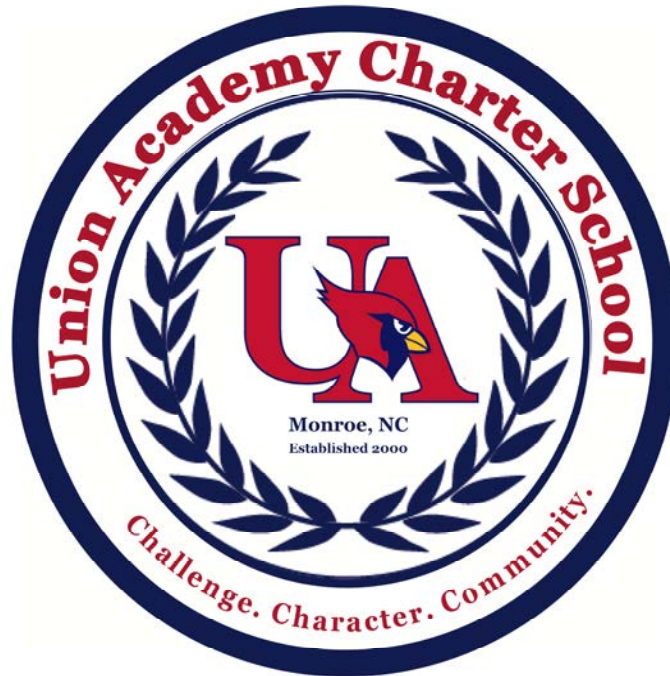




**UNION ACADEMY
MONROE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Union Academy Monroe, North Carolina Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2018

Prepared By
Finance Department

Lynn Kroeger, CPA
Chief Financial Officer



INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting - GFOA	vi
Certificate of Excellence in Financial Reporting - ASBO	vii
School Administration and Board of Directors	viii
Organizational Chart	ix

FINANCIAL SECTION

Exhibit

Independent Auditors' Report	1
---	----------

Required Supplementary Information:

Management's Discussion and Analysis	4
--	---

Basic Financial Statements:

Government-wide Financial Statements:

1	Statement of Net Position	11
2	Statement of Activities	12

Fund Financial Statements:

3	Balance Sheet – Governmental Funds	14
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
6	Statement of Fiduciary Net Position – Custodial Fund	17
7	Statement of Changes in Fiduciary Net Position– Custodial Fund	18

Notes to the Financial Statements	19
--	-----------

Required Supplementary Information:

Budgetary Comparison Schedule – All Fund Types	35
Note to Required Supplementary Information	36

Schedule

Supplementary Information:

Combining Fund Statements and Schedules:

1	Combining Balance Sheet – Non-Major Governmental Funds	37
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	38

STATISTICAL SECTION

<u>Table</u>		<u>Page</u>
1	Net Position by Component	40
2	Changes in Net Position	42
3	Governmental Funds – Fund Balances	43
4	Governmental Funds – Changes in Fund Balance.....	45
5	Ratios of Outstanding Debt by Type.....	47
6	Number of Personnel	48
7	School Personnel Summary	49
8	Operational Expenditures Per Pupil – Expenditures by Function.....	50
9	Average Daily Membership by School.....	53
10	School Building Data	55
11	Union County, NC General Governmental Revenues by Source.....	56
12	Union County, NC General Governmental Expenditures by Function	58
13	Union County, NC Property Tax Levies and Current Collections.....	60
14	Union County, NC Principal Property Taxpayers	61
15	Union County, NC Property Tax Rates – All Overlapping Governments	62
16	Union County, NC Demographic and Economic Statistics	63
17	Union County, NC Principal Employers.....	64

COMPLIANCE SECTION

Independent Auditors’ Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>...	65
Independent Auditors’ Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In With OMB Uniform Guidance And The State Single Audit Implementation Act	67
Schedule of Findings and Questioned Costs.....	69
Corrective Action Plan	70
Summary Schedule of Prior Year Audit Findings	71
Schedule of Expenditures of Federal and State Awards	72

This page intentionally left blank.



INTRODUCTORY SECTION





Union Academy Charter School
Dr. Ann Walters, Headmaster

LETTER OF TRANSMITTAL

As of October 29, 2018

Members of the Union Academy Board of Directors and Citizens of Union County, NC:

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of Union Academy (the "School") for the fiscal year ended June 30, 2018, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the Headmaster and Chief Financial Officer.

This report has been prepared by the Finance Department following the requirements and guidelines promulgated by the Governmental Accounting Standards Board. We believe the data is accurate in all material respects and is presented in a manner designed to reflect fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain maximum understanding of the School's financial activity have been included.

The financial statements have been audited by Rives & Associates, LLP, independent certified public accountants, whose opinion is included in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of Union Academy for the fiscal year ended June 30, 2018, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Union Academy's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States of America.

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

The independent audit of the financial statements of Union Academy was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Report.

In developing and evaluating the School's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the School's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.



Union Academy Charter School
Dr. Ann Walters, Headmaster

Profile of the Government

The School is a Local Education Agency empowered by state law [Chapter 115C of the North Carolina General Statutes (N.C.G.S.)] with the responsibility to oversee and control all activities related to the provisions of its charter. The School began operations in May 2000. The School is a tuition-free public school and is accountable to the State Board of Education for ensuring compliance with applicable laws and is operated by a private nonprofit 501(c)(3) corporation. The School receives local, state and federal government funding and must comply with the legal requirements of each funding agency. The School's Board of Directors decides matters related to the operation of the School, including budgeting, curriculum and operating procedures.

The major purpose of the School is to provide public education that encompasses challenging, high quality instruction, character education and community service in a modified year-round school calendar. Enrollment in Union Academy is via a public lottery held annually in the spring. During fiscal year 2017-2018, the School served 1,692 students in grades K-12 with a waitlist of approximately 1,500 students. The school anticipates total enrollment to cap around 2,000 for the future years.

North Carolina General Statute 115C-238.29E(d) states that "the Board of Directors of the charter school shall decide matters related to the operation of the school, including budgeting, curriculum and operating procedures." Although not statutorily required, the School does choose to adopt a budget. The Board's annual budget resolution reflects the total anticipated revenue and expenditures of the School for the fiscal year. The budget is supported by the assumptions for revenue streams and expenditure outflows and clearly defines the education goals of the School. All substantial changes are reviewed and approved in advance by the Board Chairman and Board Treasurer with the Board of Directors being notified of such actions in subsequent meetings. These changes should not result in changes in recurring obligations such as salaries. Any revisions that alter the total expenditures require prior approval by the Board of Directors.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the School operates. Union Academy is located in Union County just inside the city of Monroe. Population growth for the period of 2010 to 2016 was 8.1% which is almost double the population change in the state of North Carolina of 4.3%. As population continues to grow in the area the county's population is projected to reach 240,933 by July 2020, meaning average annual growth will be approximately 2.01%. The primary factors contributing to Union County's economic growth are agriculture, business and industry. The city of Monroe has developed a strong base in advanced manufacturing, most notably in aerospace, and has the state's highest concentration of aerospace companies. Due to the proximity to larger cities like Charlotte, Gastonia, and Concord the western part of the county has experienced the majority of the population boom and has become a more diversified economic residential base while the eastern part of the county remains primarily rural and agricultural. With over 1,100 farms in Union County and over 200,000 acres dedicated to farming, the County ranked third in the state for total revenue generated from Agriculture, most notably from soybean, wheat, chicken (broilers) and egg production, turkey, and cattle. The county unemployment rate has been consistently lower than that of North Carolina, which is a positive economic indicator. In May 2018, labor statistics show the county's unemployment rate was 3.2 percent compared to North Carolina's 4.2 percent. The Union County Board of Commissioners and the community continue to be involved and supportive of the public educational system and local financial support is reasonable.

The cost of public school education in North Carolina is financed by the state generally on a per pupil basis. Much of the funding from the State of North Carolina is formula driven. Local funding from Union County is passed through the Union County Public School System. The School receives a per pupil allocation of these local funds as defined by legislation. The School has 96.1% of its students residing in Union County while the remaining 3.9% of the student population reside in Mecklenburg and Anson Counties. The state and local per pupil funding increased slightly from the prior year by approximately 2.8%.

When Union Academy began as a school of choice in 2000, it stood and still stands as an expression of educational reform in public education. The first charter school opened in 1992, and there is over 3.2 million students attending over 7,000 charter schools nationwide. The continued growth in charter schools and their enrollment demonstrates parents' demand for high quality educational options. Nationwide, charter schools represent 6.9% of all public schools. North Carolina alone has 173 schools, currently serving more than 100,000. Charter school enrollment represents 6.5% of all public school enrollments in the state making charter schools the third largest "school district" in the state behind Wake and Mecklenburg County's districts. Demand for new charter schools continues to increase; the North Carolina Department of Public Instruction received 35 applications requesting to open in the year 2020. Specifically, Union County has three charter schools and plans to open two additional charter schools in the Fall of 2019.

The School provides a positive impact on Union County in the following ways: 1) Eases overcrowding in Union County Public Schools; 2) Increases parental options in public education; 3) Creates a voluntary integrated school in a county with longstanding geographic and racial divisions; 4) Provides opportunities for faculty innovation/development and administrative flexibility; and 5) Involves parents and community resources uniquely in public education.

The School does not receive any local, state or federal funding for facilities as traditional public schools do. Therefore, the School must explore all means necessary to provide their students with the literal foundation required for a successful educational program. Union Academy Foundation was established in 2001 to support the School's land and facilities needs and is reported as a component unit of the School.

Long-Term Financial Planning and Major Initiatives

Union Academy continues to fulfill its vision to provide a pathway for educational excellence through the following major initiatives:

- The School continues to dedicate resources to technology. In addition to the computer labs throughout the school and the 1:1 Chromebooks for 8th-12th grade students, the middle school 5th-7th grade core classrooms are each now equipped with a Chromebook cart. The new classrooms in both the high school wing finished last year and the K-4 building that was recently built have been furnished with smart boards and additional wireless access points. This is also being completed in the auxiliary gym set to open at the end of calendar year 2018.
- The School finished construction on the facilities housing K-4 in July which brought all of K-12 onto one campus for the first time in school history. In collaboration with Union Academy Foundation, the school is completing the construction of an auxiliary gym that will be used for athletic offices, locker rooms, and additional Physical Education space. The School has also provided space in the upstairs portion of the auxiliary gym for band, theatre/chorus, and orchestra.

- The School is in the process of securing additional funds to build a new playground near the football stadium. The architects are in the process of designing the area and new stadium entrance to accommodate future use as well as immediate access to the playground.
- The School continues to solidify its brand and market itself across the state. In 2018, the School received the most student applications for the lottery in 18 years and opened its doors to over 1,900 students in the new school year 2018-2019. Teacher recruitment and retention continues to be a focus as the school has grown.
- The School's Human Resources Department has received several awards for its continued efforts to keep insurance costs low and provide exceptional benefits to its employees. The addition of a staff fitness room and trainer have increased wellness and group physical activity with the staff. The School was recognized as a 2018 Regional Top 10 Workplace by the Charlotte Observer.
- In 2017, the School and its affiliates received five "Best of the Best" awards from the local newspaper, for Best Child Care (Union Academy Private Pre-K, which is a partnership with the School); Best Elementary School, Best Middle School, Best High School and Best Local Nonprofit (the UA Foundation). The record-setting number of awards demonstrates local support, since the community votes for its choices.
- The School earned a NC Performance Grade of A for the 2017-2018 school year by exceeding expected growth. The School encourages and challenges students to meet their highest level of achievement. Honors and Advanced Placement courses are always encouraged at the high school level. SAT results exceed national averages in all three areas of critical reading, math and writing. The School will continue to establish goals that increase academic growth through effective and challenging teaching strategies.
- The School focuses on building strong student-staff-parent-community ties. Families are asked to dedicate at least 60 hours of volunteer time to the school annually. In the 2017-2018 school year, families completed 62,725 service hours. In addition, during the 2017-2018 school year, Union Academy high school students performed 20,970 community-service hours.
- The School is strengthening its professional development and growth plan by directly aligning it with its School Improvement Plan and Strategic Plan. A highly educated and licensed faculty and staff serve the K-12 community with one hundred percent of core classes taught by highly qualified teachers. The School is working toward developing and implementing an incentive plan to help attract and retain top talent.
- The School is further developing and strengthening its partnerships with colleges and universities to allow dual enrollment opportunities and/or course credit for high school students. The implementation of Naviance Family Connection in the UA guidance department plays a significant role in college readiness and planning for students and their families.

Relevant Financial Policies

Union Academy has adopted a comprehensive set of financial policies. During the current year, several of these policies were particularly relevant. The School maintains an unrestricted, unassigned General Fund balance adequate to meet the unexpected fiscal needs of the School's operations. Based on the recommendation of the North Carolina Local Government Commission, the School intends to maintain a minimum of 8% of the subsequent year's budget in the unassigned fund balance.



Union Academy Charter School
Dr. Ann Walters, Headmaster

There were no other financial policies that had a significant impact on the 2017-2018 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 Academy for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighth consecutive year the School has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to Union Academy for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the ninth consecutive year that the School has received this award.

The presentation of this report could not have been accomplished without the efficient and dedicated services of the personnel in the Finance Department and the staff of our independent auditor. Certain county-wide statistical data was also provided by the personnel in Union County's Finance Department. We would like to express our appreciation to all these people for their assistance and contributions in developing the final report.

Respectfully submitted,

Lynn Kroeger, CPA
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Union Academy
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Union Academy

