



ROCK HILL
SOUTH CAROLINA

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

CITY OF ROCK HILL, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

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, 2014**

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December 30, 2014

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

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Rock Hill (the "City") for the fiscal year ended June 30, 2014.

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 of Rock Hill's financial statements have been audited by Burkett, Burkett & Burkett CPA's, PA, 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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

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

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

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

The City's continuing efforts to invest in itself have also been fruitful. Each of the City's four business parks

continues to be a magnet for new jobs and diversified economic development.

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

Based on this multi-year approach, the City has developed several important revenue sources. The Hospitality Fee, a local 2% fee levied on prepared foods and beverages, has been used to develop regional parks and offset certain general fund expenditures that were exclusively used to generate tourism in the City. In addition, the long range plan helped the City see that future gaps in revenues and expenses were primarily due to improvements to water, sewer and fire services in the City. This was directly responsible for the City developing an impact fee program that was approved as part of the budget process. These impact fees have been used to offset debt used 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 within five years.

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 is slated to host both the 2015 and 2016 World Cup events and the 2017 World Championships, marking the first time in 16 years that the event has been held in the United States.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rock Hill for its comprehensive annual financial report (CAFR) for the year ended June 30, 2013. 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-third 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, 2014. This was the twenty-third 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

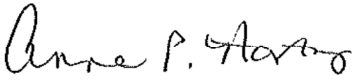
Treasurers Association for its investment policy.

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,

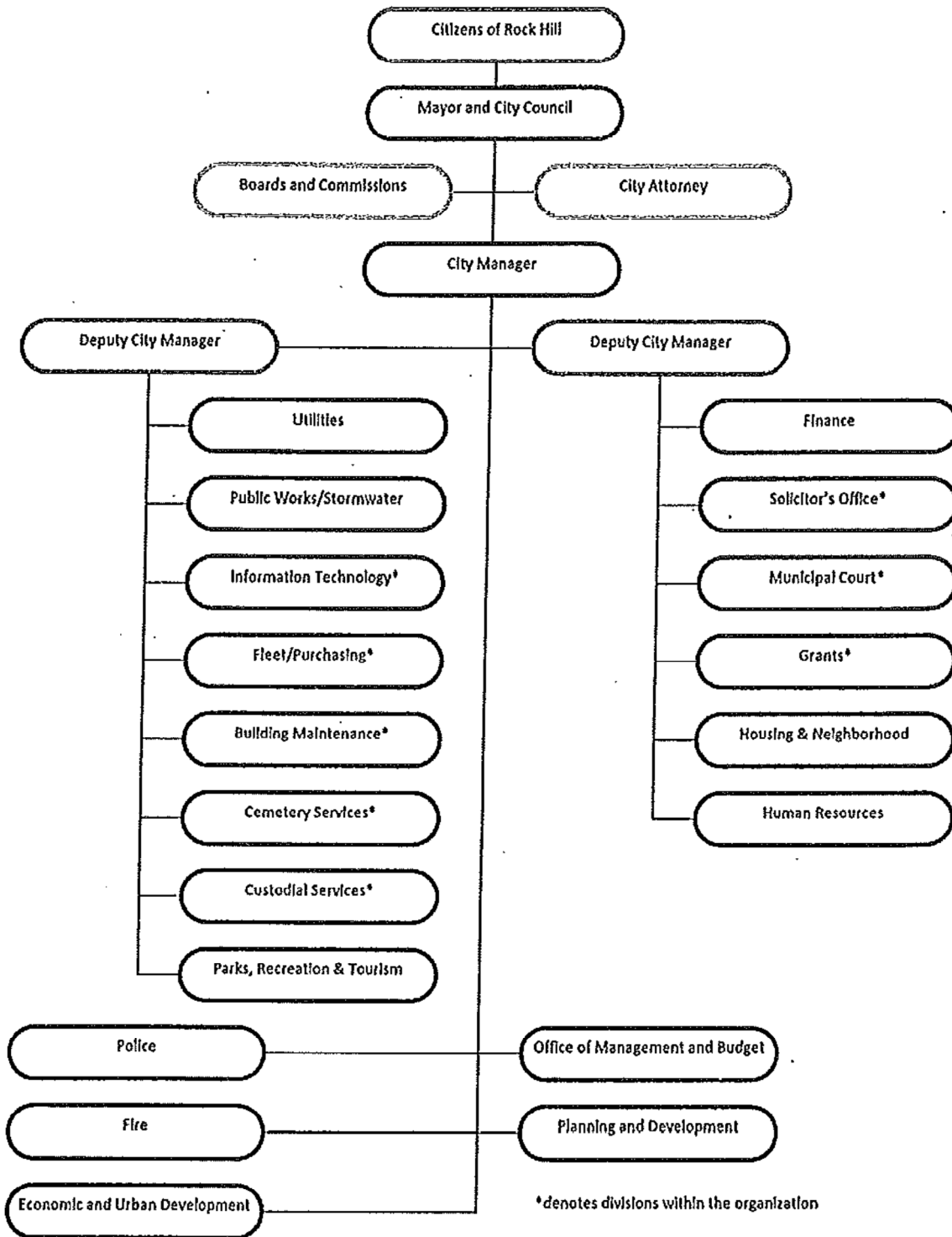
A handwritten signature in black ink, appearing to read "David B. Vebaun". The signature is written in a cursive, flowing style.

David B. Vebaun, City Manager

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

Anne P. Harty, Chief Financial Officer

City of Rock Hill Organization Chart





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, 2013

Executive Director/CEO

City of Rock Hill
List of Elected and Appointed Officials
June 30, 2014

Elected Officials

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

Appointed Officials

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

**BURKETT
BURKETT & BURKETT**

Certified Public Accountants, P.A.
128 East Main St., Ste 201 Rock Hill, SC 29730
Phone: 803-325-1660 Fax: 803-325-1665

INDEPENDENT AUDITOR'S REPORT

To the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rock Hill, South Carolina as of and for the year ended June 30, 2014, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rock Hill, South Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, budget to actual comparisons, schedule of court fines and assessments, schedule of SC Department of Transportation Grants, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information noted above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the City of Rock Hill, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rock Hill, South Carolina's internal control over financial reporting and compliance.

Burkett, Burkett & Burkett

BURKETT, BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
December 30, 2014

CITY OF ROCK HILL, SOUTH CAROLINA

Management's Discussion and Analysis

As management of the City of Rock Hill (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 4 of this report.

Financial Highlights

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

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$333,920,235 (*net position*). Of this amount, \$1,062,774 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13,468,797.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$15,260,488, a decrease of \$4,685,938 from the prior year. Approximately 17.0 percent of the total amount, \$2,555,496 is available for spending at the government's discretion (unassigned fund balance in the general fund).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,555,496, or 4.0 percent of the total fund expenditures.
- The City's debt increased to \$196.2 million from \$185.3 million last year as the City issued new general obligation bonds, tax increment financing bonds, and combined utility system revenue bonds 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 of Rock Hill's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rock Hill include general government, public safety, economic development, and parks and recreation. The business-type activities of the City of Rock Hill include electric, water, sewer and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing corporation which is fiscally dependent on the City. Financial information for this

component unit is reported separately from the financial information presented for the primary government itself. Two legally separate recreation organizations, which are under the control of the City, are included as an integral part of the primary government.

The government-wide financial statements can be found on pages 21 - 22 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 23 - 26 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund can be found on page 27.

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

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

The basic proprietary fund financial statements can be found on pages 28 - 31 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 32 - 59 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 other supplemental information. Combining and individual fund statements and schedules can be found on pages 63 – 67 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 by \$333,920,235 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (92.9 percent) 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, \$1,062,774, may be used to meet the government's ongoing obligations to citizens and creditors.

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 for unused employee vacation, sick and compensatory days in accordance with GAAP.

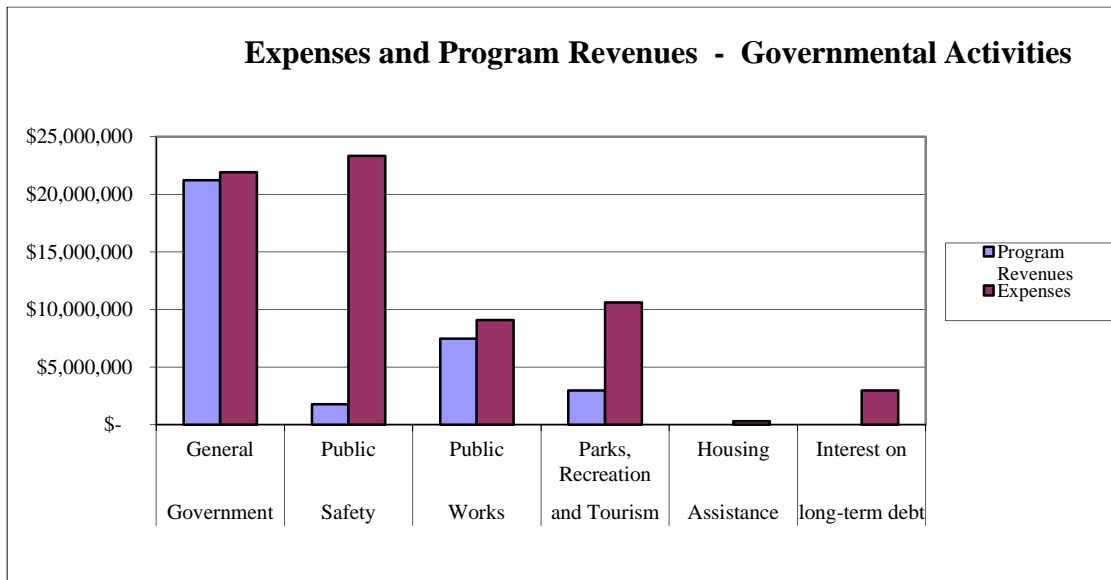
Most of the additional increase in the City's net position is due to contributions of capital assets received from developers and operating income from the electric, water and sewer systems.

City of Rock Hill's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$28,015,901	\$27,781,126	\$ 47,313,883	\$ 43,711,846	\$ 75,329,784	\$ 71,492,972
Capital assets	158,316,723	141,254,675	349,617,602	342,450,037	507,934,325	483,704,712
Total assets	186,332,624	169,035,801	396,931,485	386,161,883	583,264,109	555,197,684
Deferred outflows of resources	719,211	804,588	423,737	499,401	1,142,948	1,303,989
Long-term liabilities outstanding	73,635,696	64,311,526	130,721,669	138,494,282	204,357,365	202,805,808
Other liabilities	19,245,503	14,957,995	26,883,954	15,784,251	46,129,457	30,742,246
Total liabilities	92,881,199	79,269,521	157,605,623	154,278,533	250,486,822	233,548,054
Net assets:						
Net Investment in capital assets	87,340,185	85,203,209	223,821,927	213,297,864	311,162,112	298,501,073
Restricted	8,362,710	10,311,861	13,332,639		21,695,349	10,311,861
Unrestricted	(1,532,259)	(4,944,202)	2,595,033	19,084,887	1,062,774	14,140,685
Total net assets	\$94,170,636	\$90,570,868	\$ 239,749,599	\$ 232,382,751	\$ 333,920,235	\$ 322,953,619

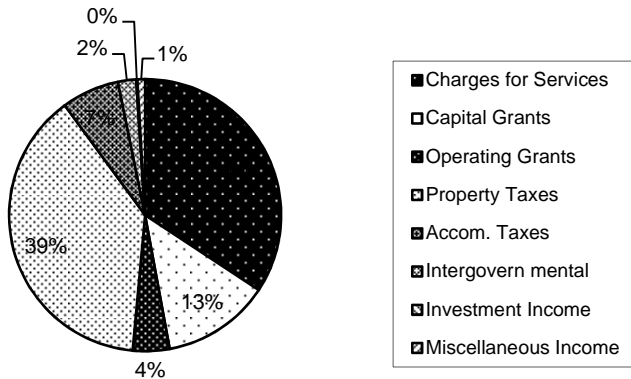
Governmental activities. Governmental activities increased the City's net position by \$3,599,767, and accounted for 40.0% of the total growth in the net position of the City. Key elements of this increase are as follows:

- Accommodations taxes, building permit and plan checking fees and business license revenues came in significantly over budget as the local economy showed signs of a continued comeback from the recession.
- Following the implementation of an onsite clinic and an increase in employee contributions for health claims, the total claims expense for the year still slightly exceeded the amount budgeted by \$260,000.
- Depreciation of governmental capital assets reduced net position by more than \$7,962,000.
- Over \$20,000,000 of governmental expenditures was capitalized and increased the City's net position invested in capital assets. The largest of the additions were construction of a BMX bicycle racing track, major roadway and infrastructure improvements in the Textile Corridor district, a Law Center addition, a public park, a parking deck and numerous vehicles and equipment acquired through a lease purchase.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 22,312,321	\$ 21,139,164	\$ 130,811,116	\$ 120,361,238	\$ 153,123,437	\$ 141,500,402
Operating grants and contributions	2,833,559	6,371,418	1,369,284	304,178	4,202,843	6,675,596
Capital grants and contributions	8,349,715	3,899,967	2,578,279	1,208,821	10,927,994	5,108,788
General Revenues:					-	-
Property taxes	24,891,695	25,052,793			24,891,695	25,052,793
Hospitality taxes	4,685,146	4,454,576			4,685,146	4,454,576
Investment income	228,660	88,918	669,102	613,735	897,762	702,653
Intergovernmental revenue	1,435,504	1,427,289			1,435,504	1,427,289
Miscellaneous	751,383	585,550			751,383	585,550
Total Revenues	65,487,983	63,019,675	135,427,781	122,487,972	200,915,764	185,507,647
Expenses						
General Government	21,919,441	23,834,624			21,919,441	23,834,624
Public Safety	23,341,006	22,035,420			23,341,006	22,035,420
Public Works	9,100,063	8,921,477			9,100,063	8,921,477
Parks, Recreation & Tourism	10,629,823	10,633,963			10,629,823	10,633,963
Housing Assistance	303,431	81,883			303,431	81,883
Interest on Long-term Debt	2,988,915	2,301,269			2,988,915	2,301,269
Electric			90,742,136	85,619,086	90,742,136	85,619,086
Water			11,196,033	11,546,373	11,196,033	11,546,373
Sewer			14,304,120	14,718,278	14,304,120	14,718,278
Stormwater			2,921,999	2,455,159	2,921,999	2,455,159
Total Expenses	68,282,679	67,808,636	119,164,288	114,338,896	187,446,967	182,147,532
Increase (decrease) in net position before transfers	(2,794,696)	(4,788,961)	16,263,493	8,149,076	13,468,797	3,360,115
Transfers	6,394,463	6,133,276	(6,394,463)	(6,133,276)	-	-
Increase in net position	3,599,767	1,344,315	9,869,030	2,015,800	13,468,797	3,360,115
Net position -- beginning	90,570,868	89,226,553	232,382,751	230,366,951	322,953,619	319,593,504
Restatement			(2,502,182)		(2,502,182)	
Net position -- ending	\$ 94,170,635	\$ 90,570,868	\$ 239,749,599	\$ 232,382,751	\$ 333,920,234	\$ 322,953,619

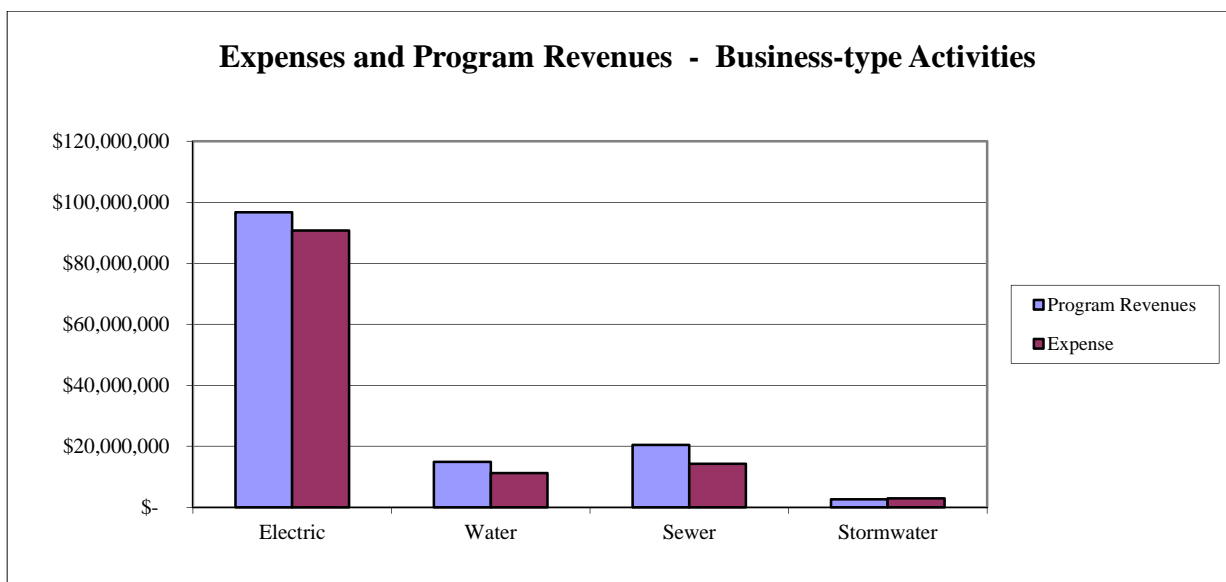


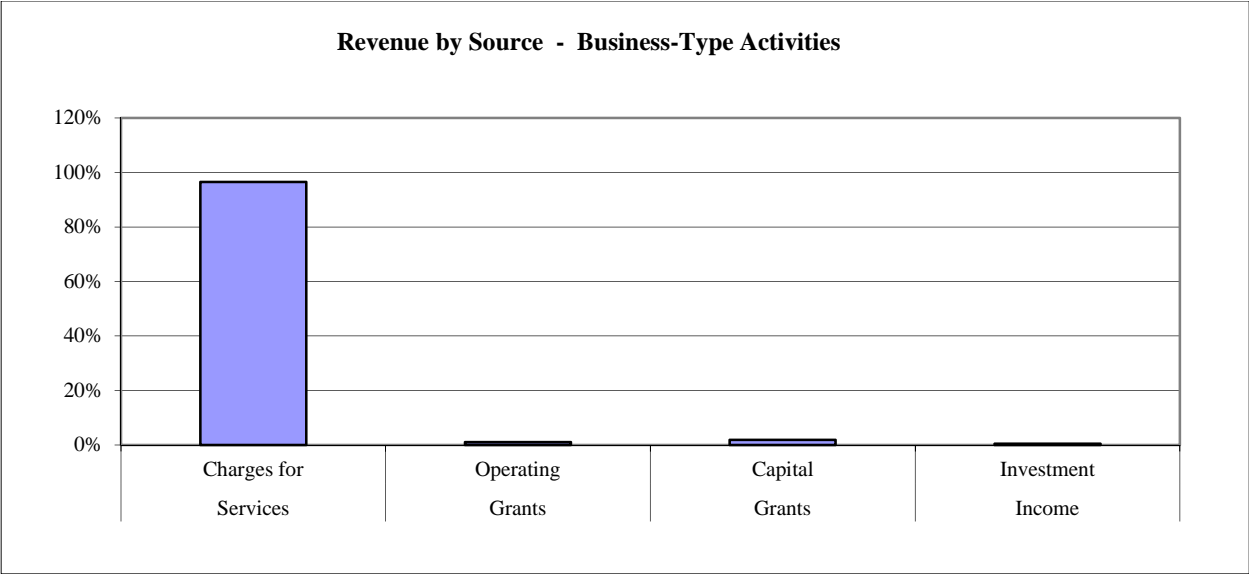
Revenue by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$9,689,030, accounting for 60.0% of the total growth in the City's net position. Net position invested in capital assets increased as improvements and expansions were made to the electric, water and wastewater systems. Key elements of changes other than capital and restricted are as follows:

- A 6.0% electric rate increase was included in the budget to partially offset a Piedmont Municipal Power Agency wholesale power rate increase.
- Water and sewer rates remained unchanged.
- Electric "margins," or total electricity sales minus the cost of purchased power, exceeded the amount budgeted by \$684,000. More normal temperatures coupled with lower peak demand fluctuation were the primary factors.
- Despite temperatures closer to historical norms, unusually wet weather continued to hold back water sales, which were nearly \$889,000 below budget. Wastewater charges, which are based on metered water sales, also came in nearly \$334,000 under budget.
- Investment earnings remained low as market rates remained near zero.





Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$15,260,488, a decrease of \$4,685,938 from the prior year. Much of the decrease in fund balance was caused by the expenditure of bond proceeds issued in previous years. Approximately 17.0 percent of total fund balance, \$2,555,496, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is *nonspendable, restricted, committed or assigned* 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 or 4) bond issue construction funds. Additional fund balances are committed for accommodation tax projects, \$2,750,081, tax increment financing districts, \$1,086,167, a landscape maintenance district, \$52,794, future debt payments on a recreation project, \$73,650, and a downtown parking district \$1,070.

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 \$2,555,496, while total fund balance was \$7,887,041. 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 4.0 percent of total general fund expenditures, while total fund balance represents 12.1 percent of those same expenditures.

Total fund balance of the City’s general fund decreased by \$1,347,420 during the current fiscal year. The most significant factors in this net decrease are as follows:

- Accommodations and hospitality tax revenues exceeded budget by \$308,000.
- Business license and building permit revenues exceeded budget by over \$965,000 as business revenues locally improved.
- Building permit and plan checking fees exceeded budget by \$200,000 as new construction picked up and as an unusual hail storm caused many homeowners to replace damaged roofs.

- The City largely pays its own employee and retiree health care claims. For the year, health care claims and the cost of the new onsite clinic exceeded budget by \$260,000. This was a dramatic improvement from the previous year when costs exceeded budget by more than \$1,000,000.
- Debt service exceeded budget by about \$300,000 due to interest and principal on new tax increment financing debt.
- Expenditures from the local accommodations tax fund exceeded budget by more than \$600,000, but most of these funds had carried over from prior years and simply represented the completion of older budgeted projects.
- The general fund transferred nearly \$700,000 to the capital projects fund to provide funding for several street and park projects.

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

Unrestricted net position of the electric, water, sewer and storm water operations at the end of the year amounted to \$2,595,033. The total growth in net position was \$9,869,030. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget for the fiscal year ending June 30, 2014.

As discussed above, accommodations tax revenues exceeded budget by more than \$308,000 and license and permit revenues exceeded budget by \$1,018,000.

On the expenditure side, General government expenditures in total were over budget primarily due to employee and retiree health insurance claims that exceeded budget by more than \$260,000. Increases in employee premiums were put into place for fiscal year 2013/2014. Actual capital expenditures include the purchase of over \$3,200,000 of vehicles acquired using a capital lease purchase arrangement. Since the proceeds from the capital lease (including unspent proceeds from a prior year's lease) offset the expenditure for purchases, neither item is budgeted. Transfers from the general fund to the capital projects fund were higher than normal due to the initial costs of street intersection improvements. The City will likely receive reimbursement for some of these expenditures from the SC Department of Transportation.

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, 2014, amounts to \$311,162,112 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and roads. The total increase in the City's investment in capital assets for the current fiscal year was 4.2 percent (a 2.5 percent increase for governmental activities and a 4.9 percent increase for business-type activities). These numbers reflect the inclusion of infrastructure, in accordance with GASB 34.

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

- Work on a new BMX bicycle racing track, which had been in the design and engineering stage, was completed following the issuance of limited obligation bonds.
- Major work in the downtown area in the White Street / Textile Corridor area continued, as the area is made ready for redevelopment of the former Bleachery property.
- An expansion of the Law Center in the amount of \$1,800,000 was completed.
- Over \$1,700,000 of water, sewer and storm water capital assets were added by developers and donated to the City.
- The City's electric, water and sewer departments invested over \$7.8 million of operating revenues into additions to plant in service.

City of Rock Hill's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 1,743,283	\$ 1,743,283	\$ 4,580,277	\$ 4,081,091	\$ 6,323,560	\$ 5,824,374
Building and improvements	72,337,932	71,707,878	37,309,601	38,680,300	109,647,533	110,388,178
Equipment/plant in service	13,503,482	13,667,003	3,194,096	3,503,691	16,697,578	17,170,694
Infrastructure	45,902,974	47,107,996			45,902,974	47,107,996
Utility systems			285,078,019	276,433,741	285,078,019	
Construction in Progress	24,829,052	7,028,515	19,455,409	19,751,214	44,284,461	26,779,729
Total	\$ 158,316,723	\$ 141,254,675	\$ 349,617,402	\$ 342,450,037	\$ 507,934,125	\$ 207,270,971

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 \$196,206,681. Of this amount \$17,375,000 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	
	2014	2013	2014	2013	2014	2013
Tax increment bonds	\$ 24,960,000	\$ 16,265,000			\$ 24,960,000	\$ 16,265,000
General obligation bonds	17,375,000	16,405,000			17,375,000	16,405,000
Limited obligation bonds	14,240,000	15,160,000			14,240,000	15,160,000
Municipal improvement district bonds	2,016,000	2,080,000			2,016,000	2,080,000
HUD Section 108 Loan	1,751,000	1,843,000			1,751,000	1,843,000
SC DHEC HUD loan	549,526	628,233			549,526	628,233
Cycling facilities bank loans	5,000,000	5,000,000			5,000,000	5,000,000
Utility revenue bonds			\$ 124,870,000	\$ 122,135,000	124,870,000	122,135,000
State revolving fund loans			5,445,155	5,832,985	5,445,155	5,832,985
Total	\$ 65,891,526	\$ 57,381,233	\$ 130,315,155	\$ 127,967,985	\$ 196,206,681	\$ 185,349,218

The City's total debt increased by \$10,857,463 during the current fiscal year. Aside from the normal payment of prior bonds, the City issued \$1,800,000 of general obligation bonds to build an addition to the Law Center, \$9,675,000 of tax increment financing bonds to fund construction of a public park and a parking deck as well as additional capital lease debt for equipment acquisition. Under business-type activities, the City issued new combined utility system revenue bonds to make improvements to its electric, water and sewer systems. The City also issued new general obligation, tax increment financing and utility revenue bonds to refinance older issues of the same type to lower the interest rates on the debt.

The City maintains an "AAA" rating from Standards & Poor's and Fitch and an "Aaa" rating from Moody's on most of its utility revenue bonds debt by way of debt service insurance. The City's underlying rating on general obligation debt is "AA-" from Standard & Poor's and "Aa3" from Moody's. The City's underlying rating on its combined utility system revenue bonds is "A" from Standard & Poor's and "A3" from Moody's following a downgrade in September, 2014.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$20,090,068, which was \$2,715,068 more than the City's outstanding general obligation debt at June 30, 2014.

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

Economic Factors and Next Year's Budgets and Rates

The local economy seems to have started a comeback from the recent national recession. Both the City and York County continue to experience unemployment of over 6.9%. 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 2014/2015 that included moderate rate increases for the City's citizens and customers:

- Unemployment in Rock Hill is typically slightly higher than in York County and the State of South Carolina, due to strict annexation laws and a large number of Charlotte, NC commuters. Certain areas of the City have a higher concentration of unemployment rates - particularly the older downtown core.
- In order to encourage and support local business, the City has offered a 10% discount on annual business license fees that are paid on time.
- The cost of employee and retiree health claims continues to exceed estimates. The City put into place an employee rate increase in January, 2014 to mitigate the net amount the City will have to pay. In January, 2013, the City opened an in house wellness clinic for employees and retirees and their covered dependents that offers services for minor illnesses and injuries, prescription refills and vaccinations. This service seems to have begun to reduce the cost of routine doctor visits.
- The City has higher income figures compared to other cities in the state. As Rock Hill continues to attract new business into its professional office parks, wages can be expected to rise. 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 2014/2015 budget year, the City enacted a 6.0% increase in electric rates to pay for a 6.7% increase in wholesale power costs, a 30% increase in stormwater rates to begin funding of some major capital improvements, but no increases in water or wastewater rates.
- The 2014/2015 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 2014/2015 fiscal year. Amounts available for appropriation in the general fund are \$56.1 million, an increase of 4.9 percent over the final fiscal year 2013/2014 budget of \$53.5 million. For the 2014/2015 year, the employee pay for performance program provides two thirds of normal funding for raises to base pay depending on employee performance appraisals. The pay for performance program is not assured for any future years.

The City's budgetary General Fund balance is expected to remain stable by the close of the 2014/2015 year.

As for the City's business-type activities, we expect that future results will remain stable or improve slightly as new construction began to pick up in fiscal 2015. It is widely accepted that the City's key business service areas must cover their costs. As the City has moved toward this "cost to serve" concept there have been small, incremental increases in some rates and fees. Over the last 10 years, the City has worked tirelessly to ensure that none of these fees outpaced the Consumer Price Index. City staff performs regular studies to compare Rock Hill's rates with 27 other cities to make certain that the City remains competitive. The budget serves as an ongoing work plan to reach cost to serve levels in key utility businesses. Good business practice requires these services to charge fees that sufficiently recover costs associated with the service. The City continues to move toward cost to serve in all these service areas while keeping rates competitive.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF ROCK HILL, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 14,603,371	\$ 8,217,735	\$ 22,821,106	\$ 308,987
Investments	59,724		59,724	522,599
Receivables (net of allowance for uncollectibles)				
Taxes and assessments	1,319,453		1,319,453	
Intergovernmental	1,409,614		1,409,614	
Rehabilitation loans			-	
Affordable Housing mortgages				
Utility accounts		16,252,238	16,252,238	
Direct financing lease		1,034,595	1,034,595	
Other	3,141,733	122,057	3,263,790	60
Due from component units	221,209		221,209	
Inventories	243,682	2,302,402	2,546,084	
Restricted assets:				
Cash and cash equivalents	6,427,979	19,384,856	25,812,835	
Capital assets not being depreciated:				
Land	1,815,283	4,580,277	6,395,560	336,544
Construction in progress	24,829,052	19,455,409	44,284,461	
Capital assets, net of accumulated depreciation:				
Buildings	72,265,932	37,309,601	109,575,533	
Machinery, equipment and vehicles	13,503,482	3,194,096	16,697,578	
Infrastructure	45,902,974		45,902,974	
Utility distribution and collection systems		285,078,219	285,078,219	
Total assets	<u>185,743,488</u>	<u>396,931,485</u>	<u>582,674,973</u>	<u>1,168,190</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	719,211	423,737	1,142,948	
Total deferred outflows of resources	<u>719,211</u>	<u>423,737</u>	<u>1,142,948</u>	
LIABILITIES				
Accounts payable and accrued liabilities	8,999,396	11,837,139	20,836,535	2,398
Due to primary government				221,209
Utility deposits		3,252,833	3,252,833	
Accrued interest payable	620,052	2,180,204	2,800,256	
Contract retainage payable	1,249,436	610,768	1,860,204	
Current portion of long-term liabilities	7,426,496	9,003,010	16,429,506	
Unearned revenues	360,987		360,987	
Total current liabilities	<u>18,656,367</u>	<u>26,883,954</u>	<u>45,540,321</u>	<u>223,607</u>
Noncurrent liabilities:				
Noncurrent portion of long-term liabilities	73,635,696	130,721,669	204,357,365	
Total liabilities	<u>92,292,063</u>	<u>157,605,623</u>	<u>249,897,686</u>	<u>223,607</u>
NET POSITION				
Net investment in capital assets	87,340,185	223,821,927	311,162,112	336,544
Restricted for:				
Federal and state grant programs	1,034,369		1,034,369	
Debt service	1,105,782		1,105,782	
Accommodations tax projects	962,128		962,128	
Unexpended assets from bond issues	5,074,400	13,332,639	18,407,039	
Perpetual care				
Expendible	121,144		121,144	
Nonexpendable	25,000		25,000	
Other purposes	39,887		39,887	
Unrestricted	(1,532,259)	2,595,033	1,062,774	608,039
Total net position	<u>\$ 94,170,636</u>	<u>\$ 239,749,599</u>	<u>\$ 333,920,235</u>	<u>\$ 944,583</u>

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

CITY OF ROCK HILL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 21,919,441	\$ 11,822,368	\$ 1,158,193	\$ 8,258,950	\$ (679,930)		\$ (679,930)	
Public safety	23,341,006	1,262,891	531,507		(21,546,608)		(21,546,608)	
Public works	9,100,063	7,364,944	109,830		(1,625,289)		(1,625,289)	
Parks, recreation and tourism	10,629,823	1,862,118	1,034,029	90,765	(7,642,911)		(7,642,911)	
Housing assistance	303,431				(303,431)		(303,431)	
Interest on long-term debt	2,988,915				(2,988,915)		(2,988,915)	
Total governmental activities	<u>68,282,679</u>	<u>22,312,321</u>	<u>2,833,559</u>	<u>8,349,715</u>	<u>(34,787,084)</u>		<u>(34,787,084)</u>	
Business-type activities:								
Electric	90,742,136	95,650,248	228,087	854,845		\$ 5,991,044	5,991,044	
Water	11,196,033	13,166,160	693,797	1,060,366		3,724,290	3,724,290	
Sewer	14,304,120	19,356,015	447,400	663,068		6,162,363	6,162,363	
Stormwater	2,921,999	2,638,693				(283,306)	(283,306)	
Total business-type activities	<u>119,164,288</u>	<u>130,811,116</u>	<u>1,369,284</u>	<u>2,578,279</u>		<u>15,594,391</u>	<u>15,594,391</u>	
Total primary government	<u>\$ 187,446,967</u>	<u>\$ 153,123,437</u>	<u>\$ 4,202,843</u>	<u>\$ 10,927,994</u>	<u>(34,787,084)</u>	<u>15,594,391</u>	<u>(19,192,693)</u>	
Component unit:								
Housing Development Corporation of Rock Hill	\$ 105,385		\$ 112,717					\$ 7,332
General revenues								
Property taxes					24,891,695		24,891,695	
Accommodations and hospitality taxes					4,685,146		4,685,146	
Investment income					228,660	669,102	897,762	1,742
Unrestricted intergovernmental revenue					1,435,504		1,435,504	
Miscellaneous					751,384		751,384	
Transfers					6,394,463	(6,394,463)	-	
Total general revenues and transfers					<u>38,386,852</u>	<u>(5,725,361)</u>	<u>32,661,491</u>	<u>1,742</u>
Change in net assets					3,599,768	9,869,030	13,468,798	9,074
Net position - beginning of year					90,570,868	232,382,751	322,953,619	935,508
Restatement						(2,502,182)	(2,502,182)	
Net position - end of year					<u>\$ 94,170,636</u>	<u>\$ 239,749,599</u>	<u>\$ 333,920,235</u>	<u>\$ 944,582</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, 2014

	General	Blended Component Unit Manchester Meadows	Blended Component Unit Rock Hill Cycling Facilities Corp	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$12,205,741	\$124,469	\$196,400	\$2,076,761	\$14,603,371
Investments	10,169			49,555	59,724
Receivables (net of allowances for uncollectible accounts):					
Taxes and assessments	510,160				510,160
Intergovernmental				1,409,614	1,409,614
Other	1,291,467			1,723,153	3,014,620
Due from other funds	21,240			610,936	632,176
Due from component unit	221,209				221,209
Inventories	243,682				243,682
Restricted assets:					
Cash and cash equivalents	247,797			6,180,182	6,427,979
TOTAL ASSETS AND OTHER DEBITS	\$14,751,465	\$124,469	\$196,400	\$12,050,201	\$27,122,535
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$5,029,910	\$124,469	\$122,750	\$3,242,106	\$8,519,235
Due to other funds	610,936			21,240	632,176
Accrued interest payable	620,052				620,052
Contract retainage payable	123,365			1,126,071	1,249,436
Unearned revenues				360,987	360,987
Reimbursements payable to developers	480,161				480,161
TOTAL LIABILITIES	6,864,424	124,469	122,750	4,750,404	11,862,047
FUND BALANCES					
Non-spendable:					
Inventory on hand	243,682				243,682
Donated restricted principal				25,000	25,000
Restricted for:					
Federal and state grant programs	454,477			579,892	1,034,369
Debt service reserve fund				1,105,782	1,105,782
Drug enforcement funds	230,900				230,900
State victim assistance funds	77,266				77,266
Bond issue construction funds				4,690,092	4,690,092
Constrained by external donors	171,327			899,031	1,070,358
Committed	4,153,893		\$73,650		4,227,543
Unassigned	2,555,496				2,555,496
TOTAL FUND BALANCES	7,887,041	124,469	73,650	7,299,797	15,260,488
TOTAL LIABILITIES AND FUND BALANCES	\$14,751,465	\$124,469	\$196,400	\$12,050,201	\$27,122,535

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, 2014

Total fund balances for governmental funds	\$ 15,260,488
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	158,316,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	936,406
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(80,342,981)</u>
Net position of governmental activities	<u>\$ 94,170,636</u>

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, 2014

	General	Blended Component Unit Manchester Meadows	Blended Component Unit Rock Hill Cycling Facilities Corp	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$24,832,196				\$24,832,196
Accommodations and hospitality taxes	4,685,146				4,685,146
Licenses and permits	9,202,204				9,202,204
Fines and forfeitures	739,249				739,249
Intergovernmental	2,617,829			\$7,436,410	10,054,239
Charges for services	10,831,970				10,831,970
Impact fees				460,651	460,651
Investment earnings	1,878			7,545	9,423
Lease revenue			\$560,000		560,000
Management fees	289,950				289,950
Program income				573,326	573,326
Other	2,300,433			695,507	2,995,940
Total revenues	<u>55,500,855</u>	<u>0</u>	<u>560,000</u>	<u>9,173,439</u>	<u>65,234,294</u>
EXPENDITURES					
Current:					
General government	16,229,454			372,287	16,601,741
Public safety	21,138,549			486,244	21,624,793
Public works	6,800,239				6,800,239
Parks, recreation and tourism	9,569,888			3,957	9,573,845
Housing			289,950	13,481	303,431
Capital outlay	3,872,072			22,875,924	26,747,996
Debt service:					
Principal	2,912,707			242,000	3,154,707
Interest and fees	2,210,575		245,500	412,020	2,868,095
Bond issuance costs	78,415			508,641	587,056
Capital lease payments	2,380,589				2,380,589
Total expenditures	<u>65,192,488</u>	<u>0</u>	<u>535,450</u>	<u>24,914,554</u>	<u>90,642,492</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(9,691,633)</u>	<u>0</u>	<u>24,550</u>	<u>(15,741,115)</u>	<u>(25,408,198)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,552,476			793,047	7,345,523
Transfers out	(951,060)				(951,060)
General obligation bonds issued				5,735,000	5,735,000
Tax increment financing bonds issued	3,250,000			9,675,000	12,925,000
Payment to refunded bond escrow agent	(3,170,000)			(3,825,000)	(6,995,000)
Capital lease	2,662,797				2,662,797
Total other financing sources (uses)	<u>8,344,213</u>	<u>0</u>	<u>0</u>	<u>12,378,047</u>	<u>20,722,260</u>
NET CHANGE IN FUND BALANCE	<u>(1,347,420)</u>	<u>0</u>	<u>24,550</u>	<u>(3,363,068)</u>	<u>(4,685,938)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,234,461</u>	<u>0</u>	<u>49,100</u>	<u>10,662,865</u>	<u>19,946,426</u>
FUND BALANCE, END OF YEAR	<u>\$7,887,041</u>	<u>\$0</u>	<u>\$73,650</u>	<u>\$7,299,797</u>	<u>\$15,260,488</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, 2014

