

**CULTURE AND HERITAGE  
COMMISSION OF YORK COUNTY  
(A Component Unit of York County)  
ROCK HILL, SOUTH CAROLINA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**



**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2013**

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	<u>Page</u>
Board of Commissioners	iii
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditor's Report</b>	1
Management's Discussion and Analysis	3
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
Notes to the Financial Statements	16
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - General Fund	30
Schedule of Employer Contributions and Funding Progress - Other Postemployment Benefits Plan	33
<b><u>COMPLIANCE SECTION</u></b>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35



**CULTURE AND HERITAGE COMMISSION**  
**(A Component Unit of York County)**

Rock Hill, South Carolina

Established

1997

**COMMISSIONERS**

**DISTRICT 1 – Dennis Getter, Treasurer**

**DISTRICT 2 – Jonell Hagner**

**DISTRICT 3 – David Duncan**

**DISTRICT 4 – Hester Benitez**

**DISTRICT 5 – Ragin Craig**

**DISTRICT 6 – Ronald David Plexico, Chair**

**DISTRICT 7 – Rick Lee**

**Ex Officio – Bob McCann**

**Ex Officio – Patricia Veasey**





**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Culture and Heritage Commission of York County  
Rock Hill, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Culture and Heritage Commission of York County (the "Commission"), a component unit of York County, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission'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 from 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 above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2013, and the respective changes in financial position 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, Budgetary Comparison Schedule – General Fund, and Schedule of Employer Contributions and Funding Progress – Other Postemployment Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 12, 2013



**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

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This discussion and analysis of the Culture and Heritage Commission of York County's (the "Commission") financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2013. The Commission is a component unit of York County (the "County"). The intent of this discussion and analysis is to present the Commission's financial performance as a whole; readers should also review the financial statements, the notes to the financial statements and the supplemental schedules to enhance their understanding of the Commission's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2013 are as follows:

- On the government-wide financial statements, the assets of the Commission exceeded its liabilities at June 30, 2013 by approximately \$518,000. The Commission reported a deficit in unrestricted net position of approximately \$437,000, due primarily to unfunded other postemployment benefit ("OPEB") obligations of approximately \$1,503,000. The total net position of the Commission increased by approximately \$243,000 from the prior year.
- The General Fund reported ending fund balance of approximately \$1,254,000, an increase of approximately \$628,000 from the prior year ending fund balance. 49% of the total amount, or approximately \$619,000, is unassigned and available for spending at the government's discretion. The unassigned fund balance represents 19% of fiscal 2013 expenditures.
- Total revenues for the year ended June 30, 2013 were approximately \$3,905,000, of which over 75% came from appropriations from the County, compared to approximately \$3,431,000 in revenues for the prior year. This increase of approximately \$474,000 (14%) was due primarily to an increase in funds appropriated by the County for the Commission.
- Total expenditures for the year ended June 30, 2013 were approximately \$3,295,000 compared to approximately \$3,317,000 in the prior year, or a decrease of approximately \$22,000 (1%).
- The Commission's capital assets were approximately \$927,000 at June 30, 2013, an increase of approximately \$31,000 from the prior year, as additions of approximately \$132,000 exceeded depreciation of approximately \$88,000 and net disposals of approximately \$13,000. The majority of the Commission's facilities and equipment are owned and maintained by the County and are reported in the County's financial statements. The Commission does not have any outstanding indebtedness.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: the *Financial Section* (which includes management's discussion and analysis, the financial statements, and required supplementary information), and the *Compliance Section*.

**Government-wide Financial Statements.** The financial statements include two kinds of statements that present different views of the Commission. The first two statements are *government-wide financial statements* that provide a broad overview of the Commission's overall financial status, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Commission include general operations. The Commission does not report any business-type activities. The government-wide financial statements can be found as listed in the table of contents of this report.

**Fund Financial Statements.** The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Commission, reporting the Commission's operations in more detail than the government-wide statements. 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 Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. There are three categories of funds that are typically used by state and local governments: governmental funds, proprietary funds, and fiduciary funds. The Commission utilizes only governmental funds in reporting the operations of the Commission.

Governmental Funds – Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Commission had only one governmental fund, the General Fund, as of June 30, 2013. During 2013 the Commission closed out its inactive special revenue fund, transferring approximately \$18,000 in remaining fund balance to the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for this fund, which is a major fund. The governmental fund financial statements can be found as listed in the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents of this report.

