

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

| | <u>Page</u> |
|--|-------------|
| Board of Commissioners | iii |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| <i>Government-Wide Financial Statements:</i> | |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet - Governmental Fund | 14 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund | 16 |
| Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | 17 |
| Notes to the Financial Statements | 18 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule - General Fund | 38 |
| Schedule of Employer Contributions and Funding Progress - Other Postemployment Benefits Plan | 40 |
| <i>Pension Plan Schedules:</i> | |
| Schedule of the Commission's Proportionate Share of the Net Pension Liability - South Carolina Retirement System | 41 |
| Schedule of the Commission's Contributions - South Carolina Retirement System | 42 |
| Supplementary Information: | |
| Schedule of Functional Expenses | 44 |
| <u>COMPLIANCE SECTION</u> | |
| Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 45 |

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, 2017

DISTRICT 1 – Penny Sheppard, Secretary/Treasurer

DISTRICT 2 – Bessie Meeks

DISTRICT 3 – James Duncan, Chair

DISTRICT 4 – Jeffery Lyon

DISTRICT 5 – Nancy Craig

DISTRICT 6 – Dale Dove, Vice Chair

DISTRICT 7 – Craig Lentz

Ex Officio – Carolyn Mendenhall

Ex Officio – Rick Chacon



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, 2017, 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, 2017, 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.

Pending Implementation of GASB Statement on Postemployment Benefits Other Than Pensions

As discussed in Note IV.H, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("Statement") in 2015. The Statement, which will be adopted by the Commission for the year ended June 30, 2018, will require the Commission to report a net other postemployment benefit ("OPEB") liability on its applicable financial statements for its OPEB plan ("Plan")

GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC
864.451.7381

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
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Based on the Plan's latest actuarial valuation, it is anticipated that the Commission will need to record an additional net OPEB liability which will decrease its governmental activities beginning net position for the year ended June 30, 2018 by a material amount, although the exact amount has yet to be determined. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 GASB 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 November 29, 2017 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, LLP
Mauldin, South Carolina
November 29, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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, 2017. 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 2017 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, 2017 by approximately \$252,000. The Commission reported a deficit in unrestricted net position of approximately \$1,096,000. This deficit was due to the net pension liability of approximately \$3,548,000 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 \$2,325,000, an increase of approximately \$268,000 from the prior year ending fund balance. 93% of the total amount, or approximately \$2,161,000, is unassigned and available for spending at the government's discretion. The unassigned fund balance represents 58% of fiscal 2017 expenditures.
- Total revenues for the year ended June 30, 2017 were approximately \$4,001,000, of which over 75% came from appropriations from the County, compared to approximately \$3,684,000 in total revenues for the prior year. This increase of approximately \$317,000 (9%) was due primarily to an increase in funds appropriated by the County as well as grant revenues received.
- Total expenditures for the year ended June 30, 2017 were approximately \$3,733,000 compared to approximately \$3,246,000 in the prior year, or an increase of approximately \$487,000 (15%) due primarily to an increase in operation expenditures as well as grant related expenditures related to ongoing capital projects.
- The Commission's capital assets were approximately \$816,000 at June 30, 2017, a decrease of approximately \$30,000 from the prior year, as depreciation of approximately \$119,000 exceeded additions of approximately \$90,000. 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 \$20,000 to reduce the liability to approximately \$234,000 at June 30, 2017.

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, 2017

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, 2017. 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 along with a schedule of the Commission's contributions and funding progress of the OPEB plan. 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, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

| Figure A-1 | | |
|---|---|--|
| Major Features of the Commission's Government-Wide and Fund Financial Statements | | Fund Financial Statements |
| | Government-Wide Statements | General Fund (only fund) |
| Scope Required Financial Statements | <p>Entire Commission.</p> <ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Activities | <p>The activities of the Commission.</p> <ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances |
| Accounting Basis and Measurement Focus | <p>Accrual accounting and economic resources focus.</p> | <p>Modified accrual accounting and current financial resources focus.</p> |
| Type of Asset/Liability Information | <p>All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term.</p> | <p>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.</p> |
| Type of Inflow/Outflow Information | <p>All revenues and expenses during the year, regardless of when cash is received or paid.</p> | <p>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.</p> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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 \$252,000 and liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately \$403,000 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, 2017 and 2016:

