

CITY OF ROCK HILL, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

Prepared by:

FINANCE DEPARTMENT

Anne P. Harty
Chief Financial Officer

CITY OF ROCK HILL, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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December 30, 2015

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Rock Hill:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Rock Hill (the "City") for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Elliott Davis Decosimo LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's Single Audit Report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, founded in 1852 and incorporated in 1892, is located in the eastern central area of York County, South Carolina, 25 miles south of Charlotte, North Carolina, and encompasses approximately 36 square miles. The 2010 population of the City is estimated to be 67,243, with a total of approximately 90,000 people in the Greater Rock Hill Area. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. The mayor is elected at large and council members are elected by ward and serve four-year staggered terms.

The City provides a full range of services, including: police and fire protection; the construction and maintenance of streets and other infrastructure; parks and leisure/cultural activities and events; sanitation services; water and sewer services; electric services; and storm water services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented beginning on page 27 as part of the basic financial statements for the government funds. No other government funds have an annual budget adopted by City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City currently enjoys a fairly stable economic environment. Unemployment in York County has risen above the State average during the economic downturn, although median household income is significantly higher than the State average. The City is centrally located to all Eastern and Southeastern markets. It is in the center of the country's fifth largest trade area with approximately five million people in a 100-mile radius. Over half of the United States population can be reached within a day's drive or a 90 minute flight. The Charlotte/Douglas International Airport, just 30 minutes from Rock Hill, averages over 700 daily non-stop flights to 151 destinations all over the world. The Rock Hill/York County Municipal Airport is also growing as a center for general aviation aircraft.

The City is considered to be one of the most progressive municipalities in the State of South Carolina and has become a planning prototype for the entire Charlotte Metropolitan Statistical Area. The overall economic condition of the City continues to lead both state and national indicators. The value of building permits for all construction activity for the year was \$272,623,328, up from \$188,954,073 the previous fiscal year.

The City's continuing efforts to invest in itself have also been fruitful. Each of the City's four business parks continues to be a magnet for new jobs and diversified economic development.

Long-term financial Planning. The City began developing long-range financial plans in 1990. These plans were developed in order to provide the City a framework in which to operate on a multi-year basis. This multi-year approach eventually led to the development of a biannual budget in 2000/2001 and the change in fiscal years from a December 31 to a June 30 year end in 2000. The current long-range plans of the City are 5 years in duration – with the first two years being balanced and the remaining 3 years showing projected gaps. Under this scenario planning, the City is able to plan for projected cuts and future revenue sources that can be used to close the gaps.

Based on this multi-year approach, the City has developed several important revenue sources. The Hospitality Fee, a local 2% fee levied on prepared foods and beverages, has been used to develop regional parks and offset certain general fund expenditures that were exclusively used to generate tourism in the City. In addition, the long range plan helped the City see that future gaps in revenues and expenses were primarily due to improvements to water, sewer and fire services in the City. This led the City to develop an impact fee program that was approved as part of the budget process. These impact fees have been used to service debt issued to fund expansions to the water and sewer plant and to fund the construction of new fire facilities and equipment. Additionally, City Council has established a priority to build unrestricted, unassigned general fund balance with a goal of \$4 million.

The City continues to lead in the area of long range financial planning. City staffers are frequently called upon to speak on long-range planning issues at state, regional, and national conferences. In recent years, the City has won several national awards in this area including the National League of Cities Municipal Excellence Award for the City's Accountability Dashboards and the National Government Finance Officers Association Award for Excellence in Government Finance for the City's Accountability and Transparency efforts.

Rock Hill Outdoor Center. The Rock Hill Cycling Facilities Corporation completed a Velodrome bicycle racing facility in a development called the Rock Hill Outdoor Center within the City on property adjacent to the Catawba River. The facility now also includes a mountain biking trail, and a BMX race track that was completed in May, 2014. National cycling events have been held in the Velodrome and more will be held annually going forward. The BMX track held the 2015 World Cup and is slated to host both the 2016 World Cup and the 2017 World Championships, marking the first time in 16 years that the event has been held in the United States.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rock Hill for its comprehensive annual financial report (CAFR) for the year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2015. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The City has also been awarded the Certification of Excellence Award from the Municipal

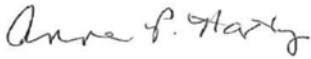
Treasurers Association for its investment policy.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's Office and Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Rock Hill.

Respectfully submitted,

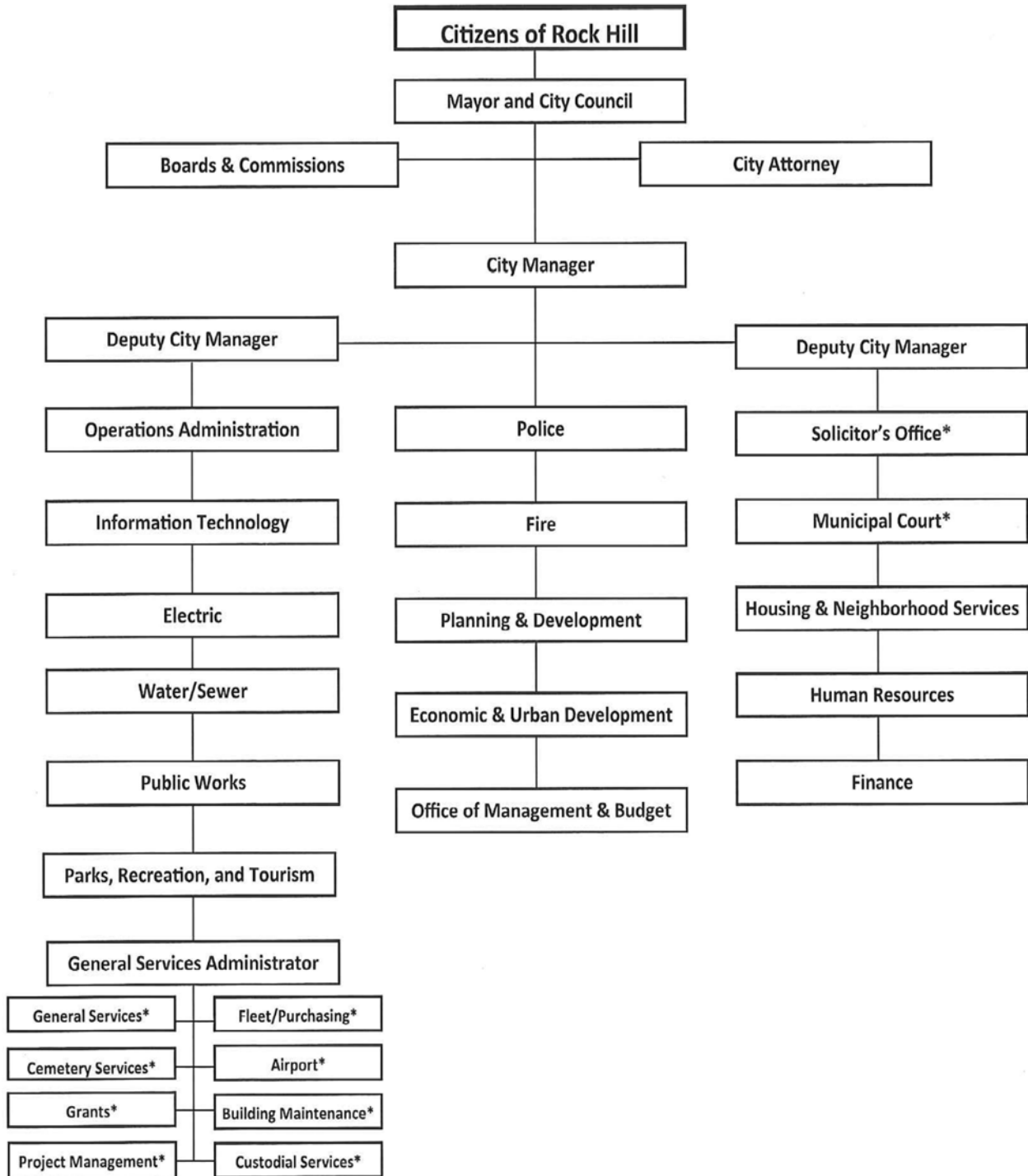
A handwritten signature in black ink, appearing to read "D. B. Vehaun". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

David B. Vehaun, City Manager

A handwritten signature in black ink, appearing to read "Anne P. Harty". The signature is cursive, with the first letters of each name being capitalized and prominent.

Anne P. Harty, Chief Financial Officer

City of Rock Hill Organization Chart



*Denotes divisions within the organization



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Rock Hill
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Rock Hill
List of Elected and Appointed Officials
June 30, 2015

Elected Officials

A. Douglas Echols, Jr., Mayor
James C. Reno, Jr., Mayor Pro Tempore
John A. Black, III
Sandra D. Oborokumo
Kathy Pender
Kevin H. Sutton
Ann Williamson

Appointed Officials

David B. Vahaun, City Manager
Gerald E. Schapiro, Deputy City Manager
James G. Bagley Jr, Deputy City Manager
W. Kevin Bronson, Public Services Administrator
Mark Kettlewell, Water and Wastewater Utility Director
Mike Jolly, Electric Utility Director
Terrence Nealy, Public Works Director
Mike Blackmon, Fire Chief
Phyllis R. Fauntleroy, Human Resources Director
Chris Watts, Police Chief
Jennifer Wilford, Housing and Neighborhood Services Director
William D. Meyer, Development Services Director
John Taylor, Parks, Recreation and Tourism Director
Stephen S. Turner, Economic Development Director
Anne P. Harty, Chief Financial Officer
Steven Gibson, Administrative Services Director
Spencer & Spencer, P.A., City Attorney



Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Rock Hill, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rock Hill, South Carolina (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 includes 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 City'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 City'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Note V.F to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the Other Post Employment Benefits Plan, schedule of proportionate share of the net pension liability and schedule of contributions, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison fund schedules, schedule of fines and assessments, schedule SC Department of Transportation Grants, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the introductory section and the statistical section as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements, budgetary comparison fund schedules, schedule of fines and assessments, schedule SC Department of Transportation Grants, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, budgetary comparison fund schedules, schedule of fines and assessments, schedule SC Department of Transportation Grants, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the City'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 the 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
December 30, 2015

CITY OF ROCK HILL, SOUTH CAROLINA

Management's Discussion and Analysis

As management of the City of Rock Hill (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 4 of this report.

Financial Highlights

The following information highlights the most significant changes to the City's financial position over the last year. Though not intended to be all-inclusive, this information provides a snapshot of the most important changes in the City's financial position over the last year:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$281,197,094 (*net position*). Of this amount, \$(50,836,609) (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. The number is negative following the implementation of Governmental Accounting Standards Board Statement 68, which required the City to recognize as a long term liability, its proportionate share of the net pension liability of the South Carolina Retirement System and the Police Officer Retirement System.
- The City's total net position increased by \$11,863,578, before accounting for the adjustment of beginning net position for the pension issue described above.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$14,478,409, a decrease of \$782,079 from the prior year. Approximately 21.7 percent of the total amount, \$3,437,071 is available for spending at the government's discretion (unassigned fund balance in the general fund).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,437,071, or 4.6 percent of the total fund expenditures.
- The City's debt increased to \$196.2 million from \$188.3 million last year as the City issued new tax increment financing bonds, and state revolving fund loans and made scheduled principal payments.
- The City implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" ("GASB #68") and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68" ("GASB #71" and collectively "Statements") in the year ended June 30, 2015. These Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (the "Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statements of Net Position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide and proprietary fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide and enterprise fund financial statements as of July 1, 2014 was decreased by \$52,308,789 and \$12,277,930, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note V.C in the notes to the financial statements for more information regarding the City's retirement plans.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Rock Hill's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred inflows and outflows of resources and liabilities, with the difference reported as *net position*. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government'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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and 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 City of Rock Hill include general government, public safety, economic development, and parks and recreation. The business-type activities of the City of Rock Hill include electric, water, sewer and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing corporation which is fiscally dependent on the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Two legally separate recreation organizations, which are under the control of the City, are included as an integral part of the primary government.

The government-wide financial statements can be found on pages 22 - 23 of this report.

Fund financial 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into these categories: governmental funds and proprietary funds.

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 fund financial statements focus on *near-term inflows and outflows 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other fourteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental

funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 24 - 27 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund can be found on page 27.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City uses enterprise funds to account for its electric, water, sewer and storm water operations.

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, and storm water operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28 - 32 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 on pages 33 - 67 of this report.

Other supplemental information. In addition to the basic financial statements and accompanying notes, the report also presents certain *required supplementary information* in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the basic financial statements as required supplementary information. Combining and individual fund statements and schedules can be found on pages 74 – 77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$281,197,094 at the close of the most recent fiscal year.

City of Rock Hill's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 23,848,651	\$ 28,015,901	\$ 43,783,157	\$ 47,313,883	\$ 67,631,808	\$ 75,329,784
Capital assets	163,897,578	158,316,723	354,983,205	349,617,602	518,880,783	507,934,325
Total assets	187,746,229	186,332,624	398,766,362	396,931,485	586,512,591	583,264,109
Deferred outflows of resources	5,719,920	719,211	1,457,627	423,737	7,177,547	1,142,948
Long-term liabilities outstanding	125,259,078	73,635,696	136,617,888	130,721,669	261,876,966	204,357,365
Other liabilities	17,037,514	19,245,503	27,498,759	26,883,954	44,536,273	46,129,457
Total liabilities	142,296,592	92,881,199	164,116,647	157,605,623	306,413,239	250,486,822
Deferred inflows of resources	5,029,863		1,049,942		6,079,805	
Net assets:						
Net Investment in capital assets	93,321,464	87,340,185	230,689,818	223,821,927	324,011,282	311,162,112
Restricted	8,022,421	8,362,710		13,332,639	8,022,421	21,695,349
Unrestricted	(55,204,191)	(1,532,259)	4,367,582	2,595,033	(50,836,609)	1,062,774
Total net assets	\$ 46,139,694	\$ 94,170,636	\$ 235,057,400	\$ 239,749,599	\$ 281,197,094	\$ 333,920,235

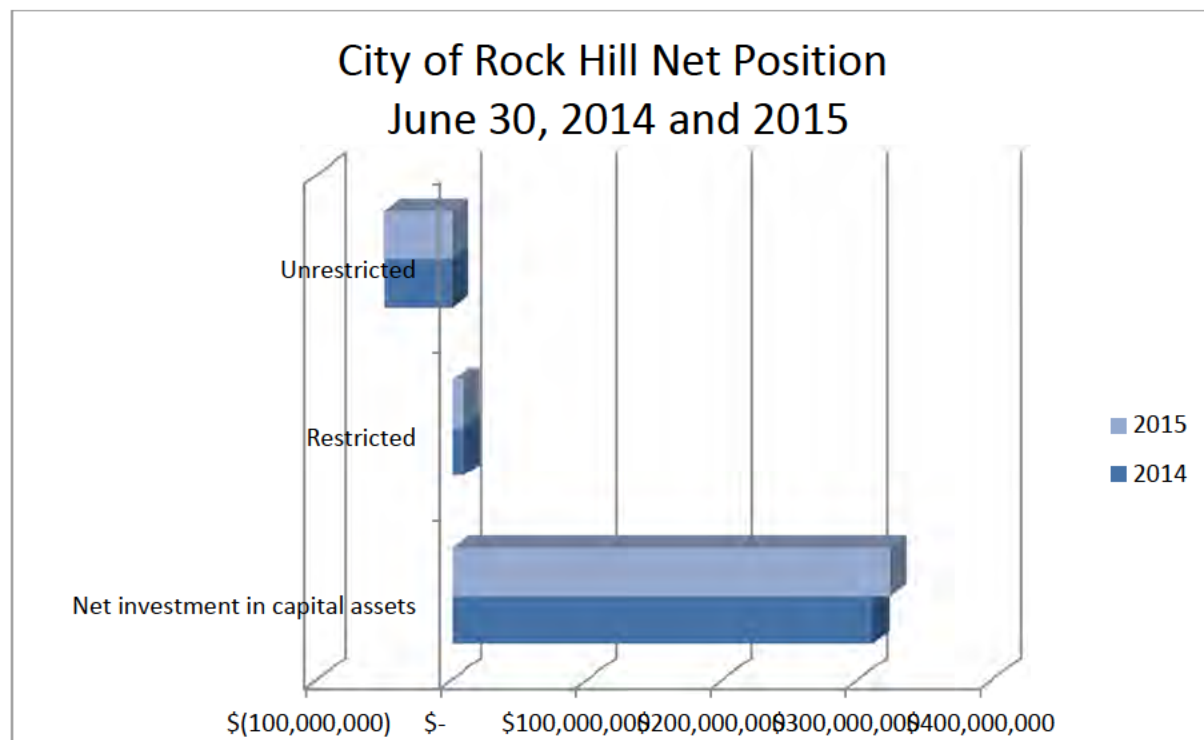
By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses

these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position, (\$50,836,609), may be used to meet the government's ongoing obligations to citizens and creditors but is currently negative.

At the end of the current fiscal year, the City reports positive balances in two categories of net position, both for the government as a whole as well as its separate business-type activities. The same situation held true for the prior fiscal year. The balance of governmental activities unrestricted net position is negative primarily because of the change requiring it to accrue net pension liabilities and for unused employee vacation, sick and compensatory days in accordance with GAAP.

Most of the additions to the City's net position were due to contributions of capital assets received from developers and operating income from the electric, water and sewer systems.

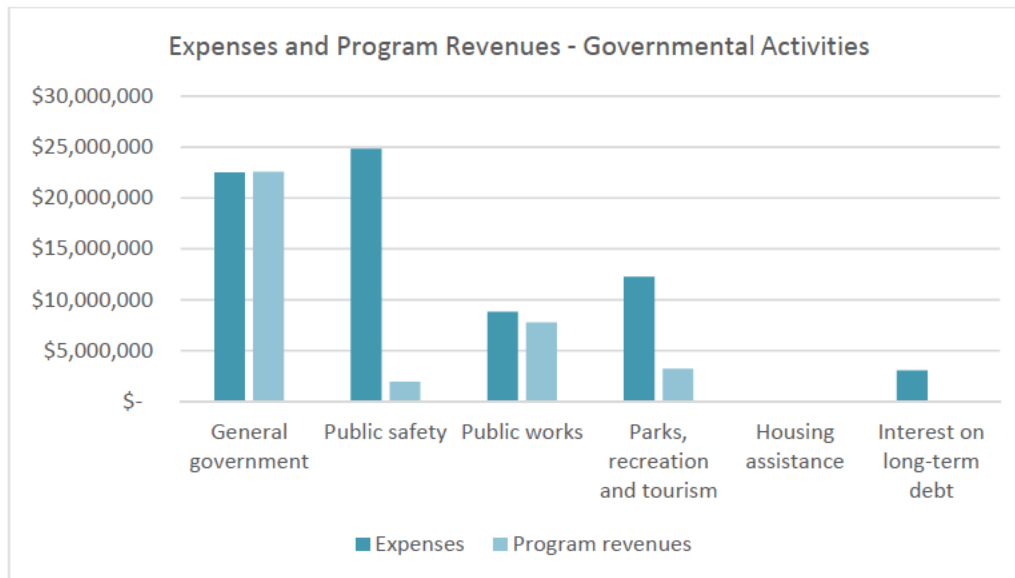


Governmental activities. Governmental activities increased the City's net position by \$4,277,847, and accounted for 36.1% of the total growth in the net position of the City. Key elements of this increase are as follows:

- Accommodations taxes, building permit and plan checking fees and business license revenues came in significantly over budget as the local economy showed signs of increasing growth.
- Following the implementation of an onsite clinic and an increase in employee contributions for health claims, the total claims expense for the year still slightly exceeded the amount budgeted by \$260,000.
- Depreciation of governmental capital assets reduced net position by approximately \$8,378,000.
- Nearly \$14,500,000 of governmental expenditures were capitalized and increased the City's net position invested in capital assets. Herron's Ferry Road, White Street Phase II and Paddock Parkway were among the largest of several infrastructure additions. Final work continued on Fountain Park and an adjacent

parking deck, both of which were completed shortly after fiscal year end.

City of Rock Hill's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for services	\$ 23,605,968	\$ 22,312,321	\$ 138,077,650	\$ 130,811,116	\$ 161,683,618	\$ 153,123,437
Operating grants and contributions	2,877,983	2,833,559	2,492,707	1,369,284	5,370,690	4,202,843
Capital grants and contributions	8,989,219	8,349,715	934,823	2,578,279	9,924,042	10,927,994
General Revenues					-	-
Property taxes	25,485,544	24,891,695			25,485,544	24,891,695
Hospitality taxes	5,281,828	4,685,146			5,281,828	4,685,146
Investment income	311,224	228,660	829,818	669,102	1,141,042	897,762
Intergovernmental revenue	1,496,795	1,435,504			1,496,795	1,435,504
Miscellaneous	1,117,911	751,383			1,117,911	751,383
Total Revenues	69,166,472	65,487,983	142,334,998	135,427,781	211,501,470	200,915,764
Expenses						
General Government	22,502,371	21,919,441			22,502,371	21,919,441
Public Safety	24,841,858	23,341,006			24,841,858	23,341,006
Public Works	8,786,441	9,100,063			8,786,441	9,100,063
Parks, Recreation & Tourism	12,243,650	10,629,823			12,243,650	10,629,823
Housing Assistance		303,431			-	303,431
Interest on Long-term Debt	3,041,198	2,988,915			3,041,198	2,988,915
Electric			98,906,578	90,742,136	98,906,578	90,742,136
Water			11,934,533	11,196,033	11,934,533	11,196,033
Sewer			14,225,306	14,304,120	14,225,306	14,304,120
Stormwater			3,155,957	2,921,999	3,155,957	2,921,999
Total Expenses	71,415,518	68,282,679	128,222,374	119,164,288	199,637,892	187,446,967
Increase (decrease) in net position						
before transfers	(2,249,046)	(2,794,696)	14,112,624	16,263,493	11,863,578	13,468,797
Transfers	6,526,893	6,394,463	(6,526,893)	(6,394,463)	-	-
Increase in net position	4,277,847	3,599,767	7,585,731	9,869,030	11,863,578	13,468,797
Net position -- beginning	94,170,636	90,570,868	239,749,599	232,382,751	333,920,235	322,953,619
Restatement	(52,308,789)		(12,277,930)	(2,502,182)	(64,586,719)	(2,502,182)
Net position -- ending	\$ 46,139,694	\$ 94,170,635	\$ 235,057,400	\$ 239,749,599	\$ 281,197,094	\$ 333,920,234



Business-type activities. Business-type activities increased the City's net position by \$7,585,731, accounting for 63.9% of the total growth in the City's net position. Net position invested in capital assets increased as improvements and expansions were made to the electric, water and wastewater systems. Key elements of changes other than capital and restricted are as follows:

- A 6.0% electric rate increase was included in the budget to partially offset a 6.7% Piedmont Municipal Power Agency wholesale power rate increase.
- Stormwater rates were raised 30% to fund the beginning of some major capital projects.
- Water and sewer rates remained unchanged.
- Electric "margins," or total electricity sales minus the cost of purchased power, just about broke even, exceeding budget by only about \$150,000. Higher summer temperatures in both 2014 and 2015 coupled with lower peak demand fluctuation were the primary factors.
- Despite temperatures closer to historical norms, frequent and sustained rain continued to hold back water sales, which were nearly \$414,000 below budget. Wastewater charges, which are based on metered water sales, also came in nearly \$565,000 under budget.
- Investment earnings remained low as market rates remained near zero.