**Other Information.** The Commission adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund. This schedule can be found as listed in the table of contents of this report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>Figure A-1</b>		
<b>Major Features of the Commission's Government-Wide and Fund Financial Statements</b>		
	Government-Wide Statements	Fund Financial Statements  General Fund (only fund)
Scope	Entire Commission.	The activities of the Commission.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by approximately \$518,000 and approximately \$275,000 at the close of the most recent fiscal years. Below is a summary of the Commission's net position for its governmental activities at June 30, 2013 and 2012:

<b>Net Position</b>		
	June 30, 2013	June 30, 2012
<b>Assets</b>		
Current Assets	\$ 1,654,154	\$ 961,115
Capital Assets, Net	927,207	895,967
Total Assets	2,581,361	1,857,082
<b>Liabilities</b>		
Current Liabilities	400,530	317,610
Long-Term Liabilities	1,662,634	1,264,153
Total Liabilities	2,063,164	1,581,763
<b>Net Position</b>		
Net Investment in Capital Assets	927,207	895,967
Restricted	28,217	18,056
Unrestricted (Deficit)	(437,227)	(638,704)
Total Net Position	\$ 518,197	\$ 275,319

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The Commission's total assets at June 30, 2013 increased by approximately \$724,000 over the prior year. The increase was primarily due to an increase in cash and amounts due from the County as revenues exceeded expenditures. Total liabilities at June 30, 2013 increased by approximately \$481,000 from the prior year primarily due to an increase in deferred revenues of approximately \$110,000 and an increase in the unfunded OPEB obligation of approximately \$361,000.

The Commission's net position (assets minus liabilities) increased by approximately \$243,000 during the current fiscal year due to current year revenues exceeding current year expenses. See the table below for additional information on the changes in net position in fiscal year 2013.

A significant portion of the Commission's net position is reflected in its investment in capital assets totaling approximately \$927,000 at June 30, 2013. The Commission uses these assets to provide services to citizens; these assets are not available for future spending. In addition, approximately \$28,000 of the Commission's net position represents resources that are subject to external restrictions on how they may be used.

The remaining portion of the Commission's net position is a deficit of approximately \$437,000 due primarily to unfunded OPEB obligations of approximately \$1,503,000 at June 30, 2013.

The table below shows the changes in net position for Commission's governmental activities for fiscal years 2013 and 2012:

**Statement of Activities**

	2013	2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 461,122	\$ 447,320
Operating Grants	357,574	317,856
General Revenues:		
County Appropriation	2,956,018	2,660,862
Other	130,320	5,118
Total Revenues	3,905,034	3,431,156
<b>Program Expenses</b>		
Museum Services/Operations	3,662,156	3,423,211
Total Program Expenses	3,662,156	3,423,211
<b>Change in Net Position</b>	242,878	7,945
Net Position, Beginning of Year	275,319	267,374
Net Position, End of Year	\$ 518,197	\$ 275,319

The Commission's net position increased from fiscal year 2012 to fiscal year 2013 by approximately \$243,000, as revenues of approximately \$3,905,000 exceeded expenses (including \$361,000 for unfunded OPEB obligations) of approximately \$3,662,000.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

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**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

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

**Governmental Fund** – The analysis of governmental funds serves the purpose of determining available fund resources, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

At June 30, 2013, the Commission's General Fund reported a fund balance of approximately \$1,254,000 as compared to the prior year amount of approximately \$625,000. Unassigned fund balance was approximately \$619,000 at June 30, 2013, representing 49% of the total fund balance and 19% of expenditures for the year ended June 30, 2013.

Revenues of approximately \$3,905,000 exceeded expenditures of approximately \$3,295,000 by approximately \$610,000. In addition, the Commission closed out its inactive special revenue fund in 2013, transferring approximately \$18,000 to the General Fund. The total increase in fund balance was approximately \$628,000 for 2013. Appropriations from the County were approximately \$2,956,000 for 2013, compared to approximately \$2,661,000 for the prior year, as York County Council budgeted for this increase. Appropriations from the County represented over 75% of total revenues for the Commission for 2013. Total expenditures were approximately \$3,295,000 for 2013; salaries and benefits were approximately \$2,086,000, representing 63% of total expenditures.

**General Fund Budgetary Highlights**

The Board of Commissioners adopts an annual budget for the Commission's General Fund. Amendments to the Commission's General Fund revenue and expenditure budget for the fiscal year 2013 totaled \$100,000. The Commission budgeted to use approximately \$332,000 in accumulated fund balance for fiscal year 2013. However, fund balance increased by approximately \$628,000 in fiscal year 2013 primarily due to actual capital outlay of approximately \$200,000 being less than budget by approximately \$945,000, combined with other variances in total of approximately \$15,000 or 0.3%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

The Commission's investment in capital assets includes building improvements and equipment and totaled approximately \$927,000 at June 30, 2013, an increase of approximately \$31,000 from the prior year. During 2013 the Commission capitalized approximately \$132,000 in additions and recorded depreciation expense of approximately \$88,000 and net disposals of approximately \$13,000. The majority of the Commission's facilities and equipment are owned and maintained by the County and are reported in the County's financial statements. In previous years, collections consisting of works of art, historical treasures, and similar assets held for public exhibition, education and research services, had been included in capital assets. The Commission no longer capitalizes such items as it is not cost beneficial to establish or estimate the amount at which the collection should be capitalized. For more detailed information on the Commission's capital assets, see the notes to the financial statements.

