

CITY OF ROCK HILL, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2013

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, 2013**

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December 20, 2013

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, 2013.

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, 2013, 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 unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2013, 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 600 daily non-stop flights to 146 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 \$188,954,073.

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 is under construction and is scheduled for completion by May, 2014. National cycling events have been held in the Velodrome and more are scheduled for 2014.

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, 2012. 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-second 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, 2013. This was the twenty-second 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

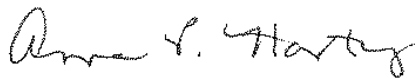
communications device. The City has also been awarded the Certification of Excellence Award from the Municipal Treasurers Association for its investment policy.

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 cursive script that reads "David B. Vebaun".

David B. Vebaun, City Manager

A handwritten signature in cursive script that reads "Anne P. Harty".

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, 2012

Executive Director/CEO

City of Rock Hill
List of Elected and Appointed Officials
June 30, 2013

Elected Officials

A. Douglas Echols, Jr., Mayor
John A. Black, III, Mayor Pro Tempore
Susie B. Hinton
Kathy S. Pender
James C. Reno
Osbey Roddey
Kevin H. Sutton

Appointed Officials

David B. Vebaun, City Manager
Gerald E. Schapiro, Deputy City Manager
James G. Bagley Jr, Deputy City Manager
Scott Motsinger, Utilities Director
Paul Carlisle, 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

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, 2013, 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the City of Rock Hill'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 City of Rock Hill's internal control over financial reporting and compliance.

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, 2013, 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, 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 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.

Burkett, Burkett + Burkett

BURKETT, BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
December 20, 2013

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, 2013. 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 \$322,953,619 (*net assets*). Of this amount, \$14,140,685 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,360,115.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$19,946,426 an increase of \$6,279,278 from the prior year. Approximately 27.6 percent of the total amount, \$2,633,556 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 \$2,633,556, or 4.2 percent of the total fund expenditures.
- The City's debt increased from \$170.9 million to \$185.3 million last year as the City issued new municipal improvement district and limited obligation bonds, refunded some 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but

also a legally separate housing corporation which is fiscally dependent on the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Two legally separate recreation organizations, which are under the control of the City, are included as an integral part of the primary government.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into these categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

The basic governmental fund financial statements can be found on pages 24 - 27 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund can be found on page 28.

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

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

The basic proprietary fund financial statements can be found on pages 29 - 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 60 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 exceeded liabilities by \$322,953,619 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets (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 assets, \$14,140,685, 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 assets, 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 assets 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 assets 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 Assets						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 27,781,126	\$ 22,084,768	\$ 43,711,846	\$ 54,036,363	\$ 71,492,972	\$ 76,121,131
Capital assets	141,254,675	139,184,741	342,450,037	334,907,777	483,704,712	474,092,518
Total assets	169,035,801	161,269,509	386,161,883	388,944,140	555,197,684	550,213,649
Long-term liabilities outstanding	64,311,526	58,386,376	137,994,881	120,980,660	202,306,407	179,367,036
Other liabilities	14,153,407	13,656,580	15,784,251	37,596,529	29,937,658	51,253,109
Total liabilities	78,464,933	72,042,956	153,779,132	158,577,189	232,244,065	230,620,145
Net assets:						
Net Investment in capital assets	85,203,209	82,756,387	213,297,864	204,465,297	298,501,073	287,221,684
Restricted	10,311,861	7,804,055			10,311,861	7,804,055
Unrestricted	(4,944,202)	(1,333,889)	19,084,887	25,901,654	14,140,685	24,567,765
Total net assets	\$ 90,570,868	\$ 89,226,553	\$ 232,382,751	\$ 230,366,951	\$ 322,953,619	\$ 319,593,504

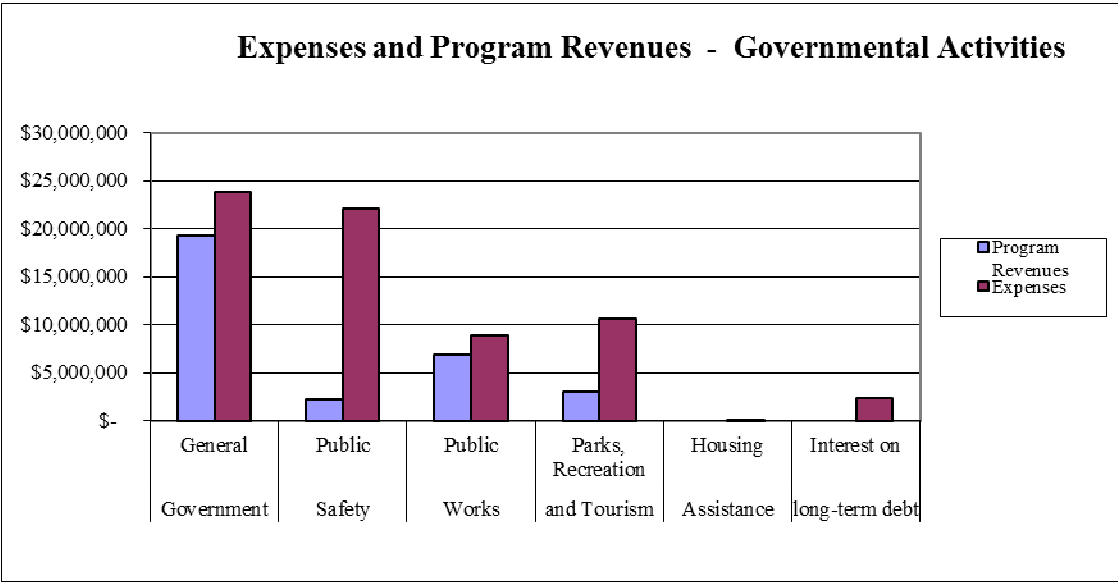
Governmental activities. Governmental activities increased the City’s net assets by \$1,344,315, and accounted for 40.0% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Property taxes, accommodations taxes and business license revenues came in significantly over budget as the local economy showed signs of a continued comeback from the recession. Building permit revenues increased dramatically and benefitted from the construction of two large retail buildings.
- Good news on the revenue front was largely offset by employee health claims, which consumed in excess of \$1,000,000 more than the amount budgeted.
- The liability for employee accrued leave decreased by the end of the year primarily because a number of employees were paid out for some or all of their accrued vacation and sick time during the year when they took early retirement ahead of rule changes by the SC Retirement Systems that will make retiring and

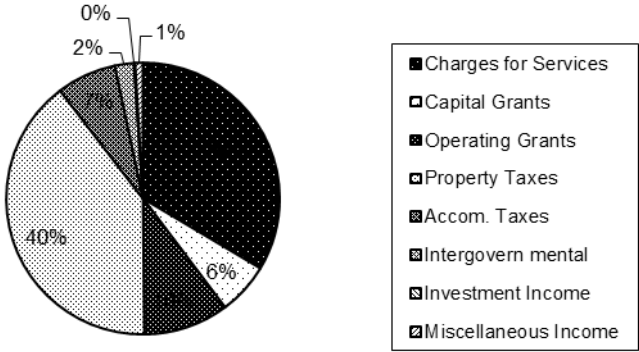
returning to work more difficult in the future.

- Depreciation of governmental capital assets reduced net assets by more than \$7,509,000.
- Over \$9,000,000 of governmental expenditures were capitalized and increased the City's net assets invested in capital assets. The largest of the additions were construction of a BMX bicycle racing track and roads at the Rock Hill Outdoor Center, major roadway and infrastructure improvements on White Street, the construction of the Old Town Market and numerous vehicles and pieces of heavy equipment acquired through a lease purchase arrangement.
- During the year, debt related to the Manchester Meadows soccer complex (a blended component unit) was refunded by the 2013 Limited Obligation bonds. An existing debt service reserve fund of over \$900,000 was used as part of the refunding sources and its use was responsible for the large decrease in fund balance for that fund.

City of Rock Hill's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 21,139,164	\$ 20,376,255	\$ 120,361,238	\$ 114,685,139	\$ 141,500,402	\$ 135,061,394
Operating grants and contributions	6,371,418	4,653,954	304,178	367,973	6,675,596	5,021,927
Capital grants and contributions	3,899,967	5,631,758	1,208,821	2,226,195	5,108,788	7,857,953
General Revenues:						
Property taxes	25,052,793	24,432,916	-	-	25,052,793	24,432,916
Hospitality taxes	4,454,576	4,112,968	-	-	4,454,576	4,112,968
Investment income	88,918	72,067	613,735	667,572	702,653	739,639
Intergovernmental revenue	1,427,289	1,209,651	-	-	1,427,289	1,209,651
Miscellaneous	585,550	478,448	-	-	585,550	478,448
Total Revenues	63,019,675	60,968,017	122,487,972	117,946,879	185,507,647	178,914,896
Expenses						
General Government	23,834,624	23,014,281	-	-	23,834,624	23,014,281
Public Safety	22,035,420	21,562,356	-	-	22,035,420	21,562,356
Public Works	8,921,477	8,469,447	-	-	8,921,477	8,469,447
Parks, Recreation & Tourism	10,633,963	9,256,958	-	-	10,633,963	9,256,958
Housing Assistance	81,883	98,097	-	-	81,883	
Interest on Long-term Debt	2,301,269	2,373,611	-	-	2,301,269	2,373,611
Electric	-	-	85,619,086	81,407,790	85,619,086	81,407,790
Water	-	-	11,546,373	11,321,474	11,546,373	11,321,474
Sewer	-	-	14,718,278	13,988,240	14,718,278	13,988,240
Stormwater	-	-	2,455,159	1,894,635	2,455,159	1,894,635
Total Expenses	67,808,636	64,774,750	114,338,896	108,612,139	182,147,532	173,288,792
Increase (decrease) in net position before transfers	(4,788,961)	(3,806,733)	8,149,076	9,334,740	3,360,115	5,528,007
Transfers	6,133,276	5,891,070	(6,133,276)	(5,891,070)	-	-
Increase in net assets	1,344,315	2,084,337	2,015,800	3,443,670	3,360,115	5,528,007
Net assets -- beginning	89,226,553	87,142,216	230,366,951	226,923,281	319,593,504	314,065,497
Net assets -- ending	\$ 90,570,868	\$ 89,226,553	\$ 232,382,751	\$ 230,366,951	\$ 322,953,619	\$ 319,593,504



Revenue by Source - Governmental Activities

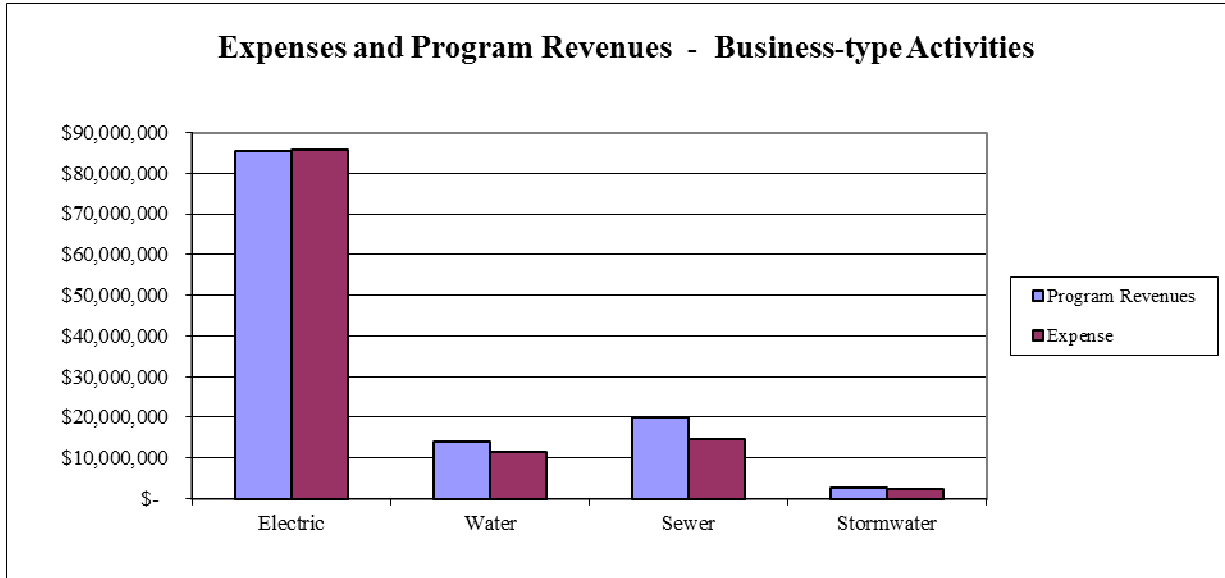


Business-type activities. Business-type activities increased the City’s net assets by \$2,015,800, accounting for 60.0% of the total growth in the City’s net assets. Net assets invested in capital assets increased as improvements and expansions were made to the electric, water and wastewater systems. Key elements of changes other than capital and restricted are as follows:

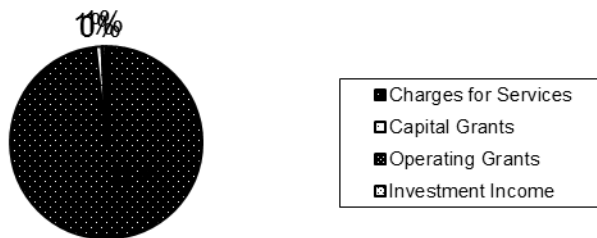
- A 4.0% electric rate increase was included in the budget to partially offset a Piedmont Municipal Power Agency wholesale power rate increase.
- There was a 5% rate increase for wastewater to pay for planned capital improvements to the system.
- Water rates remained unchanged.
- Electric “margins,” or total electricity sales minus the cost of purchased power, fell short of the amount budgeted by more than \$2,300,000. Much milder than normal weather conditions throughout the year coupled with occasional spikes in summer temperatures resulted in lower than normal sales while still

causing relatively high electric demand charges paid to the City's wholesale electric suppliers.