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director

**UNION ACADEMY
SCHOOL ADMINISTRATION AND BOARD OF DIRECTORS
JUNE 30, 2018**

School Administration

Headmaster – Ann Walters, EdD

High School Principal – Jim Zorn

Middle School Principal – Amy Yermack

Intermediate School Principal – Emily McGinnis

Lower School Principal – Shannen Bretz

Exceptional Children's Co-Coordinators – Cissy Brewer and Susan Hutaff

Chief Financial Officer – Lynn Kroeger

Technology Director – Katie Stewart

Athletic Director – Mark Gosnell

Board of Directors

Mike Harris – Chair

Jack James – Vice Chair

Chris Bragg – Secretary

Danny Jordan – Treasurer

Frank Aikmus – Board Member

Lenora Bowman – Board Member

Alicia Campbell – Board Member

Jeffery Carpenter – Board Member

Charla Grisham – Board Member

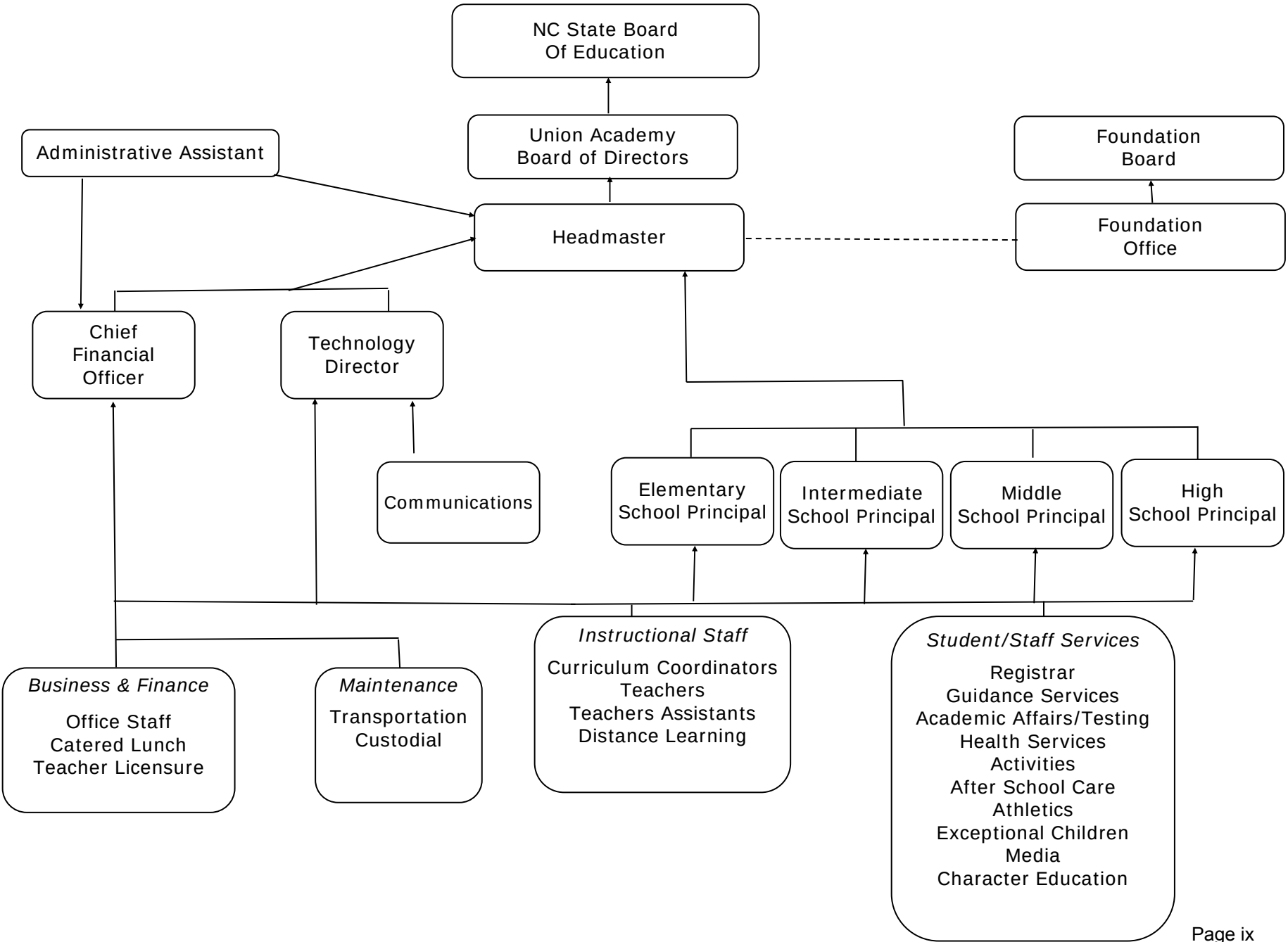
Jesse Mangum – Board Member

Inessa Montes – Board Member

Robert Noblet – Board Member

Alan Sumrell – Board Member

Union Academy Organization Chart 2017-2018



FINANCIAL SECTION



Independent Auditors' Report

To the Board of Directors
Union Academy
Monroe, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Union Academy, as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Union Academy'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 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 of material misstatement.

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 entity'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 entity'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, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Union Academy as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10, and budgetary comparison schedule on pages 35 and 36, 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 an opinion on the financial statements that collectively comprise Union Academy's basic financial statements. The combining fund schedules, and the accompanying schedule of expenditures of federal and State awards, 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 the other information, such as the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund schedules, as well as the accompanying 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, the combining fund schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section 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 reports dated October 29, 2018 on our consideration of Union Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Union Academy's internal control over financial reporting and compliance.

Rives & Associates LLP

Charlotte, North Carolina
October 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Union Academy, we offer readers of Union Academy's financial statements this narrative overview and discussion of the financial activities of Union Academy (the "School") for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

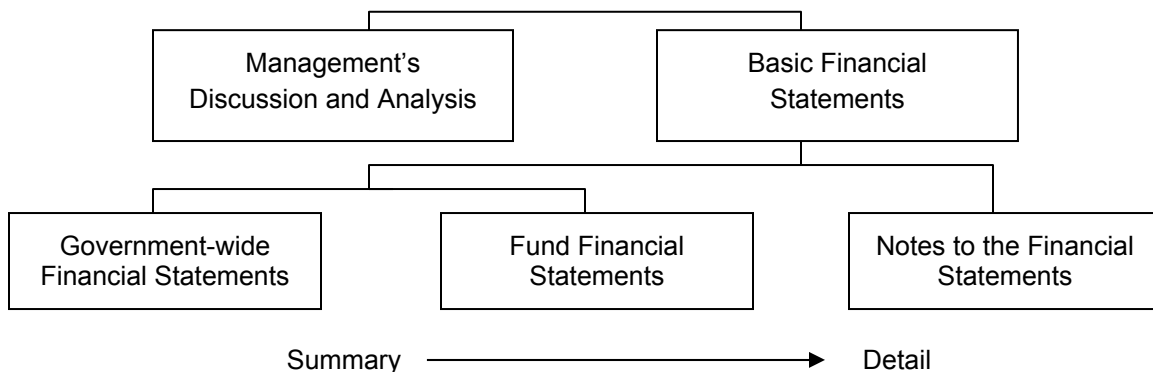
- The assets of the School exceeded its liabilities at the close of the fiscal year by \$7,175,730 (*net position*).
- The government's total net position increased by \$1,252,711, primarily due to an increase in the governmental-type activities' net position.
- Enrollment increased by 285 students over last year. The School increased enrollment by 255 students in grades K-6 in order to increase the base of elementary students and allow for natural attrition. In addition, the school had the largest senior class at 118 students which was 27 more than the prior year. Total enrollment for FY 2017-2018 was 1,692 students.
- The School expended an average of \$7,568 of State, local and federal current expense dollars per pupil for the fiscal year 2017-2018 compared to \$8,185 in the previous year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$7,630,979, a decrease of \$9,206,099 in the fund balance. This decrease is attributed to the increase in prepaid rent to the Union Academy Foundation for the expansion of the Upper Campus.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School'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 School through the use of government-wide financial 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 the School.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's governmental activities. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements includes the **notes to the financial statements**. 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 School's individual funds. Budgetary information for the School can also be found in this section of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School'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 School's financial status as a whole.

The government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to gauge the School's financial condition.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School, 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 General Statutes or the School's budget ordinance. All of the funds of the School fall into the category of governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School'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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine whether there are more or fewer financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts a unit-wide annual budget, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedule that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the governing board of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current

period activities. The budgetary schedule demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

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 begin on page 19.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets of the School exceeded liabilities by \$7,175,730 as of June 30, 2018. As of June 30, 2017, the net position of the School totaled at \$5,923,019. The School's net position increased by \$1,252,711 for the fiscal year ended June 30, 2018, compared to an increase of \$90,203 in 2017.

The largest component of current and other assets is restricted cash, project fund reserve and prepaid items, which, at \$22,207,400 represents 84% of \$26,525,577. An investment account established for use during the construction of the lower school building and competitive gymnasium during the 2017-2018 school year decreased by \$10,626,456. This decrease is offset by an increase in prepaid items by \$10,344,353 (net of current year amortization) due to the additional prepaid rent paid to the UA Foundation for the completion of the additional classroom space and multi-purpose room expansion that was completed July 2018. Cash increased by \$1,502,183 primarily due from increased revenue from the State and local governments due to the increase in student population. Cash represents 16% of current assets. The School's investment in capital assets increased by \$133,823, net of accumulated depreciation in the current year. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

The largest component of total liabilities is the outstanding debt of \$20,000,000 which represents 96% of total liabilities. In addition, other liabilities increased over prior year by \$89,206 primarily due to the increase in accrued salaries and wages payable due to addition of several staff positions during the year.

Following is a summary of the statement of net position:

**Condensed Statement of Net Position
Figure 2**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 26,525,577	\$ 25,317,483
Non-current:		
Capital assets, net	1,451,495	1,317,672
Restricted investments	68,532	49,066
Total assets	28,045,604	26,684,221
Deferred outflows of resources	326,482	-
Long-term liabilities outstanding	20,395,014	20,049,066
Other liabilities	801,342	712,136
Total liabilities	21,196,356	20,761,202
Net position:		
Net invested capital assets	1,451,495	1,317,672
Unrestricted	5,724,235	4,605,347
Total net position	\$ 7,175,730	\$ 5,923,019

Several particular aspects of the School's financial operations influenced the total governmental activities net position:

- The School's current and other assets increased \$1,208,094 and can be primarily attributed to the increase in revenues.
- Of the \$108,672 increase in total liabilities, the largest portion is due to the increase in accrued salaries and wages payable of \$61,7769 in addition to the increase in deferred compensation plan of \$19,466. See more information regarding this plan in the notes to the financial statements in section II.B.2
- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing amendments as needed for spending to stay within budget. The largest budget amendment was presented to the School Board in May to reflect the issuance of the revenue bonds. Refer to the Budgetary Comparison Schedule on page 35.
- Deferred outflows of resources of \$326,482 represent the fair value of the interest rate swap. The interest rate swap enables the School to issue debt at a cost less than what the School would have paid to issue conventional fixed-rate debt. See additional information regarding the interest rate swap in the notes to the financial statements in section I.E.7.

The following table shows the revenues and expenses for the School for the current and prior fiscal year:

Condensed Statement of Changes In Net Position
Figure 3

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 752,816	\$ 637,136
Operating grants and contributions	235,162	220,303
Capital grants and contributions	-	-
General revenues:		
County and State funds	12,906,473	10,723,404
Other	896,657	488,040
Total revenues	14,791,108	12,068,883
Expenses:		
Instructional services	8,858,906	7,845,477
System-wide support services	4,036,343	3,831,351
Debt service	643,148	301,852
Total expenses	13,538,397	11,978,680
Increase (decrease) in net position	1,252,711	90,203
Net position, beginning July 1	5,923,019	5,832,816
Net position, June 30	\$ 7,175,730	\$ 5,923,019

Governmental activities: Governmental activities increased the School's net position by \$90,203, when compared to the prior year. This change is attributed to the following:

- Revenues increased 22.6% over the prior year by approximately \$2,722,224 due to increased revenue from State and local funding. This was due to a 2.8% increase in State and local funding from \$7,007 per student in FY 2016-2017 to \$7,202 per student in FY 2017-2018 coupled with the 20.3% increase in students from 1,407 in FY 2017 to 1,692 in FY 2018.
- Expenses increased compared to last year by approximately \$1,559,717 and includes the following:
 - o Salaries increased by about \$823,280 due to the addition of several instructional staff positions for approximately \$733,000. These positions included eleven additional elementary school and exceptional children's teachers and ten teacher assistants. This allowed the School to add three classes per grade in grades K-2. The school also added an Intermediate school principal for grades 3-5 to accommodate this growth. The remaining increase is due to staff raises of approximately \$90,000. Teachers received an average raise mid-year of 5.4% and support staff received a 2% pay increase mid-year as well.
 - o Benefits increased by \$135,120 due to an increase in health insurance costs of 3.5% and approximately 30 new participants due to hiring of new teachers.
 - o System-wide support services increased \$204,992. This increase is due to maintenance and utilities related to the addition of the multi-purpose room and high school classrooms of approximately 34,500 square feet of space.
 - o Debt service increased \$341,296 primarily due to the interest only payments for the \$20,000,000 of outstanding bonds

Financial Analysis of the School's Funds

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

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, fund balance of the General Fund was \$7,452,757. The governmental funds of the School reported a combined fund balance of \$7,630,979, which is a decrease of \$9,206,099 from the prior year. This decrease is attributed to the use of proceeds from debt held in a project reserve fund to be used through August 2018 for prepayments of rent.

Budgetary Highlights

The School adopts an annual budget that reflects all revenues and expenditures for the School. During the fiscal year, the School 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 State and Federal grants; and 3) increases in appropriations that become necessary to maintain services.

Total amendments to the original budget increased revenues by approximately \$2.5 million. This was mainly due to an increase in student enrollment of the School. Total expenditures were approximately \$533,000 less than the final budget due to the School's steps to maximize State funds which creates savings in local funds.

Capital Asset and Debt Administration

Capital assets. As illustrated in Figure 4, the School's investment in capital assets for its governmental activities as of June 30, 2018, totals \$1,451,495 (net of accumulated depreciation). These assets include modular units, furniture and fixtures, food service equipment, computer equipment, leasehold improvements, other equipment, and vehicles.

Capital assets increased by \$603,677. This is primarily due to the addition of classroom furniture and fixtures as well as equipment of \$112,265 for the new classroom addition and \$478,312 for technology infrastructure upgrades such as a new paging and phone system and more wireless ports for the additional classroom space.

**Union Academy's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities	
	2018	2017
Modular units	\$ 72,599	\$ 82,166
Furniture and fixtures	318,822	323,760
Food service equipment	1,965	2,750
Computer equipment	675,081	444,560
Leasehold improvements	287,911	352,628
Equipment	65,180	40,763
Vehicles	29,937	71,045
Total	<u>\$ 1,451,495</u>	<u>\$ 1,317,672</u>

Additional information on the School's capital assets can be found in note II.A.4. of the basic financial statements.

Long-term Debt. The following is a summary of the School's long-term debt for governmental activities with a comparison to the prior year.

**Union Academy's Outstanding Debt
Revenue Bonds
Figure 5**

	Governmental Activities	
	2018	2017
Revenue bonds	\$ 20,000,000	\$ 20,000,000

The School issued a \$20,000,000 Educational Facilities Revenue Bond Series 2017 for the purpose of refunding the outstanding principal amount of the Series 2010 Revenue Bond and for prepayment of an educational facilities lease under construction. As of June 30, 2018, the School had total revenue bond debt outstanding of \$20,000,000.

Additional information on the School's long-term debt can be found in note II.B.4. of the basic financial statements.

Economic Factors

The School anticipates an increase in enrollment due to the expansion of the campus located on Martin Luther King Jr Blvd. The following key economic indicators reflect the growth and prosperity of the School:

- The low unemployment rate (3.8%) for Union County has increased revenues and contributed to the increase in funding to all public schools in the area, including charter schools. The fiscal 2016-2017 local county per pupil funding levels increased 2.8% over prior year.
- Demand for enrollment in the School remains strong. The School had 2,171 applicants for the lottery. A waitlist is currently maintained that continues to include more than 1,500 students in grades K-12.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Lynn Kroeger, Chief Financial Officer, Union Academy, 675 North Martin Luther King Jr. Blvd., Monroe, NC 28110, telephone (704) 238-8883.

