

CITY OF ROCK HILL, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

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, 2017

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December 29, 2017

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

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, 2017.

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, PLLC, 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, 2017, 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, 2017, 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 37.58 square miles. The 2016 population of the City is estimated to be 71,548, 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 City Council for review. The City 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 28 as part of the basic financial statements for the governmental funds. No other governmental 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 of South Carolina (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 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 \$286,525,154, up from \$199,171,536 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 2016 World Cup and hosted 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 for its comprehensive annual financial report (CAFR) for the year ended June 30, 2016. 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-sixth 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.

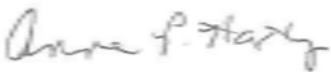
In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2016. This was the twenty-sixth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's 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,

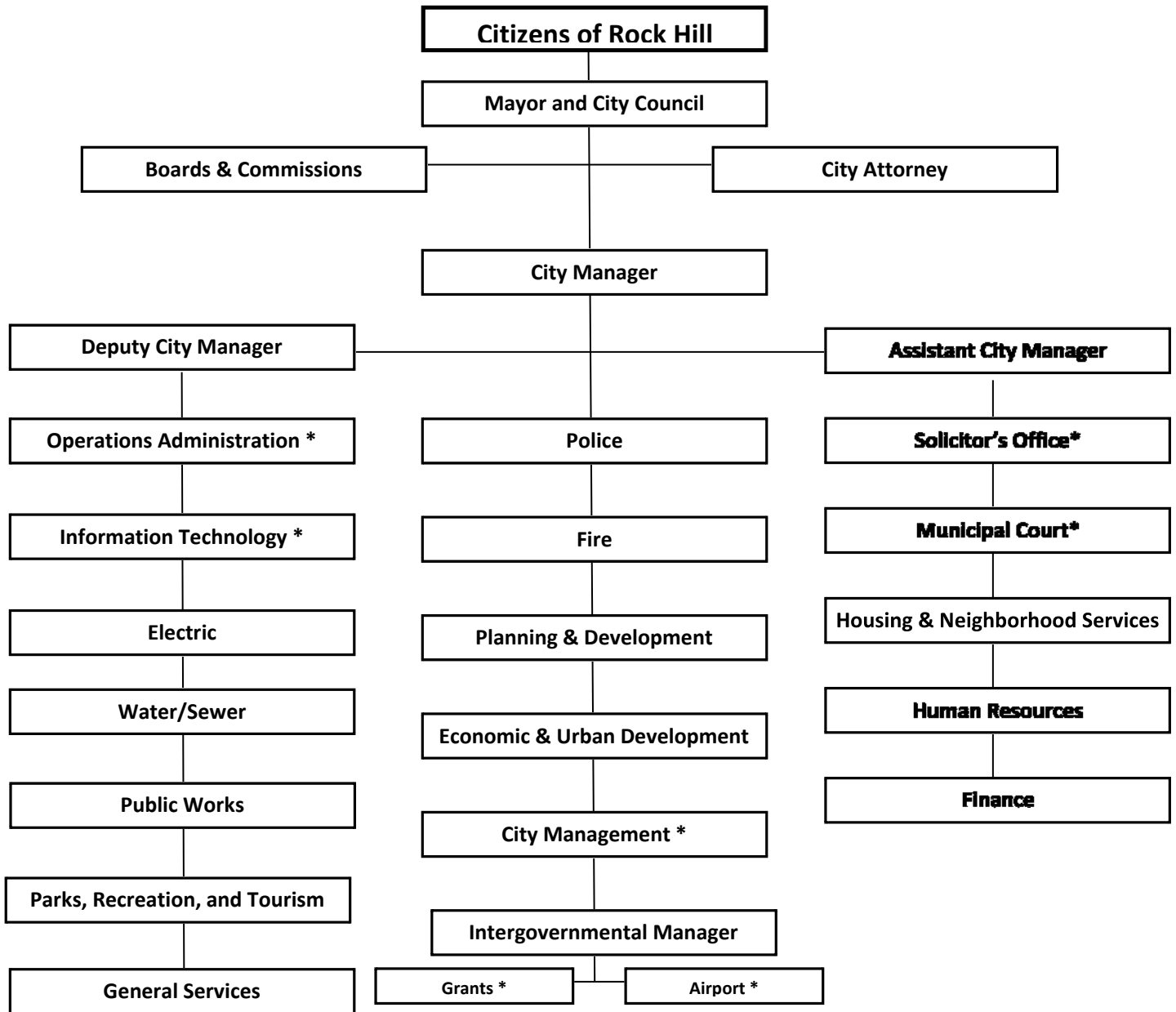
A handwritten signature in black ink, appearing to read "David B. Vehaun". The signature is written in a cursive style with a large, circular initial "D".

David B. Vehaun, City Manager

A handwritten signature in black ink, appearing to read "Anne P. Harty". The signature is written in a cursive style with a large, flowing initial "A".

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, 2016

Executive Director/CEO

**City of Rock Hill, South Carolina
List of Elected and Appointed Officials
June 30, 2017**

Elected Officials

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

Appointed Officials

David B. Vahaun, City Manager
James G. Bagley Jr, Deputy City Manager
Steven Gibson, Assistant City Manager
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
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, 2017, 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, 2017, 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.

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, schedule of changes in the City's net OPEB liability and related ratios and schedule of city 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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, SC Department of Transportation grants schedule, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison fund schedules, schedule of fines and assessments, SC Department of Transportation grants schedule, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, budgetary comparison fund schedules, schedule of fines and assessments, SC Department of Transportation grants schedule, 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 29, 2017, 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, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
December 29, 2017

CITY OF ROCK HILL, SOUTH CAROLINA

Management's Discussion and Analysis

As management of the City of Rock Hill, South Carolina (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, 2017. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$306,884,262 (*net position*). Of this amount, \$(50,541,425) (*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 No. 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 \$14,812,099.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$16,257,570, a decrease of \$2,262,381 from the prior year. Approximately 16.17 percent of the total amount, \$2,628,194 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,663,028, or 3.4 percent of the total fund expenditures.
- The City's debt increased to \$287.3 million from \$199.9 million last year as the City issued new utility revenue bonds, new municipal improvement district bonds, new general obligation bonds, new SC DHEC and state revolving fund loans and made scheduled principal payments.

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'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 include general government, public safety, economic development, and parks and recreation. The business-type activities of the City 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 28.

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 29 - 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 35 - 74 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 84 – 90 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 \$306,884,262 at the close of the most recent fiscal year.

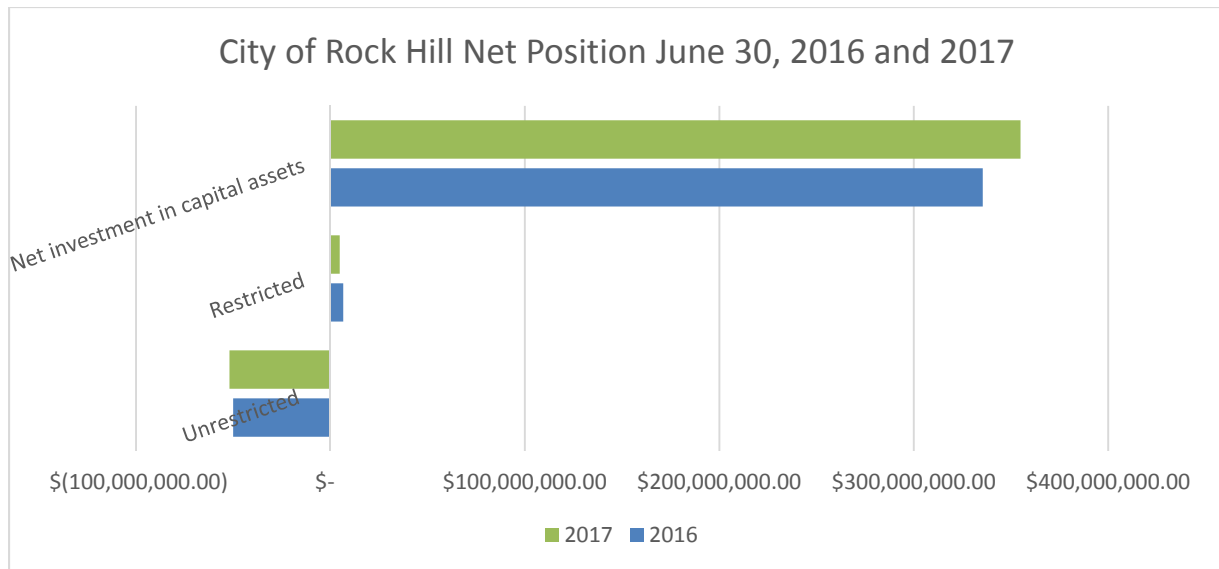
City of Rock Hill's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 25,698,248	\$ 29,535,083	\$ 143,880,039	\$ 51,777,351	\$ 169,578,287	\$ 81,312,434
Capital assets	181,117,579	172,420,606	384,865,695	369,361,092	565,983,274	541,781,698
Total assets	206,815,827	201,955,689	528,745,734	421,138,443	735,561,561	623,094,132
Deferred outflows of resources	13,079,729	6,517,031	3,923,476	1,965,376	17,003,205	8,482,407
Long-term liabilities outstanding	154,957,666	142,618,360	237,815,985	141,124,260	392,773,651	283,742,620
Other liabilities	19,483,481	20,364,553	33,357,925	35,303,858	52,841,406	55,668,411
Total liabilities	174,441,147	162,982,913	271,173,910	176,428,118	445,615,057	339,411,031
Deferred inflows of resources	43,719	61,641	21,728	31,704	65,447	93,345
Net assets:						
Net Investment in capital assets	100,468,333	96,673,890	252,168,751	243,760,042	352,637,084	340,433,932
Restricted	4,788,603	6,590,310	-	-	4,788,603	6,590,310
Unrestricted	(59,846,246)	(57,836,034)	9,304,821	2,883,955	(50,541,425)	(54,952,079)
Total net assets	\$ 45,410,690	\$ 45,428,166	\$ 261,473,572	\$ 246,643,997	\$ 306,884,262	\$ 292,072,163

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, (\$50,541,425), may be used to meet the City’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.

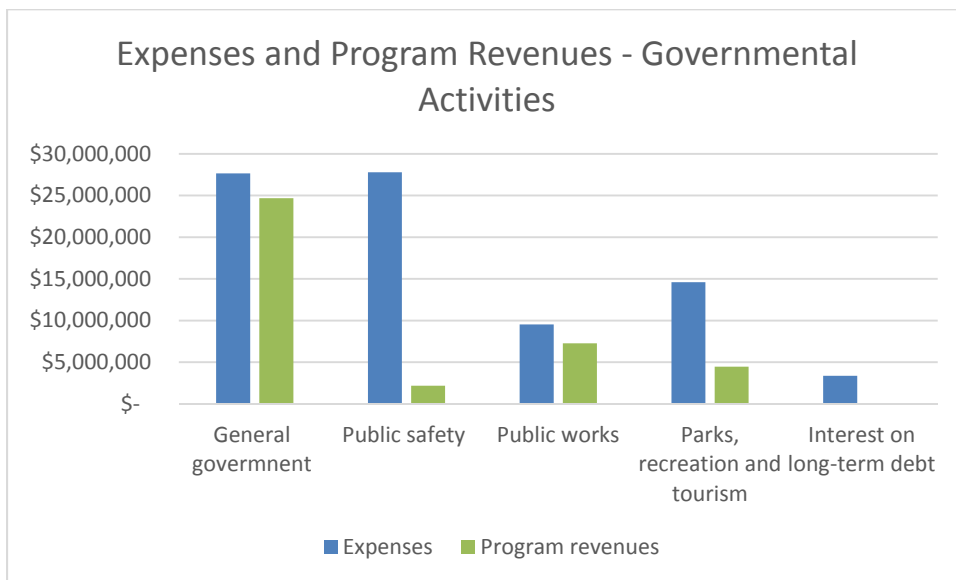
Most of the additions to the City’s net position were due to contributions of capital assets received from developers and operating income from the electric, water and sewer systems.



Governmental activities. Governmental activities decreased the City’s net position by \$17,476, and accounted for 0.0% of the total growth in the net position of the City. Key elements of this decrease are as follows:

- The City sold land in the textile corridor for \$1,681,000. The basis of the land was \$819,654.
- Despite the implementation of an onsite clinic, the total claims expense for the year still exceeded the amount budgeted by \$600,000. In addition, the City experienced a single major health claim for which its stop loss cost was nearly \$900,000.
- Depreciation of governmental capital assets reduced net position by approximately \$10,280,000.
- The City recorded, as its calculated share of the increased unfunded liabilities of the South Carolina Retirement System and the Police Officer Retirement System, pension expense of \$1,560,000.
- The liability for accumulated untaken leave for governmental employees increased by \$439,000.
- Nearly \$17,949,000 of governmental expenditures were capitalized and increased the City’s net position invested in capital assets. The bicycling Criterium track, East White Street, Celriver Road, Paragon and Riverwalk Parkway, Fire training facility and burn building were among the largest of several construction projects.
- The City spent out previously reserved funds for federal grants, local food and beverage funds and miscellaneous governmental programs totaling \$1,209,000.
- Legal expenses, primarily for the creation and implementation of new TIF and special-purpose entities and for the costs of issuance of governmental debt issues consumed over \$496,000.

City of Rock Hill's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 24,631,036	\$ 22,820,841	\$ 154,772,871	\$ 148,431,115	\$ 179,403,907	\$ 171,251,956
Operating grants and contributions	4,112,982	3,992,633	-	1,802,336	4,112,982	5,794,969
Capital grants and contributions	9,827,079	6,437,694	5,889,894	1,006,626	15,716,973	7,444,320
General Revenues:					-	-
Property taxes	27,217,573	25,910,552	-	-	27,217,573	25,910,552
Accommodations and hospitality taxes	6,188,082	5,907,225	-	-	6,188,082	5,907,225
Investment income	233,364	238,284	1,032,829	559,710	1,266,193	797,994
Unrestricted intergovernmental revenue	1,515,042	1,448,089	-	-	1,515,042	1,448,089
Gain on land sales	866,641	-	-	-	866,641	-
Miscellaneous	1,013,984	1,615,470	-	-	1,013,984	1,615,470
Total revenues	75,605,783	68,370,788	161,695,594	151,799,787	237,301,377	220,170,575
Expenses						
General government	27,655,089	23,249,853	-	-	27,655,089	23,249,853
Public safety	27,775,492	26,253,831	-	-	27,775,492	26,253,831
Public works	9,531,848	9,660,958	-	-	9,531,848	9,660,958
Parks, recreation & tourism	14,600,916	13,127,618	-	-	14,600,916	13,127,618
Interest on long-term debt	3,369,409	3,119,707	-	-	3,369,409	3,119,707
Electric	-	-	105,997,157	103,858,056	105,997,157	103,858,056
Water	-	-	14,763,179	12,195,975	14,763,179	12,195,975
Sewer	-	-	14,740,596	14,555,294	14,740,596	14,555,294
Stormwater	-	-	4,055,592	3,274,214	4,055,592	3,274,214
Total expenses	82,932,754	75,411,967	139,556,524	133,883,539	222,489,278	209,295,506
Increase (decrease) in net position						
before transfers	(7,326,971)	(7,041,179)	22,139,070	17,916,248	14,812,099	10,875,069
Transfers	7,309,495	6,329,651	(7,309,495)	(6,329,651)	-	-
Change in net position	(17,476)	(711,528)	14,829,575	11,586,597	14,812,099	10,875,069
Net position -- beginning	45,428,166	46,139,694	246,643,997	235,057,400	292,072,163	281,197,094
Net position -- ending	\$ 45,410,690	\$ 45,428,166	\$ 261,473,572	\$ 246,643,997	\$ 306,884,262	\$ 292,072,163



Business-type activities. Business-type activities increased the City's net position by \$14,829,575, accounting for 94.6% 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 net position are as follows:

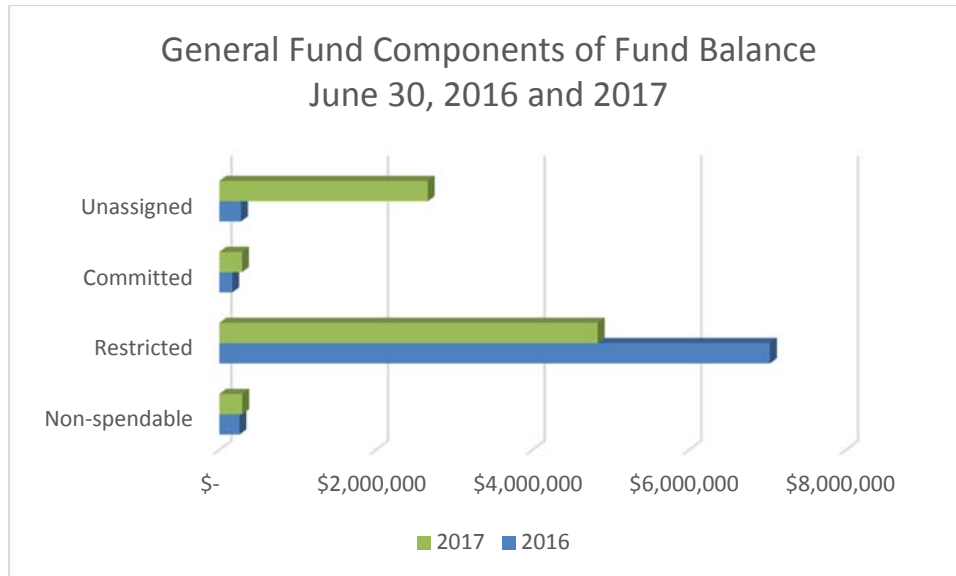
- A 1.5% electric rate increase was included in the budget to fund capital improvements.
- Stormwater rates increased 13.6% residential and 21% commercial to fund capital improvements.
- The rate methodology for water and sewer rates was restructured to reduce the water base charge and add tiered consumption charges resulting in a revenue-neutral outcome for customers with a small increase in expected water revenues offset by a small decrease expected for sewer.
- Electric "margins," or total electricity sales minus the cost of purchased power, fell slightly below budget by about \$199,000. Returns to typical, slightly mild weather patterns for most of the year resulted in both sales of power and costs of purchased power about \$1,500,000 below projections.
- Substantial growth in commercial customers contributed to increased water demand, leading to sales \$1,700,000 over budget. Wastewater charges came in at \$182,000 over budget.
- Investment earnings remained low but showed a pulse as market rates began a slow rise. The substantial amount reported for electric, water and sewer on the statement of revenues, expenditures and changes in fund net position is largely comprised of \$845,000 in current-year recognition of bond issue premiums.

Financial Analysis of Governmental 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 discretionary use as they represent the portion of fund balance that has not yet been limited to use by any of: an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Rock Hill City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,257,570, a decrease of \$2,262,381 from the prior fiscal year. Much of the decrease in fund balance resulted from expenditure of the proceeds of bonds issued in previous years. Approximately 18.4 percent of total fund balance, \$2,628,194, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Unassigned fund balance increased by \$2,363,839 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) State and local accommodations taxes or 5) bond issue construction/capital lease funds. Additional fund balances are committed for a downtown parking district \$289,151.



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 \$2,663,028, while total fund balance was \$8,076,467. 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 3.4 percent of total general fund expenditures, while total fund balance represents 10.5 percent of those same expenditures.

Total fund balance of the City's general fund increased by \$347,252 during the current fiscal year. The most significant factors in this net increase are as follows:

- The City completed an unbudgeted land sale in the Textile Corridor for \$1,681,000.
- Current year budgeted funding of \$1,097,000 for street resurfacing could not be completed before year-end and was carried over to the next fiscal year.
- Business license revenues exceeded budget by \$387,000 as local economic conditions continued to improve.
- As discussed above in the government-wide analysis, expenses for health claims continued to exceed budget generally, and the City faced stop-loss claims of \$900,000 from one serious case.

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 fiscal year amounted to \$9,304,821. The total growth in net position was \$14,829,575. 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 ended June 30, 2017.

As described above, the City completed an unbudgeted land sale for \$1,681,000. Additionally, the City received one-time contributions of various grants totaling \$424,000 for the BMX World Championship. Business license revenues exceeded budget by \$387,000. The City collected \$414,000 in capital lease proceeds to reimburse it for equipment purchases made in the previous fiscal year. Revenues from the municipal court fell \$310,000 below budget as state court administration rules made levying and collecting fines more difficult.