Net change in fund balances - total governmental funds \$ (4,685,938)

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. 17,539,610

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) is to decrease net assets. (477,564)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 34,452

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. (8,834,906)

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. 24,113

Change in net assets of governmental activities \$ 3,599,767

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, 2014

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$24,951,767	\$24,832,196	(\$119,571)
Accommodations and hospitality taxes	4,376,575	4,685,146	308,571
Licenses and permits	8,184,001	9,202,204	1,018,203
Fines and forfeitures	675,000	739,249	64,249
Intergovernmental	2,625,988	2,617,829	(8,159)
Charges for services	10,857,943	10,831,970	(25,973)
Investment earnings	30,001	1,878	(28,123)
Management fees		289,950	289,950
Other	1,971,736	2,300,433	328,697
Total revenues	<u>53,673,011</u>	<u>55,500,855</u>	<u>1,827,844</u>
EXPENDITURES			
Current:			
General government	16,054,282	16,229,454	(175,172)
Public safety	20,771,520	21,138,549	(367,029)
Public works	6,874,803	6,800,239	74,564
Parks, recreation and tourism	8,693,725	9,569,888	(876,163)
Capital outlay			
Operating budget capital	193,036	672,260	(479,224)
Lease purchase capital		3,199,812	(3,199,812)
Debt service:			
Principal	2,746,706	2,912,707	(166,001)
Interest and fees	2,222,168	2,288,990	(66,822)
Capital lease payments	2,436,143	2,380,589	55,554
Total expenditures	<u>59,992,383</u>	<u>65,192,488</u>	<u>(5,200,105)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,319,372)</u>	<u>(9,691,633)</u>	<u>(3,372,261)</u>
OTHER FINANCING SOURCES:			
Transfers in	6,584,372	6,552,476	(31,896)
Transfers out	(265,000)	(951,060)	(686,060)
Tax Increment financing bonds issued		3,250,000	3,250,000
Proceeds from capital lease		2,662,797	2,662,797
Payment to refunded bond escrow agent		(3,170,000)	(3,170,000)
Total other financing sources	<u>6,319,372</u>	<u>8,344,213</u>	<u>2,024,841</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES		<u>(1,347,420)</u>	<u>(1,347,420)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,234,461</u>	<u>9,234,461</u>	
FUND BALANCE, END OF YEAR	<u>\$9,234,461</u>	<u>\$7,887,041</u>	<u>(\$1,347,420)</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, 2014

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
ASSETS			
Cash and cash equivalents	\$ 4,942,199	\$ 3,275,536	\$ 8,217,735
Receivables (net of allowance for uncollectible accounts):			
Utility accounts	16,252,238		16,252,238
Direct financing lease	1,034,595		1,034,595
Other	122,057		122,057
Inventories	2,302,402		2,302,402
Total current assets	24,653,491	3,275,536	27,929,027
Restricted assets, cash and equivalents	18,755,808	629,048	19,384,856
Capital assets - net	316,658,829	13,503,364	330,162,193
Construction in progress	19,364,079	91,330	19,455,409
Total noncurrent assets	354,778,716	14,223,742	369,002,458
Total assets	379,432,207	17,499,278	396,931,485
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	423,737		423,737
Total deferred outflows of resources	423,737		423,737
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,707,347	129,792	11,837,139
Utility deposits	3,252,833		3,252,833
Accrued interest payable	2,153,144	27,060	2,180,204
Contract retainage payable	610,768		610,768
Current portion of long-term obligations	8,606,380	396,630	9,003,010
Total current liabilities	26,330,472	553,482	26,883,954
Noncurrent liabilities			
Noncurrent liabilities due in more than one year	125,053,896	5,667,773	130,721,669
Total liabilities	151,384,368	6,221,255	157,605,623
NET POSITION			
Invested in capital assets, net of related debt	216,240,857	7,581,070	223,821,927
Unexpended assets from bond issues	13,332,639		13,332,639
Unrestricted	(1,101,920)	3,696,953	2,595,033
Total net position	\$ 228,471,576	\$ 11,278,023	\$ 239,749,599

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

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
OPERATING REVENUES:			
Electric sales	\$ 89,677,673		\$ 89,677,673
Water sales	12,839,450		12,839,450
Sewer charges	19,146,064		19,146,064
Impact fees	718,114		718,114
Storm water charges		\$ 2,629,867	2,629,867
Government grants	651,170		651,170
Other user charges	6,509,236	8,826	6,518,062
Total operating revenues	<u>129,541,707</u>	<u>2,638,693</u>	<u>132,180,400</u>
OPERATING EXPENSES:			
Purchased power	72,713,106		72,713,106
System operations	21,450,106	1,921,859	23,371,965
Depreciation and amortization	10,936,144	832,919	11,769,063
General and administrative	6,757,507		6,757,507
Total operating expenses	<u>111,856,863</u>	<u>2,754,778</u>	<u>114,611,641</u>
OPERATING INCOME (LOSS)	<u>17,684,844</u>	<u>(116,085)</u>	<u>17,568,759</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	663,725	5,377	669,102
Interest expense	(4,377,898)	(156,243)	(4,534,141)
Sale of land	854,845		854,845
Loss on disposal of capital assets	(7,528)	(10,978)	(18,506)
Total nonoperating revenues (expenses)	<u>(2,866,856)</u>	<u>(161,844)</u>	<u>(3,028,700)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	14,817,988	(277,929)	14,540,059
CAPITAL CONTRIBUTIONS	1,723,434		1,723,434
TRANSFERS IN	265,000		265,000
TRANSFERS OUT	<u>(6,659,463)</u>		<u>(6,659,463)</u>
CHANGE IN NET POSITION	10,146,959	(277,929)	9,869,030
TOTAL NET POSITION - BEGINNING, PREVIOUSLY REPORTED	220,798,570	11,584,181	232,382,751
RESTATEMENT	<u>(2,473,953)</u>	<u>(28,229)</u>	<u>(2,502,182)</u>
TOTAL NET POSITION - BEGINNING, RESTATED	<u>218,324,617</u>	<u>11,555,952</u>	<u>229,880,569</u>
TOTAL NET POSITION - END	<u>\$ 228,471,576</u>	<u>\$ 11,278,023</u>	<u>\$ 239,749,599</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric, Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from external customers	\$ 117,674,858	\$ 2,629,867	\$ 120,304,725
Cash receipts from internal customers	4,158,624		4,158,624
Cash payments to employees for services	(6,233,778)	(476,748)	(6,710,526)
Cash payments to other suppliers of goods or services	(92,912,903)	(1,321,057)	(94,233,960)
Other operating cash receipts	6,356,151	8,826	6,364,977
Net cash provided by (used in) operating activities	<u>29,042,952</u>	<u>840,888</u>	<u>29,883,840</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the General fund	265,000		265,000
Transfers to the General fund	(6,659,463)		(6,659,463)
	<u>(6,394,463)</u>		<u>(6,394,463)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(15,500,937)	(174,522)	(15,675,459)
Issuance of utility revenue bonds	29,000,000		29,000,000
Payment of bonds	(26,265,000)	(387,830)	(26,652,830)
Payment of capital leases	(1,016,294)	(203,512)	(1,219,806)
Interest paid on bonds and capital leases	(4,387,375)	(156,243)	(4,543,618)
Net cash provided by (used in) capital and related financing activities	<u>(18,169,606)</u>	<u>(922,107)</u>	<u>(19,091,713)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	252,335	5,377	257,712
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,731,218	(75,842)	4,655,376
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,966,789</u>	<u>3,980,426</u>	<u>22,947,215</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,698,007</u>	<u>\$ 3,904,584</u>	<u>\$ 27,602,591</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, 2014

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric, Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Operating income (loss)	\$ 17,531,759	\$ (116,085)	\$ 17,415,674
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,936,144	832,919	11,769,063
Changes in assets and liabilities:			
Increase in utility receivables	(1,704,772)		(1,704,772)
Decrease in other receivables	336,086		336,086
Increase in inventories	(221,786)		(221,786)
Increase in accounts payable and accrued liabilities	2,035,823	118,990	2,154,813
Decrease in accrued interest	(82,353)	(1,931)	(84,284)
Increase in utility deposits	135,041		135,041
Increase in deferred revenues	34,656		34,656
Increase in liability for accumulated leave	42,354	6,995	49,349
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 29,042,952</u>	<u>\$ 840,888</u>	<u>\$ 29,883,840</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets from developers			\$ 1,723,434

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, 2014

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 Units

The Rock Hill Public Facilities Corporation (the "Public Facilities Corporation") was established by the City on March 1, 2005 primarily to issue debt in the form of certificates of participation to build the Manchester Meadows Soccer Complex on land owned by the City. The Public 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 Public Facilities Corporation is completely under the control of the City, it is included in the City's financial statements as a blended component unit. The City does not prepare separately issued financial statements for the Public Facilities Corporation.

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

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and are susceptible to accrual as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for principal payments on debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Real and personal property taxes and certain grant revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

The storm water fund accounts for the activities of the City's storm water management 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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund, the combined utility system fund and the storm water fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

2. Receivables and payables

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

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

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

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

3. Inventories

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

4. Restricted assets

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

5. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total gross interest expense paid by the City during the current fiscal year was \$6,573,727. Of this amount, \$520,892, net of interest income on construction funds, was included as part of the cost of capital assets under construction in connection with various electric, water, and wastewater construction projects.

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

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

6. Compensated absences

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

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and

amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. 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, 2014, the City reported no assigned fund balances.

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or

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

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

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

Details of all governmental fund balances are as follows:

	General Fund	Blended Component Units		Other Funds	Total
		Manchester Meadows Soccer	Rock Hill Cycling Facilities		
Fund balances:					
Nonspendable:					
Inventory	\$ 243,682				\$ 243,682
Permanent fund principal				\$ 25,000	25,000
Restricted for:					
Federal and state grant programs	454,477			579,892	1,034,369
Debt service reserve fund				1,105,782	1,105,782
Drug enforcement	230,900				230,900
State victims assistance	77,266				77,266
Bond issue construction funds				4,690,092	4,690,092
Constrained by external donors	171,327			899,031	1,070,358
Committed to:					
Tax Increment Financing Districts	1,086,167				1,086,167
Rock Hill Outdoor Center			\$ 73,650		73,650
Capital lease proceeds unspent	263,781				263,781
State accommodations taxes	962,128				962,128
Local accommodations taxes	1,787,953				1,787,953
Landscape maintenance district	52,794				52,794
Downtown parking revenues	1,070				1,070
Unassigned:	2,555,496				2,555,496
Total fund balances	\$ 7,887,041	\$ -	\$ 73,650	\$ 7,299,797	\$ 15,260,488

II. Reconciliation of government-wide and fund financial statements

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

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

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this difference totaling (\$80,342,981) are as follows:

Bonds payable	\$ (68,056,343)
Deferred losses on bond refundings	719,211
Capital lease	(7,464,371)
Compensated absences	<u>(5,541,478)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (80,342,981)</u>

Another element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net position, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$158,316,723 is as follows:

Total capital assets, not being depreciated	\$ 26,572,335
Total capital assets, being depreciated	215,007,868
Accumulated depreciation	<u>(83,263,480)</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 158,316,723</u>

Another element of that reconciliation states “certain assets are not available to pay for current period expenditures and, therefore, are deferred or restricted in the funds.” Explanation of this difference totaling \$936,406 is as follows:

Receivables, net of allowance	\$ 809,293
Deferred revenue	<u>127,113</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 936,406</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 \$17,539,610 difference are as follows:

Capital outlay	\$ 25,501,332
Depreciation expense	<u>(7,961,722)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 17,539,610</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 increase net position.” The details of this (\$477,564) are as follows:

Loss on asset disposals	\$ (477,564)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (477,564)</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 \$34,452 difference are as follows:

Taxes receivable	\$ 59,499
Rehabilitation loans	<u>(25,047)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 34,452</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 issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$8,834,906) are as follows:

General obligation bonds issued	\$ (5,735,000)
Tax increment financing bonds issued	(12,925,000)
Principal repayments on bonds	2,984,000
Principal repayments on HUD Section 108 loans	92,000
Principal repayments on SC DHEC loan	78,707
Capital lease borrowings	(2,662,797)
Payments to banks to refund bonds	6,995,000
Capital lease repayment	<u>2,338,184</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (8,834,906)</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 \$24,113 difference are as follows:

Amortization expense on deferred charges	\$ (85,377)
Recognition, as interest income, of premium on bond issuance	219,237
Compensated absences	<u>(109,747)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 24,113</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 fund is not adopted as sufficient budgetary control is achieved through the legal restrictions included in the various grant agreements. The City's Special Revenue fund consists of three general ledger funds that are used solely to account for various Federal grants. An annual operating budget for the Capital Projects fund is not adopted as its revenues and expenditures are adopted on a project basis. Appropriations for the General and Enterprise funds lapse at the end of the budget year.

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

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

B. Encumbrances

Encumbrances represent commitments related to open purchase orders and contracts for goods or services. Encumbrance accounting is utilized in the governmental funds. For June 30, 2014, 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, 2014, the City had a balance of \$13,826,220 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.

Total deposits for the City, at June 30, 2014, were \$47,713,413, including amounts in the investment pool. All the deposits were either insured by federal depository insurance or collateralized with securities (of the type described in 1., above) held by third party banks other than the banks that hold the deposits.

Restricted cash includes \$7,405,796 held for debt service reserve funds as required by various bond indentures.

Total deposits for the Housing Development Corporation at June 30, 2014 were \$308,988. 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.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rate will adversely affect the fair value of an investment. The City does not maintain deposits that are denominated in a currency other than the United States dollar, so the City is not exposed to this type of risk.

Investments

The City is authorized to invest as described above under deposits in six types of instruments. The City's investments at June 30, 2014 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 four certificates of deposit totaling \$522,599, all with one-year maturities.

<u>Investment Type</u>	City of Rock Hill Investments		
	Fair Value Amount	Investment Maturities (in years)	
		Less Than 1	1 - 5
<u>Other Investments</u>			
Certificates of deposit	\$ 59,724		\$ 59,724
Total investments	\$ 59,724		\$ 59,724

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.

All the investments of the City, the Cycling Facilities Corporation and the Public 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.

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.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rate will adversely affect the fair value of an investment. The City does not maintain investments that are denominated in a currency other than the United States dollar, so the City is not exposed to this type of risk.

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

<u>Statement of Net Assets</u>	<u>Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 22,821,106	\$ 308,987
Investments	59,724	522,599
Cash and cash equivalents - restricted for debt service and construction	25,812,835	
Total	<u>\$ 48,693,665</u>	<u>\$ 831,586</u>
<u>Disclosure, Deposits and Investments</u>		
Carrying value of deposits		
Held by State Treasurer	\$ 13,826,220	
Other	34,796,211	\$ 308,987
Investments, reported amount		
Other	59,724	522,599
Cash on hand	11,510	
Total disclosure, deposits and investments	<u>\$ 48,693,665</u>	<u>\$ 831,586</u>

B. Receivables

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Enterprise</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables				
Property taxes and assessments	\$ 3,237,174			\$ 3,237,174
Intergovernmental			\$ 1,409,614	1,409,614
Utility accounts		\$ 17,252,238		17,252,238
Direct financing lease		1,034,595		1,034,595
Court fines	2,403,217			2,403,217
Other	3,748,337	122,057	1,723,153	5,593,547
Gross receivables	9,388,728	18,408,890	3,132,767	30,930,385
Less: allowance for uncollectible accounts	(7,587,101)	(1,000,000)		(8,587,101)
Net total receivables	<u>\$ 1,801,627</u>	<u>\$ 17,408,890</u>	<u>\$ 3,132,767</u>	<u>\$ 22,343,284</u>

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

C. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

Governmental activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,743,283	\$ 72,000		\$ 1,815,283
Construction in progress	7,028,515	21,918,013	\$ 4,117,476	24,829,052
Total capital assets, not being depreciated	<u>8,771,798</u>	<u>21,990,013</u>	<u>4,117,476</u>	<u>26,644,335</u>
Capital assets, being depreciated				
Buildings and land improvements	93,070,206	2,848,841		95,919,047
Infrastructure	80,806,043	998,399		81,804,442
Machinery and equipment	34,758,218	1,459,698		36,217,916
Furniture and fixtures	994,463			994,463
Total capital assets, being depreciated	<u>209,628,930</u>	<u>5,306,938</u>	<u>-</u>	<u>214,935,868</u>
Less accumulated depreciation for:				
Buildings and land improvements	21,362,328	2,261,735		23,624,063
Infrastructure	33,698,047	2,203,422		35,901,469
Machinery and equipment	21,096,636	3,495,437	1,844,294	22,747,779
Furniture and fixtures	989,042	1,128		990,170
Total accumulated depreciation	<u>77,146,053</u>	<u>7,961,722</u>	<u>1,844,294</u>	<u>83,263,481</u>
Total capital assets being depreciated, net	<u>132,482,877</u>	<u>(2,654,784)</u>	<u>(1,844,294)</u>	<u>131,672,387</u>
Governmental capital asset activities, net	<u>\$ 141,254,675</u>	<u>\$ 19,335,229</u>	<u>\$ 2,273,182</u>	<u>\$ 158,316,722</u>

Business-type activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,081,091	\$ 499,186		\$ 4,580,277
Construction in progress	19,751,214	12,666,933	\$ 12,962,738	19,455,409
Total capital assets, not being depreciated	<u>23,832,305</u>	<u>13,166,119</u>	<u>12,962,738</u>	<u>24,035,686</u>
Capital assets, being depreciated				
Electric plant in service	144,430,382	6,423,555		150,853,937
Water plant in service	113,722,518	7,160,460		120,882,978
Sewer plant in service	121,318,581	4,118,496		125,437,077
Stormwater plant in service	18,987,491			18,987,491
Buildings	64,661,359			64,661,359
Machinery and equipment	12,722,044	943,708	299,040	13,366,712
Total capital assets, being depreciated	<u>475,842,375</u>	<u>18,646,219</u>	<u>299,040</u>	<u>494,189,554</u>
Less accumulated depreciation for:				
Electric plant in service	46,630,526	3,591,490		50,222,016
Water plant in service	28,518,545	2,132,583		30,651,128
Sewer plant in service	41,120,885	2,660,298		43,781,183
Stormwater plant in service	5,799,809	629,128		6,428,937
Buildings	25,936,525	1,415,233		27,351,758
Machinery and equipment	9,218,353	1,234,797	280,534	10,172,616
Total accumulated depreciation	<u>157,224,643</u>	<u>11,663,529</u>	<u>280,534</u>	<u>168,607,638</u>
Total capital assets being depreciated, net	<u>318,617,732</u>	<u>6,982,690</u>	<u>18,506</u>	<u>325,581,916</u>
Business-type capital asset activities, net	<u>\$ 342,450,037</u>	<u>\$ 20,148,809</u>	<u>\$ 12,981,244</u>	<u>\$ 349,617,602</u>

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

Governmental activities:	
General government	\$ 3,367,271
Public safety	1,671,480
Public works	1,866,993
Parks, recreation and tourism	1,055,978
Total depreciation expense - governmental activities	<u>\$ 7,961,722</u>

Business-type activities:	
Electric	\$ 4,631,745
Water	2,662,650
Sewer	3,536,215
Stormwater	832,919
Total depreciation expense - business-type activities	<u>\$ 11,663,529</u>

D. Interfund receivables, payables and transfers

Due to / from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	
General	Community Development Block Grant	\$ 21,240
	Total	<u>\$ 21,240</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	Electric, Water, Sewer fund	Capital projects fund	Total
Transfer out:	<u>fund</u>	<u>fund</u>	<u>fund</u>	<u>fund</u>
General fund		\$ 265,000	\$ 510,470	\$ 775,470
Electric, water, sewer fund	6,552,476		106,987	6,659,463
Total transfers out	<u>\$ 6,552,476</u>	<u>\$ 265,000</u>	<u>\$ 617,457</u>	<u>\$ 7,434,933</u>

The transfers from the electric, water and sewer fund to the general fund are recurring budgeted transfers. The transfers from the general fund to the electric fund are a recurring budgeted transfer of money from the City's local hospitality receipts to pay for electric improvements in the North Cherry Road area and a contribution for economic development. The transfer from the general fund to the capital projects fund is for road and intersection costs on projects tied to the SC Department of Transportation for which County local option sales tax funding is not yet available.