- Unusually wet and mild summer weather also held back water sales, which were nearly \$400,000 below budget. Wastewater charges, which are based on metered water sales, also came in nearly \$300,000 under budget.
- Investment earnings remained low as market rates remained near zero.



Revenue by Source - Business-Type Activities



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 \$19,946,426, an increase of \$6,279,278 from the prior year. Much of the increase in fund balance was caused by the issuance of long-term debt in the current year. Approximately 13.2 percent of total fund balance, \$2,633,556 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, \$2,583,906, tax increment financing districts, \$1,453,794, a landscape maintenance district, \$53,136, future debt payments on a recreation project, \$49,100, and a downtown parking district \$89,994. Minor amounts for certain programs have been categorized as assigned fund balance.

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 \$2,633,556, while total fund balance was \$9,234,461. 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 4.2 percent of total general fund expenditures, while total fund balance represents 14.7 percent of those same expenditures.

Total fund balance of the City's general fund increased by \$637,708 during the current fiscal year. The most significant factors in this net increase are as follows:

- General property tax revenues exceeded budget by \$500,000.
- Accommodations and hospitality tax revenues exceeded budget by \$400,000.
- Business license and building permit revenues exceeded budget by over \$1,600,000.
- The City largely self insures employee health care. For the year, health care claims exceeded budget by more than \$1,000,000. Plan design changes and increases in employee premiums have been put into place for fiscal year 2013/2014.

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 \$19,084,887. The total growth in net assets was \$2,015,800. 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, 2013.

Property tax and accommodations tax revenues exceeded budget by more than \$900,000 and license and permit revenues exceeded budget by \$1,600,000.

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 \$1,000,000. Plan design changes and increases in employee premiums have been put into place for fiscal year 2013/2014. Actual capital expenditures include the purchase of over \$2,900,000 of vehicles acquired using a capital lease purchase arrangement. Since the proceeds from the capital lease (including unspent proceeds from a prior year's lease) offset the expenditure for purchases, neither item is budgeted. Several departments had vehicle fuel costs that exceeded their budgets as the price of gasoline and diesel fuel remained high. 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 reimbursements for over \$400,000 of these costs from York County's Pennies for Progress optional sales tax program, but any reimbursements might not be received for several years, until the projects become eligible for Pennies funding.

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, 2013, amounts to \$300,080,540 (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 4.4 percent (a 4.7 percent increase for governmental activities and a 4.3 percent increase for business-type activities). These numbers do 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, commenced in earnest following the issuance of limited obligation bonds.
- Major work in the downtown area on White Street continued, as the area is made ready for redevelopment of the former Bleachery property.
- The Old Town Market was completed.
- Over \$850,000 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 \$6.4 million of operating revenues into additions to plant in service.

City of Rock Hill's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 1,743,283	\$ 1,885,551	\$ 4,081,091	\$ 3,602,702	\$ 5,824,374	\$ 5,488,253
Building and improvements	71,707,878	71,649,928			71,707,878	71,649,928
Equipment/plant in service	13,667,003	13,062,653	318,617,732	315,575,948	332,284,735	328,638,601
Infrastructure	47,107,996	48,320,976			47,107,996	48,320,976
Construction in Progress	7,028,515	4,265,633	19,751,214	15,729,127	26,779,729	19,994,760
Total	\$ 141,254,675	\$ 139,184,741	\$ 342,450,037	\$ 334,907,777	\$ 483,704,712	\$ 474,092,518

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 \$185,349,218. Of this amount \$16,405,000 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 and tax increment bonds).

City of Rock Hill's Long-Term Debt Bonds Payable

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Tax increment bonds	\$ 16,265,000	\$ 17,180,000			\$ 16,265,000	\$ 17,180,000
General obligation bonds	16,405,000	17,185,000			16,405,000	17,185,000
Certificates of participation		8,615,000			-	8,615,000
Limited obligation bonds	15,160,000				15,160,000	-
Municipal improvement district bonds	2,080,000				2,080,000	-
HUD Section 108 Loan	1,843,000	1,931,000			1,843,000	1,931,000
SC DHEC HUD loan	628,233	775,195			628,233	775,195
Cycling Facilities bank loans	5,000,000	5,000,000			5,000,000	5,000,000
State revolving fund loans			\$ 5,832,985	\$ 6,212,210	5,832,985	6,212,210
Utility revenue bonds			122,135,000	114,015,000	122,135,000	114,015,000
Total	\$ 57,381,233	\$ 50,686,195	\$ 127,967,985	\$ 120,227,210	\$ 185,349,218	\$ 170,913,405

The City's total debt increased by \$14,435,813 during the current fiscal year. Aside from the normal payment of prior bonds, the City issued \$15,160,000 of limited obligation bonds to build a new BMX bicycle racing track and

refund old certificate of participation and capital lease debt and issued a new series of municipal improvement district bonds to finance some infrastructure additions. Under business-type activities, the City issued new combined utility system revenue bonds to refinance an older bond issue and to make improvements to its electric, water and sewer systems.

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 (following an upgrade received in June, 2013) and “Aa3” from Moody’s. The City’s underlying rating on its combined utility system revenue bonds is “A” from Standard & Poor’s and “A2” from Moody’s.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$19,809,825, which was just more than \$3,400,000 in excess of the City’s outstanding general obligation debt at June 30, 2013.

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

Economic Factors and Next Year’s Budgets and Rates

The local economy continues to feel the impact of the recent national recession, primarily in the area of unemployment. Both the City and York County continue to experience unemployment of over 10%. 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 2013/2014 that included moderate rate increases for our 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 instituted an insurance rate increase to employees in July, 2013 in the middle of the plan year and will add another 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 is expected 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 2013/2014 budget year, a 6.0% increase in electric rates enacted to pay for a 6.7% increase in wholesale power costs but no increases in water or wastewater rates.
- The 2013/2014 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 2013/2014 fiscal year. Amounts available for appropriation in the general fund are \$53.5 million, an increase of 3.7 percent over the final fiscal year 2012/2013 budget of \$51.6 million. For the 2013/2014 year, the employee pay for performance program provides half 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 also restored its established vehicle and equipment replacement schedule, following a one-year respite.

The City’s budgetary General Fund balance is expected to remain stable by the close of the 2013/2014 year.

As for the City’s business-type activities, we expect that future results will remain stable, but are not likely to enjoy

growth similar to recent years because of continued moderate new construction. 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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 12,773,164	\$ 8,316,565	\$ 21,089,729	\$ 359,470
Investments	59,629		59,629	521,461
Receivables (net of allowances for uncollectible accounts):				
Taxes and assessments	1,193,410		1,193,410	
Intergovernmental	1,079,253		1,079,253	
Rehabilitation loans	612,951		612,951	
Affordable Housing mortgages				843,875
Utility accounts		14,547,466	14,547,466	
Direct financing lease		1,176,224	1,176,224	
Other	1,372,887	458,143	1,831,030	68
Due from component units	176,661		176,661	
Inventories	216,384	2,080,616	2,297,000	
Total current assets	<u>17,484,339</u>	<u>26,579,014</u>	<u>44,063,353</u>	<u>1,724,874</u>
Restricted assets:				
Cash and cash equivalents	10,296,787	14,630,650	24,927,437	
Deferred charges		2,502,182	2,502,182	
Capital assets (net of accumulated depreciation)				
Land and improvements	1,743,283	4,081,091	5,824,374	252,041
Buildings and improvements	71,707,878		71,707,878	
Machinery and equipment	13,667,003	318,617,732	332,284,735	
Infrastructure	47,107,996		47,107,996	
Construction in progress	7,028,515	19,751,214	26,779,729	
Total noncurrent assets	<u>151,551,462</u>	<u>359,582,869</u>	<u>511,134,331</u>	<u>252,041</u>
Total assets	<u>169,035,801</u>	<u>386,161,883</u>	<u>555,197,684</u>	<u>1,976,915</u>
LIABILITIES				
Accounts payable and accrued liabilities	5,400,247	9,682,325	15,082,572	20,871
Due to primary government				176,661
Due to component unit				
Utility deposits		3,117,792	3,117,792	
Accrued interest payable	659,895	2,264,488	2,924,383	
Contract retainage payable		456,415	456,415	
Current portion of long-term liabilities	7,320,662	8,573,965	15,894,627	
Unearned revenues	872,603	263,231	1,135,834	843,875
Total current liabilities	<u>14,253,407</u>	<u>24,358,216</u>	<u>38,611,623</u>	<u>1,041,407</u>
Noncurrent liabilities:				
Noncurrent portion of long-term liabilities	<u>64,211,526</u>	<u>129,420,916</u>	<u>193,632,442</u>	
Total liabilities	<u>78,464,933</u>	<u>153,779,132</u>	<u>232,244,065</u>	<u>1,041,407</u>
NET POSITION				
Net investment in capital assets	85,203,209	213,297,864	298,501,073	252,041
Restricted for:				
Debt service	1,105,741		1,105,741	
Accommodations tax projects	967,417		967,417	
Capital projects	8,091,279		8,091,279	
Perpetual care				
Expendable	25,000		25,000	
Nonexpendable	122,424		122,424	
Other purposes			-	
Unrestricted	(4,944,202)	19,084,887	14,140,685	683,467
Total net position	<u>\$ 90,570,868</u>	<u>\$ 232,382,751</u>	<u>\$ 322,953,619</u>	<u>\$ 935,508</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, 2013

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	\$ 23,834,624	\$ 11,327,726	\$ 4,453,494	\$ 3,541,618	\$ (4,511,786)		\$ (4,511,786)	
Public safety	22,035,420	1,230,123	784,874	181,653	(19,838,770)		(19,838,770)	
Public works	8,921,477	6,823,372	99,711		(1,998,394)		(1,998,394)	
Parks, recreation and tourism	10,633,963	1,757,943	1,033,339	176,696	(7,665,985)		(7,665,985)	
Housing assistance	81,883				(81,883)		(81,883)	
Interest on long-term debt	2,301,269				(2,301,269)		(2,301,269)	
Total governmental activities	<u>67,808,636</u>	<u>21,139,164</u>	<u>6,371,418</u>	<u>3,899,967</u>	<u>(36,398,087)</u>		<u>(36,398,087)</u>	
Business-type activities:								
Electric	85,619,086	85,048,006	304,178			\$ (266,902)	(266,902)	
Water	11,546,373	13,397,066		556,906		2,407,599	2,407,599	
Sewer	14,718,278	19,363,498		651,915		5,297,135	5,297,135	
Stormwater	2,455,159	2,552,668				97,509	97,509	
Total business-type activities	<u>114,338,896</u>	<u>120,361,238</u>	<u>304,178</u>	<u>1,208,821</u>		<u>7,535,341</u>	<u>7,535,341</u>	
Total primary government	<u>\$ 182,147,532</u>	<u>\$ 141,500,402</u>	<u>\$ 6,675,596</u>	<u>\$ 5,108,788</u>	<u>(36,398,087)</u>	<u>7,535,341</u>	<u>(28,862,746)</u>	
Component unit:								
Housing Development Corporation of Rock Hill	\$ 182,546		\$ 176,390					\$ (6,156)
General revenues								
Property taxes					25,052,793		25,052,793	
Accommodations and hospitality taxes					4,454,576		4,454,576	
Investment income					88,918	613,735	702,653	1,737
Unrestricted intergovernmental revenue					1,427,289		1,427,289	
Miscellaneous					585,550		585,550	
Transfers					6,133,276	(6,133,276)	-	
Total general revenues and transfers					<u>37,742,402</u>	<u>(5,519,541)</u>	<u>32,222,861</u>	<u>1,737</u>
Change in net assets					1,344,315	2,015,800	3,360,115	(4,419)
Net position - beginning of year					89,226,553	230,366,951	319,593,504	939,927
Net position - end of year					<u>\$ 90,570,868</u>	<u>\$ 232,382,751</u>	<u>\$ 322,953,619</u>	<u>\$ 935,508</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, 2013**

