

**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, 2015**

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 as of June 30, 2015

DISTRICT 1 – Dennis Getter, Treasurer

DISTRICT 2 – Leo Yakutis

DISTRICT 3 – David Duncan

DISTRICT 4 – vacant

DISTRICT 5 – Ragin Craig, Vice Chair

DISTRICT 6 – David Plexico, Chair

DISTRICT 7 – Craig Lentz

Ex Officio – Nancy Craig

Ex Officio – Carolyn Mendonhall



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, 2015, 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, 2015, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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, 2015. 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 2015 are as follows:

- On the government-wide financial statements, the liabilities and deferred inflows of resources of the Commission exceeded its assets and deferred outflows of resources at June 30, 2015 by approximately \$954,000. The Commission reported a deficit in unrestricted net position of approximately \$1,905,000. This deficit in unrestricted net position was primarily due to implementing Governmental Accounting Standards Board ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71") in 2015. See further discussion below.
- The General Fund reported ending fund balance of approximately \$1,618,000, an increase of approximately \$378,000 from the prior year ending fund balance. 88% of the total amount, or approximately \$1,416,000, is unassigned and available for spending at the government's discretion. The unassigned fund balance represents 44% of fiscal 2015 expenditures.
- Total revenues for the year ended June 30, 2015 were approximately \$3,576,000, of which over 79% came from appropriations from the County, compared to approximately \$3,990,000 in total revenues for the prior year. This decrease of approximately \$414,000 (10%) was due primarily to a decrease in funds appropriated by the County for capital outlay.
- Total expenditures for the year ended June 30, 2015 were approximately \$3,197,000 compared to approximately \$4,004,000 in the prior year, or a decrease of approximately \$807,000 (20%) due primarily to a decrease in capital outlay.
- The Commission's capital assets were approximately \$923,000 at June 30, 2015, a decrease of approximately \$99,000 from the prior year, as depreciation of approximately \$113,000 exceeded additions of approximately \$14,000. 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.
- The Commission changed its Other Postemployment Benefits ("OPEB") plan effective January 1, 2015, resulting in a net reduction of the outstanding liability of approximately \$1,190,000.
- The Commission settled its lawsuit against the Culture and Heritage Foundation, Inc. Certain monetary assets will be held in favor of the Commission by the Foundation of the Carolinas. See further discussion on page 9.
- The Commission implemented GASB #68 and GASB #71 (collectively "Statements") in 2015. These Statements require the Commission to recognize a net pension liability, deferred outflows of resources (including pension contributions made after the measurement date) and deferred inflows of resources for its participation in the South Carolina Retirement System ("Plan"), cost-sharing multiple employer defined benefit pension plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (the statement of net position) and presents more extensive note disclosures.

The adoption of these Statements had no impact on the Commission's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plan. However, the adoption has resulted in the restatement of the Commission's net position as of July 1, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities, deferred outflows of resources, and deferred inflows of resources for its qualified Plan in accordance with the provisions of these Statements. Net position of the Commission's government-wide financial statements as of July 1, 2014 was decreased by approximately \$2,851,000, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.A in the notes to the financial statements for more information regarding the Commission's retirement plans.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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. In addition, information on the Commission’s participation in the State’s pension plan is presented as required supplementary information. A schedule of functional expenses has been provided as supplementary information for the General Fund. This schedule can be found as listed in the table of contents of this report.

Figure A-1		
Major Features of the Commission’s Government-Wide and Fund Financial Statements		Fund Financial Statements
	Government-Wide 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 assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A significant portion of the Commission's net position is reflected in its investment in capital assets totaling approximately \$923,000 at June 30, 2015. 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 \$1,905,000 due primarily to unfunded OPEB obligations of approximately \$463,000 and pension obligations of approximately \$2,892,000 at June 30, 2015.

The table below shows the changes in net position for Commission's governmental activities for fiscal years 2015 and 2014:

	2015*	2014
Revenues		
Program Revenues:		
Charges for Services	\$ 521,205	\$ 474,095
Operating Grants	181,006	405,064
General Revenues:		
County Appropriation	2,825,514	3,101,118
Other	47,958	9,689
Total Revenues	3,575,683	3,989,966
Program Expenses		
Museum Services/Operations	2,147,850	4,038,575
Total Program Expenses	2,147,850	4,038,575
Change in Net Position	1,427,833	(48,609)
Net Position, Beginning of Year, as Previously Reported	469,588	518,197
Cummulative Change in Accounting Principle - GAB #68/71	(2,851,142)	-
Net Assets, Beginning of Year as Restated	(2,381,554)	518,197
Net Position, End of Year	\$ (953,721)	\$ 469,588

*The Commission implemented GASB #68/71 in FY 2015.

