u>N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</u>							
Division of Public Health:							
Aid to Counties-Health Administration	N/A	1161-4110-00	\$ -	\$ 101,340	\$ 888,025	\$ 989,365	\$ -
Breast & Cervical Cancer Control Program	N/A	1320-5599-00	-	11,985	34,600	46,585	-
Child Health	N/A	1271-5745-00	-	1,900	40,844	42,744	-
General Communicable Disease Control	N/A	1175-4510-00	-	7,434	390,556	397,990	-
HIV/STD State	N/A	1311-4536-BN	-	3,611	244	3,855	-
HIV/STD State	N/A	1311-4536-RR	-	9,000	607	9,607	-
STD Drugs	N/A	1311-4601-BN	-	459	31	490	-
STD Drugs	N/A	1311-4601-RR	-	292	20	312	-
Communicable Disease-Tuberculosis	N/A	1460-4551-00	-	3,510	27,705	31,215	-
Environmental Health	N/A	1153-4751-00	-	45,880	1,325,914	1,371,794	-
Healthy Mothers Healthy Children	N/A	13A1-5735-00	-	4,272	29,374	33,646	-
Maternal Health	N/A	13A1-5740-00	-	6,574	58,487	65,061	-
High Risk Maternity Clinics	N/A	13A1-5746-00	-	65,317	581,113	646,430	-
PCM for Women Ineligible for Medicaid	N/A	13A1-5107-00	-	16,527	(31,822)	(15,295)	-
Healthy Communities Activity	N/A	1261-5503-00	-	318	2,851	3,169	-
School Nurse Funding Initiative	N/A	1332-5358-00	-	54,167	50,000	104,167	-
Tuberculosis Medical Services	N/A	1460-4554-00	-	1,033	-	1,033	-
Women's Health Service Fund	N/A	13A1-6017-FR	-	13,019	89,517	102,536	-
Total Division of Public Health			-	346,638	3,488,066	3,834,704	-
Total N.C. Department of Health and Human Services			-	1,831,008	9,464,851	11,295,859	-
<u>N.C. DEPARTMENT OF PUBLIC INSTRUCTION</u>							
Public School Building Capital Fund-Lottery Fund	N/A		-	3,199,082	-	3,199,082	-
Total N.C. Department of Public Instruction			-	3,199,082	-	3,199,082	-
<u>N.C. DEPARTMENT OF PUBLIC SAFETY</u>							
Division of Juvenile Justice - Community Programs Section							
Juvenile Crime Prevention Council	N/A	490-11480	-	654	-	654	654
Captstone/ Shift Leadership Program	N/A	490-12353	-	42,509	-	42,509	42,509
Project Challenge	N/A	490-10211	-	101,000	-	101,000	101,000
Shelter Care	N/A	490-10831	-	131,579	-	131,579	131,579
Total Department of Public Safety			-	275,742	-	275,742	275,742
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>							
Rural Operating Assistance Program (ROAP)							
ROAP Elderly and Disabled Transportation Assistance Program	N/A	DOT-16CL	-	85,420	-	85,420	-
ROAP Rural General Public Program	N/A	DOT-16CL	-	86,596	-	86,596	-
ROAP - Employment	N/A	DOT-16CL	-	60,637	-	60,637	-
Total N.C. Department of Transportation			-	232,653	-	232,653	-
<u>N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES</u>							
Division of Soil and Water Conservation:							
Soil and Water Conservation	N/A		-	29,912	-	29,912	-
Total N.C. Department of Environment and Natural Resources			-	29,912	-	29,912	-
<u>N.C. DEPARTMENT OF ADMINISTRATION</u>							
Veteran's Service	N/A		-	2,130	-	2,130	-
Total State awards			-	5,766,971	9,464,851	15,231,822	275,742
Total federal, State and local awards			\$ 143,700,105	\$ 68,019,594	\$ 19,572,637	\$ 231,292,336	\$ 275,742

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Union County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Union County it is not intended to and does not present the financial position, changes in net position or cash flows of Union County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not

Union County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for the State audit requirement:

Subsidized Child Care and Foster Care and Adoption