	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	\$11,014,739	\$124,469		\$1,633,956	\$12,773,164
Investments	10,154			49,475	59,629
Receivables (net of allowances for uncollectible accounts):					
Taxes and assessments	443,616				443,616
Intergovernmental				1,079,253	1,079,253
Rehabilitation loans				612,951	612,951
Other	1,355,848			17,038	1,372,886
Due from other funds	1,463,807				1,463,807
Due from component unit	176,661				176,661
Due from primary government			\$49,100		49,100
Inventories	216,384				216,384
Restricted assets:					
Cash and cash equivalents	247,797			10,048,990	10,296,787
TOTAL ASSETS AND OTHER DEBITS	\$14,929,006	\$124,469	\$49,100	\$13,441,663	\$28,544,238
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$4,749,661	\$124,469		\$377,854	\$5,251,984
Due to other funds				1,463,807	1,463,807
Due to component unit	49,100				49,100
Accrued interest payable	659,895				659,895
Deferred revenues	87,626			937,137	1,024,763
Reimbursements payable to developers	148,263				148,263
TOTAL LIABILITIES	5,694,545	124,469		2,778,798	8,597,812
FUND BALANCES					
Non-spendable:					
Inventory on hand	216,384				216,384
Donated restricted principal				25,000	25,000
Restricted for:					
Federal and state grant programs	465,163			354,571	819,734
Debt service reserve fund				1,105,741	1,105,741
Drug enforcement funds	355,173				355,173
State victim assistance funds	89,902				89,902
Bond issue construction funds				8,091,279	8,091,279
Constrained by external donors	131,919			1,086,274	1,218,193
Committed	5,317,840		\$49,100		5,366,940
Assigned	24,524				24,524
Unassigned	2,633,556				2,633,556
TOTAL FUND BALANCES	9,234,461		49,100	10,662,865	19,946,426
TOTAL LIABILITIES AND FUND BALANCES	\$14,929,006	\$124,469	\$49,100	\$13,441,663	\$28,544,238

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

CITY OF ROCK HILL, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances for governmental funds	\$ 19,946,426
Total net assets reported for governmental activities in the statement of net asset is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	141,254,676
Other assets are not available to pay for current period expenditures and, therefore, are deferred or restricted in the funds	901,954
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(71,532,188)</u>
Net assets of governmental activities	<u><u>\$ 90,570,868</u></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, 2013

	General	Blended Component Unit Manchester Meadows	Blended Component Unit Rock Hill Cycling Facilities Corp	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$25,024,261				\$25,024,261
Accommodations and hospitality taxes	4,453,538				4,453,538
Licenses and permits	8,791,708				8,791,708
Fines and forfeitures	867,011				867,011
Intergovernmental	2,735,582			\$5,833,982	8,569,564
Charges for services	10,523,984				10,523,984
Impact fees				242,306	242,306
Investment earnings	3,488	\$39,458		5,154	48,100
Lease revenue			\$560,000		560,000
Management fees	289,950				289,950
Program income				931,726	931,726
Other	1,782,163			816,333	2,598,496
Total revenues	<u>54,471,685</u>	<u>39,458</u>	<u>560,000</u>	<u>7,829,501</u>	<u>62,900,644</u>
EXPENDITURES					
Current:					
General government	16,218,244		289,950	2,145,761	18,653,955
Public safety	20,241,928			301,327	20,543,255
Public works	7,053,907				7,053,907
Parks, recreation and tourism	9,606,425		274	4,296	9,610,995
Housing				81,883	81,883
Capital outlay	3,569,435			7,842,941	11,412,376
Debt service:					
Principal	2,346,585			302,036	2,648,621
Interest and fees	1,777,607		245,500	186,180	2,209,287
Bond issuance costs				4,000	4,000
Capital lease payments	1,992,439				1,992,439
Total expenditures	<u>62,806,570</u>		<u>535,724</u>	<u>10,868,424</u>	<u>74,210,718</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,334,885)</u>	<u>39,458</u>	<u>24,276</u>	<u>(3,038,923)</u>	<u>(11,310,074)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,401,755	44,067		881,831	7,327,653
Transfers out	(1,190,898)		(3,479)		(1,194,377)
Limited obligation bonds issued				17,288,601	17,288,601
Municipal improvement district bonds issued				2,080,000	2,080,000
Payment to refunded bond escrow agent		(959,100)		(10,715,161)	(11,674,261)
Capital lease	9,437,456				9,437,456
Capital lease refunded	(5,675,720)				(5,675,720)
Total other financing sources (uses)	<u>8,972,593</u>	<u>(915,033)</u>	<u>(3,479)</u>	<u>9,535,271</u>	<u>17,589,352</u>
NET CHANGE IN FUND BALANCE	637,708	(875,575)	20,797	6,496,348	6,279,278
FUND BALANCE, BEGINNING OF YEAR	<u>8,596,753</u>	<u>875,575</u>	<u>28,303</u>	<u>4,166,517</u>	<u>13,667,148</u>
FUND BALANCE, END OF YEAR	<u>\$9,234,461</u>	<u>\$0</u>	<u>\$49,100</u>	<u>\$10,662,865</u>	<u>\$19,946,426</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, 2013**

Net change in fund balances - total governmental funds	\$ 6,279,278
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.	2,256,648
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) is to decrease net assets.	(186,713)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	78,214
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.	(6,902,998)
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.	<u>(180,114)</u>
Change in net assets of governmental activities	<u><u>\$ 1,344,315</u></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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$24,482,565	\$25,024,261	\$51,696
Accommodations and hospitality taxes	4,023,174	4,453,538	430,364
Licenses and permits	7,202,318	8,791,708	1,589,390
Fines and forfeitures	685,000	867,011	182,011
Intergovernmental	2,450,673	2,735,582	284,909
Charges for services	10,545,953	10,523,984	(21,969)
Investment earnings	30,000	3,488	(26,512)
Management fees		289,950	289,950
Other	2,027,870	1,782,163	(245,707)
Total revenues	<u>51,447,553</u>	<u>54,471,685</u>	<u>3,024,132</u>
EXPENDITURES			
Current:			
General government	15,550,847	16,218,244	(667,397)
Public safety	19,523,522	20,241,928	(718,406)
Public works	6,725,772	7,053,907	(328,135)
Parks, recreation and tourism	9,267,463	9,606,425	(338,962)
Capital outlay			
Operating budget capital	267,520	600,749	(333,229)
Lease purchase capital		2,968,686	(2,968,686)
Debt service:			
Principal	2,259,653	2,346,585	(86,932)
Interest and fees	1,842,045	1,777,607	64,438
Capital lease payments	2,107,895	1,992,439	115,456
Total expenditures	<u>57,544,717</u>	<u>62,806,570</u>	<u>(5,261,853)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,097,164)</u>	<u>(8,334,885)</u>	<u>(2,237,721)</u>
OTHER FINANCING SOURCES:			
Transfers in	6,362,164	6,401,755	39,591
Transfers out	(265,000)	(1,190,898)	(925,898)
Proceeds from capital lease		9,437,456	9,437,456
Payments to refunded capital lease banks		(5,675,720)	(5,675,720)
Total other financing sources	<u>6,097,164</u>	<u>8,972,593</u>	<u>2,875,429</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES		637,708	637,708
FUND BALANCE, BEGINNING OF YEAR	<u>8,596,753</u>	<u>8,596,753</u>	
FUND BALANCE, END OF YEAR	<u>\$8,596,753</u>	<u>\$9,234,461</u>	<u>\$637,708</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, 2013

	Electric, Water and Sewer	Stormwater	Totals
ASSETS			
Cash and cash equivalents	\$ 4,965,186	\$ 3,351,379	\$ 8,316,565
Receivables (net of allowance for uncollectible accounts):			
Utility accounts	14,547,466		14,547,466
Direct financing lease	1,176,224		1,176,224
Other	458,143		458,143
Inventories	2,080,616		2,080,616
Total current assets	<u>23,227,635</u>	<u>3,351,379</u>	<u>26,579,014</u>
Restricted assets, cash and equivalents	14,001,603	629,047	14,630,650
Unamortized debt issuance costs	2,473,953	28,229	2,502,182
Capital assets - net	308,554,603	14,144,220	322,698,823
Construction in progress	19,751,214		19,751,214
Total noncurrent assets	<u>344,781,373</u>	<u>14,801,496</u>	<u>359,582,869</u>
Total assets	<u>368,009,008</u>	<u>18,152,875</u>	<u>386,161,883</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9,671,523	10,802	9,682,325
Utility deposits	3,117,792		3,117,792
Accrued interest payable	2,235,497	28,991	2,264,488
Contract retainage payable	456,415		456,415
Deferred revenues	263,231		263,231
Current portion of long-term obligations	8,106,737	467,228	8,573,965
Total current liabilities	<u>23,851,195</u>	<u>507,021</u>	<u>24,358,216</u>
Noncurrent liabilities			
Noncurrent liabilities due in more than one year	123,359,243	6,061,673	129,420,916
Total liabilities	<u>147,210,438</u>	<u>6,568,694</u>	<u>153,779,132</u>
NET POSITION			
Invested in capital assets, net of related debt	205,638,761	7,659,103	213,297,864
Unrestricted	<u>15,159,809</u>	<u>3,925,078</u>	<u>19,084,887</u>
Total net position	<u>\$ 220,798,570</u>	<u>\$ 11,584,181</u>	<u>\$ 232,382,751</u>

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

CITY OF ROCK HILL, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
OPERATING REVENUES:			
Electric sales	\$ 81,542,604		\$ 81,542,604
Water sales	12,828,093		12,828,093
Sewer charges	18,815,834		18,815,834
Impact fees	590,797		590,797
Storm water charges		\$ 2,542,748	2,542,748
Government grants	656,144		656,144
Other user charges	4,031,242	9,920	4,041,162
Total operating revenues	<u>118,464,714</u>	<u>2,552,668</u>	<u>121,017,382</u>
OPERATING EXPENSES:			
Purchased power	67,808,030		67,808,030
System operations	20,586,101	1,296,526	21,882,627
Depreciation and amortization	11,125,727	821,770	11,947,497
General and administrative	6,861,115		6,861,115
Total operating expenses	<u>106,380,973</u>	<u>2,118,296</u>	<u>108,499,269</u>
OPERATING INCOME (LOSS)	<u>12,083,741</u>	<u>434,372</u>	<u>12,518,113</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	606,724	7,011	613,735
Interest expense	(5,502,764)	(293,296)	(5,796,060)
Gain (loss) on disposal of capital assets		(43,567)	(43,567)
Total nonoperating revenues (expenses)	<u>(4,896,040)</u>	<u>(329,852)</u>	<u>(5,225,892)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	7,187,701	104,520	7,292,221
CAPITAL CONTRIBUTIONS	856,855		856,855
TRANSFERS IN	265,000		265,000
TRANSFERS OUT	<u>(6,398,276)</u>		<u>(6,398,276)</u>
CHANGE IN NET ASSETS	1,911,280	104,520	2,015,800
TOTAL NET POSITION - BEGINNING	<u>218,887,290</u>	<u>11,479,661</u>	<u>230,366,951</u>
TOTAL NET POSITION - END	<u>\$ 220,798,570</u>	<u>\$ 11,584,181</u>	<u>\$ 232,382,751</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, 2013**