E. Leases

Direct Financing Lease

The City is the lessor in a direct financing lease with the Town of Fort Mill, South Carolina related to the construction of a water main to provide a portion of water needs for Fort Mill and its surrounding area. The lease provides for a term of twenty-eight years and annual payments sufficient to pay the scheduled debt service on the 1993 revenue bonds used to finance the lease. The net present value of the future minimum lease payments receivable is \$1,034,595.

Annual aggregate future minimum lease payments are as follows:

<u>Year ending June 30</u>	
2015	\$ 203,736
2016	203,059
2017	202,663
2018	202,515
2019	202,581
2020	<u>202,185</u>
Total future minimum lease payments to be received	1,216,739
Less: amounts representing unearned interest at 5.96%	<u>182,144</u>
Net investment in direct financing lease	<u><u>\$ 1,034,595</u></u>

Capital leases

The City leases a total of 257 vehicles used for sanitation, street cleaning, and public safety and 39 vehicles for electric, water, wastewater and storm water. All of these lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inceptions. The gross amount of assets recorded as machinery and equipment for governmental activities and business-type activities, respectively is \$17,368,125 and \$3,566,763. Accumulated depreciation on the assets at June 30, 2014 was \$5,156,116 for governmental and \$1,722,717 for business-type. These amounts are included in governmental activities as machinery and equipment in both the General fund and the Enterprise fund.

In December, 2006 the City entered into a lease to build and operate a WiFi antenna system throughout the City for the purpose of automated reading of electric and water meters. This lease agreement qualifies as capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the dates of their inceptions. 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, 2014 was \$991,067. The next phase of automated metering infrastructure (AMI), including radio transmitting electric and water meters was begun in 2008 under a different capital lease. 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 date of its inception. The gross amount of assets recorded as machinery and equipment for business-type activities is \$3,491,795. Accumulated depreciation on the asset at June 30, 2014 was \$474,807.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year ending June 30</u>	<u>Government</u>	<u>Business-Type</u>	<u>Total</u>
2015	\$ 2,174,076	\$ 1,237,741	\$ 3,411,817
2016	2,020,948	1,165,641	3,186,589
2017	1,737,965	1,151,139	2,889,104
2018	911,522	551,111	1,462,633
2019	389,707	92,933	482,640
2020 - 2024	484,156	123,612	607,768
Total future minimum lease payments	7,718,374	4,322,177	12,040,551
Less: amounts representing interest	254,003	116,406	370,409
Present value of minimum lease payments	<u>\$ 7,464,371</u>	<u>\$ 4,205,771</u>	<u>\$ 11,670,142</u>

F. Long-term debt

Governmental activities

The City issues general obligation bonds and tax increment financing bonds to provided funds for the acquisition and construction of major governmental capital facilities. The original amount of all the outstanding governmental activities bonds issued through June 30, 2014 was \$64,290,000.

The Tax Increment bonds are secured by incremental property tax revenues being derived from economic development in the Textile Corridor, Downtown and Red River (Riverwalk) tax increment districts, respectively. To the extent that debt service requirements on the bonds exceed the incremental property tax revenues, utility net revenues are pledged, subordinate to pledges of such revenues for the Combined Utility System revenue bonds and the Piedmont Municipal Power Agency (PMPA) agreement (see Note V.E). The 2009 tax increment bonds bear interest at the rate of 4.96% with annual payments through May 1, 2029. The 2012 tax increment bonds bear interest at rates of 3.62% to 4.42% with annual payments through May 1, 2029. The 2013A tax increment bonds bear interest at the rate of 4.80% with annual payments through April 1, 2038. The 2013B tax increment bonds (taxable series) bear interest at the rate of 6.125% with annual payments through April 1, 2038.

The General Obligation bonds are secured by the full faith, credit and taxing power of the City. The bonds bear interest at rates from 3.25% to 5.125% with annual payments through April 1, 2023.

The debt service requirements to maturity for obligations related to primary governmental activities obligations at June 30, 2014, are as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Bonds		SC DHEC		HUD Section 108 Loan		Riverwalk MID A Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 945,000	\$ 636,373	\$ 740,000	\$ 1,188,301	\$ 79,496	\$ 5,297	\$ 96,000	\$ 73,093	71,000	\$ 100,800
2016	960,000	613,731	845,000	1,155,590	80,293	4,500	99,000	78,962	78,000	97,250
2017	975,000	588,224	905,000	1,116,920	81,098	3,695	104,000	74,489	85,000	93,350
2018	1,045,000	558,280	995,000	1,075,048	81,911	2,882	108,000	69,697	93,000	89,100
2019	970,000	525,769	1,050,000	1,030,048						
2020-2024	4,905,000	2,169,082	6,250,000	4,355,267	226,728	3,686	607,000	265,038	598,000	367,200
2025-2029	2,850,000	1,401,806	8,210,000	2,748,006			737,000	86,596	874,000	191,700
2030-2034	3,375,000	743,375	2,830,000	1,312,688					217,000	10,850
2035-2036	1,350,000	91,800	3,135,000	433,106						
Total	<u>\$17,375,000</u>	<u>\$7,328,440</u>	<u>\$24,960,000</u>	<u>\$14,414,974</u>	<u>\$549,526</u>	<u>\$20,060</u>	<u>\$1,751,000</u>	<u>\$647,875</u>	<u>\$2,016,000</u>	<u>\$950,250</u>

The debt service requirements to maturity for obligations related to blended component unit obligations at June 30, 2014, 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
2015		\$ 217,350		\$ 1,150		\$ 27,000
2016		217,350		1,150		27,000
2017		217,350		1,150		27,000
2018		217,350		1,150		13,500
2019	\$ 289,042	204,944	\$ 213	1,141		
2020-2024	1,718,642	743,429	1,263	5,499		
2025-2029	1,772,316	185,915	1,676	5,071		
2030-2034			2,226	4,508		
2035-2039			2,954	3,754		
2040-2044			3,924	2,761		
2045-2049			4,620	1,437		
2050-2051			3,124	111		
Total	\$ 3,780,000	\$ 2,003,688	\$ 20,000	\$ 28,882		\$ 94,500

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

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

On August 17, 2011, the City issued general obligation bonds in the amount of \$10,700,000 for the purpose of building a portion of a new operations center. The bonds are to be repaid in annual installments of \$300,000 to \$690,000 plus interest at 2.00% to 5.00% through April 1, 2036.

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

On December 29, 2012, the City issued the Riverwalk Municipal Improvement District A bonds in the amount of \$2,080,000 for the purpose of building streets and other infrastructure in a portion of the Riverwalk residential area. Annually, the City bills the developer an assessment on the properties in the area. The assessments are used to pay principal and interest on the bonds. The bonds are to be repaid in annual installments of \$71,000 to \$217,000 plus interest at 5.00% through May 1, 2029.

On May 10, 2013, the City issued the Limited Obligation Bonds, Series 2013 in the amount of \$15,160,000 for the purpose of building a portion of a BMX bicycle racing facility and to refund the 2005 Certificates of

Participation (COPS) related to the Manchester Meadows soccer complex and a capital lease related to Glencairn Gardens. The amount of deposits to the refunding escrow (including a debt service reserve fund for the COPS debt) net of the amount of old debt paid off resulted in a loss on refinancing in the amount of \$959,100. The transaction resulted in a reduction in the net present value of future debt service payments of \$219,650. The bonds are to be repaid in annual installments of \$870,000 to \$1,260,000 plus interest at rates from 3.00% to 5.00% through April 1, 2033.

Business-type activities

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of all the outstanding business-type activities bonds issued in previous years was \$185,314,561.

The debt service requirements to maturity for obligations related to business-type activities obligations at June 30, 2014, are as follows:

Year Ending June 30	Business-Type Activities			
	Utility Revenue Bonds		State Revolving Fund Loans	
	Principal	Interest	Principal	Interest
2015	\$ 6,805,000	\$ 5,316,988	\$ 396,630	\$ 117,722
2016	7,215,000	5,057,875	405,630	108,689
2017	7,480,000	4,805,850	414,834	99,451
2018	7,710,000	4,558,756	424,246	90,004
2019	6,405,000	4,292,375	433,873	80,342
2020-2024	27,635,000	17,746,838	2,321,580	248,931
2025-2029	22,920,000	12,452,713	1,048,362	24,121
2030-2034	23,430,000	6,946,769		
2035-2039	11,060,000	2,767,581		
2040-2043	4,210,000	207,609		
Total	\$ 124,870,000	\$ 64,153,354	\$ 5,445,155	\$ 769,260

On September 30, 2009, the City issued \$13,910,000 Combined Utility System Revenue Bonds, Series 2009A and \$16,300,000 Combined Utility System Revenue Bonds, Series 2009B. All the proceeds the Series 2009A bonds were used to pay off the \$14,000,000 2008 Bond Anticipation Notes. The net proceeds of the Series 2009B bonds were spent on construction of a new Utilities Operation Center and on various electric, water and sewer distribution and collection facilities. The Series 2009A bonds are due in annual installments of \$305,000 to \$1,050,000 through January 1, 2029, plus interest at 3.00% to 5.00%. The Series 2009B bonds are due in annual installments of \$790,000 to \$1,715,000 through January 1, 2040 plus interest at 6.45%. The Series 2009B bonds were issued as taxable Build America Bonds (BABs). Through this program, the City receives from the US Treasury, prior to all interest payment dates, a reimbursement payment of 35% of the interest paid on the bonds. In January, 2013, the City received notification from the US Treasury that, due to automatic budget cuts under the federal sequester, reimbursements for the BABs would be reduced by approximately 8%. For the year ended June 30, 2014, the City received a total reimbursement of \$341,637, which is recorded as government grants.

On October 28, 2009, the City issued \$14,390,000 Combined Utility System Revenue Bonds, Series 2009C. The proceeds from this issue were used to effect a current refunding of the Series 1998C, Series 2000A and Series 2000C Combined Utility System Revenue Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$447,592. The refunding was undertaken to reduce future debt service payments by \$696,462 and resulted in an economic gain of \$607,824. The Series 2009C bonds are due in annual installments of \$490,000 to \$2,405,000 through January 1, 2021 plus interest at 3.00% to 4.50%.

On April 25, 2012, the City issued \$38,280,000 Combined Utility System Revenue Bonds, Series 2012A. All the proceeds the Series 2012A bonds were used to pay off the entire balance of the Series 2008A bonds and a portion of the Series 2003A bonds. The reacquisition price of the 2012A bonds exceeded the net carrying amounts of the 2008A and 2003B bonds by \$299,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$3,268,403 and resulted in an economic gain of \$2,440,884. The Series 2012A bonds are due in annual installments of \$1,920,000 to \$2,610,000 through January 1, 2030 plus interest at 2.00% to 5.25%.

On September 25, 2012, the City issued \$27,950,000 Combined Utility System Revenue Bonds, Series 2012B. A portion of the proceeds the Series 2012B bonds were used to pay off the remaining outstanding balance of the Series 2003A bonds and the 2011 BANs. The reacquisition price of the 2012A bonds exceeded the net carrying amount of the 2003A bonds by \$368,651. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$3,268,403 and resulted in an economic gain of \$2,440,884. The remaining proceeds of the 2012B bonds will be used to pay for capital improvements in the combined utility system. The Series 2012B bonds are due in annual installments of 370,000 to \$3,105,000 through January 1, 2042 plus interest at 2.00% to 5.00%.

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

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

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

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

The City has borrowed \$8,174,561 from the South Carolina State Revolving Fund (SRF) for improvements to its storm water management system. The loan is 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 is subject to federal arbitrage regulations and contracts for arbitrage rebate calculations. At June 30, 2014, the City had an outstanding liability for rebate in the amount of \$124,469 resulting from the refunding of the 2005 COPS. The amount is due to the US Treasury at the time of the final calculation period of the COPS in March of 2015.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
2007 Downtown tax increment bonds	\$ 315,000		\$ (315,000)		
2009 Riverwalk tax increment bonds	9,730,000		(410,000)	\$ 9,320,000	\$ 435,000
2011A Textile corridor tax increment bonds	3,295,000		(3,295,000)		
2012 Textile corridor tax increment bonds	2,925,000		(125,000)	2,800,000	135,000
2013A Downtown tax increment bonds		\$ 6,315,000		6,315,000	
2013B Downtown tax increment bonds		3,360,000	(85,000)	3,275,000	
2014 Textile corridor tax increment bonds		3,250,000		3,250,000	170,000
2012 Riverwalk MID A assessment bonds	2,080,000		(64,000)	2,016,000	71,000
1997 General obligation bonds	450,000		(450,000)		
2003 General obligation bonds	3,375,000		(3,375,000)		
2008 General obligation bonds	2,165,000		(150,000)	2,015,000	160,000
2011 General obligation bonds	10,415,000		(295,000)	10,120,000	300,000
2013A General obligation bonds		1,800,000	(80,000)	1,720,000	65,000
2013B General obligation bonds		3,935,000	(415,000)	3,520,000	420,000
2013 Limited obligation bonds	15,160,000		(920,000)	14,240,000	870,000
HUD Section 108 loan	1,843,000		(92,000)	1,751,000	96,000
SC Dept of Health and Environmental Control	628,233		(78,707)	549,526	79,496
Rock Hill Cycling Facilities Corp. A-1 loan	3,780,000			3,780,000	
Rock Hill Cycling Facilities Corp. A-2 loan	20,000			20,000	
Rock Hill Cycling Facilities Corp. B loan	1,200,000			1,200,000	
Premium	2,384,053		(219,237)	2,164,816	
Total bonds payable	59,765,286	18,660,000	(10,368,944)	68,056,342	2,801,496
Compensated absences	5,431,732	2,423,654	(2,313,907)	5,541,479	2,325,000
Capital leases	7,139,758	2,662,797	(2,338,184)	7,464,371	2,300,000
Governmental activity					
Long-term liabilities	<u>\$ 72,336,776</u>	<u>\$ 23,746,451</u>	<u>\$ (15,021,035)</u>	<u>\$ 81,062,192</u>	<u>\$ 7,426,496</u>
Business-type activities:					
Bonds payable:					
Utility revenue bonds, Series 2000B	\$ 10,000,000		\$ (10,000,000)		
Utility revenue bonds, Series 2003B	10,000,000		(10,000,000)		
Utility revenue bonds, Series 2009A	12,220,000		(600,000)	\$ 11,620,000	\$ 615,000
Utility revenue bonds, Series 2009B	16,300,000			16,300,000	
Utility revenue bonds, Series 2009C	7,945,000		(2,315,000)	5,630,000	2,405,000
Utility revenue bonds, Series 2012A	37,720,000		(1,875,000)	35,845,000	1,920,000
Utility revenue bonds, Series 2012B	27,950,000		(1,475,000)	26,475,000	1,540,000
Utility revenue bonds, Series 2013A		\$ 20,000,000		20,000,000	
Utility revenue bonds, Series 2013B		9,000,000		9,000,000	325,000
State Revolving Fund loans - Stormwater A	3,795,913		(254,319)	3,541,594	260,089
State Revolving Fund loans - Stormwater B	2,037,072		(133,511)	1,903,561	136,541
Premium	5,196,417		(398,388)	4,798,029	
Discount	(407,542)		29,869	(377,673)	
Total bonds payable	132,756,860	29,000,000	(27,021,349)	134,735,511	7,201,630
Compensated absences	734,048	651,439	(602,090)	783,397	610,000
Capital leases	5,003,374	422,203	(1,219,806)	4,205,771	1,191,380
Business-type activity					
Long-term liabilities	<u>\$138,494,282</u>	<u>\$ 30,073,642</u>	<u>\$ (28,843,245)</u>	<u>\$ 139,724,679</u>	<u>\$ 9,003,010</u>

V. Other information

A. Risk management

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

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

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

B. Post-employment benefits other than pensions

Plan Description

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

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

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

Funding Policy

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

For the healthcare plan, the retiree contributes the balance between the actuarially calculated costs less the fixed dollar amount. The retiree pays 100% of the actuarially calculated dental costs. The health and dental plans pay a percentage of allowed charges after the plan's deductible. For the year ended June 30, 2014, the retiree contribution was \$521,944.

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

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

The City's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate assumes payroll increasing at a level annual rate of 3.0%.

Annual OPEB Cost and Funded Status and Funding Progress

For the year ended June 30, 2014, the annual OPEB cost (expense) of \$809,909 for the Plan was equal to the ARC and equaled the amount actually contributed. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014.

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

Contributions included \$451,770 paid by the City to the Plan to pre-fund benefits and \$358,139 made by the City through payment of covered participants' explicit and implicit subsidized benefits. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB (obligation) asset for the year ended June 30, 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
6/30/2012	\$ 474,560	100%	-
6/30/2013	474,560	100%	-
6/30/2014	451,770	100%	-

The most recent actuarial valuation date for the plan was July 1, 2013. The City implemented GASB Statement No. 45 in fiscal year 2009. The actuarially accrued liability for benefits was \$11,473,765, with plan assets, at actuarial value, of \$2,826,054, resulting in an unfunded actuarially accrued liability (UAAL) of \$8,647,711. The covered payroll (annual payroll of active employees covered by the Plan) was \$33,968,262, and the ratio of the UAAL to the covered payroll was 25.5 percent. At June 30, 2014, the plan's assets totaled \$3,124,686.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

The Entry Age Normal Method was used in the July 1, 2013, valuation. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 10.50%. The trend rate will decrease in 0.5% steps until it reaches 5% after eight years. Both rates included a 4% 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, 2014 was 24 years.

