

**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, 2014**

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

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

Rock Hill, South Carolina

Established

1997

COMMISSIONERS

DISTRICT 1 – Dennis Getter, Treasurer

DISTRICT 2 – vacant

DISTRICT 3 – David Duncan

DISTRICT 4 – Carlos Bryson

DISTRICT 5 – Ragin Craig, Vice Chair

DISTRICT 6 – David Plexico, Chair

DISTRICT 7 – Rick Lee

Ex Officio – Nancy Craig



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 the 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, 2014, 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 the major fund of the Commission, as of June 30, 2014, 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.

WWW.GFHLLP.COM • INFO@GFHLLP.COM

864.232.5204 PH • 864.232.5532 FAX • 211 EAST BUTLER ROAD, SUITE C-6 • MAULDIN, SC 29662

843.735.5805 PH • 1985 RIVIERA DRIVE, SUITE 103-203 • MT. PLEASANT, SC 29464

864.451.7381 PH • 800 EAST WASHINGTON STREET, SUITE D • GREENVILLE, SC 29601

Pending Implementation of Governmental Accounting Standards Board Statement on Pensions

As discussed in Note IV.F, the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") in 2012. GASB 68, which will be adopted by the Commission for the fiscal year ended June 30, 2015, will require the Commission to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System (the "Plan"). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the Commission's share of the net pension liability associated with this Plan will decrease the Commission's beginning net position by approximately \$2,892,000. Our opinion is not modified with respect to this matter.

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 15, 2014 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 15, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 are as follows:

- On the government-wide financial statements, the assets of the Commission exceeded its liabilities at June 30, 2014 by approximately \$470,000. The Commission reported a deficit in unrestricted net position of approximately \$581,000, due primarily to unfunded other postemployment benefit ("OPEB") obligations of approximately \$1,653,000. The total net position of the Commission decreased by approximately \$49,000.
- The General Fund reported ending fund balance of approximately \$1,239,000, a decrease of approximately \$14,000 from the prior year ending fund balance. 81% of the total amount, or approximately \$1,005,000, is unassigned and available for spending at the government's discretion. The unassigned fund balance represents 25% of fiscal 2014 expenditures.
- Total revenues for the year ended June 30, 2014 were approximately \$3,990,000, of which over 77% came from appropriations from the County, compared to approximately \$3,905,000 in total revenues for the prior year. This increase of approximately \$85,000 (2%) was due primarily to an increase in funds appropriated by the County for the Commission.
- Total expenditures for the year ended June 30, 2014 were approximately \$4,004,000 compared to approximately \$3,295,000 in the prior year, or an increase of approximately \$709,000 (22%) due primarily to an increase in capital outlay for roof repairs, the Brick House renovations, and furniture / fixtures for the renovated McCelvey Annex.
- The Commission's capital assets were approximately \$1,023,000 at June 30, 2014, an increase of approximately \$95,000 from the prior year, as additions of approximately \$192,000 exceeded depreciation of approximately \$97,000. 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, 2014

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, 2014. Information is presented 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, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the Commission's Government-Wide and Fund Financial Statements		
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"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
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 balance sheet types, both financial and capital, and short-term and long-term.	All balance sheet types 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 \$470,000 and approximately \$518,000 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, 2014 and 2013:

Net Position			
		June 30, 2014	June 30, 2013
Assets			
Current Assets	\$	1,386,281	\$ 1,654,154
Capital Assets, Net		1,022,663	927,207
Total Assets		<u>2,408,944</u>	<u>2,581,361</u>
Liabilities			
Current Liabilities		146,819	400,530
Long-Term Liabilities		1,792,537	1,662,634
Total Liabilities		<u>1,939,356</u>	<u>2,063,164</u>
Net Position			
Net Investment in Capital Assets		1,022,663	927,207
Restricted		28,217	28,217
Unrestricted (Deficit)		(581,292)	(437,227)
Total Net Position	\$	<u>469,588</u>	<u>\$ 518,197</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Commission's total assets at June 30, 2014 decreased by approximately \$172,000 over the prior year. The decrease was primarily due to a decrease in the amount due from the County of approximately \$505,000, partially offset by an increase in cash of approximately \$221,000 and capital assets of approximately \$95,000 and net increases in other asset accounts of approximately \$17,000. Total liabilities at June 30, 2014 decreased by approximately \$124,000 from the prior year primarily due to a decrease in unearned revenues of approximately \$293,000, partially offset by an increase in the unfunded OPEB obligation of approximately \$150,000 and net increases in other liability accounts of approximately \$19,000.