| | Net Position | |
|---------------------------------------|---------------------|---------------------|
| | June 30, 2017 | June 30, 2016 |
| Assets | | |
| Current Assets | \$ 2,775,213 | \$ 2,260,157 |
| Capital Assets, Net | 815,677 | 845,362 |
| Total Assets | <u>3,590,890</u> | <u>3,105,519</u> |
| Deferred Outflows of Resources | | |
| Deferred Pension Charges | <u>604,359</u> | <u>252,972</u> |
| Liabilities | | |
| Current Liabilities | 450,512 | 203,757 |
| Net Pension Liability | 3,547,658 | 3,069,563 |
| Long-Term Liabilities | 387,570 | 397,750 |
| Total Liabilities | <u>4,385,740</u> | <u>3,671,070</u> |
| Deferred Inflows of Resources | | |
| Deferred Pension Credits | <u>61,715</u> | <u>90,090</u> |
| Net Position | | |
| Net Investment in Capital Assets | 815,677 | 845,362 |
| Restricted | 28,217 | 28,217 |
| Unrestricted (Deficit) | (1,096,100) | (1,276,248) |
| Total Net Position | <u>\$ (252,206)</u> | <u>\$ (402,669)</u> |

The Commission's total assets and deferred outflows of resources at June 30, 2017 increased by approximately \$837,000 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, 2017 increased by approximately \$686,000 from the prior year primarily due to an increase in the net pension liability of approximately \$478,000 and an increase in current liabilities of approximately \$247,000 related to deferred revenues of grants.

The Commission's net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) increased by approximately \$150,000 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 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A significant portion of the Commission's net position is reflected in its investment in capital assets totaling approximately \$816,000 at June 30, 2017. 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 \$1,096,000 due primarily to unfunded OPEB obligations of approximately \$234,000 and pension obligations of approximately \$3,548,000 at June 30, 2017.

The table below shows the changes in net position for Commission's governmental activities for fiscal years 2017 and 2016:

| | Statement of Activities | |
|---------------------------------|-------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$ 682,306 | \$ 607,613 |
| Operating Grants | 275,945 | 120,415 |
| General Revenues: | | |
| County Appropriation | 3,021,380 | 2,925,599 |
| Other | 21,832 | 30,517 |
| Total Revenues | <u>4,001,463</u> | <u>3,684,144</u> |
| Program Expenses | | |
| Museum Services/Operations | 3,851,000 | 3,133,092 |
| Total Program Expenses | <u>3,851,000</u> | <u>3,133,092</u> |
| Change in Net Position | <u>150,463</u> | <u>551,052</u> |
| Net Position, Beginning of Year | <u>(402,669)</u> | <u>(953,721)</u> |
| Net Position, End of Year | <u>\$ (252,206)</u> | <u>\$ (402,669)</u> |

The Commission's change in net position of approximately \$150,000 was the result of current year revenues of approximately \$4,001,000 exceeding current year expenditures of approximately \$3,851,000. The increase in revenues of approximately \$317,000 is primarily due to County Appropriations increasing approximately \$95,000 as well as operating grant income of approximately \$156,000. The increase in expenses is due primarily to increases in operation expenditures and an increase in grant expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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, 2017, the Commission's General Fund reported a fund balance of approximately \$2,325,000 as compared to the prior year amount of approximately \$2,056,000. Unassigned fund balance was approximately \$2,161,000 at June 30, 2017, representing 93% of the total fund balance and 58% of expenditures for the year ended June 30, 2017.

Revenues of approximately \$4,001,000 exceeded expenditures of approximately \$3,733,000 by approximately \$268,000 for 2017. Appropriations from the County were approximately \$3,021,000 for 2017, compared to approximately \$2,926,000 for the prior year. Appropriations from the County represented over 75% of total revenues for the Commission for 2017. Total expenditures were approximately \$3,733,000 for 2017. Salaries and benefits were approximately \$2,554,000, representing 68% 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 2017 totaled approximately \$201,000. The Commission budgeted to use approximately \$110,000 in accumulated fund balance for fiscal year 2017. However, fund balance increased by approximately \$268,000 in fiscal year 2017, or a difference of approximately \$379,000. This is due to Carolina Foundation Grant Expenses coming in under budget by approximately \$824,000, salaries and benefits coming in under budget by approximately \$110,000, capital outlay coming in under budget by approximately \$201,000, and positive variances in all other expenditures totaling approximately \$199,000. These positive variances in expenditures were partially offset by grant revenues coming in under budget by \$955,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets includes building improvements and equipment and totaled approximately \$816,000 at June 30, 2017, a decrease of approximately \$30,000 from the prior year. During 2017, the Commission capitalized approximately \$90,000 in additions and recorded depreciation expense of approximately \$119,000. 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 Note III.B to the financial statements.

