

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

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

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

Rock Hill, South Carolina

Established

1997

BOARD OF COMMISSIONERS as of June 30, 2016

DISTRICT 1 – Penny Sheppard

DISTRICT 2 – Bessie Meeks

DISTRICT 3 – James Duncan, Vice Chair

DISTRICT 4 – Jeffery Lyon

DISTRICT 5 – Nancy Craig, Secretary/Treasurer

DISTRICT 6 – Dale Dove, Chair

DISTRICT 7 – Craig Lentz

Ex Officio – Carolyn Mendenhall

Ex Officio – Rick Chacon



Greene, Finney & Horton, LLP

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 the 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, 2016, 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 Culture and Heritage Commission of York County, as of June 30, 2016, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Employer Contributions and Funding Progress – Other Postemployment Benefits Plan, and Pension Plan Schedules, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 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 8, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 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, 2016 by approximately \$403,000. The Commission reported a deficit in unrestricted net position of approximately \$1,276,000. This deficit was due to the net pension liability of approximately \$3,070,000 as required by Governmental Accounting Standards Board ("GASB") statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68"). The Commission participates in the South Carolina Retirement System's ("SCRS") pension plan, and the Commission is required by GASB #68 to recognize its proportionate share of the SCRS' unfunded liability on the Commission's government-wide financial statements.
- The General Fund reported ending fund balance of approximately \$2,056,000, an increase of approximately \$439,000 from the prior year ending fund balance. 91% of the total amount, or approximately \$1,873,000, is unassigned and available for spending at the government's discretion. The unassigned fund balance represents 58% of fiscal 2016 expenditures.
- Total revenues for the year ended June 30, 2016 were approximately \$3,684,000, of which over 79% came from appropriations from the County, compared to approximately \$3,576,000 in total revenues for the prior year. This increase of approximately \$108,000 (3%) was due primarily to an increase in funds appropriated by the County.
- Total expenditures for the year ended June 30, 2016 were approximately \$3,246,000 compared to approximately \$3,197,000 in the prior year, or an increase of approximately \$49,000 (2%) due primarily to an increase in operation expenditures.
- The Commission's capital assets were approximately \$845,000 at June 30, 2016, a decrease of approximately \$78,000 from the prior year, as depreciation of approximately \$116,000 exceeded additions of approximately \$38,000. 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 had a net reduction in its Other Postemployment Benefits ("OPEB") plan of approximately \$209,000 to reduce the liability to approximately \$254,000 at June 30, 2016.

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, deferred outflows, liabilities, and deferred inflows, with the difference between them 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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).

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, 2016. 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. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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 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 and liabilities and deferred inflows of resources 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, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately \$403,000 and liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately \$954,000 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, 2016 and 2015:

	Net Position	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current Assets	\$ 2,260,157	\$ 1,765,213
Capital Assets, Net	845,362	923,457
Total Assets	<u>3,105,519</u>	<u>2,688,670</u>
Deferred Outflows of Resources		
Deferred Pension Charges	<u>252,972</u>	<u>247,357</u>
Liabilities		
Current Liabilities	203,757	147,385
Net Pension Liability	3,069,563	2,891,887
Long-Term Liabilities	397,750	606,669
Total Liabilities	<u>3,671,070</u>	<u>3,645,941</u>
Deferred Inflows of Resources		
Deferred Pension Credits	<u>90,090</u>	<u>243,807</u>
Net Position		
Net Investment in Capital Assets	845,362	923,457
Restricted	28,217	28,217
Unrestricted (Deficit)	(1,276,248)	(1,905,395)
Total Net Position	<u>\$ (402,669)</u>	<u>\$ (953,721)</u>

The Commission's total assets and deferred outflows of resources at June 30, 2016 increased by approximately \$422,000 over the prior year. The increase was primarily due to current year expenditures being exceeded by revenues in the current year. Total liabilities and deferred inflows of resources at June 30, 2016 decreased by approximately \$129,000 from the prior year primarily due to a decrease in the unfunded OPEB obligation of approximately \$209,000 and a decreased in deferred pension credits of approximately \$154,000, partially offset by an increase in the net pension liability of approximately \$178,000.

The Commission's net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) increased by approximately \$551,000 during the current fiscal year due to current year revenues exceeding current year expenditures. See the table below for additional information on the changes in net position in fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A significant portion of the Commission's net position is reflected in its investment in capital assets totaling approximately \$845,000 at June 30, 2016. 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 \$1,276,000 due primarily to unfunded OPEB obligations of approximately \$254,000 and pension obligations of approximately \$3,070,000 at June 30, 2016.