The Commission's net position (assets minus liabilities) decreased by approximately \$49,000 during the current fiscal year due to current year expenses exceeding current year revenues. See the table below for additional information on the changes in net position in fiscal year 2014.

A significant portion of the Commission's net position is reflected in its investment in capital assets totaling approximately \$1,023,000 at June 30, 2014. 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 \$581,000 due primarily to unfunded OPEB obligations of approximately \$1,653,000 at June 30, 2014.

The table below shows the changes in net position for Commission's governmental activities for fiscal years 2014 and 2013:

	Statement of Activities	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 474,095	\$ 461,122
Operating Grants	405,064	357,574
General Revenues:		
County Appropriation	3,101,118	2,956,018
Other	9,689	130,320
Total Revenues	<u>3,989,966</u>	<u>3,905,034</u>
Program Expenses		
Museum Services/Operations	4,038,575	3,662,156
Total Program Expenses	<u>4,038,575</u>	<u>3,662,156</u>
Change in Net Position	(48,609)	242,878
Net Position, Beginning of Year	<u>518,197</u>	<u>275,319</u>
Net Position, End of Year	<u>\$ 469,588</u>	<u>\$ 518,197</u>

The Commission's net position decreased from fiscal year 2013 to fiscal year 2014 by approximately \$49,000, as revenues of approximately \$3,990,000 were exceeded by expenses (including \$150,000 for unfunded OPEB obligations) of approximately \$4,039,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014, the Commission's General Fund reported a fund balance of approximately \$1,239,000 as compared to the prior year amount of approximately \$1,254,000. Unassigned fund balance was approximately \$1,005,000 at June 30, 2014, representing 81% of the total fund balance and 25% of expenditures for the year ended June 30, 2014.

Revenues of approximately \$3,990,000 were exceeded by expenditures of approximately \$4,004,000 by approximately \$14,000. The decrease in fund balance was approximately \$14,000 for 2014. Appropriations from the County were approximately \$3,101,000 for 2014, compared to approximately \$2,956,000 for the prior year, as York County Council budgeted for this increase. Appropriations from the County represented over 77% of total revenues for the Commission for 2014. Total expenditures were approximately \$4,004,000 for 2014. Salaries and benefits were approximately \$2,102,000, representing 53% of total expenditures. The Commission also incurred approximately \$980,000 in capital outlay for roof repairs, renovations to the Brick House and furniture/fixtures for the renovated McCelvey Annex.

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 2014 totaled approximately \$618,000. The Commission budgeted to use approximately \$673,000 in accumulated fund balance for fiscal year 2014. However, fund balance decreased by approximately \$14,000 in fiscal year 2014, or a difference of approximately \$659,000. This is due to specialized department supplies coming in under budget by approximately \$211,000, salaries and benefits coming in under budget by approximately \$167,000, capital outlay coming in under budget by approximately \$126,000, and positive variances in all other expenditures totaling approximately \$155,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets includes building improvements and equipment and totaled approximately \$1,023,000 at June 30, 2014, an increase of approximately \$95,000 from the prior year. During 2014 the Commission capitalized approximately \$192,000 in additions and recorded depreciation expense of approximately \$97,000. 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 capitalize collections consisting of works of art, historical treasures, archives furnishings and similar assets held for public exhibition, education and research services 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, 2014, 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 \$1,653,000 and compensated absence liabilities of approximately \$139,000. 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, 2014

ECONOMIC FACTORS AND FISCAL YEAR 2015 BUDGET

While higher than the State unemployment rate of 5.7%, the County's unemployment rate at June 30, 2014 was 5.9% versus 8.2% 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 2015. Many factors were considered by the Commission's administration during the process of developing the FY 2015 budget which was approximately \$1.0 million or 21.1% less than the FY 2014 budget. The most significant reason for the decrease from the FY 2014 budget was the change in capital repairs and renovation expenditures in the FY 2015 budget due to completion of significant projects in FY2014. The Commission's top two goals were to balance the budget, while providing resources needed to carry out the mission of the Museum. Later in FY 2015, the Commission did approve that up to \$117 thousand be added to the FY 2015 budget in order to re-appropriate funding for capital repairs that had not been completed in FY 2014.