C. Employee retirement plans and pension plans

All regular-status employees of the City participate in one of two defined benefit pension plans, administered by the State of South Carolina. The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The total payroll for employees covered by the SCRS for the year ended June 30, 2014 was \$24,634,172. The total payroll for employees covered by the PORS for the year ended June 30, 2014 was \$11,646,056.

The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws.

All covered employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings. For the fiscal years ended June 30, 2014, 2013, and 2012, the City contributed 100% of the required contributions. Contributions by the City for employees covered by the SCRS and PORS were based on 10.6% and 12.84%, respectively, of the employees' earnings and amounted to \$2,611,222 for the fiscal year ended June 30, 2014 (SCRS) and \$1,495,354 (PORS), \$2,533,736 for the fiscal year ended June 30,

2013 (SCRS) and 1,388,493 (PORS), \$2,152,759 for the fiscal year ended June 30, 2012 (SCRS) and \$1,271,623 (PORS). Employee contributions for the SCRS and PORS were based on 7.5% and 7.84%, respectively, of the employees' earnings and amounted to \$1,847,563 for the fiscal year ended June 30, 2014 (SCRS), and \$913,051 (PORS), \$1,673,222 for the fiscal year ended June 30, 2013 (SCRS), and \$790,199 (PORS), \$1,467,534 for the fiscal year ended June 30, 2012 (SCRS) and \$702,674 (PORS).

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS is issued and publicly available by writing to South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC, 29211-1960.

D. Commitments

The City has committed itself on several construction contracts for two wastewater expansion projects in the Enterprise fund and for parks, airport improvements, street construction and the BMX facility in the Capital Projects fund. As of June 30, 2014, the outstanding commitments total \$1,063,788 in the Enterprise fund and \$7,450,167 in the Capital Projects fund.

E. Contingencies

The City has a long-term agreement to purchase electrical power from the Piedmont Municipal Power Agency (PMPA), a governmental corporation organized under the laws of the State of South Carolina. The agreement expires between 2022 and 2035 depending on certain contingencies. PMPA's generating capacity is committed to a group of ten municipalities, who have their own electrical utility operations, of which the City is the largest participant. The City is committed to purchase annually 28.5% (its participant's share) of the power made available by PMPA to the group and has pledged its electric system revenues as security for this commitment over the term of the agreement. In the year ended June 30, 2014, the cost of power purchased under this agreement amounted to \$70,990,022 (the remainder of the City's wholesale power cost of \$1,723,084 was purchased from the U.S. Department of Energy's Southeastern Power Administration). Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

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

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

Beginning in February, 2006, the City began directly paying employee and retiree health care. For health insurance claims, the City contracts with Blue Cross Blue Shield of SC to administer actual claims incurred by City employees and retirees. A purchased policy covers employee health claims when individual claims exceed \$125,000. In such cases, the reinsurer pays the excess on an individual claim basis.

The claims liability reported in the General fund at June 30, 2014 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, 2014 or earlier. The liability for medical claims, \$410,067, is reported in the General fund in accounts payable and accrued liabilities. Changes in the balances of claims liabilities were as follows:

Fiscal Year Ended June 30,	Unpaid Claims, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Unpaid Claims, End of Year
2013	\$ 542,772	\$ 6,767,872	\$ 6,927,001	\$ 383,643
2014	383,643	7,790,936	7,764,512	410,067

F. Restatement of Net Position

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2014. In accordance with GAASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. The statement also requires that bond issuance costs which were previously deferred and amortized be expensed in the year they occurred. The net position of the government-wide activities and the Electric, Water and Sewer and Stormwater enterprise fund have been restated in the amount of (\$2,502,182) to reflect the cumulative effect of the change in treatment of these issuance costs.

G. Consideration of subsequent events

As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the City has considered subsequent events through December 30, 2014, the date of issuance, in preparing the financial statements and notes hereto.

Subsequent to June 30, 2014, the City completed two additional debt issues. Both of the issues are State Revolving Fund loans through SC Department of Health and Environmental Control. One of the loans, in the amount of \$4,956,563, will fund construction of a new one million gallon elevated water storage tank on Laurel Street. The other loan, in the amount of \$4,372,905, will fund construction of a water high service pumping facility.

G. Enterprise fund detail information

The City maintains one group of general ledger Enterprise funds to account for electric, water and sewer services (the “combined utility system”), and another general ledger Enterprise fund to account for storm water management. These two funds are treated as one fund for GAAP reporting purposes. All 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, 2014:

	Electric	Water	Sewer	Stormwater	Total
Operating revenues					
Sales and primary service charges	\$ 89,677,673	\$ 12,839,450	\$ 19,146,064	\$ 2,629,867	\$ 124,293,054
Impact fees		270,714	447,400		718,114
Government grants	228,087	423,083			651,170
Other user charges	5,972,575	326,710	209,951	8,826	6,518,062
Total operating revenues	95,878,335	13,859,957	19,803,415	2,638,693	132,180,400
Operating expenses					
Purchased power	72,713,106				72,713,106
System operations	8,893,894	5,176,632	7,379,580	1,921,859	23,371,965
Depreciation and amortization	4,689,861	2,701,807	3,544,476	832,919	11,769,063
General and administrative	3,465,505	1,558,684	1,733,318		6,757,507
Total operating expenses	89,762,366	9,437,123	12,657,374	2,754,778	114,611,641
Operating income	6,115,969	4,422,834	7,146,041	(116,085)	17,568,759
Nonoperating revenues (expenses)					
Interest income	293,138	220,598	149,989	5,377	669,102
Interest expense	(979,770)	(1,751,382)	(1,646,746)	(156,243)	(4,534,141)
Sale of land	854,845				854,845
Loss on disposal of capital assets		(7,528)		(10,978)	(18,506)
Total nonoperating revenues (expenses)	168,213	(1,538,312)	(1,496,757)	(161,844)	(3,028,700)
Income before contributions and transfers	6,284,182	2,884,522	5,649,284	(277,929)	14,540,059
Capital contributions from developers		1,060,366	663,068		1,723,434
Transfers from the general fund	265,000				265,000
Transfers to the general fund	(1,362,769)	(2,241,483)	(3,055,211)		(6,659,463)
Net income	\$ 5,186,413	\$ 1,703,405	\$ 3,257,141	\$ (277,929)	\$ 9,869,030

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

SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF ROCK HILL, 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.

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

Capital Projects Funds

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

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

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

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

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

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

2011 General Obligation Bonds – This fund is used to account for the proceeds of the 2011 General Obligation bonds and the expenditure of proceeds on a portion of a new operations center.

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

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

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

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

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

Permanent Fund

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

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

CITY OF ROCK HILL, SOUTH CAROLINA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue				Capital Projects										Permanent Fund	Total Nonmajor Governmental Funds	
	Community Development	H.O.M.E. program	Other Federal	Total	Operational Capital	2009 Riverwalk TIF bonds	2012 Riverwalk MID A bonds	2007 Downtown TIF bonds	2008 Textile Corridor TIF bonds	2013A General Obligation bonds	2013 Limited Obligation bonds	2013A Fountain Park TIF bonds	2013B Parking Deck TIF bonds	Fire Impact Fees	Total		Beautification
ASSETS																	
Cash and cash equivalents	\$ 75,915	\$ 86,815	\$ 355,522	\$ 518,252	\$ 1,232,255	\$ 48,332	\$ 4,084			\$ 36,744		\$ 140,000			\$ 1,461,415	\$ 97,094	\$ 2,076,761
Investments																49,555	49,555
Receivables (net of allowances for uncollectible accounts):																	
Intergovernmental	30,480		526,469	556,949	852,665										852,665		1,409,614
Other				-	1,723,153										1,723,153		1,723,153
Due from other funds											610,936				610,936		610,936
Restricted assets:																	
Cash and cash equivalents				-		974,777	209,074	352,397	\$ 595,123	\$ 4	\$ 38,601	\$ 2,795,314	\$ 1,214,892		6,180,182		6,180,182
Total assets	\$ 106,395	\$ 86,815	\$ 881,991	\$ 1,075,201	\$ 3,808,073	\$ 1,023,109	\$ 213,158	\$ 352,397	\$ 595,123	\$ 36,748	\$ 649,537	\$ 2,935,314	\$ 1,214,892	\$ -	\$ 10,828,351	\$ 146,649	\$ 12,050,201
LIABILITIES:																	
Accounts payable	\$ 10,155		\$ 102,927	\$ 113,082	\$ 2,532,573	\$ 796			\$ 161,147			\$ 432,278	\$ 1,725		\$ 3,128,519	\$ 505	\$ 3,242,106
Due to other funds	21,240			21,240											-		21,240
Contract retainage payable					497,613							397,458	231,000		1,126,071		1,126,071
Unearned revenues			360,987	360,987													360,987
Total liabilities	31,395	-	463,914	495,309	3,030,186	796	-	-	161,147	-	-	829,736	232,725	-	4,254,590	505	4,750,404
FUND BALANCES:																	
Non-spendable fund balance																	
Donated restricted principal																25,000	25,000
Restricted fund balance																	
Federal and state grant programs	75,000	86,815	418,077	579,892											-		579,892
Debt service reserve funds						897,681	208,101								1,105,782		1,105,782
Bond issue construction funds						124,632	5,057	352,397	433,976	36,748	649,537	2,105,578	982,167		4,690,092		4,690,092
Restricted by external donors				-	777,887										777,887	121,144	899,031
Total fund balances	75,000	86,815	418,077	579,892	777,887	1,022,313	213,158	352,397	433,976	36,748	649,537	2,105,578	982,167	-	6,573,761	146,144	7,299,797
Total liabilities and fund balances	\$ 106,395	\$ 86,815	\$ 881,991	\$ 1,075,201	\$ 3,808,073	\$ 1,023,109	\$ 213,158	\$ 352,397	\$ 595,123	\$ 36,748	\$ 649,537	\$ 2,935,314	\$ 1,214,892	\$ -	\$ 10,828,351	\$ 146,649	\$ 12,050,201

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

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, 2014

	Special Revenue				Capital Projects										Permanent Fund	Total Nonmajor Governmental Funds	
	Community Development	H.O.M.E. program	Other Federal	Total	Operational Capital	2009 Riverwalk TIF bonds	2012 Riverwalk MIDA bonds	2007 Downtown TIF bonds	2008 Textile Corridor TIF bonds	2013A General Obligation bonds	2013 Limited Obligation bonds	2013A Fountain Park TIF bonds	2013B Parking Deck TIF bonds	Fire Impact Fees	Total		Beautification
REVENUES																	
Intergovernmental revenue	\$ 261,980	\$ 14,231	\$ 593,442	\$ 869,653	\$ 5,536,234				\$ 595,177						\$ 6,131,411		\$ 7,001,064
Investment earnings						\$ 866	\$ 34	\$ 328	604	\$ 383	\$ 1,565	\$ 2,285	\$ 1,210		7,275	\$ 270	7,545
Impact fees														\$ 460,651	460,651		460,651
Program income		16,896	556,430	573,326													573,326
Other					649,505			25,603							675,108	20,399	695,507
Total revenues	261,980	31,127	1,149,872	1,442,979	6,185,739	866	34	25,931	595,781	383	1,565	2,285	1,210	460,651	7,274,445	20,669	8,738,093
EXPENDITURES																	
Current:																	
General government	83,060		267,278	350,338												21,949	372,287
Public safety			486,244	486,244													486,244
Recreation			3,957	3,957													3,957
Housing		13,481		13,481													13,481
Capital outlay			184,718	184,718	6,987,600	608,001	192,803	(56,218)	820,182	1,799,465	5,585,048	3,912,569	2,230,820		22,080,270		22,264,988
Debt service																	
Costs of issuance										61,280		299,138	148,223		508,641		508,641
Interest	86,920			86,920						12,890				312,210	325,100		412,020
Principal	92,000			92,000										150,000	150,000		242,000
Total expenditures	261,980	13,481	942,197	1,217,658	6,987,600	608,001	192,803	(56,218)	820,182	1,873,635	5,585,048	4,211,707	2,379,043	462,210	23,064,011	21,949	24,303,618
Excess (deficiency) of revenues over (under) expenditures	-	17,646	207,675	225,321	(801,861)	(607,135)	(192,769)	82,149	(224,401)	(1,873,252)	(5,583,483)	(4,209,422)	(2,377,833)	(1,559)	(15,789,566)	(1,280)	(15,565,525)
OTHER FINANCING SOURCES																	
Transfers in					617,457										617,457		617,457
General obligation bonds issued										5,735,000					5,735,000		5,735,000
Tax increment financing bonds issued												6,315,000	3,360,000		9,675,000		9,675,000
Payment to refunded bond escrow agent										(3,825,000)					(3,825,000)		(3,825,000)
Total other financing sources	-	-	-	-	617,457	-	-	-	-	1,910,000	-	6,315,000	3,360,000	-	12,202,457	-	12,202,457
Net change in fund balances	-	17,646	207,675	225,321	(184,404)	(607,135)	(192,769)	82,149	(224,401)	36,748	(5,583,483)	2,105,578	982,167	(1,559)	(3,587,109)	(1,280)	(3,363,068)
Fund balances - beginning	75,000	69,169	210,402	354,571	962,291	1,629,448	405,927	270,248	658,377	-	6,233,020	-	-	1,559	10,160,870	147,424	10,662,865
Fund balances - ending	\$ 75,000	\$ 86,815	\$ 418,077	\$ 579,892	\$ 777,887	\$ 1,022,313	\$ 213,158	\$ 352,397	\$ 433,976	\$ 36,748	\$ 649,537	\$ 2,105,578	\$ 982,167	\$ -	\$ 6,573,761	\$ 146,144	\$ 7,299,797

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

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, 2014

	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	\$ 90,408,669	\$ 89,677,673	\$ (730,996)			
Water sales	13,728,849	12,839,450	(889,399)			
Sewer charges	19,480,476	19,146,064	(334,412)			
Impact fees	550,000	718,114	168,114			
Government grants	570,165	651,170	81,005			
Stormwater charges				\$ 2,449,375	\$ 2,629,867	\$ 180,492
Other user charges	4,090,788	6,336,149	2,245,361		8,826	8,826
Total operating revenues	<u>128,828,947</u>	<u>129,368,620</u>	<u>539,673</u>	<u>2,449,375</u>	<u>2,638,693</u>	<u>189,318</u>
NONOPERATING REVENUES:						
Interest income	258,854	227,032	(31,822)	-	5,377	5,377
TOTAL REVENUES	<u>129,087,801</u>	<u>129,595,652</u>	<u>507,851</u>	<u>2,449,375</u>	<u>2,644,070</u>	<u>194,695</u>
EXPENSES:						
Electric system	93,277,029	93,073,256	203,773			
Water system	12,388,666	13,945,374	(1,556,708)			
Sewer system	17,102,739	17,295,410	(192,671)			
Stormwater system				2,449,375	2,559,194	(109,819)
TOTAL EXPENSES	<u>122,768,434</u>	<u>124,314,040</u>	<u>(1,545,606)</u>	<u>2,449,375</u>	<u>2,559,194</u>	<u>(109,819)</u>
REVENUES OVER EXPENSES	6,319,367	5,281,612	(1,037,755)	-	84,876	84,876
OPERATING TRANSFERS FROM THE GENERAL FUND	265,005	265,000	(5)			
OPERATING TRANSFERS TO THE GENERAL FUND	<u>(6,584,372)</u>	<u>(6,659,463)</u>	<u>(75,091)</u>			
REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ (1,112,851)</u>	<u>\$ (1,112,851)</u>	<u>\$ -</u>	<u>\$ 84,876</u>	<u>\$ 84,876</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, 2014

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:	Electric, Water, <u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>
Total revenues	\$ 129,595,652	\$ 2,644,070	\$ 132,239,722
Total expenses	(124,314,040)	(2,559,193)	(126,873,233)
Operating transfers from the General fund	265,000		265,000
Operating transfers to the General fund	<u>(6,659,463)</u>		<u>(6,659,463)</u>
 REVENUES OVER EXPENSES	 (1,112,851)	 84,877	 (1,027,974)
 ADJUSTMENTS TO FULL ACCRUAL BASIS:			
Economic incentives fund interest income	4,371		4,371
New sales of land dedicated to economic incentives fund	854,845		854,845
Incentive payments from land sale proceeds	(24,357)		(24,357)
Current year portion of bond premium recognized	398,389		398,389
Depreciation and amortization	(10,936,144)	(832,919)	(11,769,063)
Loss on disposal of fixed assets	(7,528)	(10,978)	(18,506)
Payment of bond and capital lease principal	7,391,456	389,761	7,781,217
Net capitalized interest expense	520,892		520,892
Interest income netted against capitalized interest	9,476		9,476
Costs of issuance for new bonds and loans expensed	(142,420)		(142,420)
Contributions of capital assets from developers	1,723,434		1,723,434
Budgeted payments on direct financing lease recorded as a reduction in receivable	(141,629)		(141,629)
Deferred earnings recognized	328,648		328,648
Capitalized expenditures	<u>11,280,377</u>	<u>91,330</u>	<u>11,371,707</u>
 NET INCOME	 <u>\$ 10,146,959</u>	 <u>\$ (277,929)</u>	 <u>\$ 9,869,030</u>

CITY OF ROCK HILL, SOUTH CAROLINA

**SCHEDULE OF COURT FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Court fines collected by Clerk of Court	\$ 649,866
DUI/DUS Pullouts collected by Clerk of Court	45,899
Assessments collected by Clerk of Court	<u>915,751</u>
Total Court Collections	<u>\$ 1,611,516</u>
Fines retained by Municipal Treasurer	\$ 649,866
Assessments retained by Municipal Treasurer	73,221
DUI/DUS Pullouts remitted to State Treasurer	45,899
Fines and assessments remitted to State Treasurer	<u>842,530</u>
Total Dispositions	<u>\$ 1,611,516</u>
Victim Services Activities	
Victim percentage charges	\$ 73,221
Victim flat fee charges	<u>35,141</u>
Total victim revenues	108,362
Funds carried forward from previous periods	89,902
Victim Service expenditures	<u>(120,998)</u>
Funds available for carryforward	<u>\$ 77,266</u>

CITY OF ROCK HILL, SOUTH CAROLINA

**SC Department of Transportation
SCHEDULE OF BUDGETED TO ACTUAL COSTS
For the Year Ended June 30, 2014**

OPT Contract #	MT-4H299-12				
Contract Period	July 1, 2013 - June 30, 2014				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2013 - June 2014				
ADMINISTRATION					
Management Svc Fees	\$ 25,000	\$ 17,544	\$ 2,193	\$ 2,193	\$ 3,070
Total Administration	25,000	17,544	2,193	2,193	3,070
OPERATING					
Management Svc Fee	391,600	195,724	124,047	71,679	150
Total Operating	391,600	195,724	124,047	71,679	150
TECHNICAL ASSISTANCE					
	0	0	0	0	0
Total Technical Assistance	0	0	0	0	0
Total Program	\$ 416,600	\$ 213,268	\$ 126,240	\$ 73,872	\$ 3,220

Approved Budget	\$ 416,600
Federal Costs	213,268
State Costs	126,240
Local Costs	<u>73,872</u>
Budget Balance	<u>\$ 3,220</u>

