



**monroe  
union county**  
economic development

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### Important News:

*ASSA ABLOY is investing in new automation equipment to improve productivity and increase capacity at their ASSA ABLOY Entrance Systems facility along Airport Road in Monroe.*

*Town of Indian Trail moves to work closely with Monroe-Union County Economic Development. Initial focus is on identifying sites for high-tech manufacturing.*

*Hannover Messe is the largest industrial trade show in the world. Union County was there with 18 other representatives from the Charlotte Region representing our community on the world stage.*

### Supervisory Skills Offered in Seminar Series

One of the primary functions of the Monroe-Union County Economic Development office is the retention of jobs and investment of existing manufacturers and other types of industries in Union County. This can be achieved in a myriad of ways – primarily through establishing healthy relationships, which leads to assistance with workforce development, municipal issues, support in identifying and applying for grants, assistance with utilities and much more. In short, it is the intent of the economic development office to act as a resource and assist with resolving problems to make it easier for local manufacturers to excel at what they do and to continue bringing jobs and investment to Union County.

During the course of the past year and a half, it became evident during existing industry meetings that there was a strong need for training in soft skills. A common theme revealed that many manufacturers employed members who excelled at their position on a line; however, when it came time to promote to a supervisory role, these employees were often not equipped with the appropriate skills to oversee co-workers. Training in communications skills, collaborating with a team, trust and other non-tangible skills would all be of great benefit.

To fill this vacuum in supervisory training, the Economic Development office set about arranging for a Supervisory Training Seminar Series. A series of 6 courses was scheduled to be offered to all Union

### The Need for More Product

Union County has been successful in the recruitment of industries to many areas of the County but what is holding back future growth in investment and jobs is the lack of "product". In Economic Development, product is represented by available, marketable buildings and shovel-ready parcels of land with the correct zoning and infrastructure. In Union County, Monroe has been at the forefront in the development of land for the specific purpose of seeking manufacturing investment and job

creation. The Monroe Corporate Center is the crown jewel of the County's industrial parks. With 10 companies from 4 countries, it is truly a significant job creator and has allowed the City to maintain its place as a leader of manufacturing in the entire Charlotte Region.

Union County has been hurt the most by its own success in selling virtually every marketable



building in its inventory. Today, we are missing potential projects and losing companies to our neighboring counties due to the lack of this building product. Our clients are seeking buildings in literally all sizes. The most

## Appreciation

Special thanks to our sponsors for the Supervisory Training Seminar Series

Union Power Cooperative

Centralina Workforce Development Board

Also, we appreciate our training partner

HPO Associates

## Office Activities

### Events:

- Queen's Cup Steeplechase (April 30, 2016)
- Supervisory Training Seminar Series (Mar, Apr & May)
- "Hook & Slice" Industry Appreciation Golf Tournament and Awards Banquet (Sep 8, 2016)

### Mission Trips:

- SpeedNews Commerical Aviation Supplier Conference
- Hannover-Messe Industrial Technology Trade Fair
- Farnborough Air Show

## Leasing Changes that will Affect Industries and Developers

### Introduction

*It has been a long-time coming that the accounting standards for leases would change so that they show up on balance sheets. Given this is a very technical matter, MUCEDC solicited the team at Elliott Davis Decosimo to provide some explanation on this complicated topic. Their commentary is below:*



On February 25, the Financial Accounting Standards Board (FASB) issued the much-anticipated (and often criticized) lease accounting standard. In 2006, the FASB and the International Accounting Standards Board (IASB) identified major convergence projects intended to improve the United States' Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS). As part of that effort, the two Boards issued two proposals to revise the accounting for leases. Although convergence between the FASB and IASB was not realized, the key objective to bring leases on to balance sheets is achieved in the final standard.

### Lessee Accounting Model

The FASB decided on a dual approach for classifying leases based on criteria similar to current U.S. GAAP. Under this approach, a lessee will account for most existing capital/finance leases as Type A leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as Type B leases (with costs presented as lease expense and recognized on a straight-line basis in the income statement over the lease term).

The new standard requires a lease to be classified as a Type A lease when:

1. payments represent substantially all of the fair value of the asset,
2. the lease term is for a major portion of the asset's economic life,
3. purchase of the asset is considered a bargain, or
4. title transfer is automatic at the end of the lease.

*The fair value and economic life tests are similar to the 90% and 75% tests under existing U.S. GAAP guidance.*

The lessee will recognize an ROU asset and a lease liability for both Type A leases and Type B leases. The only exception to this will be for short-term leases (i.e., a term of one year or less), which would not be recognized on a lessee's balance sheet.