	<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	\$ 109,912,032	\$ 2,542,748	\$ 112,454,780
Cash receipts from internal customers	4,073,422		4,073,422
Cash payments to employees for services	(6,688,111)	(451,438)	(7,139,549)
Cash payments to other suppliers of goods or services	(90,015,495)	(911,376)	(90,926,871)
Other operating cash receipts	4,031,242	9,920	4,041,162
Net cash provided by (used in) operating activities	<u>21,313,090</u>	<u>1,189,854</u>	<u>22,502,944</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the General fund	265,000		265,000
Transfers to the General fund	(6,398,276)		(6,398,276)
	<u>(6,133,276)</u>		<u>(6,133,276)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(12,663,383)	28,827	(12,634,556)
Issuance of utility revenue bonds	27,950,000		27,950,000
Payment of bond anticipation notes	(13,075,000)		(13,075,000)
Payment of bonds	(19,830,000)	(379,225)	(20,209,225)
Payment of capital leases	(4,683,701)	(277,194)	(4,960,895)
Interest paid on bonds and capital leases	(5,539,487)	(293,296)	(5,832,783)
Net cash provided by (used in) capital and related financing activities	<u>(27,841,571)</u>	<u>(920,888)</u>	<u>(28,762,459)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	<u>1,928,355</u>	<u>7,011</u>	<u>1,935,366</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,733,402)	275,977	(10,457,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>29,700,191</u>	<u>3,704,449</u>	<u>33,404,640</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 18,966,789</u>	<u>\$ 3,980,426</u>	<u>\$ 22,947,215</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, 2013**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
Operating income (loss)	\$ 12,083,741	\$ 434,372	\$ 12,518,113
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	11,125,727	821,770	11,947,497
Changes in assets and liabilities:			
Increase in utility receivables	(738,448)		(738,448)
Decrease in other receivables	299,650		299,650
Decrease in inventories	18,512		18,512
Decrease in accounts payable and accrued liabilities	(821,905)	(94,489)	(916,394)
Decrease in accrued interest	(535,129)	(1,888)	(537,017)
Increase in utility deposits	116,977		116,977
Decrease in deferred revenues	(126,197)		(126,197)
Increase (decrease) in liability for accumulated leave	(109,838)	30,089	(79,749)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 21,313,090	\$ 1,189,854	\$ 22,502,944
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets from developers			\$ 856,855

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, 2013

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 members 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 assets 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 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 revenues and operating activities of the Housing Corporation are so intertwined with the City that the Housing Corporation functions and is accounted for

as a City department. 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 assets and the statement of changes in net assets) 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 assets 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 levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. 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 2013 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 \$8,005,347. Of this amount, \$463,285, 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, that 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. On June 24, 2013, City Council adopted an ordinance authorizing city management to assign fund balances as appropriate.

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	\$ 216,384				\$ 216,384
Permanent fund principal				\$ 25,000	25,000
Restricted for:					
Federal and state grant programs	465,163			354,571	819,734
Debt service reserve				1,105,741	1,105,741
Drug enforcement	355,173				355,173
State victims assistance	89,902				89,902
Bond issue construction funds				8,091,279	8,091,279
Constrained by external donors	131,919			1,086,274	1,218,193
Committed to:					
Red River TIF district	861,254				861,254
Downtown TIF district	341,098				341,098
Textile Corridor TIF district	251,442				251,442
Rock Hill Outdoor Center			\$ 49,100		49,100
Capital lease proceeds unspent	1,133,745				1,133,745
State accommodations taxes	967,417				967,417
Local accommodations taxes	1,616,489				1,616,489
Landscape maintenance district	53,136				53,136
Housing program land banking	3,266				3,266
Downtown parking revenues	89,993				89,993
Assigned to:					
Safety patrol	19,165				19,165
DARE program	1,155				1,155
Gillette donation	2,560				2,560
PRT therapeutics	300				300
Landscaping for developments	2,000				2,000
#1 question program	204				204
Committee on human relations	140				140
Unassigned:	2,632,556				2,632,556
Total fund balances	\$ 9,234,461	\$ -	\$ 49,100	\$ 10,662,865	\$ 19,946,426

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 assets – governmental activities* as reported in the government-wide statement of net assets.

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 (\$71,532,188) are as follows:

Bonds payable	\$ (58,960,699)
Capital lease	(7,139,758)
Compensated absences	<u>(5,431,731)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (71,532,188)</u>

Another element of that reconciliation states “governmental funds report capital outlay as expenditures. In the statement of net assets, the cost of these assets is recorded and that cost is allocated over their estimated useful lives.” Explanation of this difference totaling \$141,254,676 is as follows:

Total capital assets, not being depreciated	\$ 8,771,798
Total capital assets, being depreciated	209,597,072
Accumulated depreciation	<u>(77,114,194)</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 141,254,676</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 \$901,954 is as follows:

Receivables, net of allowance	\$ 749,794
Deferred revenue	<u>152,160</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 901,954</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 assets 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 \$2,256,648 difference are as follows:

Capital outlay	\$ 11,412,376
Expenses classified under capital not capitalized	(1,614,242)
Depreciation expense	<u>(7,541,486)</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>\$ 2,256,648</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 assets.” The details of this (\$186,713) are as follows:

Loss on asset disposals	<u>\$ (186,713)</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>\$ (186,713)</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 \$78,214 difference are as follows:

Taxes receivable	\$ 29,570
Rehabilitation loans	<u>48,644</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>\$ 78,214</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 assets. 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 (\$6,902,998) are as follows:

Limited obligation bonds issued	\$ (15,160,000)
Premium on general obligation bonds issued	(2,128,601)
Payment to refunding escrow for refunded COPS	11,674,261
Municipal improvement district bonds issued	(2,080,000)
Principal repayments on bonds	2,220,000
Principal repayments on HUD Section 108 loans	88,000
Principal repayments on SC DHEC loan	146,962
Capital lease borrowings	(9,437,456)
Payments to banks to refund capital leases	5,675,720
Capital lease repayment	<u>2,098,116</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>\$ (6,902,998)</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 (\$180,114) difference are as follows:

Amortization expense on deferred charges	\$ (440,551)
Recognition, as interest income, of premium on bond issuance	40,817
Compensated absences	<u>219,620</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (180,114)</u></u>

III. Stewardship, compliance and accountability

A. Budgetary information

In accordance with the State of South Carolina General Statutes, the City prepares an annual balanced budget ordinance. The City adopts annual budgets for the General and Enterprise funds using the modified accrual basis. An annual budget for the Special Revenue 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, 2013, 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, 2013, the City had a balance of \$15,153,332 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, 2013, were \$46,005,656, 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 \$7,419,111 held for debt service reserve funds as required by various bond indentures.

Total deposits for the Housing Development Corporation at June 30, 2013 were \$359,470. 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, 2013 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 \$521,461, all with one-year maturities.

<u>Investment Type</u>	City of Rock Hill Investments		
	Fair Value Amount	Investment Maturities (in years)	
<u>Other Investments</u>		Less Than 1	1 - 5
Certificates of deposit	\$ 59,629		\$ 59,629
Total investments	\$ 59,629		\$ 59,629

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 Assets to footnote disclosure provided for deposits and investments:

<u>Statement of Net Assets</u>	Primary Government	Component Unit
Cash and cash equivalents	\$ 21,089,729	\$ 359,470
Investments	59,629	521,461
Cash and cash equivalents - restricted for debt service and construction	24,927,437	
Total	<u>\$ 46,076,795</u>	<u>\$ 880,931</u>

Disclosure, Deposits and Investments

Carrying value of deposits		
Held by State Treasurer	\$ 15,153,332	
Other	30,852,324	\$ 359,470
Investments, reported amount		
Other	59,629	521,461
Cash on hand	11,510	
Total disclosure, deposits and investments	<u>\$ 46,076,795</u>	<u>\$ 880,931</u>

B. Receivables

Receivables at June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	General	Enterprise	Nonmajor Funds	Total
Receivables:				
Property taxes and assessments	\$ 2,999,176			\$ 2,999,176
Intergovernmental			\$ 1,079,253	1,079,253
Rehabilitation loans			612,951	612,951
Utility accounts		\$ 15,472,466		15,472,466
Direct financing lease		1,176,224		1,176,224
Court fines	2,403,217			2,403,217
Other	3,783,090	458,143	17,038	4,258,271
Gross receivables	9,185,483	17,106,833	1,709,242	28,001,558
Less: allowance for uncollectible accounts	(7,386,019)	(925,000)		(8,311,019)
Net total receivables	<u>\$ 1,799,464</u>	<u>\$ 16,181,833</u>	<u>\$ 1,709,242</u>	<u>\$ 19,690,539</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.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue were as follows:

Rehabilitation loans - governmental funds	Unavailable \$ 700,577	Unearned
Grant proceeds - governmental funds		\$ 324,186
Unearned forward delivery proceeds - enterprise fund		263,231
Total deferred revenues	<u>\$ 700,577</u>	<u>\$ 587,417</u>

The Housing Corporation had unearned unavailable revenue of \$843,875 related to first-time homebuyer loans receivable.

C. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

Governmental activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,717,161	\$ 26,122		\$ 1,743,283
Construction in progress	4,265,633	5,781,771	\$ 3,018,889	7,028,515
Total capital assets, not being depreciated	<u>5,982,794</u>	<u>5,807,893</u>	<u>3,018,889</u>	<u>8,771,798</u>
Capital assets, being depreciated				
Buildings and land improvements	91,037,287	2,032,919		93,070,206
Infrastructure	79,848,880	957,163		80,806,043
Machinery and equipment	32,574,798	4,019,047	1,835,627	34,758,218
Furniture and fixtures	994,463			994,463
Total capital assets, being depreciated	<u>204,455,428</u>	<u>7,009,129</u>	<u>1,835,627</u>	<u>209,628,930</u>
Less accumulated depreciation for:				
Buildings and land improvements	19,189,917	2,172,411		21,362,328
Infrastructure	31,527,904	2,170,143		33,698,047
Machinery and equipment	19,536,553	3,190,709	1,648,914	21,078,348
Furniture and fixtures	999,107	8,223		1,007,330
Total accumulated depreciation	<u>71,253,481</u>	<u>7,541,486</u>	<u>1,648,914</u>	<u>77,146,053</u>
Total capital assets being depreciated, net	<u>133,201,947</u>	<u>(532,357)</u>	<u>186,713</u>	<u>132,482,877</u>
Governmental capital asset activities, net	<u>\$ 139,184,741</u>	<u>\$ 5,275,536</u>	<u>\$ 3,205,602</u>	<u>\$ 141,254,675</u>

Business-type activities:

Asset Class	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated				
Land	\$ 3,602,702	\$ 478,389		\$ 4,081,091
Construction in progress	15,729,127	13,136,535	\$ 9,114,448	19,751,214
Total capital assets, not being depreciated	<u>19,331,829</u>	<u>13,614,924</u>	<u>9,114,448</u>	<u>23,832,305</u>
Capital assets, being depreciated				
Electric plant in service	149,512,812	7,708,586		157,221,398
Water plant in service	126,956,827	1,410,752		128,367,579
Sewer plant in service	154,534,888	4,008,975		158,543,863
Stormwater plant in service	18,913,325	74,166		18,987,491
Machinery and equipment	11,699,811	1,478,210	455,977	12,722,044
Total capital assets, being depreciated	<u>461,617,663</u>	<u>14,680,689</u>	<u>455,977</u>	<u>475,842,375</u>
Less accumulated depreciation for:				
Electric plant in service	46,057,193	3,819,601		49,876,794
Water plant in service	29,545,912	2,367,014		31,912,926
Sewer plant in service	56,881,807	3,534,954		60,416,761
Stormwater plant in service	5,170,682	629,127		5,799,809
Machinery and equipment	8,386,121	1,244,642	412,410	9,218,353
Total accumulated depreciation	<u>146,041,715</u>	<u>11,595,338</u>	<u>412,410</u>	<u>157,224,643</u>
Total capital assets being depreciated, net	<u>315,575,948</u>	<u>3,085,351</u>	<u>43,567</u>	<u>318,617,732</u>
Business-type capital asset activities, net	<u>\$ 334,907,777</u>	<u>\$ 16,700,275</u>	<u>\$ 9,158,015</u>	<u>\$ 342,450,037</u>

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

Governmental activities:	
General government	\$ 3,340,088
Public safety	1,488,332
Public works	1,690,098
Parks, recreation and tourism	1,022,968
Total depreciation expense - governmental activities	<u>\$ 7,541,486</u>

Business-type activities:	
Electric	\$ 4,571,226
Water	2,523,522
Sewer	3,682,955
Stormwater	817,635
Total depreciation expense - business-type activities	<u>\$ 11,595,338</u>

D. Interfund receivables, payables and transfers

Due to / from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	
General	Other Federal grants	\$ 698,593
	2009 Riverwalk TIF	71,683
	2012 Riverwalk MID A	88,836
	2007 Downtown TIF	118,436
	2008 Textile Corridor	252,244
	2013 Limited Obligation	234,015
Rock Hill Cycling Facilities Corp	General	49,100
		<u>\$ 1,512,907</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:			Total
	General fund	Electric, Water, Sewer fund	Capital projects fund	
Transfer out:				
General fund		\$ 265,000	\$ 881,831	\$ 1,146,831
Blended component units	\$ 3,479			3,479
Electric, water, sewer fund	6,398,276			6,398,276
Total transfers out	<u>\$ 6,401,755</u>	<u>\$ 265,000</u>	<u>\$ 881,831</u>	<u>\$ 7,548,586</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 blended component unit (the Cycling Facilities Corporation) to the general fund is for payment of an amount received from the US Treasury for a Recovery Zone Economic Development Bond. 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 and for preliminary expenses on Fountain Park, prior to the issuance of debt for construction.

