

**UNION ACADEMY  
MONROE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**



# Union Academy Monroe, North Carolina Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2015

Prepared By  
Finance Department

Lynn Kroeger, CPA  
Chief Financial Officer



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# INTRODUCTORY SECTION





**Union Academy Charter School**  
**Dr. Ann Walters, Headmaster**

## LETTER OF TRANSMITTAL

As of November 17, 2015

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, 2015, 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, 2015, 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, 2015 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.

### **Profile of the Government**

The School is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes (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. During the 2014-2015 school year the North Carolina State Board of Education granted the School a ten year charter renewal valid through June 30, 2025. 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.





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**Union Academy Charter School**  
**Dr. Ann Walters, Headmaster**

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 2014-2015, the School served 1,376 students in grades K-12 with a waitlist of approximately 1,500 students. The school anticipates total enrollment to cap around 1,425 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 both 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. Union County has an estimated 2015 population of 215,956. The close proximity to Charlotte has resulted in a high growth in the western section of the county. Union County's population grew by 65% from 1999 to 2009, far above the 19% growth rate for the State. 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. The eastern part of the county is primarily rural and agricultural. In North Carolina, the county ranks among the highest in agriculture with the production of soybeans, corn and broiler chickens. Over the past decade, the Union County unemployment rate has been consistently lower than that of North Carolina, which is a positive economic indicator. In August 2015, labor statistics show the County's unemployment rate of 5.2% in comparison to 6.1% rate for North Carolina. The Union County 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 96.5% of its students residing in Union County while the remaining 3.5% of the student population reside in Mecklenburg and Anson Counties. The State and local per pupil funding increased slightly from prior year.



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**Union Academy Charter School  
Dr. Ann Walters, Headmaster**

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. As the national public charter school movement approaches the 20 year anniversary of the opening of the first charter school, the sector continues to grow. The most recent data available for the 2013-2014 school year shows more than 600 new public charter schools opened their doors along with an estimated additional enrollment of 288,000 students. Today there are almost 6,400 charter schools in 42 states with an enrollment of over 2,570,000 students. The 6.7 percent growth in charter schools and 12.6 percent growth in students are demonstrations of parents' demand for high quality educational options. Nationwide, charter schools represent 6.3% of all public schools. North Carolina alone has 162 schools, currently serving almost 70,000 students and represents 5% of all public schools in the state making Charter Schools the fourth largest "school district" in the State. In 2011, a new bill was approved by the NC General Assembly and signed into law by Gov. Bev Perdue lifting the 100 school cap. As a result, demand for new charter schools surged following the enactment of this bill and an additional 14 charter schools received approval from the State Board of Education and were slated to open in August 2015. Specifically in Union County, two charter schools are approved to open in the Fall of 2016.

The School provides a positive impact on Union County in the following ways: 1) Eases overcrowding in the 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; 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. The 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 has dedicated significant resources toward technology. There are several computer labs throughout the school and smart boards in every classroom as well as computers in each classroom. Computer technology is being integrated throughout the K-12 curriculum. The School continues to make improvements in the technology infrastructure, such as expanding the wireless network on both campuses. In addition, Google Chromebooks were purchased for high school and eighth grade students as part of the School's 1:1 initiative.
- Construct facilities to support a K-12 single campus facility. In collaboration with the Union Academy Foundation, the School will secure funds to begin the planning and designing of auxiliary structures such as a multi-purpose room and physical activity area. This infrastructure is vital to have in place in order to house additional classrooms to support a single campus institution.
- To research and apply for more grants to enhance our facilities, character education, community service, and academic programs.

**Union Academy Charter School**  
**Dr. Ann Walters, Headmaster**

- 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 both the state and national averages in all three areas of critical reading, math and writing. The School intends to increase composite test scores on the ACT, EOG and EOC while increasing individual student academic growth. The School will establish and implement a plan that focuses on grade level objectives as determined by the NC Common Core and Essential Standards, while implementing dynamic, relative and effective teaching strategies.
- The School is strengthening its professional development and growth plan by directly aligning it with the School's Improvement Plan and Strategic Plans. 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.

There were no other financial policies that had a significant impact on the 2014-2015 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, 2014. This was the fifth consecutive year that 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.



Union Academy Charter School  
Dr. Ann Walters, Headmaster

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, 2014. This was the sixth 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, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

# Association of School Business Officials International



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

**Union Academy**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2014*

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



A handwritten signature in black ink, appearing to read "Mark C. Pepera", is written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read "John D. Musso", is written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

**UNION ACADEMY  
SCHOOL ADMINISTRATION AND BOARD OF DIRECTORS  
JUNE 30, 2015**

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**School Administration**

Headmaster – Ann Walters, EdD

High School Principal – Jim Zorn

Middle School Principal – Dion Mapp

Lower School Principal – Shannen Bretz

Exceptional Children's Coordinator – Adrienne Anderson

Chief Financial Officer – Lynn Kroeger

Technology Director – Katie Stewart

Athletic Director – Aaron Hammers

**Board of Directors**

Alan Abbott – Chair

Frank Howey, Jr. – Vice Chair

Dee Dee Pressley – Secretary

Bob Hord Jr. – Treasurer

Sheri Burdette – Board Member

Laura Davidson – Board Member

Elizabeth Gill – Board Member

Charla Grisham – Board Member

Mike Harris – Board Member

Todd Havican – Board Member

Danny Jordan – Board Member

Jesse Mangum – Board Member

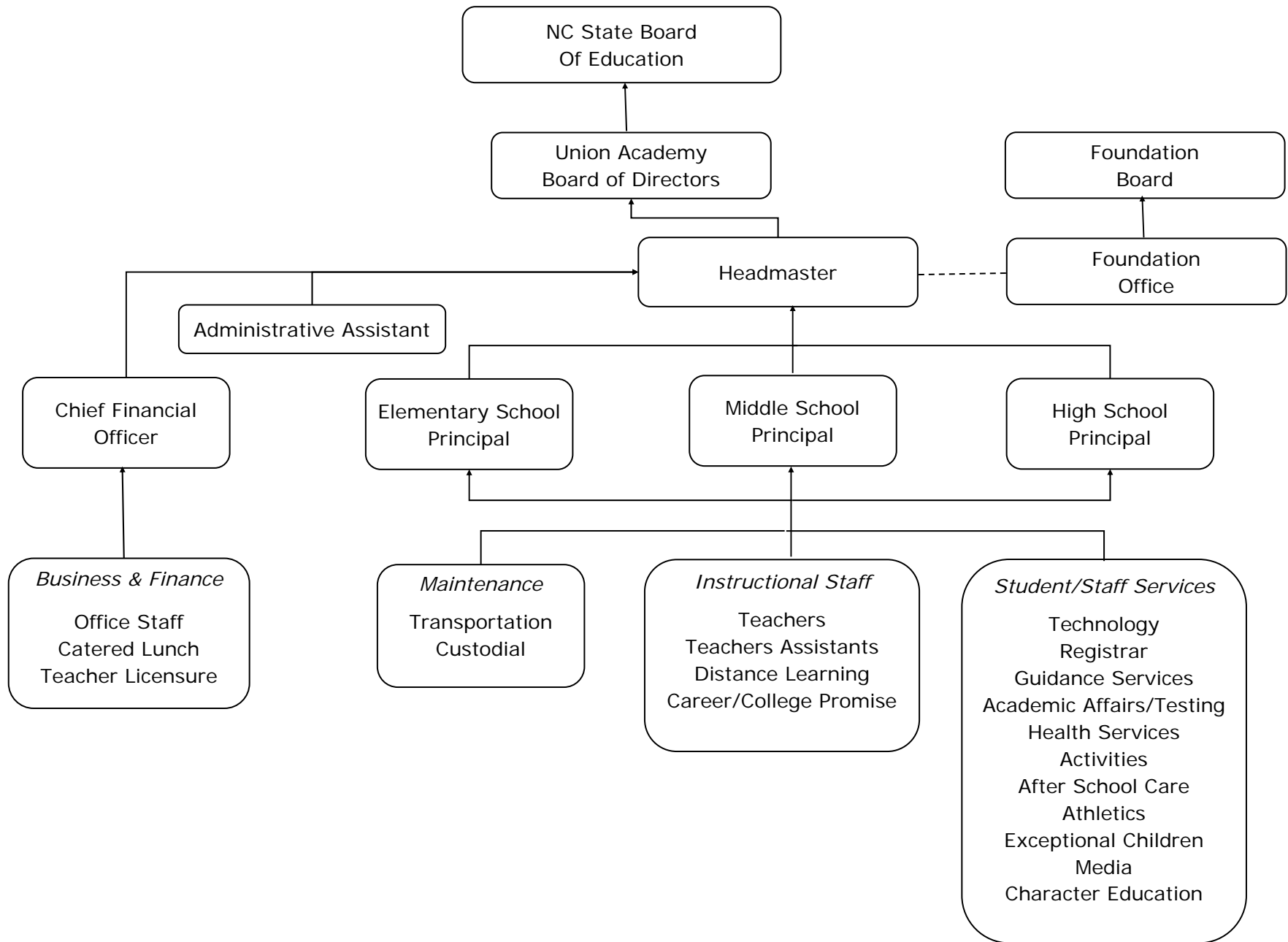
Robert Noblet – Board Member

Alan Sumrell – Board Member

Kenneth Swain – Board Member

Jack Hargett – Ex-Officio

# Union Academy Organization Chart 2014-2015





# FINANCIAL SECTION



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## 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, 2015, 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, 2015, 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 29 and 30, 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 statements and schedules, the accompanying schedule of expenditures of federal and State awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 statements and 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 statements and 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 November 17, 2015 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 these reports are 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. These reports are 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  
November 17, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2015. 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**

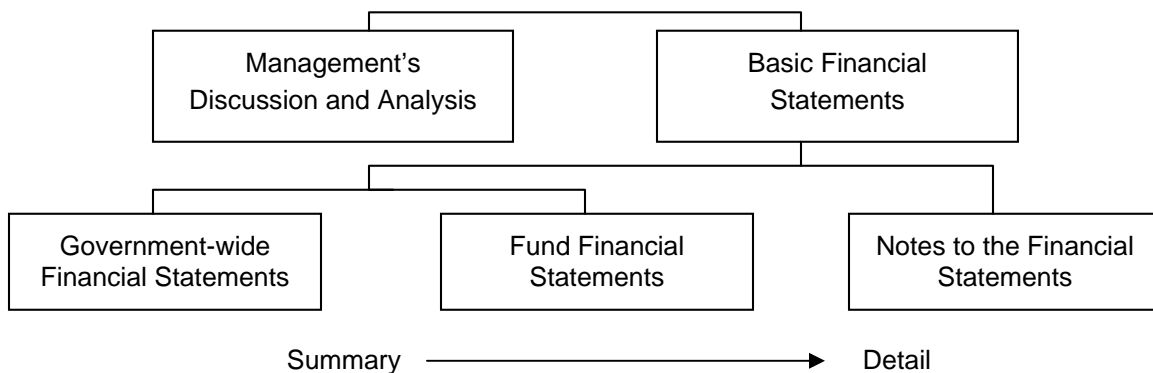
- The assets of the School exceeded its liabilities at the close of the fiscal year by \$5,304,640 (*net position*).
- Enrollment increased by 80 students. The number of students increased by 20 in third and fourth grade due to the addition of our S.O.A.R. program for academically gifted students. In addition, our high school grew by 60 students as larger middle school classes advanced into high school and increased demand due to redistricting the local school district. There was a total enrollment of 1,376 students for the fiscal year 2014-2015.
- The School expended an average of \$7,040 of State, local and federal current expense dollars per pupil for the fiscal year 2014-2015 compared to \$8,531 in the previous year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$3,098,162, an increase of \$997,362 in the fund balance. This is primarily attributed to higher than anticipated revenues from the State and local funds.

### **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 is 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 also can 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 they have 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 that is 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 him or her determine if there are more or less 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 17.

### 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 \$5,304,640 as of June 30, 2015. As of June 30, 2014, the net position of the School totaled \$4,357,036. The School's net position increased by \$947,604 for the fiscal year ended June 30, 2015, compared to an increase of \$918,446 in 2014.

The largest component of current and other assets is prepaid items, which, at \$6,104,463 represents 61% of \$9,931,080. Cash increased primarily due to the increased revenue from the State and local governments and represents 38% of current assets. The School's investment in capital assets increased by \$24,514, 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 \$5,132,511 which represents 87.6% of total liabilities. Other liabilities of \$730,892 is comprised of 60% salaries and wages payable of \$437,297 and \$293,595 of accounts payable, other liabilities due to vendors and other governments.

Following is a summary of the statement of net position:

**Condensed Statement of Net Position**  
**Figure 2**

|                                   | Governmental Activities |              |
|-----------------------------------|-------------------------|--------------|
|                                   | 2015                    | 2014         |
| Current and other assets          | \$ 9,931,080            | \$ 9,206,180 |
| Capital assets, net               | 1,236,963               | 1,212,449    |
| Total assets                      | 11,168,043              | 10,418,629   |
| Long-term liabilities outstanding | 4,882,509               | 5,132,511    |
| Other liabilities                 | 980,894                 | 929,082      |
| Total liabilities                 | 5,863,403               | 6,061,593    |
| Net position:                     |                         |              |
| Net invested capital assets       | 1,236,963               | 1,212,449    |
| Unrestricted                      | 4,067,677               | 3,144,587    |
| Total net position                | \$ 5,304,640            | \$ 4,357,036 |

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

- The School's current and other assets increased \$724,900 and can be primarily attributed to increase in cash received from State and local governments. This increase is offset by the annual amortization of the pre-paid lease to the Union Academy Foundation of \$314,393.
- Of the \$198,190 decrease in total liabilities, approximately \$240,000 of the decrease is due to the repayment of debt, while other liabilities increased slightly over the prior year in the amount of \$41,810.
- 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 following table shows the revenues and expenses for the School for the year current and prior fiscal year:

**Condensed Statement of Changes In Net Position**  
**Figure 3**

|                                     |    | Governmental Activities |              |
|-------------------------------------|----|-------------------------|--------------|
|                                     |    | 2015                    | 2014         |
| Revenues:                           |    |                         |              |
| Program revenues:                   |    |                         |              |
| Charges for services                | \$ | 507,837                 | \$ 381,932   |
| Operating grants and contributions  |    | 155,193                 | 203,201      |
| Capital grants and contributions    |    | -                       | -            |
| General revenues:                   |    |                         |              |
| County and State funds              |    | 10,072,425              | 8,938,841    |
| Other                               |    | 465,532                 | 501,161      |
| Total revenues                      |    | 11,200,987              | 10,025,135   |
| Expenses:                           |    |                         |              |
| Instructional services              |    | 6,794,952               | 6,261,759    |
| System-wide support services        |    | 3,376,248               | 2,724,870    |
| Interest on long-term debt          |    | 82,183                  | 120,060      |
| Total expenses                      |    | 10,253,383              | 9,106,689    |
| Increase (decrease) in net position |    | 950,044                 | 918,446      |
| Net position, beginning July 1      |    | 4,357,036               | 3,438,590    |
| Net position, June 30               | \$ | 5,304,640               | \$ 4,357,036 |

**Governmental activities:** Governmental activities increased the School's net position by \$947,604, when compared to the prior year. This change is attributed to the following:

- Revenues increased over the prior year by approximately \$1,175,852. State and local funding increased by \$1,133,584, mainly as a result of increased enrollment of 80 students along with an increase in amount received per student of approximately 4%. Charges for services increased \$125,000 due to school activities such as overnight field trips at the upper campus, and an increase in demand for afterschool programs. Operating grants and contributions decreased by \$48,000 due to a reduction in exceptional children's federal grant funds. Other, under general revenues, decreased by \$35,000. This decrease was due to a prior year receipt of \$100,000 donation from the Foundation in regards to construction of the new middle school gym but was offset by a \$65,000 increase in school clubs, drama ticket sales and lunch sales. These increases can be attributed to the additional enrollment of 80 students.
- Expenses increased compared to last year by approximately \$1,146,694. This increase is primarily in salaries and benefits due to the addition of several instructional and support staff positions. Four high school teachers in the area of English, Science, Math and Physical Education were added to accommodate the increase in student enrollment and class offerings. Additionally, four part-time assistants were added to third and fourth grade classrooms. These assistant positions were cut in a previous year due to budgetary restraints and were reinstated as a result of the economic recovery in order to enhance the level of instruction received by our students. In addition, the S.O.A.R. program was added at the elementary school for advanced students which resulted in the addition of a teacher and an assistant. The School also filled the vacant Director of Technology position and added a technician to support the 1:1 initiative in the high school. Furthermore, in order to support and develop instruction, curriculum coordinators were added for both middle school and high school. A Communications Director and assistant were also added to help reach the community and improve communications regarding the School's activities, accomplishments, and offerings. Finally, the School received a grant to partially fund a security resource officer, a vital position in today's educational environment.