Debt Administration

At June 30, 2017, 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 \$234,000 and compensated absence liabilities of approximately \$154,000. For more detailed information on all of the Commission's long-term obligations, see Note III.C to the financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

ECONOMIC FACTORS AND FISCAL YEAR 2018 BUDGET

While higher than the State unemployment rate of 3.9%, the County's unemployment rate at June 30, 2017 was 4.0% versus 5.3% a year ago. Many factors were considered by the Commission's administration during the process of developing the FY 2018 budget which was approximately \$0.6 million or 13% less than the FY 2017 original budget. The most significant reason for the decrease from the FY 2017 budget was the decrease 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 Commission. Later in FY 2017, the Commission did approve that up to \$61 thousand be added to the FY 2018 budget in order to re-appropriate funding that had not been used in FY 2017.

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, 2017

| | PRIMARY GOVERNMENT |
|--|------------------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and Cash Equivalents | \$ 2,030,901 |
| Accounts Receivable | 60,420 |
| Due From York County | 608,915 |
| Inventory | 41,056 |
| Prepays | 33,921 |
| Capital Assets: | |
| Depreciable, Net | 815,677 |
| TOTAL ASSETS | 3,590,890 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Pension Charges | 604,359 |
| LIABILITIES | |
| Accounts Payable and Accrued Expenses | 56,824 |
| Accrued Salaries, Fringe, Benefits, and Other Accrued Expenses | 90,189 |
| Unearned Revenue | 303,499 |
| Non-Curent Liabilities: | |
| Net Other Postemployment Benefit Obligation | 234,013 |
| Net Pension Liability | 3,547,658 |
| Long Term Obligations - Due Within One Year | 70,444 |
| Long Term Obligations - Due in More Than One Year | 83,113 |
| TOTAL LIABILITIES | 4,385,740 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Pension Credits | 61,715 |
| NET POSITION | |
| Net Investment in Capital Assets | 815,677 |
| Restricted For: | |
| Cultural Programs | 28,217 |
| Unrestricted | (1,096,100) |
| TOTAL NET POSITION | \$ (252,206) |

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, 2017

| <u>FUNCTIONS/PROGRAMS</u> | <u>PROGRAM REVENUES</u> | | | <u>NET (EXPENSE) REVENUE & CHANGE IN NET POSITION</u> | |
|----------------------------------|-------------------------|---------------------------------|---|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Government Governmental Activities</u> |
| PRIMARY GOVERNMENT: | | | | | |
| Governmental Activities: | | | | | |
| Culture and Recreation | \$ 3,851,000 | 682,306 | 275,945 | - | \$ (2,892,749) |
| TOTAL PRIMARY GOVERNMENT | \$ 3,851,000 | 682,306 | 275,945 | - | (2,892,749) |
| General Revenues: | | | | | |
| County Appropriation | | | | | 3,021,380 |
| Unrestricted Investment Earnings | | | | | 4,432 |
| Miscellaneous | | | | | 17,400 |
| Total General Revenues | | | | | <u>3,043,212</u> |
| CHANGE IN NET POSITION | | | | | 150,463 |
| NET POSITION, Beginning of Year | | | | | <u>(402,669)</u> |
| NET POSITION, End of Year | | | | | \$ <u>(252,206)</u> |

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

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

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

| | GENERAL FUND |
|---|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 2,030,901 |
| Accounts and Grants Receivable | 60,420 |
| Due From York County | 608,915 |
| Inventory | 41,056 |
| Prepays | 33,921 |
| TOTAL ASSETS | <u>\$ 2,775,213</u> |
| LIABILITIES | |
| Accounts Payable | \$ 56,824 |
| Accrued Salaries, Fringe and Benefits | 87,707 |
| Accrued Expenses | 2,482 |
| Unearned Revenue | 303,499 |
| TOTAL LIABILITIES | <u>450,512</u> |
| FUND BALANCE | |
| Nonspendable: | |
| Inventory | 41,056 |
| Prepays | 33,921 |
| Restricted for: | |
| Cultural Programs | 28,217 |
| Assigned for: | |
| Capital Outlay | 60,780 |
| Unassigned | 2,160,727 |
| TOTAL FUND BALANCE | <u>2,324,701</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,775,213</u> |