Notes to Financial Statement

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

CITY OF ROCK HILL, SOUTH CAROLINA

STATISTICAL SECTION

YEAR ENDED JUNE 30, 2014

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	71-76
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	77-85
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.	86-91
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.	92-94
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.	95-100

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

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 58,246,575	\$ 65,342,211	\$ 69,902,863	\$ 73,996,753	\$ 85,463,219	\$ 81,668,140	\$ 74,554,155	\$ 82,756,387	\$ 85,203,209	\$ 87,340,185
Restricted	8,397,163	10,829,929	14,388,278	12,454,522	9,495,735	14,674,181	14,184,993	7,804,055	10,311,861	8,362,710
Unrestricted	(705,514)	(1,055,304)	(1,375,635)	(660,096)	(6,709,705)	(11,889,218)	(1,596,932)	(1,333,889)	(4,944,202)	(1,532,259)
Total governmental activities net assets	<u>\$ 65,938,224</u>	<u>\$ 75,116,836</u>	<u>\$ 82,915,506</u>	<u>\$ 85,791,179</u>	<u>\$ 88,249,249</u>	<u>\$ 84,453,103</u>	<u>\$ 87,142,216</u>	<u>\$ 89,226,553</u>	<u>\$ 90,570,868</u>	<u>\$ 94,170,636</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 136,387,068	\$ 148,338,384	\$ 145,453,918	\$ 178,475,353	\$ 184,468,837	\$ 193,219,382	\$ 196,866,024	\$ 204,465,297	\$ 213,297,864	\$ 223,821,927
Restricted	5,309,416	5,426,078	18,757,188	5,705,871	9,160,922	5,651,889	17,813,736			13,332,639
Unrestricted	12,494,271	15,470,063	20,625,893	15,976,404	14,737,404	20,760,827	12,243,521	25,901,654	19,084,887	2,595,033
Total business-type activities net assets	<u>\$ 154,190,755</u>	<u>\$ 169,234,525</u>	<u>\$ 184,836,999</u>	<u>\$ 200,157,628</u>	<u>\$ 208,367,163</u>	<u>\$ 219,632,098</u>	<u>\$ 226,923,281</u>	<u>\$ 230,366,951</u>	<u>\$ 232,382,751</u>	<u>\$ 239,749,599</u>
Primary government										
Invested in capital assets, net of related debt	\$ 194,633,643	\$ 213,680,595	\$ 215,356,781	\$ 252,472,106	\$ 269,932,056	\$ 274,887,522	\$ 271,420,179	\$ 287,221,684	\$ 298,501,073	\$ 311,162,112
Restricted	13,706,579	16,256,007	33,145,466	18,160,393	18,656,657	20,326,070	31,998,729	7,804,055	10,311,861	21,695,349
Unrestricted	11,788,757	14,414,759	19,250,258	15,316,308	8,027,699	8,871,609	10,646,589	24,567,765	14,140,685	1,062,774
Total primary government net assets	<u>\$ 220,128,979</u>	<u>\$ 244,351,361</u>	<u>\$ 267,752,505</u>	<u>\$ 285,948,807</u>	<u>\$ 296,616,412</u>	<u>\$ 304,085,201</u>	<u>\$ 314,065,497</u>	<u>\$ 319,593,504</u>	<u>\$ 322,953,619</u>	<u>\$ 333,920,235</u>

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 Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental activities:										
General government	\$ 16,453,121	\$ 17,519,105	\$ 19,475,466	\$ 19,325,097	\$ 21,538,967	\$ 26,417,733	\$ 23,824,503	\$ 23,014,281	\$ 23,834,624	\$ 21,919,441
Public safety	14,626,462	16,875,743	17,708,788	18,780,206	19,396,408	19,719,042	19,776,181	21,562,356	22,035,420	23,341,006
Public works	6,201,347	6,395,400	6,960,841	8,043,428	7,821,748	7,366,306	7,693,986	8,469,447	8,921,477	9,100,063
Parks, recreation and tourism	3,535,345	4,361,887	6,114,331	7,338,036	7,626,924	7,701,798	8,357,361	9,256,958	10,633,963	10,629,823
Housing assistance	-	-	-	47,807	44,091	42,360	10,000	98,097	81,883	303,431
Interest on long-term debt	762,980	973,734	993,897	1,156,900	1,342,882	1,651,707	1,750,125	2,373,611	2,301,269	2,988,915
Total governmental activities expenses	<u>41,579,255</u>	<u>46,125,869</u>	<u>51,253,323</u>	<u>54,691,474</u>	<u>57,771,020</u>	<u>62,898,946</u>	<u>61,412,156</u>	<u>64,774,750</u>	<u>67,808,636</u>	<u>68,282,679</u>
Business-type activities:										
Electric	\$ 55,045,903	\$ 60,373,120	\$ 62,562,998	\$ 65,887,608	\$ 68,022,733	\$ 70,706,216	\$ 76,080,187	\$ 81,407,790	\$ 85,619,086	\$ 90,742,136
Water	6,845,615	7,531,649	8,679,145	9,328,374	9,844,134	8,934,317	10,939,155	11,321,474	11,546,373	11,196,033
Sewer	10,300,262	11,611,981	12,432,614	13,126,607	13,508,248	15,286,273	14,488,491	13,988,240	14,718,278	14,304,120
Stormwater	978,046	1,066,647	1,136,374	2,040,445	2,151,388	1,949,260	2,540,456	1,894,635	2,455,159	2,921,999
Total business-type activities expenses	<u>73,169,826</u>	<u>80,583,397</u>	<u>84,811,131</u>	<u>90,383,034</u>	<u>93,526,503</u>	<u>96,876,066</u>	<u>104,048,289</u>	<u>108,612,139</u>	<u>114,338,896</u>	<u>119,164,288</u>
Total primary government expenses	<u>\$ 114,749,081</u>	<u>\$ 126,709,266</u>	<u>\$ 136,064,454</u>	<u>\$ 145,074,508</u>	<u>\$ 151,297,523</u>	<u>\$ 159,775,012</u>	<u>\$ 165,460,445</u>	<u>\$ 173,386,889</u>	<u>\$ 182,147,532</u>	<u>\$ 187,446,967</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 9,076,455	\$ 10,622,140	\$ 10,298,859	\$ 11,066,720	\$ 11,000,433	\$ 10,347,617	\$ 10,154,256	\$ 10,604,273	\$ 11,327,726	\$ 11,822,368
Public Safety	1,449,254	793,586	1,201,239	302,563	213,043	1,009,973	1,066,634	1,222,556	1,230,123	1,262,891
Public works	4,946,059	5,088,174	5,541,573	5,761,287	6,510,953	6,553,624	6,785,364	6,857,426	6,823,372	7,364,944
Parks, recreation and tourism	829,343	621,857	1,202,265	1,276,705	1,244,711	844,355	802,165	1,692,000	1,757,943	1,862,118
Operating grants and contributions	1,122,752	1,834,015	1,001,347	5,687,407	3,771,190	3,855,411	4,413,472	4,653,954	6,371,418	2,833,559
Capital grants and contributions	2,929,379	4,404,417	4,586,444	3,770,666	2,374,639	2,279,124	3,280,255	5,631,758	3,899,967	8,349,715
Total governmental activities program revenues	<u>20,353,242</u>	<u>23,364,189</u>	<u>23,831,727</u>	<u>27,865,348</u>	<u>25,114,969</u>	<u>24,890,104</u>	<u>26,502,146</u>	<u>30,661,967</u>	<u>31,410,549</u>	<u>33,495,595</u>
Business-type activities:										
Charges for services:										
Electric	62,300,107	66,269,614	68,926,895	73,099,717	73,175,860	77,233,029	81,463,996	81,161,980	85,048,006	95,650,248
Water	10,907,520	11,163,568	12,084,538	11,938,595	11,798,322	12,347,501	12,996,554	13,205,553	13,397,066	13,166,160
Sewer	14,196,372	14,870,257	15,502,119	15,168,524	16,530,264	16,885,759	17,732,271	17,827,950	19,363,498	19,356,015
Stormwater	1,496,034	1,817,354	2,128,493	230,296	2,414,117	2,390,437	2,397,146	2,489,656	2,552,668	2,638,693
Operating grants and contributions	-	-	-	-	-	-	367,973	367,973	304,178	1,369,284
Capital grants and contributions	3,973,840	4,593,341	5,050,876	7,815,127	3,055,544	692,515	2,632,335	2,226,195	1,208,821	2,578,279
Total business-type activities program revenues	<u>92,873,873</u>	<u>98,714,134</u>	<u>103,692,921</u>	<u>108,252,259</u>	<u>106,974,107</u>	<u>109,549,241</u>	<u>117,590,275</u>	<u>117,279,307</u>	<u>121,874,237</u>	<u>134,758,679</u>
Total primary government program revenues	<u>\$ 113,227,115</u>	<u>\$ 122,078,323</u>	<u>\$ 127,524,648</u>	<u>\$ 136,117,607</u>	<u>\$ 132,089,076</u>	<u>\$ 134,439,345</u>	<u>\$ 144,092,421</u>	<u>\$ 147,941,274</u>	<u>\$ 153,284,786</u>	<u>\$ 168,254,274</u>

Schedule 2 (cont.)
City of Rock Hill
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net (Expense)/Revenue										
Governmental activities	\$ (21,226,013)	\$ (22,761,680)	\$ (27,421,596)	\$ (26,826,126)	\$ (32,656,051)	\$ (38,008,842)	\$ (34,910,010)	\$ (34,112,783)	\$ (36,398,087)	\$ (34,787,084)
Business-type activities	19,704,047	18,130,737	18,881,790	19,869,225	13,447,604	12,673,175	13,541,986	8,667,168	7,535,341	15,594,391
Total primary government net expense	(1,521,966)	(4,630,943)	(8,539,806)	(6,956,901)	(19,208,447)	(25,335,667)	(21,368,024)	(25,445,615)	(28,862,746)	(19,192,693)
General revenues and other changes in net assets										
Governmental activities										
Taxes	23,721,050	24,352,684	27,113,212	21,776,260	26,328,385	26,760,001	27,244,774	28,545,884	29,507,369	29,576,841
Investment income	200,964	348,491	471,890	378,953	162,573	106,485	89,150	72,067	88,918	228,660
Unrestricted intergovernmental revenue	1,673,007	1,364,252	1,773,296	1,625,235	1,550,592	1,300,386	1,222,733	1,209,651	1,427,289	1,435,504
Miscellaneous	438,185	618,158	1,096,930	1,413,470	1,219,123	466,598	2,343,390	478,448	585,550	751,383
Transfers	3,737,287	4,211,531	4,764,938	4,507,879	5,768,033	5,706,512	6,693,421	5,891,070	6,133,276	6,394,463
Total governmental activities	29,770,493	30,895,116	35,220,266	29,701,797	35,028,706	34,339,982	37,593,468	36,197,120	37,742,402	38,386,851
Business-type activities										
Investment income	614,412	1,124,564	1,485,622	1,253,383	570,379	540,947	592,192	667,572	613,735	669,102
Transfers	(3,737,287)	(4,211,531)	(4,764,938)	(5,801,979)	(5,768,033)	(1,949,187)	(6,842,995)	(5,891,070)	(6,133,276)	(6,394,463)
Total business-type activities	(3,122,875)	(3,086,967)	(3,279,316)	(4,548,596)	(5,197,654)	(1,408,240)	(6,250,803)	(5,223,498)	(5,519,541)	(5,725,361)
Changes in Net Assets										
Governmental activities	8,544,480	8,133,436	7,798,670	2,875,671	2,372,655	(3,668,860)	2,683,458	2,084,337	1,344,315	3,599,767
Business-type activities	16,581,172	15,043,770	15,602,474	15,320,629	8,249,950	11,264,935	7,291,183	3,443,670	2,015,800	9,869,030
Total primary government	\$ 25,125,652	\$ 23,177,206	\$ 23,401,144	\$ 18,196,300	\$ 10,622,605	\$ 7,596,075	\$ 9,974,641	\$ 5,528,007	\$ 3,360,115	\$ 13,468,797

Schedule 3
City of Rock Hill
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	\$ 10,461,114	\$ 13,381,788	\$ 13,295,950	\$ 13,382,120	\$ 15,637,902	\$ 14,560,929	\$ 15,668,876	\$ 18,665,339	\$ 19,322,838	\$ 21,239,511
Public safety	1,876,902	1,570,211	2,009,247	1,740,684	759,075	1,547,398	1,771,530	1,960,963	2,196,650	1,794,398
Public works	6,740,883	6,882,055	6,882,992	7,216,173	7,003,288	6,693,679	7,320,681	7,256,310	6,923,083	7,474,774
Parks, recreation and tourism	1,274,343	1,530,135	1,643,538	5,526,371	1,714,704	2,088,098	1,741,059	2,779,355	2,967,978	2,986,912
Subtotal governmental activities	20,353,242	23,364,189	23,831,727	27,865,348	25,114,969	24,890,104	26,502,146	30,661,967	31,410,549	33,495,595
Business-type activities:										
Electric	62,300,107	66,269,614	69,103,760	73,399,717	73,175,860	77,233,029	82,415,808	81,783,140	85,352,184	96,733,180
Water	12,691,827	13,128,521	14,961,483	14,989,547	12,809,340	12,565,656	13,747,769	13,876,613	13,953,972	14,920,323
Sewer	16,385,905	16,813,733	17,499,185	19,165,849	18,457,094	17,323,162	18,834,160	19,012,011	20,015,413	20,466,483
Stormwater	1,496,034	2,502,266	2,128,493	2,697,146	2,531,813	2,427,394	2,592,538	2,607,543	2,552,668	2,638,693
Subtotal business-type activities	92,873,873	98,714,134	103,692,921	110,252,259	106,974,107	109,549,241	117,590,275	117,279,307	121,874,237	134,758,679
Total primary government	\$ 113,227,115	\$ 122,078,323	\$ 127,524,648	\$ 138,117,607	\$ 132,089,076	\$ 134,439,345	\$ 144,092,421	\$ 147,941,274	\$ 153,284,786	\$ 168,254,274

Schedule 4

City of Rock Hill

Fund Balances, Governmental Funds,

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ 127,515	\$ 138,827	\$ 155,121	\$ 149,721	\$ 215,172	\$ 217,496	\$ 236,670	\$ 190,055	\$ 216,384	\$ 243,682
Restricted	507,369	538,200	551,539	471,340	779,227	876,457	955,708	1,087,636	1,042,157	933,970
Committed	4,365,388	6,752,732	9,447,516	6,395,187	2,638,715	1,971,226	2,776,310	3,694,859	5,317,840	4,153,893
Assigned										
Unassigned	2,710,302	3,247,765	2,607,082	2,871,980	2,599,370	2,585,133	4,232,292	3,624,203	2,658,080	2,555,496
Total general fund	\$ 7,710,574	\$ 10,677,524	\$ 12,761,258	\$ 9,888,228	\$ 6,232,484	\$ 5,650,312	\$ 8,200,980	\$ 8,596,753	\$ 9,234,461	\$ 7,887,041
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	10,944,071	3,500,979	3,144,017	5,229,523	6,069,860	11,607,338	8,389,546	4,141,517	10,637,865	7,274,797
Committed									49,100	73,650
Assigned										
Unassigned										
Total all other governmental funds	\$ 10,969,071	\$ 3,525,979	\$ 3,169,017	\$ 5,254,523	\$ 6,094,860	\$ 11,632,338	\$ 8,414,546	\$ 4,166,517	\$ 10,711,965	\$ 7,373,447

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes (see Schedule 6)	\$ 23,595,777	\$ 24,293,953	\$ 27,048,138	\$ 25,569,376	\$ 26,136,291	\$ 26,778,824	\$ 27,139,655	\$ 28,740,905	\$ 29,477,799	\$ 29,517,342
Licenses and permits	6,767,299	7,309,869	8,440,778	8,108,834	8,055,125	7,634,352	7,500,001	7,971,654	8,791,708	9,202,204
Fines and forfeitures	946,327	962,308	980,972	909,476	928,546	725,782	746,289	769,020	867,011	739,249
Intergovernmental	3,902,660	5,064,096	5,396,934	5,338,174	6,594,113	6,262,218	6,853,924	9,065,425	8,569,564	10,054,239
Charges for services	7,892,792	8,220,840	8,821,441	9,114,702	9,880,796	10,410,890	10,449,039	10,525,390	10,523,984	10,831,970
Impact fees	479,014	606,900	808,008	299,765	252,188	154,469	230,765	381,751	242,306	460,651
Investment earnings	202,457	371,868	463,416	410,031	155,673	100,470	84,149	56,373	48,100	9,423
Lease revenue								560,000	560,000	560,000
Management fees								289,950	289,950	289,950
Program income	23,793	21,378	44,338	12,715	11,727	96,317	443,639	527,500	931,726	573,326
Other revenues	994,220	1,369,890	1,096,930	1,802,974	1,702,643	1,236,609	3,300,005	1,855,774	2,598,496	2,995,940
Total revenues	\$ 44,804,339	\$ 48,221,102	\$ 53,100,955	\$ 51,566,047	\$ 53,717,102	\$ 53,399,931	\$ 56,747,466	\$ 60,743,742	\$ 62,900,644	\$ 65,234,294
Expenditures										
General government	13,393,079	15,200,566	16,681,696	18,114,564	19,779,453	20,764,711	18,748,551	18,350,493	18,653,955	16,601,741
Public safety	14,034,776	15,575,794	16,784,646	18,582,597	18,137,627	18,453,842	18,443,734	20,177,420	20,543,255	21,624,793
Public works	5,736,916	5,842,615	6,066,979	6,240,525	6,829,066	6,442,912	6,600,842	7,037,670	7,053,907	6,800,239
Parks, recreation and tourism	3,270,688	4,037,966	5,349,163	6,802,736	6,831,512	6,733,174	7,396,293	8,291,149	9,610,995	9,573,845
Housing assistance				47,807	44,091	42,360	10,000	98,097	81,883	303,431
Capital outlay	13,359,102	15,062,121	12,177,782	12,598,351	14,333,504	7,566,929	18,685,614	21,747,873	11,412,376	26,747,996
Debt service										
Principal	1,160,833	1,635,000	1,895,000	1,613,000	1,425,000	1,899,875	4,804,827	2,691,384	2,648,621	3,154,707
Interest and fees	1,085,851	1,034,490	956,529	1,002,396	1,103,510	1,611,657	1,613,363	2,227,675	2,213,287	3,455,151
Capital lease payments	479,016	676,211	1,073,543	1,811,045	2,289,209	1,856,332	2,049,027	1,992,711	1,992,439	2,380,589
Total expenditures	52,520,261	59,064,763	60,985,338	66,813,021	70,772,972	65,371,792	78,352,251	82,614,472	74,210,718	90,642,492
Excess of revenues over (under) expenditures	(7,715,922)	(10,843,661)	(7,884,383)	(15,246,974)	(17,055,870)	(11,971,861)	(21,604,785)	(21,870,730)	(11,310,074)	(25,408,198)
Other Financing Sources (Uses)										
Transfers in	5,339,069	4,843,497	5,029,938	7,065,275	6,340,017	6,413,031	7,155,061	6,249,767	7,327,653	7,345,523
Transfers out	(1,237,698)	(422,519)	(265,000)	(1,263,296)	(511,984)	(706,519)	(312,067)	(358,697)	(1,194,377)	(951,060)
General obligation bonds issued		3,150,000			2,700,000			10,700,000		5,735,000
Proceeds from sale leaseback financing					3,550,000					
Tax increment financing bonds issued							6,500,000	3,035,000		12,925,000
New markets tax credit financing issued							1,200,000			
Recovery zone economic devel. bonds issued							3,800,000			
SC DHEC loans issued							805,000			
Limited obligation bonds issued									15,160,000	
Municipal improvement district bonds issued									2,080,000	
Original issue premium on bonds issued		20,451						284,950	2,128,601	
Payment to refunded bond escrow agent		(3,150,000)						(2,965,000)	(11,674,261)	(6,995,000)
Proceeds from TIF bonds			1,650,010	2,750,000		10,500,000				
Proceeds from HUD Section 108 loan			1,074,930	1,175,070				75,000		
Issuance of certificates of participation	11,925,000									
Issuance of capital lease	596,000	1,926,090	2,121,277	4,646,986	2,162,430	715,000				
Capital leases							1,789,667	1,901,332	9,437,456	2,662,797
Capital leases refunded									(5,675,720)	
Total other financing sources (uses)	16,622,371	6,367,519	9,611,155	14,374,035	14,240,463	16,921,512	20,937,661	18,922,352	17,589,352	20,722,260
Net change in fund balances	\$ 8,906,449	\$ (4,476,142)	\$ 1,726,772	\$ (872,939)	\$ (2,815,407)	\$ 4,949,651	\$ (667,124)	\$ (2,948,378)	\$ 6,279,278	\$ (4,685,938)
Debt service as a percentage of noncapital expenditures	6.96%	7.60%	8.04%	8.16%	8.54%	9.29%	14.19%	11.36%	10.91%	14.07%