*Debt Administration*

At June 30, 2013, the Commission had no outstanding debt. The Commission had other long-term obligations outstanding at year end which consisted of other postemployment benefits plan liabilities of approximately \$1,503,000 and compensated absence liabilities of approximately \$159,000. For more detailed information on all of the Commission's long-term obligations, see the notes to the financial statements.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

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**ECONOMIC FACTORS AND FISCAL YEAR 2014 BUDGET**

While higher than the State unemployment rate of 8.1%, the County's unemployment rate at June 30, 2013 was 8.2% versus 10.8% a year ago. While the economy appears to be improving the Commission did not request an increase in the millage rate or rates for services for FY 2014. Many factors were considered by the Commission's administration during the process of developing the fiscal year 2014 budget which was approximately \$4.0 million or 18.6% less than the FY 2013 budget. The most significant reason for the decrease from the FY 2013 budget was the change in capital repairs and renovation expenditures as well as the costs of replacing the phone system and computers had been included in the FY 2013 budget. The Commission's top two goals were to balance the budget and to move forward with capital repairs needed at the Museum of York County and Historic Brattonsville. The FY 2014 budget also included appropriations for furniture and fixtures that will be needed as the staff located in McCelvey Center move into the renovated annex which will be completed in FY 2014. Later in FY 2014, the Commission did approve that up to \$921 thousand be added to the FY 2014 budget in order to re-appropriate approximately \$780 thousand for capital repairs that had not been completed in FY 2013 and for approximately \$141 thousand due to receiving Hospitality Tax grant funds for repair of the Brick House Porch and for Huck' Defeat project subsequent to the adoption of the original FY 2014 budget.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide those interested with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the York County Department of Finance at [beth.latham@yorkcountygov.com](mailto:beth.latham@yorkcountygov.com) or call (803) 684-8528.

# Basic Financial Statements

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
 ROCK HILL, SOUTH CAROLINA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	<b>PRIMARY GOVERNMENT Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 999,391
Accounts Receivable	40,906
Due From York County	518,676
Inventory	65,093
Prepays	30,088
Capital Assets:	
Depreciable, Net	927,207
<b>TOTAL ASSETS</b>	<b>\$ 2,581,361</b>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 36,316
Accrued Salaries, Fringe, and Benefits	39,034
Deferred Revenue	325,180
Long-Term Obligations:	
Net Other Postemployment Benefit Obligation	1,503,167
Due Within One Year	70,792
Due in More Than One Year	88,675
<b>TOTAL LIABILITIES</b>	<b>2,063,164</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	927,207
Restricted For:	
Cultural Programs	28,217
Unrestricted	(437,227)
<b>TOTAL NET POSITION</b>	<b>\$ 518,197</b>

The notes to the financial statements are an integral part of this statement.  
 See accompanying independent auditor's report.



CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
 ROCK HILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE &amp; CHANGE IN NET POSITION</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
<b>PRIMARY GOVERNMENT:</b>					<u>Governmental Activities</u>	<u>Totals</u>
Governmental Activities:						
Culture and Recreation	\$ 3,662,156	461,122	357,574	-	(2,843,460)	\$ (2,843,460)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,662,156</b>	<b>461,122</b>	<b>357,574</b>	<b>-</b>	<b>(2,843,460)</b>	<b>(2,843,460)</b>
General Revenues:						
County Appropriation					2,956,018	2,956,018
Miscellaneous					130,320	130,320
Total General Revenues					<u>3,086,338</u>	<u>3,086,338</u>
<b>CHANGE IN NET POSITION</b>					<b>242,878</b>	<b>242,878</b>
NET POSITION, Beginning of Year					<u>275,319</u>	<u>275,319</u>
<b>NET POSITION, End of Year</b>					<b>\$ 518,197</b>	<b>\$ 518,197</b>

The notes to the financial statements are an integral part of this statement.  
 See accompanying independent auditor's report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2013**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 999,391	-	\$ 999,391
Accounts and Grants Receivable	40,906	-	40,906
Due From York County	518,676	-	518,676
Inventory	65,093	-	65,093
Prepays	30,088	-	30,088
<b>TOTAL ASSETS</b>	<b><u>\$ 1,654,154</u></b>	<b><u>-</u></b>	<b><u>\$ 1,654,154</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 36,316	-	\$ 36,316
Accrued Salaries, Fringe and Benefits	36,802	-	36,802
Accrued Expenses	2,232	-	2,232
Deferred Revenue	325,180	-	325,180
<b>TOTAL LIABILITIES</b>	<b><u>400,530</u></b>	<b><u>-</u></b>	<b><u>400,530</u></b>
<b>FUND BALANCE</b>			
Nonspendable:			
Inventory	65,093	-	65,093
Prepays	30,088	-	30,088
Restricted for:			
Cultural Programs	28,217	-	28,217
Assigned for:			
Capital Outlay	511,208	-	511,208
Unassigned	619,018	-	619,018
<b>TOTAL FUND BALANCE</b>	<b><u>1,253,624</u></b>	<b><u>-</u></b>	<b><u>1,253,624</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 1,654,154</u></b>	<b><u>-</u></b>	<b><u>\$ 1,654,154</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2013**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 1,253,624**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$1,797,454, and the accumulated depreciation was \$870,247. 927,207

Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of the following:

Net Other Postemployment Benefit Obligation	(1,503,167)
Compensated Absences	(159,467)

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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 518,197**

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2013**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
York County Appropriations	\$ 2,956,018	-	\$ 2,956,018
Other Support	122,860	-	122,860
Program Revenues	826,156	-	826,156
<b>TOTAL REVENUES ALL SOURCES</b>	<b>3,905,034</b>	<b>-</b>	<b>3,905,034</b>
<b>EXPENDITURES</b>			
Current:			
Operations	1,808,123	-	1,808,123
Programs	1,286,646	-	1,286,646
Capital Outlay	200,146	-	200,146
<b>TOTAL EXPENDITURES</b>	<b>3,294,915</b>	<b>-</b>	<b>3,294,915</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>610,119</b>	<b>-</b>	<b>610,119</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	18,056	-	18,056
Transfers Out	-	(18,056)	(18,056)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>18,056</b>	<b>(18,056)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>628,175</b>	<b>(18,056)</b>	<b>610,119</b>
FUND BALANCE, Beginning of Year	625,449	18,056	643,505
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,253,624</b>	<b>-</b>	<b>\$ 1,253,624</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2013**

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<b>TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS</b>	<b>\$ 610,119</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(37,025)
In the Statement of Activities the loss on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. The change in net position differs from the change in fund balance by the net book value of the assets disposed.	(13,032)
The Commission's Net Other Postemployment Benefit Obligation (Liability) resulting from the unfunded annual required contribution to the OPEB plan is not reported as a liability in the governmental funds. This amount represents the net change in this liability for the year.	(361,456)
The governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$132,065 exceeded depreciation expense of \$87,793 for the current period.	44,272
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 242,878</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

On October 20, 1997, the York County Council formally adopted an ordinance to amend the York County Code to create a new commission to be known as *Culture and Heritage Commission of York County* (the "Commission"). The Commission assumed the duties and responsibilities of the Museum of York County and the York County Historical Commission. Additionally, the assets and property of the Museum of York County and the York County Historical Commission were transferred to the Commission. York County Council appoints all of the members of the Commission's Board of Commissioners, which is the Commission's governing authority. The County also provides the Commission with an annual appropriation, which is the majority of the Commission's operating revenues. Accordingly, the Commission is considered to be a component unit of the County and the Commission's financial position and activities are reported in the financial statements of the County as a discretely presented component unit.

The accompanying financial statements present the financial position and results of operations of the Commission only and do not include any financial information for the County or any other component unit of the County. The Commission does not have any component units. The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Commission (the primary government).

Governmental activities, which normally are supported by County appropriations and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Commission does not report any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations from the County and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment, or governmental function, is self-financing or draws from the general revenues of the Commission.

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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with the operation of the Commission are included on the statement of net position.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental funds financial statements are prepared (see further detail below). Governmental funds financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

**Governmental funds financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

County appropriations, intergovernmental revenues, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the government.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following fund type is used by the Commission.

**Governmental fund types** are those through which all of the governmental functions of the Commission are financed. The Commission's expendable financial resources and related assets and liabilities are accounted for through governmental funds. The Commission had two funds during 2013:

The **General Fund, a major fund**, is the general operating fund of the Commission and accounts for all revenues and expenditures of the Commission. All County appropriations and other receipts are accounted for in the General Fund. General operating expenditures are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.

The **Special Revenue Fund, a major fund**, was used to account for the proceeds of specific revenue sources. This fund has been inactive for some time. During 2013 the Commission closed this fund, transferring the remaining fund balance of approximately \$18,000 to the General Fund, which is included in Restricted Fund Balance.

The Commission implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB 63") in 2013. GASB 63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net position by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net position by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the Commission had no deferred outflows or inflows of resources at June 30, 2013, the Commission's implementation of GASB 63 had no material effect on the presentation of its 2013 financial statements.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity**

**1. Cash, Cash Equivalents, and Investments**

The Commission considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

The Commission's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the Commission to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States;
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (f) Repurchase agreements when collateralized by securities as set forth in this section; and
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Commission's cash investment objectives are preservation of capital, liquidity, and yield. The Commission reports its investments at fair value, which is normally determined by quoted market prices. The Commission did not have any investments during the year ended June 30, 2013.



**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**2. Inventories and Prepaid Assets**

Inventories consist of consumable supplies and are valued at cost, using the first-in, first-out method. The costs of inventories are recorded as expenditures when consumed rather than when purchased or produced. Inventory in the Proprietary Funds consists of items for resale. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements.