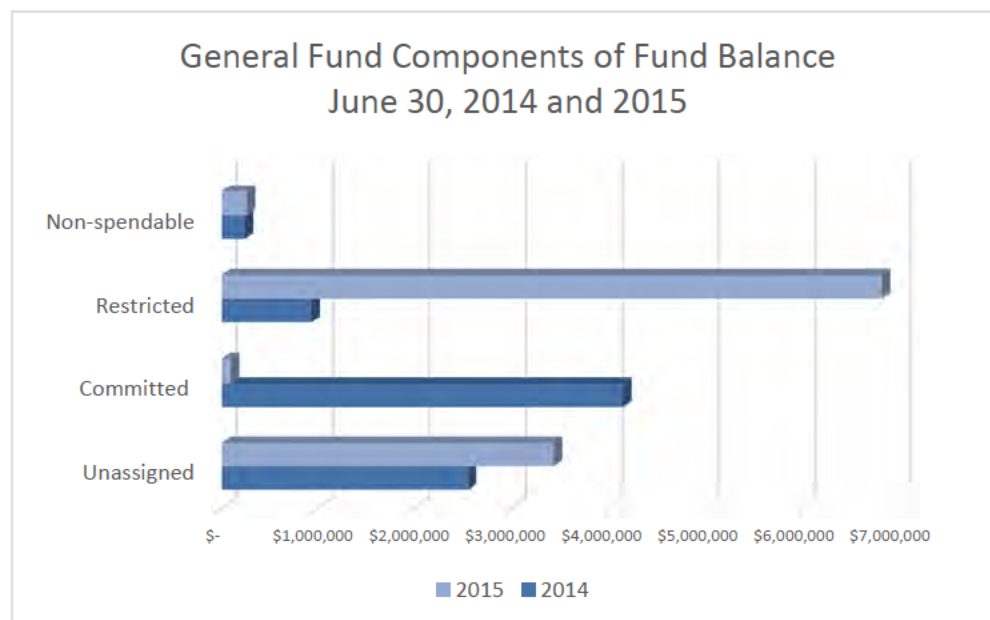
Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,478,409, a decrease of \$782,079 from the prior year. Much of the decrease in fund balance was caused by the expenditure of the proceeds of bonds issued in previous years. Approximately 23.7 percent of total fund balance, \$3,437,071, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Unassigned fund balance increased by \$881,575 for the year. The remainder of fund balance is *nonspendable, restricted or committed* to indicate that it is not available for new spending either because it is non-spendable as inventory on hand or represents the principal donated by a citizen for public beautification projects or it is restricted for 1) government grant programs, 2) debt service, 3) State victim assistance, law enforcement federal and state

asset forfeiture funds, 4) tax increment financing districts, 5) state and local accommodations taxes or 5) bond issue construction/capital lease funds. Additional fund balances are committed for a landscape maintenance district, \$58,351, and a downtown parking district \$33,073.



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,437,071, while total fund balance was \$10,654,206. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 5.1 percent of total general fund expenditures, while total fund balance represents 15.9 percent of those same expenditures.

Total fund balance of the City's general fund increased by \$2,767,165 during the current fiscal year. The most significant factors in this net increase are as follows:

- Accommodations and hospitality tax revenues exceeded budget by \$641,000.
- Business license revenues exceeded budget by over \$1,100,000 as business revenues locally improved.
- Building permit and plan checking fees exceeded budget by \$200,000 as new construction picked up.
- The City largely pays its own employee and retiree health care claims. For the year, health care claims and the cost of the new onsite clinic came in under budget by \$375,000.
- The general fund transferred just over \$500,000 to the capital projects fund to provide funding for several street, park and fire training facility projects.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric, water, sewer and storm water operations at the end of the year amounted to \$4,367,582. The total growth in net position was \$7,585,731. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget for the fiscal year ending June 30, 2015.

As discussed above, hospitality tax revenues exceeded budget by more than \$650,000 as the City's investments in

recreation facilities yielded more visitors, and license and permit revenues exceeded budget by \$1,300,000.

On the expenditure side, General government expenditures in total were over budget primarily due to the expenditure of both current and prior reserved hospitality taxes. Employee and retiree health insurance claims came in under budget by more than \$375,000. Increases in employee premiums and a “hard” deductible were put into place for fiscal year 2014/2015. Actual capital expenditures include the purchase of over \$2,800,000 of vehicles acquired using a capital lease purchase arrangement. Since the proceeds from the capital lease (including unspent proceeds from a prior year’s lease) offset the expenditure for purchases, neither item is budgeted. Transfers from the general fund to the capital projects fund were higher than normal due to the initial costs of street intersection improvements.

Capital Assets and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$324,011,282 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and roads. The total increase in the City’s investment in capital assets for the current fiscal year was 4.2 percent (a 2.5 percent increase for governmental activities and a 4.9 percent increase for business-type activities). These numbers reflect the inclusion of infrastructure, in accordance with GASB 34.

Major capital asset events during the current year include the following:

- Completion of Herron’s Ferry Road
- Major work in the downtown area in the White Street / Textile Corridor area continued, as the area is made ready for redevelopment of the former Bleachery property.
- A major road project involving a realignment along with water and sewer upgrades to Paddock Parkway.
- Over \$935,000 of water, sewer and storm water capital assets were added by developers and donated to the City.
- The City’s electric, water and sewer departments invested over \$7.8 million of operating revenues into additions to plant in service.

City of Rock Hill's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 2,171,233	\$ 1,743,283	\$ 4,580,277	\$ 4,580,277	\$ 6,751,510	\$ 6,323,560
Building and improvements	70,008,410	72,337,932	35,894,367	37,309,601	105,902,777	109,647,533
Equipment/plant in service	12,092,303	13,503,482	3,032,962	3,194,096	15,125,265	16,697,578
Infrastructure	46,696,119	45,902,974			46,696,119	45,902,974
Utility systems			287,917,477	285,078,019	287,917,477	285,078,019
Construction in Progress	32,929,513	24,829,052	23,558,122	19,455,409	56,487,635	44,284,461
Total	\$ 163,897,578	\$ 158,316,723	\$ 354,983,205	\$ 349,617,402	\$ 518,880,783	\$ 507,934,125

Additional information on the City’s capital assets can be found in note IV.C of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$188,336,921. Of this amount \$16,340,000 comprises debt backed by the full faith and credit of the City. The remainder of the City’s debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds, storm water loans, local accommodations tax revenue, developer assessments and tax increment bonds).

City of Rock Hill's Long-Term Debt						
Bonds Payable						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Tax increment bonds	\$ 24,220,000	\$ 24,960,000			\$ 24,220,000	\$ 24,960,000
General obligation bonds	16,430,000	17,375,000			16,430,000	17,375,000
Limited obligation bonds	13,370,000	14,240,000			13,370,000	14,240,000
Municipal improvement district bonds	1,945,000	2,016,000			1,945,000	2,016,000
HUD Section 108 Loan	1,655,000	1,751,000			1,655,000	1,751,000
SC DHEC HUD loan	470,030	549,526			470,030	549,526
Cycling facilities bank loans	5,000,000	5,000,000			5,000,000	5,000,000
Utility revenue bonds			\$ 118,065,000	\$ 124,870,000	118,065,000	124,870,000
State revolving fund loans			7,181,891	5,445,155	7,181,891	5,445,155
Total	\$ 63,090,030	\$ 65,891,526	\$ 125,246,891	\$ 130,315,155	\$ 188,336,921	\$ 196,206,681

The City's total debt decreased by \$7,869,760 during the current fiscal year. Aside from the normal payment of prior bonds, the City issued \$2,133,366 of state revolving fund loans for improvements to its water facilities, as well as additional capital lease debt for equipment acquisition. The City also issued new tax increment financing bonds to refinance an older issue of the same type to lower the interest rates on the debt.

The City's underlying rating on general obligation debt is "AA-" from Standard & Poor's and "Aa3" from Moody's. The City's underlying rating on its combined utility system revenue bonds is "A" from Standard & Poor's and "A3" from Moody's following a downgrade in September, 2014.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$20,714,962, which was \$4,284,962 more than the City's outstanding general obligation debt at June 30, 2015.

Additional information on the City's long-term debt can be found in note IV.F. of this report.

Economic Factors and Next Year's Budgets and Rates

The local economy seems to have started a comeback from the recent national recession. Both the City and York County continue to experience unemployment of over 7.0%. While our citizens' finances are obviously more strained, the City has tried to manage costs and bad debts and minimize rate increases going forward. With the local and national economy struggling, the City was able to develop a budget for 2015/2016 that included moderate rate increases for the City's citizens and customers:

- Unemployment in Rock Hill is typically slightly higher than in York County and the State of South Carolina, due to strict annexation laws and a large number of Charlotte, NC commuters. Certain areas of the City have a higher concentration of unemployment rates - particularly the older downtown core.
- In order to encourage and support local business, the City has offered a 10% discount on annual business license fees that are paid on time.
- The cost of employee and retiree health claims finally about met its budget in 2015. The City put into place an employee rate increase in January, 2015 to mitigate the net amount the City will have to pay and instituted a "hard" deductible. In January, 2013, the City opened an in house wellness clinic for employees and retirees and their covered dependents that offers services for minor illnesses and injuries, prescription refills and vaccinations. This service seems to have begun to reduce the cost of routine doctor visits.
- The City has higher income figures compared to other cities in the state. Rock Hill has per capita personal income of \$42,694. Rock Hill is not only the premier "Ring City" in the Charlotte Metropolitan Statistical Area (MSA), but is the heart of the Catawba Region, a four county area consisting of York, Chester, Lancaster, and Union Counties. In this region, Rock Hill continues to have the highest income levels of cities in the four counties and exceeds state averages.
- For the 2015/2016 budget year, the City enacted a 5.0% increase in electric rates to pay for a 4.5% increase in wholesale power costs and paygo capital and a 1% increase in both water and wastewater rates.
- The 2015/2016 budget maintains the existing tax rate of 93.5 mils.

All of these factors were considered in preparing the City's general fund budget for the 2015/2016 fiscal year. Amounts available for appropriation in the general fund are \$57.7 million, an increase of 2.8 percent over the final fiscal year 2014/2015 budget of \$56.1 million. For the 2015/2016 year, the employee pay for performance program provides two thirds of normal funding for raises to base pay depending on employee performance appraisals. The pay for performance program is not assured for any future years.

The City's budgetary General Fund balance is expected to remain stable by the close of the 2015/2016 year.

As for the City's business-type activities, we expect that future results will remain stable or improve slightly as new construction began to pick up in fiscal 2016. It is widely accepted that the City's key business service areas must cover their costs. As the City has moved toward this "cost to serve" concept there have been small, incremental increases in some rates and fees. Over the last 10 years, the City has worked tirelessly to ensure that none of these fees outpaced the Consumer Price Index. City staff performs regular studies to compare Rock Hill's rates with 27 other cities to make certain that the City remains competitive. The budget serves as an ongoing work plan to reach cost to serve levels in key utility businesses. Good business practice requires these services to charge fees that sufficiently recover costs associated with the service. The City continues to move toward cost to serve in all these service areas while keeping rates competitive.

Requests for Information

This financial report is designed to provide a general overview of the City of Rock Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Rock Hill, PO Box 11706, Rock Hill South Carolina, 29731.

BASIC FINANCIAL STATEMENTS

CITY OF ROCK HILL, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 12,952,575	\$ 9,128,758	\$ 22,081,333	\$ 249,839
Investments	59,639		59,639	432,133
Receivables (net of allowance for uncollectibles)				
Taxes and assessments	1,468,832		1,468,832	
Intergovernmental	3,569,866		3,569,866	
Utility accounts		16,481,783	16,481,783	
Direct financing lease		884,104	884,104	
Other	1,612,057	114,102	1,726,159	
Due from primary government				13,489
Inventories	264,986	2,601,450	2,866,436	
Restricted assets:				
Cash and cash equivalents	3,920,696	14,572,960	18,493,656	
Capital assets not being depreciated:				
Land	2,171,233	4,580,277	6,751,510	252,041
Construction in progress	32,929,513	23,558,122	56,487,635	
Capital assets, net of accumulated depreciation:				
Buildings	70,008,410	35,894,367	105,902,777	
Machinery, equipment and vehicles	12,092,303	3,032,962	15,125,265	
Infrastructure	46,696,119		46,696,119	
Utility distribution and collection systems		287,917,477	287,917,477	
Total assets	187,746,229	398,766,362	586,512,591	947,502
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension charges	5,089,688	1,092,190	6,181,878	
Deferred charge on refunding	630,232	365,437	995,669	
Total deferred outflows of resources	5,719,920	1,457,627	7,177,547	
LIABILITIES				
Accounts payable and accrued liabilities	7,010,839	11,904,066	18,914,905	7,328
Due to component unit	13,489		13,489	
Utility deposits		3,560,466	3,560,466	
Accrued interest payable	677,023	2,071,969	2,748,992	
Contract retainage payable	250,890	347,731	598,621	
Reimbursements payable to developers	817,646		817,646	
Current portion of long-term liabilities	7,956,340	9,614,527	17,570,867	
Unearned revenues	311,287		311,287	
Total current liabilities	17,037,514	27,498,759	44,536,273	7,328
Noncurrent liabilities:				
Net pension liability	52,763,729	12,453,753	65,217,482	
Noncurrent portion of long-term liabilities	72,495,349	124,164,135	196,659,484	
Total noncurrent liabilities	125,259,078	136,617,888	261,876,966	
Total liabilities	142,296,592	164,116,647	306,413,239	7,328
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	5,029,863	1,049,942	6,079,805	
Total deferred inflows of resources	5,029,863	1,049,942	6,079,805	
NET POSITION				
Net investment in capital assets	93,321,464	230,689,818	324,011,282	252,041
Restricted for:				
Capital projects	1,342,309		1,342,309	
Federal and state grant programs	945,630		945,630	
Debt service	940,837		940,837	
Accommodations and hospitality	2,768,662		2,768,662	
Tax increment financing districts	1,454,109		1,454,109	
Law enforcement	342,630		342,630	
Perpetual care				
Expendible	144,893		144,893	
Nonexpendable	25,000		25,000	
Other purposes	58,351		58,351	
Unrestricted	(55,204,191)	4,367,582	(50,836,609)	688,133
Total net position	\$ 46,139,694	\$ 235,057,400	\$ 281,197,094	\$ 940,174

The notes to the financial statements are an integral part of this statement

CITY OF ROCK HILL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 22,502,371	\$ 13,189,891	\$ 1,088,782	\$ 8,301,786	\$ 78,088		\$ 78,088	
Public safety	24,841,858	1,559,224	388,938		(22,893,696)		(22,893,696)	
Public works	8,786,441	6,876,058	278,237	596,765	(1,035,381)		(1,035,381)	
Parks, recreation and tourism	12,243,650	1,980,795	1,122,026	90,668	(9,050,161)		(9,050,161)	
Interest on long-term debt	3,041,198				(3,041,198)		(3,041,198)	
Total governmental activities	<u>71,415,518</u>	<u>23,605,968</u>	<u>2,877,983</u>	<u>8,989,219</u>	<u>(35,942,348)</u>		<u>(35,942,348)</u>	
Business-type activities:								
Electric	98,906,578	100,582,906	1,535,416			\$ 3,211,744	3,211,744	
Water	11,934,533	14,279,059	581,561	479,325		3,405,412	3,405,412	
Sewer	14,225,306	19,851,117	375,730	384,323		6,385,864	6,385,864	
Stormwater	3,155,957	3,364,568		71,175		279,786	279,786	
Total business-type activities	<u>128,222,374</u>	<u>138,077,650</u>	<u>2,492,707</u>	<u>934,823</u>		<u>13,282,806</u>	<u>13,282,806</u>	
Total primary government	<u>\$ 199,637,892</u>	<u>\$ 161,683,618</u>	<u>\$ 5,370,690</u>	<u>\$ 9,924,042</u>	<u>(35,942,348)</u>	<u>13,282,806</u>	<u>(22,659,542)</u>	
Component unit:								
Housing Development Corporation of Rock Hill	\$ 265,893		\$ 260,109					\$ (5,784)
General revenues								
Property taxes					25,485,544		25,485,544	
Accommodations and hospitality taxes					5,281,828		5,281,828	
Investment income					311,224	829,818	1,141,042	1,376
Unrestricted intergovernmental revenue					1,496,795		1,496,795	
Miscellaneous					1,117,911		1,117,911	
Transfers					6,526,893	(6,526,893)	-	
Total general revenues and transfers					<u>40,220,195</u>	<u>(5,697,075)</u>	<u>34,523,120</u>	<u>1,376</u>
Change in net assets					4,277,847	7,585,731	11,863,578	(4,408)
Net position - beginning of year, as originally reported					94,170,636	239,749,599	333,920,235	944,582
Restatement					(52,308,789)	(12,277,930)	(64,586,719)	
Net position - beginning of year, as restated					<u>41,861,847</u>	<u>227,471,669</u>	<u>269,333,516</u>	
Net position - end of year					<u>\$ 46,139,694</u>	<u>\$ 235,057,400</u>	<u>\$ 281,197,094</u>	<u>\$ 940,174</u>

The notes to the financial statements are an integral part of this statement

CITY OF ROCK HILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$11,728,794	\$1,223,781	\$12,952,575
Investments	10,000	49,639	59,639
Receivables (net of allowances for uncollectible accounts)			
Taxes and assessments	1,468,832		1,468,832
Intergovernmental	384,509	3,185,357	3,569,866
Other	1,578,312	33,745	1,612,057
Due from other funds	1,047,898		1,047,898
Inventories	264,986		264,986
Restricted assets			
Cash and cash equivalents	1,974,387	1,946,309	3,920,696
TOTAL ASSETS	\$18,457,718	\$6,438,831	\$24,896,549
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$5,958,057	\$1,052,782	\$7,010,839
Due to other funds		1,047,898	1,047,898
Due to component unit	13,489		13,489
Contract retainage payable	92,883	158,007	250,890
Unearned revenues	75,518	355,941	431,459
Reimbursements payable to developers	817,646		817,646
TOTAL LIABILITIES	6,957,593	2,614,628	9,572,221
DEFERRED INFLOWS OF RESOURCES			
Property taxes	845,919		845,919
FUND BALANCES			
Non-spendable			
Inventory on hand	264,986		264,986
Donated restricted principal		25,000	25,000
Restricted for			
Federal and state grant programs	348,314	597,316	945,630
Debt service		940,837	940,837
Drug enforcement	287,311		287,311
State victim assistance	55,319		55,319
Bond issue construction		1,139,171	1,139,171
Accommodations tax projects	2,768,662		2,768,662
Capital lease proceeds unspent	1,726,580		1,726,580
Tax increment financing districts	1,454,109		1,454,109
Constrained by external donors	220,430	1,121,879	1,342,309
Committed	91,424		91,424
Unassigned	3,437,071		3,437,071
TOTAL FUND BALANCES	10,654,206	3,824,203	14,478,409
TOTAL LIABILITIES AND FUND BALANCES	\$18,457,718	\$6,438,831	\$24,896,549

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances for governmental funds	\$ 14,478,409
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Total net assets reported for governmental activities in the
statement of net asset is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	163,897,578
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	966,091
--	---------

The City's proportional shares of the net pension liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the statement of net position.	(52,703,904)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(80,498,480)</u>
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Net position of governmental activities	<u><u>\$ 46,139,694</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$25,448,918		\$25,448,918
Accommodations and hospitality taxes	5,281,828		5,281,828
Licenses and permits	10,652,407		10,652,407
Fines and forfeitures	774,118		774,118
Intergovernmental	2,777,421	\$6,188,778	8,966,199
Charges for services	10,881,494		10,881,494
Impact fees		608,538	608,538
Investment earnings	72,948	1,031	73,979
Lease revenue		560,000	560,000
Management fees	289,950		289,950
Program income		212,815	212,815
Other	2,399,230	2,153,302	4,552,532
Total revenues	58,578,314	9,724,464	68,302,778
EXPENDITURES			
Current:			
General government	17,017,279	352,352	17,369,631
Public safety	22,242,122	345,751	22,587,873
Public works	6,545,950		6,545,950
Parks, recreation and tourism	10,764,369	294,996	11,059,365
Capital outlay	3,327,381	11,702,256	15,029,637
Debt service:			
Principal	2,390,421	411,075	2,801,496
Interest and fees	1,902,061	413,518	2,315,579
Capital lease payments	2,850,500		2,850,500
Total expenditures	67,040,083	13,519,948	80,560,031
REVENUES OVER (UNDER) EXPENDITURES	(8,461,769)	(3,795,484)	(12,257,253)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,791,893	246,240	7,038,133
Transfers out	(511,240)		(511,240)
Issuance of refunding bonds		8,885,000	8,885,000
Payment to refunded bond escrow agent		(8,885,000)	(8,885,000)
Capital lease	4,948,281		4,948,281
Total other financing sources (uses)	11,228,934	246,240	11,475,174
NET CHANGE IN FUND BALANCE	2,767,165	(3,549,244)	(782,079)
FUND BALANCE, BEGINNING OF YEAR	7,887,041	7,373,447	15,260,488
FUND BALANCE, END OF YEAR	\$10,654,206	\$3,824,203	\$14,478,409

The notes to the financial statements are an integral part of this statement

CITY OF ROCK HILL, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ (782,079)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 6,138,989

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) is to decrease net assets. (558,134)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 29,685

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of new long-term debt issued and repayments of existing long-term debt. (21,904)

Changes in the City's proportional shares of the net pension liability, deferred outflows of resources, deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the statement of activities. (395,115)

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 governmental funds. (133,595)