### **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 \$2,992,471.

At June 30, 2015, the governmental funds of the School reported a combined fund balance of \$3,098,162, an increase of \$997,362 from last year. The increase is primarily a result of increase in revenue from State and local governments.

### **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, 2015, totals \$1,236,963 (net of accumulated depreciation). These assets include modular units, furniture and fixtures, food service equipment, computer equipment, leasehold improvements, other equipment, and vehicles.

The major capital asset transactions during the year included the addition of furniture and fixtures such as desks and computer labs in the media center to support the increased number of students in that area as well as computers, mobile devices, smart boards and computer equipment for both the upper and lower school. Google Chromebooks and computers were purchased for approximately \$146,000. The Chromebooks are part of a 1:1 initiative and was expanded from high school to include the eighth grade in the current year. The school had to replace four HVAC units on the main building of the upper campus for approximately \$63,000. In addition the school enhanced security by upgrading the parent and visitor sign-in at each lobby for \$9,000 and added a privacy fence at the lower campus for \$21,000. An access control system for about \$25,000 was also purchased for both the upper and lower campus. This access control system only allows students and staff with an authorized ID card to enter the locked facility, controlling the hours the building can be accessed by each user as well.

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

|                        | Governmental Activities |                    |
|------------------------|-------------------------|--------------------|
|                        | 2015                    | 2014               |
| Modular units          | \$ 126,064              | \$ 148,012         |
| Furniture and fixtures | 198,579                 | 232,904            |
| Food service equipment | 4,320                   | 5,105              |
| Computer equipment     | 286,987                 | 295,095            |
| Leasehold improvements | 435,052                 | 356,159            |
| Equipment              | 71,904                  | 20,416             |
| Vehicles               | 114,057                 | 154,758            |
| Total                  | <u>\$1,236,963</u>      | <u>\$1,212,449</u> |

Additional information on the School's capital assets can be found in note II.A.3. 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 and Note Payable**  
**Figure 5**

|               | Governmental Activities |                     |
|---------------|-------------------------|---------------------|
|               | 2015                    | 2014                |
| Revenue bonds | <u>\$ 5,132,511</u>     | <u>\$ 5,372,511</u> |

The School issued a \$6,300,000 Educational Facilities Revenue Bond Series 2010 for the purpose of refunding the outstanding principal amount of the Series 2007 Revenue Bond of \$6,175,000. This bond included \$125,000 of the \$127,800 total bond issuance costs. As of June 30, 2015, the School had total revenue bond debt outstanding of \$5,132,511, a net decrease of \$240,000 from the prior year outstanding balance.

Additional information on the School's long-term debt can be found in note II.B.3. of the basic financial statements.

### **Economic Factors**

The following key economic indicators reflect the growth and prosperity of the School:

- As the economy begins to improve, the fiscal 2014-2015 state and local per pupil funding levels increased almost 4% over prior year and have exceeded the per student funding for the 2008-2009 school year by about 3%.
- Demand for enrollment in the School remains strong. A waitlist is currently maintained that continues to include more than 1,500 students.

### **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 M L King Jr. Blvd., Monroe, NC 28110, telephone (704) 238-8883.

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## **BASIC FINANCIAL STATEMENTS**

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**Union Academy**  
**Statement of Net Position**  
**June 30, 2015**

Exhibit 1

|                                     | Primary Government |              | Component Unit |
|-------------------------------------|--------------------|--------------|----------------|
|                                     | Governmental       |              | Union Academy  |
|                                     | Activities         | Total        | Foundation     |
| <b>ASSETS</b>                       |                    |              |                |
| Cash and cash equivalents           | \$ 3,785,932       | \$ 3,785,932 | \$ 1,529,453   |
| Due from other governments          | 40,685             | 40,685       | 1,445          |
| Pledges receivable, net             | -                  | -            | 32,591         |
| Prepaid items                       | 6,104,463          | 6,104,463    | 4,156          |
| Investments                         | -                  | -            | 6,845          |
| Long-term assets:                   |                    |              |                |
| Land                                | -                  | -            | 476,923        |
| Capital assets, net of depreciation | 1,236,963          | 1,236,963    | 7,092,370      |
| Total assets                        | 11,168,043         | 11,168,043   | 9,143,783      |
| <b>LIABILITIES</b>                  |                    |              |                |
| Accounts payable                    | 259,332            | 259,332      | 12,438         |
| Accrued interest payable            | 2,437              | 2,437        | -              |
| Accrued salaries and wages payable  | 437,297            | 437,297      | -              |
| Due to other governments            | 31,826             | 31,826       | -              |
| Long-term liabilities:              |                    |              |                |
| Unearned rent, current portion      | -                  | -            | 314,393        |
| Unearned rent, long-term portion    | -                  | -            | 5,790,074      |
| Due within one year                 | 250,002            | 250,002      | -              |
| Due in more than one year           | 4,882,509          | 4,882,509    | -              |
| Total liabilities                   | 5,863,403          | 5,863,403    | 6,116,905      |
| <b>NET POSITION</b>                 |                    |              |                |
| Investment in capital assets        | 1,236,963          | 1,236,963    | 7,569,293      |
| Restricted for other functions      | -                  | -            | 138,293        |
| Unrestricted                        | 4,067,677          | 4,067,677    | (4,680,708)    |
| Total net position                  | \$ 5,304,640       | \$ 5,304,640 | \$ 3,026,878   |

Union Academy  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit 2

| Functions/Programs            | Expenses      | Program Revenues     |                                    |
|-------------------------------|---------------|----------------------|------------------------------------|
|                               |               | Charges for Services | Operating Grants and Contributions |
| <b>Primary government:</b>    |               |                      |                                    |
| Governmental activities:      |               |                      |                                    |
| Instructional services        | \$ 6,794,952  | \$ 507,837           | \$ 155,193                         |
| System-wide support services  | 3,376,248     | -                    | -                                  |
| Interest on long term debt    | 82,183        | -                    | -                                  |
| Total governmental activities | 10,253,383    | 507,837              | 155,193                            |
| Total primary government      | \$ 10,253,383 | \$ 507,837           | \$ 155,193                         |
| <b>Component unit:</b>        |               |                      |                                    |
| Union Academy Foundation      | \$ 521,316    | \$ 314,393           | \$ -                               |

General revenues:

Unrestricted County appropriations  
Unrestricted State appropriations  
Contributions and donations  
Investment earnings, unrestricted  
Miscellaneous, unrestricted  
Loss on sale of land  
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 |
| \$ (6,131,922)                                    | \$ (6,131,922) | \$ -                     |
| (3,376,248)                                       | (3,376,248)    | -                        |
| (82,183)  | (82,183)       | -                        |
| (9,590,353)                                       | (9,590,353)    | -                        |
| (9,590,353)                                       | (9,590,353)    | -                        |
| -   | -              | (206,923)                |
| 2,818,115   | 2,818,115      | -                        |
| 7,254,310   | 7,254,310      | -                        |
| 115,088   | 115,088        | 438,994                  |
| -   | -              | -                        |
| 350,444   | 350,444        | 1,612                    |
| -   | -              | (461,674)                |
| 10,537,957  | 10,537,957     | (21,068)                 |
| 947,604   | 947,604        | (227,991)                |
| 4,357,036   | 4,357,036      | 3,254,869                |
| \$ 5,304,640                                      | \$ 5,304,640   | \$ 3,026,878             |

|   | Major Funds         |                     | Total Non-major Funds | Total Governmental Funds |
|---|---------------------|---------------------|-----------------------|--------------------------|
|   | General             | State Public School |                       |                          |
| <b>ASSETS</b>   |                     |                     |                       |                          |
| Cash and cash equivalents   | \$ 3,680,241        | \$ -                | \$ 105,691            | \$ 3,785,932             |
| Due from other governments  | 40,685              | -                   | -                     | 40,685                   |
| Total assets  | <u>\$ 3,720,926</u> | <u>\$ -</u>         | <u>\$ 105,691</u>     | <u>\$ 3,826,617</u>      |
| <b>LIABILITIES AND FUND BALANCES</b>                                |                     |                     |                       |                          |
| Liabilities:  |                     |                     |                       |                          |
| Accounts payable  | \$ 259,332          | \$ -                | \$ -                  | \$ 259,332               |
| Accrued salaries and wages payable                                  | 437,297             | -                   | -                     | 437,297                  |
| Due to other governments  | 31,826              | -                   | -                     | 31,826                   |
| Total liabilities   | <u>728,455</u>      | <u>-</u>            | <u>-</u>              | <u>728,455</u>           |
| Fund balances:  |                     |                     |                       |                          |
| Committed:  |                     |                     |                       |                          |
| Operating reserve   | 816,290             | -                   | -                     | 816,290                  |
| Assigned:   |                     |                     |                       |                          |
| Clubs and activities  | -                   | -                   | 105,691               | 105,691                  |
| Unassigned:   | 2,176,181           | -                   | -                     | 2,176,181                |
| Total fund balances   | <u>2,992,471</u>    | <u>-</u>            | <u>105,691</u>        | <u>3,098,162</u>         |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,720,926        | \$ -                | \$ 105,691            |                          |

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                | 3,190,150   |
| Less accumulated depreciation | (1,953,187) |

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) | 6,104,463 |
|--|-----------|

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

|  |             |
|--|-------------|
| Series 2010 Revenue Bond (Note II.B.3.b) | (5,132,511) |
|--|-------------|

Accrued interest for note payable not reported in the fund statements

|   |                     |
|---|---------------------|
|   | (2,437)             |
| Net position of governmental activities | <u>\$ 5,304,640</u> |

**Union Academy**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

Exhibit 4

|                                 | Major Funds  |                        | Total Non-<br>major Funds | Total<br>Governmental<br>Funds |
|---------------------------------|--------------|------------------------|---------------------------|--------------------------------|
|                                 | General      | State Public<br>School |                           |                                |
| REVENUES                        |              |                        |                           |                                |
| State of North Carolina         | \$ -         | \$ 7,254,310           | \$ -                      | \$ 7,254,310                   |
| Union County and other counties | 2,818,115    | -                      | -                         | 2,818,115                      |
| U.S. Government                 | -            | -                      | 155,193                   | 155,193                        |
| Contributions and donations     | 115,088      | -                      | -                         | 115,088                        |
| Other                           | 340,956      | -                      | 517,325                   | 858,281                        |
| Total revenues                  | 3,274,159    | 7,254,310              | 672,518                   | 11,200,987                     |
| EXPENDITURES                    |              |                        |                           |                                |
| Current:                        |              |                        |                           |                                |
| Instructional services          | 1,428,058    | 4,510,834              | 656,697                   | 6,595,589                      |
| System-wide support services    | 654,878      | 2,279,048              | -                         | 2,933,926                      |
| Capital outlay                  | 155,901      | 195,905                | -                         | 351,806                        |
| Debt service:                   |              |                        |                           |                                |
| Principal                       | 40,000       | 200,000                | -                         | 240,000                        |
| Interest and other charges      | 13,781       | 68,523                 | -                         | 82,304                         |
| Total expenditures              | 2,292,618    | 7,254,310              | 656,697                   | 10,203,625                     |
| Net change in fund balance      | 981,541      | -                      | 15,821                    | 997,362                        |
| Fund balances-beginning         | 2,010,930    | -                      | 89,870                    | 2,100,800                      |
| Fund balances-ending            | \$ 2,992,471 | \$ -                   | \$ 105,691                | \$ 3,098,162                   |

**Union Academy**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2015**

---

Exhibit 5

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

|   |            |
|---|------------|
| Net changes in fund balances - total governmental funds | \$ 997,362 |
|---|------------|

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. | \$ 351,806       |        |
| Depreciation expense that is recorded on the statement of activities but not in the fund statements.                  | <u>(327,292)</u> | 24,514 |

|   |     |
|---|-----|
| 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. | 121 |
|---|-----|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and prepaid insurance when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

|                            |                |         |
|----------------------------|----------------|---------|
| Debt issued or incurred:   |                |         |
| Principal payments on debt | <u>240,000</u> | 240,000 |

Expenses reported on the statement of activities that do not require the use of current resources are not recorded as expenditures in the governmental funds. The details of this differences are as follows:

|                               |                  |           |
|-------------------------------|------------------|-----------|
| Amortization of prepaid lease | <u>(314,393)</u> | (314,393) |
|-------------------------------|------------------|-----------|

Reversal of prior year interest accrual on note payable

|  |                   |
|--|-------------------|
| Total changes in net position of governmental activities | <u>\$ 947,604</u> |
|--|-------------------|

**Union Academy**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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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 (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, 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 1,376 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(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). G.S. 115C-447 also 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 5-12.

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, 2015, can be obtained from the entity's administrative office at Union Academy Foundation, 675 North M.L. King Jr. Blvd., Monroe, NC 28110.

B. Basis of Presentation

*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 2014-2015.

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.

#### 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, 2015. 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 30 and explains the differences between budgetary sources and uses of funds and GAAP revenues and expenditures for the total governmental funds.

**E. Assets, 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. 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.3.a. that begins on page 25 for further information about the lease.

**3. 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.

#### 4. 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 are listed at their estimated fair value at the date of donation. 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:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 20-40        |
| Building improvements   | 20-40        |
| Land improvements       | 15-20        |
| Furniture and equipment | 5-10         |

#### 5. 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.

#### 6. 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 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.

7. 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, 2015, 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. As of June 30, 2015, the School had no restricted fund balance amounts.