SETTLEMENT OF LAWSUIT

The Commission and York County, as plaintiffs, filed 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 involved a challenge concerning the Defendant Foundation's oversight of assets acquired and held for the benefit of the Commission. This lawsuit has been settled subsequent to June 30, 2014. Pursuant to the settlement, an audit group is being selected to review the financial records of CHF and related organizations; certain specified acreage is being deeded to the CHC; and, monetary assets will be held in favor of the CHC by the Foundation for the Carolinas. Compliance with the terms of settlement should be completed in 2015.

CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS PLAN

In September 2014, the York County Council amended the OPEB Plan, which will be effective January 1, 2015. The amendments are also applicable to the Commission's employees and retirees. The Commission (through the County) will establish a Health Reimbursement Account ("HRA") for each eligible retiree. Funds in the HRA will be used by the retiree to pay health care premiums. Prior to age 65, the Commission would contribute a fixed monthly amount of \$675 to the HRA. After age 65, the Commission would contribute a fixed monthly amount of \$350 to the HRA. These changes would apply to all current retirees as well as all future retirees. These changes are estimated to significantly decrease the Actuarial Accrued Liability and the Annual Required Contribution in future years.

PENDING IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD ("GASB") STATEMENT 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 GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for their proportionate share of the net pension liability of that plan.

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 Commission has been in communications with the PEBA on the effect of implementing GASB 68 as it relates to the SCRS. Based on recent information provided by PEBA, it is estimated that the Commission's proportionate share of the net pension liability associated with the SCRS will decrease the Commission's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$2,892,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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 or call (803) 684-8528.

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Basic Financial Statements

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

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,219,954
Accounts Receivable	62,884
Due From York County	13,697
Inventory	59,653
Prepays	30,093
Capital Assets:	
Depreciable, Net	1,022,663
TOTAL ASSETS	\$ 2,408,944
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 74,880
Accrued Salaries, Fringe, and Benefits	39,977
Unearned Revenue	31,962
Long-Term Obligations:	
Net Other Postemployment Benefit Obligation	1,653,153
Due Within One Year	52,719
Due in More Than One Year	86,665
TOTAL LIABILITIES	1,939,356
NET POSITION	
Net Investment in Capital Assets	1,022,663
Restricted For:	
Cultural Programs	28,217
Unrestricted	(581,292)
TOTAL NET POSITION	\$ 469,588

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, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE & CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Totals
PRIMARY GOVERNMENT:						
Governmental Activities:						
Culture and Recreation	\$ 4,038,575	474,095	405,064	-	(3,159,416)	\$ (3,159,416)
TOTAL PRIMARY GOVERNMENT	\$ 4,038,575	474,095	405,064	-	(3,159,416)	(3,159,416)
General Revenues:						
County Appropriation					3,101,118	3,101,118
Unrestricted Investment Earnings					156	156
Miscellaneous					9,533	9,533
Total General Revenues					3,110,807	3,110,807
CHANGE IN NET POSITION					(48,609)	(48,609)
NET POSITION, Beginning of Year					518,197	518,197
NET POSITION, End of Year					\$ 469,588	\$ 469,588

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 FUND

JUNE 30, 2014

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 1,219,954
Accounts and Grants Receivable	62,884
Due From York County	13,697
Inventory	59,653
Prepays	30,093
TOTAL ASSETS	\$ 1,386,281
LIABILITIES	
Accounts Payable	\$ 74,880
Accrued Salaries, Fringe and Benefits	37,545
Accrued Expenses	2,432
Unearned Revenue	31,962
TOTAL LIABILITIES	146,819
FUND BALANCE	
Nonspendable:	
Inventory	59,653
Prepays	30,093
Restricted for:	
Cultural Programs	28,217
Assigned for:	
Capital Outlay	116,821
Unassigned	1,004,678
TOTAL FUND BALANCE	1,239,462
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,386,281