On the expenditure side, general government expenditures in total were over budget primarily due to the expenditure of both current and prior Council-reallocated reserved hospitality taxes. As discussed above, employee and retiree health insurance claims were significantly over budget. Legal expenses exceeded budget as the City incurred significant costs for the research and creation of new financing instruments. Actual capital expenditures include the purchase of over \$2,789,000 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. Several departments experienced higher than normal equipment maintenance and repair expenditures as the City sought to extend the life of existing heavy equipment.

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, 2017, amounts to \$353,456,738 (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 6.2 percent increase for governmental activities and a 3.5 percent increase for business-type activities). These numbers reflect the inclusion of infrastructure, in accordance with GASB Statement No. 34.

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

- Completion of the BMX track, Paragon Way, and Riverwalk Parkway.
- Major work in the downtown area in the East 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.
- Nearly \$1,100,000 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 nearly \$8.1 million of operating revenues into additions to plant in service.

City of Rock Hill's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,422,579	\$ 2,242,232	\$ 4,580,277	\$ 4,580,277	\$ 6,002,856	\$ 6,822,509
Buildings and land improvements	69,085,053	70,790,846	33,063,900	34,479,134	102,148,953	105,269,980
Machinery, equipment and vehicles	12,601,829	12,938,023	3,521,763	3,124,314	16,123,592	16,062,337
Infrastructure	71,622,899	70,597,700	-	-	71,622,899	70,597,700
Utility distribution and collections systems	-	-	306,469,607	298,161,712	306,469,607	298,161,712
Construction in progress	26,385,219	15,851,805	37,230,148	29,015,655	63,615,367	44,867,460
Total	\$ 181,117,579	\$ 172,420,606	\$ 384,865,695	\$ 369,361,092	\$ 565,983,274	\$ 541,781,698

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 \$287,348,947. Of this amount \$17,995,000 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	
	2017	2016	2017	2016	2017	2016
Tax increment bonds	\$ 28,951,000	\$ 30,322,000	\$ -	\$ -	\$ 28,951,000	\$ 30,322,000
General obligation bonds	17,995,000	15,470,000	-	-	17,995,000	15,470,000
Limited obligation bonds	19,205,000	20,575,000	-	-	19,205,000	20,575,000
Municipal improvement district bonds	4,625,000	1,867,000	-	-	4,625,000	1,867,000
HUD Section 108 loan	1,452,000	1,556,000	-	-	1,452,000	1,556,000
SC DHEC HUD loan	1,608,640	389,738	-	-	1,608,640	389,738
Cycling facilities bank loans	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Utility revenue bonds	-	-	193,410,000	110,850,000	193,410,000	110,850,000
State revolving fund loans	-	-	15,102,307	13,858,447	15,102,307	13,858,447
Total	\$ 78,836,640	\$ 75,179,738	\$ 208,512,307	\$ 124,708,447	\$ 287,348,947	\$ 199,888,185

The City's total debt increased by \$87,460,762 during the current fiscal year. Aside from the normal payment of existing bonds, the City issued \$2,134,320 of state revolving fund loans for improvements to its water and stormwater facilities, \$3,105,000 in municipal improvement district bonds for new roads in the Riverwalk development and \$3,500,000 in general obligation bonds for fire training facilities and a railroad quiet zone project, \$1,500,000 in SC DHEC loans for renovating an old textile mill, \$90,040,000 in combined utility system revenue bonds for various electric improvements, initial design and engineering for a major wastewater plant addition and an addition to the water treatment plant, as well as additional capital lease debt for vehicle and heavy equipment acquisition.

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.

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 \$22,919,963, which was \$4,924,963 more than the City's outstanding general obligation debt at June 30, 2017.

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

Economic Factors and Next Year's Budgets and Rates

The local economy has seen steady improvement over the last year. As mentioned in the introductory section, building permits increased by nearly 50% over the previous year, much of it for commercial buildings. The City's unemployment rate dropped below 5.0% for the first time in ten years. 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 2017/2018 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 Rock Hill 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.
- 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 has reduced 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 2017/2018 budget year, the City enacted a 9.11% increase in water rates and a 2.99% increase in wastewater rates. Sanitation rates are increasing by 5% to help absorb a 7.5% increase in York County landfill tipping fees and other operational cost increases. Electric rates remain unchanged.
- The 2017/2018 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 2017/2018 fiscal year. Amounts available for appropriation in the general fund are \$62.9 million, an increase of 2.8 percent over the final fiscal year 2016/2017 budget of \$61.2 million. For the 2017/2018 year, the employee pay-for-performance program will consist of a lump sum payment depending on employee performance appraisals instead of raises to base pay. The pay for performance program is not assured for any future years.

The City's budgetary balance is expected to remain stable by the close of the 2017/2018 fiscal year.

As for the City's business-type activities, we expect that future results will remain stable or improve slightly as new construction picked up dramatically in fiscal year 2017. 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'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, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Total	
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 9,160,560	\$ 20,642,175	\$ 29,802,735	\$ 184,894
Investments	60,352	-	60,352	384,180
Receivables (net of allowance for uncollectibles)				
Taxes and assessments	1,919,207	-	1,919,207	-
Intergovernmental	477,928	-	477,928	45,697
Utility accounts	-	18,883,694	18,883,694	-
Direct financing lease	-	558,814	558,814	-
Other	4,625,514	565,833	5,191,347	514,132
Due from primary government	-	-	-	20,229
Prepaid expenses	-	149,766	149,766	-
Inventories	292,592	3,032,965	3,325,557	-
Real estate held for sale	-	-	-	661,573
Restricted assets:				
Cash and cash equivalents	9,162,095	100,046,792	109,208,887	-
Capital assets not being depreciated:				
Land	1,422,579	4,580,277	6,002,856	-
Construction in progress	26,385,219	37,230,148	63,615,367	-
Capital assets, net of accumulated depreciation:				
Buildings	69,085,053	33,063,900	102,148,953	-
Machinery, equipment and vehicles	12,601,829	3,521,763	16,123,592	-
Infrastructure	71,622,899	-	71,622,899	-
Utility distribution and collection systems	-	306,469,607	306,469,607	-
Total assets	<u>206,815,827</u>	<u>528,745,734</u>	<u>735,561,561</u>	<u>1,810,705</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension charges	12,609,638	3,645,604	16,255,242	-
Deferred charge on refunding	470,091	277,872	747,963	-
Total deferred outflows of resources	<u>13,079,729</u>	<u>3,923,476</u>	<u>17,003,205</u>	
LIABILITIES				
Accounts payable and accrued liabilities	6,730,086	14,040,542	20,770,628	42,389
Due to component unit	20,229	-	20,229	-
Utility deposits	-	3,976,469	3,976,469	-
Accrued interest payable	770,551	3,935,564	4,706,115	-
Contract retainage payable	118,396	603,118	721,514	-
Reimbursements payable to developers	846,715	-	846,715	-
Current portion of long-term liabilities	10,173,659	10,802,232	20,975,891	-
Unearned revenues	823,845	-	823,845	513,847
Total current liabilities	<u>19,483,481</u>	<u>33,357,925</u>	<u>52,841,406</u>	<u>556,236</u>
Noncurrent liabilities:				
Net pension liability	68,682,950	17,206,004	85,888,954	-
Noncurrent portion of long-term liabilities	86,274,716	220,609,981	306,884,697	-
Total noncurrent liabilities	<u>154,957,666</u>	<u>237,815,985</u>	<u>392,773,651</u>	
Total liabilities	<u>174,441,147</u>	<u>271,173,910</u>	<u>445,615,057</u>	<u>556,236</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	43,719	21,728	65,447	-
Total deferred inflows of resources	<u>43,719</u>	<u>21,728</u>	<u>65,447</u>	
NET POSITION				
Net investment in capital assets	100,468,333	252,168,751	352,637,084	-
Restricted for:				
Federal and state grant programs	295,288	-	295,288	-
Debt service	270,050	-	270,050	-
Accommodations and hospitality	3,840,952	-	3,840,952	-
Law enforcement	250,674	-	250,674	-
Perpetual care				
Expendible	106,639	-	106,639	-
Nonexpendable	25,000	-	25,000	-
Unrestricted	<u>(59,846,246)</u>	<u>9,304,821</u>	<u>(50,541,425)</u>	<u>1,254,469</u>
Total net position	<u>\$ 45,410,690</u>	<u>\$ 261,473,572</u>	<u>\$ 306,884,262</u>	<u>\$ 1,254,469</u>

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

CITY OF ROCK HILL, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Capital	Primary Government			Component Unit
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 27,655,089	\$ 14,150,544	\$ 1,873,293	\$ 8,645,113	\$ (2,986,139)	\$ -	\$ (2,986,139)	\$ -
Public safety	27,775,492	1,249,372	390,043	540,907	(25,595,170)	-	(25,595,170)	-
Public works	9,531,848	7,261,114	-	-	(2,270,734)	-	(2,270,734)	-
Parks, recreation and tourism	14,600,916	1,970,006	1,849,646	641,059	(10,140,205)	-	(10,140,205)	-
Interest on long-term debt	3,369,409	-	-	-	(3,369,409)	-	(3,369,409)	-
Total governmental activities	<u>82,932,754</u>	<u>24,631,036</u>	<u>4,112,982</u>	<u>9,827,079</u>	<u>(44,361,657)</u>		<u>(44,361,657)</u>	<u>-</u>
Business-type activities:								
Electric	105,997,157	110,981,416	-	172,888	-	5,157,147	5,157,147	-
Water	14,763,179	16,839,559	-	2,822,062	-	4,898,442	4,898,442	-
Sewer	14,740,596	22,816,006	-	2,760,839	-	10,836,249	10,836,249	-
Stormwater	4,055,592	4,135,890	-	134,105	-	214,403	214,403	-
Total business-type activities	<u>139,556,524</u>	<u>154,772,871</u>	<u>-</u>	<u>5,889,894</u>		<u>21,106,241</u>	<u>21,106,241</u>	<u>-</u>
Total primary government	<u>\$ 222,489,278</u>	<u>\$ 179,403,907</u>	<u>\$ 4,112,982</u>	<u>\$ 15,716,973</u>	<u>(44,361,657)</u>	<u>21,106,241</u>	<u>(23,255,416)</u>	<u>-</u>
Component unit:								
Housing Development Corporation of Rock Hill	<u>\$ 204,813</u>	<u>\$ -</u>	<u>\$ 298,032</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,219</u>
General revenues								
Property taxes					27,217,573	-	27,217,573	-
Accommodations and hospitality taxes					6,188,082	-	6,188,082	-
Investment income					233,364	1,032,829	1,266,193	1,318
Unrestricted intergovernmental revenue					1,515,042	-	1,515,042	-
Gain on sale of land					866,641	-	866,641	-
Miscellaneous					1,013,984	-	1,013,984	-
Transfers					7,309,495	(7,309,495)	-	-
Total general revenues and transfers					<u>44,344,181</u>	<u>(6,276,666)</u>	<u>38,067,515</u>	<u>1,318</u>
Change in net assets					(17,476)	14,829,575	14,812,099	94,537
Net position - beginning of year					<u>45,428,166</u>	<u>246,643,997</u>	<u>292,072,163</u>	<u>1,159,932</u>
Net position - end of year					<u>\$ 45,410,690</u>	<u>\$ 261,473,572</u>	<u>\$ 306,884,262</u>	<u>\$ 1,254,469</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, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,682,195	\$ 478,365	\$ 9,160,560
Investments	10,124	50,228	60,352
Receivables (net of allowances for uncollectible accounts):			
Taxes and assessments	1,379,634	-	1,379,634
Intergovernmental	-	477,928	477,928
Other	1,829,227	3,335,860	5,165,087
Due from other funds	980,839	-	980,839
Inventories	292,592	-	292,592
Restricted assets:			
Cash and cash equivalents	1,874,376	7,287,719	9,162,095
TOTAL ASSETS	\$ 15,048,987	\$ 11,630,100	\$ 26,679,087
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,260,342	\$ 1,469,743	\$ 6,730,085
Due to other funds	-	980,839	980,839
Due to component units	20,229	-	20,229
Contract retainage payable	14,767	103,629	118,396
Unearned revenues	70,349	894,786	965,135
Reimbursements payable to developers	846,715	-	846,715
TOTAL LIABILITIES	6,212,402	3,448,997	9,661,399
DEFERRED INFLOWS OF RESOURCES			
Property taxes	760,118	-	760,118
FUND BALANCES			
Non-spendable:			
Inventory on hand	292,592	-	292,592
Donated restricted principal	-	25,000	25,000
Restricted for:			
Federal and state grant programs	131,315	198,807	330,122
Debt service	-	1,578,973	1,578,973
Drug enforcement	251,362	-	251,362
Bond issue construction	-	5,731,878	5,731,878
Accommodations tax projects	3,840,952	-	3,840,952
Capital lease proceeds unspent	426,082	-	426,082
Constrained by external donors	181,985	681,279	863,264
Committed			
Downtown parking	218,164	-	218,164
Landscape maintenance district	70,987	-	70,987
Unassigned	2,663,028	(34,834)	2,628,194
TOTAL FUND BALANCES	8,076,467	8,181,103	16,257,570
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 15,048,987	\$ 11,630,100	\$ 26,679,087

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, 2017

Total fund balances for governmental funds \$ 16,257,570

Total net assets reported for governmental activities in the
Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 181,117,579

Other long-term assets are not available to pay for current period expenditures
and, therefore, are reported as unavailable revenue in the funds. 901,407

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. (56,117,031)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds. (96,748,835)

Net position of governmental activities \$ 45,410,690

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, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 27,343,972	\$ -	\$ 27,343,972
Accommodations and hospitality taxes	6,174,995	-	6,174,995
Licenses and permits	11,422,286	-	11,422,286
Fines and forfeitures	578,222	-	578,222
Intergovernmental	3,486,961	7,469,624	10,956,585
Charges for services	11,450,006	-	11,450,006
Impact fees	-	485,070	485,070
Investment earnings	6,386	8,335	14,721
Lease revenue	-	560,000	560,000
Management fees	289,950	-	289,950
Program income	-	168,353	168,353
Other	4,716,744	14,150	4,730,894
Total revenues	<u>65,469,522</u>	<u>8,705,532</u>	<u>74,175,054</u>
EXPENDITURES			
Current:			
General government	19,350,858	951,289	20,302,147
Public safety	24,074,575	301,599	24,376,174
Public works	6,736,773	-	6,736,773
Parks, recreation and tourism	12,551,404	378,715	12,930,119
Capital outlay	4,448,099	15,226,854	19,674,953
Debt service:			
Principal	3,731,698	516,400	4,248,098
Interest and fees	2,674,882	392,659	3,067,541
Costs of issuance	-	185,500	185,500
Capital lease payments	3,534,068	-	3,534,068
Total expenditures	<u>77,102,357</u>	<u>17,953,016</u>	<u>95,055,373</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(11,632,835)</u>	<u>(9,247,484)</u>	<u>(20,880,319)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,574,495	32,851	7,607,346
Transfers out	(297,851)	-	(297,851)
General obligation bonds issued	-	3,500,000	3,500,000
Municipal improvement district bonds issued	-	3,105,000	3,105,000
Proceeds from SC DHEC loans	1,500,000	-	1,500,000
Proceeds from capital lease	3,203,443	-	3,203,443
Total other financing sources (uses)	<u>11,980,087</u>	<u>6,637,851</u>	<u>18,617,938</u>
NET CHANGE IN FUND BALANCE	347,252	(2,609,633)	(2,262,381)
FUND BALANCE, BEGINNING OF YEAR	<u>7,729,215</u>	<u>10,790,736</u>	<u>18,519,951</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,076,467</u>	<u>\$ 8,181,103</u>	<u>\$ 16,257,570</u>

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, 2017

Net change in fund balances - total governmental funds \$ (2,262,381)

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. 7,909,052

The net effect of various transactions involving capital assets (i.e., sales, transfers, and donations) is to decrease net assets. 787,921

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (94,069)

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. (3,442,645)

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. (2,618,218)

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. (297,136)

Change in net assets of governmental activities \$ (17,476)

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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$ 26,578,662	\$ 27,343,972	\$ 765,310
Accommodations and hospitality taxes	6,069,884	6,174,995	105,111
Licenses and permits	11,090,500	11,422,286	331,786
Fines and forfeitures	858,874	578,222	(280,652)
Intergovernmental	3,248,843	3,486,961	238,118
Charges for services	11,209,914	11,450,006	240,092
Investment earnings	10,200	6,386	(3,814)
Management fees	-	289,950	289,950
Other	2,988,549	4,716,744	1,728,195
Total revenues	<u>62,055,426</u>	<u>65,469,522</u>	<u>3,414,096</u>
EXPENDITURES			
Current:			
General government	17,648,001	19,350,858	(1,702,857)
Public safety	22,881,837	24,074,575	(1,192,738)
Public works	7,208,630	6,736,773	471,857
Parks, recreation and tourism	11,475,797	12,551,404	(1,075,607)
Capital outlay			
Operating budget capital	453,400	1,659,066	(1,205,666)
Lease purchase capital	-	2,789,033	(2,789,033)
Debt service:			
Principal	3,429,768	3,731,698	(301,930)
Interest and fees	2,571,225	2,674,882	(103,657)
Capital lease payments	3,569,563	3,534,068	35,495
Total expenditures	<u>69,238,221</u>	<u>77,102,357</u>	<u>(7,864,136)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,182,795)</u>	<u>(11,632,835)</u>	<u>(4,450,040)</u>
OTHER FINANCING SOURCES:			
Transfers in	7,447,795	7,574,495	126,700
Transfers out	(265,000)	(297,851)	(32,851)
Proceeds from SC DHEC loans	-	1,500,000	1,500,000
Proceeds from capital lease	-	3,203,443	3,203,443
Total other financing sources	<u>7,182,795</u>	<u>11,980,087</u>	<u>4,797,292</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	347,252	347,252
FUND BALANCE, BEGINNING OF YEAR	<u>7,729,215</u>	<u>7,729,215</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,729,215</u>	<u>\$ 8,076,467</u>	<u>\$ 347,252</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, 2017

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
ASSETS			
Cash and cash equivalents	\$ 17,863,670	\$ 2,778,505	\$ 20,642,175
Receivables (net of allowance for uncollectible accounts):			
Utility accounts	18,883,694	-	18,883,694
Direct financing lease	558,814	-	558,814
Other	565,833	-	565,833
Prepaid expenses	141,891	7,875	149,766
Inventories	3,032,965	-	3,032,965
Total current assets	<u>41,046,867</u>	<u>2,786,380</u>	<u>43,833,247</u>
Restricted assets, cash and equivalents	99,390,977	655,815	100,046,792
Capital assets - net	332,881,168	14,754,379	347,635,547
Construction in progress	34,519,908	2,710,240	37,230,148
Total noncurrent assets	<u>466,792,053</u>	<u>18,120,434</u>	<u>484,912,487</u>
Total assets	<u>507,838,920</u>	<u>20,906,814</u>	<u>528,745,734</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	3,472,577	173,027	3,645,604
Deferred charge on refunding	277,872	-	277,872
Total deferred outflows of resources	<u>3,750,449</u>	<u>173,027</u>	<u>3,923,476</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13,499,813	540,729	14,040,542
Utility deposits	3,976,469	-	3,976,469
Accrued interest payable	3,903,245	32,319	3,935,564
Contract retainage payable	566,638	36,480	603,118
Current portion of long-term obligations	10,067,306	734,926	10,802,232
Total current liabilities	<u>32,013,471</u>	<u>1,344,454</u>	<u>33,357,925</u>
Noncurrent liabilities			
Net pension liability	16,096,469	1,109,535	17,206,004
Noncurrent liabilities due in more than one year	213,158,227	7,451,754	220,609,981
Total noncurrent liabilities	<u>229,254,696</u>	<u>8,561,289</u>	<u>237,815,985</u>
Total liabilities	<u>261,268,167</u>	<u>9,905,743</u>	<u>271,173,910</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	20,635	1,093	21,728
Total deferred inflows of resources	<u>20,635</u>	<u>1,093</u>	<u>21,728</u>
NET POSITION			
Invested in capital assets, net of related debt	242,845,734	9,323,017	252,168,751
Unrestricted	7,454,833	1,849,988	9,304,821
Total net position	<u>\$ 250,300,567</u>	<u>\$ 11,173,005</u>	<u>\$ 261,473,572</u>