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 \$1,176,224.

Annual aggregate future minimum lease payments are as follows:

<u>Year ending June 30</u>	
2014	\$ 202,971
2015	203,736
2016	203,059
2017	202,663
2018	202,515
2019-2020	<u>404,766</u>
Total future minimum lease payments to be received	1,419,710
Less: amounts representing unearned interest at 5.96%	<u>243,486</u>
Net investment in direct financing lease	<u>\$ 1,176,224</u>

Capital leases

The City leases a total of 216 vehicles used for sanitation, street cleaning, and public safety and 33 vehicles for electric, water, wastewater and storm water. All of these lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inception. The gross amount of assets recorded as machinery and equipment for governmental activities and business-type activities, respectively is \$16,251,121 and \$3,144,560. Accumulated depreciation on the assets at June 30, 2013 was \$6,444,401 for governmental and \$1,305,531 for business-type. These amounts are included in governmental activities as machinery and equipment in both the General fund and the Enterprise fund.

In December, 2006 the City entered into a lease to build and operate a WiFi antenna system throughout the City for the purpose of automated reading of electric and water meters. This lease agreement qualifies as capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the dates of their inception. The gross amount of assets recorded as machinery and equipment for business-type activities is \$3,539,525. Accumulated depreciation on the asset at June 30, 2013 was \$707,905. 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 construction in progress at June 30, 2013 was \$3,491,658.

In August, 2008, the City entered into a lease/leaseback arrangement privately placed with a bank to make certain building and land improvements to the City-owned Glencairn Garden. The amount borrowed under the lease was \$3,550,000 (effectively the lease payment from the bank to the City). 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) and the capital lease related to Glencairn Gardens. The gross amount of assets recorded as buildings and land improvements at June 30, 2013 was \$3,550,000.

On February 2, 2013, three of the vehicle leases and the Wi Fi and AMI leases were refinanced to obtain lower interest rates. No gain or loss was recognized on the refunding. The refunding lease carries a fixed interest rate of 1.019% and will lower debt service payments result in an economic gain of \$375,313 over its five-year life.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year ending June 30</u>	<u>Government</u>	<u>Business-Type</u>	<u>Total</u>
2014	\$ 1,898,589	\$ 1,260,509	\$ 3,159,098
2015	1,691,732	1,142,852	2,834,584
2016	1,544,096	1,071,826	2,615,922
2017	1,266,603	1,058,398	2,325,001
2018	434,916	470,183	905,099
2019 - 2023	571,855	155,348	727,203
Total future minimum lease payments	7,407,791	5,159,116	12,566,907
Less: amounts representing interest	268,033	155,744	423,777
Present value of minimum lease payments	<u>\$ 7,139,758</u>	<u>\$ 5,003,372</u>	<u>\$ 12,143,130</u>

F. Short-term debt

Governmental activities

In November, 2011, the US Department of Housing and Urban Development (HUD) completed the conversion of an interim borrowing by the City of \$75,000 in Section 108 loans to be used for improvements along the Saluda Street Corridor. Until HUD went into the market to fix rates, the \$75,000 loan had been reported as a short term variable rate note payable with interest payable quarterly in the Community Development Block Grant special revenue fund. Short-term debt activity was as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 75,000	\$ -	\$ 75,000	\$ -
2013	-	-	-	-

Business-Type activities

On December 16, 2010, the City issued \$13,000,000 in bond anticipation notes (BANs) to finance a number of improvements to the electric, water and sewer systems. The BANs paid interest at the rate of 1.25% and matured

on December 16, 2011. On December 14, 2011, the City issued \$13,075,000 in BANs to refund the 2010 BANs and accrued interest. The 2011 BANs bear interest at the rate of 2.00% and matured on December 14, 2012. The BANs were paid off in October, 2012 from the proceeds of the 2012B combined utility system revenue bonds. Short-term debt activity was as follows:

Year Ending June 30,	Beginning Balance	Additions	Reductions	Ending Balance
2012	\$ -	\$ 13,075,000	\$ -	\$ 13,075,000
2013	13,075,000	-	13,075,000	-

G. Long-term debt

Governmental activities

The City issues general obligation bonds and tax increment financing bonds to provided funds for the acquisition and construction of major governmental capital facilities. The original amount of all the outstanding governmental activities bonds issued through June 30, 2013 was \$62,490,000.

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 2007 tax increment bonds bear interest at the rate of 4.37% with annual payments through May 1, 2014. The 2009 tax increment bonds bear interest at the rate of 4.96% with annual payments through May 1, 2029. The 2011A tax increment bonds bear interest at the rate of 4.84% with annual payments through May 1, 2029. The 2011B tax increment bonds bear interest at the rate of 2.10% with annual payments through May 1, 2014.

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, 2024.

The debt service requirements to maturity for obligations related to primary governmental activities obligations at June 30, 2013, 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
2014	\$ 800,000	\$ 672,156	\$ 975,000	\$ 785,137	\$ 78,707	\$ 6,086	\$ 92,000	\$ 86,920	64,000	\$ 141,556
2015	845,000	646,445	715,000	739,460	79,496	5,297	96,000	73,093	71,000	100,800
2016	865,000	618,709	745,000	704,899	80,293	4,500	99,000	78,962	78,000	97,250
2017	885,000	586,451	780,000	668,883	81,098	3,695	104,000	74,489	85,000	93,350
2018	965,000	550,208	820,000	631,170	81,911	2,882	108,000	69,697	93,000	89,100
2019-2023	4,765,000	2,204,288	4,755,000	2,508,637	226,728	3,686	607,000	265,038	598,000	367,200
2024-2028	2,510,000	1,354,388	6,075,000	1,211,690			737,000	86,596	874,000	191,700
2029-2033	2,790,000	808,525	1,400,000	65,797					217,000	10,850
2034-2036	1,980,000	180,900								
Total	\$16,405,000	\$7,622,070	\$16,265,000	\$7,315,673	\$628,233	\$26,146	\$1,843,000	\$734,795	\$2,080,000	\$1,091,806

The debt service requirements to maturity for obligations related to blended component unit obligations at June 30, 2013, 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
2014		\$ 217,350		\$ 1,150		\$ 27,000
2015		217,350		1,150		27,000
2016		217,350		1,150		27,000
2017		217,350		1,150		27,000
2018	\$ 142,473	217,350	\$ 105	1,150		13,500
2019-2023	1,670,612	840,870	1,228	5,570		
2024-2028	1,966,915	293,418	1,629	5,167		
2029-2033			2,164	4,634		
2034-2038			2,871	3,922		
2039-2043			3,815	2,983		
2044-2048			5,064	1,732		
2049-2051			3,124	274		
Total	<u>\$ 3,780,000</u>	<u>\$ 2,221,038</u>	<u>\$ 20,000</u>	<u>\$ 30,032</u>		<u>\$ 121,500</u>

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 \$85,000 to \$237,000 plus interest at 5.89% through August 1, 2026.

On October 17, 2005, the City borrowed \$425,000 from the SC Department of Health and Environmental Control for construction of sewer facilities at the Arcade Mill. As of June 30, 2013, the City had one annual payment of \$69,036 remaining to be paid. The loan is interest free and is to be repaid in equal annual installments of the amount outstanding through October, 2012. In September, 2010, the City borrowed an additional \$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 March 1, 2005, the City formed the Rock Hill Public Facilities Corporation to issue debt in the form of Certificates of Participation (COPS) in the amount of \$11,925,000 for the purpose of building the Manchester Meadows Soccer Complex. The COPS were refunded in April, 2013 from the proceeds of the 2013 Limited Obligation bonds.

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 \$285,000 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 \$64,000 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) 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.

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 \$176,314,561.

The debt service requirements to maturity for obligations related to business-type activities obligations at June 30, 2013, are as follows:

Year Ending June 30	Business-Type Activities			
	Utility Revenue Bonds		State Revolving Fund Loans	
	Principal	Interest	Principal	Interest
2014	\$ 6,265,000	\$ 5,170,425	\$ 387,830	\$ 126,555
2015	6,480,000	4,963,487	396,630	117,722
2016	6,875,000	4,718,319	405,630	108,689
2017	7,130,000	4,478,806	414,834	99,451
2018	7,345,000	4,246,656	424,246	90,004
2019-2023	27,045,000	17,614,450	2,270,071	314,497
2024-2028	20,595,000	12,600,819	1,533,744	58,257
2029-2033	23,195,000	7,784,320		
2034-2038	10,585,000	3,416,731		
2039-2043	6,620,000	490,239		
Total	\$ 122,135,000	\$ 65,484,252	\$ 5,832,985	\$ 915,175

The Combined Utility System Revenue Bonds, Series 2003B are due in annual installments of \$675,000 to \$3,235,000 from January 1, 2030 through January 2033, plus variable interest currently and until maturity.

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 will be 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, 2013, the City received a total reimbursement of \$351,966, 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 \$1,875,000 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%.

For both the 2000B and 2003B variable rate bond issues, the City retains the services of commercial and investment banks to reprice the bonds on a weekly basis in the open market. If marketability problems arise, the City also contracts with commercial banks to buy the bonds using standby bond purchase arrangements. In the most recent year, the City has found that the cost of continuing the standby bond purchase arrangements has increased substantially, and their general availability has become scarcer. Subsequent to the end of the fiscal year, in August, 2013, the City paid off the 2000B and 2003B issues by entering into a new loan agreement with a bank in the same total amount as the bonds. The new loan also bears interest at a variable rate set monthly and tied to 70% of 1 month LIBOR plus a spread of 58 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 net revenues of the utility system carry a senior pledge for repayment of PMPA debt, Combined Utility System Revenue bond principal and interest, and a junior pledge 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, 2013, 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, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
2007 Downtown tax increment bonds	\$ 610,000		\$ (295,000)	\$ 315,000	\$ 315,000
2009 Riverwalk tax increment bonds	10,125,000		(395,000)	9,730,000	410,000
2012 Riverwalk MID A assessment bonds		\$ 2,080,000		2,080,000	64,000
2011A Textile corridor tax increment bonds	3,410,000		(115,000)	3,295,000	125,000
2012 Textile corridor tax increment bonds	3,035,000		(110,000)	2,925,000	125,000
1997 General obligation bonds	525,000		(75,000)	450,000	80,000
2003 General obligation bonds	3,650,000		(275,000)	3,375,000	275,000
2008 General obligation bonds	2,310,000		(145,000)	2,165,000	150,000
2011 General obligation bonds	10,700,000		(285,000)	10,415,000	295,000
2005 Certificates of participation	8,615,000		(8,615,000)	-	-
2013 Limited obligation bonds		15,160,000		15,160,000	920,000
HUD Section 108 loan	1,931,000		(88,000)	1,843,000	92,000
SC Dept of Health and Environmental Control	775,195		(146,962)	628,233	78,707
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	
Less deferred amounts					
For issuance (discount)/premium	296,269	2,128,601	(40,817)	2,384,053	
On refunding		(804,588)		(804,588)	
Total bonds payable	50,982,464	18,564,013	(10,585,779)	58,960,698	2,929,707
Compensated absences	5,651,352	2,372,448	(2,592,068)	5,431,732	2,600,000
Capital leases	8,255,811	5,609,964	(6,726,017)	7,139,758	1,790,955
Governmental activity					
Long-term liabilities	<u>\$ 64,889,627</u>	<u>\$ 26,546,425</u>	<u>\$ (19,903,864)</u>	<u>\$ 71,532,188</u>	<u>\$ 7,320,662</u>
Business-type activities:					
Bonds payable:					
Utility revenue bonds, Series 2000B	\$ 10,000,000			\$ 10,000,000	
Utility revenue bonds, Series 2003A	16,455,000		\$ (16,455,000)		
Utility revenue bonds, Series 2003B	10,000,000			10,000,000	
Utility revenue bonds, Series 2009A	12,800,000		(580,000)	12,220,000	\$ 600,000
Utility revenue bonds, Series 2009B	16,300,000			16,300,000	
Utility revenue bonds, Series 2009C	10,180,000		(2,235,000)	7,945,000	2,315,000
Utility revenue bonds, Series 2012A	38,280,000		(560,000)	37,720,000	1,875,000
Utility revenue bonds, Series 2012B		\$ 27,950,000		27,950,000	1,475,000
State Revolving Fund loans - Stormwater A	4,044,589		(248,675.93)	3,795,913	254,319
State Revolving Fund loans - Stormwater B	2,167,621		(130,549.04)	2,037,072	133,511
Less deferred amounts					
For issuance (discount)/premium	3,860,777	2,511,362	(1,583,264)	4,788,875	
On refunding	(1,266,097)	(368,651)	1,135,347	(499,401)	
Total bonds payable	122,821,890	30,092,711	(20,657,142)	132,257,459	6,652,830
Compensated absences	813,797	610,043	(689,792)	734,048	700,000
Capital leases	4,929,733	5,034,536	(4,960,895)	5,003,374	1,221,135
Business-type activity					
Long-term liabilities	<u>\$128,565,420</u>	<u>\$ 35,737,290</u>	<u>\$ (26,307,829)</u>	<u>\$ 137,994,881</u>	<u>\$ 8,573,965</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, 2011, the most recent measurement date, there were 1,010 covered participants. 163 members are retirees and dependents receiving benefits and 847 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, 2013, the retiree contribution was \$518,071.