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, 2014

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	1,239,462
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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 \$1,989,812, and the accumulated depreciation was \$967,149.	1,022,663
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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	(1,653,153)
Compensated Absences	(139,384)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	469,588
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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 FUND

YEAR ENDED JUNE 30, 2014

	GENERAL FUND
REVENUES	
York County Appropriations	\$ 3,101,118
Other Support	118,568
Program Revenues	770,280
TOTAL REVENUES	3,989,966
EXPENDITURES	
Current:	
Operations	1,653,647
Programs	1,370,637
Capital Outlay	979,844
TOTAL EXPENDITURES	4,004,128
NET CHANGE IN FUND BALANCE	(14,162)
FUND BALANCE, Beginning of Year	1,253,624
FUND BALANCE, End of Year	\$ 1,239,462

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 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	(14,162)
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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.	20,083
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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.	(149,986)
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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 \$192,358 exceeded depreciation expense of \$96,902 for the current period.	95,456
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TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(48,609)
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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, 2014

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.

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, 2014

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 only has one fund:

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 Commission implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") in the year ended June 30, 2014. GASB 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. GASB 65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the Commission in the year ended June 30, 2013. The implementation of GASB 65 did not have any impact on the Commission's financial statements.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

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, 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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. 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. The Commission does not capitalize collections consisting of works of art, historical treasures, archives furnishings and similar assets held for public exhibition, education and research services as it is not cost beneficial to establish or estimate the amount at which the collections 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Commission does not currently have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission does not currently have any deferred inflows of resources.

7. *Fund Balance*

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. 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.

9. 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.

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 resources. 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, 2014, none of the Commission's bank balances of approximately \$1,217,000 (which had a carrying value of approximately \$1,215,000) were exposed to custodial credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

B. Capital Assets

Governmental capital asset activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Depreciable:				
Buildings and Improvements	\$ 1,298,011	-	-	\$ 1,298,011
Furniture, Fixtures, and Equipment	499,443	192,358	-	691,801
Total Capital Assets, Depreciable	1,797,454	192,358	-	1,989,812
Less: Accumulated Depreciation For:				
Buildings and Improvements	647,564	43,581	-	691,145
Furniture, Fixtures, and Equipment	222,683	53,321	-	276,004
Total Accumulated Depreciation	870,247	96,902	-	967,149
Total Capital Assets, Depreciable, Net	927,207	95,456	-	1,022,663
Governmental Activities Capital Assets, Net	\$ 927,207	95,456	-	\$ 1,022,663

C. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 159,467	32,636	(52,719)	139,384	\$ 52,719
Net Other Postemployment Benefit Obligation	1,503,167	149,986	-	1,653,153	-
Total Governmental Activities	\$ 1,662,634	182,622	(52,719)	1,792,537	\$ 52,719

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 7.50% 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, 2014 and the two prior years is as follows:

Year Ending June 30,	Employee Amount	Contributions % of Wages	Employer Amount	Contributions % of Wages	Totals
2014	\$ 114,041	7.50%	161,641	10.60%	\$ 275,682
2013	105,669	7.00%	160,459	10.60%	266,128
2012	\$ 109,792	6.50%	161,056	9.39%	\$ 270,848

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

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.

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 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.

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

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%.