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 NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
OPERATING REVENUES:			
Electric sales	\$ 106,633,117	\$ -	\$ 106,633,117
Water sales	16,443,045	-	16,443,045
Sewer charges	22,563,416	-	22,563,416
Impact fees	568,043	-	568,043
Stormwater charges	-	3,984,189	3,984,189
Government grants	2,868,449	-	2,868,449
Other user charges	4,997,403	151,701	5,149,104
Total operating revenues	<u>154,073,473</u>	<u>4,135,890</u>	<u>158,209,363</u>
OPERATING EXPENSES:			
Purchased power	84,341,412	-	84,341,412
System operations	24,814,663	2,020,353	26,835,016
Depreciation and amortization	12,237,836	999,559	13,237,395
General and administrative	8,969,249	652,326	9,621,575
Total operating expenses	<u>130,363,160</u>	<u>3,672,238</u>	<u>134,035,398</u>
OPERATING INCOME	<u>23,710,313</u>	<u>463,652</u>	<u>24,173,965</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	1,005,362	27,467	1,032,829
Interest expense	(5,130,312)	(383,354)	(5,513,666)
Loss on disposal of capital assets	(7,460)	-	(7,460)
Total nonoperating revenues (expenses)	<u>(4,132,410)</u>	<u>(355,887)</u>	<u>(4,488,297)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	19,577,903	107,765	19,685,668
CAPITAL CONTRIBUTIONS	2,319,297	134,105	2,453,402
TRANSFERS IN	265,000	-	265,000
TRANSFERS OUT	<u>(7,574,495)</u>	<u>-</u>	<u>(7,574,495)</u>
CHANGE IN NET ASSETS	14,587,705	241,870	14,829,575
TOTAL NET POSITION - BEGINNING	<u>235,712,862</u>	<u>10,931,135</u>	<u>246,643,997</u>
TOTAL NET POSITION - END	<u>\$ 250,300,567</u>	<u>\$ 11,173,005</u>	<u>\$ 261,473,572</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, 2017

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from external customers	\$ 144,470,198	\$ 3,984,189	\$ 148,454,387
Cash receipts from internal customers	5,576,309	-	5,576,309
Cash payments to employees for services	(9,901,471)	(511,051)	(10,412,522)
Cash payments to other suppliers of goods or services	(107,159,482)	(1,729,587)	(108,889,069)
Other operating cash receipts	4,997,403	151,701	5,149,104
Net cash provided by operating activities	<u>37,982,957</u>	<u>1,895,252</u>	<u>39,878,209</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the general fund	265,000	-	265,000
Transfers to the general fund	(7,574,495)	-	(7,574,495)
Net cash used in noncapital financing activities	<u>(7,309,495)</u>	<u>-</u>	<u>(7,309,495)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(23,399,515)	(1,443,944)	(24,843,459)
Issuance of utility revenue bonds	92,086,332	87,988	92,174,320
Premium on issuance of utility revenue bonds	11,541,044	-	11,541,044
Payment of bond anticipation notes	(5,000,000)	-	(5,000,000)
Payment of bonds	(7,874,094)	(496,366)	(8,370,460)
Payment of capital leases	(1,811,737)	(212,405)	(2,024,142)
Interest paid on bonds and capital leases	(4,458,855)	(387,345)	(4,846,200)
Net cash provided by (used in) capital and related financing activities	<u>61,083,175</u>	<u>(2,452,072)</u>	<u>58,631,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received on direct financing lease receivable	166,934	-	166,934
Interest received on investments	1,005,362	27,467	1,032,829
Net cash provided by investing activities	<u>1,172,296</u>	<u>27,467</u>	<u>1,199,763</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,928,933	(529,353)	92,399,580
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,325,714	3,963,673	28,289,387
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 117,254,647</u>	<u>\$ 3,434,320</u>	<u>\$ 120,688,967</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, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric, Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Operating income	\$ 23,710,313	\$ 463,652	\$ 24,173,965
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	12,237,836	999,559	13,237,395
Changes in assets and liabilities:			
Decrease in utility receivables	226,264	-	226,264
Decrease in other receivables	556,078	-	556,078
Increase in prepaid expenses	(141,891)	(7,875)	(149,766)
Increase in inventories	(502,618)	-	(502,618)
Increase in accounts payable and accrued liabilities	812,296	386,511	1,198,807
Increase in utility deposits	188,095	-	188,095
Pension-related liabilities, deferred inflows and deferred outflows	835,105	40,428	875,533
Increase in liability for accumulated leave	61,479	12,977	74,456
	<u>61,479</u>	<u>12,977</u>	<u>74,456</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 37,982,957</u>	 <u>\$ 1,895,252</u>	 <u>\$ 39,878,209</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions of capital assets from developers	\$ 2,261,991	\$ 134,105	\$ 2,396,096
Capital lease issued for acquisition of capital assets	802,520	254,036	1,056,556

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

CITY OF ROCK HILL, SOUTH CAROLINA

RETIREE BENEFITS PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 190,447
Investments at fair value	4,892,915
Receivables	5,744
Accrued investment income	23,780
Prepaid expenses	806
Total Assets	<u>\$ 5,113,692</u>

NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS \$ 5,113,692

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

CITY OF ROCK HILL, SOUTH CAROLINA

RETIREE BENEFITS PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS:

Employer contributions	\$ 736,669
Investment income:	
Net decrease in fair value of investments	<u>(93,841)</u>
Total additions	<u>642,828</u>

DEDUCTIONS:

Administrative expense	<u>32,409</u>
------------------------	---------------

NET INCREASE IN NET POSITION 610,419

NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Beginning of year	<u>4,503,273</u>
End of year	<u>\$ 5,113,692</u>

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, 2017

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 and gets all of its funding from City hospitality taxes, 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 Activities) report information on all of the 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.

Governmental 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 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.

The City reports the following nonmajor governmental funds:

Special revenue funds are used to account for funding that is restricted by an external grantor agency. Capital projects funds are used to account for funding from governmental bond issues, impact fees and a bicycle racing facility. A permanent fund is used to account for a donated beautification fund and a cemetery perpetual care fund.

The City reports the following nonmajor proprietary fund:

The stormwater fund accounts for the activities of the City's stormwater 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 among 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 of Ordinances 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 2016 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 acquisition 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 \$10,271,181. Of this amount, \$1,948,122, 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, equipment and infrastructure assets 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 with 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, 2017, 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.

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	\$ 181,117,579	\$ 384,865,695
Deduct capital-related debt		
Bonds, notes and loans	(78,836,640)	(208,512,307)
Premiums and discounts	(1,480,788)	(14,014,939)
Deferred charges on bond refundings	470,091	277,872
Capital leases	(9,597,482)	(7,278,783)
Contract retainage payable	(118,396)	(603,118)
Add: unspent debt proceeds	8,913,969	97,434,331
	<u>\$ 100,468,333</u>	<u>\$ 252,168,751</u>

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 Position:

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	\$ (80,317,427)
Accrued interest	(770,551)
Deferred losses on bond refundings	470,091
Capital lease	(9,597,482)
Compensated absences	(6,533,466)
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (96,748,835)</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	\$ 27,807,798
Total capital assets, being depreciated	261,031,608
Accumulated depreciation	(107,721,827)
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 181,117,579</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	\$ 760,117
Rehabilitation loans	<u>141,290</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 901,407</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	\$ 12,609,638
Deferred inflows	(43,719)
Net pension liability	<u>(68,682,950)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (56,117,031)</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	\$ 19,674,953
Capital assets donated by developers	1,925,809
Expenses treated as capital ultimately expensed	(1,725,741)
Sale of land	(1,686,295)
Depreciation expense	<u>(10,279,674)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 7,909,052</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:

Gain on sale of land	\$ 866,641
Loss on asset disposals	<u>(78,720)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 787,921</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	\$ (113,312)
Rehabilitation loans	<u>19,243</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (94,069)</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:

Municipal improvement district bonds issued	\$ (3,105,000)
General obligation bonds issued	(3,500,000)
SC DHEC loans issued	(1,500,000)
SC DHEC loans forgiven	200,000
Principal repayments on bonds	4,063,000
Principal repayments on HUD Section 108 loans	104,000
Principal repayments on SC DHEC loan	81,098
Accrued interest on bonds	(22,862)
Capital lease borrowings	(3,203,443)
Capital lease repayment	<u>3,440,562</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (3,442,645)</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>\$ (2,618,218)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (2,618,218)</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 difference are as follows:

Amortization expense on deferred charges	\$ (77,114)
Recognition, as interest income, of premium on bond issuance	218,643
Compensated absences	<u>(438,665)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (297,136)</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. During the fiscal year, the total expenditures of several departments finished over budget. These budgetary expenditure variances were offset by revenues that came in over budget as well. The fund balance deficit in the other federal grants fund resulted from the Neighborhood Stabilization Program or NSP. The City actually has grant revenues and amounts categorized as deferred revenues in excess of the costs of the program. However, due to technical requirements from South Carolina State Housing, the City cannot recognize the deferred amounts as revenue until receiving formal approval from that state agency.

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, 2017, 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, 2017, the City had a balance of \$87,473,065 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, 2017, was \$139,641,048, including amounts in the investment pool. The bank balances for those deposits totaled \$141,961,322. 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 \$13,939,386 held for debt service reserve funds as required by various bond indentures, \$93,643,250 in unspent bond construction proceeds and \$1,626,251 in unspent equipment lease proceeds.

Total deposits for the Housing Development Corporation at June 30, 2017 were \$569,074. 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, 2017 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 \$384,180, all with one-year maturities.

The City's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Money market mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued based on developed models in which there are few, if any, observable inputs.

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Certificates of Deposit	\$ 60,352	\$ 60,352	\$ -	\$ -
Total Investments by Fair Value Level	<u>60,352</u>	<u>\$ 60,352</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV)				
State of S.C. Treasurer's Investment Pool	87,473,065			
Total Investments held in the City's Name	<u>\$ 87,533,417</u>			

The investment pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code of Laws. The investment pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GAAP, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the investment pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by investment pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the investment pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, PO Box 11778, Columbia, South Carolina 29211-1950.

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 Position</u>	<u>Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 29,802,735	\$ 184,894
Investments	60,352	384,180
Cash and cash equivalents - restricted for debt service and construction	109,208,887	-
Total	<u>\$ 139,071,974</u>	<u>\$ 569,074</u>
 <u>Disclosure, Deposits and Investments</u>		
Carrying value of deposits		
Held by State Treasurer	\$ 87,473,065	\$ -
Other	51,527,047	184,894
Investments, reported amount		
Certificates of deposit	60,352	384,180
Cash on hand	11,510	-
Total disclosure, deposits and investments	<u>\$ 139,071,974</u>	<u>\$ 569,074</u>

B. Receivables

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Enterprise	Total
	General	Nonmajor Funds	Electric, Water, Wastewater	
Receivables				
Property taxes and assessments	\$ 3,040,471	\$ -	\$ -	\$ 3,040,471
Intergovernmental	-	477,928	-	477,928
Utility accounts	-	-	19,858,694	19,858,694
Direct financing lease	-	-	558,814	558,814
Court fines	2,538,259	-	-	2,538,259
Other	2,933,693	3,335,860	565,833	6,835,386
Gross receivables	8,512,423	3,813,788	20,983,341	33,309,552
Less: allowance for uncollectible accounts	(5,303,562)	-	(975,000)	(6,278,562)
Net total receivables	\$ 3,208,861	\$ 3,813,788	\$ 20,008,341	\$ 27,030,990

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, 2017 is as follows:

Primary Government

Governmental activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,242,233	\$ -	\$ 819,654	\$ 1,422,579
Construction in progress	15,851,805	14,400,303	3,866,889	26,385,219
Total capital assets, not being depreciated	18,094,038	14,400,303	4,686,543	27,807,798
Capital assets, being depreciated				
Buildings and land improvements	99,059,208	630,411	-	99,689,619
Infrastructure	111,996,262	4,360,679	-	116,356,941
Machinery and equipment	40,703,956	4,350,517	1,063,888	43,990,585
Furniture and fixtures	994,463	-	-	994,463
Total capital assets, being depreciated	252,753,889	9,341,607	1,063,888	261,031,608
Less accumulated depreciation for:				
Buildings and land improvements	28,268,362	2,336,204	-	30,604,566
Infrastructure	41,398,562	3,335,480	-	44,734,042
Machinery and equipment	27,769,309	4,607,865	985,168	31,392,006
Furniture and fixtures	991,088	125	-	991,213
Total accumulated depreciation	98,427,321	10,279,674	985,168	107,721,827
Total capital assets being depreciated, net	154,326,568	(938,067)	78,720	153,309,781
Governmental capital asset activities, net	\$ 172,420,606	\$ 13,462,236	\$ 4,765,263	\$ 181,117,579

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	29,015,655	18,404,952	10,190,459	37,230,148
Total capital assets, not being depreciated	<u>33,595,932</u>	<u>18,404,952</u>	<u>10,190,459</u>	<u>41,810,425</u>
Capital assets, being depreciated				
Electric plant in service	164,843,630	7,666,584	-	172,510,214
Water plant in service	125,190,131	7,892,724	-	133,082,855
Sewer plant in service	138,392,794	2,802,342	-	141,195,136
Stormwater plant in service	22,436,625	195,308	-	22,631,933
Buildings	64,661,358	-	-	64,661,358
Machinery and equipment	14,690,000	1,904,027	277,513	16,316,514
Total capital assets, being depreciated	<u>530,214,538</u>	<u>20,460,985</u>	<u>277,513</u>	<u>550,398,010</u>
Less accumulated depreciation for:				
Electric plant in service	60,230,774	3,797,072	-	64,027,846
Water plant in service	35,073,305	2,531,004	-	37,604,309
Sewer plant in service	49,590,326	3,172,586	-	52,762,912
Stormwater plant in service	7,807,065	748,399	-	8,555,464
Buildings	30,182,225	1,415,233	-	31,597,458
Machinery and equipment	11,565,683	1,499,121	270,053	12,794,751
Total accumulated depreciation	<u>194,449,378</u>	<u>13,163,415</u>	<u>270,053</u>	<u>207,342,740</u>
Total capital assets being depreciated, net	<u>335,765,160</u>	<u>7,297,570</u>	<u>7,460</u>	<u>343,055,270</u>
Business-type capital asset activities, net	<u>\$ 369,361,092</u>	<u>\$ 25,702,522</u>	<u>\$ 10,197,919</u>	<u>\$ 384,865,695</u>

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

Governmental activities:

General government	\$ 4,547,321
Public safety	2,143,679
Public works	2,351,537
Parks, recreation and tourism	1,237,137
Total depreciation expense - governmental activities	<u>\$ 10,279,674</u>

Business-type activities:

Electric	\$ 4,801,740
Water	3,124,314
Sewer	4,237,802
Stormwater	999,559
Total depreciation expense - business-type activities	<u>\$ 13,163,415</u>

D. Interfund receivables, payables and transfers

Due to / from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	
General	Nonmajor governmental funds	\$ 980,839
	Total	<u>\$ 980,839</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	\$ 32,851	\$ 297,851
Electric, water, sewer fund	\$ 7,574,495			7,574,495
Total transfers out	<u>\$ 7,574,495</u>	<u>\$ 265,000</u>	<u>\$ 32,851</u>	<u>\$ 7,872,346</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 the Freedom Walkway project.

E. Leases

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 the Town of 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 \$558,814.

Annual aggregate future minimum lease payments are as follows:

<u>Year ending June 30</u>	
2018	\$ 202,515
2019	202,581
2020	<u>202,185</u>
Total future minimum lease payments to be received	607,281
Less: amounts representing unearned interest at 5.96%	<u>48,467</u>
Net investment in direct financing lease	<u>\$ 558,814</u>

Capital leases

The City leases a total of 295 vehicles and heavy equipment pieces used for sanitation, street cleaning, and public safety and 70 vehicles for electric, water, wastewater and stormwater. 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 \$24,561,335 and \$5,594,067. Accumulated depreciation on the assets at June 30, 2017 was \$16,460,534 for governmental and \$3,429,556 for business-type assets. 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, 2017 was \$1,415,810.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year ending June 30</u>	<u>Government</u>	<u>Business-Type</u>	<u>Total</u>
2018	\$ 2,753,855	\$ 1,554,873	\$ 4,308,728
2019	2,211,588	1,092,414	3,304,002
2020	1,785,692	1,013,854	2,799,546
2021	1,256,648	883,137	2,139,785
2022	765,080	748,528	1,513,608
2023 - 2027	1,278,258	2,525,726	3,803,984
Total future minimum lease payments	10,051,121	7,818,532	17,869,653
Less: amounts representing interest	453,639	539,749	993,388
Present value of minimum lease payments	<u>\$ 9,597,482</u>	<u>\$ 7,278,783</u>	<u>\$ 16,876,265</u>

F. Short-term debt

Business-type activities

On October 29, 2015, the City issued \$5,000,000 in bond anticipation notes (BANs) to finance a number of improvements to the water and sewer systems. The BANs bore interest at the rate of 0.77% and matured on October 28, 2016. On October 26, 2016, the City issued \$90,040,000 in combined utility system revenue bonds, a portion of which was used to pay off the BANs. The City paid the accrued interest of \$38,393 on the BANs from budgetary funds. Short-term debt activity for the year ended June 30, 2017 was:

<u>Year Ending</u> <u>June 30,</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
2016	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
2017	5,000,000	-	5,000,000	-

G. 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, 2017 was \$92,707,000.

The tax increment financing 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). The 2012 tax increment financing bonds bear interest at rates of 3.62% to 4.42% with annual principal payments through May 1, 2029. The 2013A tax increment financing bonds bear interest at the rate of 4.80% with annual principal payments through April 1, 2038. The 2013B tax increment financing bonds (taxable series) bear interest at the rate of 6.125% with annual payments through April 1, 2038. The 2015 tax increment financing bonds bear interest at the rate of 2.74% with annual principal payments through May 1, 2029. The 2015B tax increment financing bonds bear interest at the rate of 3.49% with annual principal payments through May 1, 2030.

The general obligation bonds are secured by the full faith, credit and taxing power of the City. The bonds bear interest at rates from 2.72% 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, 2017, 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
2018	\$ 1,308,000	\$ 670,405	\$ 1,465,000	\$ 1,125,706	\$ 206,154	\$ 15,572	\$ 108,000	\$ 69,697	\$ 321,000	\$ 202,820	\$ 1,435,000	\$ 715,075
2019	1,257,000	613,816	1,525,000	1,075,846	208,220	13,506	112,000	64,648	345,000	189,050	1,480,000	667,035
2020	1,280,000	577,671	1,591,000	1,023,703	210,308	11,418	117,000	59,212	371,000	174,240	1,530,000	617,292
2021	1,303,000	541,422	1,652,000	969,167	188,453	9,310	121,000	53,362	398,000	158,300	1,595,000	555,395
2022	1,382,000	504,262	1,739,000	912,389	129,300	7,633	126,000	47,180	426,000	141,190	1,660,000	490,542
2023-2027	4,621,000	1,884,377	9,849,000	3,554,086	130,596	6,336	409,000	100,878	2,346,000	404,500	6,835,000	1,459,713
2028-2032	4,134,000	1,090,855	6,735,000	1,821,503	535,609	12,121	459,000	26,355	418,000	31,750	4,245,000	515,493
2033-2037	2,710,000	301,781	3,525,000	823,075	-	-	-	-	-	-	425,000	21,250
2038	-	-	870,000	46,313	-	-	-	-	-	-	-	-
Total	\$17,995,000	\$6,184,589	\$28,951,000	\$11,351,788	\$1,608,640	\$75,896	\$1,452,000	\$421,332	\$4,625,000	\$1,301,850	\$19,205,000	\$5,041,795

The debt service requirements to maturity for obligations related to blended component unit obligations at June 30, 2017, 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
2018	\$ -	\$ 217,350	\$ -	\$ 1,150	\$ -	\$ 27,000
2019	289,043	213,254	213	1,147	1,200,000	-
2020	305,901	196,395	225	1,135	-	-
2021	323,744	178,553	238	1,121	-	-
2022	342,626	159,670	252	1,108	-	-
2023-2027	2,037,250	474,231	1,496	5,301	-	-
2028-2032	481,436	20,860	1,988	4,809	-	-
2033-2037	-	-	2,637	4,158	-	-
2038-2042	-	-	3,503	3,292	-	-
2043-2047	-	-	4,652	2,146	-	-
2048-2051	-	-	4,796	640	-	-
Total	\$ 3,780,000	\$ 1,460,313	\$ 20,000	\$ 26,007	\$ 1,200,000	\$ 27,000

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 South Carolina Department of Health and Environmental Control (SC DHEC) 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%. In January, 2017, the City borrowed \$1,500,000 of Brownfields cleanup loans through SC DHEC to assist with the further cleanup of the Rock Hill Printing and Finishing Company Bleachery site. Upon completion of the work at the site, SC DHEC forgave \$200,000 of the loan. The remaining loan of \$1,300,000 is to be repaid in semiannual installments through May, 2027 plus interest at a 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 of 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 of 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 of 1.86% through April 1, 2023. In February, 2017 the City issued Series 2017 general obligation bonds in the amount of \$3,500,000 for the purposes of building a fire training facility, a burn building and a railroad quiet zone implementation project. The 2017 bonds are to be repaid in annual installments of \$158,000 to \$329,000 plus interest of 2.72% through April 1, 2032.