BASIC FINANCIAL STATEMENTS

Union Academy
Statement of Net Position
June 30, 2018

Exhibit 1

	Primary Government		Component Unit
	Governmental		Union Academy
	Activities	Total	Foundation
ASSETS			
Cash and cash equivalents	\$ 4,266,751	\$ 4,266,751	\$ 540,633
Restricted cash, project fund reserve	4,091,312	4,091,312	-
Investments	-	-	12,088
Due from other governments	51,426	51,426	-
Accounts receivable	-	-	112,776
Pledges receivable, net	-	-	166,860
Prepaid items	18,116,088	18,116,088	7,835
Capital assets:			
Construction in progress	-	-	11,759,150
Land	-	-	1,116,143
Capital assets, net of depreciation	1,451,495	1,451,495	9,727,252
Other assets:			
Restricted investments	68,532	68,532	-
Beneficial interest in assets held by others	-	-	117,556
Total assets	28,045,604	28,045,604	23,560,293
DEFERRED OUTFLOWS OF RESOURCES			
Interest rate swap	326,482	326,482	-
LIABILITIES			
Accounts payable	30,475	30,475	1,021,312
Accrued salaries and wages payable	710,162	710,162	-
Accrued interest payable	22,832	22,832	-
Due to other governments	37,873	37,873	-
Unearned revenue	-	-	17,090
Long-term liabilities:			
Unearned rent, current portion	-	-	893,688
Unearned rent, long-term portion	-	-	17,222,400
457(f) deferred compensation payable	68,532	68,532	-
Due within one year	51,247	51,247	-
Due in more than one year	19,948,753	19,948,753	-
Interest rate swap	326,482	326,482	-
Total liabilities	21,196,356	20,869,874	19,154,490
NET POSITION			
Net investment in capital assets	1,451,495	1,451,495	22,602,545
Unrestricted	5,724,235	5,724,235	(18,196,742)
Total net position	\$ 7,175,730	\$ 7,175,730	\$ 4,405,803

Union Academy
Statement of Activities
For the Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Instructional services	\$ 8,858,906	\$ 752,816	\$ 235,162
System-wide support services	4,036,343	-	-
Interest on long term debt	643,148	-	-
Debt issuance costs	-	-	-
Total governmental activities	13,538,397	752,816	235,162
 Total primary government	 \$ 13,538,397	 \$ 752,816	 \$ 235,162
 Component unit:			
Union Academy Foundation	\$ 921,041	\$ 359,723	\$ -

General revenues:

Unrestricted County appropriations

Unrestricted State appropriations

Contributions and donations

Miscellaneous, unrestricted

 Total general revenues

 Change in net position

Net position-beginning

Net position-ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Unit	
Governmental Activities	Total	Union Academy Foundation	
\$ (7,870,928)	\$ (7,870,928)	\$	-
(4,036,343)	(4,036,343)		-
(643,148)	(643,148)		-
-	-		-
(12,550,419)	(12,550,419)		-
(12,550,419)	(12,550,419)		-
-	-		(561,318)
3,731,803	3,731,803		-
9,174,670	9,174,670		-
37,243	37,243		720,949
859,414	859,414		195,285
13,803,130	13,803,130		916,234
1,252,711	1,252,711		354,916
5,923,019	5,923,019		4,050,887
\$ 7,175,730	\$ 7,175,730	\$	4,405,803

**Union Academy
Balance Sheet
Governmental Funds
June 30, 2018**

Exhibit 3

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School		
ASSETS				
Cash and cash equivalents	\$ 4,088,529	\$ -	\$ 178,222	\$ 4,266,751
Restricted cash, project fund reserve	4,091,312	-	-	4,091,312
Due from other governments	51,426	-	-	51,426
Total assets	<u>\$ 8,231,267</u>	<u>\$ -</u>	<u>\$ 178,222</u>	<u>\$ 8,409,489</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 30,475	\$ -	\$ -	\$ 30,475
Accrued salaries and wages payable	710,162	-	-	710,162
Due to other governments	37,873	-	-	37,873
Total liabilities	<u>778,510</u>	<u>-</u>	<u>-</u>	<u>778,510</u>
Fund balances:				
Committed:				
Operating reserve	1,063,451	-	-	1,063,451
Restricted				
Revenue bond project fund reserve	4,091,312	-	-	4,091,312
Assigned:				
Clubs and activities	-	-	178,222	178,222
Unassigned:	2,297,994	-	-	2,297,994
Total fund balances	<u>7,452,757</u>	<u>-</u>	<u>178,222</u>	<u>7,630,979</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,231,267</u>	<u>\$ -</u>	<u>\$ 178,222</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note II.A.4.)

Capital assets	4,526,576
Less accumulated depreciation	(3,075,081)

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Prepaid Foundation lease (Note II.B.3.a)	18,116,088
Investment restricted for the deferred compensation plan (Note II.A.2)	68,532

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Series 2017 Bond (Note II.B.3.b)	(20,000,000)
Deferred compensation plan payable (Note II.B.2)	(68,532)
Accrued interest for note payable not reported in the fund statements	(22,832)
Net position of governmental activities	<u>\$ 7,175,730</u>

Union Academy
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 4

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School		
REVENUES				
State of North Carolina	\$ -	\$ 9,174,670	\$ -	\$ 9,174,670
Union County and other counties	3,731,803	-	-	3,731,803
U.S. Government	-	-	235,162	235,162
Foundation contributions	264,090			264,090
Contributions and donations	37,243	-	-	37,243
Other	625,358	-	722,782	1,348,140
Total revenues	4,658,494	9,174,670	957,944	14,791,108
EXPENDITURES				
Current:				
Instructional services	2,070,389	5,603,041	863,983	8,537,413
System-wide support services:				
Support services	814,194	2,714,075	-	3,528,269
Prepaid rent	10,704,066	-	-	10,704,066
Capital outlay	310,036	293,641	-	603,677
Debt service:				
Principal	-	-	-	-
Interest and other charges	59,869	563,913	-	623,782
Total expenditures	13,958,554	9,174,670	863,983	23,997,207
Excess (deficiency) of revenues over expenditures	(9,300,060)	-	93,961	(9,206,099)
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balance	(9,300,060)	-	93,961	(9,206,099)
Fund balances-beginning	16,752,817	-	84,261	16,837,078
Fund balances-ending	\$ 7,452,757	\$ -	\$ 178,222	\$ 7,630,979

Union Academy
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (9,206,099)
---	----------------

The governmental funds 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* reported in the government-wide statement of activities. 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. The details of this difference are as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 603,677	
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	<u>(469,854)</u>	133,823

The fund financial statements record interest expenditures on the current financial resource measurement focus whereas the government-wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.		(19,366)
---	--	----------

Prepaid rent reported in the governmental funds use current resources. However, in the statement of activities the prepaid rent is amortized over the life of the lease and reported as rent expense. The details of the differences are as follows:

Prepayment of lease	10,704,066	
Amortization of prepaid lease	<u>(359,713)</u>	10,344,353

The fund financial statements recognizes contributions to the 457(f) deferred compensation plan investments as expenditures, current financial resource measurement focus, whereas the government-side financial statements recognizes the 457(f) deferred compensation plan activity on the accrual basis. The details to the differences are as follows:

Contributions to the 457(f) deferred compensation plan	12,423	
Investment income earned on the plan investments	7,043	
Changes in 457(f) deferred compensation payable	<u>(19,466)</u>	-
Total changes in net position of governmental activities		<u><u>\$ 1,252,711</u></u>

**Union Academy
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2018**

Exhibit 6

ASSETS

Cash and cash equivalents	\$ 10,572
---------------------------	-----------

LIABILITIES

Accounts payable	\$ 20,000
------------------	-----------

NET POSITION

Unrestricted	(9,428)
--------------	---------

Total liabilities and net position	\$ 10,572
------------------------------------	-----------

Union Academy
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2018

Exhibit 7

ADDITIONS

Pre-K tuition	\$	79,190
Afterschool tuition		9,600
Application fees		4,000
Enrollment fees		6,300
Other		4,966
Total revenues		<u>104,056</u>

DEDUCTIONS

Advertising and promotion		3,367
Bank service charges		2,053
Repairs and maintenance		195
Materials and supplies		459
Employee benefits		9,334
Postage		76
Payroll taxes		5,408
Salaries and wages		72,716
Total expenses		<u>93,608</u>

Change in net position		10,448
------------------------	--	--------

Net position - beginning		(19,876)
Net position - ending	\$	<u>(9,428)</u>

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

The accounting policies of Union Academy (the "School") conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School is a public charter school located in Monroe, North Carolina. The School is governed by a local non-profit corporation and serves 1,692 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), requires financial statements to be prepared in accordance with GAAP. The School has two locations, both in Monroe, NC. The Lower School, which serves grades K-4, is located at 3828 Old Charlotte Highway while the Upper School, at 675 North M.L. King Jr. Blvd. accommodates students in grades 3-12.

As required by generally accepted accounting principles, these financial statements present the School and its component unit, a legally separate entity. The discretely presented component unit described below is reported in a separate column in the School's financial statements in order to emphasize that it is legally separate from the School.

Union Academy Foundation (the "Foundation") is a legally separate, nonprofit corporation, served by a self-appointing board of directors. The Foundation was established to provide support, both financial and otherwise, to the School and other non-profit educational ventures, which seek to increase learning opportunities for all students. The School, under an agreement with the Foundation leases a significant portion of the Foundation's assets. These Foundation assets are held as collateral on the School's revenue bond payable. Based on the significant resources provided by the Foundation to the School, the Foundation is reflected as a component unit of the School. The Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements for Not-for-Profit Organizations."* The most recent separately issued accrual basis financial statements for the Foundation for the year ended June 30, 2018, can be obtained from the entity's administrative office at Union Academy Foundation, 675 North M.L. King Jr. Blvd., Monroe, NC 28110.

The School shows a custodial fund in Exhibits 6 and 7 in the Basic Financial Statements. This custodial fund belongs to Union Academy Private PreKindergarten. Union Academy Private PreKindergarten is organized for educational purposes and to provide support, both financial and otherwise, to Union Academy and to other non-profit educational ventures that qualify as exempt organizations under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 (herein the "Code") (or the corresponding provisions of any future United States Internal Revenue Code), especially those ventures which seek to increase learning opportunities for all students. The PreKindergarten was incorporated in February 2017 and began operations in July 2017. The mission of the PreKindergarten is to educate the whole child, provide challenging, high quality instruction, strong character development in all of its students and collaborative family involvement. The vision is to be a pathway by which children mature and grow into confident young students who are highly prepared and motivated to make positive contributions to their school community.

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), School is a special purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the School and the Foundation. These statements include the financial activities of the overall government activities and the component unit. Eliminations have been made to minimize the double counting of internal activities. These statements would distinguish between the *governmental* and *business-type activities* of the School, in the event such activities existed. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The School had no significant business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School’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 are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School’s funds. A separate statement for major governmental funds is presented. All remaining governmental funds are aggregated and reported as non-major funds. The School did not have any proprietary or enterprise funds in fiscal year 2017-2018.

The School reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

The School reports the following fiduciary fund that is not included in the government-wide financial statements:

Custodial Fund: The Custodial Fund is used to account for the funds of a private not-for-profit organization operating a prekindergarten program.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and 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 School and Foundation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, contributions, and donations. Revenue from grants, contributions, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. 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.

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

D. Budgetary Data

The School adopts an annual budget that reflects all revenues and expenditures for the School. The budget is prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in these financial statements represents the budget of the School at June 30, 2018. All appropriations lapse at year end.

In accordance with the Governmental Accounting Standards Board, governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund is required to present a budgetary comparison schedule as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget. This is presented on page 35 and explains the differences between budgetary sources and uses of funds and GAAP revenues and expenditures for the total governmental funds.

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

1. Deposits

All deposits of the School and the Foundation are made in a local bank, whose accounts are FDIC insured. The School has established an interest earning checking account. The School's deposits are essentially demand deposits and are considered cash and cash equivalents. The Foundation considers all highly liquid unrestricted investments with maturities of three months or less to be cash equivalents.

2. Investments

The School holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School's mission, the School determined that the disclosures related to these investments need to be disaggregated by major type.

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The School has a prepaid lease to the Foundation and uses the consumption method of accounting to expense rent based on the operating lease agreement. Accordingly, the Foundation has unearned rental revenue relating to the School's prepayment of the lease. Please see Note II.B.4.a. for further information about the lease.

4. Pledges Receivable (Component Unit)

Unconditional promises to give are recognized by the Foundation in the period when the promise was received. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions or grants are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions. When a restriction expires, temporarily restricted net position are reclassified to unrestricted net position. Pledges receivable are stated net of any uncollectable amounts and discounts to present value. The Foundation uses the reserve method for accounting for uncollectible promises to give, based on historical data.

5. Capital Assets

The School's and Foundation's capital assets are recorded at original cost and depreciated over the useful life of the assets using the straight-line method of depreciation. Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities, such as student desks and office furniture are capitalized and reported as general capital assets. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The School's capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Modulars	8
Leasehold improvements	10
Furniture and fixtures	5-10
Food service equipment	7
Equipment	3-7
Vehicles	3-5
Computer equipment	3-5

The Foundation's capital assets are depreciated over the following estimated useful lives:

	Years
Buildings	20-40
Building improvements	20-40
Land improvements	15-20
Furniture and equipment	5-10

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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

7. Deferred Outflows

This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School currently has one item that qualifies for reporting in this category, which is the interest rate swap. The interest rate swap agreement is stated at fair value. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

8. Compensated Absences

The School does not have any liability for compensated absences which would be reported in the government-wide financial statements. The sick leave policy of the School provides for an accumulation of up to 10 earned sick leave days per year without carryover. Sick leave does not vest. Since the School has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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 Balance

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:

Nonspendable 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. As of June 30, 2018, the School had no nonspendable fund balance amounts.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Revenue Bond Project Fund Reserve – reserve for funds restricted by the bank for the purpose of prepayment of an operating lease to the Foundation, which in turn will be used by the Foundation for construction of educational facilities.

Committed Fund Balance – portion of fund balance that can only be used for a specific purpose imposed by the governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires a formal resolution enacted by the governing body that approved the original action.

Operating Reserve – reserve used in any fiscal year to cover an unexpected loss of revenue or an extraordinary expenditure. The reserve is to be funded at 8% of the total expenditures of the succeeding year. Expenditures from this reserve must be approved by the Board.

Assigned Fund Balance – portion of fund balance that the School intends to use for specific purposes. The Chief Financial Officer assigns these amounts for a specific purpose which is governed by the School's Internal Fiscal Control Policy 5.1, established by the governing body of the School.

Clubs and Activities Fund - revenue sources assigned for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that can report a positive unassigned fund balance.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Chief Financial Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local funds, School funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the School.

10. Reconciliation

The governmental fund balance sheet (Exhibit 3) includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position (Exhibit 1). The net adjustment totaled (\$455,249).

F. Revenues, Expenditures, and Expenses

1. Funding

The School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit in which the school is located (i.e. Union County Board of Education) for each child attending the School, except for the allocation for children with special needs, and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year [G.S. 115C-283.29H(b)]. For the fiscal year ended June 30, 2018, the School received local funding primarily from Union County Board of Education and Charlotte-Mecklenburg Board of Education.

Furthermore, the School has received donations of cash and/or equipment, from various fund raising activities and private organizations, and interest income on checking account balances.

2. Reconciliation Between Government-wide and Fund Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances is followed by a reconciliation between the change in fund balances – governmental activities and the changes in net position – governmental funds as reported on the government-wide statement of activities. The net difference between the governmental fund statement of revenues, expenditures and changes in fund balances (Exhibit 4 and 5) and the government-wide statement of activities (Exhibit 2) totaled \$10,458,810.

II. Detail Notes on All Funds

A. Assets

1. Deposits

The School's deposits are maintained in a public fund account with Branch Banking and Trust Company (BB&T). The public fund account provides deposit insurance coverage for cash balances that would not otherwise be insured by the Federal Deposit Insurance Corporation ("FDIC"). This program sweeps cash balances in excess of the \$250,000 FDIC insured amounts to various FDIC insured depository institutions.

At June 30, 2018, the School had deposits with a bank and a carrying amount of \$8,368,632 (\$4,277,323 unrestricted and \$4,091,312 restricted). The bank balance with the financial institution was \$8,800,723(\$4,709,411 unrestricted and \$4,091,312 restricted). Of the bank balances, \$250,000 was insured by the FDIC and \$8,550,723 was insured by BB&T's public fund insured deposit program.

At June 30, 2018, the Foundation had deposits with a bank with a carrying amount of \$540,633. The bank balance with the financial institution was \$543,205. Of the bank balance, \$293,205 was not covered by federal depository insurance.

2. Investments

As of June 30, 2018, the School had the following investments at fair value restricted for the deferred compensation plan (discussed at Note II.B.2):

Vanguard 500 Index Investor Share Fund (Fund), a mutual fund, of \$68,532 valued using quoted market prices (Level 1 input).

Credit Risk: The School does not have a formal investment policy regarding credit risk for the deferred compensation plan restricted investments.

Market Risk. The School is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index tracks a subset of the U.S. stock market, which could cause the Fund to perform differently from the overall stock market. In addition, the Fund's target index may, at times, become focused in stocks of a particular market sector, which would subject the Fund to proportionately higher exposure to the risks of that sector.

Investment Style Risk. The School is subject to investment style risk, which is the chance that returns from the Fund's large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general.

Concentration of Credit Risk: The School places no limit on the amount the School may invest with any one mutual fund.