The table below shows the changes in net position for Commission's governmental activities for fiscal years 2016 and 2015:

	Statement of Activities	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 607,613	\$ 521,205
Operating Grants	120,415	181,006
General Revenues:		
County Appropriation	2,925,599	2,825,514
Other	30,517	47,958
Total Revenues	<u>3,684,144</u>	<u>3,575,683</u>
Program Expenses		
Museum Services/Operations	3,133,092	2,147,850
Total Program Expenses	<u>3,133,092</u>	<u>2,147,850</u>
Change in Net Position	<u>551,052</u>	<u>1,427,833</u>
Net Position, Beginning of Year	<u>(953,721)</u>	<u>(2,381,554)</u>
Net Position, End of Year	<u>\$ (402,669)</u>	<u>\$ (953,721)</u>

The Commission's change in net position of approximately \$551,000 was the result of current year revenues of approximately \$3,684,000 exceeding current year expenditures of approximately \$3,133,000. The increase in revenues of approximately \$108,000 is primarily due to County Appropriations increasing approximately \$100,000. The increase in expenses is due primarily to the one time change in the OPEB plan in the prior year decreasing expenditures approximately \$1,000,000. All other expenditures remained relatively flat.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016, the Commission's General Fund reported a fund balance of approximately \$2,056,000 as compared to the prior year amount of approximately \$1,618,000. Unassigned fund balance was approximately \$1,873,000 at June 30, 2016, representing 91% of the total fund balance and 58% of expenditures for the year ended June 30, 2016.

Revenues of approximately \$3,684,000 exceeded expenditures of approximately \$3,246,000 by approximately \$439,000 for 2016. Appropriations from the County were approximately \$2,926,000 for 2016, compared to approximately \$2,826,000 for the prior year. Appropriations from the County represented over 79% of total revenues for the Commission for 2016. Total expenditures were approximately \$3,246,000 for 2016. Salaries and benefits were approximately \$2,321,000, representing 71% of total expenditures.

General Fund Budgetary Highlights

The Board of Commissioners adopts an annual budget for the Commission's General Fund. Amendments to the Commission's General Fund revenue and expenditure budget for the fiscal year 2016 totaled approximately \$1,132,000. The Commission budgeted to use approximately \$107,000 in accumulated fund balance for fiscal year 2016. However, fund balance increased by approximately \$439,000 in fiscal year 2016, or a difference of approximately \$545,000. This is due to professional services coming in under budget by approximately \$947,000, salaries and benefits coming in under budget by approximately \$112,000, capital outlay coming in under budget by approximately \$89,000, and positive variances in all other expenditures totaling approximately \$314,000. These positive variances in expenditures were partially offset by grant revenues coming in under budget by \$993,000 and all other revenues coming in over budget by \$76,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets includes building improvements and equipment and totaled approximately \$845,000 at June 30, 2016, a decrease of approximately \$78,000 from the prior year. During 2016 the Commission capitalized approximately \$38,000 in additions and recorded depreciation expense of approximately \$116,000. 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, 2016, 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 \$254,000 and compensated absence liabilities of approximately \$144,000. 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, 2016

ECONOMIC FACTORS AND FISCAL YEAR 2017 BUDGET

While lower than the State unemployment rate of 5.4%, the County's unemployment rate at June 30, 2016 was 5.3% versus 5.7% a year ago. Many factors were considered by the Commission's administration during the process of developing the FY 2017 budget which was approximately \$1.3 million or 33% more than the FY 2016 original budget. The most significant reason for the increase from the FY 2016 budget was the increase in grant and settlement money being used for capital projects. 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 2017, the Commission did approve that up to \$75 thousand be added to the FY 2017 budget in order to re-appropriate funding that had not been used in FY 2016.