**3. Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. The majority of the Commission's facilities and equipment are owned and maintained by the County and are reported in the County's financial statements. In previous years, collections consisting of works of art, historical treasures and similar assets held for public exhibition, education and research services, had been included in capital assets. The Commission no longer capitalizes such items as it is not cost beneficial to establish or estimate the amount at which the collection should be capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10-30 years
Furniture, Fixtures and Equipment	3-7 years

**4. *Compensated Absences***

It is the Commission's policy to permit employees to accumulate earned but unused personal leave benefits. Vacation benefits are paid when taken up to a 45 day maximum that may be accumulated; any unused portion of vacation leave (45 day maximum) is payable upon termination, retirement or death. No liability is reported for unpaid accumulated sick leave as the Commission does not pay any unused sick leave upon separation of service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is recorded in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

**5. *Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental funds financial statements regardless of whether they will be liquidated with current resources. However, long-term obligations that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they have matured (i.e., due and payable).

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**6. Fund Balance**

In accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB 54”), the Commission classifies governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaid assets, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Board of Commissioners before the end of the reporting period. The Board of Commissioners must commit fund balance by formal action before the end of the reporting period for this portion of fund balance to qualify for this category. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use of the committed fund balance by the same action.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made by the highest level of decision making authority, or by parties delegated this authority, before the report issuance date. The Board of Commissioners assigns fund balance by an approved motion by the Board before report issuance for fund balance to qualify in this category.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Commission generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Commission generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**7. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the statement of net position. Net position is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**8. Accounting Estimates**

The preparation of the financial statements in accordance with GAAP requires the Commission’s management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Board of Commissioners adopts a budget for General Fund revenues and expenditure prior to the beginning of each fiscal year. During the year, the Board of Commissioners made supplementary budget appropriations, which decreased available general fund revenues. The budget is presented in the required supplementary section of the financial statements. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP, and is based on funding expectations and past experience.

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**A. Deposits and Investments**

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. The Commission does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2013, none of the Commission's bank balances of approximately \$1,003,000 (which had a carrying value of approximately \$999,000) were exposed to custodial credit risk.

**B. Capital Assets**

Governmental capital asset activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Construction in Progress	\$ 143,133	132,065	-	(275,198)	\$ -
Total Capital Assets, Non-Depreciable	143,133	132,065	-	(275,198)	-
Capital Assets, Depreciable:					
Buildings and Improvements	1,315,011	-	(17,000)	-	1,298,011
Furniture, Fixtures, and Equipment	255,179	-	(30,934)	275,198	499,443
Total Capital Assets, Depreciable	1,570,190	-	(47,934)	275,198	1,797,454
Less: Accumulated Depreciation For:					
Buildings and Improvements	607,952	43,581	(3,969)	-	647,564
Furniture, Fixtures, and Equipment	209,404	44,212	(30,933)	-	222,683
Total Accumulated Depreciation	817,356	87,793	(34,902)	-	870,247
Total Capital Assets, Depreciable, Net	752,834	(87,793)	(13,032)	275,198	927,207
Governmental Activities Capital Assets, Net	\$ 895,967	44,272	(13,032)	-	\$ 927,207

At June 30, 2013, the Commission had commitments under contracts for roof repairs and Brickhouse renovations totaling approximately \$695,000.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**C. Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 122,442	107,817	70,792	159,467	\$ 70,792
Net Other Postemployment Benefit Obligation	1,141,711	361,456	-	1,503,167	-
Total Governmental Activities	<u>\$ 1,264,153</u>	<u>469,273</u>	<u>70,792</u>	<u>1,662,634</u>	<u>\$ 70,792</u>

General Fund resources are expected to be used to fund the other postemployment benefits obligation and compensated absences payable. See Note IV. D. for more information on the other postemployment benefits.

**IV. OTHER INFORMATION**

**A. Retirement Plan**

Substantially all full-time Commission employees are members of the South Carolina Retirement System (“SCRS”). The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plan’s provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and PORS to the newly created South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plan are at a rate of 7.0% of salary. Employers are required to contribute at the following actuarially determined rates: SCRS State Agencies & Public Schools 10.45%; local governments 10.45%. In addition to the above rates, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants. Contribution information for the year ended June 30, 2013 and the two prior years is as follows:

Year Ending June 30,	Employee Amount	Contributions % of Wages	Employer Amount	Contributions % of Wages	Totals
2013	\$ 105,669	7.00%	160,459	10.60%	\$ 266,128
2012	109,792	6.50%	161,056	9.39%	270,848
2011	\$ 134,226	6.50%	193,905	9.24%	\$ 328,131

Commission employees may participate in a 457 and / or 401(k) deferred compensation plans that are available to state and local governmental employees through the state public employee retirement system. These programs are administered by a state-approved nongovernmental third party. There are no contributions made by the Commission to these plans.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Risk Management**