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 exists up to that point.

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. The 2012 bonds are to be repaid in annual installments of \$93,000 to \$217,000 plus interest of 5.00% through May 1, 2029. On September 29, 2016, the City issued the Riverwalk Municipal Improvement District bonds in the amount of \$3,105,000 for the purpose of building streets and other infrastructure in a portion of the Riverwalk residential area. The 2016 bonds are to be repaid in annual installments of \$146,000 to \$379,000 plus interest of 4.00% through May 1, 2027. 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.

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. The 2013 bonds are to be repaid in annual installments of \$1,370,000 to \$2,047,250 plus interest at 2.00% to 5.00% through April 1, 2033. On February 16, 2016, the City issued the limited obligation bonds, Series 2016 in the amount of \$8,100,000 for the purpose of building and improving a number of park and recreation facilities. The 2016 bonds are to be repaid in annual installments of \$480,000 to \$620,000 plus interest at 2.05% through April 1, 2031.

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 through June 30, 2017 was \$250,929,160.

The debt service requirements to maturity for obligations related to business-type activities obligations at June 30, 2017, 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	Principal	Interest
2018	\$ 7,710,000	\$ 8,713,306	\$ 401,289	\$ 158,060	\$ 513,612	\$ 158,822
2019	6,565,000	8,439,469	408,617	150,731	525,038	147,395
2020	7,080,000	8,174,144	416,082	143,265	536,720	135,713
2021	6,795,000	7,851,094	423,687	135,661	548,662	123,771
2022	6,820,000	7,574,194	431,434	127,914	560,871	111,562
2023-2027	37,135,000	33,211,306	2,278,529	518,210	2,522,352	368,554
2028-2032	41,915,000	23,946,905	2,495,090	301,648	567,911	215,179
2033-2037	34,130,000	14,373,424	1,970,477	72,186	627,482	155,608
2038-2042	25,305,000	7,424,819	-	-	693,302	89,788
2043-2047	19,955,000	2,729,625	-	-	528,144	20,019
Total	<u>\$ 193,410,000</u>	<u>\$ 122,438,286</u>	<u>\$ 8,825,205</u>	<u>\$ 1,607,675</u>	<u>\$ 7,624,094</u>	<u>\$1,526,411</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 years subsequent to issuance the City has 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 7%. For the year ended June 30, 2017, the City received a total reimbursement of \$342,582, 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. The Series 2009C bonds are due in annual installments of \$525,000 to \$595,000 through January 1, 2021 plus interest at 4.00% to 4.50%.

On April 25, 2012, the City issued \$38,280,000 Combined Utility System Revenue Bonds, Series 2012A. All the proceeds from 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 \$2,125,000 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 from 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 \$900,000 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 are being 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 \$365,000 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 financing 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 monies 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%. The City has also borrowed \$4,680,667 for water plant high service pumping modifications and \$4,977,152 for water lines and a new elevated water storage tank. The loans are secured by water revenues and will be paid back in quarterly installments of \$139,837 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. The debt service requirements to maturity table above shows all payments due in the future for the SRF loans. The amount of SRF loans in the table below is less than the amounts in the maturity table, because not all of the loan proceeds have been drawn from the SRF program.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Beginning Balance	Additions	Reductions	Ending Ending Balance	Due Within Due Within One Year
Governmental activities:					
Bonds payable:					
2015 Riverwalk tax increment bonds	\$ 8,356,000	\$ -	\$ (544,000)	\$ 7,812,000	\$ 559,000
2015B Riverwalk tax increment bonds	7,021,000	-	(397,000)	6,624,000	411,000
2012 Textile corridor tax increment bonds	2,525,000	-	(145,000)	2,380,000	150,000
2013A Downtown tax increment bonds	6,315,000	-	-	6,315,000	80,000
2013B Downtown tax increment bonds	3,200,000	-	(105,000)	3,095,000	75,000
2014 Textile corridor tax increment bonds	2,905,000	-	(180,000)	2,725,000	190,000
2012 Riverwalk MID A assessment bonds	1,867,000	-	(85,000)	1,782,000	93,000
2016 Riverwalk MID assessment bonds	-	3,105,000	(262,000)	2,843,000	228,000
2008 General obligation bonds	1,690,000	-	(175,000)	1,515,000	185,000
2011 General obligation bonds	9,510,000	-	(315,000)	9,195,000	330,000
2013A General obligation bonds	1,590,000	-	(70,000)	1,520,000	70,000
2013B General obligation bonds	2,680,000	-	(415,000)	2,265,000	460,000
2017 General obligation bonds	-	3,500,000	-	3,500,000	263,000
2013 Limited obligation bonds	12,475,000	-	(920,000)	11,555,000	955,000
2016 Limited obligation bonds	8,100,000	-	(450,000)	7,650,000	480,000
HUD Section 108 loan	1,556,000	-	(104,000)	1,452,000	108,000
SC Dept of Health and Environmental Control	389,738	-	(81,098)	308,640	81,911
SC Dept of Health and Environmental Control	-	1,500,000	(200,000)	1,300,000	124,243
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	1,699,431	-	(218,644)	1,480,787	-
Total bonds payable	76,879,169	8,105,000	(4,666,742)	80,317,427	4,843,154
Compensated absences	6,094,801	3,188,032	(2,749,367)	6,533,466	2,725,000
Capital leases	9,834,601	3,203,443	(3,440,562)	9,597,482	2,605,505
Governmental activity					
Long-term liabilities	<u>\$ 92,808,571</u>	<u>\$ 14,496,475</u>	<u>\$ (10,856,671)</u>	<u>\$ 96,448,375</u>	<u>\$ 10,173,659</u>
Business-type activities:					
Bonds payable:					
Utility revenue bonds, Series 2009A	\$ 10,365,000	\$ -	\$ (665,000)	\$ 9,700,000	\$ 690,000
Utility revenue bonds, Series 2009B	16,300,000	-	-	16,300,000	-
Utility revenue bonds, Series 2009C	2,735,000	-	(500,000)	2,235,000	525,000
Utility revenue bonds, Series 2012A	31,940,000	-	(2,065,000)	29,875,000	2,125,000
Utility revenue bonds, Series 2012B	22,010,000	-	(3,035,000)	18,975,000	3,105,000
Utility revenue bonds, Series 2013A	19,165,000	-	(865,000)	18,300,000	900,000
Utility revenue bonds, Series 2013B	8,335,000	-	(350,000)	7,985,000	365,000
Utility revenue bonds, Series 2016	-	90,040,000	-	90,040,000	-
State Revolving Fund loans - Laurel St and Tank	2,152,585	1,485,336	(206,612)	3,431,309	210,566
State Revolving Fund loans - High Service Pump	3,673,390	560,996	(187,482)	4,046,904	190,723
State Revolving Fund loans - Stormwater A	3,015,514	-	(272,026)	2,743,488	278,199
State Revolving Fund loans - Stormwater B	1,627,381	-	(142,807)	1,484,574	146,048
State Revolving Fund loans - Stormwater 2015	3,389,577	87,988	(81,533)	3,396,032	89,365
Premium	3,612,060	11,541,044	(845,447)	14,307,657	-
Discount	(320,108)	-	27,390	(292,718)	-
Total bonds payable	128,000,399	103,715,364	(9,188,517)	222,527,246	8,624,901
Compensated absences	1,531,728	941,362	(866,906)	1,606,184	745,000
Capital leases	8,246,368	1,056,557	(2,024,142)	7,278,783	1,432,331
Business-type activity					
Long-term liabilities	<u>\$137,778,495</u>	<u>\$ 105,713,283</u>	<u>\$ (12,079,565)</u>	<u>\$ 231,412,213</u>	<u>\$ 10,802,232</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 Municipal Association of South Carolina. 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 healthcare 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. City Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

Management of the Plan is vested in the City of Rock Hill City Council.

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.

Plan Membership

As of January 1, 2017, the Plan membership consisted of the following:

Retirees, beneficiaries, and spouses currently receiving benefits	187
Terminated employees entitled to benefits but not yet receiving benefits	0
Active members	812
Total	<u>999</u>

Benefits Provided & Contributions

Health care and dental insurance are offered in the City’s Other Post-Employment Benefit Plan until the retiree becomes eligible for Medicare, after which time the retiree continues to receive the City subsidy, if any, but must seek coverage from a third party. Retirees must pay the full premium for dental coverage. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates whenever the retiree or dependent becomes eligible for Medicare.

An employee who works at least 30 hours per week or an elected official leaving City service with a minimum of 25 years of government service, of which five years were with the City, may be eligible to purchase health insurance at the City’s cost upon leaving. A participant with at least 10 years of eligible continuous City service who becomes totally disabled before normal retirement age is eligible to receive the same health insurance coverage explained above. If the participant is a member of PORS and the disability is job related, the service requirement is waived and the City pays 100% of the participant’s premiums. After age 65 or the Medicare eligibility, the City will contribute \$200 per month toward Medicare supplement coverage. For retirees, only service prior to retirement is considered for OPEB plan eligibility and benefits. The City will contribute up to \$200 towards the single member monthly health insurance premium for retired employees depending on their date of hire and years of City service as follows:

Years of Service	Amount Paid by the City	
	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	-

Investments

Investment Policy

SC ORBET (the “Trust”) can only invest in instruments allowed under state law, similar to those defined above in IV, A, Deposits. The Trust cannot currently invest in equities. The primary objective of the investment policy is to maintain a portfolio of investment assets that meet both its short-term and long-term needs. In evaluating investments, the Trust considers potential volatility, specific safety, liquidity and yield, given current market conditions. The portfolio selected should seek to meet or exceed the return provided by the following portfolio benchmarks i) the Barclay’s Capital Government Bond Index; and (ii) a blended benchmark of 60% Barclay’s Capital Government Bond Index and 40% Barclay’s Capital U.S. MBS Index. Three to five year returns will be used for performance evaluation.

There are no maturity limitations on individual bonds. However, the portfolio’s weighted average maturity, as expressed by its effective duration, should be equal to the effective duration of the Blended Benchmark of 60% Barclay’s Capital Government Bond Index and 40% Barclay’s Capital U.S. MBS Index +/- 25 percent as market conditions warrant. No single issue should comprise more than five percent of the portfolio nor should any issuer comprise more than ten percent of the portfolio except treasury and agency issues. Funds are considered “available for sale” depending upon market conditions and opportunities with a bias towards a “buy and hold” strategy.

Management will invest short-term operating funds only in allowable instruments and will keep the primary objective of

preservation of capital in mind when making such decisions.

Rate of return

For the year ended June 30, 2018 the annual money weighted rate of return on investments, net of investment expense, was 4.75 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City of Rock Hill

The components of the net OPEB Liability of the City as of January 1, 2017 were as follows:

Total OPEB Liability	\$ 15,321,611
Plan fiduciary net position	<u>4,602,468</u>
City's net OPEB liability	<u>\$ 10,719,143</u>

Plan fiduciary net position as a percentage of the total OPEB liability: 30.04%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment Rate of Return	4.75% includes inflation at 2.25%
Medical Cost Trend Rate	7.50% - 5.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend Rate	2023

The assumed investment rate of return reflects the fact that assets are legally held exclusively for other post-employment benefits. Rates of active member mortality are based upon the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect the anticipated experience and provide margin for future improvements. The actuarial assumptions used in the January 1, 2017 valuation were based on the results of a 2016 actuarial experience study.

Discount Rate

The discount rate to measure the total OPEB liability was 4.75% per annum, compounded annually. This is assumed to be net of the investment and administrative fees other than actuarial valuation fees. Since the end of the prior fiscal year the discount rate has decreased from 5.00 percent to 4.75 percent.

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 22 years. The current ARC rate assumes payroll increasing at a level annual rate of 3.5% to 6.0%.

Annual OPEB Cost and Funded Status and Funding Progress

For the year ended June 30, 2017, the annual OPEB cost (expense) of \$1,107,297 for the Plan was equaled the amount

actually contributed. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2017.

Normal cost	\$ 739,669
30 Year amortization of unrefunded accrued liability (UAL)	<u>367,628</u>
Total annual required contribution	<u><u>\$ 1,107,297</u></u>

Contributions included \$736,669 paid by the City to the Plan to pre-fund benefits and \$367,628 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, 2017 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>
6/30/2015	469,885	100%	-
6/30/2016	617,059	100%	-
6/30/2017	739,669	100%	-

The most recent actuarial valuation date for the Plan was January 1, 2017. The actuarially accrued liability for benefits was \$15,321,611, with plan assets, at actuarial value, of \$4,602,468, resulting in an unfunded actuarially accrued liability (UAAL) of \$10,719,143. The covered payroll (annual payroll of active employees covered by the Plan) was \$38,529,475, and the ratio of the UAAL to the covered payroll was 27.82 percent. At June 30, 2017, the Plan's assets totaled \$4,294,422.

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, 2015, valuation. The actuarial assumptions included a 4.0% 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, 2017 was 22 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 State Fiscal Accountability Authority, 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 State's CAFR.

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 South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the 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 Three 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 2016-2017 are as follows:

SCRS

Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation

State ORP Employee	8.66% of earnable compensation
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PORS

Employee Class One	\$21 per month
Employee Class Two	9.24% of earnable compensation
Employee Class Three	9.24% of earnable compensation

- Required **employer** contributions for fiscal year 2016-2017 are as follows:

SCRS

Employer Class Two	11.56% of earnable compensation
Employer Class Three	11.56% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution	11.56% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	14.24% of earnable compensation
Employer Class Three	14.24% 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 11.56% 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 \$3,400,912 and \$1,912,592 for the year ended June 30, 2017, respectively.

At June 30, 2017, the City reported liabilities of \$60,264,901 and \$25,624,053 for its proportionate shares of the SCRS

and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2015 projected forward to June 30, 2016. 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, 2016, the City's proportionate shares of the SCRS and PORS plans were 0.282141% and 1.01022%. At June 30, 2015, the City's proportionate shares of the SCRS and PORS plans were 0.275223% and 0.98789%.

For the year ended June 30, 2017, the City recognized pension expense for the SCRS and PORS plans of \$2,448,670 and \$1,045,080 respectively.

Deferred inflows of resources and deferred outflows of resources:

At June 30, 2017, 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	\$ 624,716	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,070,215	65,447
Changes in proportion and differences between City contributions and proportionate share of contributions	1,342,876	-
City contributions subsequent to the measurement date	3,400,912	-
Total	<u>\$ 10,438,719</u>	<u>\$ 65,447</u>

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 380,212	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,905,542	-
Changes in proportion and differences between City contributions and proportionate share of contributions	618,177	-
City contributions subsequent to the measurement date	1,912,592	-
Total	<u>\$ 5,816,523</u>	<u>\$ -</u>

The \$3,400,912 and \$1,912,592 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, 2017 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2017.

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 Ending June 30:	SCRS
2018	\$ 1,731,237
2019	1,326,143
2020	2,503,077
2021	1,411,903
	<u>\$ 6,972,360</u>

Year Ending June 30:	PORS
2018	\$ 879,165
2019	856,132
2020	1,381,211
2021	787,423
	<u>\$ 3,903,931</u>

Actuarial assumptions and methods:

Actuarial valuations of the ongoing plan 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. An experience report on the systems was most recently issued as of July 1, 2015.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 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
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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 2015. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.85 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.10 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
Global Equity:	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets:	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic:	20.0%		
Global Tactical Asset Allocation	10.0%	3.90%	0.39%
Hedge Funds (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit:	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Conservative Fixed Income:	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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	\$ 75,178,814	\$ 60,264,901	\$ 47,849,631
PORS	33,582,414	25,624,053	18,741,824

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, 2016, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	\$ 23,996,362,354	\$ 21,359,852,398	52.9%
PORS	6,412,510,458	3,876,035,732	2,536,474,726	60.4%

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 various water and sewer lines and an elevated water storage tank in the enterprise fund and for street construction and bicycling facilities in the capital projects fund. As of June 30, 2017, the outstanding commitments total \$8,842,251 in the enterprise fund and \$1,596,965 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, 2017, the cost of power purchased under this agreement amounted to \$82,655,357 (the remainder of the City's wholesale power cost of \$1,676,055 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 South Carolina 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, 2017 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, 2017 or earlier. The liability for medical claims, \$583,732, 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>
2016	\$ 308,611	\$ 8,952,026	\$ 8,676,905	\$ 583,732
2017	583,732	9,519,097	9,690,309	412,520

F. Consideration of subsequent events

The City has considered subsequent events through December 29, 2017, the date of issuance, in preparing the financial statements and notes hereto.

In October 2017, the City issued \$1,650,000 of downtown tax increment financing bonds to build streets and a parking lot in the downtown area.

In December, 2017, the City issued \$1,625,000 of limited obligation bonds to refinance its Rock Hill Cycling Facilities Corporation A-1 and A-2 loans that mature on January 6, 2018.

In December, 2017, the City issued \$6,500,000 of limited obligation bonds to make certain infrastructure improvements in its textile corridor tax increment financing district.

In December, 2017, the City issued \$8,047,000 combined utility system revenue bonds to partially refund its series 2009A combined utility system revenue bonds in order to obtain lower interest rates.

In October, 2017, the City entered into a new vehicle and heavy equipment lease in the amount of \$3,920,000.

In December, 2017, the City entered into a new automated metering infrastructure lease in the amount of \$10,500,000.

G. Tax Abatements

Infrastructure Reimbursement Agreement:

The City, acting by and through its City Council is authorized by Sections 4-1-175 and 4-29-68 of the Code of Laws of South Carolina, 1976, as amended, to provide a credit against or payment derived from the revenues received and retained by the city from a payment in lieu of taxes pursuant to Section 13 of Article VIII of the South Carolina Constitution and Section 4-1-170 of the Code of Laws of South Carolina, 1976, as amended, for the purpose of paying the cost of designing, acquiring, constructing, improving, or expanding, among other things: (a) the infrastructure serving the issuer or the project, and (b) for improved or unimproved real estate and personal property including the machinery and equipment used in the operation of a manufacturing or commercial enterprise, which property is determined by the City to enhance the economic development of the City.

For the fiscal year ended June 30, 2017 the City reimbursed property taxes totaling \$1,243,139.59 under this program. The payments are as follows:

<u>Name</u>	<u>Amount Reimbursed FY16-17</u>
Oerlikon Balzers Coating USA, Inc.	\$ 37,729
Ross Dress for Less	1,079,778
Coroplast Tape Corporation	60,943
Mckesson Medical-Surgical, Inc.	64,689
	<u>\$ 1,243,139</u>

FEE IN LIEU OF TAXES:

The City of Rock Hill enters into property tax abatement agreements with local businesses under South Carolina Code Title 12, Chapter 44. Under that legislation, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the village.