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; Open
Actuarial Assumptions:	
Investment Rate of Return:	Discount rate of 4.0% annual return, net of both administrative and investment related expenses
Inflation Rate:	3%
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 upon 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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Annual OPEB Cost, Net OPEB Obligation, Funded Status, and Funding Progress (Continued)

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, 2014) was as follows:

Net OPEB Obligation, Beginning of the Plan Year	\$ 1,503,167
One Year's Interest on the Net OPEB Obligation	60,127
ARC (Normal Cost Plus Any Amortization Payments)	261,785
Adjustment to Annual Required Contribution	(83,585)
Annual OPEB Cost	238,327
Contributions Made for the Plan Year	(88,341)
Increase in Net OPEB Obligation	149,986
Net OPEB Obligation, End of the Plan Year	\$ 1,653,153

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

Schedule of Employer Contributions

Contributions made by the Commission during the year ended June 30, 2014 totaled approximately \$88,000 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 three years were as follows:

Schedule of Employer Contributions				
Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 435,208	101,619	23.35%	\$ 1,141,711
June 30, 2013	457,174	95,718	20.94%	1,503,167
June 30, 2014	\$ 238,327	88,341	37.07%	\$ 1,653,153

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Annual OPEB Cost, Net OPEB Obligation, Funded Status, and Funding Progress (Continued)

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:

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, 2009	\$ -	1,975,624	1,975,624	0.00%	\$ 2,093,693	94.36%
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 \$3,101,000 (over 77% of total revenues) from the County for the year ended June 30, 2014. 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.

F. Pending Implementation of GASB Statement 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 GASB 68 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 GASB 68 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 (and related deferred outflows and inflows of resources) 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 Commission has been in communications with the PEBA on the effect of implementing GASB 68 as it relates to the SCRS. Based on recent information provided by PEBA, it is estimated that the Commission's proportionate share of the net pension liability associated with the SCRS will decrease the Commission's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$2,892,000.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

G. Subsequent Events

Amendments to the OPEB Plan

In September 2014, the York County Council amended the OPEB Plan, which will be effective January 1, 2015. The amendments are also applicable to the Commission's employees and retirees. The Commission (through the County) will establish a Health Reimbursement Account ("HRA") for each eligible retiree. Funds in the HRA will be used by the retiree to pay health care premiums. In addition to the current State of South Carolina Standard Plan, an alternative Medicare Supplemental Plan will be made available to retirees. Prior to age 65, the Commission would contribute a fixed monthly amount of \$675 to each retiree's HRA. All pre-65 retirees would pay the full age adjusted premium so that there would be no implicit subsidy for purposes of actuarial calculations under GASB Statement No. 45. After age 65, the Commission would contribute a fixed monthly amount of \$350 to each retiree's HRA. Post 65 retirees would have the choice to enroll in the current health plan or the alternative Medicare Supplemental Plan. These changes would apply to all current retirees as well as all future retirees. These changes are estimated to significantly decrease the Actuarial Accrued Liability and the Annual Required Contribution in future years.

Settlement of Lawsuit

The Commission and York County, as plaintiffs, filed 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 involved a challenge concerning the Defendant Foundation's oversight of assets acquired and held for the benefit of the Commission. This lawsuit has been settled subsequent to June 30, 2014. Pursuant to the settlement, an audit group is being selected to review the financial records of CHF and related organizations; certain specified acreage is being deeded to the CHC; and, monetary assets will be held in favor of the CHC by the Foundation for the Carolinas. Compliance with the terms of settlement should be completed in 2015.

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, 2014

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
York County Appropriations	\$ 2,944,375	2,944,375	3,101,118	\$ 156,743
Other Support:				
Memberships	70,400	70,400	56,987	(13,413)
Gifts	102,900	102,900	61,581	(41,319)
Total Other Support	173,300	173,300	118,568	(54,732)
Program Revenues:				
Admissions and Tours	154,100	154,100	117,695	(36,405)
Sales - Shops and Gallery	102,900	102,900	104,005	1,105
Public Programs	15,000	15,000	36,696	21,696
Educational Programs and Trip Income	124,500	124,500	128,073	3,573
Grants	221,700	516,575	343,482	(173,093)
Building Rentals	36,700	36,700	30,640	(6,060)
Interest and Investment Income	-	-	156	156
Miscellaneous Income	16,800	19,785	9,533	(10,252)
Total Program Revenues	671,700	969,560	770,280	(199,280)
TOTAL REVENUES	3,789,375	4,087,235	3,989,966	(97,269)
EXPENDITURES				
Current:				
Operational Expenditures:				
Salaries	785,308	790,580	719,791	70,789
Payroll Taxes	59,692	59,532	51,625	7,907
Health Insurance	212,208	208,281	193,779	14,502
Retirement	82,501	82,536	76,354	6,182
Professional Services	86,000	74,320	44,179	30,141
Maintenance and Service Contracts	51,146	51,146	45,516	5,630
Vehicle Maintenance and Operations	8,800	9,525	7,685	1,840
Building Repairs and Maintenance	103,115	102,101	68,669	33,432
Rentals and Leases	21,850	20,772	14,251	6,521
Insurance - General Liability and Workers' Comp	75,000	75,000	59,597	15,403
Utilities	150,000	150,000	142,600	7,400
Telephone	55,000	63,807	55,691	8,116
Advertising	137,105	126,573	110,375	16,198
Printing and Binding	29,570	26,972	18,747	8,225
Travel and Training	14,225	11,412	4,883	6,529
Postage	14,700	11,386	4,408	6,978
Membership Dues	5,350	8,350	6,825	1,525
Office Supplies and Small Equipment	\$ 8,977	10,108	6,699	\$ 3,409

(Continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
Hospitality	\$ 10,924	10,665	5,768	\$ 4,897
Computer Hardware and Software	350	2,725	1,958	767
Specialized Department Supplies	187,150	158,217	2,568	155,649
Film and Processing	2,250	2,250	-	2,250
Exhibition Supplies	6,445	6,445	702	5,743
Cleaning Supplies	8,050	10,550	8,372	2,178
Miscellaneous	3,100	3,868	2,605	1,263
Total Operational Expenditures	2,118,816	2,077,121	1,653,647	423,474
Program Expenditures:				
Salaries	850,552	858,584	808,873	49,711
Payroll Taxes	65,071	65,329	58,191	7,138
Health Insurance	97,112	113,237	107,994	5,243
Retirement	90,176	91,093	85,493	5,600
Professional Services	42,500	53,737	44,935	8,802
Maintenance and Service Contracts	11,765	11,877	10,613	1,264
Vehicle Maintenance and Operations	3,100	4,182	2,890	1,292
Building Repairs and Maintenance	8,940	7,553	4,849	2,704
Rentals and Leases	13,255	13,035	4,942	8,093
Printing and Binding	21,384	19,879	9,922	9,957
Travel and Training	17,300	16,399	10,611	5,788
Postage and Shipping	1,625	1,605	421	1,184
Membership Dues	7,610	7,763	3,455	4,308
Supplies and Small Equipment	5,095	12,104	10,004	2,100
Books and Publications	2,100	2,010	1,535	475
Hospitality	2,965	2,620	1,195	1,425
Uniforms and Clothing	3,100	5,900	5,586	314
Specialized Department Supplies	81,201	75,921	20,455	55,466
Archival Supplies	10,120	11,865	8,460	3,405
Film and Processing	600	506	333	173
Cost of Sales	63,800	71,082	67,032	4,050
Exhibition Supplies	10,500	107,238	84,770	22,468
Licenses and Permits	13,090	15,036	9,996	5,040
Miscellaneous	7,050	8,602	8,082	520
Total Program Expenditures	1,430,011	1,577,157	1,370,637	206,520
Capital Outlay	295,278	1,105,907	979,844	126,063
TOTAL EXPENDITURES	\$ 3,844,105	4,760,185	4,004,128	\$ 756,057

(Continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	BUDGET AMOUNTS			VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED	ACTUAL	
NET CHANGE IN FUND BALANCE	\$ (54,730)	(672,950)	(14,162)	\$ 658,788
FUND BALANCE, Beginning of Year	1,253,624	1,253,624	1,253,624	-
FUND BALANCE, End of Year	\$ 1,198,894	580,674	1,239,462	\$ 658,788

**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, 2014

Schedule of Employer Contributions					
Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
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
June 30, 2014	\$ 238,327	88,341	37.07%	\$	1,653,153

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, 2009	\$ -	1,975,624	1,975,624	0.00%	\$ 2,093,693	94.36%
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 the major fund of Culture and Heritage Commission of York County (the "Commission") as of and for the year ended June 30, 2014, 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 15, 2014.

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 15, 2014