Change in net position of governmental activities \$ 4,277,847

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$25,409,559	\$25,448,918	\$39,359
Accommodations and hospitality taxes	4,640,865	5,281,828	640,963
Licenses and permits	9,353,027	10,652,407	1,299,380
Fines and forfeitures	828,000	774,118	(53,882)
Intergovernmental	2,723,351	2,777,421	54,070
Charges for services	11,230,821	10,881,494	(349,327)
Investment earnings	30,001	72,948	42,947
Management fees		289,950	289,950
Other	2,678,795	2,399,230	(279,565)
Total revenues	<u>56,894,419</u>	<u>58,578,314</u>	<u>1,683,895</u>
EXPENDITURES			
Current			
General government	17,042,399	17,017,279	25,120
Public safety	22,036,721	22,242,122	(205,401)
Public works	6,905,011	6,545,950	359,061
Parks, recreation and tourism	9,566,548	10,764,369	(1,197,821)
Capital outlay			
Operating budget capital	255,425	552,796	(297,371)
Lease purchase capital		2,774,585	(2,774,585)
Debt service			
Principal	2,120,497	2,390,421	(269,924)
Interest and fees	2,554,432	1,902,061	652,371
Capital lease payments	2,878,681	2,850,500	28,181
Total expenditures	<u>63,359,714</u>	<u>67,040,083</u>	<u>(3,680,369)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,465,295)</u>	<u>(8,461,769)</u>	<u>(1,996,474)</u>
OTHER FINANCING SOURCES			
Transfers in	6,730,295	6,791,893	61,598
Transfers out	(265,000)	(511,240)	(246,240)
Proceeds from capital lease		4,948,281	4,948,281
Total other financing sources	<u>6,465,295</u>	<u>11,228,934</u>	<u>4,763,639</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES		2,767,165	2,767,165
FUND BALANCE, BEGINNING OF YEAR	<u>7,887,041</u>	<u>7,887,041</u>	
FUND BALANCE, END OF YEAR	<u>\$7,887,041</u>	<u>\$10,654,206</u>	<u>\$2,767,165</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
ASSETS			
Cash and cash equivalents	\$ 5,818,268	\$ 3,310,490	\$ 9,128,758
Receivables (net of allowance for uncollectible accounts)			
Utility accounts	16,481,783		16,481,783
Direct financing lease	884,104		884,104
Other	114,102		114,102
Inventories	2,601,450		2,601,450
Total current assets	25,899,707	3,310,490	29,210,197
Restricted assets, cash and equivalents	13,943,912	629,048	14,572,960
Capital assets - net	318,425,340	12,999,743	331,425,083
Construction in progress	22,431,094	1,127,028	23,558,122
Total noncurrent assets	354,800,346	14,755,819	369,556,165
Total assets	380,700,053	18,066,309	398,766,362
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	1,014,595	77,595	1,092,190
Deferred charge on refunding	365,437		365,437
Total deferred outflows of resources	1,380,032	77,595	1,457,627
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,184,957	719,109	11,904,066
Utility deposits	3,560,466		3,560,466
Accrued interest payable	2,046,884	25,085	2,071,969
Contract retainage payable	283,361	64,370	347,731
Current portion of long-term obligations	9,013,897	600,630	9,614,527
Total current liabilities	26,089,565	1,409,194	27,498,759
Noncurrent liabilities			
Net pension liability	11,568,976	884,777	12,453,753
Noncurrent liabilities due in more than one year	119,081,852	5,082,283	124,164,135
Total noncurrent liabilities	130,650,828	5,967,060	136,617,888
Total liabilities	156,740,393	7,376,254	164,116,647
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	975,349	74,593	1,049,942
Total deferred inflows of resources	975,349	74,593	1,049,942
NET POSITION			
Invested in capital assets, net of related debt	222,187,950	8,501,868	230,689,818
Unrestricted	2,176,393	2,191,189	4,367,582
Total net position	\$ 224,364,343	\$ 10,693,057	\$ 235,057,400

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
OPERATING REVENUES			
Electric sales	\$ 96,419,214		\$ 96,419,214
Water sales	13,834,354		13,834,354
Sewer charges	19,487,604		19,487,604
Impact fees	616,180		616,180
Storm water charges		\$ 3,355,799	3,355,799
Government grants	1,876,527		1,876,527
Other user charges	4,971,910	8,769	4,980,679
Total operating revenues	<u>137,205,789</u>	<u>3,364,568</u>	<u>140,570,357</u>
OPERATING EXPENSES			
Purchased power	78,885,963		78,885,963
System operations	22,486,994	1,975,853	24,462,847
Depreciation and amortization	12,174,176	867,359	13,041,535
General and administrative	7,349,915		7,349,915
Total operating expenses	<u>120,897,048</u>	<u>2,843,212</u>	<u>123,740,260</u>
OPERATING INCOME (LOSS)	<u>16,308,741</u>	<u>521,356</u>	<u>16,830,097</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	822,285	7,533	829,818
Interest expense	(4,149,111)	(288,951)	(4,438,062)
Loss on disposal of capital assets	(20,257)	(23,795)	(44,052)
Total nonoperating revenues (expenses)	<u>(3,347,083)</u>	<u>(305,213)</u>	<u>(3,652,296)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	12,961,658	216,143	13,177,801
CAPITAL CONTRIBUTIONS	863,648	71,175	934,823
TRANSFERS IN	265,000		265,000
TRANSFERS OUT	<u>(6,791,893)</u>		<u>(6,791,893)</u>
CHANGE IN NET ASSETS	7,298,413	287,318	7,585,731
TOTAL NET POSITION - BEGINNING, PREVIOUSLY REPORTED	228,471,576	11,278,023	239,749,599
RESTATEMENT	<u>(11,405,646)</u>	<u>(872,284)</u>	<u>(12,277,930)</u>
TOTAL NET POSITION - BEGINNING, RESTATED	<u>217,065,930</u>	<u>10,405,739</u>	<u>227,471,669</u>
TOTAL NET POSITION - END	<u>\$ 224,364,343</u>	<u>\$ 10,693,057</u>	<u>\$ 235,057,400</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from external customers	\$ 127,185,010	\$ 3,355,799	\$ 130,540,809
Cash receipts from internal customers	5,134,912		5,134,912
Cash payments to employees for services	(8,006,509)	(415,841)	(8,422,350)
Cash payments to other suppliers of goods or services	(100,993,748)	(953,971)	(101,947,719)
Other operating cash receipts	4,971,910	8,769	4,980,679
Net cash provided by operating activities	28,291,575	1,994,756	30,286,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the General fund	265,000		265,000
Transfers to the General fund	(6,791,893)		(6,791,893)
Net cash used in noncapital financing activities	(6,526,893)		(6,526,893)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(16,625,184)	(1,106,355)	(17,731,539)
Issuance of utility revenue bonds	2,133,366		2,133,366
Payment of bonds	(6,805,000)	(396,630)	(7,201,630)
Payment of capital leases	(1,121,096)	(173,424)	(1,294,520)
Interest paid on bonds and capital leases	(4,259,944)	(290,926)	(4,550,870)
Net cash used in capital and related financing activities	(26,677,858)	(1,967,335)	(28,645,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received on direct financing lease receivable	150,491		150,491
Interest received on investments	826,858	7,533	834,391
Net cash provided by investing activities	977,349	7,533	984,882
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,935,827)	34,954	(3,900,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,698,007	3,904,584	27,602,591
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 19,762,180</u>	<u>\$ 3,939,538</u>	<u>\$ 23,701,718</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
Operating income (loss)	\$ 16,308,741	\$ 521,356	\$ 16,830,097
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	12,174,176	867,359	13,041,535
Changes in assets and liabilities:			
Increase in utility receivables	(229,545)		(229,545)
Decrease in other receivables	7,955		7,955
Increase in inventories	(299,048)		(299,048)
Increase (decrease) in accounts payable and accrued liabilities	(522,389)	589,317	66,928
Decrease in accrued interest			-
Increase in utility deposits	307,633		307,633
Pension-related liabilities, deferred inflows and deferred outflows	124,084	9,491	133,575
Increase in liability for accumulated leave	419,968	7,233	427,201
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 28,291,575</u>	<u>\$ 1,994,756</u>	<u>\$ 30,286,331</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions of capital assets from developers	\$ 863,648	\$ 71,175	\$ 934,823
Capital lease issued for acquisition of capital assets	525,389	181,333	706,722

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rock Hill, South Carolina (the "City") is a municipal corporation incorporated in 1892 and governed by an elected mayor and six-member council with an appointed manager. The basic financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying basic financial statements include all City funds, governmental functions, and other entities, which are considered to be component units of the City. The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

- A) Determine its budget without the City having the authority to approve or modify that budget.
- B) Levy taxes or set rates or charges without approval by the City.
- C) Issue bonded debt without approval by the City.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading or incomplete.

Discretely presented component unit

The Housing Development Corporation of Rock Hill (the "Housing Corporation") was established to improve communities in the City by providing safe and affordable housing and a suitable living environment, principally for persons of low and moderate income. The Housing Corporation is administered by a twenty-one member Board of Directors (the "Housing Board") that includes two City officials, one member of City Council and one staff person. Members of the Housing Board are appointed by an executive committee, which is composed of seven members. One member of City Council and one City staff person are among the executive committee's seven members.

The Housing Corporation receives a substantial portion of its funding from a grant from the U.S. Department of Housing and Urban Development and has accumulated net position from prior program income that it can use for any lawful purpose its board sees fit. The City is neither responsible for deficiencies nor entitled to surpluses of the Housing Corporation. Also, the Housing Corporation is not accountable to the City for fiscal matters nor is the City responsible for debts or other obligations of the Housing Corporation. Although the Housing Corporation is legally separate from the City, and the City is not responsible for any Housing Corporation debts or obligations, the Housing Corporation is included in the City's reporting entity because much of its funding is discretionary based on the City's Community Development Block Grant, which allows the City to largely impose its will on the operation of the Housing Corporation. The Housing Corporation is discretely presented as a governmental fund type. Complete financial statements for the Housing Corporation

are available from the City's Housing and Neighborhood Services Department at 155 Johnston Street, Rock Hill, S.C. 29730.

Blended Component Unit

The Rock Hill Cycling Facilities Corporation (the "Cycling Facilities Corporation") was established by the City on December 15, 2010 primarily to issue debt in the form of New Markets Tax Credit and Recovery Zone Economic Development Bonds. The Cycling Facilities Corporation is governed by a three member board of directors comprised of the City's City Manager, Deputy City Manager and Chief Financial Officer. In view of the fact that the Cycling Facilities Corporation is completely under the control of the City, it is included in the City's financial statements as a blended component unit. The City does not prepare separately issued financial statements for the Cycling Facilities Corporation. Per the financing and lease agreement, the City is to pay the Cycling Facilities Corporation an annual amount for leasing the Velodrome of \$560,000. The Cycling Facilities Corporation then pays the debt service on the bank notes used to fund the construction of the facility and remits back to the City a management fee calculated to leave only enough current year revenues in excess of expenditures in the Cycling Facilities Corporation to cover its debt service 1.1 times.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental *activities*, which normally are supported by taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and are susceptible to accrual 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, expenditures for principal payments on debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Real and personal property taxes and certain grant revenues 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 is received by the government.

The City reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The combined utility system fund accounts for the activities of the City's electric, water and sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund, the combined utility system fund and the storm water fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, deferred outflows, deferred inflows and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are valued at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables, including those for the Housing Corporation, are shown net of an allowance for uncollectibles.

The City Code provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by York County and remitted to the City monthly during the year. Other personal and real property taxes are billed and collected by York County in October of each year and become due and payable immediately upon receipt by the taxpayer. Collections are remitted to the City monthly. Real property taxes are delinquent after January 15 with penalties assessed of 3% if paid after January 15, 10% if paid after January 31, and 15% if paid after March 15. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2014 is 93.5 mills.

3. Inventories

Inventories of the General and Enterprise funds consist of supplies held for consumption and are recorded as expenditures at the time the items are consumed rather than when purchased. All inventories are valued at cost using the first in first out method.

4. Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total gross interest expense paid by the City during the current fiscal year was \$7,488,371. Of this amount, \$260,246, net of interest income on construction funds, was included as part

of the cost of capital assets under construction in connection with various electric, water, and wastewater construction projects.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	30 years
Infrastructure	30 years
Electric plant in service	26 to 59 years
Water plant in service	10 to 100 years
Sewer plant in service	25 to 100 years
Storm water plant in service	30 years
Vehicles and equipment	5 to 10 years

6. Compensated absences

Vacation, sick, compensatory time and holiday leave liabilities are recorded in the General fund for governmental employees and in the Enterprise fund for utility employees. City employees are permitted to accumulate up to 90 vacation leave days and an unlimited number of sick leave days. Compensatory time and holiday time can accumulate without limit, but are typically paid out in cash only to nonexempt employees who are unable to take the leave before termination. Vacation benefits are paid when taken, except for any unused portion of vacation leave (up to a 45 day maximum), which is payable to an employee upon termination, retirement, or death. Sick leave benefits are paid when taken. Additionally, employees who retire with either 28 years of service or who are age 65 or older with 20 years of service with the City (Public Safety employee requirements are 25 years of service or 55 years of age with 20 years of service) are eligible to be paid in cash for up to 45 sick days accrued and not taken upon retirement. Liabilities from compensated absences are retired by general fund resources for governmental employees and by utility enterprise fund resources for utility employees.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred outflows and inflows of resources

As defined by GASB Concept Statement No. 4, *"Elements of Financial Statements"*, deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively.

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 City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers 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. The City also reports deferred charge on refunding in its statement of net position in connection with net losses on refinancing of bonds. These deferred charges are amortized on the effective interest method over the remaining lives of the related debt as general government expenses.

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 City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue - property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension inflows* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension inflows* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

9. Fund balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are either not in spendable form, such as supplies inventories, or are legally or contractually required to be maintained intact, such as principal donated to the City to be invested and held in a permanent fund from which only the investment earnings can be spent. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by an adopted ordinance of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action, adopting a new ordinance, which it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other

than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by City Council or uses for which City Council has given the City Manager authority to assign. As of June 30, 2015, the City reported no assigned fund balances.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

City Council has targeted reaching an unassigned general fund balance of four million dollars within the next five years.

The City's special revenue funds are: the Community Development Block Grant fund, the HOME Grant fund and the Other Federal Grants fund, all with revenues consisting of grants from the federal government and program income earned in conjunction with the continuing administration of those grants.

Details of all governmental fund balances are as follows:

Fund balances:	General Fund	Other Funds	Total
Nonspendable:			
Inventory	\$ 264,986		\$ 264,986
Permanent fund principal		\$ 25,000	25,000
Restricted for:			
Federal and state grant programs	348,314	597,316	945,630
Debt service		940,837	940,837
Drug enforcement	287,311		287,311
State victims assistance	55,319		55,319
Bond issue construction funds		1,139,171	1,139,171
Constrained by external donors	220,430	1,121,879	1,342,309
State accommodations taxes	906,945		906,945
Local accommodations taxes	1,861,717		1,861,717
Tax Increment Financing Districts	1,454,109		1,454,109
Capital lease proceeds unspent	1,726,580		1,726,580
Committed to:			
Landscape maintenance district	58,351		58,351
Downtown parking revenues	33,073		33,073
Unassigned:	3,437,071		3,437,071
Total fund balances	\$ 10,654,206	\$ 3,824,203	\$ 14,478,409

10. Net position

Net position represent 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. 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. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Details of net investment in capital assets are:

	Governmental Activities	Business-Type Activities
Capital assets, net of depreciation	\$ 163,897,578	\$ 354,983,205
Deduct capital-related debt		
Bonds, notes and loans	(63,090,030)	(125,246,891)
Premiums and discounts	(1,927,571)	(3,703,200)
Deferred charges on bond refundings	630,232	365,437
Capital leases	(9,610,744)	(3,617,973)
Contract retainage payable	(250,890)	(347,731)
Add: unspent debt proceeds	3,672,889	8,256,971
Net investment in capital assets	<u>\$ 93,321,464</u>	<u>\$ 230,689,818</u>

11. Adoption of new accounting standard – Change in accounting principle

The City implemented GASB Statement No. 68 *"Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27"* ("GASB #68") and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68"* ("GASB #71" and collectively "Statements") in the year ended June 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered. In particular, these Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("PEBA") who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide and enterprise fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide and enterprise fund financial statements as of July 1, 2014 was decreased by approximately \$52,308,789 and \$12,277,930, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the City's retirement plans.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this difference are as follows:

Bonds, notes and loans payable	\$ (65,017,602)
Accrued interest	(677,023)
Deferred losses on bond refundings	630,232
Capital lease	(9,610,748)
Compensated absences	(5,823,339)
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ (80,498,480)</u></u>

Another element of that reconciliation states “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” Explanation of this difference is as follows:

Total capital assets, not being depreciated	\$ 35,100,746
Total capital assets, being depreciated	218,788,596
Accumulated depreciation	<u>(89,991,764)</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 163,897,578</u></u>

Another element of that reconciliation states “other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.” Explanation of this difference is as follows:

Property taxes	\$ 845,919
Rehabilitation loans	<u>120,172</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 966,091</u></u>

Another element of that reconciliation states “The City’s proportional shares of the net pension liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the statement of net position.” Explanation of this difference is as follows:

Deferred outflows	\$ 5,089,688
Deferred inflows	(5,029,863)
Net pension liability	<u>(52,763,729)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ (52,703,904)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 15,029,637
Expenses treated as capital ultimately expensed	(512,652)
Depreciation expense	<u>(8,377,996)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 6,138,989</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.” The details are as follows:

Loss on asset disposals	<u>\$ (558,134)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (558,134)</u></u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this difference are as follows:

Taxes receivable	\$ 36,626
Rehabilitation loans	<u>(6,941)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 29,685</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued,

whereas these amounts are amortized in the statement of activities.” The details of this are as follows:

Tax increment financing bonds issued	\$ (8,885,000)
Principal repayments on bonds	2,626,000
Principal repayments on HUD Section 108 loans	96,000
Principal repayments on SC DHEC loan	79,496
Accrued interest on bonds	(677,023)
Capital lease borrowings	(4,948,281)
Payments to refunded bond escrow agent	8,885,000
Capital lease repayment	<u>2,801,904</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (21,904)</u></u>

Another element of that reconciliation states that “Changes in the City's proportional shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the statement of activities. The details of this difference are as follows:

Pension expense	<u>\$ 395,115</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 395,115</u></u>

Another element of that reconciliation states that “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 governmental funds.” The details of this \$(133,595) difference are as follows:

Amortization expense on deferred charges	\$ (88,979)
Recognition, as interest income, of premium on bond issuance	237,245
Compensated absences	<u>(281,861)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (133,595)</u></u>

III. Stewardship, compliance and accountability

A. Budgetary information

In accordance with the State of South Carolina General Statutes, the City prepares an annual balanced budget ordinance. The City adopts annual budgets for the General and Enterprise funds using the modified accrual basis. An annual budget for the Special Revenue funds are not adopted as sufficient budgetary control is achieved through the legal restrictions included in the various grant agreements. The City’s Special Revenue funds consist of four general ledger funds that are used solely to account for various Federal grants and the Rock Hill Cycling Facilities Corporation. An annual operating budget for the Capital Projects funds is not adopted as its revenues and expenditures are adopted on a project basis. Appropriations for the General and Enterprise funds lapse at the end of the budget year.

In February, the budget process begins with a special comprehensive work session in which the Budget Office, the Finance Department and City Manager's Office meet with all department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects and initiatives to be considered in the upcoming budget and meet with Budget and Finance department staff and the City Manager's Office individually. During May and June, formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

Budgets are prepared at the fund, function and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the City Manager, as delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. During the year, no supplemental appropriations were adopted by the City Council.

B. Encumbrances

Encumbrances represent commitments related to open purchase orders and contracts for goods or services. Encumbrance accounting is utilized in the governmental funds. For June 30, 2015, no encumbrances were recorded.

IV. Detailed notes on all funds

A. Cash, deposits and investments

Deposits

The State of South Carolina General Statutes permit the City to invest in only the following types of instruments:

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of the State of South Carolina or any of its political subdivisions.
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.
5. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
6. 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 the City 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 1, 2 and 5 above and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Custodial Credit Risk

Custodial credit risk, for deposits, is the risk that, in the event of the failure of a depository financial institution, the

City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All the deposits of the City, the Housing Corporation and the Cycling Facilities Corporation are either insured by federal depository insurance or collateralized with securities (of the type described in 1., above) held by third party banks other than the banks that hold the deposits. At June 30, 2015, the City had a balance of \$15,204,349 on deposit with the South Carolina Local Government Investment Pool (the "investment pool"). The investment pool is managed by the South Carolina State Treasurer. It is an unrated money market pool. The assets of the investment pool are fully collateralized with underlying securities all held by third party financial institutions. The fair value of the City's position in the pool is the same as the value of the pool shares. Please refer to the Comprehensive Annual Financial Report of the State of South Carolina for more detailed information about the investment pool.

The book value of total deposits for the City, at June 30, 2015, was \$40,342,530, including amounts in the investment pool. The bank balances for those deposits totaled \$47,822,465. All the deposits were either insured by federal depository insurance or collateralized with securities (of the type described in 1., above) held by third party banks other than the banks that hold the deposits.

Restricted cash includes \$7,561,010 held for debt service reserve funds as required by various bond indentures and \$9,206,065 in unspent bond construction proceeds.

Total deposits for the Housing Development Corporation at June 30, 2015 were \$249,838. The entire balance was either insured by federal depository insurance or collateralized with securities (of the type described in 1., above) held by third party banks other than the banks that hold the deposits.

Investments

The City is authorized to invest as described above under deposits in six types of instruments. The City's investments at June 30, 2015 that are not with the South Carolina Local Government Investment Pool are presented below. All investments are presented by investment type and by maturity. The Housing Development Corporation also had three certificates of deposit totaling \$432,133, all with one-year maturities.

City of Rock Hill Investments			
Investment Type	Fair Value Amount	Investment Maturities (in years)	
		Less Than 1	1 - 5
<u>Other Investments</u>			
Certificates of deposit	\$ 59,639		\$ 59,639
Total investments	\$ 59,639		\$ 59,639

Custodial Credit Risk

Custodial credit risk, for investments, is the risk that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of investments or will not be able to recover collateral securities that are in the possession of an outside party.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no policy regarding credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that it may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The City has no policy on interest rate risk, and manages interest rate risk using the specific identification method. The average maturity of the pool's investments is 90 days.

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments:

<u>Statement of Net Assets</u>	<u>Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 22,081,333	\$ 249,839
Investments	59,639	432,133
Cash and cash equivalents - restricted for debt service and construction	18,493,656	
Total	<u>\$ 40,634,628</u>	<u>\$ 681,972</u>
<u>Disclosure, Deposits and Investments</u>		
Carrying value of deposits		
Held by State Treasurer	\$ 15,204,349	
Other	25,359,130	\$ 249,839
Investments, reported amount		
Certificates of deposit	59,639	432,133
Cash on hand	11,510	
Total disclosure, deposits and investments	<u>\$ 40,634,628</u>	<u>\$ 681,972</u>

B. Receivables

Receivables at June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>		<u>Enterprise</u>		
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Electric, Water, Wastewater</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Receivables					
Property taxes and assessments	\$ 4,229,595				\$ 4,229,595
Intergovernmental	384,509	\$ 3,185,357			3,569,866
Utility accounts			\$ 17,456,783		17,456,783
Direct financing lease			884,104		884,104
Court fines	2,249,417				2,249,417
Other	1,578,312	33,745	114,102		1,726,159
Gross receivables	8,441,833	3,219,102	18,454,989		30,115,924
Less allowance for uncollectible accounts	(5,010,180)		(975,000)		(5,985,180)
Net total receivables	<u>\$ 3,431,653</u>	<u>\$ 3,219,102</u>	<u>\$ 17,479,989</u>		<u>\$ 24,130,744</u>

Intergovernmental receivables are comprised of grants due from the Federal government for the Special Revenue fund and Federal and State grants for the Capital Projects fund. Other receivables in the Nonmajor funds column are amounts due from York County for paving projects and from a foundation for a trail connector project.

C. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

Governmental activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,815,283	\$ 355,950		\$ 2,171,233
Construction in progress	24,829,052	10,603,595	\$ 2,503,134	32,929,513
Total capital assets, not being depreciated	26,644,335	10,959,545	2,503,134	35,100,746
Capital assets, being depreciated				
Buildings and land improvements	95,919,047			95,919,047
Infrastructure	81,804,442	3,099,898		84,904,340
Machinery and equipment	36,217,916	2,960,677	2,207,847	36,970,746
Furniture and fixtures	994,463			994,463
Total capital assets, being depreciated	214,935,868	6,060,575	2,207,847	218,788,596
Less accumulated depreciation for:				
Buildings and land improvements	23,624,063	2,286,574		25,910,637
Infrastructure	35,901,469	2,306,752		38,208,221
Machinery and equipment	22,747,779	3,783,877	1,649,713	24,881,943
Furniture and fixtures	990,170	793		990,963
Total accumulated depreciation	83,263,481	8,377,996	1,649,713	89,991,764
Total capital assets being depreciated, net	131,672,387	(2,317,421)	558,134	128,796,832
Governmental capital asset activities, net	\$ 158,316,722	\$ 8,642,124	\$ 3,061,268	\$ 163,897,578

Business-type activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,580,277			\$ 4,580,277
Construction in progress	19,455,409	\$ 13,125,334	\$ 9,022,621	23,558,122
Total capital assets, not being depreciated	24,035,686	13,125,334	9,022,621	28,138,399
Capital assets, being depreciated				
Electric plant in service	150,853,937	5,686,624		156,540,561
Water plant in service	120,882,978	2,925,214		123,808,192
Sewer plant in service	125,437,077	4,431,042		129,868,119
Stormwater plant in service	18,987,491	206,202		19,193,693
Buildings	64,661,359			64,661,359
Machinery and equipment	13,366,712	1,066,858	475,738	13,957,832
Total capital assets, being depreciated	494,189,554	14,315,940	475,738	508,029,756
Less accumulated depreciation for:				
Electric plant in service	50,222,016	4,827,934		55,049,950
Water plant in service	30,651,128	2,200,483		32,851,611
Sewer plant in service	43,781,183	2,745,407		46,526,590
Stormwater plant in service	6,428,937	636,000		7,064,937
Buildings	27,351,758	1,415,234		28,766,992
Machinery and equipment	10,172,616	1,128,940	376,686	10,924,870
Total accumulated depreciation	168,607,638	12,953,998	376,686	181,184,950
Total capital assets being depreciated, net	325,581,916	1,361,942	99,052	326,844,806
Business-type capital asset activities, net	\$ 349,617,602	\$ 14,487,276	\$ 9,121,673	\$ 354,983,205

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,473,030
Public safety	1,769,936
Public works	2,039,227
Parks, recreation and tourism	1,095,803
Total depreciation expense - governmental activities	<u>\$ 8,377,996</u>

Business-type activities:

Electric	\$ 5,651,827
Water	2,726,137
Sewer	3,708,675
Stormwater	867,359
Total depreciation expense - business-type activities	<u>\$ 12,953,998</u>

D. Interfund receivables, payables and transfers

Due to / from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	
General	Nonmajor governmental funds	<u>\$ 1,047,898</u>
	Total	<u>\$ 1,047,898</u>

Amounts due to other funds represent temporary borrowings of cash pending the receipt of a funding source such as a grant or bond issuance. The amounts described above are expected to be repaid within the following fiscal year.

Interfund transfers

	Transfer in:			
	General fund	Electric, Water, Sewer fund	Capital projects fund	Total
Transfer out:				
General fund		\$ 265,000	\$ 246,240	\$ 511,240
Electric, water, sewer fund	\$ 6,791,893			6,791,893
Total transfers out	<u>\$ 6,791,893</u>	<u>\$ 265,000</u>	<u>\$ 246,240</u>	<u>\$ 7,303,133</u>

The transfers from the electric, water and sewer fund to the general fund are recurring budgeted transfers. The transfers from the general fund to the electric fund are a recurring budgeted transfer of money from the City's local hospitality receipts to pay for electric improvements in the North Cherry Road area and a contribution for economic development. The transfer from the general fund to the capital projects fund is for road and intersection costs on projects tied to SC Department of Transportation projects and for a Fire Training Facility.

The City is the lessor in a direct financing lease with the Town of Fort Mill, South Carolina related to the construction of a water main to provide a portion of water needs for Fort Mill and its surrounding area. The lease provides for a term of twenty-eight years and annual payments sufficient to pay the scheduled debt service on the 1993 revenue bonds used to finance the lease. The net present value of the future minimum lease payments receivable is \$884,104.

Annual aggregate future minimum lease payments are as follows:

<u>Year ending June 30</u>	
2016	\$ 203,059
2017	202,663
2018	202,515
2019	202,581
2020	202,185
Total future minimum lease payments to be received	<u>1,013,003</u>
Less: amounts representing unearned interest at 5.96%	<u>128,899</u>
Net investment in direct financing lease	<u><u>\$ 884,104</u></u>

Capital leases

The City leases a total of 116 vehicles used for sanitation, street cleaning, and public safety and 46 vehicles for electric, water, wastewater and storm water. All of these lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inception. The gross amount of leased assets recorded as machinery and equipment for governmental activities and business-type activities, respectively is \$18,869,350 and \$4,054,694. Accumulated depreciation on the assets at June 30, 2015 was \$11,231,518 for governmental and \$1,603,556 for business-type. These amounts are included in governmental activities as machinery and equipment in both the General fund and the Enterprise fund.

In December, 2006 the City entered into a lease to build and operate a WiFi antenna system throughout the City for the purpose of automated reading of electric and water meters. This lease agreement qualifies as capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the dates of their inception. The gross amount of assets recorded as machinery and equipment for business-type activities is \$3,539,525. Accumulated depreciation on the asset at June 30, 2015 was \$1,132,648.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Year ending June 30</u>	<u>Government</u>	<u>Business-Type</u>	<u>Total</u>
2016	\$ 2,815,561	\$ 1,279,130	\$ 4,094,691
2017	2,520,196	1,262,858	3,783,054
2018	1,681,372	661,063	2,342,435
2019	1,147,175	201,116	1,348,291
2020	669,327	116,500	785,827
2021 - 2024	1,213,921	206,933	1,420,854
Total future minimum lease payments	10,047,552	3,727,600	13,775,152
Less: amounts representing interest	436,804	109,627	546,431
Present value of minimum lease payments	<u>\$ 9,610,748</u>	<u>\$ 3,617,973</u>	<u>\$ 13,228,721</u>

F. Long-term debt

Governmental activities

The City issues general obligation bonds and tax increment financing bonds to provided funds for the acquisition and construction of major governmental capital facilities. The original amount of all the outstanding governmental activities bonds issued through June 30, 2015 was \$67,025,000.

The Tax Increment bonds are secured by incremental property tax revenues being derived from economic development in the Textile Corridor, Downtown and Red River (Riverwalk) tax increment districts, respectively. To the extent that debt service requirements on the bonds exceed the incremental property tax revenues, utility net revenues are pledged, subordinate to pledges of such revenues for the Combined Utility System revenue bonds and the Piedmont Municipal Power Agency (PMPA) agreement (see Note V.E). On May 1, 2015, the \$8,885,000 of remaining 2009 Riverwalk tax increment bonds were refunded by the issuance of the 2015 Riverwalk tax increment bonds in the same amount, \$8,885,000. The transaction was a current refunding and was done to obtain a lower interest rate. The 2009 bonds bore an interest rate of 4.96%. The 2015 tax increment bonds bear interest at the rate of 2.74% with annual principal payments through May 1, 2029. The gross savings resulting from the refunding will be \$1,717,706 and the economic gain will be \$1,462,188. The 2012 tax increment bonds bear interest at rates of 3.62% to 4.42% with annual principal payments through May 1, 2029. The 2013A tax increment bonds bear interest at the rate of 4.80% with annual principal payments through April 1, 2038. The 2013B tax increment bonds (taxable series) bear interest at the rate of 6.125% with annual payments through April 1, 2038.

The General Obligation bonds are secured by the full faith, credit and taxing power of the City. The bonds bear interest at rates from 3.25% to 5.125% with annual principal payments through April 1, 2033.

The debt service requirements to maturity for obligations related to primary governmental activities obligations at June 30, 2015, are as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Bonds		SC DHEC		HUD Section 108 Loan		Riverwalk MID A Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 960,000	\$ 613,731	\$ 919,000	\$ 958,343	\$ 80,293	\$ 4,500	\$ 99,000	\$ 78,962	\$ 78,000	\$ 97,250	\$ 895,000	\$ 621,900
2017	975,000	588,224	974,000	927,746	81,098	3,695	104,000	74,489	85,000	93,350	920,000	595,050
2018	1,045,000	558,280	1,054,000	894,529	81,911	2,882	108,000	69,697	93,000	89,100	955,000	558,250
2019	970,000	525,769	1,099,000	859,012	82,732	2,061	112,000	64,648	101,000	84,450	995,000	520,050
2020	985,000	497,431	1,150,000	821,737	83,561	1,232	117,000	59,212	110,000	79,400	1,035,000	480,250
2021-2025	4,440,000	2,003,632	6,605,000	3,445,834	60,435	394	656,000	201,419	699,000	304,950	5,695,000	1,571,000
2026-2030	2,975,000	1,274,175	6,934,000	2,174,472			459,000	26,355	779,000	100,950	1,660,000	561,000
2031-2035	3,390,000	599,775	3,050,000	1,161,288							1,215,000	123,500
2036	690,000	31,050	2,435,000	266,006								
Total	\$16,430,000	\$6,692,067	\$24,220,000	\$11,508,967	\$470,030	\$14,764	\$1,655,000	\$574,782	\$1,945,000	\$849,450	\$13,370,000	\$5,031,000

The debt service requirements to maturity for obligations related to blended component unit obligations at June

30, 2015, are as follows:

Year Ending June 30	Component Unit Rock Hill Cycling Facilities					
	A-1 Loan		A-2 Loan		B Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016		\$ 217,350		\$ 1,150		\$ 27,000
2017		217,350		1,150		27,000
2018		217,350		1,150		27,000
2019	\$ 289,042	213,254	\$ 213	1,141		
2020	305,901	196,395	225	1,128		
2021-2025	1,818,884	692,597	1,336	5,423		
2026-2030	1,366,173	140,717	1,774	4,971		
2031-2035			2,356	4,374		
2036-2040			3,126	3,577		
2041-2045			4,153	2,525		
2046-2050			5,514	1,124		
2051			1,303	19	\$ 1,200,000	
Total	<u>\$ 3,780,000</u>	<u>\$ 1,895,013</u>	<u>\$ 20,000</u>	<u>\$ 27,732</u>	<u>\$ 1,200,000</u>	<u>\$ 81,000</u>

The City has borrowed a total of \$2,250,000 in Section 108 loans from the US Department of Housing and Urban Development. The proceeds of the loans were used to make improvements to the Saluda Street Corridor. The City was required to pledge as collateral for the loan two real properties owned by the City which have total appraised value in excess of the loan amount. The loan is to be repaid from Community Development Block grant funds in annual installments of \$75,000 to \$237,000 plus interest at 5.89% through August 1, 2026.

In September, 2010, the City borrowed \$805,000 of Brownfields cleanup loans through SC Department of Health and Environmental Control to assist with the cleanup of the Rock Hill Printing and Finishing Company Bleachery site. The loans are to be repaid in semiannual installments through June, 2021 plus interest at the rate of 1.00%.

On August 17, 2011, the City issued general obligation bonds in the amount of \$10,700,000 for the purpose of building a portion of a new operations center. The bonds are to be repaid in annual installments of \$310,000 to \$690,000 plus interest at 2.00% to 5.00% through April 1, 2036. In August, 2014 the City issued Series 2013A general obligation bonds in the amount of \$1,800,000 for the purpose of building an addition to the Law Center. The 2013A bonds are to be repaid in annual installments of \$65,000 to \$125,000 plus interest at 3.74% through April 1, 2033. At the same time, the City issued Series 2013B general obligation bonds in the amount of \$3,935,000 to effect a current refunding of the remaining outstanding balances of its 2003 and 2008 general obligation bonds. The 2013B bonds are to be repaid in annual installments of \$340,000 to \$420,000 plus interest at 1.86% through April 1, 2023.

In December, 2010, the City formed the Rock Hill Cycling Facilities Corporation, the "Cycling Corporation" for the purpose of issuing a total of \$5,000,000 in debt to build a Velodrome track and entrance road in the Riverwalk section of the City. The debt is broken down into three loans from a bank. The A-1 loan is a Recovery Zone Economic Development Bond in the amount of \$3,780,000. Interest only at the rate of 5.75% is due on the loan through January 5, 2018, at which time the loan will be paid in semiannual payments through January 5, 2028 with interest continuing at 5.75%. The A-2 loan is also a Recovery Zone Economic Development Bond in the amount of \$20,000. Interest only at the rate of 5.75% is due on the loan through January 5, 2018, at which time the loan will be paid in semiannual payments through January 5, 2051 with interest continuing at 5.75%. The B loan is a New Markets Tax Credit (NMTC) loan in the amount of \$1,200,000. Interest only at the rate of 2.25% is due on the loan through January 5, 2018. Thereafter, no payments of principal or interest are due on the B loan until January 5, 2051 provided that no uncured event of default under the NMTC Loans shall exist during the period.

On December 29, 2012, the City issued the Riverwalk Municipal Improvement District A bonds in the amount of \$2,080,000 for the purpose of building streets and other infrastructure in a portion of the Riverwalk residential area. Annually, the City bills the developer or the subsequent property owners an assessment on the properties in the area. The assessments are used to pay principal and interest on the bonds. The bonds are to be repaid in annual installments of \$78,000 to \$217,000 plus interest at 5.00% through May 1, 2029.

On May 10, 2013, the City issued the Limited Obligation Bonds, Series 2013 in the amount of \$15,160,000 for the purpose of building a portion of a BMX bicycle racing facility and to refund the 2005 Certificates of Participation (COPS) related to the Manchester Meadows soccer complex and a capital lease related to Glencairn Gardens.

Business-type activities

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of all the outstanding business-type activities bonds issued in previous years was \$124,037,927.

The debt service requirements to maturity for obligations related to business-type activities obligations at June 30, 2015, are as follows:

Year Ending June 30	Business-Type Activities					
	Utility Revenue Bonds		State Revolving Fund Loans			
	Principal	Interest	Water		Stormwater	
			Principal	Interest	Principal	Interest
2016	\$ 7,215,000	\$ 5,057,875	\$ 138,519	\$ 98,242	\$ 405,630	\$ 108,689
2017	7,480,000	4,805,850	392,995	163,210	414,834	99,451
2018	7,710,000	4,558,756	400,315	155,973	424,246	90,004
2019	6,405,000	4,292,375	407,651	148,603	433,873	80,342
2020	6,670,000	4,009,588	415,123	141,097	443,718	70,461
2021-2025	26,125,000	16,624,919	2,192,577	587,988	2,374,258	196,059
2026-2030	22,695,000	11,434,909	2,401,056	378,558	551,966	8,405
2031-2035	20,520,000	5,889,820	2,629,404	149,168		
2036-2040	11,550,000	2,093,775	359,590	2,110		
2041-2043	1,695,000	68,500				
Total	<u>\$ 118,065,000</u>	<u>\$ 58,836,367</u>	<u>\$ 9,337,230</u>	<u>\$ 1,824,949</u>	<u>\$ 5,048,525</u>	<u>\$ 653,411</u>

On September 30, 2009, the City issued \$13,910,000 Combined Utility System Revenue Bonds, Series 2009A and \$16,300,000 Combined Utility System Revenue Bonds, Series 2009B. All the proceeds the Series 2009A bonds were used to pay off the \$14,000,000 2008 Bond Anticipation Notes. The net proceeds of the Series 2009B bonds were spent on construction of a new Utilities Operation Center and on various electric, water and sewer distribution and collection facilities. The Series 2009A bonds are due in annual installments of \$305,000 to \$1,050,000 through January 1, 2029, plus interest at 3.00% to 5.00%. The Series 2009B bonds are due in annual installments of \$790,000 to \$1,715,000 through January 1, 2040 plus interest at 6.45%. The Series 2009B bonds were issued as taxable Build America Bonds (BABs). Through this program, the City receives from the US Treasury, prior to all interest payment dates, a reimbursement payment of 35% of the interest paid on the bonds. In January, 2013, the City received notification from the US Treasury that, due to automatic budget cuts under the federal sequester, reimbursements for the BABs would be reduced by approximately 8%. For the year ended June 30, 2015, the City received a total reimbursement of \$341,637, which is recorded as government grants.

On October 28, 2009, the City issued \$14,390,000 Combined Utility System Revenue Bonds, Series 2009C. The proceeds from this issue were used to effect a current refunding of the Series 1998C, Series 2000A and Series 2000C Combined Utility System Revenue Bonds.

On April 25, 2012, the City issued \$38,280,000 Combined Utility System Revenue Bonds, Series 2012A. All the proceeds the Series 2012A bonds were used to pay off the entire balance of the Series 2008A bonds and a portion of the Series 2003A bonds. The Series 2012A bonds are due in annual installments of \$1,920,000 to \$2,610,000 through January 1, 2030 plus interest at 2.00% to 5.25%.

On September 25, 2012, the City issued \$27,950,000 Combined Utility System Revenue Bonds, Series 2012B. A portion of the proceeds the Series 2012B bonds were used to pay off the remaining outstanding balance of the Series 2003A bonds and the 2011 BANs. The remaining proceeds of the 2012B bonds were used to pay for capital improvements in the combined utility system. The Series 2012B bonds are due in annual installments of 370,000 to \$3,105,000 through January 1, 2042 plus interest at 2.00% to 5.00%.

In August, 2013, the City paid off the 2000B and 2003B variable rate bond issues by issuing \$20,000,000 Combined Utility System Revenue Bonds, Series 2013A, directly with a bank in the same total amount as the 2000B and 2003B bonds. The 2013A bonds also bear interest at a variable rate set monthly and tied to 70% of 1 month LIBOR plus a spread of 73 basis points. It is expected that interest on the new loan will be less than the combined cost of interest and the standby purchase arrangement costs of the refunded bonds. The Series 2013A bonds are due in annual installments of \$835,000 to \$3,235,000 through January 1, 2033.

In December, 2013, the City issued \$9,000,000 Combined Utility System Revenue Bonds, Series 2013B. The proceeds from this issue will be used to make various capital improvements to the electric, water and wastewater systems. The 2013B bonds bear interest at a variable rate set monthly and tied to 70% of 1 month LIBOR plus a spread of 73 basis points. The Series 2013B bonds are due in annual installments of \$325,000 to \$660,000 through January 1, 2033.

The net revenues of the utility system carry a senior pledge for repayment of PMPA debt, Combined Utility System Revenue bond principal and interest, and junior pledges for tax increment bond principal and interest and for state revolving fund loan principal and interest.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant financial limitations and restrictions.

The City has borrowed \$8,174,561 from the South Carolina State Revolving Fund (SRF) for improvements to its

storm water management system. The loans are secured by storm water revenues and will be paid back in quarterly installments of \$128,954 through August 1, 2026, including interest at 2.25%. During 2015, the City entered into additional agreements with SRF to borrow \$4,380,667 for water plant high service pumping modifications and \$4,956,563 for water lines and a new elevated water storage tank in the Textile Corridor area to be drawn at a future date. The loans are secured by water revenues and will be paid back in quarterly installments of \$139,527 through April 1, 2036, including interest at 1.73% for the water high service pumping project and 1.90% for the water line and tank project.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
2009 Riverwalk tax increment bonds	\$ 9,320,000		\$ (9,320,000)		
2015 Riverwalk tax increment bonds		\$ 8,885,000		\$ 8,885,000	\$ 529,000
2012 Textile corridor tax increment bonds	2,800,000		(135,000)	2,665,000	140,000
2013A Downtown tax increment bonds	6,315,000			6,315,000	
2013B Downtown tax increment bonds	3,275,000			3,275,000	75,000
2014 Textile corridor tax increment bonds	3,250,000		(170,000)	3,080,000	175,000
2012 Riverwalk MID A assessment bonds	2,016,000		(71,000)	1,945,000	78,000
2008 General obligation bonds	2,015,000		(160,000)	1,855,000	165,000
2011 General obligation bonds	10,120,000		(300,000)	9,820,000	310,000
2013A General obligation bonds	1,720,000		(65,000)	1,655,000	65,000
2013B General obligation bonds	3,520,000		(420,000)	3,100,000	420,000
2013 Limited obligation bonds	14,240,000		(870,000)	13,370,000	895,000
HUD Section 108 loan	1,751,000		(96,000)	1,655,000	99,000
SC Dept of Health and Environmental Control	549,526		(79,496)	470,030	80,293
Rock Hill Cycling Facilities Corp. A-1 loan	3,780,000			3,780,000	
Rock Hill Cycling Facilities Corp. A-2 loan	20,000			20,000	
Rock Hill Cycling Facilities Corp. B loan	1,200,000			1,200,000	
Premium	2,164,816		(237,245)	1,927,571	
Total bonds payable	68,056,342	8,885,000	(11,923,741)	65,017,601	3,031,293
Compensated absences	5,541,479	2,479,983	(2,198,123)	5,823,339	2,250,000
Capital leases	7,464,371	4,948,278	(2,801,905)	9,610,744	2,675,047
Governmental activity					
Long-term liabilities	<u>\$ 81,062,192</u>	<u>\$ 16,313,261</u>	<u>\$ (16,923,769)</u>	<u>\$ 80,451,684</u>	<u>\$ 7,956,340</u>
Business-type activities:					
Bonds payable:					
Utility revenue bonds, Series 2009A	\$ 11,620,000		\$ (615,000)	\$ 11,005,000	\$ 640,000
Utility revenue bonds, Series 2009B	16,300,000			16,300,000	
Utility revenue bonds, Series 2009C	5,630,000		(2,405,000)	3,225,000	490,000
Utility revenue bonds, Series 2012A	35,845,000		(1,920,000)	33,925,000	1,985,000
Utility revenue bonds, Series 2012B	26,475,000		(1,540,000)	24,935,000	2,925,000
Utility revenue bonds, Series 2013A	20,000,000			20,000,000	835,000
Utility revenue bonds, Series 2013B	9,000,000		(325,000)	8,675,000	340,000
State Revolving Fund loans - Laurel St and Tank		\$ 749,420		749,420	
State Revolving Fund loans - High Service Pump		1,383,946		1,383,946	138,519
State Revolving Fund loans - Stormwater A	3,541,594		(260,089)	3,281,505	265,991
State Revolving Fund loans - Stormwater B	1,903,561		(136,541)	1,767,020	139,639
Premium	4,798,029		(746,392)	4,051,637	
Discount	(377,673)		29,236	(348,437)	
Total bonds payable	134,735,511	2,133,366	(7,918,786)	128,950,091	7,759,149
Compensated absences	783,397	1,041,652	(614,451)	1,210,598	620,000
Capital leases	4,205,771	706,722	(1,294,520)	3,617,973	1,235,378
Business-type activity					
Long-term liabilities	<u>\$139,724,679</u>	<u>\$ 3,881,740</u>	<u>\$ (9,827,757)</u>	<u>\$ 133,778,662</u>	<u>\$ 9,614,527</u>

V. Other information

A. Risk management

The City's risk management combines elements of both self-insurance and purchased insurance policies divided into coverage for comprehensive general liability, automobile liability, automobile physical damage, workers' compensation, property, crime insurance, employee health care insurance, and "all risk" insurance including theft, flood and earthquake. The costs of these policies are accounted for in the General fund.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance purchased from one of three pools sponsored by the South Carolina Municipal Association. Property and casualty insurance is purchased through an independent brokerage firm, Willis Pooling Practice. The South Carolina Municipal Insurance Trust Fund carries workers' compensation. The City contracts with Blue Cross Blue Shield for employee health care. See note V.E. for further discussion of this arrangement. The Willis Pooling Practice carries the remaining policies. The City is subject to a \$10,000 deductible requirement on all insured properties, "all risk" and crime policies only, a \$100,000 deductible per claim for workers compensation, as well as a \$100,000 deductible per claim for general liability and auto liability claims.