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with 36 entities as of June 30, 2017:

<u>Name</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
3D Systems Corporation	-4.02%	\$ 24,247
3D Systems Inc.	40.31%	10,543
Atotech USA Inc.	36.82%	60,033
Atotech USA Inc.	36.82%	3,228
Atotech USA Inc.	36.50%	61,015
Atotech USA Inc.	36.50%	3,041
Beacon 11 LLC	6.64%	553
Beacon 11 LLC	6.65%	4,014
Bradman Lake Inc.	46.66%	1,292
Bradman Lake Inc.	46.66%	114
Composite Resources Inc.	43.96%	12,899
Core Autosport LLC	38.33%	2,786
Coroplast Tape Corporation	45.47%	60,943
Exel Inc.	43.16%	22,141
Hartmann USA Inc.	45.76%	44,549
Lexington Corporate Properties Inc.	5.08%	39,379
Lexington Realty Trust % Riverwalk	5.08%	84,836
McKesson Medical Surgical Inc.	26.43%	176,008
Oerlikon Balzers Coating USA	45.76%	37,729
PFG Customized South Carolina	26.53%	67,564
Physicians Choice Laboratory	39.70%	35,409
Possehl Connector Services SC	45.21%	15,716
Pulera Chemicals LLC	44.92%	10,359
Retford Investments LLC	46.66%	14,845
Riverwalk Commerce LLC	2.03%	58,712
Ross Dress For Less Inc	16.46%	203,034
Ross Dress For Less Inc	22.29%	876,744
Select Income REIT	5.08%	166,778
Southcross Owner LLC	6.65%	10,987
Southcross Owner LLC	6.65%	15,935
Transaxle Manufacturing of	45.84%	65,143
Transaxle Manufacturing of	45.84%	6,816
Transaxle Manufacturing of	45.76%	29,114
Winbro Group Technologies LLC	45.02%	36,756
Workspace Resources LLC	43.96%	39,966
		<u>\$ 2,303,228</u>
Lexington Realty Trust	-	<u>74,986</u>
		<u><u>\$ 2,378,214</u></u>

H. 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, 2017:

	Electric	Water	Sewer	Stormwater	Total
Operating revenues					
Sales and primary service charges	\$ 106,633,117	\$ 16,443,045	\$ 22,563,416	\$ 3,984,189	\$ 149,623,767
Impact fees	-	220,370	347,673	-	568,043
Government grants	115,582	1,688,681	1,064,186	-	2,868,449
Other user charges	4,348,300	396,514	252,590	151,700	5,149,104
Total operating revenues	111,096,999	18,748,610	24,227,865	4,135,889	158,209,363
Operating expenses					
Purchased power	84,341,412	-	-	-	84,341,412
System operations	11,542,889	6,562,815	6,708,959	2,020,353	26,835,016
Depreciation and amortization	4,819,986	3,169,847	4,248,003	999,559	13,237,395
General and administrative	3,978,761	2,681,422	2,309,066	652,326	9,621,575
Total operating expenses	104,683,048	12,414,084	13,266,028	3,672,238	134,035,398
Operating income	6,413,951	6,334,526	10,961,837	463,651	24,173,965
Nonoperating revenues (expenses)					
Interest income	321,303	476,411	207,648	27,467	1,032,829
Interest expense	(1,306,649)	(2,349,095)	(1,474,568)	(383,354)	(5,513,666)
Loss on disposal of capital assets	(7,460)	-	-	-	(7,460)
Total nonoperating revenues (expenses)	(992,806)	(1,872,684)	(1,266,920)	(355,887)	(4,488,297)
Income before contributions and transfers	5,421,145	4,461,842	9,694,917	107,764	19,685,668
Capital contributions from developers	57,306	913,011	1,348,980	134,105	2,453,402
Transfers from the general fund	265,000	-	-	-	265,000
Transfers to the general fund	(1,505,160)	(2,578,011)	(3,491,324)	-	(7,574,495)
Net income	\$ 4,238,291	\$ 2,796,842	\$ 7,552,573	\$ 241,869	\$ 14,829,575

Enterprise fund statement of fund net position 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of Funding Progress for Other
Post Employment Benefit Plans
For the Year Ended June 30, 2017

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017 was:

Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Valuation Date	Jan. 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011
Actuarial accrued liability	\$ 15,321,611	\$ 11,424,299	\$ 11,473,765	\$ 11,473,765	\$ 13,480,183	\$ 13,480,183
Actuarial value of plan assets	<u>4,602,468</u>	<u>3,880,746</u>	<u>2,826,054</u>	<u>2,826,054</u>	<u>1,679,289</u>	<u>1,679,289</u>
Unfunded actuarial accrued liability	<u>\$ 10,719,143</u>	<u>\$ 7,543,553</u>	<u>\$ 8,647,711</u>	<u>\$ 8,647,711</u>	<u>\$ 11,800,894</u>	<u>\$ 11,800,894</u>
Funded ratio	30.04%	33.97%	24.63%	24.63%	12.46%	12.46%
Covered payroll	\$ 38,529,475	\$ 38,007,293	\$ 33,968,262	\$ 33,968,262	\$ 32,365,467	\$ 32,365,467
Unfunded actuarial accrued liability as a percentage of covered payroll	27.82%	19.85%	25.46%	25.46%	36.46%	36.46%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2017

	SCRS			
	2017	2016	2015	2014
City's proportion of the net pension liability	0.282141%	0.275223%	0.271240%	0.271240%
City's proportionate share of the net pension liability	\$ 60,264,901	\$ 52,197,369	\$ 46,698,536	\$ 48,650,780
City's covered payroll during the measurement period	27,321,600	25,787,986	24,634,172	23,903,167
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	220.57603%	202.40964%	189.56812%	203.53278%
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.90%	56.39%

	PORS			
	2017	2016	2015	2014
City's proportion of the net pension liability	1.010220%	0.987890%	0.967340%	0.967340%
City's proportionate share of the net pension liability	\$ 25,624,053	\$ 21,531,049	\$ 18,518,946	\$ 20,052,609
City's covered payroll during the measurement period	12,878,996	12,238,600	11,646,056	11,288,558
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.96002%	175.92739%	159.01474%	177.63659%
Plan fiduciary net position as a percentage of the total pension liability	60.60%	64.60%	67.55%	62.98%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of the City's Contributions
For the Year Ended June 30, 2017

	SCRS			
	2017	2016	2015	2014
Contractually required contribution	\$ 3,400,912	\$ 3,021,769	\$ 2,810,890	\$ 2,611,222
Contributions in relation to the contractually required contribution	<u>3,400,912</u>	<u>3,021,769</u>	<u>2,810,890</u>	<u>2,611,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 29,167,341</u>	<u>\$ 27,321,600</u>	<u>\$ 25,787,986</u>	<u>\$ 24,634,172</u>
Contributions as a percentage of covered-employee payroll	11.66000%	11.06000%	10.90000%	10.60000%

	PORS			
	2017	2016	2015	2014
Contractually required contribution	\$ 1,912,592	\$ 1,769,574	\$ 1,641,196	\$ 1,495,354
Contributions in relation to the contractually required contribution	<u>1,912,592</u>	<u>1,769,574</u>	<u>1,641,196</u>	<u>1,495,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 13,431,124</u>	<u>\$ 12,878,996</u>	<u>\$ 12,238,600</u>	<u>\$ 11,646,056</u>
Contributions as a percentage of covered-employee payroll	14.24000%	13.74000%	13.41000%	12.84000%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

**City Of Rock Hill, South Carolina
Required Supplementary Information
Schedule of Changes in the
City's Net OPEB Liability and Related Ratios**

	<u>2017</u>
Total OPEB liability	
Service cost	Information not available
Interest	Information not available
Changes of benefit terms	Information not available
Differences between expected and actual experience	Information not available
Changes of assumptions	Information not available
Benefit payments	Information not available
Net change in total OPEB liability	3,897,312
Total OPEB liability - beginning	11,424,299
Total OPEB liability - ending (a)	<u>\$ 15,321,611</u>
Plan fiduciary net position	
Net cash flow	\$ 617,059
Amount of investment income for immediate recognition	200,826
Total recognized investment gain (loss)	(136,700)
Net change in plan fiduciary net position	681,185
Plan fiduciary net position - beginning	3,921,283
Plan fiduciary net position - ending (b)	<u>\$ 4,602,468</u>
City's net OPEB liability - ending (a) - (b)	<u>\$ 10,719,143</u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.04%
Covered - employee payroll	\$ 38,529,475
City's net OPEB liability as a percentage of covered - employee payroll	27.82%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

City of Rock Hill, South Carolina
Schedule of City Contributions
Last Nine Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,107,297	\$ 1,029,840	\$ 809,909	\$ 809,909	\$ 1,141,160	\$ 1,141,160	\$ 902,900	\$ 1,089,300	\$ 1,089,300
Contributions in relation to the actuarially determined contribution	1,107,297	1,029,840	809,909	809,909	1,141,160	1,141,160	902,900	1,089,300	1,089,300
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 38,529,475	\$ 38,007,293	\$ 33,968,262	\$ 33,968,262	\$ 32,365,467	\$ 32,365,467	\$ 28,510,900	\$ 31,792,699	\$ 31,792,699
Contributions as a percentage of covered employee payroll	2.87%	2.71%	2.38%	2.38%	3.53%	3.53%	3.17%	3.43%	3.43%

Notes to Schedules:

Valuation date:

The information presented in the required supplementary schedule was determined part of the actuarial valuation at January 1, 2017. Additional information as of the latest actuarial valuation follows.

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percent of pay, closed
Amortization period	22 years
Asset valuation method	5-year Smoothed Market Value
Inflation	2.25%

Schedule of Investment Returns

Last Nine Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expenses	-0.76%	0.47%	2.30%	5.07%	-3.03%	3.41%	6.85%	3.08%	1.35%

SUPPLEMENTAL INFORMATION

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.

2016 Riverwalk MID Bonds – This fund is used to account for the proceeds of the 2016 Riverwalk MID 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.

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.

2017 General Obligation Bonds -- This fund is used to account for the proceeds of the 2017 General Obligation bonds and the expenditure of proceeds on fire training facilities and a railroad crossing noise mitigation project.

2016 Limited Obligation Bonds – This fund is used to account for the proceeds of the 2016 Limited Obligation bonds and the expenditure of proceeds on various parks and recreation capital projects.

2013A 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.

2015 Riverwalk MID Bonds – This fund is used to account for the proceeds of the 2015 Riverwalk Municipal Improvement District bonds and the expenditure of proceeds on utility and infrastructure improvements in the Riverwalk development area.

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 and Beautification 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, 2017

	Special Revenue						2009 Riverwalk TIF bonds
	Community Development	H.O.M.E. program	Blended Component Unit - Rock Hill Cycling Facilities Corporation	Other Federal	Total	Operational Capital	
ASSETS							
Cash and cash equivalents	\$ -	\$ 121,363	\$ 270,050	\$ -	\$ 391,413	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectible accounts):							
Intergovernmental	52,703	-	-	423,001	475,704	2,224	-
Other	534,080	164,859	-	116,620	815,559	2,270,301	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	796,039
Total assets	\$ 586,783	\$ 286,222	\$ 270,050	\$ 539,621	\$ 1,682,676	\$ 2,272,525	\$ 796,039
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 1,196	\$ -	\$ -	\$ 26,082	\$ 27,278	\$ 1,098,185	\$ -
Due to other funds	250,049	-	-	76,540	326,589	599,700	33
Contract retainage payable	-	-	-	-	-	-	-
Unearned revenues	260,538	162,415	-	471,833	894,786	-	-
Total liabilities	511,783	162,415	-	574,455	1,248,653	1,697,885	33
FUND BALANCES:							
Non-spendable fund balance							
Donated restricted principal	-	-	-	-	-	-	-
Restricted fund balance							
Federal and state grant programs	75,000	123,807	-	-	198,807	-	-
Debt service reserve funds	-	-	270,050	-	270,050	-	790,254
Bond issue construction funds	-	-	-	-	-	-	5,752
Restricted by external donors	-	-	-	-	-	574,640	-
Unassigned (deficit)	-	-	-	(34,834)	(34,834)	-	-
Total fund balances (deficit)	75,000	123,807	270,050	(34,834)	434,023	574,640	796,006
Total liabilities and fund balances	\$ 586,783	\$ 286,222	\$ 270,050	\$ 539,621	\$ 1,682,676	\$ 2,272,525	\$ 796,039

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

Capital Projects										Permanent Fund
2016 Riverwalk MID A bonds	2012 Riverwalk MID A bonds	2008 Textile Corridor TIF bonds	2017 General Obligation bonds	2016 Limited Obligation bonds	2013A Fountain Park TIF bonds	2015 Riverwalk MID bonds	Fire Impact Fees	Total	Beautification	Total Nonmajor Governmental Funds
\$ -	\$ 5,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,541	\$ 81,411	\$ 478,365
-	-	-	-	-	-	-	-	-	50,228	50,228
-	-	-	-	-	-	-	-	2,224	-	477,928
-	-	-	-	250,000	-	-	-	2,520,301	-	3,335,860
470,683	208,000	75,748	2,311,504	3,223,470	175,371	26,904	-	7,287,719	-	7,287,719
<u>\$ 470,683</u>	<u>\$ 213,541</u>	<u>\$ 75,748</u>	<u>\$ 2,311,504</u>	<u>\$ 3,473,470</u>	<u>\$ 175,371</u>	<u>\$ 26,904</u>	<u>\$ -</u>	<u>\$ 9,815,785</u>	<u>\$ 131,639</u>	<u>\$ 11,630,100</u>
\$ -	\$ -	\$ 41,297	\$ 171,754	\$ 131,229	\$ -	\$ -	\$ -	\$ 1,442,465	\$ -	\$ 1,469,743
-	-	-	20,426	-	34,091	-	-	654,250	-	980,839
-	-	10,693	37,357	55,579	-	-	-	103,629	-	103,629
-	-	-	-	-	-	-	-	-	-	894,786
-	-	51,990	229,537	186,808	34,091	-	-	2,200,344	-	3,448,997
-	-	-	-	-	-	-	-	-	25,000	25,000
-	-	-	-	-	-	-	-	-	-	198,807
310,669	208,000	-	-	-	-	-	-	1,308,923	-	1,578,973
160,014	5,541	23,758	2,081,967	3,286,662	141,280	26,904	-	5,731,878	-	5,731,878
-	-	-	-	-	-	-	-	574,640	106,639	681,279
-	-	-	-	-	-	-	-	-	-	(34,834)
470,683	213,541	23,758	2,081,967	3,286,662	141,280	26,904	-	7,615,441	131,639	8,181,103
<u>\$ 470,683</u>	<u>\$ 213,541</u>	<u>\$ 75,748</u>	<u>\$ 2,311,504</u>	<u>\$ 3,473,470</u>	<u>\$ 175,371</u>	<u>\$ 26,904</u>	<u>\$ -</u>	<u>\$ 9,815,785</u>	<u>\$ 131,639</u>	<u>\$ 11,630,100</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, 2017

	Special Revenue						2009 Riverwalk TIF bonds
	Community Development	H.O.M.E. program	Blended Component Unit - Rock Hill Cycling Facilities Corporation	Other Federal	Total	Operational Capital	
REVENUES							
Intergovernmental revenue	\$ 276,343	\$ -	\$ -	\$ 1,461,757	\$ 1,738,100	\$ 5,281,524	\$ -
Investment earnings	-	-	-	-	-	-	1,043
Impact fees	-	-	-	-	-	-	-
Program income	-	12,627	-	134,103	146,730	-	-
Lease Revenue	-	-	560,000	-	560,000	-	-
Other	-	-	-	-	-	500	-
Total revenues	<u>276,343</u>	<u>12,627</u>	<u>560,000</u>	<u>1,595,860</u>	<u>2,444,830</u>	<u>5,282,024</u>	<u>1,043</u>
EXPENDITURES							
Current:							
General government	97,854	-	-	805,571	903,425	-	-
Public safety	-	-	-	301,599	301,599	-	-
Recreation	-	-	289,950	88,765	378,715	-	-
Capital outlay	-	-	-	701,966	701,966	5,279,885	-
Debt service							
Costs of issuance	-	-	-	-	-	-	-
Interest	74,489	-	245,500	-	319,989	-	-
Principal	104,000	-	-	-	104,000	-	-
Total expenditures	<u>276,343</u>	<u>-</u>	<u>535,450</u>	<u>1,897,901</u>	<u>2,709,694</u>	<u>5,279,885</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>12,627</u>	<u>24,550</u>	<u>(302,041)</u>	<u>(264,864)</u>	<u>2,139</u>	<u>1,043</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	-	-	-	32,851	-
General obligation bonds issued	-	-	-	-	-	-	-
Municipal improvement district bonds issued	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,851</u>	<u>-</u>
Net change in fund balances	-	12,627	24,550	(302,041)	(264,864)	34,990	1,043
Fund balances - beginning	<u>75,000</u>	<u>111,180</u>	<u>245,500</u>	<u>267,207</u>	<u>698,887</u>	<u>539,650</u>	<u>794,963</u>
Fund balances (deficit)- ending	<u>\$ 75,000</u>	<u>\$ 123,807</u>	<u>\$ 270,050</u>	<u>\$ (34,834)</u>	<u>\$ 434,023</u>	<u>\$ 574,640</u>	<u>\$ 796,006</u>

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

Capital Projects									Permanent Fund	Total Nonmajor Governmental Funds
2016 Riverwalk MID A bonds	2012 Riverwalk MID A bonds	2008 Textile Corridor TIF bonds	2017 General Obligation bonds	2016 Limited Obligation bonds	2013A Fountain Park TIF bonds	2015 Riverwalk MID bonds	Fire Impact Fees	Total	Beautification	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ -	\$ 5,731,524	\$ -	\$ 7,469,624
1,005	1,357	16	574	2,686	165	205	-	7,051	1,284	8,335
-	-	-	-	-	-	-	485,070	485,070	-	485,070
-	-	-	-	-	-	-	-	-	21,623	168,353
-	-	-	-	-	-	-	-	-	-	560,000
-	-	-	-	-	-	-	-	500	13,650	14,150
1,005	1,357	16	574	452,686	165	205	485,070	6,224,145	36,557	8,705,532
-	-	-	-	-	-	-	-	-	47,864	951,289
-	-	-	-	-	-	-	-	-	-	301,599
-	-	-	-	-	-	-	-	-	-	378,715
2,523,322	-	51,990	1,345,107	4,426,249	271,152	627,183	-	14,524,888	-	15,226,854
112,000	-	-	73,500	-	-	-	-	185,500	-	185,500
-	-	-	-	-	-	-	72,670	72,670	-	392,659
-	-	-	-	-	-	-	412,400	412,400	-	516,400
2,635,322	-	51,990	1,418,607	4,426,249	271,152	627,183	485,070	15,195,458	47,864	17,953,016
(2,634,317)	1,357	(51,974)	(1,418,033)	(3,973,563)	(270,987)	(626,978)	-	(8,971,313)	(11,307)	(9,247,484)
-	-	-	-	-	-	-	-	32,851	-	32,851
-	-	-	3,500,000	-	-	-	-	3,500,000	-	3,500,000
3,105,000	-	-	-	-	-	-	-	3,105,000	-	3,105,000
3,105,000	-	-	3,500,000	-	-	-	-	6,637,851	-	6,637,851
470,683	1,357	(51,974)	2,081,967	(3,973,563)	(270,987)	(626,978)	-	(2,333,462)	(11,307)	(2,609,633)
-	212,184	75,732	-	7,260,225	412,267	653,882	-	9,948,903	142,946	10,790,736
\$ 470,683	\$ 213,541	\$ 23,758	\$ 2,081,967	\$ 3,286,662	\$ 141,280	\$ 26,904	\$ -	\$ 7,615,441	\$ 131,639	\$ 8,181,103

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, 2017

	Electric, Water and Sewer			Stormwater		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:						
Electric sales	\$ 108,142,820	\$ 106,633,117	\$ (1,509,703)	\$ -	\$ -	\$ -
Water sales	14,808,876	16,443,045	1,634,169	-	-	-
Sewer charges	22,381,828	22,563,416	181,588	-	-	-
Impact fees	655,000	568,043	(86,957)	-	-	-
Government grants	599,580	1,405,347	805,767	-	-	-
Stormwater charges	-	-	-	3,979,119	3,984,189	5,070
Other user charges	4,901,072	5,164,708	263,636	-	151,701	151,701
Total operating revenues	<u>151,489,176</u>	<u>152,777,676</u>	<u>1,288,500</u>	<u>3,979,119</u>	<u>4,135,890</u>	<u>156,771</u>
NONOPERATING REVENUES:						
Interest income	<u>30,000</u>	<u>107,028</u>	<u>77,028</u>	<u>-</u>	<u>27,467</u>	<u>27,467</u>
TOTAL REVENUES	<u>151,519,176</u>	<u>152,884,704</u>	<u>1,365,528</u>	<u>3,979,119</u>	<u>4,163,357</u>	<u>184,238</u>
EXPENSES:						
Electric system	111,338,128	112,203,229	(865,101)	-	-	-
Water system	13,504,894	15,450,846	(1,945,952)	-	-	-
Sewer system	19,493,359	16,845,322	2,648,037	-	-	-
Stormwater system	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,331,850</u>	<u>4,851,350</u>	<u>(1,519,500)</u>
TOTAL EXPENSES	<u>144,336,381</u>	<u>144,499,397</u>	<u>(163,016)</u>	<u>3,331,850</u>	<u>4,851,350</u>	<u>(1,519,500)</u>
REVENUES OVER EXPENSES	7,182,795	8,385,307	1,202,512	647,269	(687,993)	(1,335,262)
OPERATING TRANSFERS FROM THE GENERAL FUND	265,000	265,000	-	-	-	-
OPERATING TRANSFERS TO THE GENERAL FUND	<u>(7,447,795)</u>	<u>(7,574,495)</u>	<u>(126,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ 1,075,812</u>	<u>\$ 1,075,812</u>	<u>\$ 647,269</u>	<u>\$ (687,993)</u>	<u>\$ (1,335,262)</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, 2017