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

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

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

JUNE 30, 2017

| | |
|--|----------------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUND | \$ 2,324,701 |
| 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 \$2,131,266, and the accumulated depreciation was \$1,315,589. | 815,677 |
| 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. | (3,005,014) |
| 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 | (234,013) |
| Compensated Absences | (153,557) |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ (252,206)</u> |

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

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

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

YEAR ENDED JUNE 30, 2017

| | GENERAL FUND |
|-----------------------------------|-----------------------------------|
| REVENUES | |
| York County Appropriations | \$ 3,021,380 |
| Other Support | 150,901 |
| Program Revenues | 829,182 |
| TOTAL REVENUES | <u>4,001,463</u> |
| EXPENDITURES | |
| Current: | |
| Operations and Programs | 3,660,059 |
| Capital Outlay | 73,103 |
| TOTAL EXPENDITURES | <u>3,733,162</u> |
| NET CHANGE IN FUND BALANCE | 268,301 |
| FUND BALANCE, Beginning of Year | <u>2,056,400</u> |
| FUND BALANCE, End of Year | <u><u>\$ 2,324,701</u></u> |

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

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

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

YEAR ENDED JUNE 30, 2017

| | |
|---|--------------------------|
| TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND | \$ 268,301 |
| 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. | (9,849) |
| 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. | 20,029 |
| 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. | (98,333) |
| 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 \$89,580 were exceeded by depreciation expense of \$119,265 for the current period. | (29,685) |
| TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 150,463</u> |

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017

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, 2017

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, 2017.

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, none of the Commission's bank balances of approximately \$2,028,000 (which had a carrying value of approximately \$2,031,000) were exposed to custodial credit risk.

B. Capital Assets

Governmental capital asset activity for the year ended June 30, 2017, 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 | 743,675 | 89,580 | - | 833,255 |
| Total Capital Assets, Depreciable | 2,041,686 | 89,580 | - | 2,131,266 |
| Less: Accumulated Depreciation For: | | | | |
| Buildings and Improvements | 778,307 | 43,581 | - | 821,888 |
| Furniture, Fixtures, and Equipment | 418,017 | 75,684 | - | 493,701 |
| Total Accumulated Depreciation | 1,196,324 | 119,265 | - | 1,315,589 |
| Total Capital Assets, Depreciable, Net | 845,362 | (29,685) | - | 815,677 |
| Governmental Activities Capital Assets, Net | \$ 845,362 | (29,685) | - | \$ 815,677 |

C. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-----------|------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 143,708 | 80,293 | (70,444) | 153,557 | \$ 70,444 |
| Net Other Postemployment Benefit Obligation | 254,042 | 109,771 | (129,800) | 234,013 | - |
| Total Governmental Activities | \$ 397,750 | 190,064 | (200,244) | 387,570 | \$ 70,444 |

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, 2017

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 State Fiscal Accountability Authority ("SFAA"), 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, 202 Arbor Lake Drive, Columbia, SC 29223. 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, 2017

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 SFAA for approval an increase in the SCRS ("Plan") 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 plans, 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. Required employer and employee contribution rates for the past three years are as follows:

| | SCRS Rates | | |
|--|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 |
| Employer Contribution Rate: [^] | | | |
| Retirement | 10.75% | 10.91% | 11.41% |
| Incidental Death Benefit | 0.15% | 0.15% | 0.15% |
| Accidental Death Contributions | 0.00% | 0.00% | 0.00% |
| | <u>10.90%</u> | <u>11.06%</u> | <u>11.56%</u> |
| Employee Contribution Rate | <u>8.00%</u> | <u>8.16%</u> | <u>8.66%</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, 2017

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 |
| 2017 | \$ 209,817 | 100% |
| 2016 | 177,890 | 100% |
| 2015 | \$ 165,413 | 100% |

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

| Year Ended June 30, | SCRS Payroll | |
|------------------------|--------------|-----------|
| 2017 | \$ | 1,809,098 |
| 2016 | | 1,608,408 |
| 2015 | \$ | 1,517,549 |

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. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the System’s consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and the SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Plan’s fiscal year ended June 30, 2016 using generally accepted actuarial principles. Information included in these notes are based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for the SCRS.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

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

* Includes inflation at 2.75%.