Investments for the Foundation as of June 30, 2018 are as follows:

	Valued at Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value
Beneficial interest in assets held by others	\$ -	\$ 117,556	\$ 117,556
Common stock	12,088	-	12,088
	<u>\$ 12,088</u>	<u>\$ 117,556</u>	<u>\$ 129,644</u>

The Foundation transferred \$100,000 to an endowment with the Foundation For The Carolinas (FFTC) in 2017. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. As part of the transfer the FFTC was granted no power to redirect the use of the assets to another beneficiary. On an annual basis, FFTC will distribute net income from this fund to the Foundation as determined by FFTC's spending policy. Proceeds received by the Foundation will be used to support the mission of the Foundation. Net income earned from the endowment for the year ended June 30, 2018 was \$7,043.

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

3. Due From Other Governments

Due from other governments consist of the following:

Sales tax receivable	<u>\$ 51,426</u>
----------------------	------------------

4. Capital Assets

The School's capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Transfer In/(Out)	Ending Balances
Governmental activities:					
<i>Capital assets being depreciated:</i>					
Modulars	\$ 175,593	\$ 13,100	\$ -	\$ -	\$ 188,693
Furniture and fixtures	845,272	68,764	47,846	-	866,190
Food service equipment	15,236	-	611	-	14,625
Computer equipment	1,693,331	478,312	3,497	-	2,168,146
Leasehold improvements	807,978	-	400	-	807,578
Equipment	121,670	43,501	-	-	165,171
Vehicles	316,173	-	-	-	316,173
Total assets being depreciated	<u>3,975,253</u>	<u>\$ 603,677</u>	<u>\$ 52,354</u>	<u>\$ -</u>	<u>4,526,576</u>
<i>Less accumulated depreciation for:</i>					
Modulars	\$ 93,427	\$ 22,667	\$ -	\$ -	\$ 116,094
Furniture and fixtures	521,512	73,702	47,846	-	547,368
Food service equipment	12,486	785	611	-	12,660
Computer equipment	1,248,771	247,791	3,497	-	1,493,065
Leasehold improvements	455,350	64,717	400	-	519,667
Equipment	80,907	19,084	-	-	99,991
Vehicles	245,128	41,108	-	-	286,236
Total accumulated depreciation	<u>2,657,581</u>	<u>\$ 469,854</u>	<u>\$ 52,354</u>	<u>\$ -</u>	<u>3,075,081</u>
Total assets being depreciated, net	<u>\$ 1,317,672</u>				<u>\$ 1,451,495</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 321,493
System-wide support services	148,361
	<u>\$ 469,854</u>

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

The Foundation's capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Transfer In/Out	Ending Balances
Capital assets not being depreciated:					
Land	\$ 1,120,043	\$ -	\$ 3,900	\$ -	\$ 1,116,143
Construction in progress	497,949	11,261,201	-	-	11,759,150
	<u>1,617,992</u>	<u>\$ 11,261,201</u>	<u>\$ 3,900</u>	<u>\$ -</u>	<u>12,875,293</u>
Capital assets being depreciated:					
Buildings	11,545,515	-	-	-	11,545,515
Building improvements	48,005	-	-	-	48,005
Land improvements	608,779	-	-	-	608,779
Furniture and equipment	235,293	-	-	-	235,293
Total assets being depreciated	<u>12,437,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,437,592</u>
Less accumulated depreciation for:					
Buildings	1,927,913	292,914	-	-	2,220,827
Building improvements	25,613	756	-	-	26,369
Land improvements	299,689	32,803	-	-	332,492
Furniture and equipment	111,283	19,369	-	-	130,652
Total accumulated depreciation	<u>2,364,498</u>	<u>\$ 345,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,710,340</u>
Total assets being depreciated, net	<u>\$ 10,073,094</u>				<u>\$ 9,727,252</u>
Total assets, net	<u>\$ 11,691,086</u>				<u>\$ 22,602,545</u>

B. Liabilities

1. Retirement Plan

Effective July 31, 2016 School terminated the 403(b) retirement plan and adopted a 401(k) retirement plan. Participant balances in the terminated plan reverted to a paid-up retirement annuity for which participants can elect to transfer their balances to the new 401(k) plan. The 401(k) plan allows plan participants to make salary deferral contributions to the plan in an amount not in excess of the maximum allowed by the Internal Revenue Code. The School contributes a 100% match on the voluntary contributions up to the first 3% of the annual compensation of each plan participant.

The participants may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code. For the year ended June 30, 2018 the Board of Directors approved a discretionary match; therefore, the School contributed a 100% match on the voluntary contributions up to the first 3% of the annual compensation of each eligible employee this year.

At June 30, 2018, all eligible employees of the School were included in the Plan. The School made all required contributions. For the year ended June 30, 2018, the pension cost was \$174,992, with participants contributing \$373,783.

2. Deferred Compensation Plan

Effective January 1, 2016 the School sponsors a nonqualified deferred compensation plan under Internal Revenue Code section 457(f). The plan allows the School to make contributions to the plan, in which the contributions and investment earnings are distributed to participants in future years based on the terms of the plan. As of June 30, 2018 the Plan had one participant. Plan assets are owned by the School, subject to the claims of creditors, and invested as determined by the School. The Plan required an initial \$25,000 contribution and after each fiscal year end the School shall credit to the participant an amount equal to 7.5% of the participant's annual salary. Contributions to the plan for the year ended June 30, 2018 totaled \$12,423. The value of the plan assets as of June 30, 2018 was \$68,532. This is presented as a restricted investment on the statement of net position.

3. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier. In addition, the School also maintains an umbrella policy in the amount of \$5 million per occurrence.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage during the year, and claims have not exceeded coverage during the past three fiscal years.

In accordance with G.S. 115C-442, the School's employees who have custody of the School's monies at any given time are performance bonded through a commercial fidelity bond. The Headmaster and Chief Financial Officer are bonded for \$1,000,000.

The School does not carry coverage for loss due to flood damage.

4. Long-Term Obligations

a. Operating Leases

The School leases educational facilities under a lease agreement from the Foundation. The lease expires in December 2034 and requires the School to pay maintenance, insurance and other expenses. The School prepaid the lease using long-term debt proceeds. Lease expense in the amount of \$359,713 for the year ended June 30, 2018 was charged to the governmental function of system-wide support services. Accordingly, the Foundation recorded the prepaid rent as a long-term liability and will recognize rental income in the year which it is earned. The Foundation's rental income for the year ended June 30, 2018 was \$359,713.

On May 18, 2017, the above referenced lease agreement was amended to include additional rent of educational facilities and to extend the lease period through December 1, 2042. Rent expense for the additional educational facilities will be \$20,000,000 through the expiration of the lease. In conjunction with the lease amendment the School entered into a financing agreement, as described in Note II.B.4.b, to prepay the rent as balances become due on the construction of the educational facilities. During the year ended June 30, 2018 the School prepaid \$10,704,066 of rent to the Foundation for the additional educational facilities. Amortization of rent expense for the will commence upon receipt of the certificate of occupancy.

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

As of June 30, 2018, the School's prepaid rent under the lease agreement and lease amendment was \$18,116,088. This amount is presented as prepaid rent on the statement of net position and the School will record rent expense based on the amortization schedule. The prepaid rent received by the Foundation is recorded as a liability on the statement of net position and the Foundation will recognize revenue using the following amortization schedule. The School will make additional prepayments of rent to the Foundation through September 2018 totaling approximately \$4,000,000. The amortization of this additional prepayment is also reflected in the below amortization schedule.

The future prepaid lease will be expensed by the School and recognized as revenue to the Foundation, as follows:

June 30, 2019	\$ 905,958
June 30, 2020	905,958
June 30, 2021	905,958
June 30, 2022	905,958
June 30, 2023	905,958
July 1, 2023 – June 30, 2028	4,529,789
July 1, 2028 – June 30, 2033	4,529,789
July 1, 2033 – June 30, 2038	4,529,789
July 1, 2038 – December 1, 2042	4,001,314
	<u>\$ 22,120,471</u>

In addition, the School leases various equipment under non-cancelable operating leases through October 2020. Total equipment lease expense for the year ended June 30, 2018 was \$67,820.

The following is a schedule of future minimum lease payments:

June 30, 2019	\$ 87,923
June 30, 2020	87,923
June 30, 2021	35,099
	<u>\$ 210,945</u>

b. Revenue Bonds

Effective May 18, 2017, the Public Finance Authority issued the \$20,000,000 Educational Facilities Revenue Bond (Union Academy Project) Series 2017 (the "Bond") to provide funds to refund the Educational Facilities Revenue Bond (Union Academy Project) Series 2010, finance the prepay a facility lease between the School and Foundation, and to pay certain expense incurred in connection with the issuance of the Bond. The proceeds received by the Foundation for payment of the lease are used to fund the construction of educational facilities. The Foundation is contingently liable as a guarantor of the revenue bond. Also, effective May 18, 2017, the Public Finance Authority sold the Bond to Branch Banking and Trust Company where it effectively functions as a commercial loan.

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

The proceeds will be used to finance the acquisitions, construction, and equipping of the following:

- i. 34,500 square foot expansion of an existing building to expand the multipurpose room and add additional classrooms,
- ii. 68,703 square foot lower school building for classroom and administrative offices, and
- iii. 40,360 square foot building to house a competition gym, field hours and fine arts room.

As part of the financing agreement the School was required to setup a project fund reserve account of \$3,074,563. This amount and unused proceeds from the debt issuance of \$4,091,312 are classified as a restricted asset on fund governmental fund balance sheet and the government-wide statement of net position.

Interest is based on 68% of One-Month LIBOR plus 1.40% per annum. The interest rate at June 30, 2018 was 3.42%.

Revenue bond outstanding at year end was as follows:

Educational Facilities Revenue Bond (Union Academy Project),
 Series 2017, principal due monthly in amounts commencing in
 June 2019 ranging from \$51,247 to \$98,670 through May 2042.
 Interest is due monthly. \$ 20,000,000

The future payments of the revenue bonds for the years ending June 30 are as follows:

Governmental Activities			
Year Ending June 30,	Principal	Interest	Total
2019	\$ 51,247	\$ 683,854	\$ 735,101
2020	616,630	670,852	1,287,482
2021	636,540	649,392	1,285,932
2022	655,547	627,270	1,282,817
2023	674,543	604,498	1,279,041
2024-2028	3,686,050	2,656,668	6,342,718
2029-2033	4,276,546	1,976,287	6,252,833
2034-2038	4,963,304	1,186,812	6,150,116
2039-2043	4,439,593	296,536	4,736,129
Total	<u>\$ 20,000,000</u>	<u>\$ 9,352,169</u>	<u>\$ 29,352,169</u>

c. Changes in General Long-Term Obligations

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2018:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue Bond	<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>	<u>\$ 51,247</u>

d. Interest Rate Swap/Derivative Instrument

The School follows accounting guidance for derivative instruments. All derivatives are to be reported on the statement of net position at fair value, and depending on whether a derivative is deemed a hedge or an investment instrument, the changes in fair value are either reported on the statement of net position as a deferral, or in the statement of activities as investment revenue or loss.

On November 13, 2017 the School has entered into an interest rate swap agreement 2017 in connection with the revenue bond issuance of \$20,000,000. This mechanism is intended to be a partial cash flow hedge against changing interest rates of the School's variable rate bonds. The agreement provides the School with a synthetic fixed interest rate on the bond. During the term of the agreement, the School expects to effectively pay a fixed rate on the debt while in return, the counterparty pays interest to the School based on an agreed upon variable rate. The interest rate swap is classified as an effective cash flow hedge, since the swap payments received substantially offset the payments made on the associated debt and changes in fair value are deferred.

Terms: The interest rate swap agreement matures on May 18, 2027 for a notional amount of \$20,000,000, the face amount of the variable-rate bonds. The notional value of the swap is reduced by principal payments on the associated debt. The School receives a variable interest rate based on the 82.646% LIBOR Index, which at June 30, 2018 was 1.73%, plus 2.99% and pays a fixed rate of 3.755%. Conversely, the variable interest rate is based on the actual floating rate marketed weekly.

Fair Value: The mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions. The swap had a fair value of \$326,482 at June 30, 2018 due to changes in interest rates since the execution of the swap. The School has reported the fair value on the government-wide statement of net assets as a governmental activities liability, offset by a deferred outflow of resources.

Credit Risk: The School is exposed to credit risk on the interest rate swap that has positive fair value (asset position). When interest rates decline and the fair value of the swaps are negative, the School is not exposed to credit risk. However, should interest rates change and the fair value of the swap become positive, the School would be exposed to credit risk in the amount of the interest rate swaps fair value. The swap counterparty was rated A and A1 by Standard & Poor and Moody's, respectively.

Basis Risk: Basis risk is the risk that the interest rate paid by the School on underlying variable rate bond to the bondholder temporarily differs from the variable swap rate received from the applicable counterparty. The School bears basis risk on its swap. The swap has basis risk since the School receives a percentage of LIBOR to offset the actual variable bond rate the School pays on its bond. The School is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Termination Risk: The School or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An addition termination event occurs if the counterparty's credit rating falls below investment grade. Termination risk is the risk that the associated variable rate debt no longer carries synthetic fixed rate and if at the time of termination a swap has a negative fair value, the School is liable to the counterparty for payment equal to the swap's fair value.

Union Academy
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Rollover Risk: The School is exposed to rollover risk since the swap matures prior to the associated debt. When the swap terminates, the School will not realize the synthetic rate offered by the swap.

Swap Payments and Associated Debt: Using rates as of June 30, 2018, debt service requirements of the School's outstanding variable rate bond and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates, vary, variable bond interest payments and net swap payments will vary.

Year Ending June 30,	Principal	Interest	Interest Rate Swap, net	Total
2019	\$ 51,247	\$ 683,854	\$ 66,982	\$ 802,083
2020	616,630	670,852	65,710	1,353,192
2021	636,540	649,392	63,610	1,349,542
2022	655,547	627,270	61,442	1,344,259
2023	674,543	604,498	59,212	1,338,253
2024-2028	3,686,050	2,656,668	260,232	6,602,950
2029-2033	4,276,546	1,976,287	193,580	6,446,413
2034-2038	4,963,304	1,186,812	116,245	6,266,361
2039-2043	4,439,593	296,536	29,048	4,765,177
Total	<u>\$ 20,000,000</u>	<u>\$ 9,352,169</u>	<u>\$ 916,061</u>	<u>\$ 30,268,230</u>

C. Fund Balance

The School has a revenue spending policy that provides policy for programs with multiple revenue sources. The Chief Financial Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, School funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the School.

The total unassigned General Fund balance of \$2,297,994 is available for appropriation.

III. Related Party Transactions

The School pays the salaries for employees of the Foundation and the Foundation then reimburses the School. The total payroll, payroll taxes and benefits reimbursed to the School for the year ended June 30, 2018 was \$115,979.

The School made prepayments to the Foundation under the lease agreement as described in Note II.B.4.a in the amount of \$10,704,066.

The Foundation made contributions to the School for the benefit of the School in the amount of \$264,090 for the year ended June 30, 2018.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School 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.

V. Subsequent Events

Management has evaluated subsequent events and transaction through October 29, 2018, the date of issuance of these financial statements for required recognition or disclosure.