The Commission's change in net position of approximately \$1,423,000 was the result of implementing GASB #68/71, with an impact of approximately \$2,851,000 for the Museum's participation in the SCRS pension plan. This was partially offset by current year revenues of approximately \$3,576,000 exceeding current year expenses of approximately \$2,148,000. The decrease in expenses is due primarily to the changes in the OPEB plan, resulting in a reduction of approximately \$1,190,000. In addition, capital outlay was approximately \$32,000 in the current year, which was a decrease of approximately \$948,000 from the prior year. In the prior year the Commission incurred significant outlays for roof repairs, renovations to the Brick House and furniture / fixtures for the renovated McCelvey Annex.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND FISCAL YEAR 2016 BUDGET

While lower than the State unemployment rate of 6.7%, the County's unemployment rate at June 30, 2015 was 5.7% versus 5.9% 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 2016. Many factors were considered by the Commission's administration during the process of developing the FY 2016 budget which was approximately \$0.1 million or 2.5% more than the FY 2015 original budget. The most significant reason for the increase from the FY 2015 budget was the change in salaries and fringe benefits. 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 2016, the Commission did approve that up to \$78 thousand be added to the FY 2016 budget in order to re-appropriate funding that had not been used in FY 2015.

SETTLEMENT OF LAWSUIT

The County and the Culture and Heritage Commission of 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 was settled through mediation and pursuant to the settlement agreement, an audit group was selected to review the financial records of CHF and related organizations; the audit was completed; certain specified acreage was deeded to the County; and monetary assets were transferred from CHF to the Foundation for the Carolinas to be held in favor of the Commission.

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.

Basic Financial Statements

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE & CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Totals
PRIMARY GOVERNMENT:						
Governmental Activities:						
Culture and Recreation	\$ 2,147,850	521,205	181,006	-	(1,445,639)	\$ (1,445,639)
TOTAL PRIMARY GOVERNMENT	\$ 2,147,850	521,205	181,006	-	(1,445,639)	(1,445,639)
General Revenues:						
County Appropriation					2,825,514	2,825,514
Unrestricted Investment Earnings					465	465
Miscellaneous					47,493	47,493
Total General Revenues					<u>2,873,472</u>	<u>2,873,472</u>
CHANGE IN NET POSITION					1,427,833	1,427,833
NET POSITION, Beginning of Year as, Previously Reported					469,588	469,588
Cummulative Change in Accounting Principle - GASB #68/71					<u>(2,851,142)</u>	<u>(2,851,142)</u>
NET POSITION, Beginning of Year, as Restated					<u>(2,381,554)</u>	<u>(2,381,554)</u>
NET POSITION, End of Year					\$ (953,721)	\$ (953,721)

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, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUND **\$ 1,617,828**

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 \$2,003,711, and the accumulated depreciation was \$1,080,254.	923,457
The Museum's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,888,337)
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	(462,769)
Compensated Absences	(143,900)
	<hr/>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (953,721)</u>

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
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND **\$ 378,366**

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. (4,516)

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. 1,190,384

Changes in the Commission's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (37,195)

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 \$13,899 were exceeded by depreciation expense of \$113,105 for the current period. (99,206)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,427,833**

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, 2015

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.

Significant New Accounting Standards Adopted – Change in Accounting Principle

The Commission implemented GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") for the year ended June 30, 2015. The primary objective of these Statements 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 are now required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements 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, these Statements require the Commission to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System ("Plan"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the statement of net position) and present more extensive note disclosures.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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)

- (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, 2015.

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. *Fund Balance (Continued)*

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.

8. *Net Position*

Net position represents the difference between assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and 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 enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

9. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.A and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Commission recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Commission's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Commission's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

B. Capital Assets

Governmental capital asset activity for the year ended June 30, 2015, 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	691,801	13,899	-	705,700
Total Capital Assets, Depreciable	1,989,812	13,899	-	2,003,711
Less: Accumulated Depreciation For:				
Buildings and Improvements	691,145	43,581	-	734,726
Furniture, Fixtures, and Equipment	276,004	69,524	-	345,528
Total Accumulated Depreciation	967,149	113,105	-	1,080,254
Total Capital Assets, Depreciable, Net	1,022,663	(99,206)	-	923,457
Governmental Activities Capital Assets, Net	\$ 1,022,663	(99,206)	-	\$ 923,457

C. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 139,384	71,385	(66,869)	143,900	\$ 66,869
Net Other Postemployment Benefit Obligation	1,653,153	235,986	(1,426,370)	462,769	-
Total Governmental Activities	\$ 1,792,537	307,371	(1,493,239)	606,669	\$ 66,869

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, 2015

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Benefits (Continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, both employees and the Commission are required to contribute to the Plans at rates established and as amended by the PEBA. The Commission's contributions are actuarially determined, but are communicated to and paid by the Commission as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS Rates		
	2013	2014	2015
Employer Rate:			
Retirement	10.45%	10.45%	10.75%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>

The required contributions and percentages of amounts contributed by the Commission to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions	
	Required	% Contributed
2015	\$ 165,413	100%
2014	161,641	100%
2013	\$ 160,459	100%