The Commission is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, job related illness and injuries and errors and omissions. The Commission is insured against such risk by the County, which carries commercial insurance. The Commission (through the County) carries employee health insurance. It also carries general liability and property insurance through the South Carolina Insurance Reserve Fund, which represents South Carolina government entities joined together in a public entity risk pool. The Commission purchases workers' compensation insurance from the South Carolina State Accident Fund, a public entity risk pool. The South Carolina Insurance Reserve Fund and the South Carolina Accident Fund promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. The Commission pays annual premiums to the South Carolina Insurance Reserve Fund and the South Carolina State Accident Fund for its insurance coverage. These funds are self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities. The state accumulates assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk of the above. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

**C. Contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. Management has not been informed of any significant matters of noncompliance with grant provisions or planned grantor audits.

The Commission and York County, as plaintiffs, have filed a suit in 2013 against the Culture and Heritage Foundation, Inc., Sustainable Development Group, Inc., SDG Properties, LLC, and CHF Property Management, LLC (collectively the Defendants). This suit involves a challenge concerning the Defendant Foundation's oversight of assets acquired and held for the benefit of the Commission. The lawsuit seeks, inter alia, the issuance of an injunction precluding the Defendants from distributing funds or property acquired prior to an express change in the Foundation's purpose to support any organization other than the Commission; a determination that assets acquired prior to the change in purpose are held for the sole use and benefit of the Commission; that properties and funds conveyed to the Foundation prior to the change in purpose are impressed with a constructive trust for the benefit of the Commission; that the Foundation and the other Defendants should be estopped from taking any action contrary to the Foundation's promises and representations made to the Plaintiffs; that the Defendants had a fiduciary duty to the Plaintiffs as a result of their relationship and the corporate structure of the Foundation; an accounting of the corporate books and records of the Defendants; and, such other relief as the Court may deem just, equitable, and proper. The lawsuit is in the early stages of discovery.

**D. Postemployment Benefits Other than Pensions**

***Plan Description, Contribution Information, and Funding Policies***

In addition to providing pension benefits, the Commission provides certain postemployment health care benefits for eligible retirees and their dependents through a single-employer defined benefit healthcare plan (the "Plan"). Full time employees are allowed to participate in group medical, dental, life and disability insurance programs offered by the Commission. If employees elect to secure dependent coverage, the employee should pay the additional costs for such coverage. All statements of insurance coverage are subject to the terms, conditions, restrictions and other eligibility requirements that are set forth in various insurance plan documents. Employees with at least ten years of continuous Commission service who are eligible for retirement under the SCRS regulations and are a Commission employee at the time of retirement may be eligible for continued standard insurance coverage at no cost to them. Employees hired after October 1, 2008 must have 25 years of creditable service with S.C. Retirement including 10 years as a Commission employee; be eligible for retirement benefits and be a Commission employee at the time of

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Postemployment Benefits Other than Pensions (Continued)**

*Plan Description, Contribution Information, and Funding Policies (Continued)*

retirement in order to receive this benefit. Employees hired after August 31, 2011 shall not be entitled to have the employer costs of medical or dental coverage paid by the Commission at the time of retirement. Eligible retirees would be required to pay employer and employee costs if continuation of coverage is chosen at the time of retirement.

The Commission, as a component unit of the County, joined the South Carolina Counties Other Post Employment Benefit Trust ("SCCOPEBT"), an agent multiple employer investment trust administered by the South Carolina Association of Counties. A copy of the report may be obtained through the Controller at the South Carolina Association of Counties Office, Post Office Box 8207, Columbia, SC 29202-8207. Assets are held separately and may be used only for the payment of benefits to the members of the plan. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Employees are not required to contribute to this plan.

The Commission's contributions to the Plan are neither guaranteed nor mandatory. The Commission has retained the right to unilaterally modify its payments toward retiree health care benefits at any time. The Plan does not issue a stand-alone financial report.

As of June 30, 2013, the measurement date, there were 51 covered participants; 16 members are retirees receiving benefits and 35 are active participants.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The asset valuation method used is market value. The SCCOPEBT's actuarial consultants intend to use a smoothing method over a 5 year period with an assumed investment rate of return of 4%.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Postemployment Benefits Other than Pensions (Continued)**

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	June 30, 2013
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar Method
Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	Discount rate of 4.0% annual return, net of both administrative and investment related expenses
Health Cost Trend:	7.0% to 4.5% in 0.25% annual steps
Coverage Elections:	100% of eligible retirees and 35% of spouses will elect to receive coverage up on retirement
Active Participant Marriage Assumption:	80% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table:	RP 2000 tables projected to 2032 with Scale AA
Per Capita Claims Costs	Include Medical, Dental, and Prescription Drug costs.
Implicit Rate Subsidy:	Total costs of coverage for pre-65 retirees are based on the per capita claims and health cost trends noted above
Changes in Actuarial Assumptions/Cost Method:	Changes in the Health Cost Trends and Coverage Elections

***Annual OPEB Cost, Net OPEB Obligation, Funded Status, and Funding Progress***

In accordance with the parameters of GASB Statement No. 45, the Commission is required to record an annual OPEB Plan cost (expense). The OPEB Plan cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year of providing the postemployment benefits discussed above and amortize any unfunded actuarial liabilities related to these benefits over a period not to exceed thirty years.