Subsequent to the end of the year, the Foundation received the Certificate of Occupancy for the educational facilities, which were under construction at June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Union Academy
Budgetary Comparison Schedule - All Fund Types
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
State of North Carolina	\$ 8,463,000	\$ 9,133,000	\$ 9,174,670	\$ 41,670
Boards of Education:				
Union County	3,175,000	3,587,000	3,603,365	16,365
Other Counties	124,000	124,000	128,438	4,438
U.S. Government	220,000	220,000	235,162	15,162
Others	325,300	466,000	1,649,473	1,183,473
Total revenues	12,307,300	13,530,000	14,791,108	1,261,108
EXPENDITURES:				
Instructional services:				
Regular instructional	5,652,990	5,977,960	5,976,189	1,771
Special populations	969,084	1,027,136	1,024,490	2,646
Other	1,453,626	1,538,204	1,536,734	1,470
Total instructional services	8,075,700	8,543,300	8,537,413	5,887
System-wide support services:				
Support and development	1,739,140	1,930,948	1,834,700	96,248
Operational support	12,605,360	12,772,452	12,397,635	374,817
Total system-wide support services	14,344,500	14,703,400	14,232,335	471,065
Capital outlay	233,400	605,000	603,677	1,323
Debt service:				
Interest and other charges	653,700	678,300	623,782	54,518
Total debt service	653,700	678,300	623,782	54,518
Total expenditures	23,307,300	24,530,000	23,997,207	532,793
Excess of expenditures over revenues	(11,000,000)	(11,000,000)	(9,206,099)	1,793,901
OTHER FINANCING SOURCES AND (USES):				
Appropriated fund balance	11,000,000	11,000,000	-	(11,000,000)
Total other financing sources	11,000,000	11,000,000	-	(11,000,000)
Net change in fund balance	\$ -	\$ -	\$ (9,206,099)	\$ (9,206,099)

Union Academy
Note to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

Note A. Explanation of differences between budgetary sources and uses of funds and GAAP revenues and expenditures for total governmental funds

Funding sources:

Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule - All Fund Types	\$ 14,791,108
---	---------------

Adjustments	<u>-</u>
-------------	----------

Total revenues for all funds on a GAAP basis of accounting	14,791,108
--	------------

Reclassifications:

The Academy reports sources of funds in the budget as revenues in nonmajor funds for GAAP reporting:

Federal Grants Fund	(235,162)
Club and Activities Fund	<u>(722,782)</u>

Total revenues for general fund and major special revenue fund	<u>\$ 13,833,164</u>
--	----------------------

Total revenues as reported on the statements of revenues, expenditures, and changes in fund balances:

General Fund	\$ 4,658,494
State Public School Fund	<u>9,174,670</u>

Total revenues for general fund and major special revenue fund	<u>\$ 13,833,164</u>
--	----------------------

Uses:

Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule - All Fund Types	\$ 23,997,207
---	---------------

Adjustments:	<u>-</u>
--------------	----------

Total expenditures for All Fund Types on a GAAP basis of accounting	23,997,207
---	------------

Reclassifications:

The Academy reports uses of funds in the budget as expenditures in other nonmajor funds for GAAP reporting:

Federal Grants Fund	(235,162)
Club and Activities Fund	<u>(628,821)</u>

Total expenditures for general fund and major special revenue fund	<u>\$ 23,133,224</u>
--	----------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances:

General Fund	\$ 13,958,554
State Public School Fund	<u>9,174,670</u>

Total expenditures for general fund and major special revenue fund	<u>\$ 23,133,224</u>
--	----------------------

COMBINING FUND STATEMENTS AND SCHEDULES

NON-MAJOR FUNDS

Federal Grants Fund - This fund is used to account for the federal monies that are passed through the State Department of Public Instruction to the School.

Clubs and Activities Fund - This fund is used to account for the funds raised and earned by the various clubs and activities, including any athletic teams, that are part of the School.

Union Academy
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2018

Schedule 1

	Special Revenue Funds		Total Non-major
	Federal Grants	Club and	Governmental
	Fund	Activities Fund	Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 178,222	\$ 178,222
Total assets	<u>\$ -</u>	<u>\$ 178,222</u>	<u>\$ 178,222</u>
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Assigned	<u>-</u>	<u>178,222</u>	<u>178,222</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ -</u>	<u>\$ 178,222</u>	<u>\$ 178,222</u>

Union Academy
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018

Schedule 2

	<u>Special Revenue Funds</u>		Total Non-major Governmental Funds
	<u>Federal Grants Fund</u>	<u>Club and Activities Fund</u>	
REVENUES:			
U.S. Government:			
IDEA VI B Capacity Building and Improvement and Handicapped	\$ 233,882	\$ -	\$ 233,882
Special Needs Targeted Assistance	900	-	900
Preschool Disabled	380	-	380
Total U.S. Government	<u>235,162</u>	<u>-</u>	<u>235,162</u>
Other	-	722,782	722,782
Total revenues	<u>235,162</u>	<u>722,782</u>	<u>957,944</u>
EXPENDITURES:			
Current:			
Instructional services:			
Regular instructional	-	392,983	392,983
Special populations	235,162	-	235,162
School based support	-	235,838	235,838
Total instructional services	<u>235,162</u>	<u>628,821</u>	<u>863,983</u>
Total expenditures	<u>235,162</u>	<u>628,821</u>	<u>863,983</u>
Revenues over expenditures	-	93,961	93,961
FUND BALANCES:			
Fund balance-beginning	-	84,261	84,261
Fund balance-ending	<u>\$ -</u>	<u>\$ 178,222</u>	<u>\$ 178,222</u>

STATISTICAL SECTION



Statistical Section

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about Union Academy's overall financial health. The schedules included in this section can be categorized as follows:

Financial Trends Schedules

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

Revenue Capacity Schedules

These schedules contain information to help the reader assess one of the School's most significant local revenue sources. Information regarding Union County's property tax base have been included since the School received a significant amount from the County.

Debt Capacity Schedules

This schedule presents information to help the reader assess the School's current levels of outstanding debt and the School's ability to issue additional debt in the future. Data from Union County is not included in this section as charter school debt issuances are not reliant upon the county for funding.

Demographic and Economic Information Schedules

These schedule offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.

Operating Information Schedules

These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the School provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports to the relevant year.

Union Academy
Net Position by Component
Last Ten Fiscal Years

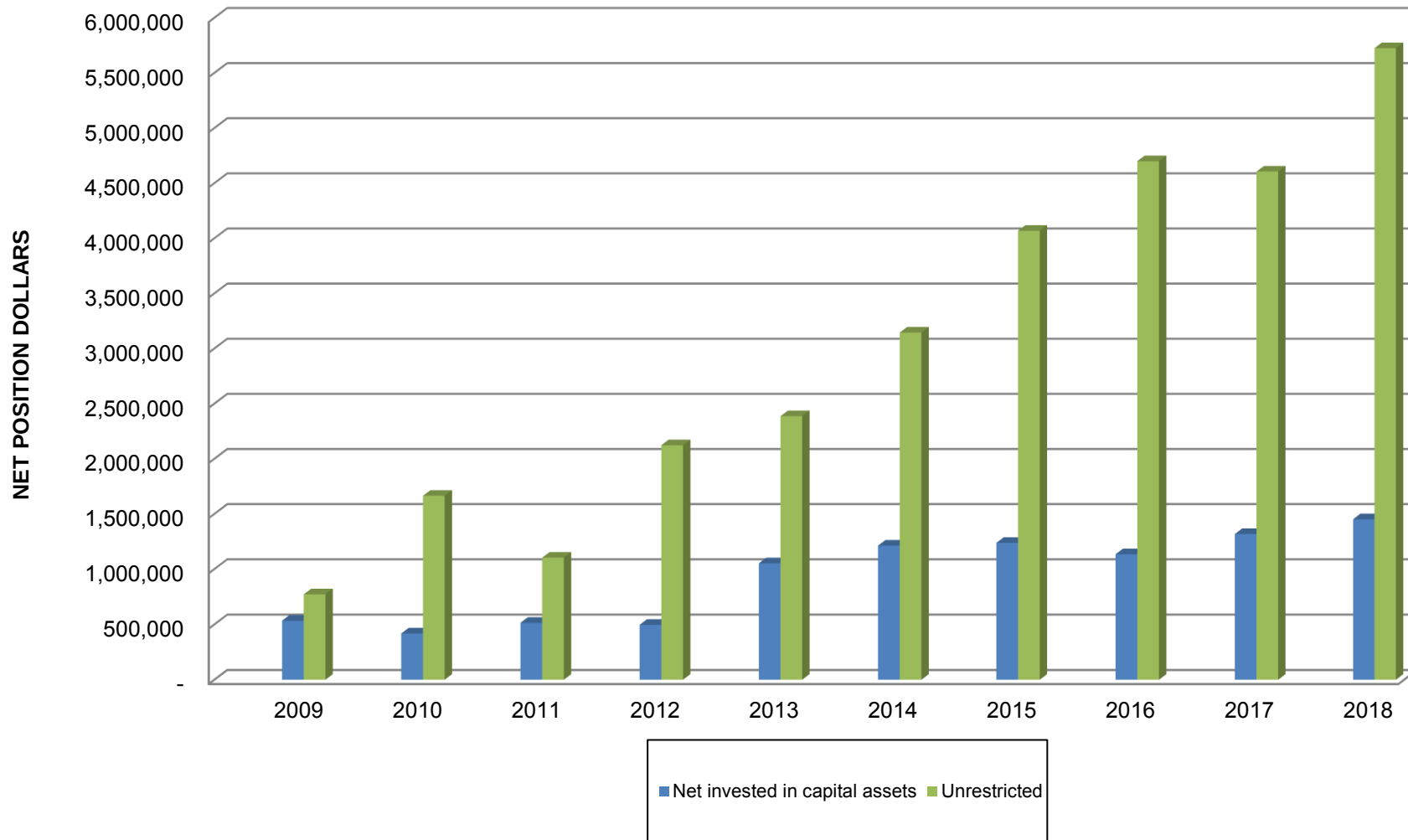
Table 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net invested in										
capital assets	\$ 533,660	\$ 418,344	\$ 514,365	\$ 496,292	\$ 1,052,160	\$ 1,212,449	\$ 1,236,963	\$ 1,133,946	\$ 1,317,672	\$ 1,451,495
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	771,943	1,664,377	1,103,172	2,122,404	2,386,430	3,144,587	4,067,677	4,698,870	4,605,347	5,724,235
	<u>\$ 1,305,603</u>	<u>\$ 2,082,721</u>	<u>\$ 1,617,537</u>	<u>\$ 2,618,696</u>	<u>\$ 3,438,590</u>	<u>\$ 4,357,036</u>	<u>\$ 5,304,640</u>	<u>\$ 5,832,816</u>	<u>\$ 5,923,019</u>	<u>\$ 7,175,730</u>

Note: Due to the implementation of GASB 65 for FY13, the School restated the impacted fiscal years of 2008-2013.

Union Academy
Net Position by Component (continued)
Last Ten Fiscal Years

Table 1



**Union Academy
Changes in Net Position
Last Ten Fiscal Years**

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
Instructional services	\$ 5,085,621	\$ 5,292,746	\$ 5,848,556	\$ 5,746,923	\$ 6,049,330	\$ 6,261,759	\$ 6,794,952	\$ 7,188,955	\$ 7,845,477	\$ 8,858,906
Support services	2,322,321	2,795,772	3,011,755	2,397,183	2,489,934	2,724,870	3,376,248	3,770,877	3,831,351	4,036,343
Non-programmed charges	231,037	-	-	-	-	-	-	-	182,113	-
Interest on long term debt	313,784	336,902	152,830	105,414	124,405	120,060	82,183	83,984	119,739	643,148
Total governmental activities	7,952,762	8,425,420	9,013,141	8,249,520	8,663,669	9,106,689	10,253,383	11,043,816	11,978,680	13,538,397
Program Revenues:										
Governmental activities:										
Charges for services:										
Extended field trip fees	\$ -	\$ 197,823	\$ 212,652	\$ 179,385	\$ 169,949	\$ 147,592	\$ 178,670	\$ 184,819	\$ 226,930	\$ 258,334
Daily field trip fees	-	85,000	75,774	81,245	60,571	78,659	128,921	162,942	173,373	223,359
After school care	-	58,794	47,466	59,497	58,057	53,960	63,597	68,730	52,230	95,111
Other	-	63,312	55,517	78,067	116,049	101,721	136,649	165,113	184,603	176,012
Operating grants and contributions	-	583,407	497,510	405,003	210,602	203,201	155,193	166,930	220,303	235,162
Capital grants and contributions	-	300	-	-	-	-	-	-	-	-
Total governmental activities program revenues	-	988,636	888,919	803,197	615,228	585,133	663,030	748,534	857,439	987,978
Net (Expense) Revenue										
Governmental activities	\$ (7,952,762)	\$ (7,436,784)	\$ (8,124,222)	\$ (7,446,323)	\$ (8,048,441)	\$ (8,521,556)	\$ (9,590,353)	\$ (10,295,282)	\$ (11,121,241)	\$ (12,550,419)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations-operating	\$ 1,911,119	\$ 2,772,865	\$ 2,181,457	\$ 2,315,572	\$ 2,551,128	\$ 2,559,074	\$ 2,818,115	\$ 2,953,216	\$ 3,086,651	\$ 3,731,803
Unrestricted State appropriations-operating	4,939,638	4,974,994	4,959,102	5,714,055	5,919,876	6,379,767	7,254,310	7,417,986	7,636,753	9,174,670
Unrestricted Federal appropriations-operating	116,766	-	-	-	-	-	-	-	-	-
Donations - general	117,909	123,061	105,383	107,667	129,915	202,783	115,088	149,894	159,197	37,243
Miscellaneous, unrestricted	742,804	342,982	335,537	310,188	267,416	298,378	350,444	302,362	328,843	859,414
Total governmental activities	7,828,236	8,213,902	7,581,479	8,447,482	8,868,335	9,440,002	10,537,957	10,823,458	11,211,444	13,803,130
Total government-wide	\$ 7,828,236	\$ 8,213,902	\$ 7,581,479	\$ 8,447,482	\$ 8,868,335	\$ 9,440,002	\$ 10,537,957	\$ 10,823,458	\$ 11,211,444	\$ 13,803,130
Change in Net Position										
Governmental activities	\$ (124,526)	\$ 777,118	\$ (542,743)	\$ 1,001,159	\$ 819,894	\$ 918,446	\$ 947,604	\$ 528,176	\$ 90,203	\$ 1,252,711

Note: Due to the implementation of GASB 65 for FY13, the School restated the impacted fiscal years of 2008-2013.