**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 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.

8. 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 \$2,206,478.

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, 2015, 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 (\$49,758).

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.

**Union Academy**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

At June 30, 2015, the School had deposits with a bank with a carrying amount of \$3,785,932. The bank balance with the financial institution was \$3,962,840. Of the bank balance, \$250,000 was insured by the FDIC and \$3,712,840 was insured by BB&T's public fund insured deposit program.

At June 30, 2015, the Foundation had deposits with a bank with a carrying amount of \$1,529,453. The bank balance with the financial institution was \$1,531,038. Of the bank balance, \$1,281,038 was not covered by federal depository insurance.

**2. Due From Other Governments**

Due from other governments consist of the following:

|                         |                  |
|-------------------------|------------------|
| Sales tax receivable    | \$ 30,310        |
| Other county receivable | 10,375           |
|                         | <u>\$ 40,685</u> |

**3. Capital Assets**

The School's capital asset activity for the year ended June 30, 2015 was as follows:

|   | Beginning<br>Balances | Increases         | Decreases        | Transfer<br>In/(Out) | Ending<br>Balances |
|---|-----------------------|-------------------|------------------|----------------------|--------------------|
| Governmental activities:                  |                       |                   |                  |                      |                    |
| <i>Capital assets being depreciated:</i>  |                       |                   |                  |                      |                    |
| Modulars                                  | \$ 175,593            | \$ -              | \$ -             | \$ -                 | \$ 175,593         |
| Furniture and fixtures                    | 622,831               | 10,820            | -                | -                    | 633,651            |
| Food service equipment                    | 15,236                | -                 | -                | -                    | 15,236             |
| Computer equipment                        | 1,081,370             | 146,110           | 33,388           | -                    | 1,194,092          |
| Leasehold improvements                    | 616,551               | 138,183           | -                | -                    | 754,734            |
| Equipment                                 | 59,027                | 56,693            | -                | -                    | 115,720            |
| Vehicles                                  | 307,224               | -                 | 6,100            | -                    | 301,124            |
| Total assets being depreciated            | <u>2,877,832</u>      | <u>\$ 351,806</u> | <u>\$ 39,488</u> | <u>\$ -</u>          | <u>3,190,150</u>   |
| <i>Less accumulated depreciation for:</i> |                       |                   |                  |                      |                    |
| Modulars                                  | 27,581                | \$ 21,948         | \$ -             | \$ -                 | 49,529             |
| Furniture and fixtures                    | 389,927               | 45,145            | -                | -                    | 435,072            |
| Food service equipment                    | 10,131                | 785               | -                | -                    | 10,916             |
| Computer equipment                        | 786,275               | 154,218           | 33,388           | -                    | 907,105            |
| Leasehold improvements                    | 260,392               | 59,290            | -                | -                    | 319,682            |
| Equipment                                 | 38,611                | 5,205             | -                | -                    | 43,816             |
| Vehicles                                  | 152,466               | 40,701            | 6,100            | -                    | 187,067            |
| Total accumulated depreciation            | <u>1,665,383</u>      | <u>\$ 327,292</u> | <u>\$ 39,488</u> | <u>\$ -</u>          | <u>1,953,187</u>   |
| Total assets being depreciated, net       | <u>\$1,212,449</u>    |                   |                  |                      | <u>\$1,236,963</u> |

Depreciation was charged to governmental functions as follows:

|                              |                   |
|------------------------------|-------------------|
| Instructional services       | \$ 199,363        |
| System-wide support services | 127,929           |
| Total                        | <u>\$ 327,292</u> |

**Union Academy**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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The Foundation's capital asset activity for the year ended June 30, 2015 was as follows:

|                                       | Beginning<br>Balances | Increases  | Decreases  | Transfer<br>In/Out | Ending<br>Balances |
|---------------------------------------|-----------------------|------------|------------|--------------------|--------------------|
| Capital assets not being depreciated: |                       |            |            |                    |                    |
| Land                                  | \$ 984,023            | \$ 3,900   | \$ 511,000 | \$ -               | \$ 476,923         |
| Capital assets being depreciated:     |                       |            |            |                    |                    |
| Buildings                             | 8,082,256             | \$ -       | \$ -       | \$ -               | 8,082,256          |
| Building improvements                 | 48,005                | -          | -          | -                  | 48,005             |
| Land improvements                     | 598,182               | -          | -          | -                  | 598,182            |
| Furniture and equipment               | 212,313               | 18,018     | -          | -                  | 230,331            |
| Total assets being depreciated        | 8,940,756             | \$ 18,018  | \$ -       | \$ -               | 8,958,774          |
| Less accumulated depreciation for:    |                       |            |            |                    |                    |
| Buildings                             | 1,308,909             | \$ 206,334 | \$ -       | \$ -               | 1,515,243          |
| Building improvements                 | 18,661                | 2,765      | -          | -                  | 21,426             |
| Land improvements                     | 201,855               | 32,273     | -          | -                  | 234,128            |
| Furniture and equipment               | 83,427                | 12,178     | -          | -                  | 95,605             |
| Total accumulated depreciation        | 1,612,852             | \$ 253,550 | \$ -       | \$ -               | 1,866,402          |
| Total assets being depreciated, net   | 7,327,904             |            |            |                    | 7,092,372          |
| Total assets, net                     | \$8,311,927           |            |            |                    | \$7,569,295        |

**B. Liabilities**

**1. Pension Plan Obligations**

**Retirement Plan**

The School has adopted a tax deferred annuity retirement plan under Internal Revenue Code section 403(b). The Union Academy Retirement Plan ("the Plan") is a defined contribution plan and is administered by ING Life Insurance and Annuity Company. The governing board has the authority for establishing or amending the Plan's provisions and contribution requirements. This Plan was effective for the year beginning July 2000. All employees are eligible to participate in the Plan but only those who work at least 1,000 hours and are employed as of the end of the school year are eligible for the employer match.

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, 2015 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, 2015, all eligible employees of the School were included in the Plan. The School made all required contributions. For the year ended June 30, 2015, the pension cost was \$146,395, with participants contributing \$332,794.

## 2. 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.

## 3. 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 \$314,393 for the year ended June 30, 2015 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, 2015 was \$314,393.

As of June 30, 2015, the School prepaid rent under the lease agreement and lease amendment totaling \$6,104,463. This amount is presented as prepaid rent on the statement of net position and the School will record rent expense based on the following 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 future prepaid lease will be expensed by the School and recognized as revenue to the Foundation, as follows:

|                              | Original<br>Lease<br>Agreement |
|------------------------------|--------------------------------|
| June 30, 2016                | \$ 314,393                     |
| June 30, 2017                | 314,393                        |
| June 30, 2018                | 314,393                        |
| June 30, 2019                | 314,393                        |
| June 30, 2020                | 314,393                        |
| July 1, 2020 – June 30, 2025 | 1,571,965                      |
| July 1, 2025 – June 30, 2030 | 1,571,965                      |
| July 1, 2030 – June 30, 2035 | 1,388,568                      |
|                              | <u>\$ 6,104,463</u>            |

**Union Academy**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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In addition, the School leases various equipment under non-cancelable operating leases through October 2018. Total equipment lease expense for the year ended June 30, 2015 was \$62,616.

The following is a schedule of future minimum lease payments:

|               |    |                |
|---------------|----|----------------|
| June 30, 2016 | \$ | 62,388         |
| June 30, 2017 |    | 62,388         |
| June 30, 2018 |    | 10,398         |
|               | \$ | <u>135,174</u> |

**b. Revenue Bonds**

In August 2010, the North Carolina Capital Facilities Finance Agency issued the \$6,300,000 Educational Facilities Revenue Bond (Union Academy Project) Series 2010 (the "Bond") to be loaned to the School for the purpose of refunding the outstanding principal amount of the \$6,175,000 Variable Rate Educational Facilities Revenue Bonds (Union Academy Project), Series 2007, and to pay certain fees and expenses relating to the issuance and sale of the Bond. The North Carolina Capital Facilities Finance Agency sold the Bond to Branch Banking and Trust Company where it effectively functions as a commercial loan. As discussed in note II.B.3.a, proceeds from the Series 2007 revenue bond were used to prepay the facility lease between the School and the Foundation. The Foundation is contingently liable as a guarantor of the revenue bond.

Interest is based on 68% of One-Month LIBOR plus 1.43% per annum. The interest rate at June 30, 2015 was 1.56%. The Bond has no mandatory sinking fund redemption and matures on December 19, 2029. See notes II.B.3.c and II.B.3.d for further information on the interest rate cap and note payable for the interest rate swap termination fees.

Revenue bond outstanding at year end was as follows:

|   |                     |
|---|---------------------|
| Educational Facilities Revenue Bond (Union Academy Project),<br>Series 2010, due monthly in amounts ranging from \$20,417 to<br>\$40,033 plus interest, through December 2029 | <u>\$ 5,132,511</u> |
|---|---------------------|

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

| Year Ending<br>June 30 | <u>Governmental Activities</u> |                   |
|------------------------|--------------------------------|-------------------|
|                        | Principal                      | Interest          |
| 2016                   | 250,002                        | 77,975            |
| 2017                   | 262,500                        | 73,979            |
| 2018                   | 274,998                        | 69,770            |
| 2019                   | 287,496                        | 65,385            |
| 2020                   | 304,998                        | 60,760            |
| 2021-2025              | 1,762,494                      | 225,595           |
| 2026-2030              | 1,990,023                      | 71,011            |
| Total                  | <u>\$ 5,132,511</u>            | <u>\$ 644,475</u> |



c. Interest Rate Cap

In conjunction with the Bond issuance of \$6,300,000, the School entered into an interest rate cap agreement with SunTrust Bank, effective September 19, 2010, to limit the interest rate on the variable rate Bond to a maximum of 2%. This interest rate cap was terminated as set forth by the agreement on September 19, 2013.

On December 19, 2012, the School entered into an interest rate cap agreement with SMBC Capital Markets, Inc., effective September 19, 2013, through September 19, 2016, to replace the interest rate cap with SunTrust Bank as discussed above. The School paid a premium of \$12,000 for the interest rate cap of 2%. The notional amount of the interest rate cap was \$5,132,511 at June 30, 2015.

Management has determined that the fair value of the interest rate cap as of June 30, 2015 did not have a material impact on the financial statements. Accordingly, no cumulative deferred inflow or outflow related to the interest rate cap have been recorded in the accompanying financial statements.

d. 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, 2015:

| <u>Governmental activities:</u> | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
|---------------------------------|------------------------------|------------------|------------------|---------------------------|----------------------------|
| Revenue Bond                    | \$ 5,372,511                 | \$ -             | \$ 240,000       | \$ 5,132,511              | \$ 250,002                 |

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 \$2,176,181 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, 2015 was \$82,867.

The School received contributions from the Foundation totaling \$10,000 during the year ended June 30, 2015.

**Union Academy**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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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 November 17, 2015, the date of issuance of these financial statements for required recognition or disclosure.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**Union Academy**  
**Budgetary Comparison Schedule - All Fund Types**  
**For the Fiscal Year Ended June 30, 2015**

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance-<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|-------------------------|-------------------|--|
| <b>REVENUES:</b>                        |                            |                         |                   |  |
| State of North Carolina                 | \$ 6,106,000               | \$ 6,557,000            | \$ 7,254,310      | \$ 697,310                                   |
| Boards of Education:                    |                            |                         |                   |  |
| Union County                            | 2,508,200                  | 2,546,800               | 2,710,300         | 163,500                                      |
| Other Counties                          | 85,000                     | 122,000                 | 107,815           | (14,185)                                     |
| U.S. Government                         | 138,500                    | 138,500                 | 155,193           | 16,693                                       |
| Others                                  | 732,500                    | 845,500                 | 973,369           | 127,869                                      |
| Total revenues                          | <u>9,570,200</u>           | <u>10,209,800</u>       | <u>11,200,987</u> | <u>991,187</u>                               |
| <b>EXPENDITURES:</b>                    |                            |                         |                   |  |
| Instructional services:                 |                            |                         |                   |  |
| Regular instructional                   | 4,339,860                  | 4,618,010               | 4,616,912         | 1,098  |
| Special populations                     | 743,976                    | 791,827                 | 791,471           | 356  |
| Other                                   | 790,964                    | 1,187,463               | 1,187,206         | 257  |
| Total instructional services            | <u>5,874,800</u>           | <u>6,597,300</u>        | <u>6,595,589</u>  | <u>1,711</u>                                 |
| System-wide support services:           |                            |                         |                   |  |
| Support and development                 | 1,638,208                  | 1,526,044               | 1,525,642         | 402  |
| Operational support                     | 1,512,192                  | 1,408,956               | 1,408,284         | 672  |
| Total system-wide support<br>services   | <u>3,150,400</u>           | <u>2,935,000</u>        | <u>2,933,926</u>  | <u>1,074</u>                                 |
| Capital outlay                          | <u>220,000</u>             | <u>354,500</u>          | <u>351,806</u>    | <u>2,694</u>                                 |
| Debt service:                           |                            |                         |                   |  |
| Principal                               | 240,000                    | 240,000                 | 240,000           | -  |
| Interest and other charges              | 85,000                     | 83,000                  | 82,304            | 696  |
| Total debt service                      | <u>325,000</u>             | <u>323,000</u>          | <u>322,304</u>    | <u>696</u>                                   |
| Total expenditures                      | <u>9,570,200</u>           | <u>10,209,800</u>       | <u>10,203,625</u> | <u>6,175</u>                                 |
| Excess of expenditures<br>over revenues | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 997,362</u> | <u>\$ 997,362</u>                            |

**Union Academy**  
**Note to Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2015**

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Note A. Explanation of differences between budgetary revenues and expenditures for all fund types and the funding sources and uses for the general fund and major special revenue fund.