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>	
2005	\$ 23,595,777	\$ 2,938,761	\$ 26,534,538	
2006	24,293,953	3,133,230	27,427,183	
2007	27,048,138	3,427,809	30,475,947	
2008	25,569,376	3,859,949	29,429,325	
2009	22,574,046	3,562,245	26,136,291	
2010	23,258,094	3,520,730	26,778,824	
2011	23,414,112	3,725,543	27,139,655	
2012	24,586,563	4,154,342	28,740,905	
2013	25,024,261	4,453,538	29,477,799	
2014	24,832,196	4,685,146	29,517,342	
 Change				
2005 - 2014	\$ 1,236,419	\$ 1,746,385	\$ 2,982,804	

Schedule 7

City of Rock Hill

Assessed Value and Estimated Actual Value of Taxable Property,

Last Ten Tax Years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2005	\$ 85,452,713	\$ 67,121,517	\$ 20,067,638	\$ (3,637,460)	\$ 169,004,408	102.0	\$ 2,859,500,946	5.91%
2006	90,025,950	69,035,699	19,860,701	(2,942,750)	175,979,600	102.0	3,225,746,395	5.46%
2007	106,215,125	83,394,344	19,081,959	(2,294,810)	206,396,617	95.0	3,809,147,588	5.42%
2008	112,182,262	82,962,353	21,176,682	(2,877,800)	213,443,497	95.0	3,930,479,933	5.43%
2009	115,263,067	90,313,573	20,564,848	(2,745,000)	223,396,488	95.0	4,217,657,292	5.30%
2010	118,463,556	92,618,069	19,954,926	(2,691,390)	228,345,160	95.0	4,353,287,475	5.25%
2011	120,043,092	94,211,887	21,014,154	(3,733,150)	231,535,982	95.0	4,456,036,014	5.20%
2012	124,604,338	99,421,764	21,676,524	(3,743,290)	241,959,335	93.5	4,603,681,528	5.26%
2013	127,296,960	101,057,349	22,915,163	(3,646,660)	247,622,812	93.5	4,643,971,761	5.33%
2014	130,647,256	103,235,649	21,011,070	(3,768,130)	251,125,844	93.5	4,523,223,509	5.55%

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

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

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

Fiscal <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>	
2005	102.0	170.5	94.2	366.7
2006	102.0	172.3	98.8	373.1
2007	95.0	169.6	92.6	357.2
2008	95.0	179.0	96.0	370.0
2009	95.0	188.4	96.0	379.4
2010	95.0	189.9	96.0	380.9
2011	95.0	193.4	96.0	384.4
2012	93.5	193.4	92.5	379.4
2013	93.5	193.4	94.5	381.4
2014	93.5	193.4	94.5	381.4

Source: York County Auditor's Office

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

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

Taxpayer	Tax Year 2013			Tax Year 2004		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		Value
Rock Hill Telephone Company	\$ 5,620,950	1	2.27%	\$ 4,460,294	1	2.64%
Amisub of S C Inc	3,435,996	2	1.39%	3,155,208	2	1.87%
Atotech USA Inc*	2,037,051	3	0.82%	1,888,502	3	1.12%
Piedmont Medical Center	1,928,806	4	0.78%	1,137,640	4	0.67%
FPRO 401 LCC ET AL	1,018,500	5	0.41%			
Whisper Creek Apartments LLC	969,756	6	0.39%			
Mallard Pointe LLC	960,402	7	0.39%	810,960	10	0.48%
TTP South Brookstone LLC Etal	933,782	8	0.38%			
Lexington Rubber Group Inc.	756,290	9	0.31%			
Wal-Mart Real Estate Bus Dept.	711,618	10	0.29%			
SRC Stone Haven Pointe Inc.	697,860	11	0.28%			
Triangle Real Estate Cowan Farm LLC	681,444	12	0.28%			
Workspace Resources LLC*	680,180	13	0.27%			
Oerlikon Balzers Coatin USA Inc.	669,590	14	0.27%			
Southwood Realty Company	667,278	15	0.27%	566,004	14	0.33%
HCP Senior Housing Properties	656,580	16	0.27%			
Hock RH LLC	647,856	17	0.26%			
Hackett Limited Partnership	627,515	18	0.25%	615,940	13	0.36%
BMA Rock Hill Apartments LLC	604,710	19	0.24%			
Forest Oaks Rock Hill LTD	595,950	20	0.24%			
JTL Rock Hill, LLC				1,136,430	5	
Villages of Brookstone LLC				1,080,000	6	
Triangle Real Estate of Gastonia Inc.				1,048,158	7	
CK Rock Hill #2				1,046,030	8	0.62%
Kings Electronics Co., Inc				828,100	9	
Illuminet				752,140	11	0.45%
Southern Real Estate				743,562	12	
Hartmann Conco Inc.				565,480	15	0.33%
King Mountain Capital				541,380	16	0.32%
Chandler Place at Rock Hill				507,732	17	0.30%
Possehl Connector Services				507,550	18	
Weyerhaeuser Company				502,850	19	0.30%
Continental Properties				499,548	20	0.30%
Total	<u>\$ 24,902,114</u>		<u>10.91%</u>	<u>\$ 22,393,508</u>		<u>13.25%</u>

Source: York County Auditor's Office

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

Fiscal Year Ended <u>June 30.</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Total Collections to Date</u>		
		<u>Amount</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 13,725,723	\$ 13,175,274	95.99%	\$ 436,947	\$ 13,612,221	99.17%
2006	14,321,750	13,546,220	94.58%	564,628	14,110,848	98.53%
2007	15,992,763	15,008,549	93.85%	580,789	15,589,338	97.48%
2008	17,518,468	16,536,448	94.39%	728,979	17,265,427	98.56%
2009	18,947,739	17,718,524	93.51%	843,458	18,561,982	97.96%
2010	19,612,386	18,500,442	94.33%	1,082,408	19,582,850	99.85%
2011	19,876,412	18,583,203	93.49%	844,066	19,427,269	97.74%
2012	22,115,139	20,502,721	92.71%	1,359,748	21,862,469	98.86%
2013	22,538,940	21,461,360	95.22%	702,099	22,163,459	98.33%
2014	23,284,958	21,432,598	92.04%	1,031,869	22,464,467	96.48%

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

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

	Calendar Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Merchandise Stores	\$ 134,525,706	\$ 146,156,047	\$ 150,561,206	\$ 132,585,048	\$ 121,899,814	\$ 127,110,442	\$ 135,101,529	\$ 133,297,412	\$ 135,976,922	\$ 133,730,873
Food Stores	81,158,828	106,500,072	94,419,553	48,836,026	53,385,864	49,474,897	48,100,549	\$ 46,745,048	\$ 49,169,854	\$ 56,363,472
Eating and Drinking Places	84,684,346	102,712,057	98,634,185	102,222,687	102,758,838	101,234,591	109,066,118	\$ 119,936,273	\$ 144,103,844	\$ 150,364,106
Miscellaneous retail	78,886,214	81,325,367	83,402,542	79,463,926	81,377,308	71,579,411	79,479,687	\$ 82,289,949	\$ 98,094,898	\$ 107,889,725
Automotive Dealers and Gasoline Service Stations	54,166,661	60,721,041	68,712,940	73,679,827	64,709,931	62,749,013	5,024,123	\$ 7,482,169	\$ 8,126,361	\$ 10,293,049
Communications	39,666,519	42,280,221	224,378,665	147,870,487	51,336,571	53,899,274	54,821,917	\$ 55,041,047	\$ 55,521,087	\$ 53,614,217
Building Materials, Hardware, Garden Supply	32,741,450	39,504,908	17,541,679	17,447,263	11,801,232	10,418,075	9,302,861	\$ 10,423,783	\$ 12,699,032	\$ 13,674,461
Apparel and Accessory stores	38,084,239	34,924,952	39,590,414	46,533,046	42,012,641	36,458,784	41,176,699	\$ 42,862,708	\$ 43,882,924	\$ 45,071,571
Electric, Gas, and Sanitary Services	28,789,604	30,719,146	33,429,283	33,548,609	34,609,253	34,594,498	36,885,805	\$ 37,952,835	\$ 38,784,915	\$ 41,508,716
Wholesale trade-durable goods	22,222,864	29,441,986	28,834,877	29,087,932	25,701,038	25,715,362	6,760,561	\$ 5,269,883	\$ 5,458,367	\$ 4,722,020
Home furniture, furnishings, and equipment	20,744,745	22,335,753	24,089,093	24,810,793	23,844,355	19,528,223	115,072,484	\$ 125,783,744	\$ 136,906,999	\$ 149,015,719
Hotels, rooming houses, camps, and other lodging	15,121,898	16,095,839	18,824,450	21,031,411	20,435,796	17,632,032	20,529,479	\$ 23,217,530	\$ 26,594,718	\$ 26,975,693
Business services	6,987,880	9,620,349	11,655,379	17,982,310	13,010,980	7,193,631	10,469,896	\$ 13,447,747	\$ 14,915,199	\$ 16,677,349
Personal services	4,384,022	7,241,747	4,180,519	4,353,316	4,064,422	3,685,333	3,339,729	\$ 3,075,382	\$ 3,088,534	\$ 2,976,830
Automotive repair and services	5,010,234	5,707,072	5,818,168	7,026,126	7,707,434	9,214,391	4,577,218	\$ 3,880,200	\$ 3,568,630	\$ 4,508,264
Construction special trade contractors	1,473,306	3,057,530	2,973,746	3,230,431	2,291,775	1,049,182	3,212,882	\$ 3,209,122	\$ 3,346,853	\$ 3,078,341
Motion pictures	1,525,660	1,689,551	1,741,329	1,845,153	1,687,534	1,846,066	1,710,555	\$ 1,748,485	\$ 1,816,681	\$ 1,876,346
All other	3,341,768	10,255,652	16,576,272	18,591,649	16,883,506	12,807,834	15,482,642	\$ 13,142,026	\$ 13,619,246	\$ 13,838,355
Total	\$ 653,515,944	\$ 750,289,290	\$ 925,364,301	\$ 810,146,037	\$ 679,518,290	\$ 646,191,040	\$ 700,114,734	\$ 728,805,344	\$ 795,675,064	\$ 836,179,109

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

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

There is no overall direct City sales tax.

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

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

<u>Fiscal</u> <u>Year</u>	<u>City</u> <u>Direct</u> <u>Rate</u>	<u>York</u> <u>County</u>	<u>State</u> <u>of South</u> <u>Carolina</u>
2005	0.0%	1.0%	5.0%
2006	0.0%	1.0%	5.0%
2007	0.0%	1.0%	6.0% *
2008	0.0%	1.0%	6.0%
2009	0.0%	1.0%	6.0%
2010	0.0%	1.0%	6.0%
2011	0.0%	1.0%	6.0%
2012	0.0%	1.0%	6.0%
2013	0.0%	1.0%	6.0%
2014	0.0%	1.0%	6.0%

Sources: City and York County Finance Department

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

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

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

Schedule 13
City of Rock Hill
Principal Sales Tax Remitters
Current Year and 8 Years Ago

<u>Tax Remitter</u>	<u>Tax Year 2013</u>			<u>Tax Remitter</u>	<u>Tax Year 2005</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	\$ 2,905,610	1	4.96%	Retailer	\$ 5,022,525	1	11.16%
Retailer	2,706,246	2	4.62%	City of Rock Hill	1,843,149	2	4.09%
Retailer	2,630,245	3	4.49%	Retailer	1,612,605	3	3.58%
Retailer	1,822,500	4	3.11%	Communications	1,485,184	4	3.30%
Communications	1,622,623	5	2.77%	Grocery Store	1,133,443	5	2.52%
Communications	1,531,362	6	2.62%	Retailer	972,311	6	2.16%
Retailer	1,182,109	7	2.02%	Communications	920,789	7	2.05%
Retailer	1,105,610	8	1.89%	Retailer	851,248	8	1.89%
Retailer	1,039,137	9	1.78%	Retailer	796,220	9	1.77%
Automobile dealer	947,793	10	1.62%	Utility	782,570	10	1.74%
Retailer	786,879	11	1.34%	Grocery Store	758,206	11	1.68%
Utility	776,115	12	1.33%	Automobile dealer	653,066	12	1.45%
Automobile dealer	773,022	13	1.32%	Grocery Store	592,250	13	1.32%
Automobile dealer	556,729	14	0.95%	Retailer	564,337	14	1.25%
Retailer	486,775	15	0.83%	Grocery Store	553,867	15	1.23%
Total	\$ 20,872,756		40.91%	Total	\$ 18,541,770		41.19%

Source: South Carolina Department of Revenue
Information unavailable prior to 2005

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

Year Ended <u>June 30,</u>	Governmental Activities										
	General Obligation <u>Bonds</u>	Tax Increment <u>Bonds</u>	Certificates of <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>	Less Deferred <u>Amounts</u>	Reimbursement Payable to <u>Developers</u>	Capital <u>Leases</u>
2005	\$ 9,295,000	\$ 1,690,000	\$ 11,925,000						\$ 48,322	\$ 106,845	\$ 659,005
2006	8,870,000	975,000	11,430,000						61,105	19,402	1,908,884
2007	8,165,000	1,870,010	10,995,000			\$ 223,286	\$ 1,074,930		52,630	39,402	3,033,764
2008	7,435,000	4,335,000	10,545,000			148,857	2,102,000		44,926	35,216	6,052,838
2009	9,385,000	4,120,000	10,085,000			276,143	2,102,000		38,026	43,826	9,715,432
2010	8,445,000	14,385,000	9,610,000			207,107	2,023,000		32,013	39,555	8,592,359
2011	7,480,000	17,885,000	9,120,000			921,383	1,941,000	\$ 5,000,000	27,013	57,749	8,386,449
2012	17,185,000	17,180,000	8,615,000			775,195	1,931,000	5,000,000	296,269	-	8,255,811
2013	16,405,000	16,265,000	-	\$ 15,160,000	\$ 2,080,000	628,233	1,843,000	5,000,000	1,579,465	-	7,139,758
2014	17,375,000	24,960,000	-	14,240,000	2,016,000	549,526	1,751,000	5,000,000	1,445,605	-	7,464,371

Year Ended <u>June 30,</u>	Business-type Activities					Total Primary <u>Government</u>	Personal <u>Income</u>	Percentage of Personal <u>Income</u>
	Utilities System	State Revolving Fund	Less Deferred Amounts	Reimbursement Payable to Developers	Capital Leases			
	<u>Revenue Bonds</u>							
2005	\$ 119,530,000	\$ 1,082,030	\$ (74,785)	\$ 413,701		\$ 144,677,123	\$ 2,090,899,122	6.92%
2006	114,735,000	4,979,719	(20,053)	413,701		143,374,764	2,242,505,870	6.39%
2007	109,720,000	7,161,108	25,605	243,471	\$ 3,796,668	146,402,881	2,434,359,720	6.01%
2008	104,552,000	7,578,722	64,477	-	3,820,423	146,716,467	2,601,324,664	5.64%
2009	99,006,000	7,253,310	101,342	-	7,333,341	149,461,429	2,668,038,519	5.60%
2010	124,857,000	6,918,640	600,284	-	6,404,638	182,116,606	2,815,635,825	6.47%
2011	119,698,000	6,574,429	512,693	-	5,721,877	183,327,604	2,763,819,614	6.63%
2012	114,015,000	6,212,210	2,594,680	-	4,929,733	186,991,910	n/a	n/a
2013	122,135,000	5,832,985	4,289,476	-	5,003,374	203,363,304	n/a	n/a
2014	124,870,000	5,445,155	3,996,620	-	4,205,771	213,321,062	n/a	n/a

Schedule 15
City of Rock Hill
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>Total</u>	<u>Value</u>	<u>Value of</u>	<u>Population</u>	<u>Per</u>
	<u>Bonds</u>			<u>Property</u>		<u>Capita</u>
2005	\$ 9,295,000	\$ 9,295,000	\$ 169,004,408	5.50%	57,902	161
2006	8,870,000	8,870,000	175,979,600	5.04%	59,554	149
2007	8,165,000	8,165,000	206,396,617	3.96%	61,620	133
2008	7,435,000	7,435,000	213,443,497	3.48%	64,858	115
2009	9,385,000	9,385,000	223,396,488	4.20%	67,339	139
2010	8,445,000	8,445,000	228,345,160	3.70%	69,210	122
2011	7,480,000	7,480,000	231,535,982	3.23%	66,154	113
2012	17,185,000	17,185,000	241,959,335	7.10%	67,423	255
2013	16,405,000	16,405,000	247,622,812	6.62%	68,094	241
2014	17,375,000	17,375,000	251,125,844	6.92%	69,013	252

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

Schedule 16
City of Rock Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<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	\$ 125,856,000	57.13%	\$ 71,906,194
York County General Obligation Debt	49,816,918	21.49%	10,704,746
Other Debt			
Rock Hill School District #3	-	57.13%	-
Subtotal, overlapping debt	175,672,918		82,610,940
City direct debt	17,375,000	100.00%	<u>17,375,000</u>
Total direct and overlapping debt			<u>\$ 99,985,940</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	251,125,844
Debt limit (8% of assessed value)	20,090,068
Debt applicable to limit	<u>(17,375,000)</u>
Legal debt margin	<u>\$ 2,715,068</u>