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 dependant 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, 2013, the annual OPEB cost (expense) of \$1,141,160 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, 2013.

Normal cost	\$ 480,160
30 Year amortization of unrefunded accrued liability (UAL)	661,000
Total annual required contribution	<u>\$ 1,141,160</u>

Contributions included \$474,560 paid by the City to the Plan to pre-fund benefits and \$666,600 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, 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
6/30/2011	\$ 412,400	100%	\$ -
6/30/2012	474,560	100%	-
6/30/2013	474,560	100%	-

The most recent actuarial valuation date for the plan was July 1, 2011. The City implemented GASB Statement No. 45 in fiscal year 2009. The actuarially accrued liability for benefits was \$13,480,183, with plan assets, at actuarial value, of \$1,679,289, resulting in an unfunded actuarially accrued liability (UAAL) of \$11,800,894. The covered payroll (annual payroll of active employees covered by the Plan) was \$32,365,467, and the ratio of the UAAL to the covered payroll was 36 percent. At June 30, 2013, the plan's assets totaled \$2,615,207.

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, 2011, valuation. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 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, 2013 was 25 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, 2013 was \$23,903,167. The total payroll for employees covered by the PORS for the year ended June 30, 2013 was \$11,288,558.

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, 2013, 2012 and 2011, 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 12.3%, respectively, of the employees' earnings and amounted to \$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), and \$2,114,299 for the Fiscal Year ended June 30, 2011 (SCRS), \$1,163,553 (PORS). Employee contributions for the SCRS and PORS were based on 7% and 7%, respectively, of the employees' earnings and amounted to \$ 1,673,222 for the Fiscal Year ended June 30, 2013, and \$790,199 (PORS) \$1,467,534 for the Fiscal Year ended June 30, 2012 (SCRS) and \$ 702,674 (PORS), and \$1,463,572 for the Fiscal Year ended June 30, 2011 (SCRS) and \$655,949 (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 various water and wastewater expansion projects in the Enterprise fund and for a law center addition and BMX bicycle racing track in the Capital Projects fund. As of June 30, 2013, the outstanding commitments total \$4,379,557 in the Enterprise fund and \$9,030,044 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, 2013, the cost of power purchased under this agreement amounted to \$66,247,671 (the remainder of the City's wholesale power cost of \$1,560,358 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 self insuring employee and retiree health care. For employee 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, 2013 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, 2013 or earlier. The liability for medical claims, \$383,643, 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
2012	\$ 418,920	\$ 8,653,981	\$ 8,530,129	\$ 542,772
2013	542,772	6,767,872	6,927,001	383,643

F. 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 20, 2013, the date of issuance, in preparing the financial statements and notes hereto.

Subsequent to June 30, 2013, the City completed six additional debt issues. On July 17, 2013, the City issued \$6,315,000 in Tax Increment Bonds, Series 2013A and \$3,360,000 in Tax Increment Bonds, Series 2013B, Taxable Series. The proceeds of the 2013A and 2013B bonds, respectively, are to build a fountain park on an existing City owned parking lot in the downtown area and to build a parking deck adjacent to the park. Also on July 17, 2013, the City issued \$1,800,000 in general obligation bonds, Series 2013A to build an addition to the law center and \$3,935,000 in general obligation bonds, series 2013B to refund the outstanding balances of its General Obligation Bonds Series 1997 and Series 2003. On August 17, the City borrowed \$20,000,000 from a commercial bank to refund the same total amount of outstanding variable rate Combined Utility System Revenue Bonds, Series 2000B and 2003B. On December 11, 2013, the City issued \$9,000,000 Combined Utility System Revenue Bonds, Series 2013B for capital improvements to its electric, water and wastewater systems.

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, 2013:

	Electric	Water	Sewer	Stormwater	Total
Operating revenues					
Sales and primary service charges	\$ 81,542,604	\$ 12,828,093	\$ 18,815,834	\$ 2,542,748	\$ 115,729,279
Impact fees		225,798	364,999		590,797
Government grants	304,178		351,966		656,144
Other user charges	3,505,402	343,175	182,665	9,920	4,041,162
Total operating revenues	<u>85,352,184</u>	<u>13,397,066</u>	<u>19,715,464</u>	<u>2,552,668</u>	<u>121,017,382</u>
Operating expenses					
Purchased power	67,808,030				67,808,030
System operations	8,310,335	5,114,445	7,161,321	1,296,526	21,882,627
Depreciation and amortization	4,698,500	2,679,478	3,747,749	821,770	11,947,497
General and administrative	3,493,034	1,623,548	1,744,533		6,861,115
Total operating expenses	<u>84,309,899</u>	<u>9,417,471</u>	<u>12,653,603</u>	<u>2,118,296</u>	<u>108,499,269</u>
Operating income	<u>1,042,285</u>	<u>3,979,595</u>	<u>7,061,861</u>	<u>434,372</u>	<u>12,518,113</u>
Nonoperating revenues (expenses)					
Interest income	178,198	253,565	174,961	7,011	613,735
Interest expense	(1,309,187)	(2,128,902)	(2,064,675)	(293,296)	(5,796,060)
Gains (loss) on disposal of fixed assets				(43,567)	(43,567)
Total nonoperating revenues (expenses)	<u>(1,130,989)</u>	<u>(1,875,337)</u>	<u>(1,889,714)</u>	<u>(329,852)</u>	<u>(5,225,892)</u>
Income before contributions and transfers	(88,704)	2,104,258	5,172,147	104,520	7,292,221
Capital contributions		556,906	299,949		856,855
Transfers from the general fund	265,000				265,000
Transfers to the general fund	<u>(1,301,545)</u>	<u>(2,089,518)</u>	<u>(3,007,213)</u>		<u>(6,398,276)</u>
Net income	<u>\$ (1,125,249)</u>	<u>\$ 571,646</u>	<u>\$ 2,464,883</u>	<u>\$ 104,520</u>	<u>\$ 2,015,800</u>

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

SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF ROCK HILL, 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.

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, 2013

	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	2011 General Obligation bonds	2013 Limited Obligation bonds	Fire Impact Fees	Total		Beautification
ASSETS															
Cash and cash equivalents	\$ 11,852	\$ 68,355	\$ 354,996	\$ 435,203	\$ 1,095,781							\$ 1,559	\$ 1,097,340	\$ 101,413	\$ 1,633,956
Investments														49,475	49,475
Receivables (net of allowances for uncollectible accounts):															
Intergovernmental	75,783		1,003,470	1,079,253											1,079,253
Rehabilitation loans	252,280	198,509	162,162	612,951											612,951
Other		814		814				\$ 16,224					16,224		17,038
Restricted assets:															
Cash and cash equivalents				-	\$ 1,701,427	\$ 498,816	423,530	\$ 949,771			\$ 6,475,446		10,048,990		10,048,990
Total assets	<u>\$ 339,915</u>	<u>\$ 267,678</u>	<u>\$ 1,520,628</u>	<u>\$ 2,128,221</u>	<u>\$ 1,095,781</u>	<u>\$ 1,701,427</u>	<u>\$ 498,816</u>	<u>\$ 439,754</u>	<u>\$ 949,771</u>	<u>\$ -</u>	<u>\$ 6,475,446</u>	<u>\$ 1,559</u>	<u>\$ 11,162,554</u>	<u>\$ 150,888</u>	<u>\$ 13,441,663</u>
LIABILITIES:															
Accounts payable	\$ 12,635		\$ 125,285	\$ 137,920	\$ 133,490	\$ 296	\$ 4,053	\$ 51,070	\$ 39,150		\$ 8,411		\$ 236,470	\$ 3,464	\$ 377,854
Due to other funds			698,593	698,593		71,683	88,836	118,436	252,244		234,015		765,214		1,463,807
Deferred revenues	252,280	\$ 198,509	486,348	937,137											937,137
Total liabilities	<u>264,915</u>	<u>198,509</u>	<u>1,310,226</u>	<u>1,773,650</u>	<u>133,490</u>	<u>71,979</u>	<u>92,889</u>	<u>169,506</u>	<u>291,394</u>	<u>-</u>	<u>242,426</u>	<u>-</u>	<u>1,001,684</u>	<u>3,464</u>	<u>2,778,798</u>
FUND BALANCES:															
Non-spendable fund balance															
Donated restricted principal														25,000	25,000
Restricted fund balance															
Federal and state grant programs	75,000	69,169	210,402	354,571											354,571
Debt service reserve funds						897,681	208,060						1,105,741		1,105,741
Bond issue construction funds						731,767	197,867	270,248	658,377		6,233,020		8,091,279		8,091,279
Restricted by external donors				-	962,291							\$ 1,559	963,850	122,424	1,086,274
Total fund balances	<u>75,000</u>	<u>69,169</u>	<u>210,402</u>	<u>354,571</u>	<u>962,291</u>	<u>1,629,448</u>	<u>405,927</u>	<u>270,248</u>	<u>658,377</u>	<u>-</u>	<u>6,233,020</u>	<u>1,559</u>	<u>10,160,870</u>	<u>147,424</u>	<u>10,662,865</u>
Total liabilities and fund balances	<u>\$ 339,915</u>	<u>\$ 267,678</u>	<u>\$ 1,520,628</u>	<u>\$ 2,128,221</u>	<u>\$ 1,095,781</u>	<u>\$ 1,701,427</u>	<u>\$ 498,816</u>	<u>\$ 439,754</u>	<u>\$ 949,771</u>	<u>\$ -</u>	<u>\$ 6,475,446</u>	<u>\$ 1,559</u>	<u>\$ 11,162,554</u>	<u>\$ 150,888</u>	<u>\$ 13,441,663</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue				Operational Capital	Capital Projects								Permanent Fund	Total Nonmajor Governmental Funds
	Community Development	H.O.M.E. program	Other Federal	Total		2009 Riverwalk TIF bonds	2012 Riverwalk MID A bonds	2007 Downtown TIF bonds	2008 Textile Corridor TIF bonds	2011 General Obligation bonds	2013 Limited Obligation bonds	Fire Impact Fees	Total	Beautification	
REVENUES															
Intergovernmental revenue	\$ 363,549	\$ 82,633	\$ 2,070,031	\$ 2,516,213	\$ 2,547,309	\$ 1,824	\$ 139	\$ 877	\$ 770,460		\$ 415	\$ 3,317,769	\$ 442	\$ 5,833,982	
Investment earnings									4,712			5,154		5,154	
Impact fees									1,457			242,306		242,306	
Program income	10,641	9,775	911,310	931,726							\$ 242,306	242,306		931,726	
Other					772,090			16,224				788,314	28,019	816,333	
Total revenues	<u>374,190</u>	<u>92,408</u>	<u>2,981,341</u>	<u>3,447,939</u>	<u>3,319,399</u>	<u>1,824</u>	<u>139</u>	<u>17,101</u>	<u>771,917</u>	<u>-</u>	<u>415</u>	<u>4,353,101</u>	<u>28,461</u>	<u>7,829,501</u>	
EXPENDITURES															
Current:															
General government	126,721		1,958,752	2,085,473									60,288	2,145,761	
Public safety			301,327	301,327										301,327	
Recreation			4,296	4,296										4,296	
Housing		81,883		81,883										81,883	
Capital outlay			656,203	656,203	3,287,984	252,736	1,670,212	632,478	1,000,993	\$ 1,500	\$ 340,835	7,186,738		7,842,941	
Debt service							4,000					4,000		4,000	
Costs of issuance															
Interest	90,433			90,433								95,747		186,180	
Principal	157,036			157,036								145,000		302,036	
Total expenditures	<u>374,190</u>	<u>81,883</u>	<u>2,920,578</u>	<u>3,376,651</u>	<u>3,287,984</u>	<u>252,736</u>	<u>1,674,212</u>	<u>632,478</u>	<u>1,000,993</u>	<u>1,500</u>	<u>340,835</u>	<u>240,747</u>	<u>60,288</u>	<u>10,868,424</u>	
Excess (deficiency) of revenues over (under) expenditures	-	10,525	60,763	71,288	31,415	(250,912)	(1,674,073)	(615,377)	(229,076)	(1,500)	(340,420)	1,559	(3,078,384)	(31,827)	
OTHER FINANCING SOURCES															
Transfers in					881,831									881,831	
Limited obligation bonds issued											17,288,601			17,288,601	
Riverwalk MID Part A bonds issued						2,080,000						2,080,000		2,080,000	
Payment to refunded bond escrow agent											(10,715,161)			(10,715,161)	
Total other financing sources	-	-	-	-	881,831	-	2,080,000	-	-	-	6,573,440	-	-	9,535,271	
Net change in fund balances	-	10,525	60,763	71,288	913,246	(250,912)	405,927	(615,377)	(229,076)	(1,500)	6,233,020	1,559	(31,827)	6,496,348	
Fund balances - beginning	75,000	58,644	149,639	283,283	49,045	1,880,360		885,625	887,453	1,500	-	-	179,251	4,166,517	
Fund balances - ending	<u>\$ 75,000</u>	<u>\$ 69,169</u>	<u>\$ 210,402</u>	<u>\$ 354,571</u>	<u>\$ 962,291</u>	<u>\$ 1,629,448</u>	<u>\$ 405,927</u>	<u>\$ 270,248</u>	<u>\$ 658,377</u>	<u>\$ -</u>	<u>\$ 6,233,020</u>	<u>\$ 1,559</u>	<u>\$ 147,424</u>	<u>\$ 10,662,865</u>	