The workers' compensation policy provides coverage as required by statute. The automobile liability policy covers up to \$1,000,000 per occurrence. The comprehensive general liability policy covers up to \$1,000,000 per claim, and the crime policy covers up to \$200,000 per occurrence. The other policies essentially cover the amount of the loss. In the event a claim is settled for an amount exceeding the limits of these policies, the City would have to pay the excess. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

B. Post-employment benefits other than pensions

Plan Description

In addition to the pension benefits described in Note V.C., the City provides post-retirement health care benefits (the "Plan"), on a sliding cost scale based on years of service with the City, to all retirees who meet certain length of service requirements, depending on whether they were hired on or after January 1, 1991. This program is authorized by the City's Personnel Resolution, which is approved by City Council. The contributions of the City and the plan members are established and amended by City Council. These contributions are neither guaranteed nor mandatory. Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

As of July 1, 2013, the most recent measurement date, there were 972 covered participants. 167 members are retirees and dependents receiving benefits and 805 are active participants and dependents.

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), an agent multiple-employer investment plan administered by the Municipal Association of South Carolina. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, PO Box 12109, Columbia SC 29211, telephone number (803)933-1258.

Funding Policy

As stated in the plan description above, the City contributes a fixed dollar amount per month for retiree health insurance based on whether the retiree's initial hire date was before January 1, 1991 and, further, based on length of service. The table below summarizes the amount the City contributes based on those factors. Retirees contribute the balance of the premium for medical coverage. Retirees also pay the entire premiums for spousal and dependent coverage.

For the healthcare plan, the retiree contributes the balance between the actuarially calculated costs less the fixed dollar amount. The retiree pays 100% of the actuarially calculated dental costs. The health and dental plans pay a percentage of allowed charges after the plan's deductible. For the year ended June 30, 2015, the retiree contribution was \$521,944.

Amount Paid by the City		
Years of Service	Hired before Jan. 1, 1991	Hired on or after Jan. 1, 1991
28 or more	\$200	\$200
27	190	190
26	180	180
25	170	170
24	160	-
23	150	-
22	140	-
21	130	-
20	120	-
19	110	-
18	100	-
17	90	-
16	80	-
15	70	-
5-14	60	-

For public safety employees, participants with at least 10 years of eligible continuous City service who become disabled before normal retirement age are eligible to receive the same health insurance benefit as a non-disabled retiree with the same amount of eligible continuous City service. If the disability is job-related and occurs after 10 years of eligible continuous City service, the service requirement is waived and the City pays 100% of the participant's cost of single coverage. The participant is responsible for any spouse or dependent costs.

The City's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate assumes payroll increasing at a level annual rate of 6.0% to 3.5%.

Annual OPEB Cost and Funded Status and Funding Progress

For the year ended June 30, 2015, the annual OPEB cost (expense) of \$809,909 for the Plan was equal to the ARC and equaled the amount actually contributed. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015.

Normal cost	\$ 403,200
30 Year amortization of unrefunded accrued liability (UAL)	406,709
Total annual required contribution	<u>\$ 809,909</u>

Contributions included \$469,885 paid by the City to the Plan to pre-fund benefits and \$358,139 made by the City through payment of covered participants' explicit and implicit subsidized benefits. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB (obligation) asset for the year ended June 30, 2015 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
6/30/2013	\$ 474,560	100%	-
6/30/2014	451,770	100%	-
6/30/2015	469,885	100%	-

The most recent actuarial valuation date for the plan was July 1, 2013. The City implemented GASB Statement No. 45 in fiscal year 2009. The actuarially accrued liability for benefits was \$11,473,765, with plan assets, at actuarial value, of \$2,826,054, resulting in an unfunded actuarially accrued liability (UAAL) of \$8,647,711. The covered payroll (annual payroll of active employees covered by the Plan) was \$33,968,262, and the ratio of the UAAL to the covered payroll was 25.5 percent. At June 30, 2015, the plan's assets totaled \$3,657,077.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive 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 Entry Age Normal Method was used in the July 1, 2013, valuation. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 8.50%. The trend rate will decrease in 0.5% steps until it reaches 5%. Both rates included a 2.75% inflation assumption. In the implementation year, the asset valuation method used initially is market value. The ORBET trust's actuarial consultants intend to use a smoothing method over a 5 year period with the assumed investment rate of return. The Plan's UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 24 years.

C. Employee retirement plans and pension plans

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to South Carolina Public Employee Benefit Authority, Retirement Systems Finance, 202 Arbor Lake Drive, Columbia, SC 29223. 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 descriptions:

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.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes.

Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.0 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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.

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 years earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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.

PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The 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.

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year

amortization period; and, this increase is not limited to one-half of one percent per year.

- Required **employee** contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

State ORP Employee	8.00% of earnable compensation
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PORS

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required **employer** contributions for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Of the ORP employer contribution of 10.75% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Contributions to the SCRS, and PORS pension plans from the City were \$2,772,208 and \$1,592,242 for the year ended June 30, 2015, respectively.

At June 30, 2015, the City reported liabilities of \$46,698,536 and \$18,518,946 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2013 projected forward to June 30, 2014. The City's proportionate shares of the net pension liabilities were based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportionate shares of the SCRS and PORS plans were 0.27124% and 0.96734%, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2013, respectively.

For the year ended June 30, 2015, the City recognized pension expense for the SCRS and PORS plans of \$3,273,036 and \$1,620,179, respectively.

Deferred inflows of resources and deferred outflows of resources:

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

	SCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,323,240	
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		\$ 3,937,027
Changes in proportion and differences between City contributions and proportionate share of contributions		
City contributions subsequent to the measurement date	2,772,208	
Total	<u>\$ 4,095,448</u>	<u>\$ 3,937,027</u>

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 494,188	
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		\$ 2,142,778
Changes in proportion and differences between City contributions and proportionate share of contributions		
City contributions subsequent to the measurement date	1,592,242	
Total	<u>\$ 2,086,430</u>	<u>\$ 2,142,778</u>

The \$2,772,208 and \$1,592,242 reported as deferred outflows of resources related to pensions resulting from City contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2015 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

Year Ended June 30:	SCRS
2016	\$ 574,965
2017	574,965
2018	574,965
2019	888,892

Year Ended June 30:	PORS
2016	\$ 407,533
2017	407,533
2018	407,533
2019	425,991

Actuarial assumptions and methods:

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for the SCRS and PORS plans administered by PEBA.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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.

Former Job Class	Males	Females
Educators and Judges	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, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term:			
Cash	2.0%	0.3%	0.01%
Short Duration	3.0%	0.6%	0.02%
Domestic Fixed Income:			
Core Fixed Income	7.0%	1.1%	0.08%
High Yield	2.0%	3.5%	0.07%
Bank Loans	4.0%	2.8%	0.11%
Global Fixed Income:			
Global Fixed Income	3.0%	0.8%	0.02%
Emerging Markets Debt	6.0%	4.1%	0.25%
Global Public Equity	31.0%	7.8%	2.42%
Global Tactical Asset Allocation	10.0%	5.1%	0.51%
Alternatives:			
Hedge Funds (Low Beta)	8.0%	4.0%	0.32%
Private Debt	7.0%	10.2%	0.71%

Private Equity	9.0%	10.2%	0.92%
Real Estate (Broad Market)	5.0%	5.9%	0.29%
Commodities	3.0%	5.1%	0.15%
Total Expected Real Return	100.0%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

Discount rate:

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

Sensitivity analysis:

The following table presents the City's proportionate share of the net pension liabilities of the respective plans calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 60,430,795	\$ 46,698,536	\$ 32,241,893
PORS	25,879,853	18,518,946	12,428,547

Pension plan fiduciary net position:

The net pension liability 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. As of June 30, 2014, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.9%
PORS	5,899,529,434	3,985,101,996	1,914,427,438	67.5%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information.

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS which can be accessed via the contact information provided above.

D. Commitments

The City has committed itself on several construction contracts for two wastewater expansion projects in the Enterprise fund and for parks, airport improvements, street construction and the BMX facility in the Capital Projects fund. As of June 30, 2015, the outstanding commitments total \$1,063,788 in the Enterprise fund and \$7,450,167 in the Capital Projects fund.

E. Contingencies

The City has a long-term agreement to purchase electrical power from the Piedmont Municipal Power Agency (PMPA), a governmental corporation organized under the laws of the State of South Carolina. The agreement expires between 2022 and 2035 depending on certain contingencies. PMPA's generating capacity is committed to a group of ten municipalities, who have their own electrical utility operations, of which the City is the largest participant. The City is committed to purchase annually 28.5% (its participant's share) of the power made available by PMPA to the group and has pledged its electric system revenues as security for this commitment over the term of the agreement. In the year ended June 30, 2015, the cost of power purchased under this agreement amounted to \$77,222,245 (the remainder of the City's wholesale power cost of \$1,663,718 was purchased from the U.S. Department of Energy's Southeastern Power Administration). Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

The City participates in a number of Federal grant programs which are subject to financial and compliance audits. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the agreement. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is party to a number of civil lawsuits and other legal actions. In the opinion of the City's attorney and management, the ultimate outcome of these suits is not expected to have a significant impact upon the City's financial position.

Beginning in February, 2006, the City began directly paying employee and retiree health care. For health insurance claims, the City contracts with Blue Cross Blue Shield of SC to administer actual claims incurred by City employees and retirees. A

purchased policy covers employee health claims when individual claims exceed \$125,000. In such cases, the reinsurer pays the excess on an individual claim basis.

The claims liability reported in the General fund at June 30, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities have been calculated based on actual claims processed after year end with a service date of June 30, 2015 or earlier. The liability for medical claims, \$308,611, is reported in the General fund in accounts payable and accrued liabilities. Changes in the balances of claims liabilities were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Unpaid Claims, Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Unpaid Claims, End of Year</u>
2014	\$ 383,643	\$ 7,790,936	\$ 7,764,512	\$ 410,067
2015	410,067	8,054,436	8,155,892	308,611

F. Restatement for change in accounting principle

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on unrestricted net position of contributions made by the City during the measurement period (fiscal year ended June 30, 2014). As a result, ending unrestricted net position for the City for the year ended June 30, 2014 decreased by \$52,308,789 and \$12,277,930 for the governmental and business-type activities, respectively. This decrease resulted in the restatement of net position to a \$41,861,847 for the governmental activities and a restatement of net position to \$227,471,669 for business-type activities for the year ended June 30, 2014.

G. Consideration of subsequent events

As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the City has considered subsequent events through December 30, 2015, the date of issuance, in preparing the financial statements and notes hereto.

In August, 2015, the City entered into a new equipment lease in the amount of \$4,390,000.

In September, 2015, the City issued \$7,495,000 tax increment financing bonds for the next phase of infrastructure improvements in the Red River TIF District.

In October, 2015, the City issued \$5,000,000 combined utility system bond anticipation notes to begin design work on water and wastewater plant expansions.

G. Enterprise fund detail information

The City maintains one group of general ledger Enterprise funds to account for electric, water and sewer services (the “combined utility system”), and another general ledger Enterprise fund to account for storm water management. The majority of Enterprise fund activities are financed by user charges. The following provides detail information for the electric, water, sewer and storm water operations for the year ended June 30, 2015:

	Electric	Water	Sewer	Stormwater	Total
Operating revenues					
Sales and primary service charges	\$ 96,419,214	\$ 13,834,354	\$ 19,487,604	\$ 3,355,799	\$ 133,096,971
Impact fees		240,450	375,730		616,180
Government grants	1,535,416	341,111			1,876,527
Other user charges	4,163,692	444,705	363,513	8,769	4,980,679
Total operating revenues	<u>102,118,322</u>	<u>14,860,620</u>	<u>20,226,847</u>	<u>3,364,568</u>	<u>140,570,357</u>
Operating expenses					
Purchased power	78,885,963				78,885,963
System operations	9,517,746	5,921,384	7,047,864	1,975,853	24,462,847
Depreciation and amortization	5,722,182	2,734,807	3,717,187	867,359	13,041,535
General and administrative	3,908,192	1,594,792	1,846,931		7,349,915
Total operating expenses	<u>98,034,083</u>	<u>10,250,983</u>	<u>12,611,982</u>	<u>2,843,212</u>	<u>123,740,260</u>
Operating income	<u>4,084,239</u>	<u>4,609,637</u>	<u>7,614,865</u>	<u>521,356</u>	<u>16,830,097</u>
Nonoperating revenues (expenses)					
Interest income	258,598	321,906	241,781	7,533	829,818
Interest expense	(857,135)	(1,678,653)	(1,613,323)	(288,951)	(4,438,062)
Loss on disposal of capital assets	(15,360)	(4,897)		(23,795)	(44,052)
Total nonoperating revenues (expenses)	<u>(613,897)</u>	<u>(1,361,644)</u>	<u>(1,371,542)</u>	<u>(305,213)</u>	<u>(3,652,296)</u>
Income before					
contributions and transfers	3,470,342	3,247,993	6,243,323	216,143	13,177,801
Capital contributions from developers		479,325	384,323	71,175	934,823
Transfers from the general fund	265,000				265,000
Transfers to the general fund	<u>(1,402,095)</u>	<u>(2,259,566)</u>	<u>(3,130,232)</u>		<u>(6,791,893)</u>
Net income	<u>\$ 2,333,247</u>	<u>\$ 1,467,752</u>	<u>\$ 3,497,414</u>	<u>\$ 287,318</u>	<u>\$ 7,585,731</u>

Enterprise fund balance sheet accounts are maintained on a combined basis within the Enterprise fund and cannot be divided by type of operation. Bondholders and creditors in general have claims against the combined utility system as a whole and not against any one operation.

SUPPLEMENTARY FINANCIAL INFORMATION

City of Rock Hill
Required Supplementary Information
Schedule of Funding Progress for Other
Post Employment Benefit Plans
For the Year Ended June 30, 2015

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was:

Fiscal Year	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011	July 1, 2009
Actuarial accrued liability	\$ 11,473,765	\$ 11,473,765	\$ 13,480,183	\$ 13,480,183	\$ 10,340,200
Actuarial value of plan assets	<u>2,826,054</u>	<u>2,826,054</u>	<u>1,679,289</u>	<u>1,679,289</u>	<u>1,209,572</u>
Unfunded actuarial accrued liability	<u>\$ 8,647,711</u>	<u>\$ 8,647,711</u>	<u>\$ 11,800,894</u>	<u>\$ 11,800,894</u>	<u>\$ 9,130,628</u>
Funded ratio	24.63%	24.63%	12.46%	12.46%	11.70%
Covered payroll	\$ 33,968,262	\$ 33,968,262	\$ 32,365,467	\$ 32,365,467	\$ 28,510,900
Unfunded actuarial accrued liability as a percentage of covered payroll	25.46%	25.46%	36.46%	36.46%	32.03%

City of Rock Hill
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	SCRS	
	2015	2014
City's proportion of the net pension liability	0.271240%	0.271240%
City's proportionate share of the net pension liability	\$ 46,698,536	\$ 48,650,780
City's covered payroll	25,787,986	24,634,172
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.08640%	197.49306%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	56.39%

	PORS	
	2015	2014
City's proportion of the net pension liability	0.967340%	0.967340%
City's proportionate share of the net pension liability	\$ 18,518,946	\$ 20,052,609
City's covered payroll	12,238,600	11,646,056
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.31589%	172.18369%
Plan fiduciary net position as a percentage of the total pension liability	67.55%	62.98%

City of Rock Hill
Required Supplementary Information
Schedule of the City's Contributions
For the Year Ended June 30, 2015

	SCRS	
	2015	2014
Contractually required contribution	\$ 2,810,890	\$ 2,611,222
Contributions in relation to the contractually required contribution	<u>2,810,890</u>	<u>2,611,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 25,787,986</u>	<u>\$ 24,634,172</u>
Contributions as a percentage of covered-employee payroll	10.90000%	10.60000%

	PORS	
	2015	2014
Contractually required contribution	\$ 1,641,196	\$ 1,495,354
Contributions in relation to the contractually required contribution	<u>1,641,196</u>	<u>1,495,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 12,238,600</u>	<u>\$ 11,646,056</u>
Contributions as a percentage of covered-employee payroll	13.41000%	12.84000%

CITY OF ROCK HILL, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for specific purpose.

Community Development Fund – This fund is used to account for resources received from the Federal government that are legally restricted to Community Development Block Grant purposes.

H.O.M.E. Fund – This fund is used to account for grant revenues received from the Federal government that are legally restricted to housing purposes.

Blended Component Unit

Rock Hill Cycling Facilities Corporation – This fund is used to account for the ongoing operation of the Giordana Velodrome debt service on three bank loans used to build the facility.

Other Federal Grants Fund – This fund is used to account for resources received from the Federal government that are legally restricted to various purposes, including disaster recovery, law enforcement, job training and public works.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Operational Capital Projects Fund - This fund is used to account for the financing and construction of various general government capital assets. Financing is provided principally by State grants, operating transfers from the General fund and investment earnings

2009 Riverwalk TIF Bonds – This fund is used to account for the proceeds of the 2009 Red River Tax Increment Financing bonds and the expenditure of proceeds on utility and infrastructure improvements in the Riverwalk development area.

2012 Riverwalk MID A Bonds – This fund is used to account for the proceeds of the 2012 Riverwalk MID A bonds and the expenditure of proceeds on utility and infrastructure improvements in the Riverwalk development area.

2007 Downtown TIF Bonds – This fund is used to account for the proceeds of the 2007 Downtown Tax Increment Financing bonds and the expenditure of proceeds on infrastructure improvements in the downtown area.

2008 Textile Corridor TIF Bonds – This fund is used to account for the proceeds of the 2008 Textile Corridor Tax Increment Financing bonds and the expenditure of proceeds on infrastructure improvements in the former Rock Hill Printing and Finishing area.

2013 Limited Obligation Bonds – This fund is used to account for the proceeds of the 2013 Limited Obligation bonds and the expenditure of proceeds on a new BMX bicycle racing facility.

2013 General Obligation Bonds -- This fund is used to account for the proceeds of the 2013 General Obligation bonds and the expenditure of proceeds on an addition to the Law Center.

2013 Fountain Park TIF Bonds -- This fund is used to account for the proceeds of the 2013A Downtown Tax Increment Financing bonds and the expenditure of proceeds on a public park.

2013 Parking Deck TIF Bonds -- This fund is used to account for the proceeds of the 2013B Downtown Tax Increment Financing bonds (taxable series) and the expenditure of proceeds on a parking deck that is partially private purpose and nonpublic.

Fire Impact Fee Fund - This fund is used to account for proceeds from impact fees paid by developers that will be used for additional fire protection facilities and for debt service on existing general obligation bonds.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain City-owned cemeteries and for beautification projects.

CITY OF ROCK HILL, SOUTH CAROLINA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue					Capital Projects	
			Blended Component Unit - Rock Hill Cycling Facilities Corporation	Other Federal	Total	Operational Capital	2009 Riverwalk TIF bonds
	Community Development	H O M E program					
ASSETS							
Cash and cash equivalents	\$ 75,815	\$ 103,441	\$ 220,950	\$ 453,855	\$ 854,061		
Investments							
Receivables (net of allowances for uncollectible accounts):							
Intergovernmental	92,003			392,381	484,384	\$ 2,700,973	
Other		815			815		\$ 23,680
Restricted assets:							
Cash and cash equivalents							842,670
Total assets	<u>\$ 167,818</u>	<u>\$ 104,256</u>	<u>\$ 220,950</u>	<u>\$ 846,236</u>	<u>\$ 1,339,260</u>	<u>\$ 2,700,973</u>	<u>\$ 866,350</u>
LIABILITIES:							
Accounts payable and accrued liabilities			\$ 122,750	\$ 72,235	\$ 194,985	\$ 852,401	
Due to other funds	\$ 92,818				92,818	922,117	\$ 23,713
Contract retainage payable						158,007	
Unearned revenues				355,941	355,941		
Total liabilities	<u>92,818</u>	<u>-</u>	<u>122,750</u>	<u>428,176</u>	<u>643,744</u>	<u>1,932,525</u>	<u>23,713</u>
FUND BALANCES:							
Non-spendable fund balance							
Donated restricted principal							
Restricted fund balance							
Federal and state grant programs	75,000	\$ 104,256		418,060	597,316		
Debt service reserve funds			98,200		98,200		842,637
Bond issue construction funds							
Restricted by external donors					-	768,448	
Total fund balances	<u>75,000</u>	<u>104,256</u>	<u>98,200</u>	<u>418,060</u>	<u>695,516</u>	<u>768,448</u>	<u>842,637</u>
Total liabilities and fund balances	<u>\$ 167,818</u>	<u>\$ 104,256</u>	<u>\$ 220,950</u>	<u>\$ 846,236</u>	<u>\$ 1,339,260</u>	<u>\$ 2,700,973</u>	<u>\$ 866,350</u>

The notes to the financial statements are an integral part of this statement

Capital Projects									Permanent Fund	
2012 Riverwalk MID A bonds	2007 Downtown TIF bonds	2008 Textile Corridor TIF bonds	2013A General Obligation bonds	2013 Limited Obligation bonds	2013A Fountain Park TIF bonds	2013B Parking Deck TIF bonds	Fire Impact Fees	Total	Beautification	Total Nonmajor Governmental Funds
\$ 4,184			\$ 36,744				\$ 208,538	\$ 249,466	\$ 120,254 49,639	\$ 1,223,781 49,639
	\$ 9,250							2,700,973 32,930		3,185,357 33,745
208,000	343,237	\$ 117,389	4		\$ 435,009			1,946,309		1,946,309
<u>\$ 212,184</u>	<u>\$ 352,487</u>	<u>\$ 117,389</u>	<u>\$ 36,748</u>	<u>\$ -</u>	<u>\$ 435,009</u>	<u>\$ -</u>	<u>\$ 208,538</u>	<u>\$ 4,929,678</u>	<u>\$ 169,893</u>	<u>\$ 6,438,831</u>
		\$ 5,396						\$ 857,797		\$ 1,052,782
	\$ 9,250							955,080 158,007		1,047,898 158,007
								355,941		
-	9,250	5,396	-	-	-	-	-	1,970,884	-	2,614,628
									\$ 25,000	25,000
								-		597,316
								842,637		940,837
\$ 212,184	343,237	111,993	\$ 36,748		\$ 435,009			1,139,171		1,139,171
							\$ 208,538	976,986	144,893	1,121,879
<u>212,184</u>	<u>343,237</u>	<u>111,993</u>	<u>36,748</u>	<u>-</u>	<u>435,009</u>	<u>-</u>	<u>208,538</u>	<u>2,958,794</u>	<u>169,893</u>	<u>3,824,203</u>
<u>\$ 212,184</u>	<u>\$ 352,487</u>	<u>\$ 117,389</u>	<u>\$ 36,748</u>	<u>\$ -</u>	<u>\$ 435,009</u>	<u>\$ -</u>	<u>\$ 208,538</u>	<u>\$ 4,929,678</u>	<u>\$ 169,893</u>	<u>\$ 6,438,831</u>

CITY OF ROCK HILL, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue					Capital Projects	
	Community Development	H O M E program	Blended Component Unit - Rock Hill Cycling Facilities Corporation	Other Federal	Total	Operational Capital	2009 Riverwalk TIF bonds
REVENUES							
Intergovernmental revenue	\$ 295,850			\$ 687,210	\$ 983,060	\$ 5,205,718	
Investment earnings							\$ 39
Impact fees							
Program income		\$ 17,441		195,374	212,815		
Lease Revenue			\$ 560,000		560,000		
Other						2,105,982	
Total revenues	295,850	17,441	560,000	882,584	1,755,875	7,311,700	39
EXPENDITURES							
Current:							
General government	116,757			211,734	328,491		
Public safety				345,751	345,751		
Recreation			289,950	5,046	294,996		
Housing					-		
Capital outlay				320,070	320,070	7,567,379	179,715
Debt service							
Costs of issuance							
Interest	83,093		245,500		328,593		
Principal	96,000				96,000		
Total expenditures	295,850	-	535,450	882,601	1,713,901	7,567,379	179,715
Excess (deficiency) of revenues over (under) expenditures	-	17,441	24,550	(17)	41,974	(255,679)	(179,676)
OTHER FINANCING SOURCES							
Transfers in						246,240	
General obligation bonds issued							
Tax increment financing bonds issued							8,885,000
Payment to refunded bond escrow agent							(8,885,000)
Total other financing sources	-	-	-	-	-	246,240	-
Net change in fund balances	-	17,441	24,550	(17)	41,974	(9,439)	(179,676)
Fund balances - beginning	75,000	86,815	73,650	418,077	653,542	777,887	1,022,313
Fund balances - ending	\$ 75,000	\$ 104,256	\$ 98,200	\$ 418,060	\$ 695,516	\$ 768,448	\$ 842,637

The notes to the financial statements are an integral part of this statement

									Permanent Fund	
2012 Riverwalk MID A bonds	2007 Downtown TIF bonds	2008 Textile Corridor TIF bonds	2013A General Obligation bonds	2013 Limited Obligation bonds	2013A Fountain Park TIF bonds	2013B Parking Deck TIF bonds	Fire Impact Fees	Total	Beautification	Total Nonmajor Governmental Funds
	\$ 90	\$ 125			\$ 387	\$ 100		\$ 5,205,718		\$ 6,188,778
							\$ 608,538	741	\$ 290	1,031
								608,538		608,538
										212,815
										560,000
								2,105,982	47,320	2,153,302
-	90	125	-	-	387	100	608,538	7,920,979	47,610	9,724,464
									23,861	352,352
										345,751
										294,996
										-
974	9,250	322,108		649,537	1,670,956	982,267		11,382,186		11,702,256
								-		-
							84,925	84,925		413,518
							315,075	315,075		411,075
974	9,250	322,108	-	649,537	1,670,956	982,267	400,000	11,782,186	23,861	13,519,948
(974)	(9,160)	(321,983)	-	(649,537)	(1,670,569)	(982,167)	208,538	(3,861,207)	23,749	(3,795,484)
								246,240		246,240
								-		-
								8,885,000		8,885,000
								(8,885,000)		(8,885,000)
-	-	-	-	-	-	-	-	246,240	-	246,240
(974)	(9,160)	(321,983)	-	(649,537)	(1,670,569)	(982,167)	208,538	(3,614,967)	23,749	(3,549,244)
213,158	352,397	433,976	36,748	649,537	2,105,578	982,167	-	6,573,761	146,144	7,373,447
\$ 212,184	\$ 343,237	\$ 111,993	\$ 36,748	\$ -	\$ 435,009	\$ -	\$ 208,538	\$ 2,958,794	\$ 169,893	\$ 3,824,203

CITY OF ROCK HILL, SOUTH CAROLINA

ENTERPRISE FUND

The Enterprise fund is used to account for operations that provide goods or services and recover costs through user charges in a manner similar to private business enterprises. The City's four enterprise operations are electric, water, sewer (the Combined Utility System) and storm water.