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the Commission recognized pension expense of approximately \$203,000 for the SCRS. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 81,944	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	243,807
Commission's Contributions Subsequent to the Measurement Date	165,413	-
Total SCRS	<u>\$ 247,357</u>	<u>\$ 243,807</u>

Approximately \$165,000 that was reported as deferred outflows of resources related to the Commission's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS
2016	\$ (35,606)
2017	(35,606)
2018	(35,606)
2019	(55,045)
Total	<u>\$ (161,863)</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.80%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation	10%	5.10%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	100%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

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 hired before October 1, 2008 must have at least 10 years of continuous Commission service, be eligible for retirement benefits under the SCRS and be a Commission employee at the time of retirement in order to receive this benefit. Employees hired after October 1, 2008 must have 25 years of creditable service with SCRS, including 10 years as a Commission employee; be eligible for retirement benefits with the SCRS 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.

In September 2014, the York County Council amended the OPEB Plan, which became effective on January 1, 2015. The amendments are also applicable to the Commission's employees and retirees. The Commission (through the County) established a Health Reimbursement Arrangement ("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 Health Plan, an alternative Medicare Supplemental Plan is available to retirees. Prior to age 65, the Commission would contribute a fixed monthly amount of \$675 (\$1,350 for retiree and spouse) 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 (\$700 for retiree and spouse) 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. The Commission will make monthly contributions to the surviving spouse's HRA for a period of 1 year from the retiree's date of death. These changes apply to all current retirees as well as all future retirees who were hired on or before August 31, 2011. These changes significantly decreased the Actuarial Accrued Liability and the Annual Required Contribution in future years. In addition, these changes resulted in a one-time adjustment of the net OPEB obligation of approximately \$1,287,000.

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, 2015, the measurement date, there were 35 covered participants; 15 members are retirees receiving benefits and 20 are active participants.

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 has not made any contributions to date to the SCCOPEBT.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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, 2015) was as follows:

Net OPEB Obligation, Beginning of the Plan Year	\$ 1,653,153
One Year's Interest on the Net OPEB Obligation	66,126
ARC (Normal Cost Plus Any Amortization Payments)	261,785
Adjustment to Annual Required Contribution	<u>(91,925)</u>
Annual OPEB Cost	235,986
Contributions Made for the Plan Year	(138,953)
One-time adjustment to Net OPEB Obligation	<u>(1,287,417)</u>
Increase in Net OPEB Obligation	<u>(1,190,384)</u>
Net OPEB Obligation, End of the Plan Year	<u>\$ 462,769</u>

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, 2015 totaled approximately \$139,000 through payment of covered participants' explicit benefits. There is no implicit rate subsidy as the retirees are responsible for paying the age-adjusted premiums for all coverages. There were no contributions made to the SCCOPEBT or to the County to prefund 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, 2013	\$ 457,174	95,718	20.94%	\$ 1,503,167
June 30, 2014	238,327	88,341	37.07%	1,653,153
June 30, 2015	\$ 235,986	1,426,370	604.43%	\$ 462,769

* In FY 2015 the Museum changed their OPEB plan; the FY Annual OPEB Cost Contributed includes a one time adjustment of \$1,287,417 and the Museum's regular Contribution of \$138,953.

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, 2015

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
Books and Publications	\$ 1,650	2,123	1,838	\$ 285
Hospitality	10,474	11,286	8,892	2,394
Computer Hardware and Software	350	350	-	350
Uniforms and Clothing	4,000	2,972	1,675	1,297
Specialized Department Supplies	173,251	152,943	40,204	112,739
Archival Supplies	10,696	8,670	4,670	4,000
Film and Processing	642	223	123	100
Cost of Sales	63,081	65,759	59,082	6,677
Exhibition Supplies	14,445	42,527	38,795	3,732
Cleaning Supplies	7,870	7,870	7,024	846
Licenses and Permits	9,090	9,090	6,996	2,094
Miscellaneous	10,209	13,138	11,845	1,293
Total Operational and Program Expenditures	<u>3,523,027</u>	<u>3,554,972</u>	<u>3,165,363</u>	<u>389,609</u>
Capital Outlay	50,437	135,311	31,954	103,357
TOTAL EXPENDITURES	<u>3,573,464</u>	<u>3,690,283</u>	<u>3,197,317</u>	<u>492,966</u>
NET CHANGE IN FUND BALANCE	-	(116,819)	378,366	495,185
FUND BALANCE, Beginning of Year	<u>1,239,462</u>	<u>1,239,462</u>	<u>1,239,462</u>	-
FUND BALANCE, End of Year	<u>\$ 1,239,462</u>	<u>1,122,643</u>	<u>1,617,828</u>	<u>\$ 495,185</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Pension Liability (Asset)	0.016797%	0.016797%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,891,887	\$ 3,012,783
Commission's Covered-Employee Payroll	\$ 1,524,918	\$ 1,513,767
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	189.64%	199.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

Supplementary Information

**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, 2015, 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, 2015.

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, 2015