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 kevin.madden@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, 2016

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,720,372
Accounts Receivable	46,025
Due From York County	413,813
Inventory	46,722
Prepays	33,225
Capital Assets:	
Depreciable, Net	845,362
TOTAL ASSETS	3,105,519
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	252,972
LIABILITIES	
Accounts Payable and Accrued Expenses	51,841
Accrued Salaries, Fringe, Benefits, and Other Accrued Expenses	72,161
Unearned Revenue	79,755
Non-Curent Liabilities:	
Net Other Postemployment Benefit Obligation	254,042
Net Pension Liability	3,069,563
Long Term Obligations - Due Within One Year	66,165
Long Term Obligations - Due in More Than One Year	77,543
TOTAL LIABILITIES	3,671,070
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	90,090
NET POSITION	
Net Investment in Capital Assets	845,362
Restricted For:	
Cultural Programs	28,217
Unrestricted	(1,276,248)
TOTAL NET POSITION	\$ (402,669)

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, 2016

				NET (EXPENSE) REVENUE & CHANGE IN NET POSITION
PROGRAM REVENUES				
FUNCTIONS/PROGRAMS				Primary Government Governmental Activities
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Culture and Recreation	\$ 3,133,092	607,613	120,415	-
TOTAL PRIMARY GOVERNMENT	\$ 3,133,092	607,613	120,415	-
General Revenues:				
County Appropriation				2,925,599
Unrestricted Investment Earnings				4,168
Miscellaneous				26,349
Total General Revenues				2,956,116
CHANGE IN NET POSITION				551,052
NET POSITION, Beginning of Year				(953,721)
NET POSITION, End of Year				\$ (402,669)

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, 2016

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 1,720,372
Accounts and Grants Receivable	46,025
Due From York County	413,813
Inventory	46,722
Prepays	33,225
TOTAL ASSETS	\$ 2,260,157
LIABILITIES	
Accounts Payable	\$ 51,841
Accrued Salaries, Fringe and Benefits	68,479
Accrued Expenses	3,682
Unearned Revenue	79,755
TOTAL LIABILITIES	203,757
FUND BALANCE	
Nonspendable:	
Inventory	46,722
Prepays	33,225
Restricted for:	
Cultural Programs	28,217
Assigned for:	
Capital Outlay	75,349
Unassigned	1,872,887
TOTAL FUND BALANCE	2,056,400
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,260,157

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, 2016

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	2,056,400
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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 \$2,041,686, and the accumulated depreciation was \$1,196,324.	845,362
The Commission'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 plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,906,681)
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	(254,042)
Compensated Absences	(143,708)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	(402,669)
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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, 2016

	GENERAL FUND
REVENUES	
York County Appropriations	\$ 2,925,599
Other Support	127,966
Program Revenues	630,579
TOTAL REVENUES	3,684,144
EXPENDITURES	
Current:	
Operations and Programs	3,220,936
Capital Outlay	24,636
TOTAL EXPENDITURES	3,245,572
NET CHANGE IN FUND BALANCE	438,572
FUND BALANCE, Beginning of Year	1,617,828
FUND BALANCE, End of Year	\$ 2,056,400

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, 2016

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	438,572
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.		192
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.		208,727
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.		(18,344)
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 \$37,975 were exceeded by depreciation expense of \$116,070 for the current period.		(78,095)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	551,052

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, 2016

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, 2016

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.

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.

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;

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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)

- (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, 2016.

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 acquisition 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. *Capital Assets (Continued)*

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.

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).

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet 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 currently has one type of deferred outflows of resources. The Commission reports deferred pension charges in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 currently has one type of deferred inflows of resources. The Commission reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

10. Other Postemployment Benefits

Other Postemployment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.D and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

11. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Board of Commissioners adopts a budget for General Fund revenues and expenditures prior to the beginning of each fiscal year. During the year, the Board of Commissioners made supplementary budget appropriations. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016, none of the Commission's bank balances of approximately \$1,717,000 (which had a carrying value of approximately \$1,720,000) were exposed to custodial credit risk.

B. Capital Assets

Governmental capital asset activity for the year ended June 30, 2016, 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	705,700	37,975	-	743,675
Total Capital Assets, Depreciable	2,003,711	37,975	-	2,041,686
Less: Accumulated Depreciation For:				
Buildings and Improvements	734,726	43,581	-	778,307
Furniture, Fixtures, and Equipment	345,528	72,489	-	418,017
Total Accumulated Depreciation	1,080,254	116,070	-	1,196,324
Total Capital Assets, Depreciable, Net	923,457	(78,095)	-	845,362
Governmental Activities Capital Assets, Net	\$ 923,457	(78,095)	-	\$ 845,362

C. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 143,900	65,972	(66,164)	143,708	\$ 66,165
Net Other Postemployment Benefit Obligation	462,769	106,513	(315,240)	254,042	-
Total Governmental Activities	\$ 606,669	172,485	(381,404)	397,750	\$ 66,165

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, 2016

IV. OTHER INFORMATION

A. Retirement Plans

The Commission participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the PEBA 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 PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plan, the PEBA 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 earlier, both employees and the Commission are required to contribute to the Plan 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:

Required employer and employee contribution rates for the past three years are as follows:

	SCRS		
	2014	2015	2016
Employer Contribution Rate: [^]			
Retirement	10.45%	10.75%	10.91%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	<u>10.60%</u>	<u>10.90%</u>	<u>11.06%</u>
Employee Contribution Rate	<u>7.50%</u>	<u>8.00%</u>	<u>8.16%</u>

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Contributions (Continued)

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

Year Ended June 30,	SCRS Contributions	
	Required	% Contributed
2016	\$ 177,890	100%
2015	165,413	100%
2014	\$ 161,641	100%

Eligible payrolls of the Commission covered under the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	
2016	\$	1,608,408
2015		1,517,549
2014	\$	1,524,918

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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, performed on data through June 30, 2015, is currently underway.

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the SCRS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.75%.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for the SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 measurement date, for the SCRS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	25,131,828,101	\$ 18,965,482,129	57.0%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan funding requirements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

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

At June 30, 2016, the Commission reported a liability of approximately \$3,070,000 for its proportionate share of the net pension liability for the SCRS ("Plan"). The net pension liability was measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability were determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date. The Commission's proportion of the net pension liability were based on a projection of the Commission's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2015 measurement date, the Commission's SCRS proportion was 0.016185 percent, which was a decrease of 0.000612 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of approximately \$196,000 for the SCRS. At June 30, 2016, the Commission reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 54,536	\$ 5,489
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	20,546	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	-	84,601
Commission Contributions Subsequent to the Measurement Date	177,890	-
Total SCRS	<u>\$ 252,972</u>	<u>\$ 90,090</u>

Approximately \$178,000 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, 2017. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2017	\$ (13,598)
2018	(13,598)
2019	(32,330)
2020	44,518
Total	<u>\$ (15,008)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. 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.

The following table presents the sensitivity of the Commission's proportionate share of the net pension liability of the Plan to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
The Commission's proportionate share of the net pension liability of the SCRS	\$ 3,869,842	3,069,563	\$ 2,398,828

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

B. Risk Management

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

C. Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Actuarial Valuations 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 and mortality. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The asset valuation method used is market value.

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

Actuarial Valuation Date:	June 30, 2015
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:	NA - Future county contributions will not increase
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 using Scale AA
Per Capita Claims Costs	NA - Contributions are limited to the fixed dollar HRA contributions established under the Plan
Implicit Rate Subsidy:	NA - Retirees are responsible for paying the age adjusted premiums for all coverages
Changes in Actuarial Assumptions:	The Health Cost Trend, Per Capital Claims Costs, and Implicit Rate Subsidy assumptions are no longer applicable

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, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (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, 2016) was as follows:

Net OPEB Obligation, Beginning of the Plan Year	\$ 462,769
One Year's Interest on the Net OPEB Obligation	18,511
ARC (Normal Cost Plus Any Amortization Payments)	113,735
Adjustment to Annual Required Contribution	(25,733)
Annual OPEB Cost	106,513
Contributions Made for the Plan Year	(315,240)
Decrease in Net OPEB Obligation	(208,727)
Net OPEB Obligation, End of the Plan Year	\$ 254,042

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, 2016 totaled approximately \$315,000 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, 2014	\$ 238,327	88,341	37.07%	\$ 1,653,153
June 30, 2015	235,986	1,426,370	604.43%	462,769
June 30, 2016	\$ 106,513	315,240	295.96%	\$ 254,042

* 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (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, 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%
June 30, 2015	\$ -	1,529,222	1,529,222	0.00%	\$ 1,338,494	114.25%

E. Economic Dependence

The Commission receives a substantial amount of its support from state and local governments, including approximately \$2,926,000 (over 79% of total revenues) from the County for the year ended June 30, 2016. 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. Foundation for the Carolinas