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:	Electric, Water, Sewer	Stormwater	Total
	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 152,884,704	\$ 4,163,357	\$ 157,048,061
Total expenses	(144,499,397)	(4,851,350)	(149,350,747)
Operating transfers from the General fund	265,000	-	265,000
Operating transfers to the General fund	<u>(7,574,495)</u>	<u>-</u>	<u>(7,574,495)</u>
 REVENUES OVER EXPENSES	 1,075,812	 (687,993)	 387,819
 ADJUSTMENTS TO FULL ACCRUAL BASIS:			
Economic incentives fund interest income	13,398	-	13,398
New sales of land dedicated to economic incentives fund	427,292	-	427,292
Incentive payments from land sale proceeds	(522,310)	-	(522,310)
Current year portion of bond premium recognized	845,447	-	845,447
Depreciation and amortization	(12,237,836)	(999,559)	(13,237,395)
Loss on disposal of fixed assets	(7,460)	-	(7,460)
Pension expense under GASB 68	(705,467)	(40,428)	(745,895)
Payment of bond and capital lease principal	9,800,830	709,093	10,509,923
Net capitalized interest expense	2,403,186	-	2,403,186
Interest income netted against capitalized interest	455,064	-	455,064
Costs of issuance for new bonds and loans expensed	(883,247)	-	(883,247)
Interest expense paid from bond issue proceeds	(2,734,221)	-	(2,734,221)
Contributions of capital assets from developers	2,261,991	134,105	2,396,096
Government grants to revenue bond funds	1,463,102	-	1,463,102
Budgeted payments on direct financing lease recorded as a reduction in receivable	(166,934)	-	(166,934)
Capitalized expenditures	<u>13,099,058</u>	<u>1,126,652</u>	<u>14,225,710</u>
 NET INCOME	 <u>\$ 14,587,705</u>	 <u>\$ 241,870</u>	 <u>\$ 14,829,575</u>

CITY OF ROCK HILL, SOUTH CAROLINA

SCHEDULE OF COURT FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Court fines collected by Clerk of Court	\$ 489,621
DUI/DUS Pullouts collected by Clerk of Court	35,540
Assessments collected by Clerk of Court	<u>718,124</u>
Total Court Collections	<u><u>1,243,285</u></u>
Fines retained by Municipal Treasurer	\$ 489,621
Assessments retained by Municipal Treasurer	58,774
DUI/DUS Pullouts remitted to State Treasurer	35,540
Fines and assessments remitted to State Treasurer	<u>659,350</u>
Total Dispositions	<u><u>1,243,285</u></u>
Victim Services Activities	
Victim percentage charges	\$ 58,774
Victim flat fee charges	<u>27,423</u>
Total victim revenues	86,197
Funds carried forward from previous periods	34,713
Victim Service expenditures	<u>(120,910)</u>
Funds available for carryforward	<u><u>\$ -</u></u>

CITY OF ROCK HILL

SCHEDULE OF BUDGETED TO ACTUAL COSTS

SC Department of Transportation Grant PT-7H299-44

For the Year Ended June 30, 2017

OPT Contract #	PT-7H299-44				
Contract Period	July 1, 2016 - June 30, 2017				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2016 - June 2017				
ADMINISTRATION					
Management Svc Fees	\$ 25,000	\$ 10,247	\$ 1,282	\$ 1,282	\$ 12,189
Total Administration	25,000	10,247	1,282	1,282	12,189
OPERATING					
Management Svc Fee	572,000	187,573	123,548	123,548	137,331
Total Operating	572,000	187,573	123,548	123,548	137,331
TECHNICAL ASSISTANCE					
Total Technical Assistance	-	-	-	-	-
Total Program	\$ 597,000	\$ 197,820	\$ 124,830	\$ 124,830	\$ 149,520

Approved Budget	\$ 597,000
Federal Costs	197,820
State Costs	124,830
Local Costs	<u>124,830</u>
Budget Balance	<u>\$ 149,520</u>

Notes to Financial Statement

- 1) SCDOT oversight recommendation implemented - 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

SCHEDULE OF BUDGETED TO ACTUAL COSTS

SC Department of Transportation Grant PT-8H299-19

For the Year Ended June 30, 2017

OPT Contract #	PT-8H299-19				
Contract Period	April 1, 2017 - June 30, 2018				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2016 - June 2017				
ADMINISTRATION					
Management Svc Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Total Administration	-	-	-	-	-
OPERATING					
Management Svc Fee	-	-	-	-	-
Total Operating	-	-	-	-	-
ADA-CAPITAL(85% fed)					
ADA Capital	60,000	-	-	-	-
Total ADA Capital	60,000	-	-	-	-
TECHNICAL ASSISTANCE					
Total Technical Assistance	-	-	-	-	-
Total Program	\$ 60,000	\$ -	\$ -	\$ -	\$ -

Approved Budget	\$ 60,000
Federal Costs	-
State Costs	-
Local Costs	-
Budget Balance	<u><u>\$ 60,000</u></u>

Notes to Financial Statement

- 1) SCDOT oversight recommendation implemented - 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

FOR THE YEAR ENDED JUNE 30, 2017

This section of the City’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.	95-100
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	101-108
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.	110-115
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.	116-117
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.	118-124

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, South Carolina
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 73,996,753	\$ 85,463,219	\$ 81,668,140	\$ 74,554,155	\$ 82,905,173	\$ 85,203,209	\$ 87,340,185	\$ 93,321,464	\$ 96,673,890	\$ 100,468,333
Restricted	12,454,522	9,495,735	14,674,181	14,184,993	9,378,864	10,311,861	8,362,710	8,022,421	6,590,310	4,788,603
Unrestricted	(660,096)	(6,709,705)	(11,889,218)	(1,596,932)	(3,194,669)	(4,944,202)	(53,841,048)	(55,204,191)	(57,836,034)	(59,846,246)
Total governmental activities net position	\$ 85,791,179	\$ 88,249,249	\$ 84,453,103	\$ 87,142,216	\$ 89,089,368	\$ 90,570,868	\$ 41,861,847	\$ 46,139,694	\$ 45,428,166	\$ 45,410,690
Business-type activities										
Net investment in capital assets	\$ 178,475,353	\$ 184,468,837	\$ 193,219,382	\$ 196,866,024	\$ 204,611,600	\$ 213,297,864	\$ 223,821,927	\$ 230,689,818	\$ 243,760,042	\$ 252,168,751
Restricted	5,705,871	9,160,922	5,651,889	17,813,736	-	-	-	-	-	-
Unrestricted	15,976,404	14,737,404	20,760,827	12,243,521	26,354,217	19,084,887	3,649,742	4,367,582	2,883,955	9,304,821
Total business-type activities net position	\$ 200,157,628	\$ 208,367,163	\$ 219,632,098	\$ 226,923,281	\$ 230,965,817	\$ 232,382,751	\$ 227,471,669	\$ 235,057,400	\$ 246,643,997	\$ 261,473,572
Primary government										
Net investment in capital assets	\$ 252,472,106	\$ 269,932,056	\$ 274,887,522	\$ 271,420,179	\$ 287,516,773	\$ 298,501,073	\$ 311,162,112	\$ 324,011,282	\$ 340,433,932	\$ 352,637,084
Restricted	18,160,393	18,656,657	20,326,070	31,998,729	9,378,864	10,311,861	8,362,710	8,022,421	6,590,310	4,788,603
Unrestricted	15,316,308	8,027,699	8,871,609	10,646,589	23,159,548	14,140,685	(50,191,306)	(50,836,609)	(54,952,079)	(50,541,425)
Total primary government net position	\$ 285,948,807	\$ 296,616,412	\$ 304,085,201	\$ 314,065,497	\$ 320,055,185	\$ 322,953,619	\$ 269,333,516	\$ 281,197,094	\$ 292,072,163	\$ 306,884,262

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities:										
General government	\$ 19,325,097	\$ 21,538,967	\$ 26,417,733	\$ 23,824,503	\$ 23,014,281	\$ 23,834,624	\$ 21,919,441	\$ 22,502,371	\$ 23,249,853	\$ 27,655,089
Public safety	18,780,206	19,396,408	19,719,042	19,776,181	21,562,356	22,035,420	23,341,006	24,841,858	26,253,831	27,775,492
Public works	8,043,428	7,821,748	7,366,306	7,693,986	8,469,447	8,921,477	9,100,063	8,786,441	9,660,958	9,531,848
Parks, recreation and tourism	7,338,036	7,626,924	7,701,798	8,357,361	9,256,958	10,633,963	10,629,823	12,243,650	13,127,618	14,600,916
Housing assistance	47,807	44,091	42,360	10,000	98,097	81,883	303,431	-	-	-
Interest on long-term debt	1,156,900	1,342,882	1,651,707	1,750,125	2,373,611	2,301,269	2,988,915	3,041,198	3,119,707	3,369,409
Total governmental activities expenses	54,691,474	57,771,020	62,898,946	61,412,156	64,774,750	67,808,636	68,282,679	71,415,518	75,411,967	82,932,754
Business-type activities:										
Electric	\$ 65,887,608	\$ 68,022,733	\$ 70,706,216	\$ 76,080,187	\$ 81,407,790	\$ 85,619,086	\$ 90,742,136	98,906,578	\$ 103,858,056	\$ 105,997,157
Water	9,328,374	9,844,134	8,934,317	10,939,155	11,321,474	11,546,373	11,196,033	11,934,533	12,195,975	14,763,179
Sewer	13,126,607	13,508,248	15,286,273	14,488,491	13,988,240	14,718,278	14,304,120	14,225,306	14,555,294	14,740,596
Stormwater	2,040,445	2,151,388	1,949,260	2,540,456	1,894,635	2,455,159	2,921,999	3,155,957	3,274,214	4,055,592
Total business-type activities expenses	90,383,034	93,526,503	96,876,066	104,048,289	108,612,139	114,338,896	119,164,288	128,222,374	133,883,539	139,556,524
Total primary government expenses	\$ 145,074,508	\$ 151,297,523	\$ 159,775,012	\$ 165,460,445	\$ 173,386,889	\$ 182,147,532	\$ 187,446,967	\$ 199,637,892	\$ 209,295,506	\$ 222,489,278
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 11,066,720	\$ 11,000,433	\$ 10,347,617	\$ 10,154,256	\$ 10,604,273	\$ 11,327,726	\$ 11,822,368	\$ 13,189,891	\$ 12,300,980	\$ 14,150,544
Public Safety	302,563	213,043	1,009,973	1,066,634	1,222,556	1,230,123	1,262,891	1,559,224	1,424,838	1,249,372
Public works	5,761,287	6,510,953	6,553,624	6,785,364	6,857,426	6,823,372	7,364,944	6,876,058	7,024,175	7,261,114
Parks, recreation and tourism	1,276,705	1,244,711	844,355	802,165	1,692,000	1,757,943	1,862,118	1,980,795	2,070,848	1,970,006
Operating grants and contributions	5,687,407	3,771,190	3,855,411	4,413,472	4,653,954	6,371,418	2,833,559	2,877,983	3,992,633	4,112,982
Capital grants and contributions	3,770,666	2,374,639	2,279,124	3,280,255	5,631,758	3,899,967	8,349,715	8,989,219	6,437,694	9,827,079
Total governmental activities program revenues	27,865,348	25,114,969	24,890,104	26,502,146	30,661,967	31,410,549	33,495,595	35,473,170	33,251,168	38,571,097
Business-type activities:										
Charges for services:										
Electric	73,099,717	73,175,860	77,233,029	81,463,996	81,161,980	85,048,006	95,650,248	100,582,906	107,954,294	110,981,416
Water	11,938,595	11,798,322	12,347,501	12,996,554	13,205,553	13,397,066	13,166,160	14,279,059	15,442,860	16,839,559
Sewer	15,168,524	16,530,264	16,885,759	17,732,271	17,827,950	19,363,498	19,356,015	19,851,117	21,606,915	22,816,006
Stormwater	230,296	2,414,117	2,390,437	2,397,146	2,489,656	2,552,668	2,638,693	3,364,568	3,427,046	4,135,890
Operating grants and contributions	-	-	-	367,973	367,973	304,178	1,369,284	2,492,707	1,802,336	-
Capital grants and contributions	7,815,127	3,055,544	692,515	2,632,335	2,226,195	1,208,821	2,578,279	934,823	1,006,626	5,889,894
Total business-type activities program revenues	108,252,259	106,974,107	109,549,241	117,590,275	117,279,307	121,874,237	134,758,679	141,505,180	151,240,077	160,662,765
Total primary government program revenues	\$ 136,117,607	\$ 132,089,076	\$ 134,439,345	\$ 144,092,421	\$ 147,941,274	\$ 153,284,786	\$ 168,254,274	\$ 176,978,350	\$ 184,491,245	\$ 199,233,862

Schedule 2 (cont.)

City of Rock Hill

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (26,826,126)	\$ (32,656,051)	\$ (38,008,842)	\$ (34,910,010)	\$ (34,112,783)	\$ (36,398,087)	\$ (34,787,084)	\$ (35,942,348)	\$ (42,160,799)	\$ (44,361,657)
Business-type activities	19,869,225	13,447,604	12,673,175	13,541,986	8,667,168	7,535,341	15,594,391	13,282,806	17,356,538	21,106,241
Total primary government net expense	(6,956,901)	(19,208,447)	(25,335,667)	(21,368,024)	(25,445,615)	(28,862,746)	(19,192,693)	(22,659,542)	(24,804,261)	(23,255,416)
General revenues and other changes in net position										
Governmental activities										
Taxes	21,776,260	26,328,385	26,760,001	27,244,774	28,545,884	29,507,369	29,576,841	30,767,372	31,817,777	33,405,655
Investment income	378,953	162,573	106,485	89,150	72,027	88,918	228,660	311,224	238,284	233,364
Unrestricted intergovernmental revenue	1,625,235	1,550,592	1,300,386	1,222,733	1,209,651	1,427,289	1,435,504	1,496,795	1,448,089	1,515,042
Gain on sale of land	-	-	-	-	-	-	-	-	-	866,641
Miscellaneous	1,413,470	1,219,123	466,598	2,343,390	478,449	585,550	751,383	1,117,911	1,615,471	1,013,984
Transfers	4,507,879	5,768,033	5,706,512	6,693,421	5,891,070	6,133,276	6,394,463	6,526,893	6,329,651	7,309,495
Total governmental activities	29,701,797	35,028,706	34,339,982	37,593,468	36,197,081	37,742,402	38,386,851	40,220,195	41,449,272	44,344,181
Business-type activities										
Investment income	1,253,383	570,379	540,947	592,192	667,572	613,735	669,102	829,818	559,710	1,032,829
Transfers	(5,801,979)	(5,768,033)	(1,949,187)	(6,842,995)	(5,891,070)	(6,133,276)	(6,394,463)	(6,526,893)	(6,329,651)	(7,309,495)
Total business-type activities	(4,548,596)	(5,197,654)	(1,408,240)	(6,250,803)	(5,223,498)	(5,519,541)	(5,725,361)	(5,697,075)	(5,769,941)	(6,276,666)
Changes in Net Position										
Governmental activities	2,875,671	2,372,655	(3,668,860)	2,683,458	2,084,337	1,344,315	3,599,767	4,277,847	(711,527)	(17,476)
Business-type activities	15,320,629	8,249,950	11,264,935	7,291,183	3,443,670	2,015,800	9,869,030	7,585,731	11,586,597	14,829,575
Total primary government	\$ 18,196,300	\$ 10,622,605	\$ 7,596,075	\$ 9,974,641	\$ 5,528,007	\$ 3,360,115	\$ 13,468,797	\$ 11,863,578	\$ 10,875,070	\$ 14,812,099

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:										
General government	\$ 13,382,120	\$ 15,637,902	\$ 14,560,929	\$ 15,668,876	\$ 18,665,339	\$ 19,322,838	\$ 21,239,511	\$ 22,580,459	\$ 18,494,002	\$ 24,668,950
Public safety	1,740,684	759,075	1,547,398	1,771,530	1,960,963	2,196,650	1,794,398	1,948,162	1,823,862	2,180,322
Public works	7,216,173	7,003,288	6,693,679	7,320,681	7,256,310	6,923,083	7,474,774	7,751,060	8,273,869	7,261,114
Parks, recreation and tourism	5,526,371	1,714,704	2,088,098	1,741,059	2,779,355	2,791,282	2,986,912	3,193,489	4,659,435	4,460,711
Subtotal governmental activities	27,865,348	25,114,969	24,890,104	26,502,146	30,661,967	31,233,853	33,495,595	35,473,170	33,251,168	38,571,097
Business-type activities:										
Electric	73,399,717	73,175,860	77,233,029	82,415,808	81,783,140	85,352,184	96,733,180	102,118,322	108,059,803	111,154,304
Water	14,989,547	12,809,340	12,565,656	13,747,769	13,876,613	13,953,972	14,920,323	15,339,945	17,051,225	19,661,621
Sewer	19,165,849	18,457,094	17,323,162	18,834,160	19,012,011	20,015,413	20,466,483	20,611,170	22,633,041	25,576,845
Stormwater	2,697,146	2,531,813	2,427,394	2,592,538	2,607,543	2,552,668	2,638,693	3,435,743	3,496,008	4,269,995
Subtotal business-type activities	110,252,259	106,974,107	109,549,241	117,590,275	117,279,307	121,874,237	134,758,679	141,505,180	151,240,077	160,662,765
Total primary government	\$ 138,117,607	\$ 132,089,076	\$ 134,439,345	\$ 144,092,421	\$ 147,941,274	\$ 153,108,090	\$ 168,254,274	\$ 176,978,350	\$ 184,491,245	\$ 199,233,862

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Nonspendable	\$ 149,721	\$ 215,172	\$ 217,496	\$ 236,670	\$ 190,055	\$ 216,384	\$ 243,682	\$ 264,986	\$ 257,307	\$ 292,592
Restricted	471,340	779,227	876,457	955,708	1,087,636	1,042,157	933,970	911,289	7,031,146	4,831,696
Committed	6,395,187	2,638,715	1,971,226	2,776,310	3,694,859	5,317,840	4,153,893	6,040,775	164,385	289,151
Assigned	408,887	201,728	189,815	1,856,149	-	-	-	-	-	-
Unassigned	2,463,093	2,397,642	2,395,318	2,376,143	3,624,203	2,658,080	2,555,496	3,437,156	276,377	2,663,028
Total general fund	\$ 9,888,228	\$ 6,232,484	\$ 5,650,312	\$ 8,200,980	\$ 8,596,753	\$ 9,234,461	\$ 7,887,041	\$ 10,654,206	\$ 7,729,215	\$ 8,076,467
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	4,464,421	5,872,120	11,374,798	8,047,520	4,141,517	10,637,865	7,274,797	3,799,203	10,765,736	8,190,937
Committed	511,996	-	-	-	-	49,100	73,650	-	-	-
Assigned	253,106	197,740	232,540	342,026	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(34,834)
Total all other governmental funds	\$ 5,254,523	\$ 6,094,860	\$ 11,632,338	\$ 8,414,546	\$ 4,166,517	\$ 10,711,965	\$ 7,373,447	\$ 3,824,203	\$ 10,790,736	\$ 8,181,103