***Annual OPEB Costs and Rollforward of Net OPEB Obligation***

The annual OPEB Plan cost (expense) and the progression of the net OPEB Plan obligation for the most recent plan year (year ended June 30, 2013) was as follows:

Net OPEB Obligation, Beginning of the Plan Year	<u>\$ 1,141,711</u>
One Year's Interest on the Net OPEB Obligation	45,475
ARC (Normal Cost Plus Any Amortization Payments)	474,917
Adjustment to Annual Required Contribution	<u>(63,218)</u>
Annual OPEB Cost	457,174
Contributions Made for the Plan Year	<u>(95,718)</u>
Increase in Net OPEB Obligation	<u>361,456</u>
Net OPEB Obligation, End of the Plan Year	<u><u>\$ 1,503,167</u></u>

The net OPEB Plan liability has been included in the Commission’s government-wide financial statements.

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Postemployment Benefits Other than Pensions (Continued)**

*Schedule of Employer Contributions*

Contributions made by the Commission during the year ended June 30, 2013 totaled \$95,718 through payment of covered participants' explicit and implicit subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the past few years were as follows:

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	\$ 251,527	-	0.00%	\$ 493,380
June 30, 2011	416,361	101,619	24.41%	808,122
June 30, 2012	435,208	101,619	23.35%	1,141,711
June 30, 2013	\$ 457,174	95,718	20.94%	\$ 1,503,167

*Schedule of Funding Progress*

The schedule of funding progress provides trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
June 30, 2010	\$ -	1,975,624	1,975,624	0.00%	\$ 2,018,152	97.89%
June 30, 2011	-	3,766,491	3,766,491	0.00%	2,065,012	182.40%
June 30, 2013	\$ -	2,954,635	2,954,635	0.00%	\$ 1,353,760	218.25%

**E. Economic Dependence**

The Commission receives a substantial amount of its support from state and local governments, including approximately \$2,956,000 (over 75% of total revenues) from the County for the year ended June 30, 2013. A significant reduction in the level of the County's support could have a negative effect on the Commission's programs and activities. In addition, the County provides certain administrative services to the Commission, including performing all of the accounting, human resources and purchasing functions, at no charge to the Commission.



**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**IV. OTHER INFORMATION (CONTINUED)**

**F. Pending Implementation of GASB Statements on Pensions**

GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*” (“GASB 68”) was issued by GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB’s intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Commission’s financial obligations to current and former employees for past services rendered.

In particular, the Commission will be required to report a net pension liability for its participation in the South Carolina Retirement System on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position for the government-wide statements) and present more extensive note disclosures. In general, it should not have a significant impact on the Commission’s General Fund.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the Commission’s Net Position. GASB 68 is required to be implemented by the Commission no later than the fiscal year ending June 30, 2015.

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## Required Supplementary Information

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**YEAR ENDED JUNE 30, 2013**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH REVISED BUDGET</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
York County Appropriations	\$ 3,069,209	3,129,359	2,956,018	\$ (173,341)
Other Support:				
Fundraisers	16,425	16,425	-	(16,425)
Memberships	220,895	220,895	49,735	(171,160)
Gifts	12,680	12,680	73,125	60,445
Total Other Support	<u>250,000</u>	<u>250,000</u>	<u>122,860</u>	<u>(127,140)</u>
Program Revenues:				
Admissions and Tours	126,350	126,350	113,449	(12,901)
Sales - Shops and Gallery	107,200	107,200	110,102	2,902
Public Programs	14,000	14,000	15,982	1,982
Educational Programs and Trip Income	94,300	94,300	132,796	38,496
Grants	354,515	588,465	284,449	(304,016)
Building Rentals	15,450	15,450	39,058	23,608
Miscellaneous Income	127,150	127,150	130,320	3,170
Total Program Revenues	<u>838,965</u>	<u>1,072,915</u>	<u>826,156</u>	<u>(246,759)</u>
<b>TOTAL REVENUES ALL SOURCES</b>	<b><u>4,158,174</u></b>	<b><u>4,452,274</u></b>	<b><u>3,905,034</u></b>	<b><u>(547,240)</u></b>
<b>EXPENDITURES</b>				
Current:				
Operational Expenditures:				
Salaries	758,692	794,889	736,284	58,605
Payroll Taxes	52,761	60,943	52,547	8,396
Health Insurance	202,082	212,098	180,434	31,664
Retirement	73,107	85,769	77,791	7,978
Professional Services	91,084	75,389	49,850	25,539
Mainenance and Service Contracts	57,235	61,898	45,965	15,933
Vehicle Maintenance and Operations	8,600	9,623	7,171	2,452
Building Repairs and Maintenance	88,250	84,174	66,770	17,404
Rentals and Leases	30,644	33,476	22,212	11,264
Insurance - General Liability and Workers' Comp	72,100	72,100	52,580	19,520
Utilities	170,980	157,688	126,060	31,628
Telephone	85,704	97,774	94,324	3,450
Advertising	151,800	152,100	93,426	58,674
Printing and Binding	46,320	39,364	21,265	18,099
Travel and Training	15,887	12,243	5,057	7,186
Postage	18,523	18,523	6,432	12,091
Membership Dues	4,933	5,120	3,554	1,566
Office Supplies and Small Equipment	\$ 9,882	13,241	8,414	\$ 4,827