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, 2013

	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	\$ 84,975,513	\$ 81,542,604	\$ (3,432,909)			
Water sales	12,954,534	12,828,093	(126,441)			
Sewer charges	19,094,065	18,815,834	(278,231)			
Impact fees	462,000	590,797	128,797			
Government grants	375,332	656,144	280,812			
Stormwater charges				\$ 2,350,000	\$ 2,542,748	\$ 192,748
Other user charges	4,360,543	4,031,242	(329,301)	65,000	9,920	(55,080)
Total operating revenues	<u>122,221,987</u>	<u>118,464,714</u>	<u>(3,757,273)</u>	<u>2,415,000</u>	<u>2,552,668</u>	<u>137,668</u>
NONOPERATING REVENUES:						
Interest income	254,757	255,853	1,096	-	7,011	7,011
TOTAL REVENUES	<u>122,476,744</u>	<u>118,720,567</u>	<u>(3,756,177)</u>	<u>2,415,000</u>	<u>2,559,679</u>	<u>144,679</u>
EXPENSES:						
Electric system	87,642,921	86,078,682	1,564,239			
Water system	12,075,738	12,614,599	(538,861)			
Sewer system	16,660,921	16,018,568	642,353			
Stormwater system				2,415,000	2,308,692	106,308
TOTAL EXPENSES	<u>116,379,580</u>	<u>114,711,849</u>	<u>1,667,731</u>	<u>2,415,000</u>	<u>2,308,692</u>	<u>106,308</u>
REVENUES OVER EXPENSES	6,097,164	4,008,718	(2,088,446)	-	250,987	250,987
OPERATING TRANSFERS FROM THE GENERAL FUND	265,000	265,000	-			
OPERATING TRANSFERS TO THE GENERAL FUND	(6,362,164)	(6,398,276)	(36,112)			
REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ (2,124,558)</u>	<u>\$ (2,124,558)</u>	<u>\$ -</u>	<u>\$ 250,987</u>	<u>\$ 250,987</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, 2013

	Electric, Water, Sewer	Stormwater	Total
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:			
Total revenues	\$ 118,720,567	\$ 2,559,679	\$ 121,280,246
Total expenses	(114,711,849)	(2,308,692)	(117,020,541)
Operating transfers from the General fund	265,000		265,000
Operating transfers to the General fund	<u>(6,398,276)</u>		<u>(6,398,276)</u>
REVENUES OVER EXPENSES	(2,124,558)	250,987	(1,873,571)
ADJUSTMENTS TO FULL ACCRUAL BASIS:			
Economic incentives fund interest income	5,754		5,754
Incentive payments from land sale proceeds	(306,847)		(306,847)
Current year portion of bond premium recognized	423,964		423,964
Depreciation and amortization	(11,125,727)	(821,770)	(11,947,497)
Loss on disposal of fixed assets		(43,567)	(43,567)
Payment of bond and capital lease principal	6,059,387	565,566	6,624,953
Net capitalized interest expense	463,285		463,285
Interest income netted against capitalized interest	30,607		30,607
Insurance reimbursement to a bond construction fund			-
Contributions of capital assets from developers	856,855		856,855
Budgeted payments on direct financing lease recorded as a reduction in receivable	(134,117)		(134,117)
Deferred interest earnings recognized	30,780		30,780
Capitalized expenditures	<u>7,731,897</u>	<u>153,304</u>	<u>7,885,201</u>
NET INCOME	<u>\$ 1,911,280</u>	<u>\$ 104,520</u>	<u>\$ 2,015,800</u>

CITY OF ROCK HILL, SOUTH CAROLINA

**SCHEDULE OF COURT FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Court fines collected by Clerk of Court	\$ 716,574
DUI/DUS Pullouts collected by Clerk of Court	42,245
Assessments collected by Clerk of Court	<u>1,018,866</u>
Total Court Collections	<u><u>\$ 1,777,686</u></u>
Fines retained by Municipal Treasurer	\$ 716,574
Assessments retained by Municipal Treasurer	79,185
DUI/DUS Pullouts remitted to State Treasurer	42,245
Fines and assessments remitted to State Treasurer	<u>939,681</u>
Total Dispositions	<u><u>\$ 1,777,686</u></u>
Victim Services Activities	
Victim percentage charges	\$ 79,220
Victim flat fee charges	<u>36,783</u>
Total victim revenues	116,004
Funds carried forward from previous periods	91,313
Victim Service expenditures	<u>(117,415)</u>
Funds available for carryforward	<u><u>\$ 89,902</u></u>

CITY OF ROCK HILL, SOUTH CAROLINA

**SC Department of Transportation
SCHEDULE OF BUDGETED TO ACTUAL COSTS
For the Year Ended June 30, 2013**

OPT Contract #	MT-3H299-07				
Contract Period	July 1, 2012 - June 30, 2013				
	Budget	Section 5307	SMTF	Local	Variance
Performance Period	July 2012 - June 2013				
ADMINISTRATION					
Management Svc Fees	\$ 25,000	\$ 17,869	\$ 2,234	\$ 2,234	\$ 2,663
	30,546	24,437	-	6,109	-
Total Administration	55,546	42,306	2,234	8,343	2,663
OPERATING					
Management Svc Fee	319,739	163,248	105,637	57,511	(6,657)
Total Operating	319,739	163,248	105,637	57,511	(6,657)
TECHNICAL ASSISTANCE					
	8,597	0	0	0	8,597
Total Technical Assistance	8,597	0	0	0	8,597
Total Program	\$ 383,882	\$ 205,554	\$ 107,871	\$ 65,854	\$ 4,603

Approved Budget	\$ 383,882
Federal Costs	205,554
State Costs	107,871
Local Costs	<u>65,854</u>
Budget Balance	<u><u>\$ 4,603</u></u>

Notes to Financial Statement

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

CITY OF ROCK HILL, SOUTH CAROLINA

STATISTICAL SECTION

YEAR ENDED JUNE 30, 2013

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.

	<u>Page</u>
Financial Trends	71
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	77
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	86
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.	
Demographic and Economic Information	92
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	95
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.	

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 50,833,553	\$ 58,246,575	\$ 65,342,211	\$ 69,902,863	\$ 73,996,753	\$ 85,463,219	\$ 81,668,140	\$ 74,554,155	\$ 82,905,173	\$ 86,782,676
Restricted	9,030,569	8,397,163	10,829,929	14,388,278	12,454,522	9,495,735	14,674,181	14,184,993	9,378,864	10,184,424
Unrestricted	(2,294,201)	(705,514)	(1,055,304)	(1,375,635)	(660,096)	(6,709,705)	(11,889,218)	(1,596,932)	(3,194,669)	(6,523,669)
Total governmental activities net assets	\$ 57,569,921	\$ 65,938,224	\$ 75,116,836	\$ 82,915,506	\$ 85,791,179	\$ 88,249,249	\$ 84,453,103	\$ 87,142,216	\$ 89,089,368	\$ 90,443,431
Business-type activities										
Invested in capital assets, net of related debt	\$ 128,706,669	\$ 136,387,068	\$ 148,338,384	\$ 145,453,918	\$ 178,475,353	\$ 184,468,837	\$ 193,219,382	\$ 196,866,024	\$ 204,611,600	\$ 213,297,864
Restricted	4,735,131	5,309,416	5,426,078	18,757,188	5,705,871	9,160,922	5,651,889	17,813,736		
Unrestricted	4,231,126	12,494,271	15,470,063	20,625,893	15,976,404	14,737,404	20,760,827	12,243,521	26,354,217	19,084,887
Total business-type activities net assets	\$ 137,672,926	\$ 154,190,755	\$ 169,234,525	\$ 184,836,999	\$ 200,157,628	\$ 208,367,163	\$ 219,632,098	\$ 226,923,281	\$ 230,965,817	\$ 232,382,751
Primary government										
Invested in capital assets, net of related debt	\$ 179,540,222	\$ 194,633,643	\$ 213,680,595	\$ 215,356,781	\$ 252,472,106	\$ 269,932,056	\$ 274,887,522	\$ 271,420,179	\$ 287,516,773	\$ 300,080,540
Restricted	13,765,700	13,706,579	16,256,007	33,145,466	18,160,393	18,656,657	20,326,070	31,998,729	9,378,864	10,184,424
Unrestricted	1,936,925	11,788,757	14,414,759	19,250,258	15,316,308	8,027,699	8,871,609	10,646,589	23,159,548	12,561,218
Total primary government net assets	\$ 195,242,847	\$ 220,128,979	\$ 244,351,361	\$ 267,752,505	\$ 285,948,807	\$ 296,616,412	\$ 304,085,201	\$ 314,065,497	\$ 320,055,185	\$ 322,826,182

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 15,176,480	\$ 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
Public safety	14,023,379	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
Public works	6,321,879	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
Parks, recreation and tourism	3,892,549	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
Housing assistance	-	-	-	-	47,807	44,091	42,360	10,000	98,097	81,883
Interest on long-term debt	665,338	762,980	973,734	993,897	1,156,900	1,342,882	1,651,707	1,750,125	2,373,611	2,301,269
Total governmental activities expenses	40,079,625	41,579,255	46,125,869	51,253,323	54,691,474	57,771,020	62,898,946	61,412,156	64,774,750	67,808,636
Business-type activities:										
Electric	\$ 54,569,700	\$ 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
Water	6,327,289	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
Sewer	10,797,865	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
Stormwater	1,010,197	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
Total business-type activities expenses	72,705,051	73,169,826	80,583,397	84,811,131	90,383,034	93,526,503	96,876,066	104,048,289	108,612,139	114,338,896
Total primary government expenses	\$ 112,784,676	\$ 114,749,081	\$ 126,709,266	\$ 136,064,454	\$ 145,074,508	\$ 151,297,523	\$ 159,775,012	\$ 165,460,445	\$ 173,386,889	\$ 182,147,532
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 9,088,097	\$ 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
Public Safety	521,596	1,449,254	793,586	1,201,239	302,563	213,043	1,009,973	1,066,634	1,222,556	1,230,123
Public works	4,462,223	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
Parks, recreation and tourism	604,706	829,343	621,857	1,202,265	1,276,705	1,244,711	844,355	802,165	1,692,000	1,757,943
Operating grants and contributions	1,166,438	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
Capital grants and contributions	3,617,143	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
Total governmental activities program revenues	19,460,203	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
Business-type activities:										
Charges for services:										
Electric	61,799,705	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
Water	9,133,468	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
Sewer	12,330,516	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
Stormwater	1,206,498	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
Operating grants and contributions	-	-	-	-	-	-	-	367,973	367,973	304,178
Capital grants and contributions	6,462,492	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
Total business-type activities program revenues	90,932,679	92,873,873	98,714,134	103,692,921	108,252,259	106,974,107	109,549,241	117,590,275	117,279,307	121,874,237
Total primary government program revenues	\$ 110,392,882	\$ 113,227,115	\$ 122,078,323	\$ 127,524,648	\$ 136,117,607	\$ 132,089,076	\$ 134,439,345	\$ 144,092,421	\$ 147,941,274	\$ 153,284,786

Schedule 2 (cont.)