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes (see Schedule 6)	\$ 25,569,376	\$ 26,136,291	\$ 26,778,824	\$ 27,139,655	\$ 28,740,905	\$ 29,477,799	\$ 29,517,342	\$ 30,730,746	\$ 31,790,266	\$ 33,518,967
Licenses and permits	8,108,834	8,055,125	7,634,352	7,500,001	7,971,654	8,791,708	9,202,204	10,652,407	9,813,734	11,422,286
Fines and forfeitures	909,476	928,546	725,782	746,289	769,020	867,011	739,249	774,118	758,245	578,222
Intergovernmental	5,338,174	6,594,113	6,262,218	6,853,924	9,065,425	8,569,564	10,054,239	8,581,690	7,480,497	10,956,585
Charges for services	9,114,702	9,880,796	10,410,890	10,449,039	10,525,390	10,523,984	10,831,970	10,881,494	11,507,941	11,450,006
Impact fees	299,765	252,188	154,469	230,765	381,751	242,306	460,651	608,538	372,978	485,070
Investment earnings	410,031	155,673	100,470	84,149	56,373	48,100	9,423	73,979	10,143	14,721
Lease revenue	-	-	-	-	560,000	560,000	560,000	560,000	560,000	560,000
Property sales	-	-	-	-	289,950	289,950	289,950	289,950	289,950	289,950
Program income	12,715	11,727	96,317	443,639	527,500	931,726	573,326	212,815	156,848	168,353
Other revenues	1,802,974	1,702,643	1,236,609	3,300,005	1,855,774	2,598,496	2,995,940	4,552,533	4,234,339	4,730,894
Total revenues	51,566,047	53,717,102	53,399,931	56,747,466	60,743,742	62,900,644	65,234,294	67,918,270	66,974,941	74,175,054
Expenditures										
General government	18,114,564	19,779,453	20,764,711	18,748,551	18,350,493	18,653,955	16,601,741	17,369,631	19,096,538	20,302,147
Public safety	18,582,597	18,137,627	18,453,842	18,443,734	20,177,420	20,543,255	21,624,793	22,587,873	23,594,511	24,376,174
Public works	6,240,525	6,829,066	6,442,912	6,600,842	7,037,670	7,053,907	6,800,239	6,545,950	6,986,577	6,736,773
Parks, recreation and tourism	6,802,736	6,831,512	6,733,174	7,396,293	8,291,149	9,610,995	9,573,845	11,059,365	11,766,974	12,930,119
Housing assistance	47,807	44,091	42,360	10,000	98,097	81,883	303,431	-	-	-
Capital outlay	12,598,351	14,333,504	7,566,929	18,685,614	21,747,873	11,412,376	26,747,996	15,029,637	17,687,201	19,674,953
Debt service										
Principal	1,613,000	1,425,000	1,899,875	4,804,827	2,691,384	2,648,621	3,154,707	2,801,496	3,510,292	4,248,098
Interest and fees	1,002,396	1,103,510	1,611,657	1,613,363	2,227,675	2,213,287	3,455,151	2,992,602	2,685,999	3,067,541
Costs of issuance	-	-	-	-	-	-	-	-	220,300	185,500
Capital lease payments	1,811,045	2,289,209	1,856,332	2,049,027	1,992,711	1,992,439	2,380,589	2,850,500	3,292,579	3,534,068
Total expenditures	66,813,021	70,772,972	65,371,792	78,352,251	82,614,472	74,210,718	90,642,492	81,237,054	88,840,971	95,055,373
Excess of revenues over (under) expenditures	(15,246,974)	(17,055,870)	(11,971,861)	(21,604,785)	(21,870,730)	(11,310,074)	(25,408,198)	(13,318,784)	(21,866,030)	(20,880,319)
Other Financing Sources (Uses)										
Transfers in	7,065,275	6,340,017	6,413,031	7,155,061	6,249,767	7,327,653	7,345,523	7,038,133	7,209,467	7,607,346
Transfers out	(1,263,296)	(511,984)	(706,519)	(312,067)	(358,697)	(1,194,377)	(951,060)	(511,241)	(275,590)	(297,851)
General obligation bonds issued	-	2,700,000	-	-	10,700,000	-	5,735,000	-	-	3,500,000
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	-	-
New markets tax credit financing issued	-	-	-	1,200,000	-	-	-	-	-	-
Recovery zone economic development bonds issued	-	-	-	3,800,000	-	-	-	-	-	-
SC DHEC loans issued	-	-	-	805,000	-	-	-	-	-	1,500,000
Limited obligation bonds issued	-	-	-	-	-	15,160,000	-	-	8,100,000	-
Municipal improvement district bonds issued	-	-	-	-	-	2,080,000	-	-	7,500,000	3,105,000
Premium on refunded bonds	-	-	-	-	284,950	2,128,601	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(2,965,000)	(11,674,261)	(6,995,000)	(8,885,000)	-	-
Proceeds from TIF bonds	2,750,000	-	10,500,000	-	-	-	-	-	-	-
Proceeds from HUD Section 108 loan	1,175,070	-	-	-	75,000	-	-	-	-	-
Issuance of capital lease	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	3,373,695	3,203,443
Capital leases refunded	-	-	-	-	-	(5,675,720)	-	-	-	-
Total other financing sources (uses)	14,374,035	14,240,463	16,921,512	20,937,661	18,922,352	17,589,352	20,722,260	11,475,173	25,907,572	18,617,938
Net change in fund balances	\$ (872,939)	\$ (2,815,407)	\$ 4,949,651	\$ (667,124)	\$ (2,948,378)	\$ 6,279,278	\$ (4,685,938)	\$ (1,843,611)	\$ 4,041,542	\$ (2,262,381)
Debt service as a percentage of noncapital expenditures	8.16%	8.54%	9.29%	14.19%	11.36%	10.91%	14.07%	13.06%	13.65%	14.64%

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>	
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	
2016	25,883,041	5,907,225	31,790,266	
2017	27,343,972	6,174,995	33,518,967	
Change, 2008 - 2017	1,774,596	2,315,046	4,089,642	

Schedule 7

City of Rock Hill, South Carolina

**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>
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%
2016	128,221,754	112,282,619	35,451,189	(3,020,960)	272,934,602	93.5	4,848,537,836	5.63%
2017	133,006,016	116,387,027	40,686,770	(3,580,270)	286,499,542	93.5	5,065,717,913	5.66%

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, South Carolina
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per 1,000 of assessed value)

Fiscal <u>Year</u>	City Direct <u>Rate</u>	<u>Overlapping Rates</u>		Total Direct and <u>Overlapping</u>
		Rock Hill School <u>District</u>	York <u>County</u>	
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
2016	93.5	199.4	99.7	392.6
2017	93.5	199.4	102.8	395.7

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, South Carolina
Principal Property Tax Payers,
Current Year and Ten Years Ago

Taxpayer	Tax Year 2016			Tax Year 2007		
	Taxable Assessed		Percentage of Total City	Taxable Assessed		Percentage of Total City
	Value	Rank	Value	Value	Rank	Value
Ross Dress For Less Inc.*	\$ 9,833,673	1	3.43%			
Amisub of SC Inc.	3,356,880	2	1.17%	\$ 3,705,853	2	1.74%
Atotech USA Inc.	1,998,331	3	0.70%	1,955,964	3	0.92%
McKesson Medical Surgical Inc. *	1,882,436	4	0.66%			
Select Income REIT*	1,783,726	5	0.62%			
Piedmont Medical Center	1,756,790	6	0.61%	1,535,800	4	0.72%
The Gateway At Rock Hill LLC	1,384,428	7	0.48%			
P B H Paces LLC	1,164,636	8	0.41%			
BRC Rock Hill LLC Etal	1,129,626	9	0.39%			
Transaxle Manufacturing of America Corp	1,081,004	10	0.38%	1,343,520	6	0.63%
TTP South Brookstone LLC Etal	1,073,844	11	0.37%	1,140,000	7	0.53%
Whisper Creek Apartments LLC	1,055,550	12	0.37%			
FPRO 401 LCC Et Al	1,015,880	13	0.35%	954,560	8	0.45%
Mallard Pointe LLC	987,870	14	0.34%	921,510	9	0.43%
Hartmann USA Inc.*	954,683	15	0.33%			
Bradford Park Apartments	943,782	16	0.33%			
Manchester Village SC LLC	903,900	17	0.32%			
Koppers Performance Chemicals Inc.	903,370	18	0.32%			
Lexington Realty Trust*	880,409	19	0.31%			
The Charlotte Mecklenburg Hosp	869,148	20	0.30%			
Comporium				4,537,540	1	2.13%
JTL Rock Hill LLC				1,500,980	5	0.70%
Southern Real Estate Company				841,638	10	0.39%
Kings Electronics				831,810	11	0.39%
D R Horton Inc.				766,628	12	0.36%
Southwood Realty Company				736,650	13	0.35%
Galleria Pointe Assoc.				649,140	14	0.30%
Hackett Limited Partnership				648,480	15	0.30%
Verisign Inc.				644,160	16	0.30%
Osrose Inc.				614,590	17	0.29%
Triangle Real Estate Cown				592,560	18	0.28%
KDS Carolina Investments				584,247	19	0.27%
	<u>\$ 69,919,932</u>		<u>23.11%</u>	<u>\$ 52,095,297</u>		<u>24.41%</u>

Source: York County Auditor's Office

Schedule 10
City of Rock Hill, South Carolina
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>	Percentage <u>of Levy</u>		<u>Amount</u>	Percentage <u>of Levy</u>	
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%	
2016	25,196,980	23,725,127	94.16%	780,874	24,506,001	97.26%	
2017	26,559,760	24,446,483	92.04%	1,385,874	25,832,357	97.26%	

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

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

	Calendar Year									
	<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>	<u>2016</u>
General Merchandise Stores	\$ 121,899,814	\$ 127,110,442	\$ 135,101,529	\$ 133,297,412	\$ 135,976,922	\$ 133,730,873	\$ 142,346,191	\$ 119,676,464	\$ 119,676,464	\$ 73,181,567
Food Stores	53,385,864	49,474,897	48,100,549	46,745,048	49,169,854	56,363,472	69,865,390	66,568,491	66,568,491	52,056,572
Eating and Drinking Places	102,758,838	101,234,591	109,066,118	119,936,273	144,103,844	150,364,106	161,814,698	174,186,435	174,186,435	179,957,331
Miscellaneous retail	81,377,308	71,579,411	79,479,687	82,289,949	98,094,898	107,889,725	114,061,728	113,837,473	113,837,473	100,293,154
Automotive Dealers and Gasoline Service Stations	64,709,931	62,749,013	5,024,123	7,482,169	8,126,361	10,293,049	12,379,597	12,673,083	12,673,083	11,376,598
Communications	51,336,571	53,899,274	54,821,917	55,041,047	55,521,087	53,614,217	50,541,157	128,083,439	128,083,439	222,257,003
Building Materials, Hardware, Garden Supply	11,801,232	10,418,075	9,302,861	10,423,783	12,699,032	13,674,461	15,897,591	20,261,414	20,261,414	21,152,045
Apparel and Accessory stores	42,012,641	36,458,784	41,176,699	42,862,708	43,882,924	45,071,571	45,851,205	46,401,115	46,401,115	47,440,219
Electric, Gas, and Sanitary Services	34,609,253	34,594,498	36,885,805	37,952,835	38,784,915	41,508,716	47,384,315	51,682,368	51,682,368	53,228,781
Wholesale trade-durable goods	25,701,038	25,715,362	6,760,561	5,269,883	5,458,367	4,722,020	5,376,410	11,865,236	11,865,236	22,382,227
Home furniture, furnishings, and equipment	23,844,355	19,528,223	115,072,484	125,783,744	136,906,999	149,015,719	157,953,477	155,903,911	155,903,911	159,450,911
Hotels, rooming houses, camps, and other lodging	20,435,796	17,632,032	20,529,479	23,217,530	26,594,718	26,975,693	31,044,472	32,713,251	32,713,251	35,567,282
Business services	13,010,980	7,193,631	10,469,896	13,447,747	14,915,199	16,677,349	20,521,226	17,759,354	17,759,354	16,177,117
Personal services	4,064,422	3,685,333	3,339,729	3,075,382	3,088,534	2,976,830	3,095,749	3,453,562	3,453,562	3,672,961
Automotive repair and services	7,707,434	9,214,391	4,577,218	3,880,200	3,568,630	4,508,264	4,862,989	5,417,778	5,417,778	5,016,393
Construction special trade contractors	2,291,775	1,049,182	3,212,882	3,209,122	3,346,853	3,078,341	4,907,858	6,366,759	6,366,759	4,650,449
Motion pictures	1,687,534	1,846,066	1,710,555	1,748,485	1,816,681	1,876,346	2,263,952	2,274,774	2,274,774	2,058,787
All other	16,883,506	12,807,834	15,482,642	13,142,026	13,619,246	13,838,355	15,381,517	22,655,643	22,655,643	25,246,222
Total	\$ 679,518,290	\$ 646,191,043	\$ 700,114,734	\$ 646,191,040	\$ 795,675,064	\$ 836,179,109	\$ 905,549,523	\$ 991,780,553	\$ 991,780,553	\$ 1,035,165,620

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, South Carolina
Direct and Overlapping Sales Tax rates
Last Ten Fiscal Years

Fiscal <u>Year</u>	City Direct <u>Rate</u>	York <u>County</u>	State of South <u>Carolina</u>	
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%	
2016	0.0%	1.0%	6.0%	
2017	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, South Carolina
Principal Sales Tax Remitters
Current Year and 10 Years Ago

<u>Tax Remitter</u>	<u>Tax Year 2016</u>			<u>Tax Remitter</u>	<u>Tax Year 2007</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>		<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
City of Rock Hill	\$ 3,617,766	1	5.21%	Retailer	\$ 5,022,525	1	11.16%
Retailer	2,849,675	2	4.10%	City of Rock Hill	1,843,149	2	4.09%
Retailer	2,791,211	3	4.02%	Retailer	1,612,605	3	3.58%
Retailer	1,926,349	4	2.77%	Communications	1,485,184	4	3.30%
Communications	1,720,037	5	2.48%	Grocery Store	1,133,443	5	2.52%
Retailer	1,491,425	6	2.15%	Retailer	972,311	6	2.16%
Retailer	1,202,175	7	1.73%	Communications	920,789	7	2.05%
Communications	1,174,662	8	1.69%	Retailer	851,248	8	1.89%
Retailer	1,141,961	9	1.64%	Retailer	796,220	9	1.77%
Retailer	1,132,904	10	1.63%	Utility	782,570	10	1.74%
Automobile dealer	956,661	11	1.38%	Grocery Store	758,206	11	1.68%
Utility	857,994	12	1.24%	Automobile dealer	653,066	12	1.45%
Automobile dealer	835,527	13	1.20%	Grocery Store	592,250	13	1.32%
Retailer	711,167	14	1.02%	Retailer	564,337	14	1.25%
Automobile dealer	574,383	15	0.83%	Grocery Store	553,867	15	1.23%
Total	\$ 22,983,896		33.11%		\$ 18,541,770		41.19%

Source: South Carolina Department of Revenue

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

Year Ended <u>June 30</u>	Governmental Activities										
	General Obligation <u>Bonds</u>	Tax Increment <u>Bonds</u>	Certificates of Participation <u>Participation</u>	Limited Obligation <u>Bonds</u>	MID Assessment <u>Bonds</u>	SC DHEC <u>Loan</u>	HUD Section 108 <u>Loan</u>	RH Cycling Facilities <u>Loan</u>	Deferred <u>Amounts</u>	Reimbursement Payable to <u>Developers</u>	Capital <u>Leases</u>
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
2016	15,470,000	30,322,000	-	20,575,000	1,867,000	389,738	1,556,000	5,000,000	1,152,226	-	9,834,601
2017	17,995,000	28,951,000	-	19,205,000	4,625,000	1,608,640	1,452,000	5,000,000	1,480,787	-	9,597,482

<u>Business-type Activities</u>				Total Primary <u>Government</u>	Personal <u>Income</u>	Percentage of Personal <u>Income</u>	<u>Population</u>	Per <u>Capita</u>
Utilities System <u>Revenue Bonds</u>	State Revolving <u>Fund</u>	Deferred <u>Amounts</u>	Capital <u>Leases</u>					
\$ 104,552,000	\$ 7,578,722	\$ 64,477	\$ 3,820,423	\$ 146,714,459	\$2,601,324,664	5.64%	64,858	\$ 2,262
99,006,000	7,253,310	101,342	7,333,341	149,459,420	2,668,038,519	5.60%	67,339	2,220
124,857,000	6,918,640	600,284	6,404,638	182,114,596	2,815,635,825	6.47%	69,210	2,631
119,698,000	6,574,429	512,693	5,721,877	183,325,593	2,763,819,614	6.63%	66,154	2,771
114,015,000	6,212,210	2,594,680	4,929,733	186,989,898	n/a	n/a	67,423	2,773
122,135,000	5,832,985	4,289,476	5,003,374	203,361,291	n/a	n/a	68,094	2,986
124,870,000	5,445,155	3,996,620	4,205,771	213,319,048	n/a	n/a	69,013	3,091
118,065,000	7,181,891	3,337,763	3,617,973	206,200,690	n/a	n/a	69,967	2,947
110,850,000	13,858,447	2,973,105	8,246,368	222,094,485	n/a	n/a	71,548	3,104
193,410,000	15,102,307	14,014,939	7,278,783	319,720,938	n/a	n/a	72,937	4,384

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

Year ended	<u>General Bonded Debt Outstanding</u>		Taxable	Percentage Of		
	General			Actual Taxable		
<u>June 30,</u>	<u>Obligation</u>		<u>Value</u>	<u>Value of</u>	<u>Population</u>	<u>Per</u>
	<u>Bonds</u>	<u>Total</u>	<u>Value</u>	<u>Property</u>		<u>Capita</u>
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	251,125,844	6.92%	69,013	252
2015	16,430,000	16,430,000	258,937,028	6.35%	69,967	235
2016	15,470,000	15,470,000	272,934,602	5.67%	71,493	216
2017	17,995,000	17,995,000	286,499,542	6.28%	72,937	247

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, South Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Rock Hill School District #3	\$ 133,485,000	58.62%	\$ 78,254,960
York County General Obligation Debt	155,655,000	22.38%	34,833,499
Other Debt			
Rock Hill School District #3	-	58.62%	-
Subtotal, overlapping debt	289,140,000		113,088,459
City direct debt	88,434,122	100.00%	<u>88,434,122</u>
Total direct and overlapping debt			<u>\$ 201,522,581</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, South Carolina
Legal Debt Margin Information,
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	286,499,542
Debt limit (8% of assessed value)	22,919,963
Debt applicable to limit	<u>(17,995,000)</u>
Legal debt margin	<u>\$ 4,924,963</u>

	<u>Fiscal Year</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>	<u>2016</u>	<u>2017</u>
Debt Limit (8% of assessed value)	\$ 17,075,480	\$ 17,871,719	\$ 18,267,613	\$ 18,522,879	\$ 19,356,747	\$ 19,809,825	\$ 20,090,068	\$ 20,714,962	\$ 21,915,746	\$ 22,919,963
Total net debt applicable to limit	<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>	<u>(15,470,000)</u>	<u>(17,995,000)</u>
Legal debt margin	<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>	<u>\$ 6,445,746</u>	<u>\$ 4,924,963</u>
Total net debt applicable to the limit as a percentage of the debt limit	43.54%	52.51%	46.23%	40.38%	88.78%	82.81%	86.49%	79.31%	70.59%	78.51%

Schedule 18
City of Rock Hill, South Carolina
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>			
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	4,399,799	2.46
2016	147,318,401	113,279,457	34,038,944	7,583,875	5,123,998	2.68
2017	154,073,473	118,125,324	35,948,149	7,989,094	6,795,292	2.43

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, South Carolina
Demographic and Economic Statistics,
Last Ten Years

<u>Year</u>	<u>Population</u>	<u>Personal</u> <u>Income</u>	<u>Per</u> <u>Capita</u> <u>Personal</u> <u>Income</u>	<u>Median</u> <u>Age</u>	<u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate</u>
2008	64,858	\$ 2,601,324,664	\$ 40,108	n/a	16,911	8.0%
2009	67,339	2,668,038,519	39,621	n/a	17,192	16.2%
2010	66,551	n/a	n/a	n/a	17,244	13.5%
2011	66,587	n/a	n/a	37.9	16,837	12.5%
2012	67,422	n/a	n/a	n/a	16,759	11.6%
2013	68,111	n/a	n/a	n/a	16,980	9.8%
2014	68,902	n/a	n/a	n/a	16,979	7.2%
2015	69,926	n/a	42,694	32.9	17,195	6.8%
2016	71,493	n/a	n/a	n/a	17,304	5.9%
2017	72,937	n/a	n/a	n/a	17,874	4.8%

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

n/a = not available

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

Employer	2017			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
TE Connectivity (Tyco)	345	1	0.82%	523	1	1.41%
West Marine	300	2	0.71%	285	2	0.77%
Atotech USA, Inc.	205	3	0.48%	178	5	0.48%
3D Systems	201	4	0.48%			
TerexAmida Industries, Inc.	200	5	0.47%	230	3	0.62%
Carolina Energy	200	6	0.47%			
Qure Medical	162	7	0.38%			
Transaxle Manufacturing	150	8	0.35%			
Hartman USA	140	9	0.33%	201	4	0.54%
Southeastern Industrial				150	7	0.41%
Springs Global - RH Center				147	8	0.40%
Lexington Medical				136	9	0.37%
The Herald				174	6	0.47%
Total	1,903		4.50%	2,024		5.47%

Source: York County Economic Development (www.ycedb.com). City Employment is estimated at 58% of population.