In fiscal year 2015, the CHC Capital Projects Fund was established at the Foundation for the Carolinas ("FFTC") with an initial deposit of approximately \$8,000,000 as a result of a favorable settlement agreement. The Fund is to be used exclusively for capital projects (including planning and design) of the Culture and Heritage Commission ("CHC"). The CHC generates requests for funding annually which are reviewed by a special Advisory Board set up for that purpose by the agreement. By terms of the agreement, the seven-member Advisory Board includes the Executive Director of the CHC, three York County citizens appointed by the CHC, and three York County citizens appointed by the Culture and Heritage Foundation, Inc. The Advisory Board makes a recommendation on the request to the FFTC that is within the guidelines established by the agreement. Up to 20% of the balance of the principle on January 1st plus an annual spendable allowance established by the FFTC (around 4% to 6) is available each calendar year. If all of the 20% is not used in a given year, it is added to the total available in future years.

The Cultural and Heritage Commission was awarded a grant by the Foundation for the Carolinas for approximately \$939,000. The grant was for the Phase I Capital Improvements associated with the Historic Brattonsville Interpretive Plan. Approximately \$4,000 was expended in fiscal year 2016 with the remaining approximate amount of \$935,000 to be expended in fiscal year 2017.

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Required Supplementary Information

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2016

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
York County Appropriations	\$ 2,954,599	2,925,599	2,925,599	\$ -
Other Support:				
Memberships	52,750	60,000	95,720	35,720
Gifts	55,500	55,500	32,246	(23,254)
Total Other Support	108,250	115,500	127,966	12,466
Program Revenues:				
Admissions and Tours	164,000	164,000	161,788	(2,212)
Sales - Shops and Gallery	103,900	103,900	118,559	14,659
Public Programs	40,000	40,000	35,892	(4,108)
Educational Programs and Trip Income	127,250	127,250	158,378	31,128
Grants	148,590	1,080,740	88,169	(992,571)
Building Rentals	29,500	29,500	37,276	7,776
Interest and Investment Income	-	-	4,168	4,168
Miscellaneous Income	14,250	14,250	26,349	12,099
Total Program Revenues	627,490	1,559,640	630,579	(929,061)
TOTAL REVENUES	3,690,339	4,600,739	3,684,144	(916,595)
EXPENDITURES				
Current:				
Operational and Program Expenditures:				
Salaries	1,606,944	1,709,162	1,629,588	79,574
Payroll Taxes	122,825	122,600	117,414	5,186
Health Insurance	421,512	421,512	394,269	27,243
Retirement	179,957	179,963	179,898	65
Professional Services	102,200	1,040,893	94,213	946,680
Maintenance and Service Contracts	90,940	89,445	64,401	25,044
Vehicle Maintenance and Operations	11,400	12,600	6,195	6,405
Building Repairs and Maintenance	119,800	146,042	97,328	48,714
Rentals and Leases	13,110	13,310	8,106	5,204
Insurance - General Liability and Workers' Comp	75,000	75,000	64,156	10,844
Utilities	200,000	172,779	139,455	33,324
Telephone	69,100	50,500	40,543	9,957
Advertising	119,100	129,100	124,170	4,930
Printing and Binding	37,650	31,123	24,143	6,980
Travel and Training	33,070	39,137	19,915	19,222
Postage	23,850	22,445	14,244	8,201
Membership Dues	8,395	13,272	12,092	1,180
Office Supplies and Small Equipment	\$ 18,985	31,232	20,090	\$ 11,142

(Continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2016

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
Books and Publications	\$ 1,850	2,629	1,746	\$ 883
Hospitality	10,475	11,238	9,231	2,007
Uniforms and Clothing	3,500	4,753	4,364	389
Specialized Department Supplies	160,845	143,623	30,657	112,966
Archival Supplies	1,520	2,524	1,749	775
Cost of Sales	63,116	70,576	88,038	(17,462)
Exhibition Supplies	12,535	20,019	11,809	8,210
Cleaning Supplies	7,915	7,615	6,152	1,463
Licenses and Permits	11,980	11,980	464	11,516
Miscellaneous	10,100	18,750	16,506	2,244
Total Operational and Program Expenditures	<u>3,537,674</u>	<u>4,593,822</u>	<u>3,220,936</u>	<u>1,372,886</u>
Capital Outlay	37,940	113,709	24,636	89,073
TOTAL EXPENDITURES	<u>3,575,614</u>	<u>4,707,531</u>	<u>3,245,572</u>	<u>1,461,959</u>
NET CHANGE IN FUND BALANCE	114,725	(106,792)	438,572	545,364
FUND BALANCE, Beginning of Year	<u>1,617,828</u>	<u>1,617,828</u>	<u>1,617,828</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 1,732,553</u>	<u>1,511,036</u>	<u>2,056,400</u>	<u>\$ 545,364</u>