Union Academy
Governmental Funds
Fund Balances
Last Ten Fiscal Years

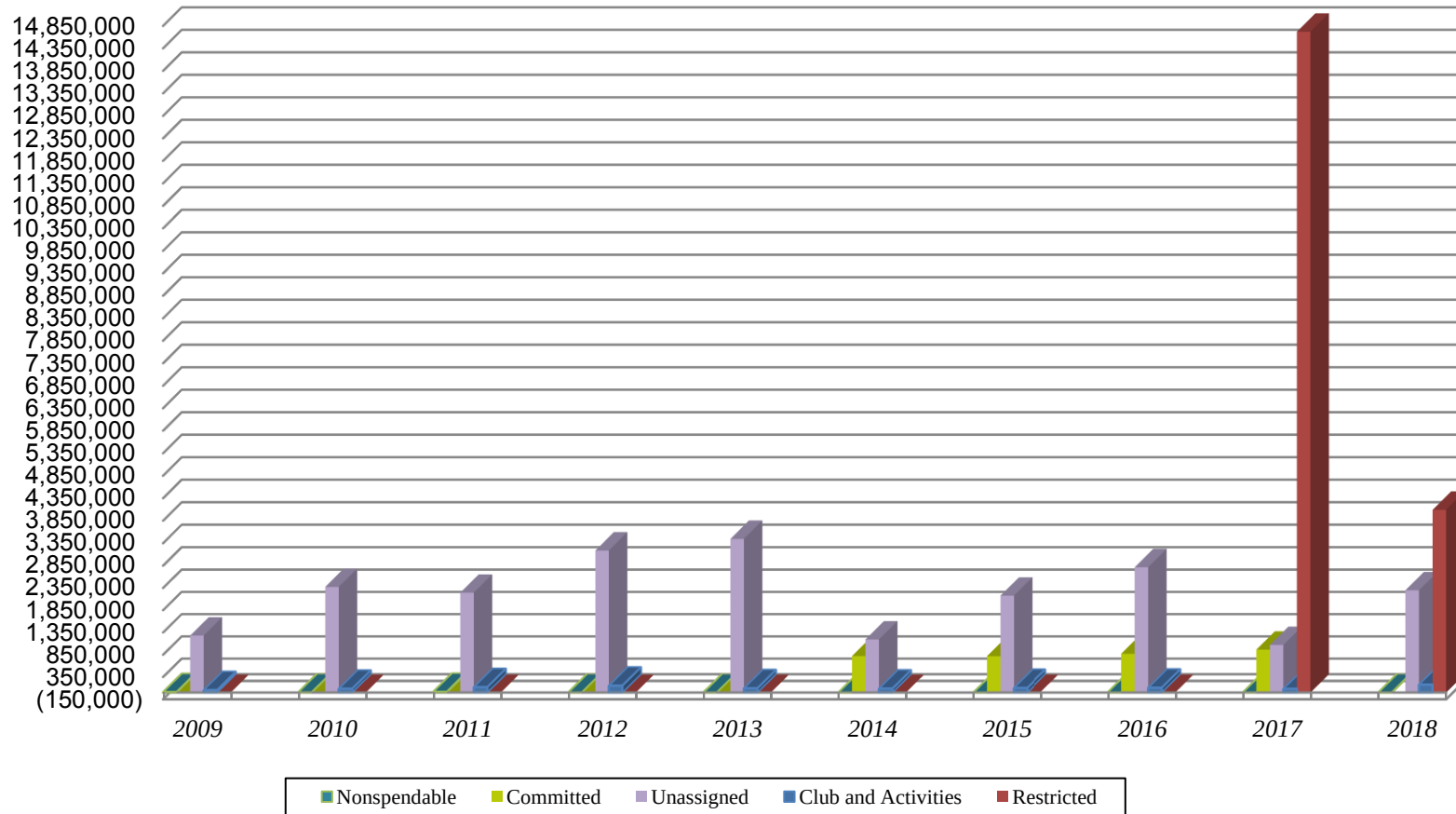
Table 3

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	\$ 10,433	\$ 1,990	\$ 15,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	818,806	816,290	870,038	965,171	1,063,451
Restricted	-	-	-	-	-	-	-	-	14,717,768	4,091,312
Unassigned	1,281,373	2,372,349	2,242,974	3,186,487	3,444,356	1,192,124	2,176,181	2,814,471	1,069,878	2,297,994
Total general fund	<u>\$ 1,291,806</u>	<u>\$ 2,374,339</u>	<u>\$ 2,258,616</u>	<u>\$ 3,186,487</u>	<u>\$ 3,444,356</u>	<u>\$ 2,010,930</u>	<u>\$ 2,992,471</u>	<u>\$ 3,684,509</u>	<u>\$ 16,752,817</u>	<u>\$ 7,452,757</u>
All other governmental funds										
Assigned										
Club and Activities	\$ 56,473	\$ 86,649	\$ 122,503	\$ 156,246	\$ 98,282	\$ 89,870	\$ 105,691	\$ 109,390	\$ 84,261	\$ 178,222
Total all other governmental funds	<u>\$ 56,473</u>	<u>\$ 86,649</u>	<u>\$ 122,503</u>	<u>\$ 156,246</u>	<u>\$ 98,282</u>	<u>\$ 89,870</u>	<u>\$ 105,691</u>	<u>\$ 109,390</u>	<u>\$ 84,261</u>	<u>\$ 178,222</u>

Note: Due to the implementation of GASB 54 for FY11, the School restated fund balance information for all other fiscal years presented above.

Union Academy
Governmental Funds
Fund Balances (continued)
Last Ten Fiscal Years

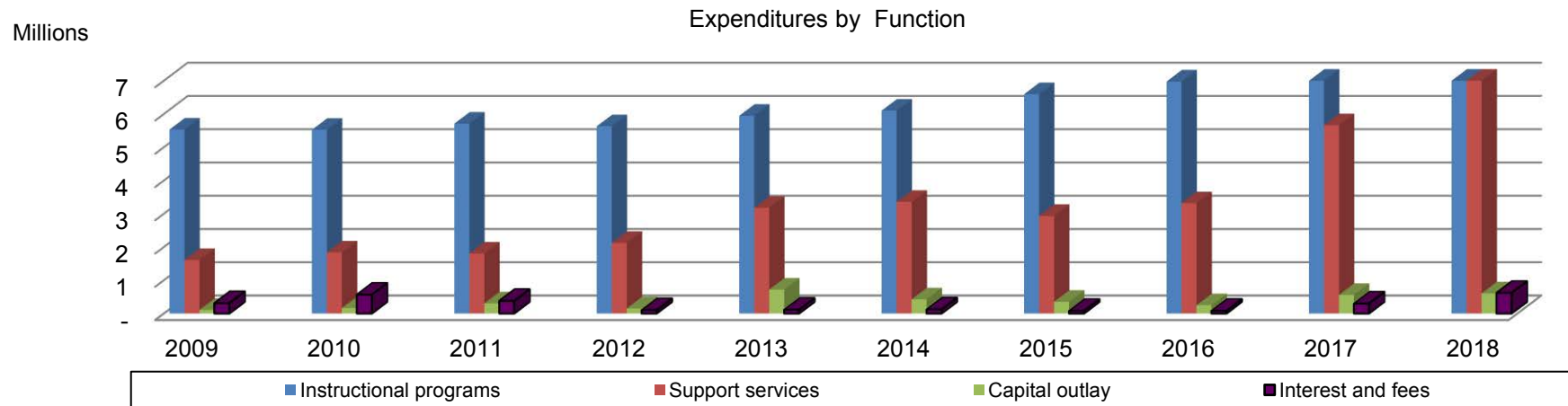
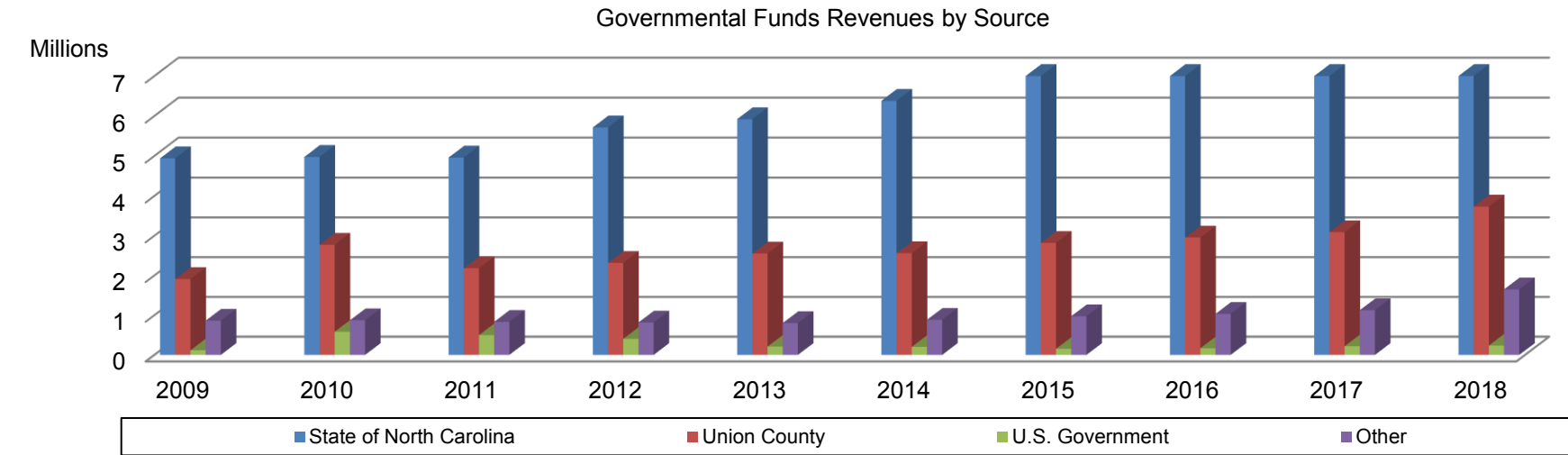
Table 3



**Union Academy
Governmental Funds
Changes in Fund Balance
Last Ten Fiscal Years**

Table 4

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
State of North Carolina	\$ 4,939,638	\$ 4,974,994	\$ 4,959,102	\$ 5,714,055	\$ 5,919,876	\$ 6,379,767	\$ 7,254,310	\$ 7,417,986	\$ 7,636,753	\$ 9,174,670
Union County	1,911,119	2,772,865	2,181,457	2,315,572	2,551,128	2,559,074	2,818,115	2,953,216	3,086,651	3,731,803
U.S. Government	116,766	583,407	497,510	405,003	210,602	203,201	155,193	166,931	220,303	235,162
Other	860,713	871,272	832,329	816,049	801,957	883,093	973,369	1,033,075	1,125,176	1,649,473
Total revenues	<u>7,828,237</u>	<u>9,202,538</u>	<u>8,470,398</u>	<u>9,250,679</u>	<u>9,483,563</u>	<u>10,025,135</u>	<u>11,200,987</u>	<u>11,571,208</u>	<u>12,068,883</u>	<u>14,791,108</u>
Expenditures										
Instructional programs	5,531,332	5,523,623	5,709,836	5,630,839	5,946,035	6,100,781	6,595,589	6,976,109	7,621,943	8,537,413
Support services	1,608,119	1,834,477	1,803,467	2,122,652	3,177,163	3,356,475	2,933,926	3,315,428	5,660,934	14,232,335
Capital outlay	107,744	163,790	303,980	152,267	717,811	424,803	351,806	250,101	559,342	603,677
Debt service									-	-
Principal	-	-	350,940	277,893	292,423	2,493,236	240,000	250,002	217,500	-
Interest and fees	313,784	567,939	382,044	105,414	116,378	125,526	82,304	83,831	300,976	623,782
Total Expenditures	<u>7,560,979</u>	<u>8,089,829</u>	<u>8,550,267</u>	<u>8,289,065</u>	<u>10,249,810</u>	<u>12,500,821</u>	<u>10,203,625</u>	<u>10,875,471</u>	<u>14,360,695</u>	<u>23,997,207</u>
Other financing sources										
Debt issuance proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>966,152</u>	<u>1,033,848</u>	<u>-</u>	<u>-</u>	<u>15,334,991</u>	<u>-</u>
Net change in fund balance	<u>\$ 267,258</u>	<u>\$ 1,112,709</u>	<u>\$ (79,869)</u>	<u>\$ 961,614</u>	<u>\$ 199,905</u>	<u>\$ (1,441,838)</u>	<u>\$ 997,362</u>	<u>\$ 695,737</u>	<u>\$ 13,043,179</u>	<u>\$ (9,206,099)</u>
Debt service as a percentage of non-capital expenditures	4.21%	7.17%	8.89%	4.71%	4.29%	21.69%	3.27%	3.14%	3.76%	2.67%



Union Academy
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 5

Fiscal Year Ended June 30,	Governmental Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita
	Revenue Bond	Note Payable			
2009	6,175,000	-	6,175,000	0.09%	32
2010	6,175,000	-	6,175,000	0.09%	31
2011	6,012,501	423,562	6,436,063	0.09%	32
2012	5,812,503	345,667	6,158,170	0.08%	30
2013	5,600,007	265,740	5,865,747	0.07%	28
2014	5,372,511	-	5,372,511	n/a	25
2015	5,132,511	-	5,132,511	n/a	24
2016	4,882,509	-	4,882,509	n/a	22
2017	20,000,000	-	20,000,000	n/a	89
2018	20,000,000	-	20,000,000	n/a	86

n/a = Not available

Note: Details regarding the School's debt can be found in the notes to the basic financial statements.

1. Personal Income shown on Table 16; however 2014 through 2018 data not available.

Union Academy
Number of Personnel
Last Ten Fiscal Years

Table 6

Year Ended June 30,	Certified Personnel	Other Operating Personnel	Total	Final Average Daily Membership	Ratio of Pupils to Certified Personnel
2009	82	74	156	946	11.5
2010	83	66	149	1,064	12.8
2011	85	62	147	1,094	12.9
2012	80	59	139	1,187	14.8
2013	86	66	152	1,204	14.0
2014	92	73	165	1,296	14.1
2015	100	78	178	1,376	13.8
2016	99	83	182	1,372	13.9
2017	102	90	192	1,407	13.8
2018	108	107	215	1,692	15.7

Source: Union Academy Finance Office

Union Academy
School Personnel Summary
Last Ten Fiscal Years

Table 7

Activity Assignments Classification	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Officials, Administrators, Mgrs	4	3	3	1	1	1	1	1	1	1
Principals	1	1	1	1	1	1	1	1	1	1
Assitant principal, teaching	2	2	0	0	0	0	0	0	0	0
Assitant principal, non-teaching	1	1	4	4	3	3	3	3	3	4
Total-Administrators	8	7	8	6	5	5	5	5	5	6
Elementary Teachers	48	49	48	47	49	51	50	50	54	62
Secondary Teachers	17	17	19	19	23	23	28	29	29	29
Other Teachers	8	8	9	7	9	9	9	9	10	13
Total Teachers	73	74	76	73	81	83	87	88	93	104
Guidance	3	4	5	4	4	4	4	5	5	5
Psychological	-	-	-	-	-	-	-	-	-	-
Librarian, Audiovisual	4	4	4	3	3	3	3	3	3	3
Consultant, Supervisor	-	-	-	-	-	-	-	-	-	-
Other Professionals	9	9	6	8	10	12	15	16	18	16
Total Professionals	97	98	99	94	103	107	114	117	124	134
Teacher Assistants	32	26	22	20	17	22	27	28	28	38
Technicians	3	3	3	2	4	4	5	5	3	6
Clerical, Secretarial	18	15	16	17	15	17	19	19	21	22
Service Workers	6	6	6	5	13	15	13	13	16	15
Skilled Crafts	-	-	-	-	-	-	-	-	-	-
Laborers, Unskilled	0	1	1	1	0	0	0	0	0	0
Total	156	149	147	139	152	165	178	182	192	215

Source: Union Academy Finance Office

Union Academy
Operational Expenditures Per Pupil
Expenditures by Function
Last Ten Fiscal Years

Table 8

EXPRESSED IN NOMINAL DOLLARS										
Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average Daily Membership	946	1,064	1,094	1,187	1,204	1,296	1,376	1,372	1,407	1,692
Instructional										
Instructional Salaries	3,759	3,416	3,462	3,117	3,283	3,144	3,405	3,697	3,827	3,606
Textbooks, Instructional Supplies &	-	-	-	-	-	-	-	-	-	-
Equipment	294	228	159	166	141	169	139	177	148	110
Staff Development	36	34	27	22	25	26	35	74	64	44
Benefits	1,006	951	938	856	904	924	1,040	1,026	1,140	1,028
Testing/Contracted EC & Other	61	50	48	31	42	27	77	90	100	88
Contracted Financial and Auditing	-	-	-	-	-	-	-	-	-	-
Services	85	89	65	59	58	22	19	35	16	19
Facilities	921	916	634	592	634	449	429	418	522	716
Principal Payments on Debt	-	-	321	234	243	1,924	174	182	155	-
Admin and Office Wages and Salaries	1,199	1,195	1,163	1,117	1,276	1,258	1,225	1,322	1,451	1,270
Insurance (non-medical)	89	75	35	36	29	33	35	33	32	31
Admin Office Supplies, Furniture &	-	-	-	-	-	-	-	-	-	-
Equipment	72	64	48	48	48	56	73	96	81	66
Transportation	119	91	70	41	104	112	41	77	74	83
Activities & Special Programs & Other	17	14	15	12	15	16	9	24	31	26
Computer & Copier Services	102	79	133	130	82	105	86	118	118	114
Nonprogram Charges	233	137	261	136	463	266	253	180	426	367
Total Expenditures ¹	\$ 7,993	\$ 7,339	\$ 7,379	\$ 6,597	\$ 7,347	\$ 8,531	\$ 7,040	\$ 7,549	\$ 8,185	\$ 7,568

Union Academy
Operational Expenditures Per Pupil
Expenditures by Function (continued)
Last Ten Fiscal Years