**Funding sources:**

|   |               |
|---|---------------|
| Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule - All Fund Types | \$ 11,200,987 |
|---|---------------|

Reclassifications:

The School reports sources of funds in the budget as revenues in the following nonmajor funds:

|                          |                  |
|--------------------------|------------------|
| Federal Grants Fund      | (155,193)        |
| Club and Activities Fund | <u>(517,325)</u> |

|  |                             |
|--|-----------------------------|
| Total revenues for general fund and major special revenue fund | <u><u>\$ 10,528,469</u></u> |
|--|-----------------------------|

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

|                          |                  |
|--------------------------|------------------|
| General Fund             | \$ 3,274,159     |
| State Public School Fund | <u>7,254,310</u> |

|  |                             |
|--|-----------------------------|
| Total revenues for general fund and major special revenue fund | <u><u>\$ 10,528,469</u></u> |
|--|-----------------------------|

**Uses:**

|   |               |
|---|---------------|
| Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule - All Fund Types | \$ 10,203,625 |
|---|---------------|

Reclassifications:

The School reports uses of funds in the budget as expenditures in the following nonmajor funds:

|                          |                  |
|--------------------------|------------------|
| Federal Grants Fund      | (155,193)        |
| Club and Activities Fund | <u>(501,504)</u> |

|  |                            |
|--|----------------------------|
| Total expenditures for general fund and major special revenue fund | <u><u>\$ 9,546,928</u></u> |
|--|----------------------------|

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

|                          |                  |
|--------------------------|------------------|
| General Fund             | \$ 2,292,618     |
| State Public School Fund | <u>7,254,310</u> |

|  |                            |
|--|----------------------------|
| Total expenditures for general fund and major special revenue fund | <u><u>\$ 9,546,928</u></u> |
|--|----------------------------|

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**COMBINING FUND STATEMENTS AND SCHEDULES**

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## **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, 2015

Schedule 1

|  | <b>Special Revenue Funds</b>   |                                     | <b>Total Non-major<br/>Governmental<br/>Funds</b> |
|--|--------------------------------|-------------------------------------|---|
|  | <b>Federal Grants<br/>Fund</b> | <b>Club and<br/>Activities Fund</b> |   |
| <b>ASSETS</b>  |                                |                                     |   |
| Cash and cash equivalents  | \$ -                           | \$ 105,691                          | \$ 105,691  |
| Total assets   | <u>\$ -</u>                    | <u>\$ 105,691</u>                   | <u>\$ 105,691</u>                                 |
| <b>LIABILITIES AND FUND BALANCES</b>                                 |                                |                                     |   |
| Liabilities  | \$ -                           | \$ -                                | \$ -  |
| Fund balances:   |                                |                                     |   |
| Assigned   | <u>-</u>                       | <u>105,691</u>                      | <u>105,691</u>                                    |
| Total liabilities, deferred inflows of resources,<br>and fund equity | <u>\$ -</u>                    | <u>\$ 105,691</u>                   | <u>\$ 105,691</u>                                 |

**Union Academy**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

Schedule 2

|  | <u>Special Revenue Funds</u>   |                                     | Total<br>Non-major<br>Governmental<br>Funds |
|--|--------------------------------|-------------------------------------|---|
|  | <u>Federal Grants<br/>Fund</u> | <u>Club and<br/>Activities Fund</u> |   |
| <b>REVENUES:</b>   |                                |                                     |   |
| U.S. Government:   |                                |                                     |   |
| IDEA VI B Capacity Building and<br>Improvement and Handicapped | \$ 147,602                     | \$ -                                | \$ 147,602                                  |
| Teacher Quality Enhancement                                    | 5,294                          | -                                   | 5,294                                       |
| Special Needs Targeted Assistance                              | 2,297                          | -                                   | 2,297                                       |
| Total U.S. Government  | 155,193                        | -                                   | 155,193                                     |
| Other  | -                              | 517,325                             | 517,325                                     |
| Total revenues   | <u>155,193</u>                 | <u>517,325</u>                      | <u>672,518</u>                              |
| <b>EXPENDITURES:</b>   |                                |                                     |   |
| Current:   |                                |                                     |   |
| Instructional services:  |                                |                                     |   |
| Regular instructional  | 5,294                          | 296,528                             | 301,822                                     |
| Special populations  | 149,899                        | -                                   | 149,899                                     |
| School based support   | -                              | 204,976                             | 204,976                                     |
| Total instructional services                                   | <u>155,193</u>                 | <u>501,504</u>                      | <u>656,697</u>                              |
| Total expenditures   | <u>155,193</u>                 | <u>501,504</u>                      | <u>656,697</u>                              |
| Revenues over expenditures                                     | -                              | 15,821                              | 15,821                                      |
| <b>FUND BALANCES:</b>  |                                |                                     |   |
| Fund balance-beginning   | -                              | 89,870                              | 89,870                                      |
| Fund balance-ending  | <u>\$ -</u>                    | <u>\$ 105,691</u>                   | <u>\$ 105,691</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**

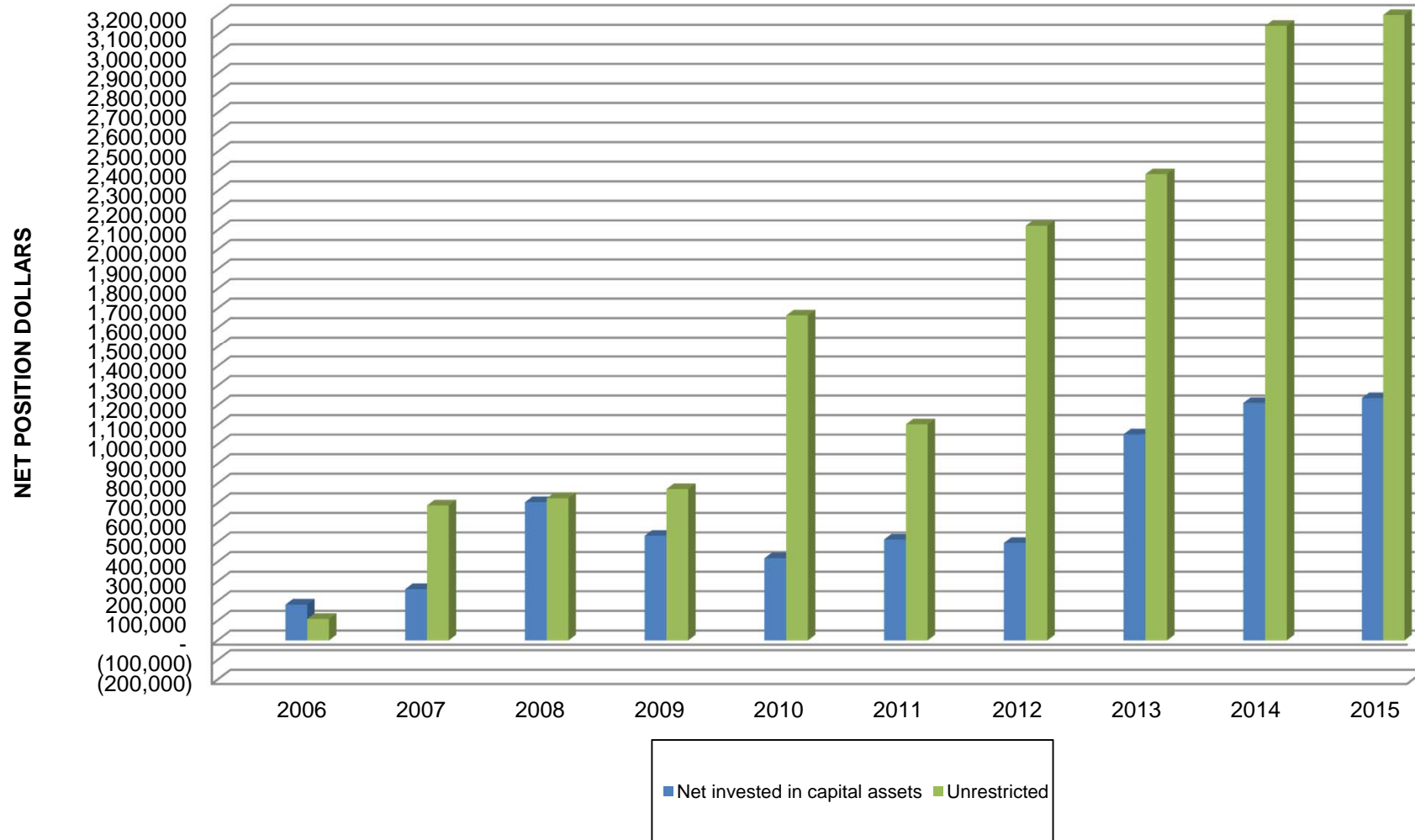
**Table 1**

|                          | 2006              | 2007              | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                |
|--------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities: |                   |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Net invested in          |                   |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| capital assets           | \$ 182,456        | \$ 261,454        | \$ 705,168          | \$ 533,660          | \$ 418,344          | \$ 514,365          | \$ 496,292          | \$ 1,052,160        | \$ 1,212,449        | \$ 1,236,963        |
| Restricted               | -                 | -                 | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Unrestricted             | 109,195           | 688,225           | 724,960             | 771,943             | 1,664,377           | 1,103,172           | 2,122,404           | 2,386,430           | 3,144,587           | 4,067,677           |
|                          | <u>\$ 291,651</u> | <u>\$ 949,679</u> | <u>\$ 1,430,128</u> | <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> |

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**

|   | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Expenses:</b>  |                |                |                |                |                |                |                |                |                |                |
| Governmental activities:                                  |                |                |                |                |                |                |                |                |                |                |
| Instructional services                                    | \$ 2,788,533   | \$ 3,655,926   | \$ 4,366,623   | \$ 5,085,621   | \$ 5,292,746   | \$ 5,848,556   | \$ 5,746,923   | \$ 6,049,330   | \$ 6,261,759   | \$ 6,794,952   |
| Support services  | 1,444,151      | 1,704,577      | 1,914,148      | 2,322,321      | 2,795,772      | 3,011,755      | 2,397,183      | 2,489,934      | 2,724,870      | 3,376,248      |
| Non-programmed charges                                    | -              | -              | 193,427        | 231,037        | -              | -              | -              | -              | -              | -              |
| Interest on long term debt                                | -              | -              | 251,726        | 313,784        | 336,902        | 152,830        | 105,414        | 124,405        | 120,060        | 82,183         |
| Total governmental activities                             | 4,232,684      | 5,360,503      | 6,725,924      | 7,952,762      | 8,425,420      | 9,013,141      | 8,249,520      | 8,663,669      | 9,106,689      | 10,253,383     |
| <b>Program Revenues:</b>                                  |                |                |                |                |                |                |                |                |                |                |
| Governmental activities:                                  |                |                |                |                |                |                |                |                |                |                |
| Charges for services:                                     |                |                |                |                |                |                |                |                |                |                |
| Extended field trip fees                                  | \$ -           | \$ -           | \$ -           | \$ -           | \$ 197,823     | \$ 212,652     | \$ 179,385     | \$ 169,949     | \$ 147,592     | \$ 178,670     |
| Daily field trip fees                                     | -              | -              | -              | -              | 85,000         | 75,774         | 81,245         | 60,571         | 78,659         | 128,921        |
| After school care   | -              | -              | -              | -              | 58,794         | 47,466         | 59,497         | 58,057         | 53,960         | 63,597         |
| Other   | -              | -              | -              | -              | 63,312         | 55,517         | 78,067         | 116,049        | 101,721        | 136,649        |
| Operating grants and contributions                        | -              | -              | 62,268         | -              | 583,407        | 497,510        | 405,003        | 210,602        | 203,201        | 155,193        |
| Capital grants and contributions                          | -              | -              | -              | -              | 300            | -              | -              | -              | -              | -              |
| Total governmental activities                             | -              | -              | 62,268         | -              | 988,636        | 888,919        | 803,197        | 615,228        | 585,133        | 663,030        |
| Net (Expense) Revenue                                     |                |                |                |                |                |                |                |                |                |                |
| Governmental activities                                   | \$ (4,232,684) | \$ (5,360,503) | \$ (6,663,656) | \$ (7,952,762) | \$ (7,436,784) | \$ (8,124,222) | \$ (7,446,323) | \$ (8,048,441) | \$ (8,521,556) | \$ (9,590,353) |
| <b>General Revenues and Other Changes in Net Position</b> |                |                |                |                |                |                |                |                |                |                |
| Governmental activities:                                  |                |                |                |                |                |                |                |                |                |                |
| Unrestricted county appropriations-operating              | \$ 971,316     | \$ 1,639,159   | \$ 1,682,904   | \$ 1,911,119   | \$ 2,772,865   | \$ 2,181,457   | \$ 2,315,572   | \$ 2,551,128   | \$ 2,559,074   | \$ 2,818,115   |
| Unrestricted State appropriations-operating               | 2,965,069      | 3,687,808      | 4,431,899      | 4,939,638      | 4,974,994      | 4,959,102      | 5,714,055      | 5,919,876      | 6,379,767      | 7,254,310      |
| Unrestricted Federal appropriations-operating             | 122,439        | 75,196         | 89,444         | 116,766        | -              | -              | -              | -              | -              | -              |
| Donations - general                                       | 78,532         | 64,380         | 599,851        | 117,909        | 123,061        | 105,383        | 107,667        | 129,915        | 202,783        | 115,088        |
| Miscellaneous, unrestricted                               | 286,692        | 551,988        | 621,274        | 742,804        | 342,982        | 335,537        | 310,188        | 267,416        | 298,378        | 350,444        |
| Total governmental activities                             | 4,424,048      | 6,018,531      | 7,425,372      | 7,828,236      | 8,213,902      | 7,581,479      | 8,447,482      | 8,868,335      | 9,440,002      | 10,537,957     |
| Total government-wide                                     | \$ 4,424,048   | \$ 6,018,531   | \$ 7,425,372   | \$ 7,828,236   | \$ 8,213,902   | \$ 7,581,479   | \$ 8,447,482   | \$ 8,868,335   | \$ 9,440,002   | \$ 10,537,957  |
| <b>Change in Net Position</b>                             |                |                |                |                |                |                |                |                |                |                |
| Governmental activities                                   | \$ 191,364     | \$ 658,028     | \$ 761,716     | \$ (124,526)   | \$ 777,118     | \$ (542,743)   | \$ 1,001,159   | \$ 819,894     | \$ 918,446     | \$ 947,604     |