**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 3016

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, 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
June 30, 2015	235,986	1,426,370	604.43%		462,769
June 30, 2016	\$ 106,513	315,240	295.96%	\$	254,042

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

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, 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%
June 30, 2015	\$ -	1,529,222	1,529,222	0.00%	\$ 1,338,494	114.25%

**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 THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Commission's Proportion of the Net Pension Liability	0.016185%	0.016797%	0.016797%
Commission's Proportionate Share of the Net Pension Liability	\$ 3,069,563	2,891,887	\$ 3,012,783
Commission's Covered-Employee Payroll	\$ 1,517,549	1,524,918	\$ 1,513,767
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	202.27%	189.64%	199.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%	56.39%

Notes to Schedule:

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

The Commission implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2015	2015	2014
Contractually Required Contribution	\$ 177,890	165,413	\$ 161,641
Contributions in Relation to the Contractually Required Contribution	177,890	165,413	161,641
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Commission's Covered-Employee Payroll	\$ 1,608,408	1,517,549	\$ 1,524,918
Contributions as a Percentage of Covered-Employee Payroll	11.06%	10.90%	10.60%

Notes to Schedule:

The Commission implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available

Supplementary Information

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

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL EXPENSES
	EDUCATION PROGRAM	CULTURAL ART PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	
Expenditures - Modified Accrual Basis					
Salaries	\$ 340,834	1,003,017	257,587	28,150	\$ 1,629,588
Payroll Taxes	24,436	72,237	18,610	2,131	117,414
Health Insurance	56,506	148,182	188,893	688	394,269
Retirement	37,797	110,709	28,274	3,118	179,898
Professional Services	6,890	74,040	13,271	12	94,213
Maintenance and Service Contracts	12,235	34,331	17,276	559	64,401
Vehicle Maintenance and Operations	933	3,920	1,270	72	6,195
Building Repairs and Maintenance	15,027	60,744	20,399	1,158	97,328
Rentals and Leases	1,178	6,928	-	-	8,106
Insurance - General Liability and Workers' Comp	-	-	64,156	-	64,156
Utilities	23,965	80,989	32,648	1,853	139,455
Telephone	267	901	39,354	21	40,543
Advertising	-	124,170	-	-	124,170
Printing and Binding	1,985	8,795	12,788	575	24,143
Travel and Training	5,641	12,345	1,844	85	19,915
Postage	177	11,156	891	2,020	14,244
Membership Dues	864	4,523	6,283	422	12,092
Office Supplies and Small Equipment	683	15,338	3,862	207	20,090
Books and Publications	109	1,637	-	-	1,746
Hospitality	103	7,967	1,053	108	9,231
Uniforms and Clothing	-	4,364	-	-	4,364
Specialized Department Supplies	7,409	21,347	1,867	34	30,657
Archival Supplies	835	914	-	-	1,749
Cost of Sales	-	5,273	82,765	-	88,038
Exhibition Supplies	525	11,204	76	4	11,809
Cleaning Supplies	1,077	3,565	1,429	81	6,152
Licenses and Permits	277	187	-	-	464
Miscellaneous	-	5,911	10,002	593	16,506
Capital Outlay	2,759	3,738	18,129	10	24,636
Total Expenditures - Modified Accrual Basis	542,512	1,838,432	822,727	41,901	3,245,572
Conversion to Accrual Basis:					
Depreciation	19,949	67,407	27,172	1,542	116,070
Capital Asset Additions	(6,527)	(22,054)	(8,889)	(505)	(37,975)
Changes in the OPEB Liability	(35,874)	(121,217)	(48,862)	(2,774)	(208,727)
Changes in the Compensated Absences Liability	(33)	(111)	(45)	(3)	(192)
Changes in Pension Liability and Related Accounts	3,153	10,652	4,295	244	18,344
Total Expenses - Accrual Basis	\$ 523,180	1,773,109	796,398	40,405	\$ 3,133,092



Greene, Finney & Horton, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 the Culture and Heritage Commission of York County (the "Commission") as of and for the year ended June 30, 2016, 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 8, 2016.

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*.

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OPEN BY APPOINTMENT ONLY

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.

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 8, 2016