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, 2015 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, 2015 actuarial valuations, was based upon the 30-year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. 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 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, 2017

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 |
|----------------------------------|-------------------|---|--|
| Global Equity | 43.0% | | |
| Global Public Equity | 34.0% | 6.52% | 2.22% |
| Private Equity | 9.0% | 9.30% | 0.84% |
| Real Assets | 8.0% | | |
| Real Estate | 5.0% | 4.32% | 0.22% |
| Commodities | 3.0% | 4.53% | 0.13% |
| Opportunistic | 20.0% | | |
| GTAA/Risk Parity | 10.0% | 3.90% | 0.39% |
| HF (Low Beta) | 10.0% | 3.87% | 0.39% |
| Diversified Credit | 17.0% | | |
| Mixed Credit | 5.0% | 3.52% | 0.17% |
| Emerging Markets Debt | 5.0% | 4.91% | 0.25% |
| Private Debt | 7.0% | 4.47% | 0.31% |
| Conservative Fixed Income | 12.0% | | |
| Core Fixed Income | 10.0% | 1.72% | 0.17% |
| Cash and Short Duration (Net) | 2.0% | 0.71% | 0.01% |
| Total Expected Real Return | 100.0% | | 5.10% |
| Inflation for Actuarial Purposes | | | 2.75% |
| Total Expected Nominal Return | | | 7.85% |

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, 2016 measurement date, for the SCRS is 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 | \$ 45,356,214,752 | 23,996,362,354 | \$ 21,359,852,398 | 52.9% |

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 Plans' funding requirements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017, the Commission reported a liability of approximately \$3,548,000 for its proportionate share of the net pension liability for the SCRS ("Plan"). The net pension liability was measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2015 that was projected forward to the measurement date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2016 measurement date, the Commission's SCRS proportion was 0.016609 percent, which was an increase of 0.000419 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of approximately \$308,000 for the SCRS. At June 30, 2017, 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 | \$ 36,776 | \$ 3,853 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 298,472 | - |
| Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions | 59,294 | 57,862 |
| Commission Contributions Subsequent to the Measurement Date | 209,817 | - |
| Total SCRS | <u>\$ 604,359</u> | <u>\$ 61,715</u> |

Approximately \$210,000 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, 2018. 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 |
|------------------------|-------------------|
| 2018 | \$ 74,559 |
| 2019 | 55,336 |
| 2020 | 133,608 |
| 2021 | 69,324 |
| Total | <u>\$ 332,827</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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 | \$ 4,425,606 | 3,547,658 | \$ 2,816,799 |

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. 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, 202 Arbor Lake Drive, Columbia, SC 29223.

Plan Developments

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS contribution rates to 13.56%, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS employer rate totaling 18.56%, for fiscal year 2023 and thereafter. The legislation (a) would also increase and cap the employee SCRS contribution rates to 9.00%, provides, after June 30, 2027, for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (b) lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (c) for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

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

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 for 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, 2017, the measurement date, there were 37 covered participants: 19 members are retirees receiving benefits and 18 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Actuarial Valuations and Assumptions (Continued)

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

| | |
|---|---|
| Actuarial Valuation Date: | June 30, 2017 |
| 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 |

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

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

Annual OPEB Costs and Rollforward of Net OPEB Obligation

The annual OPEB Plan cost (expense) and the progression of the net OPEB Plan obligation for the most recent plan year (year ended June 30, 2017) was as follows:

| | |
|--|------------|
| Net OPEB Obligation, Beginning of the Plan Year | \$ 254,042 |
| One Year's Interest on the Net OPEB Obligation | 10,162 |
| ARC (Normal Cost Plus Any Amortization Payments) | 113,735 |
| Adjustment to Annual Required Contribution | (14,126) |
| Annual OPEB Cost | 109,771 |
| Contributions Made for the Plan Year | (129,800) |
| Decrease in Net OPEB Obligation | (20,029) |
| Net OPEB Obligation, End of the Plan Year | \$ 234,013 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other than Pensions (Continued)

Schedule of Employer Contributions

Contributions made by the Commission during the year ended June 30, 2017 totaled approximately \$130,000 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, 2015 | \$ 235,986 | 1,426,370 | 604.43% | \$ | 462,769 |
| June 30, 2016 | 106,513 | 315,240 | 295.96% | | 254,042 |
| June 30, 2017 | \$ 109,771 | 129,800 | 118.25% | \$ | 234,013 |

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

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, 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% |
| June 30, 2017 | \$ - | 1,453,622 | 1,453,622 | 0.00% | \$ 741,403 | 196.06% |

E. Economic Dependence

The Commission receives a substantial amount of its support from state and local governments, including approximately \$3,021,000 (over 75% of total revenues) from the County for the year ended June 30, 2017. A significant reduction in the level of the County's support could have a negative effect on the Commission's programs and activities. In addition, the County provides certain administrative services to the Commission, including performing all of the accounting, human resources and purchasing functions, at no charge to the Commission.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

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 in fiscal year 2016. 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 and approximately \$110,000 was expended in fiscal year 2017 with the remaining approximate amount of \$825,000 to be expended in fiscal year 2018.