CITY OF ROCK HILL, SOUTH CAROLINA

ENTERPRISE FUND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Electric, Water and Sewer			Stormwater		
			Variance with Final Budget Positive (Negative)			Variance with Final Budget Positive (Negative)
OPERATING REVENUES	Budget	Actual		Budget	Actual	
Electric sales	\$ 96,797,354	\$ 96,419,214	\$ (378,140)			
Water sales	14,256,548	13,834,354	(422,194)			
Sewer charges	20,090,284	19,487,604	(602,680)			
Impact fees	631,000	616,180	(14,820)			
Government grants	349,576	876,527	526,951			
Stormwater charges				\$ 3,171,306	\$ 3,355,799	\$ 184,493
Other user charges	4,502,160	4,608,834	106,674		8,768	8,768
Total operating revenues	<u>136,626,922</u>	<u>135,842,713</u>	<u>(784,209)</u>	<u>3,171,306</u>	<u>3,364,567</u>	<u>193,261</u>
NONOPERATING REVENUES						
Interest income	<u>50,564</u>	<u>219,792</u>	<u>169,228</u>	<u>-</u>	<u>7,533</u>	<u>7,533</u>
TOTAL REVENUES	<u>136,677,486</u>	<u>136,062,505</u>	<u>(614,981)</u>	<u>3,171,306</u>	<u>3,372,100</u>	<u>200,794</u>
EXPENSES						
Electric system	99,694,737	102,313,591	(2,618,854)			
Water system	13,115,826	12,753,457	362,369			
Sewer system	17,401,628	15,469,428	1,932,200			
Stormwater system				<u>3,171,306</u>	<u>3,634,737</u>	<u>(463,431)</u>
TOTAL EXPENSES	<u>130,212,191</u>	<u>130,536,476</u>	<u>(324,285)</u>	<u>3,171,306</u>	<u>3,634,737</u>	<u>(463,431)</u>
REVENUES OVER EXPENSES	6,465,295	5,526,029	(939,266)	-	(262,637)	(262,637)
OPERATING TRANSFERS FROM THE GENERAL FUND	265,000	265,000	-			
OPERATING TRANSFERS TO THE GENERAL FUND	<u>(6,730,295)</u>	<u>(6,791,893)</u>	<u>(61,598)</u>			
REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ (1,000,864)</u>	<u>\$ (1,000,864)</u>	<u>\$ -</u>	<u>\$ (262,637)</u>	<u>\$ (262,637)</u>

CITY OF ROCK HILL, SOUTH CAROLINA

ENTERPRISE FUND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Electric, Water, Sewer	Stormwater	Total
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:			
Total revenues	\$ 136,062,505	\$ 3,372,100	\$ 139,434,605
Total expenses	(130,536,476)	(3,634,737)	(134,171,213)
Operating transfers from the General fund	265,000		265,000
Operating transfers to the General fund	(6,791,893)		(6,791,893)
REVENUES OVER EXPENSES	(1,000,864)	(262,637)	(1,263,501)
ADJUSTMENTS TO FULL ACCRUAL BASIS:			
Incentive payments from land sale proceeds	182,361		182,361
Current year portion of bond premium recognized	746,392		746,392
Depreciation and amortization	(12,174,176)	(867,359)	(13,041,535)
Loss on disposal of fixed assets	(20,257)	(23,795)	(44,052)
Payment of bond and capital lease principal	8,293,596	398,605	8,692,201
Net capitalized interest expense	264,819		264,819
Contributions of capital assets from developers	863,648	71,175	934,823
Budgeted payments on direct financing lease recorded as a reduction in receivable	(150,490)		(150,490)
Capitalized expenditures	10,293,384	971,329	11,264,713
NET INCOME	\$ 7,298,413	\$ 287,318	\$ 7,585,731

CITY OF ROCK HILL, SOUTH CAROLINA

**SCHEDULE OF COURT FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Court fines collected by Clerk of Court	\$ 614,813
DUI/DUS Pullouts collected by Clerk of Court	43,756
Assessments collected by Clerk of Court	<u>902,289</u>
Total Court Collections	<u><u>\$ 1,560,858</u></u>
Fines retained by Municipal Treasurer	\$ 614,813
Assessments retained by Municipal Treasurer	72,242
DUI/DUS Pullouts remitted to State Treasurer	43,756
Fines and assessments remitted to State Treasurer	<u>830,047</u>
Total Dispositions	<u><u>\$ 1,560,858</u></u>
Victim Services Activities	
Victim percentage charges	72,242
Victim flat fee charges	<u>32,578</u>
Total victim revenues	104,819
Funds carried forward from previous periods	77,266
Victim Service expenditures	<u>(126,766)</u>
Funds available for carryforward	<u><u>\$ 55,319</u></u>

CITY OF ROCK HILL, SOUTH CAROLINA

**SC Department of Transportation
SCHEDULE OF BUDGETED TO ACTUAL COSTS
For the Year Ended June 30, 2015**

OPT Contract #	PT-5H299-08				
Contract Period	July 1, 2014 - June 30, 2015				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2014 - June 2015				
ADMINISTRATION					
Management Svc Fees	\$ 25,000	\$ 6,509	\$ 810	\$ 814	\$ 16,867
Total Administration	25,000	6,509	810	814	16,867
OPERATING					
Management Svc Fee	383,384	205,074	129,217	75,853	(26,760)
Total Operating	383,384	205,074	129,217	75,853	(26,760)
TECHNICAL ASSISTANCE					
	0	0	0	0	0
Total Technical Assistance	0	0	0	0	0
Total Program	\$ 408,384	\$ 211,583	\$ 130,027	\$ 76,667	\$ (9,893)

Approved Budget	\$ 408,384
Federal Costs	211,583
State Costs	130,027
Local Costs	<u>76,667</u>
Budget Balance	<u><u>\$ (9,893)</u></u>

Notes to Financial Statement

- 1) SCDOT oversight recommendation implemented - a revenue account is created for each state grant at the beginning of the program year; receivables and corresponding allowance accounts are also created for grant revenue expected from each state contract
- 2) Federal 5307 grants are identified with a grant specific budget

CITY OF ROCK HILL, SOUTH CAROLINA

**SC Department of Transportation
SCHEDULE OF BUDGETED TO ACTUAL COSTS
For the Year Ended June 30, 2015**

OPT Contract #	PT-5H204-01				
Contract Period	July 1, 2014 - June 30, 2015				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2014 - June 2015				
ADMINISTRATION					
Management Svc Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Total Administration	-	-	-	-	-
OPERATING					
Management Svc Fee	-	-	-	-	-
Total Operating	-	-	-	-	-
TECHNICAL ASSISTANCE					
	85,492	64,830	16,208	0	4,454
Total Technical Assistance	85,492	64,830	16,208	0	4,454
Total Program	\$ 85,492	\$ 64,830	\$ 16,208	\$ -	\$ 4,454

Approved Budget	\$ 85,492
Federal Costs	64,830
State Costs	16,208
Local Costs	-
	<hr/>
Budget Balance	<u><u>\$ 4,454</u></u>

Notes to Financial Statement

- 1) SCDOT oversight recommendation implemented - a revenue account is created for each state grant at the beginning of the program year; receivables and corresponding allowance accounts are also created for grant revenue expected from each state contract
- 2) Federal 5307 grants are identified with a grant specific budget

CITY OF ROCK HILL, SOUTH CAROLINA

STATISTICAL SECTION

YEAR ENDED JUNE 30, 2015

This section of the City of Rock Hill's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes to the basic financial statements, and required supplementary information says about the government's overall financial condition.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	85-90
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	91-93
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	94-105
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	106-107
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	108-114

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Schedule 1
City of Rock Hill
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 65,342,211	\$ 69,902,863	\$ 73,996,753	\$ 85,463,219	\$ 81,668,140	\$ 74,554,155	\$ 82,905,173	\$ 85,203,209	\$ 87,340,185	\$ 93,321,464
Restricted	10,829,929	14,388,278	12,454,522	9,495,735	14,674,181	14,184,993	9,378,864	10,311,861	8,362,710	8,022,421
Unrestricted	(1,055,304)	(1,375,635)	(660,096)	(6,709,705)	(11,889,218)	(1,596,932)	(3,194,669)	(4,944,202)	(53,841,048)	(55,204,191)
Total governmental activities net position	\$ 75,116,836	\$ 82,915,506	\$ 85,791,179	\$ 88,249,249	\$ 84,453,103	\$ 87,142,216	\$ 89,089,368	\$ 90,570,868	\$ 41,861,847	\$ 46,139,694
Business-type activities										
Net investment in capital assets	\$ 148,338,384	\$ 145,453,918	\$ 178,475,353	\$ 184,468,837	\$ 193,219,382	\$ 196,866,024	\$ 204,611,600	\$ 213,297,864	\$ 223,821,927	\$ 230,689,818
Restricted	5,426,078	18,757,188	5,705,871	9,160,922	5,651,889	17,813,736				
Unrestricted	15,470,063	20,625,893	15,976,404	14,737,404	20,760,827	12,243,521	26,354,217	19,084,887	3,649,742	4,367,582
Total business-type activities net position	\$ 169,234,525	\$ 184,836,999	\$ 200,157,628	\$ 208,367,163	\$ 219,632,098	\$ 226,923,281	\$ 230,965,817	\$ 232,382,751	\$ 227,471,669	\$ 235,057,400
Primary government										
Net investment in capital assets	\$ 213,680,595	\$ 215,356,781	\$ 252,472,106	\$ 269,932,056	\$ 274,887,522	\$ 271,420,179	\$ 287,516,773	\$ 298,501,073	\$ 311,162,112	\$ 324,011,282
Restricted	16,256,007	33,145,466	18,160,393	18,656,657	20,326,070	31,998,729	9,378,864	10,311,861	8,362,710	8,022,421
Unrestricted	14,414,759	19,250,258	15,316,308	8,027,699	8,871,609	10,646,589	23,159,548	14,140,685	(50,191,306)	(50,836,609)
Total primary government net position	\$ 244,351,361	\$ 267,752,505	\$ 285,948,807	\$ 296,616,412	\$ 304,085,201	\$ 314,065,497	\$ 320,055,185	\$ 322,953,619	\$ 269,333,516	\$ 281,197,094

Note The city began to report accrual information when it implemented GASB 34 in fiscal year 2003.

Schedule 2
City of Rock Hill
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities										
General government	\$ 17,519,105	\$ 19,475,466	\$ 19,325,097	\$ 21,538,967	\$ 26,417,733	\$ 23,824,503	\$ 23,014,281	\$ 23,834,624	\$ 21,919,441	\$ 22,502,371
Public safety	16,875,743	17,708,788	18,780,206	19,396,408	19,719,042	19,776,181	21,562,356	22,035,420	23,341,006	24,841,858
Public works	6,395,400	6,960,841	8,043,428	7,821,748	7,366,306	7,693,986	8,469,447	8,921,477	9,100,063	8,786,441
Parks, recreation and tourism	4,361,887	6,114,331	7,338,036	7,626,924	7,701,798	8,357,361	9,256,958	10,633,963	10,629,823	12,243,650
Housing assistance	-	-	47,807	44,091	42,360	10,000	98,097	81,883	303,431	-
Interest on long-term debt	973,734	993,897	1,156,900	1,342,882	1,651,707	1,750,125	2,373,611	2,301,269	2,988,915	3,041,198
Total governmental activities expenses	46,125,869	51,253,323	54,691,474	57,771,020	62,898,946	61,412,156	64,774,750	67,808,636	68,282,679	71,415,518
Business-type activities										
Electric	\$ 60,373,120	\$ 62,562,998	\$ 65,887,608	\$ 68,022,733	\$ 70,706,216	\$ 76,080,187	\$ 81,407,790	\$ 85,619,086	\$ 90,742,136	98,906,578
Water	7,531,649	8,679,145	9,328,374	9,844,134	8,934,317	10,939,155	11,321,474	11,546,373	11,196,033	11,934,533
Sewer	11,611,981	12,432,614	13,126,607	13,508,248	15,286,273	14,488,491	13,988,240	14,718,278	14,304,120	14,225,306
Stormwater	1,066,647	1,136,374	2,040,445	2,151,388	1,949,260	2,540,456	1,894,635	2,455,159	2,921,999	3,155,957
Total business-type activities expenses	80,583,397	84,811,131	90,383,034	93,526,503	96,876,066	104,048,289	108,612,139	114,338,896	119,164,288	128,222,374
Total primary government expenses	\$ 126,709,266	\$ 136,064,454	\$ 145,074,508	\$ 151,297,523	\$ 159,775,012	\$ 165,460,445	\$ 173,386,889	\$ 182,147,532	\$ 187,446,967	\$ 199,637,892
Program Revenues (see Schedule 3)										
Governmental activities										
Charges for services										
General government	\$ 10,622,140	\$ 10,298,859	\$ 11,066,720	\$ 11,000,433	\$ 10,347,617	\$ 10,154,256	\$ 10,604,273	\$ 11,327,726	\$ 11,822,368	\$ 13,189,891
Public Safety	793,586	1,201,239	302,563	213,043	1,009,973	1,066,634	1,222,556	1,230,123	1,262,891	1,559,224
Public works	5,088,174	5,541,573	5,761,287	6,510,953	6,553,624	6,785,364	6,857,426	6,823,372	7,364,944	6,876,058
Parks, recreation and tourism	621,857	1,202,265	1,276,705	1,244,711	844,355	802,165	1,692,000	1,757,943	1,862,118	1,980,795
Operating grants and contributions	1,834,015	1,001,347	5,687,407	3,771,190	3,855,411	4,413,472	4,653,954	6,371,418	2,833,559	2,877,983
Capital grants and contributions	4,404,417	4,586,444	3,770,666	2,374,639	2,279,124	3,280,255	5,631,758	3,899,967	8,349,715	8,989,219
Total governmental activities program revenues	23,364,189	23,831,727	27,865,348	25,114,969	24,890,104	26,502,146	30,661,967	31,410,549	33,495,595	35,473,170
Business-type activities										
Charges for services										
Electric	66,269,614	68,926,895	73,099,717	73,175,860	77,233,029	81,463,996	81,161,980	85,048,006	95,650,248	100,582,906
Water	11,163,568	12,084,538	11,938,595	11,798,322	12,347,501	12,996,554	13,205,553	13,397,066	13,166,160	14,279,059
Sewer	14,870,257	15,502,119	15,168,524	16,530,264	16,885,759	17,732,271	17,827,950	19,363,498	19,356,015	19,851,117
Stormwater	1,817,354	2,128,493	230,296	2,414,117	2,390,437	2,397,146	2,489,656	2,552,668	2,638,693	3,364,568
Operating grants and contributions	-	-	-	-	-	367,973	367,973	304,178	1,369,284	2,492,707
Capital grants and contributions	4,593,341	5,050,876	7,815,127	3,055,544	692,515	2,632,335	2,226,195	1,208,821	2,578,279	934,823
Total business-type activities program revenues	98,714,134	103,692,921	108,252,259	106,974,107	109,549,241	117,590,275	117,279,307	121,874,237	134,758,679	141,505,180
Total primary government program revenues	\$ 122,078,323	\$ 127,524,648	\$ 136,117,607	\$ 132,089,076	\$ 134,439,345	\$ 144,092,421	\$ 147,941,274	\$ 153,284,786	\$ 168,254,274	\$ 176,978,350

Schedule 2 (cont.)

City of Rock Hill

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (22,761,680)	\$ (27,421,596)	\$ (26,826,126)	\$ (32,656,051)	\$ (38,008,842)	\$ (34,910,010)	\$ (34,112,783)	\$ (36,398,087)	\$ (34,787,084)	\$ (35,942,348)
Business-type activities	18,130,737	18,881,790	19,869,225	13,447,604	12,673,175	13,541,986	8,667,168	7,535,341	15,594,391	13,282,806
Total primary government net expense	(4,630,943)	(8,539,806)	(6,956,901)	(19,208,447)	(25,335,667)	(21,368,024)	(25,445,615)	(28,862,746)	(19,192,693)	(22,659,542)
General revenues and other changes in net position										
Governmental activities										
Taxes	24,352,684	27,113,212	21,776,260	26,328,385	26,760,001	27,244,774	28,545,884	29,507,369	29,576,841	30,767,372
Investment income	348,491	471,890	378,953	162,573	106,485	89,150	72,027	88,918	228,660	311,224
Unrestricted intergovernmental revenue	1,364,252	1,773,296	1,625,235	1,550,592	1,300,386	1,222,733	1,209,651	1,427,289	1,435,504	1,496,795
Miscellaneous	618,158	1,096,930	1,413,470	1,219,123	466,598	2,343,390	478,449	585,550	751,383	1,117,911
Transfers	4,211,531	4,764,938	4,507,879	5,768,033	5,706,512	6,693,421	5,891,070	6,133,276	6,394,463	6,526,893
Total governmental activities	30,895,116	35,220,266	29,701,797	35,028,706	34,339,982	37,593,468	36,197,081	37,742,402	38,386,851	40,220,195
Business-type activities										
Investment income	1,124,564	1,485,622	1,253,383	570,379	540,947	592,192	667,572	613,735	669,102	829,818
Transfers	(4,211,531)	(4,764,938)	(5,801,979)	(5,768,033)	(1,949,187)	(6,842,995)	(5,891,070)	(6,133,276)	(6,394,463)	(6,526,893)
Total business-type activities	(3,086,967)	(3,279,316)	(4,548,596)	(5,197,654)	(1,408,240)	(6,250,803)	(5,223,498)	(5,519,541)	(5,725,361)	(5,697,075)
Changes in Net Position										
Governmental activities	8,133,436	7,798,670	2,875,671	2,372,655	(3,668,860)	2,683,458	2,084,337	1,344,315	3,599,767	4,277,847
Business-type activities	15,043,770	15,602,474	15,320,629	8,249,950	11,264,935	7,291,183	3,443,670	2,015,800	9,869,030	7,585,731
Total primary government	\$ 23,177,206	\$ 23,401,144	\$ 18,196,300	\$ 10,622,605	\$ 7,596,075	\$ 9,974,641	\$ 5,528,007	\$ 3,360,115	\$ 13,468,797	\$ 11,863,578

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2003

Schedule 3**City of Rock Hill****Program Revenues by Function/Program****Last Ten Fiscal Years**

(accrual basis of accounting)

Function/Program	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:										
General government	\$ 13,381,788	\$ 13,295,950	\$ 13,382,120	\$ 15,637,902	\$ 14,560,929	\$ 15,668,876	\$ 18,665,339	\$ 19,322,838	\$ 21,239,511	\$ 22,580,459
Public safety	1,570,211	2,009,247	1,740,684	759,075	1,547,398	1,771,530	1,960,963	2,196,650	1,794,398	1,948,162
Public works	6,882,055	6,882,992	7,216,173	7,003,288	6,693,679	7,320,681	7,256,310	6,923,083	7,474,774	7,751,060
Parks, recreation and tourism	1,530,135	1,643,538	5,526,371	1,714,704	2,088,098	1,741,059	2,779,355	2,791,282	2,986,912	3,193,489
Subtotal governmental activities	<u>23,364,189</u>	<u>23,831,727</u>	<u>27,865,348</u>	<u>25,114,969</u>	<u>24,890,104</u>	<u>26,502,146</u>	<u>30,661,967</u>	<u>31,233,853</u>	<u>33,495,595</u>	<u>35,473,170</u>
Business-type activities:										
Electric	66,269,614	69,103,760	73,399,717	73,175,860	77,233,029	82,415,808	81,783,140	85,352,184	96,733,180	102,118,322
Water	13,128,521	14,961,483	14,989,547	12,809,340	12,565,656	13,747,769	13,876,613	13,953,972	14,920,323	15,339,945
Sewer	16,813,733	17,499,185	19,165,849	18,457,094	17,323,162	18,834,160	19,012,011	20,015,413	20,466,483	20,611,170
Stormwater	2,502,266	2,128,493	2,697,146	2,531,813	2,427,394	2,592,538	2,607,543	2,552,668	2,638,693	3,435,743
Subtotal business-type activities	<u>98,714,134</u>	<u>103,692,921</u>	<u>110,252,259</u>	<u>106,974,107</u>	<u>109,549,241</u>	<u>117,590,275</u>	<u>117,279,307</u>	<u>121,874,237</u>	<u>134,758,679</u>	<u>141,505,180</u>
Total primary government	<u>\$ 122,078,323</u>	<u>\$ 127,524,648</u>	<u>\$ 138,117,607</u>	<u>\$ 132,089,076</u>	<u>\$ 134,439,345</u>	<u>\$ 144,092,421</u>	<u>\$ 147,941,274</u>	<u>\$ 153,108,090</u>	<u>\$ 168,254,274</u>	<u>\$ 176,978,350</u>

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2003.