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**

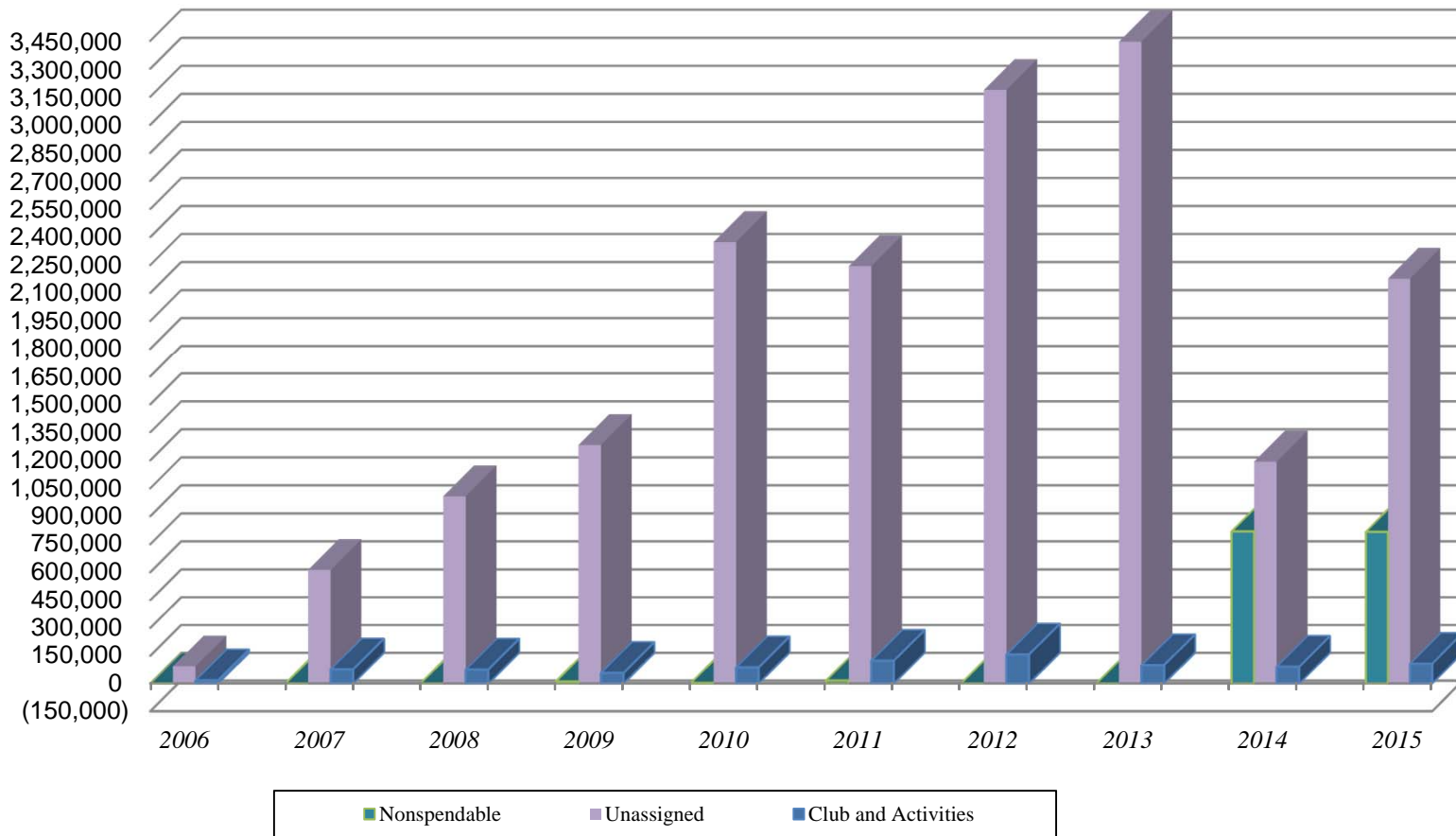
| <b>Year Ended June 30</b>          | <b>2006</b>      | <b>2007</b>       | <b>2008</b>         | <b>2009</b>         | <b>2010</b>         | <b>2011</b>         | <b>2012</b>         | <b>2013</b>         | <b>2014</b>         | <b>2015</b>         |
|------------------------------------|------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General fund                       |                  |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable                       | \$ -             | \$ -              | \$ -                | \$ 10,433           | \$ 1,990.00         | \$ 15,642           | \$ -                | \$ -                | \$ 818,806          | \$ 816,290          |
| Unassigned                         | 92,245           | 612,806           | 1,006,267           | 1,281,373           | 2,372,349           | 2,242,974           | 3,186,487           | 3,444,356           | 1,192,124           | 2,176,181           |
| Total general fund                 | <u>\$ 92,245</u> | <u>\$ 612,806</u> | <u>\$ 1,006,267</u> | <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> |
| All other governmental funds       |                  |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Assigned                           |                  |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Club and Activities                | \$ 16,950        | \$ 75,419         | \$ 74,754           | \$ 56,473           | \$ 86,649           | \$ 122,503          | \$ 156,246          | \$ 98,282           | \$ 89,870           | \$ 105,691          |
| Total all other governmental funds | <u>\$ 16,950</u> | <u>\$ 75,419</u>  | <u>\$ 74,754</u>    | <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>   |

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

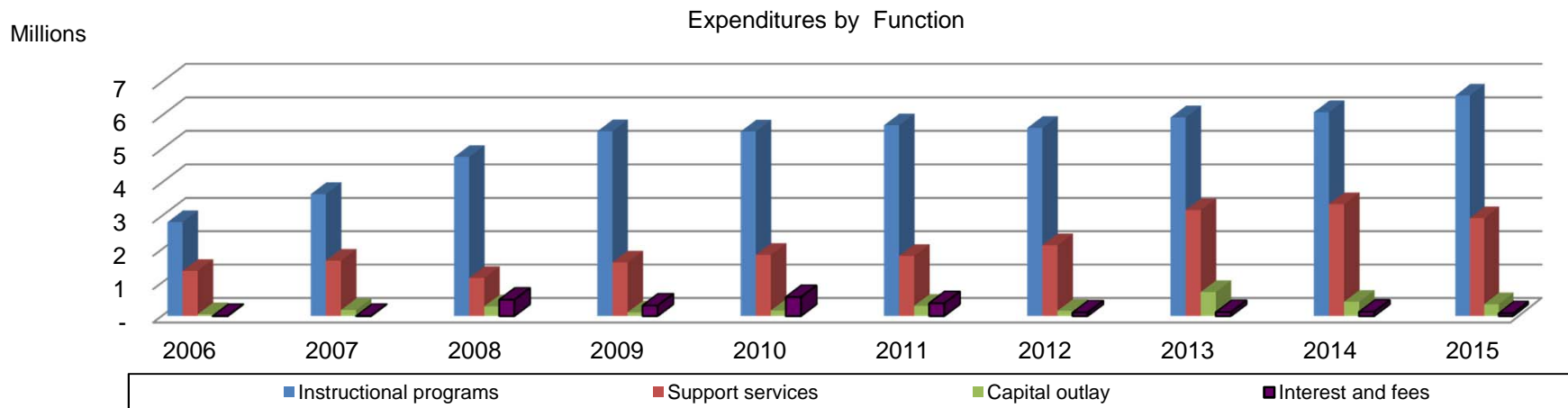
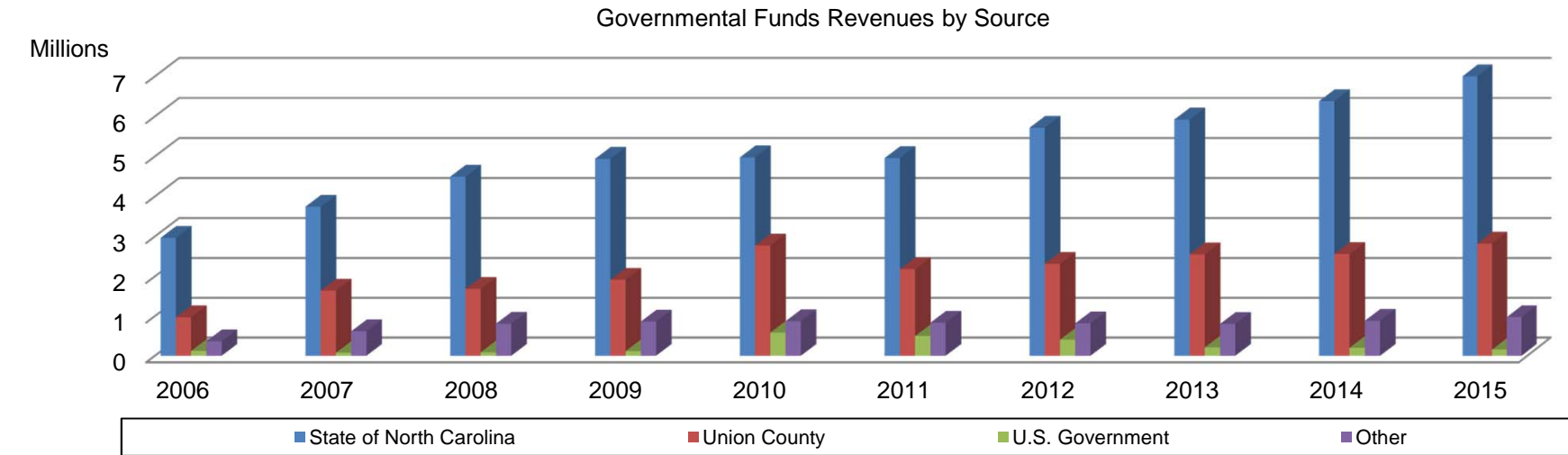
Table 3



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

**Table 4**

| <b>Year Ended June 30</b>                                | <b>2006</b>       | <b>2007</b>       | <b>2008</b>       | <b>2009</b>       | <b>2010</b>         | <b>2011</b>        | <b>2012</b>       | <b>2013</b>       | <b>2014</b>           | <b>2015</b>       |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------|-------------------|-------------------|-----------------------|-------------------|
| <b>Revenues</b>  |                   |                   |                   |                   |                     |                    |                   |                   |                       |                   |
| State of North Carolina                                  | \$ 2,965,069      | \$ 3,742,048      | \$ 4,494,169      | \$ 4,939,638      | \$ 4,974,994        | \$ 4,959,102       | \$ 5,714,055      | \$ 5,919,876      | \$ 6,379,767          | \$ 7,254,310      |
| Union County   | 971,316           | 1,639,159         | 1,682,904         | 1,911,119         | 2,772,865           | 2,181,457          | 2,315,572         | 2,551,128         | 2,559,074             | 2,818,115         |
| U.S. Government  | 122,438           | 75,196            | 89,444            | 116,766           | 583,407             | 497,510            | 405,003           | 210,602           | 203,201               | 155,193           |
| Other  | 365,224           | 616,367           | 808,653           | 860,713           | 871,272             | 832,329            | 816,049           | 801,957           | 883,093               | 973,369           |
| Total revenues   | <u>4,424,047</u>  | <u>6,072,770</u>  | <u>7,075,170</u>  | <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> |
| <b>Expenditures</b>                                      |                   |                   |                   |                   |                     |                    |                   |                   |                       |                   |
| Instructional programs                                   | 2,815,811         | 3,656,848         | 4,764,363         | 5,531,332         | 5,523,623           | 5,709,836          | 5,630,839         | 5,946,035         | 6,100,781             | 6,595,589         |
| Support services   | 1,352,640         | 1,660,770         | 1,141,940         | 1,608,119         | 1,834,477           | 1,803,467          | 2,122,652         | 3,177,163         | 3,356,475             | 2,933,926         |
| Capital outlay   | 50,622            | 176,122           | 287,597           | 107,744           | 163,790             | 303,980            | 152,267           | 717,811           | 424,803               | 351,806           |
| Debt service   |                   |                   |                   |                   |                     |                    |                   |                   |                       |                   |
| Principal  | -                 | -                 | -                 | -                 | -                   | 350,940            | 277,893           | 292,423           | 2,493,236             | 240,000           |
| Interest and fees  | -                 | -                 | 488,474           | 313,784           | 567,939             | 382,044            | 105,414           | 116,378           | 125,526               | 82,304            |
| Total Expenditures                                       | <u>4,219,073</u>  | <u>5,493,740</u>  | <u>6,682,374</u>  | <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> |
| <b>Other financing sources</b>                           |                   |                   |                   |                   |                     |                    |                   |                   |                       |                   |
| Debt issuance proceeds                                   | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>            | <u>-</u>           | <u>-</u>          | <u>966,152</u>    | <u>1,033,848</u>      | <u>-</u>          |
| Net change in fund balance                               | <u>\$ 204,974</u> | <u>\$ 579,030</u> | <u>\$ 392,796</u> | <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> |
| Debt service as a percentage of non-capital expenditures | N/A               | N/A               | 7.64%             | 4.21%             | 7.17%               | 8.89%              | 4.71%             | 4.29%             | 21.69%                | 3.27%             |



**Union Academy**  
**Ratios of Outstanding Debt by Type**  
**Last Eight Years <sup>1</sup>**

**Table 5**

| <b>Fiscal Year<br/>Ended<br/>June 30,</b> | <b>Governmental Activities</b> |                         | <b>Total<br/>Primary<br/>Government</b> | <b>Percentage<br/>of Personal<br/>Income <sup>2</sup></b> | <b>Per<br/>Capita</b> |
|---|--------------------------------|-------------------------|---|---|-----------------------|
|   | <b>Revenue<br/>Bond</b>        | <b>Note<br/>Payable</b> |   |   |                       |
| 2008                                      | \$6,175,000                    | \$ -                    | \$6,175,000                             | 0.10%   | \$34                  |
| 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                    |

n/a = Not available

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

1. Revenue bond was issued August 2007 and the note payable was issued August 2010, therefore debt did not exist in prior years.

2. Personal Income shown on Table 16; however 2014 and 2015 data not available.

**Union Academy**  
**Number of Personnel**  
**Last Ten Fiscal Years**

**Table 6**

| <b>Year Ended<br/>June 30,</b> | <b>Certified<br/>Personnel</b> | <b>Other<br/>Operating<br/>Personnel</b> | <b>Total</b> | <b>Final Average<br/>Daily<br/>Membership</b> | <b>Ratio of<br/>Pupils to<br/>Certified<br/>Personnel</b> |
|--------------------------------|--------------------------------|--|--------------|---|---|
| 2006                           | 55                             | 50                                       | 105          | 673   | 12.2  |
| 2007                           | 68                             | 58                                       | 126          | 770   | 11.3  |
| 2008                           | 76                             | 86                                       | 162          | 884   | 11.6  |
| 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  |

Source: Union Academy Finance Office

**Union Academy**  
**School Personnel Summary**  
**Last Ten Fiscal Years**

**Table 7**

| Activity Assignments<br>Classification | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <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> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Officials, Administrators, Mgrs        | 9              | 11             | 5              | 4              | 3              | 3              | 1              | 1              | 1              | 1              |
| Principals                             | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              | 1              |
| Assitant principal, teaching           | 1              | 1              | 1              | 2              | 2              | 0              | 0              | 0              | 0              | 0              |
| Assitant principal, non-teaching       | 1              | 1              | 1              | 1              | 1              | 4              | 4              | 3              | 3              | 3              |
| Total-Administrators                   | 12             | 14             | 8              | 8              | 7              | 8              | 6              | 5              | 5              | 5              |
| Elementary Teachers                    | 50             | 57             | 53             | 48             | 49             | 48             | 47             | 49             | 51             | 50             |
| Secondary Teachers                     |                | 4              | 11             | 17             | 17             | 19             | 19             | 23             | 23             | 28             |
| Other Teachers                         |                | 1              | 5              | 8              | 8              | 9              | 7              | 9              | 9              | 9              |
| Total Teachers                         | 50             | 62             | 69             | 73             | 74             | 76             | 73             | 81             | 83             | 87             |
| Guidance                               | 2              | 2              | 2              | 3              | 4              | 5              | 4              | 4              | 4              | 4              |
| Psychological                          | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Librarian, Audiovisual                 | 2              | 2              | 3              | 4              | 4              | 4              | 3              | 3              | 3              | 3              |
| Consultant, Supervisor                 | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Other Professionals                    | 2              | 3              | 11             | 9              | 9              | 6              | 8              | 10             | 12             | 15             |
| Total Professionals                    | 68             | 83             | 93             | 97             | 98             | 99             | 94             | 103            | 107            | 114            |
| Teacher Assistants                     | 22             | 30             | 35             | 32             | 26             | 22             | 20             | 17             | 22             | 27             |
| Technicians                            |                |                | 2              | 3              | 3              | 3              | 2              | 4              | 4              | 5              |
| Clerical, Secretarial                  | 14             | 12             | 24             | 18             | 15             | 16             | 17             | 15             | 17             | 19             |
| Service Workers                        | 1              | 1              | 8              | 6              | 6              | 6              | 5              | 13             | 15             | 13             |
| Skilled Crafts                         | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Laborers, Unskilled                    | 0              | 0              | 0              | 0              | 1              | 1              | 1              | 0              | 0              | 0              |
| Total                                  | 105            | 126            | 162            | 156            | 149            | 147            | 139            | 152            | 165            | 178            |