The Cultural and Heritage Commission was awarded a grant by the Foundation for the Carolinas for approximately \$1,068,000 in fiscal year 2017. The grant was for the Phase II Capital Improvements associated with the Historic Brattonsville Interpretive Plan and Pleistocene Hall Phase I. No funds were expended in fiscal year 2017 with the remaining approximate amount of \$1,068,000 to be expended in fiscal year 2018.

G. Subsequent Events

The Commission entered into a contract with JMD Architects, Inc. in October 2017 for the design of the Pleistocene Exhibit Hall. The amount of the contract was for approximately \$375,000 and the Commission plans on using grant monies associated with the Foundation for the Carolinas for this contract.

H. Pending Implementation of GASB Statement on OPEB

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("Statement"), which was issued by the GASB in June 2015, is required to be implemented by the Commission for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net OPEB liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Commission's financial obligations to current and former employees for past services rendered.

In particular, this Statement will require the Commission to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its OPEB plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the Commission's governmental fund.

The Commission has been in communications with its actuary on the effect of implementing this Statement. Based on recent information provided by the actuary, it is anticipated that the Commission's net OPEB liability for its OPEB plan will decrease its governmental activities beginning net position for the year ended June 30, 2018 by a material amount, although the exact amount has yet to be determined.

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, 2017

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH REVISED BUDGET |
|--------------------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|
| | ORIGINAL | REVISED | | |
| REVENUES | | | | |
| York County Appropriations | \$ 3,021,380 | 3,021,380 | 3,021,380 | \$ - |
| Other Support: | | | | |
| Memberships | 113,000 | 113,000 | 106,679 | (6,321) |
| Gifts | 49,100 | 49,100 | 44,222 | (4,878) |
| Total Other Support | <u>162,100</u> | <u>162,100</u> | <u>150,901</u> | <u>(11,199)</u> |
| Program Revenues: | | | | |
| Admissions and Tours | 240,000 | 240,000 | 190,378 | (49,622) |
| Sales - Shops and Gallery | 117,000 | 117,000 | 117,801 | 801 |
| Public Programs | 36,000 | 36,000 | 39,205 | 3,205 |
| Educational Programs and Trip Income | 153,850 | 153,850 | 165,182 | 11,332 |
| Grants | 242,180 | 242,180 | 121,172 | (121,008) |
| Grants - FFTC | 945,000 | 945,000 | 110,551 | (834,449) |
| Building Rentals | 29,000 | 29,000 | 63,063 | 34,063 |
| Interest and Investment Income | 1,500 | 1,500 | 4,432 | 2,932 |
| Miscellaneous Income | 9,000 | 9,000 | 17,398 | 8,398 |
| Total Program Revenues | <u>1,773,530</u> | <u>1,773,530</u> | <u>829,182</u> | <u>(944,348)</u> |
| TOTAL REVENUES | <u>4,957,010</u> | <u>4,957,010</u> | <u>4,001,463</u> | <u>(955,547)</u> |

EXPENDITURES

Current:

Operational and Program Expenditures:

| | | | | |
|---|-----------|-----------|-----------|----------|
| Salaries | 1,791,179 | 1,861,479 | 1,823,448 | 38,031 |
| Payroll Taxes | 136,675 | 146,777 | 134,107 | 12,670 |
| Health Insurance | 450,108 | 450,108 | 384,107 | 66,001 |
| Retirement | 199,983 | 206,318 | 212,770 | (6,452) |
| Professional Services | 94,525 | 161,261 | 142,597 | 18,664 |
| Maintenance and Service Contracts | 87,996 | 85,846 | 74,210 | 11,636 |
| Vehicle Maintenance and Operations | 12,000 | 11,561 | 6,790 | 4,771 |
| Carolina Foundation Grant Expenses | 945,000 | 935,000 | 110,623 | 824,377 |
| Building Repairs and Maintenance | 148,300 | 131,372 | 103,232 | 28,140 |
| Rentals and Leases | 13,455 | 9,713 | 6,967 | 2,746 |
| Insurance - General Liability and Workers' Comp | 75,000 | 75,000 | 67,907 | 7,093 |
| Utilities | 164,350 | 163,850 | 149,448 | 14,402 |
| Telephone | 68,100 | 65,616 | 52,611 | 13,005 |
| Advertising | 134,600 | 131,600 | 101,589 | 30,011 |
| Printing and Binding | 27,591 | 27,915 | 34,767 | (6,852) |
| Travel and Training | 40,270 | 42,523 | 31,832 | 10,691 |
| Postage | \$ 13,065 | 12,945 | 8,479 | \$ 4,466 |

(Continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2017

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH REVISED BUDGET |
|--|----------------------------|-------------------------|-------------------------|------------------------------------|
| | ORIGINAL | REVISED | | |
| Membership Dues | \$ 12,675 | 13,172 | 11,924 | \$ 1,248 |
| Office Supplies and Small Equipment | 37,010 | 38,007 | 21,451 | 16,556 |
| Books and Publications | 3,100 | 5,844 | 5,355 | 489 |
| Hospitality | 16,280 | 13,301 | 10,565 | 2,736 |
| Computer Hardware and Software | 3,000 | 3,000 | 2,639 | 361 |
| Uniforms and Clothing | 2,600 | 2,871 | 2,646 | 225 |
| Specialized Department Supplies | 135,996 | 81,118 | 42,271 | 38,847 |
| Archival Supplies | 5,120 | 2,470 | 1,824 | 646 |
| Film and Processing | 100 | 100 | - | 100 |
| Cost of Sales | 67,091 | 69,311 | 74,228 | (4,917) |
| Exhibition Supplies | 12,750 | 13,587 | 14,029 | (442) |
| Cleaning Supplies | 7,245 | 9,245 | 8,461 | 784 |
| Licenses and Permits | 3,025 | 7,842 | 7,121 | 721 |
| Miscellaneous | 15,052 | 14,738 | 12,061 | 2,677 |
| Total Operational and Program Expenditures | <u>4,723,241</u> | <u>4,793,490</u> | <u>3,660,059</u> | <u>1,133,431</u> |
| Capital Outlay | 142,622 | 273,869 | 73,103 | 200,766 |
| TOTAL EXPENDITURES | <u>4,865,863</u> | <u>5,067,359</u> | <u>3,733,162</u> | <u>1,334,197</u> |
| NET CHANGE IN FUND BALANCE | 91,147 | (110,349) | 268,301 | 378,650 |
| FUND BALANCE, Beginning of Year | <u>2,056,400</u> | <u>2,056,400</u> | <u>2,056,400</u> | <u>-</u> |
| FUND BALANCE, End of Year | <u>\$ 2,147,547</u> | <u>1,946,051</u> | <u>2,324,701</u> | <u>\$ 378,650</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 2017

| Schedule of Employer Contributions | | | | | |
|-------------------------------------|------------------|-----------------------------------|--------------------------|--|---------------------|
| Applicable to Fiscal Year Ending | Annual OPEB Cost | Annual OPEB Cost Contributed * | Percentage of Annual | | Net OPEB Obligation |
| | | | OPEB Cost Contributed | | |
| 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 |
| June 30, 2017 | \$ 109,771 | 129,800 | 118.25% | | \$ 234,013 |

* In FY 2015 the Commission changed their OPEB plan - the FY 2015 Annual OPEB Cost Contributed includes a one time adjustment of \$1,287,417 and the Commission'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, 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% |
| June 30, 2017 | \$ - | 1,453,622 | 1,453,622 | 0.00% | \$ 741,403 | 196.06% |

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 FOUR FISCAL YEARS

| | Year Ended June 30. | | | |
|---|---------------------|-----------|-----------|--------------|
| | 2017 | 2016 | 2015 | 2014 |
| Commission's Proportion of the Net Pension Liability | 0.016609% | 0.016185% | 0.016797% | 0.016797% |
| Commission's Proportionate Share of the Net Pension Liability | \$ 3,547,658 | 3,069,563 | 2,891,887 | \$ 3,012,783 |
| Commission's Covered-Employee Payroll | \$ 1,608,408 | 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 | 220.57% | 202.27% | 189.64% | 199.03% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 52.91% | 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 FOUR FISCAL YEARS

| | Year Ended June 30, | | | |
|--|---------------------|-----------|-----------|--------------|
| | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | \$ 209,817 | 177,890 | 165,413 | \$ 161,641 |
| Contributions in Relation to the Contractually Required Contribution | 209,817 | 177,890 | 165,413 | 161,641 |
| Contribution Deficiency (Excess) | \$ - | - | - | \$ - |
| Commission's Covered-Employee Payroll | \$ 1,809,098 | 1,608,408 | 1,517,549 | \$ 1,524,918 |
| Contributions as a Percentage of Covered-Employee Payroll | 11.60% | 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, 2017