Schedule 21

City of Rock Hill, South Carolina

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government										
General services	28.5	32.0	32.0	31.0	65.5	65.5	66.5	70.5	72.0	72.0
Finance	73.0	106.5	104.5	98.0	44.5	44.5	40.5	42.5	45.0	45.0
Human resources	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	10.0	10.0
Housing and neighborhood services	15.0	14.0	14.0	14.0	14.5	14.5	14.5	18.5	18.5	18.5
Police	169.5	170.5	183.5	185.5	184.5	184.5	191.5	197.5	202.0	203.0
Fire	106.0	106.0	106.0	122.0	122.0	122.0	123.0	124.0	124.0	124.0
Planning and development	34.0	33.0	33.0	33.0	33.0	33.0	33.0	34.0	35.0	35.0
Public works	75.5	72.0	72.5	70.5	69.5	69.5	69.5	64.5	65.0	65.0
Property maintenance	29.5									
Parks, recreation, and tourism	93.5	94.0	94.0	94.0	106.0	106.0	108.0	110.0	115.5	115.5
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	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.0	12.0	12.0
Stormwater	12.0	12.0	12.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0
Electricity	50.5	53.5	53.5	53.0	69.5	69.5	73.5	89.5	94.0	94.0
Water	32.0	33.0	33.0	34.5	33.0	33.0	33.0	29.5	30.5	32.5
Wastewater	38.0	37.0	37.0	36.0	37.0	37.0	37.0	37.0	39.0	39.0
Total	801.5	808.0	819.5	830.0	837.5	837.5	848.5	876.5	900.5	904.5

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, South Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</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>	<u>2016</u>	<u>2017</u>
General government										
Building permits issued	1,133	811	869	760	853	918	941	1,238	924	948
Police										
Physical arrests	6,913	6,364	4,601	4,693	4,959	4,893	5,442	3,865	3,940	3,635
Parking violations	2,655	2,545	1,587	1,322	808	280	152	n/a	n/a	n/a
Traffic violations	11,890	8,712	8,566	8,782	9,546	10,525	8,030	6,302	8,372	7,292
Fire										
Medical calls answered	2,238	3,228	3,717	3,994	4,220	4,287	4,229	4,237	4,281	4,254
Fire and other responses	1,943	2,220	2,554	2,366	2,485	2,688	2,679	2,555	2,827	3,266
Inspections	3,156	2,505	2,499	1,916	2,715	2,135	3,234	4,130	4,359	5,018
Refuse collection										
Materials managed (tons)	32,010	32,764	32,515	32,144	32,720	33,173	35,312	35,267	37,924	38,012
Other public works										
Street resurfacing (miles)	8.79	10.33	7.60	4.10	8.88	3.89	7.66	7.40	2.37	2.78
New streets accepted (miles)	4.07	1.27	0.29	1.27	0.83	-	2.72	1.37	0.84	1.57
Parks, recreation and tourism										
Registered program participation	285,405	368,045	317,422	378,021	387,195	357,197	323,912	548,000	580,761	593,372
Electric										
Total mwh sales	783,394	769,452	789,101	815,181	783,647	765,881	810,073	813,164	838,403	856,352
Water										
Average daily consumptions (mgd)	21.78	14.00	18.21	15.66	14.87	14.36	15.73	18.50	19.21	20.51
Peak daily consumption (mgd)	26.47	24.00	23.84	22.38	22.27	22.00	22.97	29.86	20.48	30.62
Sewer										
Average daily treatment (mgd)	8.39	9.77	10.48	9.19	9.43	9.79	10.54	10.01	11.17	9.87
Peak daily treatment (mgd)	15.91	29.31	28.91	15.28	19.71	23.34	30.32	29.85	33.23	26.15

Source: City Departmental Operations Staff

Schedule 23

City of Rock Hill, South Carolina

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

<u>Function/Program</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>	<u>2016</u>	<u>2017</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	168	176	167	171	176	179	187	180	173	173
Fire stations	6	6	6	6	6	6	6	6	6	6
Refuse collection										
Collection trucks	50	48	48	51	50	55	52	53	58	58
Other public works										
Streets (miles)	184	185	188	215	215	215	218	219	220	222
Street lights	6,613	6,351	6,510	6,445	6,493	6,537	6,256	6,198	6,160	5,844
Parks, recreation and tourism										
Acreage	393	393	403	416	416	426	442	588	588	588
Parks	29	29	29	29	30	31	31	31	31	31
Neighborhood centers	4	4	4	4	4	4	4	4	4	4
Electric										
Miles of electric lines	587	592	606	607	605	610	618	619	624	636
Number of delivery substations	5	6	6	6	6	6	6	6	8	8
Number of poles	21,036	21,119	24,365	21,288	24,917	25,234	25,650	25,377	25,459	25,151
Water										
Miles of water lines	480	485	490	496	498	504	508	507	507	
Fire hydrants	2,763	2,800	2,825	2,850	2,890	2,929	2,959	2,972	2,980	512
Storage capacity (millions of gal)	5.5	6	6	6	6	6	6	6	8	3,035.00
Sewer										
Miles of sanitary sewers	462	469	471	473	474	480	483	482	483	
Treatment capacity (millions of gal)	20	20	20	20	20	20	20	20	20	487
										20

Source: City Departmental Operations Staff

Schedule 24
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL ELECTRIC CUSTOMERS
YEAR ENDED JUNE 30, 2017

Customer	Type of Business	Consumption (Kwh)	Amount Billed	Percentage of Total Billed
CITY OF ROCK HILL	MUNICIPAL GOVERNMENT	42,163,196	\$ 4,848,529	4.55%
R H SCHOOL DIST	PRIMARY/SECONDARY EDUCATION	21,177,239	3,127,321	2.93%
ROSS STORES INC	DISTRIBUTION	17,760,800	2,144,342	2.01%
PIEDMONT MEDICAL CTR	HOSPITAL	17,457,292	1,818,304	1.71%
WALMART STORES INC	DEPARTMENT STORE	14,663,474	1,632,692	1.53%
R H TELEPHONE CO	TELEPHONE/CABLE TV	9,418,163	1,244,102	1.17%
FOOD LION, LLC	GROCERY STORE	8,563,590	974,470	0.91%
YORK TECHNICAL COLLEGE THE HIVE	TECHNICAL EDUCATION	6,302,822	865,083	0.81%
LEXINGTON MEDICAL	MEDICAL SUPPLIES	7,616,160	773,442	0.73%
WINTHROP UNIVERSITY	UNIVERSITY	5,274,450	734,626	0.69%
3 D SYSTEMS, CORP	MANUFACTURING	6,381,880	724,129	0.68%
PUBLIX SUPER MARKETS INC 1485	GROCERY STORE	6,034,307	657,662	0.62%
TRANSAXLE MANUFACTURING OF AMERICA	TRACTOR DRIVETRAIN PARTS	4,749,600	596,594	0.56%
KOPPERS PERFORMANCE CHEMICALS	MANUFACTURING	6,270,600	583,797	0.55%
OERLIKON BALZERS COATING USA INC.	MANUFACTURING	5,234,240	571,309	0.54%
OLD CASTLE BUILDING ENVELOPE	BUILDING MATERIALS	4,791,600	561,867	0.53%
ATOTECH USA INC	MANUFACTURING	6,733,039	561,325	0.53%
CONCO MEDICAL CO	MEDICAL SUPPLIES	4,227,200	519,354	0.49%
PERFORMANCE FOOD GROUP	DISTRIBUTION	4,493,723	495,631	0.46%
EXEL INC	DISTRIBUTION	4,109,530	485,083	0.45%
		<u>203,422,906</u>	<u>\$ 23,919,661</u>	<u>22.43%</u>

Schedule 25

CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS

YEAR ENDED JUNE 30, 2017

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
YORK COUNTY	COUNTY GOVERNMENT	1,917,080,119	\$ 3,058,706	18.83%
TOWN OF FORT MILL	MUNICIPAL GOVERNMENT	1,086,004,295	1,566,089	9.64%
WINTHROP UNIVERSITY	UNIVERSITY	91,677,203	171,144	1.05%
BOWATER INC	PAPER MANUFACTURER	77,013,968	137,844	0.85%
POWERS CONSTRUCTION	CONSTRUCTION	24,771,681	132,049	0.81%
CITY OF ROCK HILL	MUNICIPAL GOVERNMENT	51,684,114	131,668	0.81%
PACES RIVER APARTMENTS LLC	APARTMENTS	17,884,830	120,940	0.74%
SOUTHWOOD REALTY	APARTMENTS	13,076,080	107,536	0.66%
INCHEM CORP	CHEMICAL MANUFACTURER	28,400,737	105,166	0.65%
WESTMINISTER BROOKSTONE LLC	APARTMENTS	10,556,128	88,154	0.54%
R H SCHOOL DIST	PRIMARY/SECONDARY EDUCATION	19,714,497	66,968	0.41%
BMA APTS ASSOC, LLC	APARTMENTS	8,520,169	66,176	0.41%
WILDWOOD SPRINGS	APARTMENTS	8,566,919	56,377	0.35%
PIEDMONT MEDICAL CTR	HOSPITAL	29,527,285	55,573	0.34%
WALK2CAMPUS PROPERTIES	APARTMENTS	6,236,030	55,024	0.34%
CAROLINA CROSSING LLC	APARTMENTS	10,902,788	53,590	0.33%
FOREST OAKS SC OWNERS LLC	APARTMENTS	6,274,089	43,857	0.27%
UTILITY SERVICES OF SC INC	UTILITIES	7,882,372	43,203	0.27%
ELITE STREET CPTL STONES CROSSING	APARTMENTS	6,015,453	42,941	0.26%
RH HOUSING AUTHORITY	HOUSING	4,561,992	42,643	0.26%
		<u>3,426,350,748</u>	<u>\$ 6,145,649</u>	<u>37.83%</u>

Schedule 26

CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WASTEWATER CUSTOMERS
YEAR ENDED JUNE 30, 2017

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
YORK COUNTY	COUNTY GOVERNMENT	1,181,713,400	\$ 4,239,786	18.79%
TEGA CAY	MUNICIPAL GOVERNMENT	115,916,011	416,488	1.85%
R H SCHOOL DIST	PRIMARY/SECONDARY EDUCATION	19,019,755	193,606	0.86%
WINTHROP UNIVERSITY	UNIVERSITY	76,985,054	188,329	0.83%
PIEDMONT MEDICAL	HOSPITAL	29,463,301	130,932	0.58%
POWERS CONSTRUCTION	APARTMENTS	24,771,681	101,213	0.45%
CITY OF ROCK HILL	MUNICIPAL GOVERNMENT	39,399,987	85,242	0.38%
INCHEM CORP	CHEMICAL MANUFACTURER	5,452,357	76,642	0.34%
PBI PERFORMANCE PRODUCTS, INC	MANUFACTURING	13,232,384	74,502	0.33%
PACES RIVER LLC	APARTMENTS	17,884,830	73,313	0.32%
PBI PERFORMANCE PRODUCTS, INC	MANUFACTURING	13,558,173	56,764	0.25%
PARK POINTE VILLAGE	APARTMENTS	6,953,712	55,878	0.25%
SOUTHWOOD REALTY	REAL ESTATE	13,076,080	53,822	0.24%
BOYD MGT CO	APARTMENTS	5,592,373	51,404	0.23%
EMERITUS CORP SPRING ARBOR	APARTMENTS	4,051,766	47,796	0.21%
CYTEC ENGINEERED MATERIALS	MANUFACTURING	5,538,893	47,096	0.21%
WESTMINISTER	APARTMENTS	10,556,128	45,385	0.20%
POSSEHL CONNECTOR SERVICES, INC	SUPPLIER	8,776,840	43,928	0.19%
A M P, INC	MANUFACTURING	7,812,538	41,135	0.18%
GRAMERCY HEATHER HEIGHTS	APARTMENTS	9,881,349	40,659	0.18%
		<u>1,609,636,612</u>	<u>\$ 6,063,919</u>	<u>26.88%</u>

Schedule 27

CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL STORMWATER CUSTOMERS
YEAR ENDED JUNE 30, 2017

Customer	Type of Business	Amount Billed	Percentage of Total Billed
CITY OF ROCK HILL	MUNICIPAL GOVERNMENT	\$ 261,015	6.55%
R H SCHOOL DIST	PRIMARY/SECONDARY EDUCATION	177,370	4.45%
WINTHROP UNIVERSITY	UNIVERSITY	103,231	2.59%
ROSS DRESS FOR LESS	WAREHOUSE	69,958	1.76%
THE GREENS OF ROCK HILL	PROPERTY DEVELOPER	42,943	1.08%
WAL-MART STORES INC.	DEPARTMENT STORE	39,018	0.98%
EXEL INC	DISTRIBUTION CENTER	37,448	0.94%
YORK TECHNICAL COLLEGE	TECHNICAL EDUCATION	35,024	0.88%
PIEDMONT SPINE PAIN CENTER	MEDICAL CENTER	20,973	0.53%
LINKS AT WATERFORD	COUNTRY CLUB/GOLF COURSE	20,935	0.53%
R H TELEPHONE CO	COMMUNICATIONS	20,054	0.50%
PARK POINTE VILLAGE	APARTMENTS	14,651	0.37%
GREENWAY WASTE SOLUTIONS	RECYCLING AND LANDFILL	14,619	0.37%
FOOD LION, LLC	GROCERY STORE	14,591	0.37%
R H COUNTRY CLUB	COUNTRY CLUB/GOLF COURSE	14,259	0.36%
YORK PREPARATORY ACADEMY	PRIMARY/SECONDARY EDUCATION	12,851	0.32%
PERFORMANCE FOOD GROUP	DISTRIBUTION CENTER	11,499	0.29%
CONCRETE SUPPLY CO LLC	CONCRETE SUPPLIER	11,150	0.28%
PUBLIX SUPER MARKETS INC	GROCERY STORE	10,859	0.27%
CAROLINA SALVAGE	SCRAP YARD	10,234	0.26%
		<u>\$ 942,683</u>	<u>23.66%</u>

CITY OF ROCK HILL, SOUTH CAROLINA

FEDERAL AWARDS SECTION

The Federal Awards Section is presented to comply with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Uniform Requirements for Federal Awards* (Uniform Guidance) 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, 2017

	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>	
Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Direct Program:			
Community Development Block Grant	14.218	\$ 425,295	
Total Department of Housing and Urban Development		<u>425,295</u>	
Total CDBG - Entitlement Grants Cluster		<u>\$ 425,295</u>	\$ 425,295
Department of Justice			
Direct Programs:			
Byrne Justice Assistance - JAG 2015-DJ-BX-0337	16.738	29,672	
Byrne Justice Assistance - JAG 2016-DJ-BX-0552	16.738	31,387	
Bulletproof Vest Partnership Program	16.607	8,040	
Passed through SC Department of Public Safety			
Forensic Science	16.742	3,590	
Victims of Crime	16.582	44,508	
Total Department of Justice		<u>117,197</u>	
Department of Transportation			
Direct Programs:			
Airport Improvement Program	20.106	923,228	
Federal Transit Cluster			
5307 Urbanized Area Formula Program	20.507	159,357	
Total Federal Transit Cluster			159,357
Highway Planning and Construction Cluster			
Recreation Trails P28051501115	20.219	100,000	
Passed through State Department of Transportation			
SCS Utilities Relocation BR46027	20.205	404,721	
RFATS UPWP2010-2011 (PL112 funds)	20.205	464,822	
Total Highway Planning and Construction Cluster			969,543
Highway Safety Cluster			
Passed through State Department of Public Safety			
Traffic Enforcement Unit 2H10023	20.601	82,606	
Total Highway Safety Cluster			82,606
Total Department of Transportation		<u>2,134,734</u>	
Environmental Protection Agency			
Direct Programs:			
ARRA - Brownfields Assessment and Cleanup Grant	66.818	369,426	
Total Environmental Protection Agency		<u>369,426</u>	
Department of the Interior			
Passed through National Park Service			
LWCF - Hargett Park Athletic Field	15.916	250,000	
Total Department of the Interior		<u>250,000</u>	
Department of Homeland Security			
Passed through SC Emergency Management			
Hazard Mitigation Grant	97.039	12,420	
FEMA Assist to Firefighters	97.044	522,705	
FEMA Fire Prevention	97.044	18,202	
Homeland Sec SWAT 14SHSP11	97.067	12,003	
Homeland Sec SWAT 15SHSP15	97.067	21,855	
Homeland Sec 15SHSP20	97.067	67,616	
Homeland Sec 16SHSP09	97.067	35,385	
Homeland Sec 16SHSP23	97.067	3,139	
Homeland Sec 16SHSP16	97.067	50,242	
Total Department of Homeland Security		<u>743,567</u>	
National Endowment for the Arts			
Direct Programs:			
National Endowment for the Arts	45.024	48,961	
		<u>48,961</u>	
Total - All Grants		<u>\$ 4,089,180</u>	

CITY OF ROCK HILL, SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2017

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. The City has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with the accrual basis of accounting. The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2017, 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 29, 2017.

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 and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
December 29, 2017



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance In Accordance with the Uniform Guidance**

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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Elliott Davis, PLLC".

Raleigh, North Carolina
December 29, 2017

City of Rock Hill, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June, 2017

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 X No

 Significant deficiency(ies) identified? X Yes ___ None reported

Noncompliance material to the financial statements noted? X Yes ___ No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? ___ Yes X No

 Significant deficiency(ies) identified? ___ Yes X 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 2 CFR 200.516(a): ___ Yes X No

Identification of major federal programs:

 U.S. Department of Transportation

 Highway Planning and Construction Cluster 20.205, 20.219

 Airport Improvement Program 20.106

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

II. FINANCIAL STATEMENT FINDINGS

2017-001 – Schedule of Expenditures of Federal Awards

Criteria: Code of Federal Regulations 200.510 (b) requires that the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.

Condition: The City's SEFA for the year ended June 30, 2016 omitted expenditures under the Highway Planning and Construction Cluster.

Context: In preparing the City's SEFA for the year ended June 30, 2017, management identified that they omitted \$348,557 in expenditures from the prior year SEFA.

Effect: The City's SEFA for the year ended June 30, 2016 was understated by \$348,557.

City of Rock Hill, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June, 2017

II. FINANCIAL STATEMENT FINDINGS, continued

Cause: Complete and accurate information was not communicated between the City's public works department and the City's finance department in order to prepare an accurate SEFA.

Recommendation: We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are complete and accurate. Furthermore, we recommend that the Finance department strengthen the communication with other departments to ensure federal expenditures are accurately communicated and reported.

2017-002 – Data Collection Form Timeliness

Criteria: Code of Federal Regulations 200.512 (a) requires that the data collection form and reporting package must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Condition: The audit report for the year ended June 30, 2016 was received by the City on January 25, 2017 and the report was submitted to the clearinghouse on February 27, 2017, which is more than 30 days after the report issuance date.

Context: In assessing the City's risk profile for the Single Audit, we noted the condition described above.

Effect: The data collection form and reporting package were submitted after the deadline.

Cause: The City failed to prepare and submit the data collection form and reporting package before the deadline as described above.

Recommendation: We recommend that management implement a plan to timely complete and submit the data collection form and report package to the Federal Audit Clearinghouse.

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, 2017

None reported



Corrective Action Plan

2017-001 – Schedule of Expenditures of Federal Awards

Management Response – Because Utilities Department staff thought that funding for the project in question was from the South Carolina Department of Transportation and were not aware it was federal pass-through funding and because all the funding for the project came to the City in a single check after the completion of the project, the Finance Department was unaware it was federal funding until long after the completion and issuance of the June 30, 2016 SEFA.

Correction Action Plan – The Utilities Department, the Project Management Department, the Grants Department and the Finance Department will more diligently monitor expenditures that are to be reimbursed by the State of South Carolina. We will all attempt to ascertain the funding source for any project up front, no matter how long the project is expected to take or when the funding is expected to be received. The person responsible for implementing the corrective action plan is Andrew C. Cooper, Financial Compliance Manager. It is anticipated that the correction action plan will be completed by June 30, 2018.

2017-002 - Data Collection Form Timeliness

Management Response – We agree that the data collection form was filed in its final form a few days later than the 30 day requirement specifies. We discovered that we needed additional time to make sure we were ordering the grants listing in certain federally-defined clusters. That ordering work delayed the final filing of the data collection form.

Corrective Action Plan – The Financial Compliance Manager will make electronic calendar notations leading up to and including the submission due date as soon as the audit report is received by the City, so that the data collection form will be filed not more than 30 days later. The person responsible for implementing the corrective action plan is Andrew C. Cooper, Financial Compliance Manager. It is anticipated that the correction action plan will be completed by January 26, 2018.