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                     | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            |
| Average Daily Membership               | 673             | 770             | 884             | 946             | 1,064           | 1,094           | 1,187           | 1,204           | 1,296           | 1,376           |
| Instructional                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Instructional Salaries                 | 3,182           | 3,556           | 3,521           | 3,759           | 3,416           | 3,462           | 3,117           | 3,283           | 3,144           | 3,405           |
| Textbooks, Instructional Supplies &    | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Equipment                              | 237             | 298             | 286             | 294             | 228             | 159             | 166             | 141             | 169             | 139             |
| Staff Development                      | 35              | 45              | 44              | 36              | 34              | 27              | 22              | 25              | 26              | 35              |
| Benefits                               | 743             | 761             | 846             | 1,006           | 951             | 938             | 856             | 904             | 924             | 1,040           |
| Testing/Contracted EC & Other          | 55              | 66              | 61              | 61              | 50              | 48              | 31              | 42              | 27              | 77              |
| Contracted Financial and Auditing      | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Services                               | 36              | 98              | 84              | 85              | 89              | 65              | 59              | 58              | 22              | 19              |
| Facilities                             | 777             | 848             | 865             | 921             | 916             | 634             | 592             | 634             | 449             | 429             |
| Principal Payments on Debt             | -               | -               | -               | -               | -               | 321             | 234             | 243             | 1,924           | 174             |
| Admin and Office Wages and Salaries    | 855             | 889             | 1,048           | 1,199           | 1,195           | 1,163           | 1,117           | 1,276           | 1,258           | 1,225           |
| Insurance (non-medical)                | 47              | 87              | 92              | 89              | 75              | 35              | 36              | 29              | 33              | 35              |
| Admin Office Supplies, Furniture &     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Equipment                              | 59              | 67              | 70              | 72              | 64              | 48              | 48              | 48              | 56              | 73              |
| Transportation                         | 32              | 116             | 124             | 119             | 91              | 70              | 41              | 104             | 112             | 41              |
| Activities & Special Programs & Other  | 4               | 9               | 18              | 17              | 14              | 15              | 12              | 15              | 16              | 9               |
| Computer & Copier Services             | 119             | 119             | 105             | 102             | 79              | 133             | 130             | 82              | 105             | 86              |
| Nonprogram Charges                     | 88              | 176             | 261             | 233             | 137             | 261             | 136             | 463             | 266             | 253             |
| <b>Total Expenditures <sup>1</sup></b> | <b>\$ 6,269</b> | <b>\$ 7,135</b> | <b>\$ 7,425</b> | <b>\$ 7,993</b> | <b>\$ 7,339</b> | <b>\$ 7,379</b> | <b>\$ 6,597</b> | <b>\$ 7,347</b> | <b>\$ 8,531</b> | <b>\$ 7,040</b> |

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

**Table 8**

| EXPRESSED IN CONSTANT DOLLARS                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Year Ended June 30                            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            |
| Instructional Salaries                        | \$ 1,568        | \$ 1,707        | \$ 1,609        | \$ 1,743        | \$ 1,567        | \$ 1,534        | \$ 1,358        | \$ 1,406        | \$ 1,319        | \$ 1,427        |
| Textbooks, Instructional Supplies & Equipment | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Staff Development                             | 117             | 143             | 131             | 136             | 105             | 70              | 72              | 60              | 71              | 58              |
| Benefits                                      | 17              | 22              | 20              | 17              | 16              | 12              | 10              | 11              | 11              | 15              |
| Testing/Contracted EC & Other                 | 366             | 365             | 387             | 466             | 436             | 416             | 373             | 387             | 388             | 436             |
| Contracted Financial and Auditing Services    | 27              | 32              | 28              | 28              | 23              | 21              | 14              | 18              | 11              | 32              |
| Facilities                                    | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Principal Payments on Debt                    | 18              | 47              | 38              | 39              | 41              | 29              | 26              | 25              | 9               | 8               |
| Admin and Office Wages and Salaries           | 383             | 407             | 395             | 427             | 420             | 281             | 258             | 272             | 188             | 180             |
| Insurance (non-medical)                       | -               | -               | -               | -               | -               | 142             | 102             | 104             | 807             | 73              |
| Admin Office Supplies, Furniture & Equipment  | 421             | 427             | 479             | 556             | 548             | 515             | 487             | 546             | 528             | 513             |
| Transportation                                | 23              | 42              | 42              | 41              | 34              | 16              | 16              | 12              | 14              | 15              |
| Activities & Special Programs & Other         | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Computer & Copier Services                    | 29              | 32              | 32              | 33              | 29              | 21              | 21              | 21              | 23              | 31              |
| Nonprogram Charges                            | 16              | 56              | 57              | 55              | 42              | 31              | 18              | 45              | 47              | 17              |
|   | 2               | 4               | 8               | 8               | 6               | 7               | 5               | 6               | 7               | 4               |
|   | 59              | 57              | 48              | 47              | 36              | 59              | 57              | 35              | 44              | 36              |
|   | 43              | 84              | 119             | 108             | 63              | 116             | 59              | 198             | 112             | 106             |
| <b>Total Expenditures <sup>1</sup></b>        | <b>\$ 3,089</b> | <b>\$ 3,425</b> | <b>\$ 3,393</b> | <b>\$ 3,704</b> | <b>\$ 3,366</b> | <b>\$ 3,270</b> | <b>\$ 2,876</b> | <b>\$ 3,146</b> | <b>\$ 3,579</b> | <b>\$ 2,951</b> |

**Notes:**

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

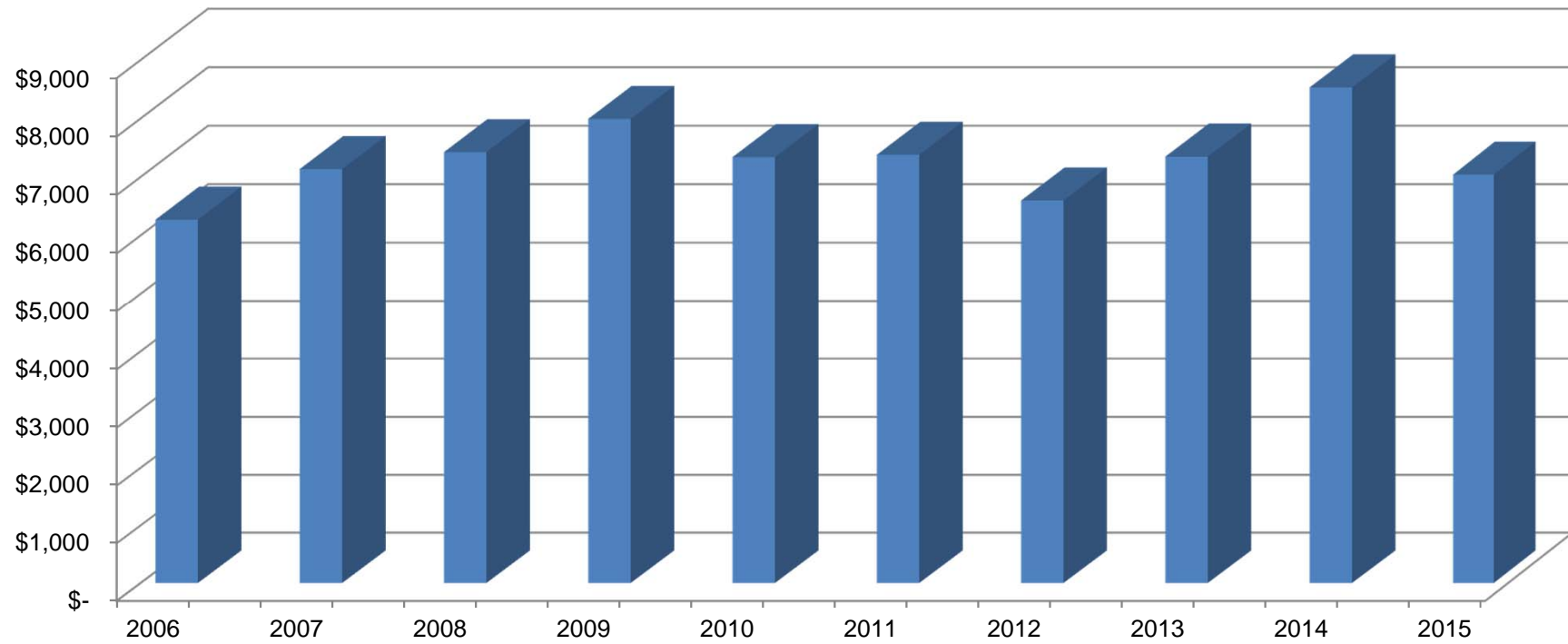
Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).



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

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**Table 8**



**Union Academy**  
**Average Daily Membership**  
**By School**  
**Last Ten Fiscal Years**

**Table 9**

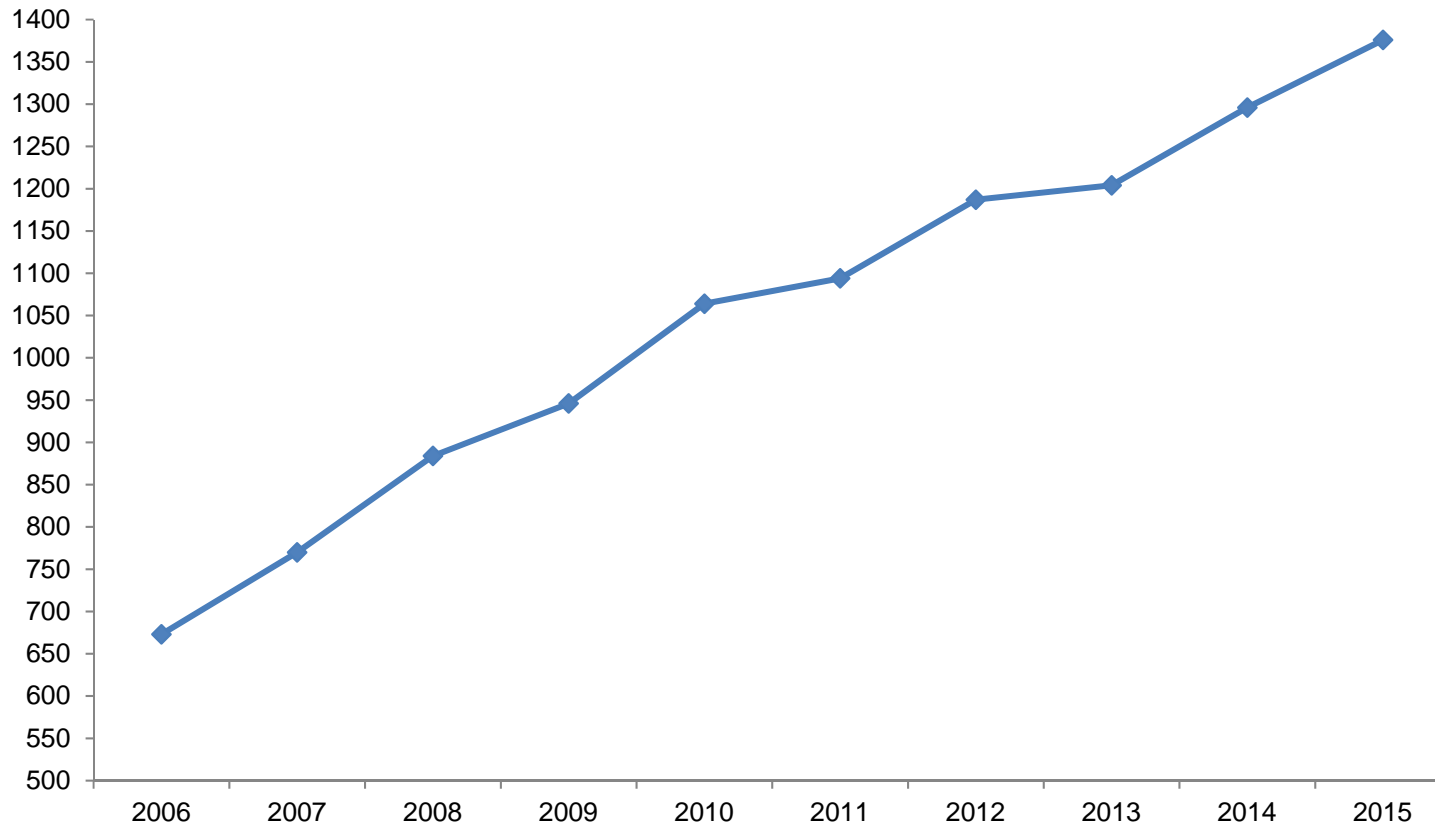
|                                       | Year Ended June 30 |            |            |            |              |              |              |              |              |              |
|---------------------------------------|--------------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                       | 2006               | 2007       | 2008       | 2009       | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
| Elementary Schools                    |                    |            |            |            |              |              |              |              |              |              |
| Lower School (Grades K-4)             | 342                | 358        | 385        | 380        | 403          | 403          | 443          | 438          | 442          | 462          |
| Middle School                         |                    |            |            |            |              |              |              |              |              |              |
| Grades 5 - 8                          | 277                | 305        | 335        | 348        | 386          | 390          | 385          | 389          | 453          | 454          |
| High School                           |                    |            |            |            |              |              |              |              |              |              |
| Grades 9 - 12                         | 54                 | 107        | 164        | 218        | 275          | 301          | 359          | 377          | 401          | 460          |
| <b>Total Average Daily Membership</b> | <b>673</b>         | <b>770</b> | <b>884</b> | <b>946</b> | <b>1,064</b> | <b>1,094</b> | <b>1,187</b> | <b>1,204</b> | <b>1,296</b> | <b>1,376</b> |

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

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

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**Table 9**



| Year Ended |           |
|------------|-----------|
| June 30,   | Total ADM |
| 2006       | 673       |
| 2007       | 770       |
| 2008       | 884       |
| 2009       | 946       |
| 2010       | 1,064     |

| Year Ended |           |
|------------|-----------|
| June 30,   | Total ADM |
| 2011       | 1,094     |
| 2012       | 1,187     |
| 2013       | 1,204     |
| 2014       | 1,296     |
| 2015       | 1,376     |

| Site                      | Square<br>Footage | Capacity | Percentage of<br>Capacity<br>Used | Building                     | Age<br>(years) |
|---------------------------|-------------------|----------|-----------------------------------|------------------------------|----------------|
| Lower Campus <sup>1</sup> | 11,280            | 230      | 100%                              | Media/Classrooms             | 85             |
|                           | 2,952             | 60       | N/A <sup>3</sup>                  | Cafeteria                    | 53             |
|                           | 7,437             | 152      | 100%                              | Administration/Classrooms    | 49             |
|                           | 7,224             | 468      | N/A <sup>4</sup>                  | Gymnasium/Music              | 41             |
|                           | 6,912             | 141      | 100%                              | Modulars                     | 13             |
| Upper Campus <sup>2</sup> | 37,290            | 660      | 76.36%                            | Main                         | 11             |
|                           | 10,906            | 1,570    | N/A <sup>4</sup>                  | Gymnasium                    | 10             |
|                           | 36,140            | 617      | 80.23%                            | Media Center/Classrooms      | 8              |
|                           | 19,600            | 400      | N/A <sup>4</sup>                  | Middle School Gym/Classrooms | 2              |

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.