| | PROGRAM SERVICES | | SUPPORTING SERVICES | | TOTAL EXPENSES |
|---|-------------------|----------------------|------------------------|-------------|----------------|
| | EDUCATION PROGRAM | CULTURAL ART PROGRAM | MANAGEMENT AND GENERAL | FUNDRAISING | |
| Expenditures - Modified Accrual Basis | | | | | |
| Salaries | \$ 420,061 | 1,062,323 | 240,136 | 100,928 | \$ 1,823,448 |
| Payroll Taxes | 30,186 | 79,091 | 17,635 | 7,195 | 134,107 |
| Health Insurance | 62,746 | 135,986 | 171,577 | 13,798 | 384,107 |
| Retirement | 48,707 | 124,377 | 27,942 | 11,744 | 212,770 |
| Professional Services | 8,322 | 126,274 | 8,001 | - | 142,597 |
| Maintenance and Service Contracts | 15,713 | 38,082 | 18,131 | 2,284 | 74,210 |
| Vehicle Maintenance and Operations | 1,348 | 3,849 | 1,306 | 287 | 6,790 |
| Carolina Foundation Grant Expenses | 110,623 | - | - | - | 110,623 |
| Building Repairs and Maintenance | 20,473 | 58,550 | 19,844 | 4,365 | 103,232 |
| Rentals and Leases | 1,449 | 5,518 | - | - | 6,967 |
| Insurance - General Liability and Workers' Comp | - | - | 67,907 | - | 67,907 |
| Utilities | 31,411 | 80,893 | 30,447 | 6,697 | 149,448 |
| Telephone | 265 | 684 | 51,605 | 57 | 52,611 |
| Advertising | - | 101,589 | - | - | 101,589 |
| Printing and Binding | 1,785 | 18,501 | 11,162 | 3,319 | 34,767 |
| Travel and Training | 4,632 | 17,663 | 3,841 | 5,696 | 31,832 |
| Postage | 184 | 5,827 | 911 | 1,557 | 8,479 |
| Membership Dues | 412 | 4,129 | 6,872 | 511 | 11,924 |
| Office Supplies and Small Equipment | 266 | 16,034 | 5,151 | - | 21,451 |
| Books and Publications | 216 | 5,139 | - | - | 5,355 |
| Hospitality | 127 | 9,813 | 466 | 159 | 10,565 |
| Computer Hardware and Software | - | - | 2,639 | - | 2,639 |
| Uniforms and Clothing | 268 | 2,378 | - | - | 2,646 |
| Specialized Department Supplies | 9,390 | 21,986 | 3,427 | 7,468 | 42,271 |
| Archival Supplies | 614 | 1,210 | - | - | 1,824 |
| Cost of Sales | - | 10,763 | 63,465 | - | 74,228 |
| Exhibition Supplies | 551 | 13,478 | - | - | 14,029 |
| Cleaning Supplies | 1,778 | 4,580 | 1,724 | 379 | 8,461 |
| Licenses and Permits | 5,431 | 1,622 | 56 | 12 | 7,121 |
| Miscellaneous | - | 5,560 | 6,275 | 226 | 12,061 |
| Capital Outlay | 5,988 | 63,941 | 2,635 | 539 | 73,103 |
| Total Expenditures - Modified Accrual Basis | 782,946 | 2,019,840 | 763,155 | 167,221 | 3,733,162 |
| Conversion to Accrual Basis | | | | | |
| Depreciation | 25,065 | 64,559 | 24,297 | 5,344 | 119,265 |
| Capital Asset Additions | (18,829) | (48,488) | (18,249) | (4,014) | (89,580) |
| Changes in the OPEB Liability | (4,211) | (10,841) | (4,080) | (897) | (20,029) |
| Changes in the Compensated Absences Liability | 2,070 | 5,331 | 2,007 | 441 | 9,849 |
| Changes in Pension Liability and Related Accounts | 20,668 | 53,226 | 20,033 | 4,406 | 98,333 |
| Total Expenses - Accrual Basis | \$ 807,709 | 2,083,627 | 787,163 | 172,501 | \$ 3,851,000 |



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 29, 2017.

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*.

GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC
864.451.7381

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
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 results 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 black ink that reads "Greene Finney, LLP". The signature is written in a cursive, flowing style.

Greene Finney, LLP
Mauldin, South Carolina
November 29, 2017