Schedule 4

City of Rock Hill

Fund Balances, Governmental Funds,

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Nonspendable	\$ 138,827	\$ 155,121	\$ 149,721	\$ 215,172	\$ 217,496	\$ 236,670	\$ 190,055	\$ 216,384	\$ 243,682	\$ 264,986
Restricted	538,200	551,539	471,340	779,227	876,457	955,708	1,087,636	1,042,157	933,970	6,860,725
Committed	6,752,732	9,447,516	6,395,187	2,638,715	1,971,226	2,776,310	3,694,859	5,317,840	4,153,893	91,424
Assigned	406,375	349,389	408,887	201,728	189,815	1,856,149				
Unassigned	2,841,390	2,257,693	2,463,093	2,397,642	2,395,318	2,376,143	3,624,203	2,658,080	2,555,496	3,437,071
Total general fund	<u>\$ 10,677,524</u>	<u>\$ 12,761,258</u>	<u>\$ 9,888,228</u>	<u>\$ 6,232,484</u>	<u>\$ 5,650,312</u>	<u>\$ 8,200,980</u>	<u>\$ 8,596,753</u>	<u>\$ 9,234,461</u>	<u>\$ 7,887,041</u>	<u>\$ 10,654,206</u>
All Other Governmental Funds										
Nonspendable	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Restricted	3,150,528	2,449,540	4,464,421	5,872,120	11,374,798	8,047,520	4,141,517	10,637,865	7,274,797	3,799,203
Committed	13,379	427,943	511,996					49,100	73,650	
Assigned	337,072	266,534	253,106	197,740	232,540	342,026				
Total all other governmental funds	<u>\$ 3,525,979</u>	<u>\$ 3,169,017</u>	<u>\$ 5,254,523</u>	<u>\$ 6,094,860</u>	<u>\$ 11,632,338</u>	<u>\$ 8,414,546</u>	<u>\$ 4,166,517</u>	<u>\$ 10,711,965</u>	<u>\$ 7,373,447</u>	<u>\$ 3,824,203</u>

Schedule 5
City of Rock Hill
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes (see Schedule 6)	\$ 24,293,953	\$ 27,048,138	\$ 25,569,376	\$ 26,136,291	\$ 26,778,824	\$ 27,139,655	\$ 28,740,905	\$ 29,477,799	\$ 29,517,342	\$ 30,730,746
Licenses and permits	7,309,869	8,440,778	8,108,834	8,055,125	7,634,352	7,500,001	7,971,654	8,791,708	9,202,204	10,652,407
Fines and forfeitures	962,308	980,972	909,476	928,546	725,782	746,289	769,020	867,011	739,249	774,118
Intergovernmental	5,064,096	5,396,934	5,338,174	6,594,113	6,262,218	6,853,924	9,065,425	8,569,564	10,054,239	8,966,199
Charges for services	8,220,840	8,821,441	9,114,702	9,880,796	10,410,890	10,449,039	10,525,390	10,523,984	10,831,970	10,881,494
Impact fees	606,900	808,008	299,765	252,188	154,469	230,765	381,751	242,306	460,651	608,538
Investment earnings	371,868	463,416	410,031	155,673	100,470	84,149	56,373	48,100	9,423	73,979
Lease revenue							560,000	560,000	560,000	560,000
Property sales	-	-	-	-			289,950	289,950	289,950	289,950
Program income	21,378	44,338	12,715	11,727	96,317	443,639	527,500	931,726	573,326	212,815
Other revenues	1,369,890	1,096,930	1,802,974	1,702,643	1,236,609	3,300,005	1,855,774	2,598,496	2,995,940	4,552,533
Total revenues	\$ 48,221,102	\$ 53,100,955	\$ 51,566,047	\$ 53,717,102	\$ 53,399,931	\$ 56,747,466	\$ 60,743,742	\$ 62,900,644	\$ 65,234,294	\$ 68,302,779
Expenditures										
General government	15,200,566	16,681,696	18,114,564	19,779,453	20,764,711	18,748,551	18,350,493	18,653,955	16,601,741	17,369,631
Public safety	15,575,794	16,784,646	18,582,597	18,137,627	18,453,842	18,443,734	20,177,420	20,543,255	21,624,793	22,587,873
Public works	5,842,615	6,066,979	6,240,525	6,829,066	6,442,912	6,600,842	7,037,670	7,053,907	6,800,239	6,545,950
Parks, recreation and tourism	4,037,966	5,349,163	6,802,736	6,831,512	6,733,174	7,396,293	8,291,149	9,610,995	9,573,845	11,059,365
Housing assistance	-	-	47,807	44,091	42,360	10,000	98,097	81,883	303,431	-
Capital outlay	15,062,121	12,177,782	12,598,351	14,333,504	7,566,929	18,685,614	21,747,873	11,412,376	26,747,996	15,029,637
Debt service										
Principal	1,635,000	1,895,000	1,613,000	1,425,000	1,899,875	4,804,827	2,691,384	2,648,621	3,154,707	2,801,496
Interest and fees	1,034,490	956,529	1,002,396	1,103,510	1,611,657	1,613,363	2,227,675	2,213,287	3,455,151	2,315,579
Capital lease payments	676,211	1,073,543	1,811,045	2,289,209	1,856,332	2,049,027	1,992,711	1,992,439	2,380,589	2,850,500
Total expenditures	59,064,763	60,985,338	66,813,021	70,772,972	65,371,792	78,352,251	82,614,472	74,210,718	90,642,492	80,560,031
Excess of revenues over (under) expenditures	(10,843,661)	(7,884,383)	(15,246,974)	(17,055,870)	(11,971,861)	(21,604,785)	(21,870,730)	(11,310,074)	(25,408,198)	(12,257,252)
Other Financing Sources (Uses)										
Transfers in	4,843,497	5,029,938	7,065,275	6,340,017	6,413,031	7,155,061	6,249,767	7,327,653	7,345,223	7,038,133
Transfers out	(422,519)	(265,000)	(1,263,296)	(511,984)	(706,519)	(312,067)	(358,697)	(1,194,377)	(951,060)	(511,241)
General obligation bonds issued	3,150,000			2,700,000			10,700,000		5,735,000	
Proceeds from sale leaseback financing				3,550,000						
Tax increment financing bonds issued						6,500,000	3,035,000		12,925,000	8,885,000
Tax increment financing bonds retired										
New markets tax credit financing issued						1,200,000				
Recovery zone economic development bonds issued						3,800,000				
SC DHEC loans issued						805,000				
Limited obligation bonds issued								15,160,000		
Municipal improvement district bonds issued								2,080,000		
Premium on refunded bonds	20,451						284,950	2,128,601		
Payment to refunded bond escrow agent	(3,150,000)						(2,965,000)	(11,674,261)	(6,995,000)	(8,885,000)
Proceeds from TIF bonds		1,650,010	2,750,000		10,500,000					
Proceeds from HUD Section 108 loan		1,074,930	1,175,070				75,000			
Issuance of certificates of participation										
Issuance of capital lease	1,926,090	2,121,277	4,646,986	2,162,430	715,000					
Capital leases						1,789,667	1,901,332	9,437,456	2,662,797	4,948,281
								(5,675,720)		
Total other financing sources (uses)	6,367,519	9,611,155	14,374,035	14,240,463	16,921,512	20,937,661	18,922,352	17,589,352	20,722,260	11,475,173
Net change in fund balances	\$ (4,476,142)	\$ 1,726,772	\$ (872,939)	\$ (2,815,407)	\$ 4,949,651	\$ (667,124)	\$ (2,948,378)	\$ 6,279,278	\$ (4,685,938)	\$ (782,079)
Debt service as a percentage of noncapital expenditures	7.60%	8.04%	8.16%	8.54%	9.29%	14.19%	11.36%	10.91%	14.07%	12.16%

Note: The city implemented GASB 34 in fiscal year 2003

Schedule 6
City of Rock Hill
Tax Revenues by Source, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Year Ended					
	<u>June 30,</u>	<u>Property</u>	<u>Accommodations</u>		<u>Total</u>
	2006	\$ 24,293,953	\$ 3,133,230	\$	27,427,183
	2007	27,048,138	3,427,809		30,475,947
	2008	25,569,376	3,859,949		29,429,325
	2009	22,574,046	3,562,245		26,136,291
	2010	23,258,094	3,520,730		26,778,824
	2011	23,414,112	3,725,543		27,139,655
	2012	24,586,563	4,154,342		28,740,905
	2013	25,024,261	4,453,538		29,477,799
	2014	24,832,196	4,685,146		29,517,342
	2015	25,448,918	5,281,828		30,730,746
Change					
2006 - 2015		1,154,965	2,148,598		3,303,563

Schedule 7

City of Rock Hill

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Tax Years**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2006	\$ 90,025,950	\$ 69,035,699	\$ 19,860,701	\$ (2,942,750)	\$ 175,979,600	102.0	\$ 3,109,757,836	5.66%
2007	106,215,125	83,394,344	19,081,959	(2,294,810)	206,396,617	95.0	3,703,877,645	5.57%
2008	112,182,262	82,962,353	21,176,682	(2,877,800)	213,443,497	95.0	3,842,663,103	5.55%
2009	115,263,067	90,313,573	20,564,848	(2,745,000)	223,396,488	95.0	4,004,207,393	5.58%
2010	118,463,556	92,618,069	19,954,926	(2,691,390)	228,345,160	95.0	4,119,007,692	5.54%
2011	120,043,092	94,211,887	21,014,154	(3,733,150)	231,535,982	95.0	4,171,795,681	5.55%
2012	124,604,338	99,421,764	21,676,524	(3,743,290)	241,959,335	93.5	4,370,814,603	5.54%
2013	127,296,960	101,057,349	22,915,163	(3,646,660)	247,622,812	93.5	4,459,397,427	5.55%
2014	130,647,256	103,235,649	21,011,070	(3,768,130)	251,125,844	93.5	4,523,223,509	5.55%
2015	132,118,549	104,093,187	25,595,892	(2,870,600)	258,937,028	93.5	4,639,530,110	5.58%

Source: York County Auditor's and Tax Assessor's Offices

Notes: Property in York County is reassessed once every five years on average.

Schedule 8
City of Rock Hill
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per 1,000 of assessed value)

Fiscal Year	City Direct Rate	<u>Overlapping Rates</u>		Total Direct and <u>Overlapping</u>
		Rock Hill School <u>District</u>	York <u>County</u>	
2006	102.0	172.3	98.8	373.1
2007	95.0	169.6	92.6	357.2
2008	95.0	179.0	96.0	370.0
2009	95.0	188.4	96.0	379.4
2010	95.0	189.9	96.0	380.9
2011	95.0	193.4	96.0	384.4
2012	93.5	193.4	92.5	379.4
2013	93.5	193.4	94.5	381.4
2014	93.5	193.4	94.5	381.4
2015	93.5	199.4	98.7	391.6

Source: York County Auditor's Office

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Rock Hill. All overlapping rates apply to all City of Rock Hill property owners. The York County millage rate includes a countywide 30 mills for schools.

Schedule 9
City of Rock Hill
Principal Property Tax Payers,
Current Year and Ten Years Ago

Taxpayer	Tax Year 2014			Tax Year 2004		
	Taxable		Percentage of Total City	Taxable		Percentage of Total City
	Assessed	Assessed		Assessed	Assessed	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>
Comporium Inc.	\$ 5,732,836	1	2.21%	\$ 4,460,294	1	2.64%
Anisub of S C Inc.	3,435,996	2	1.33%	3,155,208	2	1.87%
Ross Dress For Less Inc.	2,323,159	3	0.90%			
Piedmont Medical Center	2,015,124	4	0.78%	1,137,640	4	0.67%
Atotech USA Inc.	1,999,310	5	0.77%	1,888,502	3	1.12%
P B H Paces LLC	1,119,570	6	0.43%			
FPRO 401 LCC Et Al	1,018,500	7	0.39%			
Transaxle Manufacturing	1,009,311	8	0.39%			
Whisper Creek Apartments LLC	969,756	9	0.37%			
Mallard Pointe LLC	960,402	10	0.37%	810,960	10	0.48%
TTP South Brookstone LLC Etal	933,782	11	0.36%			
Workspace Resources LLC	809,489	12	0.31%			
Lexington Rubber Group Inc.	745,540	13	0.29%			
Wal-Mart Real Estate Bus Dept.	711,618	14	0.27%			
SRC Stone Haven Pointe Inc.	697,860	15	0.27%			
Villages of Brookstone LLC				1,080,000	6	0.64%
JTL Rock Hill, LLC				1,136,430	5	0.67%
Triangle Real Estate of Gastonia Inc.				1,048,158	7	0.62%
CK Rock Hill #2				1,046,030	8	0.62%
Kings Electronics Co., Inc				828,100	9	0.49%
Illuminet				752,140	11	0.45%
Southern Real Estate				743,562	12	0.44%
Hackett Limited Partnership				615,940	13	0.36%
Southwood Realty				566,004	14	0.33%
Hartmann Conco Inc.				565,480	15	0.33%
Total	<u>\$ 24,482,253</u>		<u>10.72%</u>	<u>\$ 19,834,448</u>		<u>11.74%</u>

Source: York County Auditor's Office

Schedule 10
City of Rock Hill
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 14,321,750	\$ 13,546,220	94.58%	\$ 564,628	\$14,110,848	98.53%
2007	15,992,763	15,008,549	93.85%	580,789	15,589,338	97.48%
2008	17,518,468	16,536,448	94.39%	728,979	17,265,427	98.56%
2009	18,947,739	17,718,524	93.51%	843,458	18,561,982	97.96%
2010	19,612,386	18,500,442	94.33%	1,082,408	19,582,850	99.85%
2011	19,876,412	18,583,203	93.49%	844,066	19,427,269	97.74%
2012	22,115,139	20,502,721	92.71%	1,359,748	21,862,469	98.86%
2013	22,538,940	21,461,360	95.22%	702,099	22,163,459	98.33%
2014	23,284,958	21,432,598	92.04%	1,031,869	22,464,467	96.48%
2015	24,075,758	22,103,654	91.81%	1,021,683	23,125,337	96.05%

Sources: York County Auditor's and Treasurer's Offices

Schedule 11
City of Rock Hill
Taxable Sales by Category
Last Ten Calendar Years

	Calendar Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Merchandise Stores	\$ 146,156,047	\$ 150,561,206	\$ 132,585,048	\$ 121,899,814	\$ 127,110,442	\$ 135,101,529	\$ 133,297,412	\$ 135,976,922	\$ 133,730,873	\$ 142,346,191
Food Stores	106,500,072	94,419,553	48,836,026	53,385,864	49,474,897	48,100,549	\$ 46,745,048	\$ 49,169,854	\$ 56,363,472	\$ 69,865,390
Eating and Drinking Places	102,712,057	98,634,185	102,222,687	102,758,838	101,234,591	109,066,118	\$ 119,936,273	\$ 144,103,844	\$ 150,364,106	\$ 161,814,698
Miscellaneous retail	81,325,367	83,402,542	79,463,926	81,377,308	71,579,411	79,479,687	\$ 82,289,949	\$ 98,094,898	\$ 107,889,725	\$ 114,061,728
Automotive Dealers and Gasoline Service Stations	60,721,041	68,712,940	73,679,827	64,709,931	62,749,013	5,024,123	\$ 7,482,169	\$ 8,126,361	\$ 10,293,049	\$ 12,379,597
Communications	42,280,221	224,378,665	147,870,487	51,336,571	53,899,274	54,821,917	\$ 55,041,047	\$ 55,521,087	\$ 53,614,217	\$ 50,541,157
Building Materials, Hardware, Garden Supply	39,504,908	17,541,679	17,447,263	11,801,232	10,418,075	9,302,861	\$ 10,423,783	\$ 12,699,032	\$ 13,674,461	\$ 15,897,591
Apparel and Accessory stores	34,924,952	39,590,414	46,533,046	42,012,641	36,458,784	41,176,699	\$ 42,862,708	\$ 43,882,924	\$ 45,071,571	\$ 45,851,205
Electric, Gas, and Sanitary Services	30,719,146	33,429,283	33,548,609	34,609,253	34,594,498	36,885,805	\$ 37,952,835	\$ 38,784,915	\$ 41,508,716	\$ 47,384,315
Wholesale trade-durable goods	29,441,986	28,834,877	29,087,932	25,701,038	25,715,362	6,760,561	\$ 5,269,883	\$ 5,458,367	\$ 4,722,020	\$ 5,376,410
Home furniture, furnishings, and equipment	22,335,753	24,089,093	24,810,793	23,844,355	19,528,223	115,072,484	\$ 125,783,744	\$ 136,906,999	\$ 149,015,719	\$ 157,953,477
Hotels, rooming houses, camps, and other lodging	16,095,839	18,824,450	21,031,411	20,435,796	17,632,032	20,529,479	\$ 23,217,530	\$ 26,594,718	\$ 26,975,693	\$ 31,044,472
Business services	9,620,349	11,655,379	17,982,310	13,010,980	7,193,631	10,469,896	\$ 13,447,747	\$ 14,915,199	\$ 16,677,349	\$ 20,521,226
Personal services	7,241,747	4,180,519	4,353,316	4,064,422	3,685,333	3,339,729	\$ 3,075,382	\$ 3,088,534	\$ 2,976,830	\$ 3,095,749
Automotive repair and services	5,707,072	5,818,168	7,026,126	7,707,434	9,214,391	4,577,218	\$ 3,880,200	\$ 3,568,630	\$ 4,508,264	\$ 4,862,989
Construction special trade contractors	3,057,530	2,973,746	3,230,431	2,291,775	1,049,182	3,212,882	\$ 3,209,122	\$ 3,346,853	\$ 3,078,341	\$ 4,907,858
Motion pictures	1,689,551	1,741,329	1,845,153	1,687,534	1,846,066	1,710,555	\$ 1,748,485	\$ 1,816,681	\$ 1,876,346	\$ 2,263,952
All other	10,255,652	16,576,272	18,591,649	16,883,506	12,807,834	15,482,642	\$ 13,142,026	\$ 13,619,246	\$ 13,838,355	\$ 15,381,517
Total	\$ 750,289,290	\$ 925,364,301	\$ 810,146,040	\$ 679,518,290	\$ 646,191,040	\$ 700,114,734	\$ 728,805,344	\$ 795,675,064	\$ 836,179,109	\$ 905,549,523

The City has a direct 2% sales tax on prepared foods and
a direct 1% sales tax on lodging.

The state sales tax rate on unprepared food items was reduced to 3% effective Oct. 1, 2006

There is no overall direct City sales tax.

*Information provided by SC Dept of Revenue. Categories were adjusted in 2010 using NAICS numbers.

Schedule 12**City of Rock Hill****Direct and Overlapping Sales Tax rates****Last Ten Fiscal Years**

<u>Fiscal</u> <u>Year</u>	<u>City</u> <u>Direct</u> <u>Rate</u>	<u>York</u> <u>County</u>	<u>State</u> <u>of South</u> <u>Carolina</u>
2006	0.0%	1.0%	5.0%
2007	0.0%	1.0%	6.0% *
2008	0.0%	1.0%	6.0%
2009	0.0%	1.0%	6.0%
2010	0.0%	1.0%	6.0%
2011	0.0%	1.0%	6.0%
2012	0.0%	1.0%	6.0%
2013	0.0%	1.0%	6.0%
2014	0.0%	1.0%	6.0%
2015	0.0%	1.0%	6.0%

Sources: City and York County Finance Department

The City implemented a 2% direct sales tax on prepared foods in 2002.

The City implemented a 3% direct sales tax on lodging in 1998.

* Change in state sales tax was effective 06/01/07

Schedule 13
City of Rock Hill
Principal Sales Tax Remitters
Current Year and 9 Years Ago

<u>Tax Remitter</u>	Tax Year 2014		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
City of Rock Hill	\$ 3,316,902	1	5.67%
Retailer	2,819,867	2	4.82%
Retailer	2,734,930	3	4.67%
Retailer	1,834,711	4	3.13%
Communications	1,533,117	5	2.62%
Retailer	1,447,826	6	2.47%
Communications	1,214,904	7	2.08%
Retailer	1,163,143	8	1.99%
Retailer	1,108,541	9	1.89%
Retailer	1,102,377	10	1.88%
Automobile dealer	941,005	11	1.61%
Utility	885,311	12	1.51%
Automobile dealer	808,915	13	1.38%
Retailer	776,766	14	1.33%
Automobile dealer	537,196	15	0.92%
Total	<u>\$ 22,225,510</u>		<u>37.97%</u>

<u>Tax Remitter</u>	Tax Year 2005		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Retailer	\$ 5,022,525	1	11.16%
City of Rock Hill	1,843,149	2	4.09%
Retailer	1,612,605	3	3.58%
Communications	1,485,184	4	3.30%
Grocery Store	1,133,443	5	2.52%
Retailer	972,311	6	2.16%
Communications	920,789	7	2.05%
Retailer	851,248	8	1.89%
Retailer	796,220	9	1.77%
Utility	782,570	10	1.74%
Grocery Store	758,206	11	1.68%
Automobile dealer	653,066	12	1.45%
Grocery Store	592,250	13	1.32%
Retailer	564,337	14	1.25%
Grocery Store	\$ 553,867	15	1.23%
Total	<u>\$ 18,541,770</u>		<u>41.19%</u>

Source South Carolina Department of Revenue
Information unavailable prior to 2005

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Schedule 14
City of Rock Hill
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Year Ended	Governmental Activities										
	General	Tax	Certificates	Limited	MID	SC DHEC	HUD	RH Cycling	Less	Reimbursement	Capital
	Obligation	Increment	of	Obligation	Assessment	Loan	Section 108	Facilities	Deferred	Payable to	Leases
<u>June 30</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Participation</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	<u>Amounts</u>	<u>Developers</u>	<u>Leases</u>
2006	\$ 8,870,000	\$ 975,000	\$ 11,430,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,105	\$ 19,402	\$ 1,908,884
2007	8,165,000	1,870,010	10,995,000	-	-	223,286	1,074,930	-	52,630	39,402	3,033,764
2008	7,435,000	4,335,000	10,545,000	-	-	148,857	2,102,000	-	44,926	35,216	6,052,838
2009	9,385,000	4,120,000	10,085,000	-	-	276,143	2,102,000	-	38,026	43,826	9,715,432
2010	8,445,000	14,385,000	9,610,000	-	-	207,107	2,023,000	-	32,013	39,555	8,592,359
2011	7,480,000	17,885,000	9,120,000	-	-	921,383	1,941,000	\$ 5,000,000	27,013	57,749	8,386,449
2012	17,185,000	17,180,000	8,615,000	-	-	775,195	1,931,000	5,000,000	296,269	-	8,255,811
2013	16,405,000	16,265,000	-	15,160,000	2,080,000	628,233	1,843,000	5,000,000	1,579,465	-	7,139,758
2014	17,375,000	24,960,000	-	14,240,000	2,016,000	549,526	1,751,000	5,000,000	1,445,605	-	7,464,371
2015	16,430,000	24,220,000	-	13,370,000	1,945,000	470,030	1,655,000	5,000,000	1,297,289	-	9,610,744

Business-type Activities							
Utilities System	State Revolving	Less Deferred	Reimbursement Payable to	Capital	Total Primary	Personal	Percentage of Personal
<u>Revenue Bonds</u>	<u>Fund</u>	<u>Amounts</u>	<u>Developers</u>	<u>Leases</u>	<u>Government</u>	<u>Income</u>	<u>Income</u>
\$ 114,735,000	\$ 4,979,719	\$ (20,053)	\$ 413,701	\$ -	\$ 143,372,758	\$ 2,242,505,870	6.39%
109,720,000	7,161,108	25,605	243,471	3,796,668	146,400,874	2,434,359,720	6.01%
104,552,000	7,578,722	64,477	-	3,820,423	146,714,459	2,601,324,664	5.64%
99,006,000	7,253,310	101,342	-	7,333,341	149,459,420	2,668,038,519	5.60%
124,857,000	6,918,640	600,284	-	6,404,638	182,114,596	2,815,635,825	6.47%
119,698,000	6,574,429	512,693	-	5,721,877	183,325,593	2,763,819,614	6.63%
114,015,000	6,212,210	2,594,680	-	4,929,733	186,989,898	n/a	n/a
122,135,000	5,832,985	4,289,476	-	5,003,374	203,361,291	n/a	n/a
124,870,000	5,445,155	3,996,620	-	4,205,771	213,319,048	n/a	n/a
118,065,000	7,181,891	3,337,763	-	3,617,973	206,200,690	n/a	n/a

Schedule 15
City of Rock Hill
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

Year ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		Taxable <u>Value</u>	Percentage Of Actual Taxable		Per <u>Capita</u>
	<u>General</u> Obligation <u>Bonds</u>	<u>Total</u>		Value of <u>Property</u>	<u>Population</u>	
2006	\$ 8,870,000	\$ 8,870,000	\$ 175,979,600	5.04%	59,554	149
2007	8,165,000	8,165,000	206,396,617	3.96%	61,620	133
2008	7,435,000	7,435,000	213,443,497	3.48%	64,858	115
2009	9,385,000	9,385,000	223,396,488	4.20%	67,339	139
2010	8,445,000	8,445,000	228,345,160	3.70%	69,210	122
2011	7,480,000	7,480,000	231,535,982	3.23%	66,154	113
2012	17,185,000	17,185,000	241,959,335	7.10%	67,423	255
2013	16,405,000	16,405,000	247,622,812	6.62%	68,094	241
2014	17,375,000	17,375,000	251,405,535	6.91%	69,013	252
2015	16,430,000	16,430,000	258,937,028	6.35%	69,967	235

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Schedule 7 for property tax value data.
Population data can be found in Schedule 19.