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    |                       |                       |                       |                       |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                            | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  |
| Ad Valorem Taxes           | \$ 84,128,412         | \$ 104,702,599        | \$ 126,527,705        | \$ 152,040,519        | \$ 156,356,729        |
| Local Option Sales Tax     | 29,128,130            | 37,542,683            | 38,191,635            | 31,509,387            | 23,974,645            |
| Other Taxes                | 4,111,779             | 4,393,511             | 3,680,253             | 3,075,348             | 2,960,952             |
| Intergovernmental Revenues | 19,723,222            | 24,446,903            | 25,899,097            | 27,519,200            | 30,155,918            |
| Permits and Fees           | 11,013,811            | 9,975,519             | 6,592,908             | 4,066,554             | 3,699,306             |
| Sales and Services         | 4,237,737             | 4,268,091             | 4,602,861             | 4,668,297             | 4,766,268             |
| Investment Earnings        | 3,926,427             | 6,208,468             | 9,510,665             | 3,233,332             | 1,454,313             |
| Miscellaneous              | 3,372,811             | 4,425,068             | 3,996,371             | 2,128,833             | 4,178,287             |
| Extraordinary Item         | -                     | -                     | -                     | -                     | -                     |
| Total Revenues             | <u>\$ 159,642,329</u> | <u>\$ 195,962,842</u> | <u>\$ 219,001,495</u> | <u>\$ 228,241,470</u> | <u>\$ 227,546,418</u> |
|                            |                       |                       |                       |                       |                       |
|                            | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  |
| Ad Valorem Taxes           | \$ 159,650,925        | \$ 160,909,290        | \$ 162,147,454        | \$ 169,710,100        | \$ 194,255,775        |
| Local Option Sales Tax     | 23,944,051            | 26,373,178            | 27,595,031            | 30,284,689            | 33,023,307            |
| Other Taxes                | 2,813,162             | 2,746,674             | 3,068,956             | 3,492,149             | 3,201,693             |
| Intergovernmental Revenues | 30,829,071            | 31,053,330            | 31,130,202            | 29,679,942            | 31,928,468            |
| Permits and Fees           | 4,371,446             | 5,099,529             | 6,098,103             | 6,982,279             | 6,783,000             |
| Sales and Services         | 5,083,297             | 5,281,772             | 4,398,686             | 4,911,808             | 5,182,376             |
| Investment Earnings        | 707,344               | 1,069,847             | 122,634               | 397,818               | 467,683               |
| Miscellaneous              | 4,027,650             | 8,804,467             | 7,171,956             | 7,250,003             | 7,433,477             |
| Extraordinary Item         | -                     | 54,000,000            | -                     | -                     | -                     |
| Total Revenues             | <u>\$ 231,426,946</u> | <u>\$ 295,338,087</u> | <u>\$ 241,733,022</u> | <u>\$ 252,708,788</u> | <u>\$ 282,275,779</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, 2015.

UNION COUNTY, NORTH CAROLINA

Table 11

General Governmental Revenues by Source (continued)

Last Ten Fiscal Years

EXPRESSED IN CONSTANT DOLLARS

|                            | Year Ended June 30 |               |                |                |                |
|----------------------------|--------------------|---------------|----------------|----------------|----------------|
|                            | 2006               | 2007          | 2008           | 2009           | 2010           |
| Ad Valorem Taxes           | \$ 41,462,993      | \$ 50,252,745 | \$ 57,824,055  | \$ 70,489,315  | \$ 71,734,787  |
| Local Option Sales Tax     | 14,355,904         | 18,018,873    | 17,453,847     | 14,608,442     | 10,999,310     |
| Other Taxes                | 2,026,505          | 2,108,696     | 1,681,902      | 1,425,799      | 1,358,453      |
| Intergovernmental Revenues | 9,720,661          | 11,733,462    | 11,836,070     | 12,758,504     | 13,835,211     |
| Permits and Fees           | 5,428,197          | 4,787,820     | 3,013,006      | 1,885,344      | 1,697,202      |
| Sales and Services         | 2,088,584          | 2,048,500     | 2,103,540      | 2,164,325      | 2,186,713      |
| Investment Earnings        | 1,935,154          | 2,979,798     | 4,346,441      | 1,499,044      | 667,223        |
| Miscellaneous              | 1,662,302          | 2,123,842     | 1,826,370      | 986,974        | 1,916,953      |
| Extraordinary Item         | -                  | -             | -              | -              | -              |
| Total Revenues             | \$ 78,680,300      | \$ 94,053,736 | \$ 100,085,231 | \$ 105,817,747 | \$ 104,395,852 |

|                            | Year Ended June 30 |                |                |                |                |
|----------------------------|--------------------|----------------|----------------|----------------|----------------|
|                            | 2011               | 2012           | 2013           | 2014           | 2015           |
| Ad Valorem Taxes           | \$ 70,729,005      | \$ 70,119,702  | \$ 69,440,975  | \$ 71,204,147  | \$ 81,401,862  |
| Local Option Sales Tax     | 10,607,761         | 11,492,683     | 11,817,798     | 12,706,347     | 13,838,243     |
| Other Taxes                | 1,246,295          | 1,196,923      | 1,314,306      | 1,465,178      | 1,341,653      |
| Intergovernmental Revenues | 13,657,982         | 13,532,160     | 13,331,764     | 12,452,617     | 13,379,457     |
| Permits and Fees           | 1,936,650          | 2,222,230      | 2,611,563      | 2,929,509      | 2,842,381      |
| Sales and Services         | 2,252,017          | 2,301,646      | 1,883,773      | 2,060,815      | 2,171,647      |
| Investment Earnings        | 313,370            | 466,209        | 52,519         | 166,910        | 195,980        |
| Miscellaneous              | 1,784,341          | 3,836,737      | 3,071,449      | 3,041,836      | 3,114,959      |
| Extraordinary Item         | -                  | 23,531,668     | -              | -              | -              |
| Total Revenues             | \$ 102,527,421     | \$ 128,699,958 | \$ 103,524,147 | \$ 106,027,359 | \$ 118,286,182 |

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, 2015.

**UNION COUNTY, NORTH CAROLINA**

**General Governmental Expenditures by Function**

**Last Ten Fiscal Years**

**Table 12**

**EXPRESSED IN NOMINAL DOLLARS**

|                                 | <b>Year Ended June 30</b> |                       |                       |                       |                       |
|---------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                 | <b>2006</b>               | <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           |
| General Government              | \$ 12,724,574             | \$ 12,005,860         | \$ 12,690,960         | \$ 12,549,523         | \$ 10,044,406         |
| Public Safety                   | 27,910,690                | 31,041,272            | 34,770,230            | 34,277,288            | 34,475,802            |
| Economic & Physical Development | 1,208,568                 | 1,706,148             | 2,056,913             | 2,042,598             | 2,183,870             |
| Human Services                  | 33,773,032                | 37,535,192            | 39,086,647            | 37,561,560            | 35,921,058            |
| Culture and Recreational        | 5,130,410                 | 6,267,956             | 6,531,016             | 6,177,574             | 5,484,191             |
| Education                       | 32,142,098                | 58,126,552            | 72,215,699            | 78,670,638            | 80,799,320            |
| Debt Service:                   |                           |                       |                       |                       |                       |
| Principal                       | 13,730,879                | 14,030,661            | 21,504,015            | 24,855,116            | 26,928,112            |
| Interest and fiscal charges     | 10,020,639                | 15,180,232            | 21,589,851            | 25,687,672            | 24,895,699            |
| Capital Outlay                  | 78,097,953                | 166,108,664           | 121,465,606           | 88,226,983            | 30,829,406            |
| Total Expenditures              | <u>\$ 214,738,843</u>     | <u>\$ 342,002,537</u> | <u>\$ 331,910,937</u> | <u>\$ 310,048,952</u> | <u>\$ 251,561,864</u> |
|                                 | <b>2011</b>               | <b>2012</b>           | <b>2013</b>           | <b>2014</b>           | <b>2015</b>           |
| General Government              | \$ 11,487,049             | \$ 11,238,063         | \$ 11,493,384         | \$ 11,625,201         | \$ 11,254,881         |
| Public Safety                   | 35,812,639                | 39,997,069            | 39,134,681            | 43,980,663            | 48,720,595            |
| Economic & Physical Development | 3,534,815                 | 2,734,165             | 2,158,639             | 2,383,306             | 2,565,477             |
| Human Services                  | 37,826,248                | 37,796,024            | 36,855,320            | 37,430,037            | 40,496,633            |
| Culture and Recreational        | 5,554,470                 | 5,788,887             | 5,791,576             | 6,006,214             | 6,278,455             |
| Education                       | 80,781,286                | 80,562,304            | 82,882,387            | 85,180,373            | 89,885,541            |
| Debt Service:                   |                           |                       | -                     | -                     |                       |
| Principal                       | 27,231,937                | 29,506,575            | 30,542,075            | 31,705,585            | 33,368,401            |
| Interest and fiscal charges     | 23,561,225                | 22,861,021            | 21,236,696            | 15,643,292            | 14,968,596            |
| Capital Outlay                  | 13,941,595                | 5,643,198             | 11,208,917            | 7,058,571             | 22,134,201            |
| Total Expenditures              | <u>\$ 239,731,264</u>     | <u>\$ 236,127,306</u> | <u>\$ 241,303,675</u> | <u>\$ 241,013,242</u> | <u>\$ 269,672,780</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, 2015.

## General Governmental Expenditures by Function (continued)

## Last Ten Fiscal Years

## EXPRESSED IN CONSTANT DOLLARS

|                                 | Year Ended June 30    |                       |                       |                       |                       |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                 | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  |
| General Government              | \$ 6,271,352          | \$ 5,762,296          | \$ 5,799,858          | \$ 5,818,234          | \$ 4,608,266          |
| Public Safety                   | 13,755,885            | 14,898,476            | 15,890,241            | 15,891,702            | 15,817,128            |
| Economic & Physical Development | 595,647               | 818,878               | 940,024               | 946,993               | 1,001,936             |
| Human Services                  | 16,645,161            | 18,015,278            | 17,862,874            | 17,414,362            | 16,480,195            |
| Culture and Recreational        | 2,528,541             | 3,008,349             | 2,984,720             | 2,864,059             | 2,516,088             |
| Education                       | 15,841,349            | 27,898,245            | 33,003,084            | 36,473,431            | 37,069,860            |
| Debt Service:                   |                       |                       |                       |                       |                       |
| Principal                       | 6,767,313             | 6,734,114             | 9,827,487             | 11,523,376            | 12,354,328            |
| Interest and fiscal charges     | 4,938,708             | 7,285,859             | 9,866,714             | 11,909,367            | 11,421,879            |
| Capital Outlay                  | 38,490,859            | 79,725,015            | 55,510,640            | 40,903,962            | 14,144,200            |
| Total Expenditures              | <u>\$ 105,834,815</u> | <u>\$ 164,146,510</u> | <u>\$ 151,685,642</u> | <u>\$ 143,745,486</u> | <u>\$ 115,413,880</u> |
|                                 |                       |                       |                       |                       |                       |
|                                 | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  |
| General Government              | \$ 5,089,025          | \$ 4,897,229          | \$ 4,922,136          | \$ 4,877,509          | \$ 4,716,299          |
| Public Safety                   | 15,865,817            | 17,429,588            | 16,759,748            | 18,452,677            | 20,416,109            |
| Economic & Physical Development | 1,566,004             | 1,191,472             | 924,455               | 999,948               | 1,075,050             |
| Human Services                  | 16,757,892            | 16,470,435            | 15,783,593            | 15,704,274            | 16,969,901            |
| Culture and Recreational        | 2,460,757             | 2,522,633             | 2,480,290             | 2,519,988             | 2,630,954             |
| Education                       | 35,787,954            | 35,106,766            | 35,495,061            | 35,738,567            | 37,666,064            |
| Debt Service:                   |                       |                       |                       |                       |                       |
| Principal                       | 12,064,370            | 12,858,128            | 13,079,894            | 13,302,503            | 13,982,853            |
| Interest and fiscal charges     | 10,438,161            | 9,962,184             | 9,094,789             | 6,563,353             | 6,272,512             |
| Capital Outlay                  | 6,176,445             | 2,459,146             | 4,800,310             | 2,961,518             | 9,275,221             |
| Total Expenditures              | <u>\$ 106,206,425</u> | <u>\$ 102,897,581</u> | <u>\$ 103,340,276</u> | <u>\$ 101,120,337</u> | <u>\$ 113,004,963</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, 2015.



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

**Table 13**

**EXPRESSED IN NOMINAL DOLLARS**

| <b>FISCAL YEAR<br/>ENDED<br/>June 30,</b> | <b>TOTAL<br/>TAX LEVY</b> | <b>COLLECTED WITHIN THE<br/>FISCAL YEAR OF THE LEVY</b> |                               | <b>COLLECTIONS IN<br/>SUBSEQUENT YEARS</b> | <b>TOTAL COLLECTIONS TO DATE</b> |                               |
|---|---------------------------|---|-------------------------------|--|----------------------------------|-------------------------------|
|   |                           | <b>AMOUNT<br/>COLLECTED</b>                             | <b>PERCENTAGE<br/>OF LEVY</b> |  | <b>AMOUNT<br/>COLLECTED</b>      | <b>PERCENTAGE<br/>OF LEVY</b> |
| 2006                                      | \$ 82,164,332             | \$ 80,035,351   | 97.4%                         | \$ 2,096,909                               | \$ 82,132,260                    | 100.0%                        |
| 2007                                      | 102,198,280               | 99,609,888  | 97.5%                         | 2,393,922                                  | 102,003,810                      | 99.8%                         |
| 2008                                      | 124,260,991               | 121,081,881   | 97.4%                         | 2,977,460                                  | 124,059,341                      | 99.8%                         |
| 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%                         |

**EXPRESSED IN CONSTANT DOLLARS**

| <b>FISCAL YEAR<br/>ENDED<br/>June 30,</b> | <b>TOTAL<br/>TAX LEVY</b> | <b>COLLECTED WITHIN THE<br/>FISCAL YEAR OF THE LEVY</b> |                               | <b>COLLECTIONS IN<br/>SUBSEQUENT YEARS</b> | <b>TOTAL COLLECTIONS TO DATE</b> |                               |
|---|---------------------------|---|-------------------------------|--|----------------------------------|-------------------------------|
|   |                           | <b>AMOUNT<br/>COLLECTED</b>                             | <b>PERCENTAGE<br/>OF LEVY</b> |  | <b>AMOUNT<br/>COLLECTED</b>      | <b>PERCENTAGE<br/>OF LEVY</b> |
| 2006                                      | \$ 40,494,989             | \$ 39,445,713   | 97.4%                         | \$ 1,033,469                               | 40,479,182                       | 100.0%                        |
| 2007                                      | 49,050,779                | 47,808,463  | 97.5%                         | 1,148,980                                  | 48,957,442                       | 99.8%                         |
| 2008                                      | 56,788,150                | 55,335,275  | 97.4%                         | 1,360,720                                  | 56,695,995                       | 99.8%                         |
| 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%                         |

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, 2015.