	Fiscal Year ended June 30,									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit (8% of assessed value)	\$ 13,686,092	\$ 14,078,368	\$ 16,511,733	\$ 17,075,480	\$ 17,871,719	\$ 18,267,613	\$ 18,522,879	\$ 19,356,747	\$ 19,809,825	\$ 20,090,068
Total net debt applicable to limit	<u>(9,295,000)</u>	<u>(8,870,000)</u>	<u>(8,165,000)</u>	<u>(7,435,000)</u>	<u>(9,385,000)</u>	<u>(8,445,000)</u>	<u>(7,480,000)</u>	<u>(17,185,000)</u>	<u>(16,405,000)</u>	<u>(17,375,000)</u>
Legal debt margin	<u>\$ 4,391,092</u>	<u>\$ 5,208,368</u>	<u>\$ 8,346,733</u>	<u>\$ 9,640,480</u>	<u>\$ 8,486,719</u>	<u>\$ 9,822,613</u>	<u>\$ 11,042,879</u>	<u>\$ 2,171,747</u>	<u>\$ 3,404,825</u>	<u>\$ 2,715,068</u>
Total net debt applicable to the limit as a percentage of the debt limit	67.92%	63.00%	49.45%	43.54%	52.51%	46.23%	40.38%	88.78%	82.81%	86.49%

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

Year Ended <u>June 30,</u>	Combined Utility System Revenue Bonds					
	Utility	Less:	Net	Debt Service		Coverage
	Service	Operating	Available	Principal	Interest	
	<u>Charges</u>	<u>Expenses</u>	<u>Revenue</u>			
2005	\$ 86,950,608	\$ 61,804,368	\$ 25,146,240	\$ 4,697,500	\$ 5,186,020	2.54
2006	92,303,439	68,762,812	23,540,627	4,905,000	5,316,419	2.30
2007	96,513,552	71,859,199	24,654,353	5,127,500	5,278,113	2.37
2008	100,206,834	76,544,338	23,662,496	5,343,750	4,886,061	2.31
2009	101,504,446	77,514,557	23,989,889	4,893,500	4,758,832	2.49
2010	106,270,748	80,826,536	25,444,212	4,746,500	5,207,769	2.56
2011	113,633,663	86,878,154	26,755,509	5,264,000	5,215,425	2.55
2012	112,619,920	90,699,072	21,920,848	5,673,167	5,194,094	2.02
2013	117,808,570	95,255,246	22,553,324	5,995,000	5,567,055	1.95
2014	129,541,707	100,920,719	28,620,988	6,253,764	4,532,555	2.65

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	57,902	\$ 2,090,899,122	\$ 36,111	36.4	15,537	8.5%
2006	59,554	2,242,505,870	37,655	36.6	16,179	8.4%
2007	61,620	2,434,359,720	39,506	37.2	17,154	7.1%
2008	64,858	2,601,324,664	40,108	n/a	16,965	7.9%
2009	67,339	2,668,038,519	39,621	n/a	17,700	16.5%
2010	69,210	n/a	n/a	n/a	17,704	17.9%
2011	66,154	n/a	n/a	37.9	17,353	14.9%
2012	67,423	n/a	n/a	n/a	17,400	13.8%
2013	68,094*	n/a	n/a	n/a	17,485	11.4%
2014	69,013*	n/a	n/a	n/a	17,400	6.9%

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
Principal Industrial Employers,
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Physicians Choice Laboratories	364	1	1.14%			
TE Connectivity (Tyco)	320	2	1.01%	490	1	1.37%
West Marine	300	3	0.94%	285	2	0.80%
Atotech USA, Inc.	205	4	0.64%	200	5	0.56%
Springs Creative	180	5	0.57%	247	3	0.69%
Southeastern Industrial	170	6	0.53%	150	8	0.42%
3D Systems	162	7	0.51%			
Lexington Medical	162	8	0.51%	132	9	0.37%
PFG Customized Distribution	155	9	0.49%	110	10	0.31%
Beacon Medaes	135	10	0.42%			
TerexAmida Industries, Inc.				170	7	0.48%
Hartman-Conoco, Inc.				201	4	0.56%
The Herald				174	6	0.49%
Total	<u>2,153</u>		<u>6.77%</u>	<u>2,159</u>		<u>6.04%</u>

Source: York County Economic Development (www.ycedb.com) and the US Bureau of Labor and Statistics
Information prior to 2005 unavailable

Schedule 21
City of Rock Hill
Full-time-Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
General services	29.0	26.0	25.5	28.5	32.0	32.0	31.0	65.5	65.5	66.5
Finance	74.5	74.5	74.5	73.0	106.5	104.5	98.0	44.5	44.5	40.5
Human resources	7.5	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Planning	30.5	5.0	5.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Housing and neighborhood services	0.0	13.0	14.0	15.0	14.0	14.0	14.0	14.5	14.5	14.5
Police	159.0	161.0	167.0	169.5	170.5	183.5	185.5	184.5	184.5	191.5
Fire	103.5	106.0	106.0	106.0	106.0	106.0	122.0	122.0	122.0	123.0
Development services	0.0	20.5	29.0	29.5	28.5	28.5	28.5	28.5	28.5	28.5
Public works	90.0	76.5	75.5	75.5	72.0	72.5	70.5	69.5	69.5	69.5
Property maintenance	48.5	44.0	37.0	29.5	0.0	0.0	0.0	0.0	0.0	0.0
Parks, recreation, and tourism	79.5	79.0	87.0	93.5	94.0	94.0	94.0	106.0	106.0	108.0
Urban development and housing	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Economic and urban development	12.5	13.5	13.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Stormwater	14.0	14.0	12.0	12.0	12.0	12.0	14.0	14.0	14.0	14.0
Electricity	46.0	46.5	48.0	50.5	53.5	53.5	53.0	69.5	69.5	73.5
Water	31.5	32.0	32.0	32.0	33.0	33.0	34.5	33.0	33.0	33.0
Wastewater	35.0	38.0	38.0	38.0	37.0	37.0	36.0	37.0	37.0	37.0
Total	785.0	781.5	796.5	801.5	808.0	819.5	830.0	837.5	837.5	848.5

Source: City Finance Department

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

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

Source: City of Rock Hill Budget Office

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Building permits issued	842	1,092	1,119	898	842	1,024	1,000	1,857	1,901	2,637
Police										
Physical arrests	7,097	7,093	7,152	6,913	6,364	4,601	4,693	4,959	4,893	5,442
Parking violations	418	332	2,268	2,655	2,545	1,587	1,322	808	280	152
Traffic violations	11,409	10,725	10,807	11,890	8,712	8,566	8,782	9,546	10,525	8,030
Fire										
Medical calls answered	1,468	1,817	1,973	2,238	3,228	3,717	3,994	4,220	4,287	4,229
Fire and other responses	1,914	1,652	1,770	1,943	2,220	2,554	2,366	2,485	2,688	2,679
Inspections	2,174	2,432	2,300	3,156	2,505	2,499	1,916	2,715	2,135	3,234
Refuse collection										
Materials managed (tons)	28,933	28,907	31,368	32,010	32,764	32,515	32,144	32,720	33,173	35,312
Other public works										
Street resurfacing (miles)	2.70	4.44	7.81	8.79	10.33	7.60	4.10	8.88	3.89	7.66
New streets accepted (miles)	4.74	6.07	2.97	4.07	1.27	0.29	1.27	0.83	-	2.72
Parks, recreation and tourism										
Registered program participation	327,145	225,483	269,159	285,405	368,045	317,422	378,021	387,195	357,197	323,912
Electric										
Total mwh sales	706,158	732,850	758,847	783,394	769,452	789,101	815,181	783,647	765,881	810,073
Water										
Average daily consumptions (mgd)	13.90	18.57	19.89	21.78	14.00	18.21	15.66	14.87	14.36	15.73
Peak daily consumption (mgd)	19.40	20.60	25.10	26.47	24.00	23.84	22.38	22.27	22.00	22.97
Sewer										
Average daily treatment (mgd)	9.29	8.70	9.42	8.39	9.77	10.48	9.19	9.43	9.79	10.54
Peak daily treatment (mgd)	21.68	29.82	29.82	15.91	29.31	28.91	15	20	23.34	30.32

* based on available data

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

Function/Program	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
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	144	147	162	168	176	167	171	176	179	187
Fire stations										
Fire stations	4	5	5	6	6	6	6	6	6	6
Refuse collection										
Collection trucks	61	57	48	50	48	48	51	50	55	52
Other public works										
Streets (miles)	169	174	177	184	185	188	215	215	215	218
Street lights	5,837	5,923	6,123	6,613	6,351	6,510	6,445	6,493	6,537	6,256
Parks, recreation and tourism										
Acreage	323	393	393	393	393	403	416	416	426	442
Athletic facilities and parks	27	28	28	29	29	29	29	30	31	31
Neighborhood centers	4	4	4	4	4	4	4	4	4	4
Electric										
Miles of electric lines	543	557	582	587	592	606	607	605	610	618
Number of delivery substations	5	5	5	5	6	6	6	6	6	6
Number of poles	17,591	18,125	20,839	21,036	21,119	24,365	21,288	24,917	25,234	25,650
Water										
Miles of water lines	459	468	471	480	485	490	496	498	504	508
Fire hydrants	2,386	2,441	2,684	2,763	2,800	2,825	2,850	2,890	2,929	2,959
Storage capacity (millions of gal	5.5	5.5	5.5	6	6	6	6	6	6	6
Sewer										
Miles of sanitary sewers	435	444	451	462	469	471	473	474	480	483
Treatment capacity (millions of g	20	20	20	30	30	36	36	36	36	36

Schedule 24
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL ELECTRIC CUSTOMERS
 YEAR ENDED JUNE 30, 2014

Customer	Type of Business	Consumption (Kwh)	Amount Billed	Percentage of Total Billed
██████████	██████████	36,070,354	\$ 3,609,802	4.03%
██████████	██████████	22,956,651	2,729,716	3.04%
██████████	██████████	16,571,985	1,430,745	1.60%
██████████	██████████	11,840,446	1,071,533	1.19%
██████████	██████████	11,684,037	1,068,035	1.19%
██████████	██████████	8,018,660	1,038,612	1.16%
██████████	██████████	8,200,689	751,329	0.84%
██████████	██████████	6,356,970	737,152	0.82%
██████████	██████████	7,342,814	621,743	0.69%
██████████	██████████	5,602,964	606,723	0.68%
██████████	██████████	7,313,805	528,034	0.59%
██████████	██████████	4,625,498	477,732	0.53%
██████████	██████████	4,840,632	455,962	0.51%
██████████	██████████	389,774	444,992	0.50%
██████████	██████████	4,577,335	407,583	0.45%
██████████	██████████	4,579,825	395,633	0.44%
██████████	██████████	4,409,814	391,522	0.44%
██████████	██████████	3,912,946	387,161	0.43%
██████████	██████████	5,259,715	386,464	0.43%
██████████	██████████	3,893,708	366,550	0.41%
		<u>178,448,622</u>	<u>\$ 17,907,020</u>	<u>19.97%</u>

Schedule 25
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS
 YEAR ENDED JUNE 30, 2014

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
██████████	██████████	953,483,024	\$ 1,354,086	10.77%
██████████	██████████	770,434,663	1,106,329	8.80%
██████████	██████████	94,881,017	125,410	1.00%
██████████	██████████	83,912,001	114,791	0.91%
██████████	██████████	45,827,214	107,611	0.86%
██████████	██████████	26,536,593	100,360	0.80%
██████████	██████████	15,098,223	86,895	0.69%
██████████	██████████	22,128,307	78,951	0.63%
██████████	██████████	12,559,975	61,465	0.49%
██████████	██████████	19,648,688	55,540	0.44%
██████████	██████████	37,413,928	50,135	0.40%
██████████	██████████	10,458,221	48,681	0.39%
██████████	██████████	24,083,521	46,353	0.37%
██████████	██████████	14,954,540	45,068	0.36%
██████████	██████████	6,032,657	42,709	0.34%
██████████	██████████	8,880,188	36,888	0.29%
██████████	██████████	6,916,255	31,166	0.25%
██████████	██████████	9,163,075	30,923	0.25%
██████████	██████████	5,939,134	30,810	0.24%
██████████	██████████	8,973,083	27,574	0.22%
		<u>2,177,324,307</u>	<u>\$ 3,581,743</u>	<u>28.48%</u>

Schedule 26
CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WASTEWATER CUSTOMERS
YEAR ENDED JUNE 30, 2014

<u>Customer</u>	<u>Type of Business</u>	<u>Consumption (Gallons)</u>	<u>Amount Billed</u>	<u>Percentage of Total Billed</u>
██████████	██████████	1,009,769,271	\$ 2,603,113	13.60%
██████████	██████████	68,534,000	225,251	1.18%
██████████	██████████	19,489,177	181,329	0.95%
██████████	██████████	40,434,898	169,342	0.88%
██████████	██████████	31,773,492	124,891	0.65%
██████████	██████████	11,462,734	115,221	0.60%
██████████	██████████	13,766,117	87,627	0.46%
██████████	██████████	22,953,217	81,685	0.43%
██████████	██████████	8,945,242	70,972	0.37%
██████████	██████████	17,680,070	65,508	0.34%
██████████	██████████	5,488,607	53,581	0.28%
██████████	██████████	14,399,308	53,069	0.28%
██████████	██████████	13,291,025	49,025	0.26%
██████████	██████████	7,876,329	47,905	0.25%
██████████	██████████	3,997,389	42,543	0.22%
██████████	██████████	10,629,873	40,692	0.21%
██████████	██████████	7,165,593	35,406	0.18%
██████████	██████████	5,239,531	33,197	0.17%
██████████	██████████	4,960,474	33,032	0.17%
██████████	██████████	8,798,005	32,497	0.17%
		<u>1,326,654,352</u>	<u>\$ 4,145,886</u>	<u>21.65%</u>

Schedule 27
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL STORMWATER CUSTOMERS
 YEAR ENDED JUNE 30, 2014

Customer	Type of Business	Consumption (gallons)	Amount Billed	Percentage of Total Billed
██████████	██████████	902,267,896	\$ 165,523	6.29%
██████████████████	██████████████████	411,181,513	115,794	4.40%
██████████████	██████████	220,735,090	68,670	2.61%
██████████████	██████████	446,477,350	43,917	1.67%
██████████████	██████████	83,689,143	41,579	1.58%
██████████████	██████████████	59,668,692	22,422	0.85%
██████████████	██████	29,851,497	20,362	0.77%
██████████████	██████████	43,920,032	16,784	0.64%
██████████████	██████████████	39,521,369	15,191	0.58%
██████████████	██████████	107,455,548	13,954	0.53%
██████████████████	██████████	18,684,272	11,002	0.42%
██████████	██████████████	79,364,568	9,808	0.37%
██████████████	██████████████	69,187,200	9,459	0.36%
██████████	██████████	13,586,547	9,254	0.35%
██████████████████	██████████████	24,578,280	8,388	0.32%
██████████████	██████████████	11,384,472	7,586	0.29%
██████████████	██████████	46,632,816	6,710	0.26%
██████████████████	██████████	27,259,848	6,649	0.25%
██████████████	██████████	10,676,400	6,578	0.25%
██████████████████	██████████	52,115,184	6,439	0.24%
		<u>2,698,237,717</u>	<u>\$ 606,068</u>	<u>23.05%</u>

CITY OF ROCK HILL, SOUTH CAROLINA

FEDERAL AWARDS SECTION

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

CITY OF ROCK HILL, SOUTH CAROLINA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

	<u>Federal CFDA #</u>	<u>Expenditures</u>
Department of Housing and Urban Development		
Direct Program:		
Community Development Block Grant	14.218	\$ 365,426
Neighborhood Stabilization Grants	14.264	
Neighborhood Stabilization Grants - Program Revenue		241,504
Passed through State Housing Finance and Development Authority		
Home Program	14.239	<u>14,231</u>
Total Department of Housing and Urban Development		<u>621,161</u>
Department of Justice		
Direct Programs:		
Byrne Justice Assistance - JAG	16.738	40,190
Bulletproof Vest Partnership Program	16.607	<u>7,870</u>
Total Department of Justice		<u>48,060</u>
Department of Labor		
Workforce Investment Act, Adult Program	17.258	<u>6,573</u>
Total Department of Labor		<u>6,573</u>
Department of Transportation		
Direct Programs:		
Airport Improvement Program	20.106	1,071,951
5307 Urbanized Area Formula Program	20.205	213,268
RFATS UPWP2010-2011 (PL112 funds)	20.205	135,648
CMAQ Mt. Gallant/Celanese LPA05-10	20.205	55,908
CMAQ Riverview/RiverChase	20.205	(24,273)
TEP - White Street/Jones Ave LPA46-03416a	20.205	19,710
Passed through State Department of Public Safety		
Traffic Enforcement Unit 2H10023	20.601	<u>123,533</u>
Total Department of Transportation		<u>1,595,745</u>
Environmental Protection Agency		
Direct Programs:		
EPA Special Appropriations Project	66.202	<u>90,121</u>
Total Environmental Protection Agency		<u>90,121</u>
Department of Health and Human Services		
Passed thru National Recreation and Park Association		
ACHIEVE grant	93.283	<u>3,957</u>
Total Department of Health		<u>3,957</u>
Department of Homeland Security		
Passed through SC Emergency Management		
Homeland Security Grant for SWAT Equipment, 10SHSP19	97.067	(1,500)
Homeland Sec PD 11SHSP03	97.067	31,335
Homeland Sec 11SHSP72	97.067	1,761
Homeland Sec Fire 10SHSP40	97.067	44,399
Homeland Sec PD 11SHSP17	97.067	99,984
Homeland Sec PD 12SHSP17	97.067	106,601
Homeland Sec PD 12SHSP10	97.067	23,794
Homeland Sec SWAT 13SHSP12	97.067	<u>46,966</u>
Total Department of Homeland Security		<u>353,340</u>
Total - All Grants		<u>\$ 2,718,957</u>

CITY OF ROCK HILL, SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2014

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with the basis of accounting practices prescribed by the United States Department of Housing and Urban Development. The purpose of the statement is to present, in summary form, activities of the City of Rock Hill for the year ended June 30, 2014, which have been financed by the United States Department of Housing and Urban Development and other federal agencies as applicable. Except as described in the following paragraph, accounting principles generally accepted in the United States of America are in agreement with the accounting practices prescribed for such programs by the Department of Housing and Urban Development's fiscal control and fund accounting procedures.

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

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Phone: 803-325-1660 Fax: 803-325-1665

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*

To the City Council
City of Rock Hill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rock Hill, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2014.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

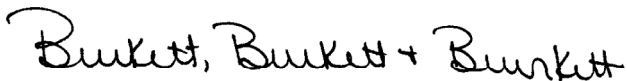
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about where the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BURKETT BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
December 30, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Rock Hill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Rock Hill, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. City of Rock Hill, South Carolina'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 government.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Rock Hill, South Carolina, 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, 2014.

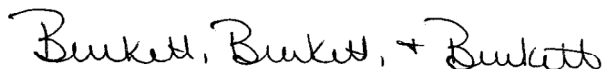
Report on Internal Control Over Compliance

Management of City of Rock Hill, South Carolina, 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 of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 a 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 significance deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



BURKETT BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
December 30, 2014

CITY OF ROCK HILL, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
- Material weaknesses identified?	No
- Deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
- Material weaknesses identified?	No
- Deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program</u>
14.239	Home Investment Partnership Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.607	Bullet Proof Vest Partnership Program
17.258	WIA Adult Program
20.205	Highway Planning and Construction
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
66.202	Congressionally Mandated Projects
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance
97.067	Homeland Security Grant Program

CITY OF ROCK HILL, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS (continued)

Dollar threshold used to distinguish between type A programs: \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST reported None

Status of Prior Year’s Findings

City of Rock Hill, South Carolina had no prior year audit findings.