Schedule 16
City of Rock Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Rock Hill School District #3	\$ 113,534,000	57.13%	\$ 64,866,179
York County General Obligation Debt	51,434,100	21.49%	11,052,249
Other Debt			
Rock Hill School District #3	-	57.13%	-
Subtotal, overlapping debt	164,968,100		75,918,428
City direct debt	74,628,345	100.00%	<u>74,628,345</u>
Total direct and overlapping debt			<u>\$ 150,546,773</u>

Sources: Assessed value used to estimate applicable percentages provided by the York County Tax Assessor.
Debt outstanding provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Rock Hill. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and therefore responsible for repaying the debt - of each overlapping government.

(1) For debt repaid, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Schedule 17
City of Rock Hill
Legal Debt Margin Information,
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 258,937,028
Debt limit (8% of assessed value)	20,714,962
Debt applicable to limit	<u>(16,430,000)</u>
Legal debt margin	<u>\$ 4,284,962</u>

	Fiscal Year ended June 30,									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit (8% of assessed value)	\$ 14,078,368	\$ 16,511,733	\$ 17,075,480	\$ 17,871,719	\$ 18,267,613	\$ 18,522,879	\$ 19,356,747	\$ 19,809,825	\$ 20,090,068	\$ 20,714,962
Total net debt applicable to limit	<u>(8,870,000)</u>	<u>(8,165,000)</u>	<u>(7,435,000)</u>	<u>(9,385,000)</u>	<u>(8,445,000)</u>	<u>(7,480,000)</u>	<u>(17,185,000)</u>	<u>(16,405,000)</u>	<u>(17,375,000)</u>	<u>(16,430,000)</u>
Legal debt margin	<u>\$ 5,208,368</u>	<u>\$ 8,346,733</u>	<u>\$ 9,640,480</u>	<u>\$ 8,486,719</u>	<u>\$ 9,822,613</u>	<u>\$ 11,042,879</u>	<u>\$ 2,171,747</u>	<u>\$ 3,404,825</u>	<u>\$ 2,715,068</u>	<u>\$ 4,284,962</u>
Total net debt applicable to the limit as a percentage of the debt limit	63.00%	49.45%	43.54%	52.51%	46.23%	40.38%	88.78%	82.81%	86.49%	79.31%

Schedule 18
City of Rock Hill
Pledged-Revenue Coverage,
Last Ten Fiscal Years

Combined Utility System Revenue Bonds						
Year	Utility	Less:	Net	Debt Service		Coverage
Ended	Service	Operating	Available	Principal	Interest	
<u>June 30,</u>	<u>Charges</u>	<u>Expenses</u>	<u>Revenue</u>			
2006	\$ 92,303,439	\$ 68,762,812	\$ 23,540,627	\$ 4,905,000	\$ 5,316,419	2.30
2007	96,513,552	71,859,199	24,654,353	5,127,500	5,278,113	2.37
2008	100,206,834	76,544,338	23,662,496	5,343,750	4,886,061	2.31
2009	101,504,446	77,514,557	23,989,889	4,893,500	4,758,832	2.49
2010	106,270,748	80,826,536	25,444,212	4,746,500	5,207,769	2.56
2011	113,633,663	86,878,154	26,755,509	5,264,000	5,215,425	2.55
2012	112,619,920	90,699,072	21,920,848	5,673,167	5,194,094	2.02
2013	117,808,570	95,255,246	22,553,324	5,995,000	5,567,055	1.95
2014	129,541,707	100,920,719	28,620,988	6,253,754	4,532,555	2.65
2015	137,205,789	108,722,872	28,482,917	7,172,500	4,399,979	2.46

Notes: Details to the city's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expenses.

Schedule 19
City of Rock Hill
Demographic and Economic Statistics,
Last Ten Years

<u>Year</u>	<u>Population</u>	Per			<u>School</u>	Unemployment
		Personal	Personal	Capita		
		<u>Income</u>	<u>Income</u>	<u>Age</u>	<u>Enrollment</u>	<u>Rate</u>
2006	59,554	\$ 2,242,505,870	\$ 37,655	36.6	16,179	8.4%
2007	61,620	2,434,359,720	39,506	37.2	17,154	7.1%
2008	64,858	2,601,324,664	40,108	n/a	16,965	7.9%
2009	67,339	2,668,038,519	39,621	n/a	17,700	16.5%
2010	69,210	n/a	n/a	n/a	17,704	17.9%
2011	66,154	n/a	n/a	37.9	17,353	14.9%
2012	67,423	n/a	n/a	n/a	17,400	13.8%
2013	68,094*	n/a	n/a	n/a	17,485	11.4%
2014	69,013*	n/a	n/a	n/a	17,400	6.9%
2015	69,967	n/a	42,694	32.9	17,400	7.0%

Sources:

Unemployment information is provided by the US Bureau of Labor (www.bls.gov)

*Population estimate provided by US Census

School enrollment provided by the Rock Hill School District

Information is for the

n/a = not available

Schedule 20
City of Rock Hill
Principal Industrial Employers,
Current Year and Ten Years Ago

<u>Employer</u>	<u>2015</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
TE Connectivity (Tyco)	400		1.08%	490	1	1.37%
Physicians Choice Laboratories	330		0.89%			
West Marine	300		0.81%	285	2	0.80%
Atotech USA, Inc.	205		0.55%	200	5	0.56%
3D Systems	201		0.54%			
Carolina Energy	200		0.54%			
Springs Creative	180		0.49%	247	3	0.69%
Exel	166		0.45%			
Qure Medical	162		0.44%			
PFG Customized Distribution	155		0.42%	110	10	0.31%
Hartman-Conoco, Inc.				201	4	0.56%
The Herald				174	6	0.49%
TerexAmida Industries, Inc.				170	7	0.48%
Southeastern Industrial				150	8	0.42%
Lexington Medical				132	9	0.37%
Total	<u>2,299</u>		<u>6.20%</u>	<u>2,159</u>		<u>6.05%</u>

Schedule 21

City of Rock Hill

Full-time-Equivalent City Government Employees by Function/Program,

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
General services	26 0	25 5	28 5	32 0	32 0	31 0	65 5	65 5	66 5	70 5
Finance	74 5	74 5	73 0	106 5	104 5	98 0	44 5	44 5	40 5	42 5
Human resources	8 0	8 0	8 0	8 0	8 0	8 0	8 0	8 0	8 0	9 0
Housing and neighborhood services	13 0	14 0	15 0	14 0	14 0	14 0	14 5	14 5	14 5	18 5
Police	161 0	167 0	169 5	170 5	183 5	185 5	184 5	184 5	191 5	197 5
Fire	106 0	106 0	106 0	106 0	106 0	122 0	122 0	122 0	123 0	124 0
Planning and Development	25 5	34 5	34 0	33 0	33 0	33 0	33 0	33 0	33 0	34 0
Public works	76 5	75 5	75 5	72 0	72 5	70 5	69 5	69 5	69 5	64 5
Property maintenance	44 0	37 0	29 5							
Parks, recreation, and tourism	79 0	87 0	93 5	94 0	94 0	94 0	106 0	106 0	108 0	110 0
Urban development and housing	24 0	24 0	24 0	24 0	24 0	24 0	24 0	24 0	24 0	24 0
Economic and urban development	13 5	13 5	12 5	12 5	12 5	12 5	12 5	12 5	12 5	12 0
Stormwater	14 0	12 0	12 0	12 0	12 0	14 0	14 0	14 0	14 0	14 0
Electricity	46 5	48 0	50 5	53 5	53 5	53 0	69 5	69 5	73 5	89 5
Water	32 0	32 0	32 0	33 0	33 0	34 5	33 0	33 0	33 0	29 5
Wastewater	38 0	38 0	38 0	37 0	37 0	36 0	37 0	37 0	37 0	37 0
Total	781 5	796 5	801 5	808 0	819 5	830 0	837 5	837 5	848 5	876 5
Source: City Finance Department										

Notes: a full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave)

Part-time positions are considered to be .5 of a full time equivalent

Source: City of Rock Hill Budget Office

Schedule 22
City of Rock Hill
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government										
Building permits issued	1,559	1,540	1,133	811	869	760	853	918	941	1,238
Police										
Physical arrests	7,093	7,152	6,913	6,364	4,601	4,693	4,959	4,893	5,442	3,865
Parking violations	332	2,268	2,655	2,545	1,587	1,322	808	280	152	n/a
Traffic violations	10,725	10,807	11,890	8,712	8,566	8,782	9,546	10,525	8,030	6,302
Fire										
Medical calls answered	1,817	1,973	2,238	3,228	3,717	3,994	4,220	4,287	4,229	4,237
Fire and other responses	1,652	1,770	1,943	2,220	2,554	2,366	2,485	2,688	2,679	2,555
Inspections	2,432	2,300	3,156	2,505	2,499	1,916	2,715	2,135	3,234	4,130
Refuse collection										
Materials managed (tons)	28,907	31,368	32,010	32,764	32,515	32,144	32,720	33,173	35,312	35,267
Other public works										
Street resurfacing (miles)	4.44	7.81	8.79	10.33	7.60	4.10	8.88	3.89	7.66	7.40
New streets accepted (miles)	6.07	2.97	4.07	1.27	0.29	1.27	0.83	-	2.72	1.37
Parks, recreation and tourism										
Registered program participation	225,483	269,159	285,405	368,045	317,422	378,021	387,195	357,197	323,912	548,000
Electric										
Total mwh sales	732,850	758,847	783,394	769,452	789,101	815,181	783,647	765,881	810,073	813,164
Water										
Average daily consumptions (mgd)	18.57	19.89	21.78	14.00	18.21	15.66	14.87	14.36	15.73	18.50
Peak daily consumption (mgd)	20.60	25.10	26.47	24.00	23.84	22.38	22.27	22.00	22.97	29.86
Sewer										
Average daily treatment (mgd)	8.70	9.42	8.39	9.77	10.48	9.19	9.43	9.79	10.54	10.01
Peak daily treatment (mgd)	29.82	29.82	15.91	29.31	28.91	15	20	23.34	30.32	29.85

* based on available data

Schedule 23
City of Rock Hill
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Neighborhood substations	2	2	2	2	2	2	2	2	2	2
Police vehicles	147	162	168	176	167	171	176	179	187	180
Fire stations	5	5	6	6	6	6	6	6	6	6
Refuse collection										
Collection trucks	57	48	50	48	48	51	50	55	52	53
Other public works										
Streets (miles)	174	177	184	185	188	215	215	215	218	219
Street lights	5,923	6,123	6,613	6,351	6,510	6,445	6,493	6,537	6,256	6,198
Parks, recreation and tourism										
Acreage	393	393	393	393	403	416	416	426	442	588
Parks	28	28	29	29	29	29	30	31	31	31
Neighborhood centers	4	4	4	4	4	4	4	4	4	4
Electric										
Miles of electric lines	557	582	587	592	606	607	605	610	618	619
Number of delivery substations	5	5	5	6	6	6	6	6	6	6
Number of poles	18,125	20,839	21,036	21,119	24,365	21,288	24,917	25,234	25,650	25,377
Water										
Miles of water lines	468	471	480	485	490	496	498	504	508	507
Fire hydrants	2,441	2,684	2,763	2,800	2,825	2,850	2,890	2,929	2,959	2,972
Storage capacity (millions of gal	5.5	5.5	6	6	6	6	6	6	6	6
Sewer										
Miles of sanitary sewers	444	451	462	469	471	473	474	480	483	482
Treatment capacity (millions of g	20	20	30	30	36	36	36	36	36	36

Schedule 24
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL ELECTRIC CUSTOMERS
YEAR ENDED JUNE 30, 2015

Customer	Type of Business	Consumption (Kwh)	Amount Billed	Percentage of Total Billed
		37,053,429	\$ 3,953,475	4.11%
		22,320,066	2,832,516	2.94%
		14,754,096	1,599,740	1.66%
		16,144,611	1,486,782	1.54%
		12,666,537	1,210,312	1.26%
		10,809,860	1,079,536	1.12%
		6,245,721	803,839	0.83%
		8,153,372	799,511	0.83%
		5,395,371	612,570	0.64%
		7,302,334	594,750	0.62%
		7,658,389	585,930	0.61%
		5,451,216	538,199	0.56%
		4,845,296	529,748	0.55%
		4,631,814	442,104	0.46%
		4,701,198	439,121	0.46%
		5,068,815	413,786	0.43%
		4,812,496	408,077	0.42%
		3,652,120	384,180	0.40%
		4,057,931	376,773	0.39%
		5,218,443	373,519	0.39%
		<u>190,943,115</u>	<u>\$ 19,464,472</u>	<u>20.21%</u>

Schedule 25
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS
YEAR ENDED JUNE 30, 2015

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
		1,507,991,823	\$ 2,142,740	15.82%
		705,801,655	1,002,367	7.40%
		94,288,639	127,834	0.94%
		85,768,365	115,901	0.86%
		49,997,330	106,974	0.79%
		25,816,398	101,109	0.75%
		18,189,587	89,266	0.66%
		16,452,133	83,312	0.62%
		12,335,694	61,545	0.45%
		18,322,335	52,991	0.39%
		18,864,036	49,142	0.36%
		34,794,723	49,117	0.36%
		9,329,796	44,502	0.33%
		22,802,212	44,165	0.33%
		6,450,585	43,550	0.32%
		8,941,667	37,273	0.28%
		10,332,573	35,860	0.26%
		10,136,522	32,168	0.24%
		22,627,000	31,505	0.23%
		6,707,451	31,318	0.23%
		<u>2,685,950,522</u>	<u>\$ 4,282,636</u>	<u>31.62%</u>

Schedule 26
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WASTEWATER CUSTOMERS
YEAR ENDED JUNE 30, 2015

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
YORK COUNTY	COUNTY GOVERNMENT	989,159,799	\$ 2,640,411	13.55%
		93,648,002	278,744	1.43%
		18,927,624	180,573	0.93%
		40,488,710	169,177	0.87%
		30,183,109	118,879	0.61%
		10,457,086	108,326	0.56%
		15,054,778	96,548	0.50%
		9,532,831	92,607	0.48%
		23,445,432	83,356	0.43%
		15,554,802	56,530	0.29%
		14,881,407	56,027	0.29%
		5,376,915	52,835	0.27%
		12,472,064	48,183	0.25%
		1,455,210	47,994	0.25%
		7,147,284	47,100	0.24%
		6,679,366	42,953	0.22%
		10,670,961	40,797	0.21%
		7,591,489	37,504	0.19%
		3,812,149	35,044	0.18%
		5,462,484	34,579	0.18%
		<u>1,322,001,504</u>	<u>\$ 4,268,167</u>	<u>21.90%</u>

Schedule 27
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL STORMWATER CUSTOMERS
YEAR ENDED JUNE 30, 2015

Customer	Type of Business	Consumption (gallons)	Amount Billed	Percentage of Total Billed
		208,641,143	\$ 83,831	2.50%
		286,059,703	75,375	2.25%
		154,476,365	39,733	1.18%
		57,227,421	26,860	0.80%
		17,419,093	13,532	0.40%
		80,718,650	11,476	0.34%
		25,168,392	7,875	0.23%
		15,148,497	7,549	0.22%
		39,779,959	6,950	0.21%
		5,832,721	5,844	0.17%
		8,389,477	5,766	0.17%
		13,508,283	5,476	0.16%
		7,527,204	4,563	0.14%
		4,136,330	3,956	0.12%
		10,598,327	2,923	0.09%
		15,246,034	2,880	0.09%
		2,672,122	2,853	0.09%
		4,013,773	2,543	0.08%
		4,349,100	2,449	0.07%
		8,249,495	2,415	0.07%
		<u>969,162,089</u>	<u>\$ 314,849</u>	<u>9.38%</u>

CITY OF ROCK HILL, SOUTH CAROLINA

FEDERAL AWARDS SECTION

The Federal Awards Section is presented to comply with Office of Management and Budget Circular A-133 which establishes audit requirements for states, local governments and non-profit organizations expending Federal awards. It provides for independent audits of financial operations, including compliance with certain provisions of federal laws and regulations. These requirements are established to ensure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis. The accompanying Schedule of Expenditures of Federal Awards is presented to reflect federal participation in various projects and programs, as adopted by the City Council.

CITY OF ROCK HILL, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
ECONOMIC DEVELOPMENT CLUSTER			
Direct Assistance			
EDA Public Works Program/Road Realignment	11.300	14-01-06663	\$ 611,772
Total Economic Development Cluster			611,772
TOTAL U.S. DEPARTMENT OF COMMERCE			\$ 611,772
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Assistance			
Community Development Block Grant	14.218	4-MC-45-0008	386,000
Neighborhood Stabilization Program Revenue	14.264	1-NSP-118A	147,250
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 533,250
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Assistance			
Edward Byrne Memorial Justice Assistance	16.738	14-DJ-BX-0429	37,007
Bulletproof Vest Partnership Program	16.607		13,199
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 50,206
<u>U.S. DEPARTMENT OF LABOR</u>			
WIA CLUSTER			
Direct Assistance			
Workforce Investment Act, Adult Program	17.258	4600-0078/0079	6,180
Total WIA Cluster			6,180
TOTAL U.S. DEPARTMENT OF LABOR			\$ 6,180
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
<i>Pass through programs from:</i>			
<i>S.C. Department of Transportation</i>			
RFATS	20.205	WP2010-2011	143,581
CMAQ Riverview/RiverChase	20.205		4,826
Total Highway Planning and Construction Cluster			148,407
FEDERAL TRANSIT CLUSTER			
Direct Assistance			
Urbanized Area Formula Program	20.507	FTA 5307	211,583
Total Federal Transit Cluster			211,583
HIGHWAY SAFETY CLUSTER			
Direct Assistance			
Traffic Enforcement Unit	20.601	2015-HS-09-15	101,003
Total Highway Safety Cluster			101,003
<i>Pass through programs from:</i>			
<i>S.C. Department of Transportation</i>			
MPO Transit Study	20.515	FTA5304	64,830
Direct Assistance			
Airport Improvement Program	20.106		862,729
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			\$ 1,388,552
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Assistance			
EPA Special Appropriations Project	66.202		278,237
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			\$ 278,237
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION</u>			
<i>Passed through programs from:</i>			
<i>National Recreation and Park Association</i>			
ACHIEVE grant	93.283		5,046
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION			\$ 5,046
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through programs from:</i>			
<i>S.C. Emergency Management Division</i>			
Homeland Security Grant Program			
Police Department	97.067	12SHSP17	75,000
SWAT	97.067	13SHSP12	9,209
SWAT	97.067	13SHSP04	38,765
SWAT	97.067	14SHSP24	49,741
SWAT	97.067	14SHSP11	10,457
SWAT	97.067	13SHSP19	37,143
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			\$ 220,315
TOTAL FEDERAL ASSISTANCE EXPENDED			\$ 3,093,558

The accompanying notes are an integral part of this schedule.

CITY OF ROCK HILL, SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2015

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Rock Hill. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with the basis of accounting practices prescribed by the United States Department of Housing and Urban Development. The purpose of the statement is to present, in summary form, activities of the City of Rock Hill for the year ended June 30, 2015, which have been financed by the United States Department of Housing and Urban Development and other federal agencies as applicable. Except as described in the following paragraph, accounting principles generally accepted in the United States of America are in agreement with the accounting practices prescribed for such programs by the Department of Housing and Urban Development's fiscal control and fund accounting procedures.

Because the statement presents only a selected portion of the activities of the City, it is not intended to and does not present either the financial position, changes in fund balances or the current funds, revenues, expenditures, and other changes in fund balances of the City.



**Independent Auditor's 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***

City Council
City of Rock Hill, South Carolina

We have audited, 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rock Hill, South Carolina (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

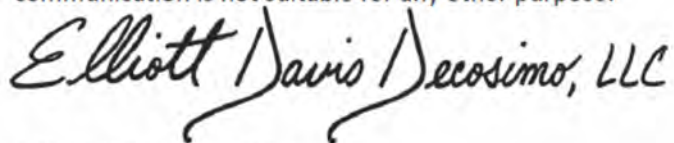
Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 City'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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
December 30, 2015



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

City Council
City of Rock Hill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Rock Hill, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.


Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
December 30, 2015

City of Rock Hill, South Carolina**Schedule of Findings and Questioned Costs****For the year ended June 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Noncompliance material to the financial statements noted?

☐ Yes ☒ No**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:

☐ Yes ☒ No

Identification of major federal programs:

U.S. Department of Commerce

Economic Development Cluster

11.300

U.S. Department of Transportation

Airport Improvement Program

20.106

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

II. FINANCIAL STATEMENT FINDINGS

No matters were reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

City of Rock Hill, South Carolina
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2015

None reported