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

**Table 14**

| Taxpayer                                   | Type of Business      | June 30, 2015            |      |  | June 30, 2006            |      |  |
|--|-----------------------|--------------------------|------|--|--------------------------|------|--|
|  |                       | Taxable Assessed Value   | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value   | Rank | Percentage of Total Taxable Assessed Value |
| Allegheny Technologies (Allvac)            | Metals                | \$ 179,563,848           | 1    | 0.73%                                      | \$ 49,842,643            | 1    | 1.00%                                      |
| Union Electric Membership Corp.            | Utility               | 122,418,514              | 2    | 0.50%                                      | 22,420,323               | 9    | 0.45%                                      |
| Charlotte Pipe & Foundry Co.               | Plastics              | 109,562,542              | 3    | 0.44%                                      | 43,333,530               | 2    | 0.87%                                      |
| Duke Power Company                         | Utility               | 89,193,769               | 4    | 0.36%                                      | 37,228,297               | 3    | 0.75%                                      |
| Pee Dee EMC                                | Utility               | 57,796,898               | 5    | 0.23%                                      | -                        | -    | -  |
| Piedmont Natural Gas Co Inc                | Utility               | 53,976,586               | 6    | 0.22%                                      | -                        | -    | -  |
| Lennar Carolinas LLC                       | Home Builder          | 39,777,680               | 7    | 0.16%                                      | -                        | -    | -  |
| AEP Industries Inc                         | Manufacturer          | 39,238,593               | 8    | 0.16%                                      | 24,832,376               | 7    | 0.50%                                      |
| Walmart Real Estate Business               | Retail                | 35,926,610               | 9    | 0.15%                                      | -                        | -    | -  |
| WSLD Millbridge VI LLC                     | Real Estate Developer | 34,336,550               | 10   | 0.14%                                      | -                        | -    | -  |
| Tyson Farms/Holly Farms                    | Poultry               | -                        |      |  | 21,552,194               | 10   | 0.43%                                      |
| Parkdale America                           | Yarn Manufacturer     | -                        |      |  | 36,982,713               | 4    | 0.74%                                      |
| Alltel Carolina                            | Utility               | -                        |      |  | 23,594,205               | 8    | 0.48%                                      |
| General Telephone Co.                      | Utility               | -                        |      |  | 28,506,249               | 5    | 0.57%                                      |
| Wampler-Longacre                           | Poultry               | -                        |      |  | 27,544,188               | 6    | 0.55%                                      |
| Total assessed valuation top ten taxpayers |                       | <u>\$ 761,791,590</u>    |      | <u>3.09%</u>                               | <u>\$ 315,836,718</u>    |      | <u>6.36%</u>                               |
| Total county-wide assessed valuation       |                       | <u>\$ 24,665,059,406</u> |      |  | <u>\$ 14,635,943,085</u> |      |  |

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2015.

**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 |        |        |        |        |        |        |        |        |        |
|--------------------------------------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                      | 2006               | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   |
| <b>UNION COUNTY</b>                  |                    |        |        |        |        |        |        |        |        |        |
| County-wide rate                     | 0.5600             | 0.6367 | 0.7111 | 0.6650 | 0.6650 | 0.6650 | 0.6650 | 0.6600 | 0.6600 | 0.7614 |
| <b>SUPPLEMENTAL SCHOOL DISTRICTS</b> |                    |        |        |        |        |        |        |        |        |        |
| (Approved by the Voters)             |                    |        |        |        |        |        |        |        |        |        |
| Monroe Schools District              | 0.0700             | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| County Schools District              | 0.0700             | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| <b>SUPPLEMENTAL FIRE DISTRICTS</b>   |                    |        |        |        |        |        |        |        |        |        |
| Hemby VFD                            | 0.0404             | 0.0464 | 0.3770 | 0.0493 | 0.0493 | 0.0476 | 0.0493 | 0.0526 | 0.0526 | 0.0526 |
| Springs VFD                          | N/A                | 0.0313 | 0.0312 | 0.0306 | 0.0306 | 0.0300 | 0.0315 | 0.0355 | 0.0355 | 0.0483 |
| Stallings VFD                        | 0.0390             | 0.0444 | 0.0262 | 0.0406 | 0.0406 | 0.0428 | 0.0428 | 0.0428 | 0.0428 | 0.0428 |
| Waxhaw VFD                           | N/A                | 0.0413 | 0.0513 | 0.2480 | 0.2480 | 0.0370 | 0.0372 | 0.0386 | 0.0386 | 0.0386 |
| Wesley VFD                           | 0.0150             | 0.0152 | 0.0167 | 0.0191 | 0.0191 | 0.0220 | 0.0220 | 0.0241 | 0.0241 | 0.0281 |
| <b>Total County Rates</b>            |                    |        |        |        |        |        |        |        |        |        |
| Maximum                              | 0.6704             | 0.6831 | 1.0881 | 0.9130 | 0.7143 | 0.7126 | 0.7143 | 0.7126 | 0.7126 | 0.8140 |
| Minimum                              | 0.6300             | 0.6367 | 0.7111 | 0.6650 | 0.6650 | 0.6650 | 0.6650 | 0.6600 | 0.6600 | 0.7614 |
| Average                              | 0.6502             | 0.6599 | 0.8996 | 0.7890 | 0.6897 | 0.6888 | 0.6897 | 0.6863 | 0.6863 | 0.7877 |
| <b>CITIES AND TOWNS</b>              |                    |        |        |        |        |        |        |        |        |        |
| City of Monroe                       | 0.4900             | 0.5300 | 0.5500 | 0.5500 | 0.4950 | 0.5550 | 0.5550 | 0.5550 | 0.5550 | 0.5550 |
| Downtown Monroe District             | 0.2000             | 0.2000 | 0.2000 | 0.2000 | 0.2000 | 0.2000 | 0.2000 | 0.2000 | 0.2000 | 0.2000 |
| Town of Fairview                     | 0.0200             | 0.0200 | 0.0200 | 0.0200 | 0.0151 | 0.0200 | 0.0200 | 0.0200 | 0.0200 | 0.0200 |
| Town of Hemby Bridge                 | 0.0300             | 0.0300 | 0.0300 | 0.0300 | 0.0250 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| Town of Indian Trail                 | 0.0800             | 0.1000 | 0.1500 | 0.1500 | 0.1450 | 0.1450 | 0.1450 | 0.1450 | 0.1850 | 0.1850 |
| Town of Marshville                   | 0.3800             | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.4100 | 0.4100 | 0.4100 | 0.4800 | 0.4800 |
| Town of Mineral Springs              | 0.0270             | 0.0270 | 0.0270 | 0.0270 | 0.0250 | 0.0250 | 0.0250 | 0.0250 | 0.0250 | 0.0250 |
| Town of Mint Hill                    | 0.2750             | 0.2750 | 0.2750 | 0.2750 | 0.2750 | 0.2750 | 0.2750 | 0.0000 | 0.0000 | 0.0000 |
| Town of Stallings                    | 0.2500             | 0.2500 | 0.2500 | 0.2500 | 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 | 0.3400 | 0.3400 | 0.3400 |
| Town of Weddington                   | 0.0300             | 0.0300 | 0.0300 | 0.0300 | 0.0300 | 0.0300 | 0.0300 | 0.0520 | 0.0520 | 0.0520 |
| Town of Wingate                      | 0.3600             | 0.3600 | 0.3900 | 0.3900 | 0.3900 | 0.3900 | 0.3900 | 0.3900 | 0.3900 | 0.3900 |
| Village of Lake Park                 | 0.2200             | 0.2200 | 0.2300 | 0.2300 | 0.2300 | 0.2300 | 0.2300 | 0.2300 | 0.2300 | 0.2300 |
| Village of Marvin                    | 0.0517             | 0.0517 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Village of Wesley Chapel             | 0.0200             | 0.0200 | 0.0200 | 0.0200 | 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, 2015.

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

**Table 16**

| <b>Fiscal Year<br/>Ended<br/>June 30,</b> | <b>Population</b> | <b>Personal<br/>Income<br/>(thousands of dollars)</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>School</b> | <b>Unemployment<br/>Rate</b> | <b>Retail Sales<br/>(thousands of dollars)</b> |
|---|-------------------|---|---|---------------|------------------------------|--|
| 2006                                      | 159,800           | 5,680,208   | 32,923                                    | 31,580        | 4.8%                         | 1,099,352                                      |
| 2007                                      | 169,262           | 6,258,085   | 33,867                                    | 34,564        | 4.2%                         | 1,217,491                                      |
| 2008                                      | 182,360           | 6,620,931   | 34,185                                    | 37,110        | 5.5%                         | 1,200,307                                      |
| 2009                                      | 191,514           | 6,749,803   | 33,998                                    | 38,554        | 11.0%                        | 1,162,891                                      |
| 2010                                      | 196,322           | 7,034,086   | 34,793                                    | 39,366        | 10.1%                        | 1,076,852                                      |
| 2011                                      | 202,171           | 7,544,045   | 36,770                                    | 39,900        | 9.6%                         | 1,122,433                                      |
| 2012                                      | 205,321           | 8,258,881   | 39,611                                    | 40,359        | 8.6%                         | 1,197,951                                      |
| 2013                                      | 207,775           | 8,386,195   | 39,417                                    | 40,958        | 8.0%                         | 1,321,781                                      |
| 2014                                      | 211,539           | n/a   | n/a                                       | 42,047        | 6.2%                         | 1,460,830                                      |
| 2015                                      | 215,956           | n/a   | n/a                                       | 41,266        | 5.3%                         | 1,610,426                                      |

n/a = Not available

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2015.

**UNION COUNTY, NORTH CAROLINA**  
**Principal Employers**  
**Current Year**

**Table 17**

| Employer                            | Type of Business                  | June 30, 2015 |      |   | 2006      |      |   |
|-------------------------------------|-----------------------------------|---------------|------|---|-----------|------|---|
|                                     |                                   | 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%+   |
| Charlotte Mecklenburg Hospital      | Education & Health Services       | 1,000+        | 2    | 1%+   | 1,000+    | 3    | 1%+   |
| Tyson Farms Inc.                    | Manufacturing                     | 1,000+        | 3    | 1%+   | 1,000+    | 2    | 1%+   |
| TDY Industries LLC                  | Manufacturing                     | 1,000+        | 4    | 1%+   | 1,000+    | 6    | 1%+   |
| County of Union                     | Public Administration             | 1,000+        | 5    | 1%+   | 500-999   | 5    | 1%  |
| Harris Teeter Inc.                  | Trade, Transportation & Utilities | 500-999       | 6    | 1%+   | 500-999   | 8    | 1%  |
| Wal-Mart Associates Inc.            | Trade, Transportation & Utilities | 500-999       | 7    | 1%  | -         | -    | -   |
| Pilgrim's Pride Corporation         | Manufacturing                     | 500-999       | 8    | 1%  | 500-999   | 7    | 1%  |
| City of Monroe                      | Public Administration             | 500-999       | 9    | 1%  | 500-999   | 9    | 1%  |
| Scott Technologies                  | Manufacturing                     | 500-999       | 10   | 1%  | -         | -    | -   |
| South East Employee Leasing Service | Professional & Business Service   | 500-999       | 11   | 1%  | -         | -    | -   |
| Charlotte Pipe & Foundry Company    | Manufacturing                     | 500-999       | 12   | 1%  | 500-999   | 10   | 1%  |

Source: Union County, North Carolina, Comprehensive Annual Financial Report for the year ended June 30, 2015.

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# COMPLIANCE SECTION



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**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, 2015, 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 November 17, 2015.

**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  
November 17, 2015

**Independent Auditors' Report On Compliance With Requirements Applicable To Each Major  
State Program And Internal Control Over Compliance in Accordance With OMB  
Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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.

## 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, 2015.

## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rives & Associates LLP*

Charlotte, North Carolina  
November 17, 2015

Union Academy  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

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**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

|   |       |     |   |               |
|---|-------|-----|---|---------------|
| Material weaknesses identified?   | _____ | yes | _____ <input checked="" type="checkbox"/> | no            |
| Significant deficiency(s) identified that are not considered to be material weaknesses? | _____ | yes | _____ <input checked="" type="checkbox"/> | none reported |
| Noncompliance material to financial statements noted                                    | _____ | yes | _____ <input checked="" type="checkbox"/> | no            |

**State Awards**

Internal control over major State programs:

|   |       |     |   |               |
|---|-------|-----|---|---------------|
| Material weaknesses identified?   | _____ | yes | _____ <input checked="" type="checkbox"/> | no            |
| Significant deficiency(s) identified that are not considered to be material weakness(es)? | _____ | yes | _____ <input checked="" type="checkbox"/> | 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 | _____ <input checked="" type="checkbox"/> | no |
|-------|-----|---|----|

Identification of major State programs:

|  |
|--|
| <b>Program Name</b>                        |
| State Public School Fund - Charter Schools |

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None reported.

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**Union Academy  
Corrective Action Plan  
For the Year Ended June 30, 2015**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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Finding:     None reported.

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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Finding:     None reported.

**Union Academy**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2015**

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Year Ended June 30,

|      |               |
|------|---------------|
| 2014 | None reported |
| 2013 | None reported |
| 2012 | None reported |

**Union Academy**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2015**

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>          | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|--|------------------------------------|---|---------------------|
| <b>Federal Grants:</b>   |                                    |   |                     |
| <u>U.S. Department of Education</u>                            |                                    |   |                     |
| Passed-through the N.C. Department of Public Instruction:      |                                    |   |                     |
| <u>Office of Elementary and Secondary Education</u>            |                                    |   |                     |
| <u>Improving Teacher Quality Cluster:</u>                      |                                    |   |                     |
| - Teacher Quality Enhancement-NCLB Title IIA                   | 84.367                             | PRC 103   | \$ 5,294            |
|  |                                    |   | <u>5,294</u>        |
| <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   | 147,602             |
| -IDEA VI B Special Needs Targeted Assistance                   | 84.027                             | PRC 118   | 2,297               |
| Total Special Education Cluster:                               |                                    |   | <u>149,899</u>      |
| Total federal assistance                                       |                                    |   | <u>155,193</u>      |
| <b>State Grants:</b>   |                                    |   |                     |
| <u>N.C. Department of Public Instruction:</u>                  |                                    |   |                     |
| State Public School Fund-Charter School                        | N/A                                | PRC 036   | 7,228,761           |
| <u>Exceptional Children Division</u>                           |                                    |   |                     |
| Behavioral Support   | N/A                                | PRC 029   | <u>25,549</u>       |
| Total State assistance   |                                    |   | <u>7,254,310</u>    |
| Total federal and State assistance                             |                                    |   | <u>\$ 7,409,503</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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 OMB Circular A-21, Cost Principles for Educational Institutions or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.



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