**OBSERVATION:** Although there is dual approaches related to income statement impact, all leases (other than short-term leases) will result in the recognition of an asset and liability on the balance sheet.

### Lessor Accounting Model

A lessor will determine lease classification (Type A versus Type B) on the basis of whether the lease is effectively a financing or a sale rather than an operating lease (i.e., on the concept underlying existing U.S. GAAP). A lessor would make that determination by assessing whether the lease substantially transfers all the risks and rewards incidental to ownership of the underlying asset. For financing arrangements (Type A leases) or sales, the balance sheet would reflect a lease receivable and the lessor's residual interest. Lessors would classify all other leases as Type B, on income statements and balance sheets similar to today's operating leases.

### Transition

The new lease standard will be implemented using a modified retrospective approach. Under this approach, lessees and lessors will compute lease assets and liabilities based on the remaining payments for leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements (the date of initial application). Also, a lessee may elect specified transition relief provisions. These relief provisions, which must be elected collectively and applied consistently, would allow lessees to:

- Not reassess whether any expired or existing contracts are, or contain leases
- Not reassess the lease classification for any expired or existing leases (i.e., capital leases could be assumed to be Type A leases and operating leases Type B)
- Not reassess initial direct costs for any existing leases (that is, whether those costs would have qualified for capitalization under the new standard)

*(continued on page 3)*

## Leasing Changes (con't.)

**OBSERVATION:** The relief provisions come at a price. There may be times when it would be beneficial to reassess whether a lease is present. However, doing so would require a reassessment of the classification of all leases. Companies will need to consider whether the overall benefit of the relief outweighs the potential benefit of removing certain types of arrangements from being accounted for under the new guidance.

### Effective Dates

- For public companies, the new standard will be effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2018.
- For private firms, the standard will be effective for annual periods beginning after December 15, 2019.  
\* *Early adoption is permitted for all businesses and organizations.*

### What's Next?

Companies that have not done so already will want to think through the potential impact, particularly in light of the requirement to retrospectively apply the standard to previously issued financial statements. Elliott Davis Decosimo is a great resource to answer your questions.

### Elliott Davis Decosimo contact:

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## Leadership (con't.)

County manufacturers over the course of 3 months – 2 courses in March, April and May 2016. In addition to communication, trust and teamwork, the seminars focus on training for resolving conflict and handling problem people. By partnering with HPO Associates, which has provided skills training to many manufacturers throughout the Charlotte Region, the economic development office was afforded the ability to offer this Series to local industries in an à la carte fashion and at a significantly reduced cost.

Registration for the seminars opened in mid-February and before the close of the month, all 20 slots for each of the six courses were filled. Due to this overwhelming response, the Economic Development office is pursuing the potential to repeat the sessions in the fall of 2016. The more manufacturers that can participate in this program, the stronger our industries become and continue to create jobs and invest in Union County.

## Product (con't.)

commonly desired buildings range from 30,000 square feet to over 100,000 square feet. Companies needing a new building have delayed to the point that they no longer have the luxury of waiting for a new construction. They need a dark shell or speculative building so they can move equipment into the structure within a 4-6 month window. Our office has sought out the development community to generate these buildings to no avail; consequently, the City of Monroe is stepping up once again to build its 4th spec building. This building will be 108,000 square feet on at least 10 acres in the Monroe Corporate Center.

While Monroe has led this product development effort, we are seeing other municipalities in the County realize commercial tax base is a game changer for their communities as well.

Waxhaw is working with several private groups on possible light manufacturing and commercial office developments.

Wingate has been putting notable effort into its long-term planning and gaining traction on the development of light manufacturing areas to the north of town.

Other communities like Indian Trail, Marshville and Fairview are seeking opportunities as well.

All of these local efforts are significant and represent a change in mindset toward diversity in the tax base.

Finally, there are current discussions at the staff level at Union County that will aid in product development.

There are two measures being vetted. First, there is consideration of a small infrastructure incentive that could help companies with improvements that benefit a small area and are tied directly to projects. The second concept is to open up larger tracks of land, in an attempt to provide a broader range of options for economic development projects to consider.

Union County ranks as a "Tier 3" county by the State of North Carolina, the same as Mecklenburg - the highest developed status. Such a ranking severely limits our access to grant funds that many of our competitors have an easier path to obtaining. These measures currently being discussed could help close the gap. If established, these programs will be used on a limited basis and will be applied to projects identified as having high potential job creation and ROI of the new tax base to County residents.





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## labor2013-2016



*Laborforce Increase*

**41.9%**



*Unemployment Rate  
Decrease*

Average  
Wages  
of  
New Jobs  
**\$54k/yr**

**\$18.48**



*Average Hourly  
Rate*

**the prospector**  
spring  
2016