Table 8

CPI as of June 30	EXPRESSED IN CONSTANT DOLLARS									
	215.693	217.965	225.722	229.478	233.504	238.343	238.638	241.038	244.955	251.989
Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instructional Salaries	\$ 1,725	\$ 1,513	\$ 1,509	\$ 1,335	\$ 1,377	\$ 1,317	\$ 1,413	\$ 1,509	\$ 1,519	\$ 1,431
Textbooks, Instructional Supplies & Equipment	-	-	-	-	-	-	-	-	-	-
Staff Development	135	101	69	71	59	71	58	72	59	44
Benefits	17	15	12	9	10	11	15	30	25	17
Testing/Contracted EC & Other	462	421	409	367	379	387	431	419	452	408
Contracted Financial and Auditing	28	22	21	13	18	11	32	37	40	35
Services	-	-	-	-	-	-	-	-	-	-
Facilities	39	39	28	25	24	9	8	14	6	8
Principal Payments on Debt	423	406	276	254	266	188	178	171	207	284
Admin and Office Wages and Salaries	-	-	140	100	102	806	72	74	62	-
Insurance (non-medical)	550	529	507	478	535	527	508	540	576	504
Admin Office Supplies, Furniture & Equipment	41	33	15	15	12	14	15	13	13	12
Transportation	-	-	-	-	-	-	-	-	-	-
Activities & Special Programs & Other	33	28	21	21	20	23	30	39	32	26
Computer & Copier Services	55	40	31	18	44	47	17	31	29	33
Nonprogram Charges	8	6	7	5	6	7	4	10	12	10
	47	35	58	56	34	44	36	48	47	45
	107	61	114	58	194	111	105	73	169	146
Total Expenditures¹	\$ 3,670	\$ 3,249	\$ 3,217	\$ 2,825	\$ 3,080	\$ 3,573	\$ 2,922	\$ 3,080	\$ 3,248	\$ 3,003

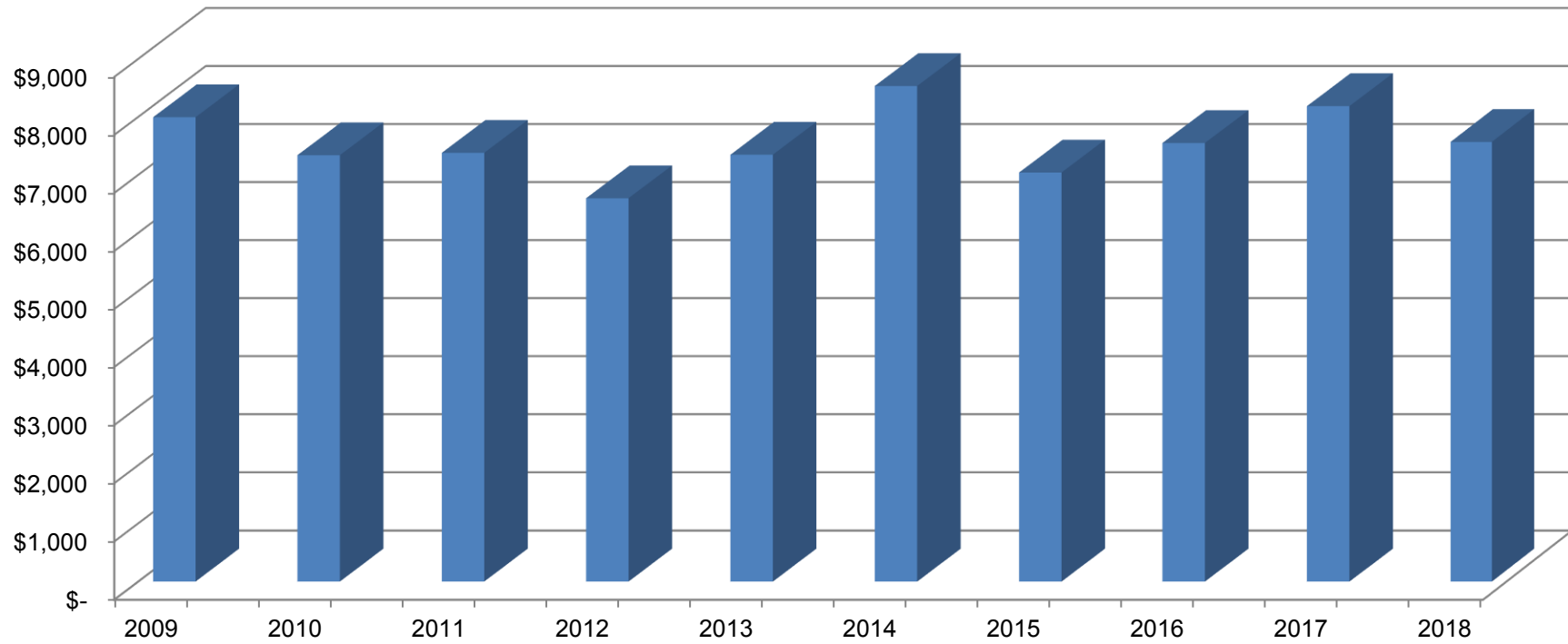
Notes:

1 - The above operational expenditures per pupil include the General, State Public School and Federal Grants Funds.

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Union Academy
Operational Expenditures Per Pupil
Expenditures by Function (continued)
Last Ten Fiscal Years

Table 8



Union Academy
Average Daily Membership
By School
Last Ten Fiscal Years

Table 9

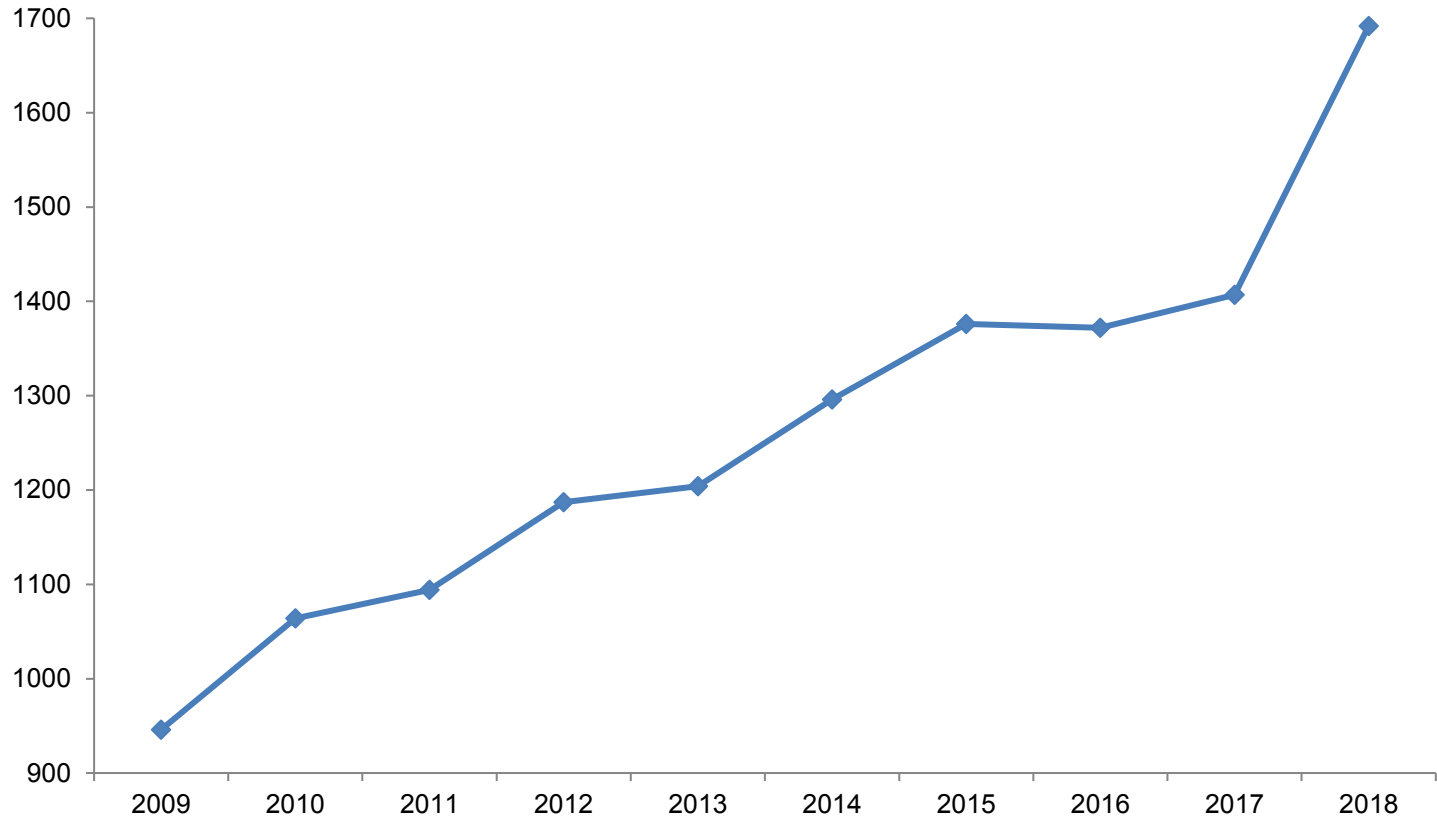
	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary Schools										
Lower School (Grades K-4) ¹	380	403	403	443	438	442	462	461	461	681
Middle School										
Grades 5 - 8	348	386	390	385	389	453	454	468	477	522
High School										
Grades 9 - 12	218	275	301	359	377	401	460	443	469	489
Total Average Daily Membership	946	1,064	1,094	1,187	1,204	1,296	1,376	1,372	1,407	1,692

Source: North Carolina Statistical Profile, North Carolina Department of Public Instruction

1. Lower School grades 3-4 moved to Upper Campus location 7/1/17

Union Academy
Average Daily Membership (ADM) (continued)
Last Ten Fiscal Years

Table 9



Year Ended	
June 30,	Total ADM
2009	946
2010	1,064
2011	1,094
2012	1,187
2013	1,204

Year Ended	
June 30,	Total ADM
2014	1,296
2015	1,376
2016	1,372
2017	1,407
2018	1,692

Site	Square Footage	Capacity	Percentage of Capacity Used	Building	Age (years)
Lower Campus ¹	11,280	230	100%	Media/Classrooms	88
	2,952	60	N/A ³	Cafeteria	56
	7,437	152	100%	Administration/Classrooms	52
	7,224	468	N/A ⁴	Gymnasium/Music	44
	6,912	141	100%	Modulars	16
Upper Campus ²	37,920	673	84.99%	Main	14
	14,500	1,570	N/A ⁴	Gymnasium	13
	36,140	617	84.93%	Media Center/Classrooms	11
	19,600	400	N/A ⁴	Middle School Gym/Classrooms	5
	5,544	396	N/A ⁵	Multi Purpose Room Expansion	1
	28,956	591	82.74%	Classroom Additions	1

Note: 1. The Union County Board of Education granted the Lower Campus property to Union Academy via a Special Warranty Deed with Reverter clause on December 20, 2004. Should Union Academy cease to occupy the property or if the charter is terminated or not renewed, it shall revert to the Union County Board of Education.

2. The Upper Campus is leased from Union Academy Foundation.

3. Cafeteria percentage of capacity used varies.

4. Gymnasium percentage of capacity used varies widely depending whether being used for assemblies, ballgames or gym class.

5. Multi Purpose Room percentage of capacity used varies.

Source: Union Academy Finance Office

UNION COUNTY, NORTH CAROLINA
General Governmental Revenues by Source
Last Ten Fiscal Years

Table 11

EXPRESSED IN NOMINAL DOLLARS

	Year Ended June 30				
	2009	2010	2011	2012	2013
Ad Valorem Taxes	\$ 152,040,519	\$ 156,356,729	\$ 159,650,925	\$ 160,909,290	\$ 162,147,454
Local Option Sales Tax	31,509,387	23,974,645	23,944,051	26,373,178	27,595,031
Other Taxes and Licenses	3,075,348	2,960,952	2,813,162	2,746,674	3,068,956
Intergovernmental Revenues	27,519,200	30,155,918	30,829,071	31,053,330	31,130,202
Permits and Fees	4,066,554	3,699,306	4,371,446	5,099,529	6,098,103
Sales and Services	4,668,297	4,766,268	5,083,297	5,281,772	4,398,686
Investment Earnings	3,233,332	1,454,313	707,344	1,069,847	122,634
Miscellaneous	2,128,833	4,178,287	4,027,650	8,804,467	7,171,956
Extraordinary Item	-	-	-	54,000,000	-
Total Revenues	<u>\$ 228,241,470</u>	<u>\$ 227,546,418</u>	<u>\$ 231,426,946</u>	<u>\$ 295,338,087</u>	<u>\$ 241,733,022</u>
	2014	2015	2016	2017	2018
Ad Valorem Taxes	\$ 169,710,100	\$ 194,255,775	\$ 192,395,861	\$ 195,274,372	\$ 205,544,367
Local Option Sales Tax	30,284,689	33,023,307	37,420,598	42,828,128	44,074,996
Other Taxes	3,492,149	3,201,693	3,136,056	3,652,751	3,789,364
Intergovernmental Revenues	29,679,942	31,928,468	33,831,925	36,527,796	34,516,783
Permits and Fees	6,982,279	6,783,000	7,472,415	7,227,386	7,862,126
Sales and Services	4,911,808	5,182,376	5,173,794	4,599,967	5,914,930
Investment Earnings	397,818	467,683	867,318	451,706	1,824,378
Miscellaneous	7,250,003	7,433,477	7,145,607	7,583,456	7,377,686
Extraordinary Item	-	-	-	-	-
Total Revenues	<u>\$ 252,708,788</u>	<u>\$ 282,275,779</u>	<u>\$ 287,443,574</u>	<u>\$ 298,145,562</u>	<u>\$ 310,904,630</u>

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

General Governmental Revenues by Source (continued)

Last Ten Fiscal Years

EXPRESSED IN CONSTANT DOLLARS

	Year Ended June 30				
	2009	2010	2011	2012	2013
Ad Valorem Taxes	\$ 70,489,315	\$ 71,734,787	\$ 70,729,005	\$ 70,119,702	\$ 69,440,975
Local Option Sales Tax	14,608,442	10,999,310	10,607,761	11,492,683	11,817,798
Other Taxes	1,425,799	1,358,453	1,246,295	1,196,923	1,314,306
Intergovernmental Revenues	12,758,504	13,835,211	13,657,982	13,532,160	13,331,764
Permits and Fees	1,885,344	1,697,202	1,936,650	2,222,230	2,611,563
Sales and Services	2,164,325	2,186,713	2,252,017	2,301,646	1,883,773
Investment Earnings	1,499,044	667,223	313,370	466,209	52,519
Miscellaneous	986,974	1,916,953	1,784,341	3,836,737	3,071,449
Extraordinary Item			-	23,531,668	-
Total Revenues	<u>\$ 105,817,747</u>	<u>\$ 104,395,852</u>	<u>\$ 102,527,421</u>	<u>\$ 128,699,958</u>	<u>\$ 103,524,147</u>
	2014	2015	2016	2017	2018
Ad Valorem Taxes	\$ 71,204,147	\$ 81,401,862	\$ 79,819,722	\$ 79,718,467	\$ 81,568,786
Local Option Sales Tax	12,706,347	13,838,243	15,524,771	17,484,080	17,490,841
Other Taxes	1,465,178	1,341,653	1,301,063	1,491,193	1,503,782
Intergovernmental Revenues	12,452,617	13,379,457	14,035,930	14,912,043	13,697,734
Permits and Fees	2,929,509	2,842,381	3,100,098	2,950,495	3,120,027
Sales and Services	2,060,815	2,171,647	2,146,464	1,877,882	2,347,297
Investment Earnings	166,910	195,980	359,826	184,404	723,991
Miscellaneous	3,041,836	3,114,959	2,964,515	3,095,857	2,927,781
Extraordinary Item	-	-	-	-	-
Total Revenues	<u>\$ 106,027,359</u>	<u>\$ 118,286,182</u>	<u>\$ 119,252,389</u>	<u>\$ 121,714,421</u>	<u>\$ 123,380,239</u>