(Continued)

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**YEAR ENDED JUNE 30, 2013**

	BUDGET AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		WITH REVISED BUDGET
Hospitality	\$ 23,850	24,298	9,136	\$ 15,162
Computer Hardware and Software	145,404	145,104	130,560	14,544
Speialized Department Supplies	46,569	18,438	7,967	10,471
Film and Processing	5,200	4,000	-	4,000
Exhibition Supplies	6,425	6,445	490	5,955
Cleaning Supplies	8,055	8,055	7,287	768
Miscellaneous	4,103	4,417	2,547	1,870
<b>Total Operational Expenditures</b>	<b>2,178,190</b>	<b>2,197,169</b>	<b>1,808,123</b>	<b>389,046</b>
Program Expenditures:				
Salaries	916,553	852,847	805,020	47,827
Payroll Taxes	70,124	64,782	58,549	6,233
Health Insurance	103,985	105,017	90,164	14,853
Retirement	97,164	90,357	85,041	5,316
Professional Services	76,799	76,737	66,375	10,362
Mainenance and Service Contracts	15,004	15,770	9,666	6,104
Vehicle Maintenance and Operations	3,185	3,185	1,732	1,453
Building Repairs and Maintenance	11,910	9,749	6,618	3,131
Rentals and Leases	8,375	6,340	3,427	2,913
Printing and Binding	20,617	25,815	18,864	6,951
Travel and Training	23,532	20,653	11,437	9,216
Postage and Shipping	3,465	1,549	147	1,402
Membership Dues	7,466	7,030	5,446	1,584
Supplies and Small Equipment	15,184	15,018	5,284	9,734
Books and Publications	3,087	2,488	1,839	649
Hospitality	5,040	4,901	3,446	1,455
Uniforms and Clothing	3,726	3,880	3,210	670
Speialized Department Supplies	33,627	35,560	21,210	14,350
Archival Supplies	7,220	11,920	6,005	5,915
Film and Processing	502	2,840	2,764	76
Cost of Sales	65,015	66,230	64,061	2,169
Exhibition Supplies	12,879	10,876	9,824	1,052
Licenses and Permits	2,740	2,340	691	1,649
Miscellaneous	4,820	5,871	5,826	45
<b>Total Program Expenditures</b>	<b>1,512,019</b>	<b>1,441,755</b>	<b>1,286,646</b>	<b>155,109</b>
Capital Outlay	699,979	1,145,364	200,146	945,218
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,390,188</b>	<b>4,784,288</b>	<b>3,294,915</b>	<b>\$ 1,489,373</b>

(Continued)

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
 ROCK HILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**YEAR ENDED JUNE 30, 2013**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH REVISED BUDGET</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>OTHER FINANCING SOURCES</b>				
Transfers In	\$ -	-	18,056	\$ 18,056
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>18,056</b>	<b>18,056</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (232,014)</b>	<b>(332,014)</b>	<b>628,175</b>	<b>\$ 960,189</b>

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY  
ROCK HILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS – OTHER POSTEMPLOYMENT  
BENEFITS PLAN**

**YEAR ENDED JUNE 30, 2013**

**Schedule of Employer Contributions**

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual		Net OPEB Obligation (Asset)
			OPEB Cost Contributed	OPEB Cost	
June 30, 2010	\$ 251,527	-	0.00%		\$ 493,380
June 30, 2011	416,361	101,619	24.41%		808,122
June 30, 2012	435,208	101,619	23.35%		1,141,711
June 30, 2013	\$ 457,174	95,718	20.94%		\$ 1,503,167

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
June 30, 2010	\$ -	1,975,624	1,975,624	0.00%	\$ 2,018,152	97.89%
June 30, 2011	-	3,766,491	3,766,491	0.00%	2,065,012	182.40%
June 30, 2013	\$ -	2,954,635	2,954,635	0.00%	\$ 1,353,760	218.25%

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**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Culture and Heritage Commission of York County  
Rock Hill, South Carolina

We have audited, in accordance with the 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 and each major fund of Culture and Heritage Commission of York County (the "Commission") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission's financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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, this communication is not suitable for any other purpose.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 12, 2013