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA

General Governmental Expenditures by Function

Last Ten Fiscal Years

Table 12

EXPRESSED IN NOMINAL DOLLARS

	Year Ended June 30				
	2009	2010	2011	2012	2013
General Government	\$ 12,549,523	\$ 10,044,406	\$ 11,487,049	\$ 11,238,063	\$ 11,493,384
Public Safety	34,277,288	34,475,802	35,812,639	39,997,069	39,134,681
Economic & Physical Development	2,042,598	2,183,870	3,534,815	2,734,165	2,158,639
Human Services	37,561,560	35,921,058	37,826,248	37,796,024	36,855,320
Culture and Recreational	6,177,574	5,484,191	5,554,470	5,788,887	5,791,576
Education	78,670,638	80,799,320	80,781,286	80,562,304	82,882,387
Debt Service:					
Principal	24,855,116	26,928,112	27,231,937	29,506,575	30,542,075
Interest and fiscal charges	25,687,672	24,895,699	23,561,225	22,861,021	21,236,696
Capital Outlay	88,226,983	30,829,406	13,941,595	5,643,198	11,208,917
Total Expenditures	<u>\$ 310,048,952</u>	<u>\$ 251,561,864</u>	<u>\$ 239,731,264</u>	<u>\$ 236,127,306</u>	<u>\$ 241,303,675</u>
	2014	2015	2016	2017	2018
General Government	\$ 11,625,201	\$ 11,254,881	\$ 12,344,165	\$ 13,165,184	\$ 13,515,849
Public Safety	43,980,663	48,720,595	52,681,383	57,008,242	62,734,029
Economic & Physical Development	2,383,306	2,565,477	2,629,698	2,813,512	3,322,030
Human Services	37,430,037	40,496,633	41,848,033	43,900,232	43,083,568
Culture and Recreational	6,006,214	6,278,455	6,579,913	6,888,443	7,597,933
Education	85,180,373	89,885,541	94,996,333	97,247,541	99,713,171
Debt Service:					
Principal	31,705,585	33,368,401	33,292,147	33,251,165	33,201,602
Interest and fiscal charges	15,643,292	14,968,596	14,522,294	12,607,982	12,355,204
Capital Outlay	7,058,571	22,134,201	23,343,138	39,935,681	34,284,713
Total Expenditures	<u>\$ 241,013,242</u>	<u>\$ 269,672,780</u>	<u>\$ 282,237,104</u>	<u>\$ 306,817,982</u>	<u>\$ 309,808,099</u>

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

General Governmental Expenditures by Function (continued)

Last Ten Fiscal Years

EXPRESSED IN CONSTANT DOLLARS

	Year Ended June 30				
	2009	2010	2011	2012	2013
General Government	\$ 5,818,234	\$ 4,608,266	\$ 5,089,025	\$ 4,897,229	\$ 4,922,136
Public Safety	15,891,702	15,817,128	15,865,817	17,429,588	16,759,748
Economic & Physical Development	946,993	1,001,936	1,566,004	1,191,472	924,455
Human Services	17,414,362	16,480,195	16,757,892	16,470,435	15,783,593
Culture and Recreational	2,864,059	2,516,088	2,460,757	2,522,633	2,480,290
Education	36,473,431	37,069,860	35,787,954	35,106,766	35,495,061
Debt Service:					
Principal	11,523,376	12,354,328	12,064,370	12,858,128	13,079,894
Interest and fiscal charges	11,909,367	11,421,879	10,438,161	9,962,184	9,094,789
Capital Outlay	40,903,962	14,144,200	6,176,445	2,459,146	4,800,310
Total Expenditures	<u>\$ 143,745,486</u>	<u>\$ 115,413,880</u>	<u>\$ 106,206,425</u>	<u>\$ 102,897,581</u>	<u>\$ 103,340,276</u>
	2014	2015	2016	2017	2018
General Government	\$ 4,877,509	\$ 4,716,299	\$ 5,121,253	\$ 5,374,532	\$ 5,363,666
Public Safety	18,452,677	20,416,109	21,856,049	23,272,945	24,895,543
Economic & Physical Development	999,948	1,075,050	1,090,989	1,148,583	1,318,323
Human Services	15,704,274	16,969,901	17,361,592	17,921,754	17,097,400
Culture and Recreational	2,519,988	2,630,954	2,729,824	2,812,126	3,015,184
Education	35,738,567	37,666,064	39,411,351	39,700,166	39,570,446
Debt Service:					
Principal	13,302,503	13,982,853	13,811,991	13,574,397	13,175,814
Interest and fiscal charges	6,563,353	6,272,512	6,024,898	5,147,060	4,903,073
Capital Outlay	2,961,518	9,275,221	9,684,422	16,303,272	13,605,639
Total Expenditures	<u>\$ 101,120,337</u>	<u>\$ 113,004,963</u>	<u>\$ 117,092,369</u>	<u>\$ 125,254,835</u>	<u>\$ 122,945,088</u>

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA
Property Tax Levies and Current Collections
Last Ten Fiscal Years

Table 13

EXPRESSED IN NOMINAL DOLLARS

FISCAL YEAR ENDED June 30,	TOTAL TAX LEVY	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
2009	150,150,175	145,163,046	96.7%	4,624,164	149,787,210	99.8%
2010	152,553,598	148,012,751	97.0%	4,124,927	152,137,678	99.7%
2011	153,958,954	150,315,372	97.6%	3,080,702	153,396,074	99.6%
2012	155,268,603	152,028,139	97.9%	2,728,183	154,756,322	99.7%
2013	156,181,568	153,431,297	98.2%	2,149,481	155,580,778	99.6%
2014	162,787,247	160,654,217	98.7%	1,055,880	161,710,097	99.3%
2015	187,119,188	186,043,063	99.4%	273,396	186,316,459	99.6%
2016	184,680,886	184,123,235	99.7%	481,373	184,604,608	100.0%
2017	188,432,411	187,912,101	99.7%	285,561	188,197,662	99.9%
2018	198,297,575	197,993,083	99.8%	312,102	198,305,185	100.0%

EXPRESSED IN CONSTANT DOLLARS

FISCAL YEAR ENDED June 30,	TOTAL TAX LEVY	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
2009	69,612,910	67,300,768	96.7%	2,143,864	69,444,632	99.8%
2010	69,989,952	67,906,660	97.0%	1,892,472	69,799,132	99.7%
2011	68,207,332	66,593,142	97.6%	1,364,821	67,957,963	99.6%
2012	67,661,651	66,249,549	97.9%	1,188,865	67,438,413	99.7%
2013	66,886,035	65,708,209	98.2%	920,533	66,628,742	99.6%
2014	68,299,571	67,404,630	98.7%	443,009	67,847,638	99.3%
2015	78,411,313	77,960,368	99.4%	114,565	78,074,933	99.6%
2016	76,618,992	76,387,638	99.7%	199,708	76,587,346	100.0%
2017	76,925,317	76,712,907	99.7%	116,577	76,829,484	99.9%
2018	78,692,949	78,572,113	99.8%	123,855	78,695,969	100.0%

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 14

Taxpayer	Type of Business	June 30, 2018			June 30, 2009		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Union Electric Membership Corp	Utility	\$ 142,192,740	1	0.56%	\$ 119,652,223	3	0.54%
Allegheny Technologies	Metals	138,306,461	2	0.54%	164,746,736	1	0.74%
Duke Power Company	Utility	108,261,133	3	0.43%	78,153,496	4	0.35%
Charlotte Pipe & Foundry Co	Plastics	90,664,282	4	0.36%	119,091,026	2	0.53%
Piedmont Natural Gas	Utility	62,410,799	5	0.25%	73,452,499	5	0.33%
ATI Powder Metals LLC	Metals	50,052,331	6	0.20%	-		-
Glenmark Pharmaceuticals Inc	Manufacturing	46,736,369	7	0.18%	-		-
AEP Industries Inc	Manufacturing	42,245,002	8	0.17%	-		-
AMH NC Properties Inc	Real Estate	39,971,200	9	0.16%	-		-
TDY Industries Inc	Manufacturing	38,310,500	10	0.15%	-		-
Sandler at Kensington LLC	Home Builder	-		-	47,198,810	6	0.21%
Parker & Orleans Homebuilders	Home Builder	-		-	45,785,200	7	0.21%
The Mathisen Company	Home Builder	-		-	37,015,140	8	0.17%
Windstream/Alltel Carolina	Utility	-		-	34,540,147	9	0.15%
Shea Homes LLC	Home Builder	-		-	34,365,950	10	0.15%
Total assessed valuation top 10 taxpayers		<u>\$ 759,150,817</u>		<u>3.00%</u>	<u>\$ 754,001,227</u>		<u>3.38%</u>
Total county-wide assessed valuation		<u>\$ 25,405,693,079</u>			<u>\$ 22,292,233,714</u>		

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA
Property Tax Rates - All Overlapping Governments
(PER \$100 OF ASSESSED VALUE)
Last Ten Fiscal Years

Table 15

	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
UNION COUNTY										
County-wide rate	0.6650	0.6650	0.6650	0.6650	0.6600	0.6600	0.7614	0.7765	0.7665	0.7810
SUPPLEMENTAL SCHOOL DISTRICTS										
(Approved by the Voters)										
Monroe Schools District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County Schools District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SUPPLEMENTAL FIRE DISTRICTS										
Hemby VFD	0.0493	0.0493	0.0476	0.0493	0.0526	0.0526	0.0526	0.0512	0.0485	0.0503
Springs VFD	0.0306	0.0306	0.0300	0.0315	0.0355	0.0355	0.0483	0.0474	0.0437	0.0567
Stallings VFD	0.0406	0.0406	0.0428	0.0428	0.0428	0.0428	0.0428	0.0509	0.0503	0.0503
Waxhaw VFD	0.2480	0.2480	0.0370	0.0372	0.0386	0.0386	0.0386	0.0380	0.0357	0.0413
Wesley VFD	0.0191	0.0191	0.0220	0.0220	0.0241	0.0241	0.0281	0.0282	0.0293	0.0293
Total County Rates										
Maximum	0.9130	0.7143	0.7126	0.7143	0.7126	0.7126	0.8140	0.8277	0.8168	0.8377
Minimum	0.6650	0.6650	0.6650	0.6650	0.6600	0.6600	0.7614	0.7765	0.7665	0.7810
Average	0.7890	0.6897	0.6888	0.6897	0.6863	0.6863	0.7877	0.8021	0.7917	0.8094
CITIES AND TOWNS										
City of Monroe	0.5500	0.4950	0.5550	0.5550	0.5550	0.5550	0.5550	0.5863	0.5863	0.5863
Downtown Monroe District	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2190	0.2190	0.2190
Town of Fairview	0.0200	0.0151	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
Town of Hemby Bridge	0.0300	0.0250	-	-	-	-	-	-	-	-
Town of Indian Trail	0.1500	0.1450	0.1450	0.1450	0.1450	0.1850	0.1850	0.1850	0.1850	0.1850
Town of Marshville	0.3800	0.3800	0.4100	0.4100	0.4100	0.4800	0.4800	0.4800	0.4800	0.5100
Town of Mineral Springs	0.0270	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250
Town of Mint Hill	0.2750	0.2750	0.2750	0.2750	-	-	-	-	-	-
Town of Stallings	0.2500	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150
Town of Unionville	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
Town of Waxhaw	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.3600	0.3600	0.3600
Town of Weddington	0.0300	0.0300	0.0300	0.0300	0.0520	0.0520	0.0520	0.0520	0.0520	0.0520
Town of Wingate	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.4200	0.4200	0.4300
Village of Lake Park	0.2300	0.2300	0.2300	0.2300	0.2300	0.2300	0.2300	0.2300	0.2300	0.2300
Village of Marvin	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Village of Wesley Chapel	0.0200	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165

N/A - Not available

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 16

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate	Retail Sales (thousands of dollars)
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
2018	231,366	n/a	n/a	41,500	3.6%	2,068,107

n/a = Not available

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

UNION COUNTY, NORTH CAROLINA
Principal Employers
Current Year

Table 17

Employer	Type of Business	June 30, 2018			2009		
		Employees	Rank	Approximate Percentage of Total County Employment	Employees	Rank	Approximate Percentage of Total County Employment
Union County Schools	Education & Health Services	1,000+	1	1%+	1,000+	1	1%+
Tyson Farms Inc	Manufacturing	1,000+	2	1%+	1,000+	2	1%+
TDY Industries LLC	Manufacturing	1,000+	3	1%+	1,000+	4	1%+
County of Union	Public Administration	1,000+	4	1%+	1,000+	5	1%+
Harris Teeter	Trade, Transportation & Utilities	1,000+	5	1%+	500-999	8	1%
Walmart Associates Inc	Trade, Transportation & Utilities	500-999	6	1%	500-999	7	1%
Pilgrims Pride Corporation	Manufacturing	500-999	7	1%	-	-	-
City of Monroe	Public Administration	500-999	8	1%	500-999	9	1%
Food Lion	Trade, Transportation & Utilities	500-999	9	1%	-	-	-
Carolinas Health Care System	Education & Health Services	500-999	10	1%	1,000+	3	1%+
McGee Brothers Co Inc	Construction				500-999	6	1%
Charlotte Pipe & Foundry Company	Manufacturing				500-999	10	1%

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2018.

COMPLIANCE SECTION



**Independent Auditors' Report 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**

To the Board of Directors
Union Academy
Monroe, 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 financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Union Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Union Academy's basic financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Union Academy'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 entity'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 Union Academy'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 Union Academy'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 entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Rives & Associates LLP

Charlotte, North Carolina
October 29, 2018



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance in Accordance With The Uniform Guidance And The State Single Audit Implementation Act

To the Board of Directors
Union Academy
Monroe, North Carolina

Report on Compliance for Each Major State Program

We have audited Union Academy's, 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 Union Academy's major state programs for the year ended June 30, 2018. Union Academy'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 Union Academy'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, 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 Union Academy'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 of the Union Academy's compliance.

Page 67

Opinion on Each Major State Program

In our opinion, Union Academy complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Union Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered Union Academy'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 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 Union Academy'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 a 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rives & Associates LLP

Charlotte, North Carolina
October 29, 2018

Union Academy
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the
financial statements audited were prepared
in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ yes ✓ no

Significant deficiency(s) identified that are
not considered to be material weaknesses?

_____ yes ✓ none reported

Noncompliance material to financial
statements noted

_____ yes ✓ no

State Awards

Internal control over major State programs:

Material weaknesses identified?

_____ yes ✓ no

Significant deficiency(s) identified that are
not considered to be material weakness(es)?

_____ yes ✓ none reported

Type of auditors' report issued on compliance for
major State programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act

_____ yes ✓ no

Identification of major State programs:

Program Name

State Public School Fund - Charter Schools

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Union Academy
Corrective Action Plan
For the Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding: None reported.

Union Academy
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2018

Year Ended June 30,

2017	None reported
2016	None reported
2015	None reported

Union Academy
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
-IDEA VI B Handicapped	84.027	PRC 060	\$ 233,882
-IDEA VI B Special Needs Targeted Assistance	84.027	PRC 118	900
-IDEA Preschool Handicapped	84.173	PRC 049	380
Total Special Education Cluster:			<u>235,162</u>
Total federal assistance			<u>235,162</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund-Charter School	N/A	PRC 036	<u>9,140,454</u>
<u>Exceptional Children Division</u>			
Behavioral Support	N/A	PRC 029	<u>15,000</u>
<u>Division of School Business</u>			
Passed-through the N.C. Department of Public Instruction:			
Third-Grade Teacher Performance Bonus	N/A	PRC 046	3,768
Teacher Legislated Bonuses	N/A	PRC 048	15,448
			<u>19,216</u>
Total State assistance			<u>9,174,670</u>
Total federal and State assistance			<u>\$ 9,409,832</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Union Academy under the programs of the federal government and the State of North Carolina for the year ended. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Union Academy, it is not intended to and does not present the financial position, changes in net position or cash flows of the Union Academy.

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 allowable or are limited as to reimbursements.

Union Academy
675 North M.L. King Jr. Blvd
Monroe, North Carolina 28110

704-238-8883 (phone)
704-238-8823 (fax)