City of Rock Hill

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$(20,619,422)	\$ (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)
Business-type activities	18,227,628	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
Total primary government net expense	<u>(2,391,794)</u>	<u>(1,521,966)</u>	<u>(4,630,943)</u>	<u>(8,539,806)</u>	<u>(6,956,901)</u>	<u>(19,208,447)</u>	<u>(25,335,667)</u>	<u>(21,368,024)</u>	<u>(25,445,615)</u>	<u>(28,862,746)</u>
General revenues and other changes in net assets										
Governmental activities										
Taxes	21,346,527	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
Investment income	81,129	200,964	348,491	471,890	378,953	162,573	106,485	89,150	72,067	88,918
Unrestricted intergovernmental revenue	1,292,468	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
Miscellaneous	324,732	438,185	618,158	1,096,930	1,413,470	1,219,123	466,598	2,343,390	478,448	585,550
Transfers	5,256,132	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
Total governmental activities	<u>28,300,988</u>	<u>29,770,493</u>	<u>30,895,116</u>	<u>35,220,266</u>	<u>29,701,797</u>	<u>35,028,706</u>	<u>34,339,982</u>	<u>37,593,468</u>	<u>36,197,120</u>	<u>37,742,402</u>
Business-type activities										
Investment income	450,093	614,412	1,124,564	1,485,622	1,253,383	570,379	540,947	592,192	667,572	613,735
Transfers	(5,256,132)	(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)
Total business-type activities	<u>(4,806,039)</u>	<u>(3,122,875)</u>	<u>(3,086,967)</u>	<u>(3,279,316)</u>	<u>(4,548,596)</u>	<u>(5,197,654)</u>	<u>(1,408,240)</u>	<u>(6,250,803)</u>	<u>(5,223,498)</u>	<u>(5,519,541)</u>
Changes in Net Assets										
Governmental activities	7,681,566	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
Business-type activities	13,421,589	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
Total primary government	<u>\$ 21,103,155</u>	<u>\$ 25,125,652</u>	<u>\$ 23,177,206</u>	<u>\$ 23,401,144</u>	<u>\$ 18,196,300</u>	<u>\$ 10,622,605</u>	<u>\$ 7,596,075</u>	<u>\$ 9,974,641</u>	<u>\$ 5,528,007</u>	<u>\$ 3,360,115</u>

Schedule 3

City of Rock Hill

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

Function/Program	Fiscal 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>
Governmental activities:										
General government	\$ 13,121,471	\$ 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
Public safety	873,824	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
Public works	4,462,223	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
Parks, recreation and tourism	1,002,685	1,274,343	1,530,135	1,643,538	5,526,371	1,714,704	2,088,098	1,741,059	2,779,355	2,791,282
Subtotal governmental activities	<u>19,460,203</u>	<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>31,233,853</u>
Business-type activities:										
Electric	61,799,705	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
Water	12,125,482	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
Sewer	15,394,206	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
Stormwater	1,613,286	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
Subtotal business-type activities	<u>90,932,679</u>	<u>92,873,873</u>	<u>98,714,134</u>	<u>103,692,921</u>	<u>110,252,259</u>	<u>106,974,107</u>	<u>109,549,241</u>	<u>117,590,275</u>	<u>117,279,307</u>	<u>121,874,237</u>
Total primary government	<u>\$ 110,392,882</u>	<u>\$ 113,227,115</u>	<u>\$ 122,078,323</u>	<u>\$ 127,524,648</u>	<u>\$ 138,117,607</u>	<u>\$ 132,089,076</u>	<u>\$ 134,439,345</u>	<u>\$ 144,092,421</u>	<u>\$ 147,941,274</u>	<u>\$ 153,108,090</u>

Schedule 4
City of Rock Hill
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<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 Fund										
Nonspendable	\$ 134,290	\$ 127,515	\$ 138,827	\$ 155,121	\$ 149,721	\$ 215,172	\$ 217,496	\$ 236,670	\$ 190,055	\$ 216,384
Restricted	396,916	507,369	538,200	551,539	471,340	779,227	876,457	955,708	1,087,636	1,042,157
Committed	4,513,740	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
Assigned										25,524
Unassigned	1,339,375	2,710,302	3,247,765	2,607,082	2,871,980	2,599,370	2,585,133	4,232,292	3,624,203	2,632,556
Total general fund	<u>\$ 6,384,321</u>	<u>\$ 7,710,574</u>	<u>\$ 10,677,524</u>	<u>\$ 12,761,258</u>	<u>\$ 9,888,228</u>	<u>\$ 6,232,484</u>	<u>\$ 5,650,312</u>	<u>\$ 8,200,980</u>	<u>\$ 8,596,753</u>	<u>\$ 9,234,461</u>
All Other Governmental Funds										
Nonspendable	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Restricted	3,363,875	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
Committed										49,100
Assigned										
Unassigned										
Total all other governmental funds	<u>\$ 3,388,875</u>	<u>\$ 10,969,071</u>	<u>\$ 3,525,979</u>	<u>\$ 3,169,017</u>	<u>\$ 5,254,523</u>	<u>\$ 6,094,860</u>	<u>\$ 11,632,338</u>	<u>\$ 8,414,546</u>	<u>\$ 4,166,517</u>	<u>\$ 10,711,965</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes (see Schedule 6)	\$ 20,921,109	\$ 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
Licenses and permits	6,475,084	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
Fines and forfeitures	776,220	946,327	962,308	980,972	909,476	928,546	725,782	746,289	769,020	867,011
Intergovernmental	3,820,338	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
Charges for services	7,465,484	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
Impact fees	371,152	479,014	606,900	808,008	299,765	252,188	154,469	230,765	381,751	242,306
Investment earnings	85,496	202,457	371,868	463,416	410,031	155,673	100,470	84,149	56,373	48,100
Lease revenue									560,000	560,000
Management fees									289,950	289,950
Program income	18,038	23,793	21,378	44,338	12,715	11,727	96,317	443,639	527,500	931,726
Other revenues	608,611	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
Total revenues	\$ 40,541,532	\$ 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
Expenditures										
General government	12,884,820	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
Public safety	13,370,868	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
Public works	5,849,994	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
Parks, recreation and tourism	3,656,175	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
Housing assistance					47,807	44,091	42,360	10,000	98,097	81,883
Capital outlay	9,891,645	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
Debt service										
Principal	1,165,000	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
Interest and fees	646,957	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
Capital lease payments	307,753	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
Total expenditures	47,773,212	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
Excess of revenues over (under) expenditures	(7,231,680)	(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)
Other Financing Sources (Uses)										
Transfers in	6,123,252	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
Transfers out	(867,120)	(1,237,698)	(422,519)	(265,000)	(1,263,296)	(511,984)	(706,519)	(312,067)	(358,697)	(1,194,377)
General obligation bonds issued	5,500,490	-	3,150,000			2,700,000			10,700,000	
Proceeds from sale leaseback financing						3,550,000				
Tax increment financing bonds issued								6,500,000	3,035,000	
New markets tax credit financing issued								1,200,000		
Recovery zone economic development bonds issued								3,800,000		
SC DHEC loans issued								805,000		
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)
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	550,000	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
Capital leases refunded										(5,675,720)
Total other financing sources (uses)	11,306,622	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
Net change in fund balances	\$ 4,074,942	\$ 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
Debt service as a percentage of noncapital expenditures	5.60%	6.96%	7.60%	8.04%	8.16%	8.54%	9.29%	14.19%	11.36%	10.91%

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

Year Ended		<u>Property</u>	<u>Accommodations</u>	<u>Total</u>
<u>June 30,</u>				
2004	\$	20,921,109	\$ 2,607,193	\$ 23,528,302
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
 Change				
2004 - 2013	\$	4,103,152	\$ 1,846,345	\$ 5,949,497

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>
2003	\$ 80,136,904	\$ 62,585,913	\$ 20,382,162	\$ (5,765,840)	\$ 157,339,139	98.0	\$ 2,618,257,073	6.01%
2004	80,764,034	65,643,078	20,345,323	(4,548,980)	162,203,455	98.0	2,726,744,092	5.95%
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%

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

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

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

Fiscal Year	City Direct Rate	Overlapping Rates		Total Direct and Overlapping
		Rock Hill School District	York County	
2004	98.0	164.5	90.0	352.5
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

Source: York County Auditor's Office

Notes: Overlapping rates are those of local and county governments that apply to property within the City of Rock Hill. All overlapping rates apply to all City of Rock Hill property. 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 2012			Tax Year 2003		
	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	\$ 5,636,270	1	2.28%	\$ 4,808,594	1	2.96%
Amisub of S C Inc	3,434,616	2	1.39%	3,605,574	2	2.22%
Atotech USA Inc*	1,953,701	3	0.79%	1,231,891	3	0.76%
Piedmont Medical Center	1,901,910	4	0.77%	1,156,390	4	0.71%
Transaxle Manufacturing of*	1,108,030	5	0.45%	977,175	8	0.60%
TTP South Brookstone LLC Etal	1,055,340	6	0.43%			
FPRO 401 LCC ET AL	1,018,500	7	0.41%			
Whisper Creek Apartments LLC	969,756	8	0.39%			
Mallard Pointe LLC	960,402	9	0.39%	810,960	11	0.50%
Wal-Mart Real Estate Bus Dept.	711,618	10	0.29%			
Lexington Rubber Group Inc.	709,710	11	0.29%			
SRC Stone Haven Pointe Inc.	697,860	12	0.28%			
Triangle Real Estate Cowan Farm LLC	681,444	13	0.28%			
Workspace Resources LLC*	672,121	14	0.27%			
Southwood Realty Company	667,278	15	0.27%	566,004	16	0.35%
BMA Rock Hill Apartments LLC	663,660	16	0.27%			
Hackett Limited Partnership	631,673	17	0.26%	615,940	15	0.38%
Triangle Real Estate of Gastonia Inc.	618,132	18	0.25%	712,722	14	0.44%
Forest Oaks Rock Hill LTD	595,950	19	0.24%			
Crow Rock Hill LTD Partnership	567,606	20	0.23%			
Oerlikon Balzers Coating USA Inc.						
Rock Hill Properties				1,147,980	5	0.71%
Villages of Brookstone LLC				1,080,000	6	0.67%
CK Rock Hill #2				1,071,690	7	0.66%
Illuminet				898,470	9	0.55%
Kings Electronics				846,110	10	0.52%
Clariant Life Science				759,040	12	0.47%
Southern Real Estate				743,562	13	0.46%
Possehl Connector Services				541,470	17	0.33%
King Mountain Capital				541,380	18	0.33%
Hartmann Conco Inc.				529,670	19	0.33%
Willamette Industries				528,690	20	0.33%
Total	\$ 25,255,577		10.22%	\$ 23,173,312		14.29%

Source: York County Auditor's Office

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

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2004	\$ 13,145,366	\$ 12,701,959	96.63%	\$ 296,823	\$ 12,998,782	98.88%
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%

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Merchandise Stores	\$ 126,319,347	\$ 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
Food Stores	79,580,228	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
Eating and Drinking Places	84,831,453	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
Miscellaneous retail	76,097,694	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
Automotive Dealers and Gasoline Service Stations	51,025,886	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
Communications	39,155,936	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
Building Materials, Hardware, Garden Supply	18,381,777	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
Apparel and Accessory stores	35,868,769	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
Electric, Gas, and Sanitary Services	28,345,243	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
Wholesale trade-durable goods	13,109,116	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
Home furniture, furnishings, and equipment	19,094,461	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
Hotels, rooming houses, camps, and other lodging	15,135,239	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
Business services	5,460,702	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
Personal services	4,329,205	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
Automotive repair and services	5,024,494	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
Construction special trade contractors	947,419	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
Motion pictures	1,247,154	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
All other	5,612,481	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
Total	\$ 609,566,604	\$ 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

The City has a direct 2% sales tax on prepared foods and a direct 3% 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>	
2004	0.0%	1.0%	5.0%	
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%	

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 7 Years Ago

<u>Tax Remitter</u>	Tax Year 2012			<u>Tax Remitter</u>	Tax Year 2005		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>		<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Retailer	\$ 2,805,100	1	5.50%	Retailer	\$ 5,022,525	1	11.16%
City of Rock Hill	2,714,944	2	5.32%	City of Rock Hill	1,843,149	2	4.09%
Retailer	2,585,841	3	5.07%	Retailer	1,612,605	3	3.58%
Retailer	1,778,444	4	3.49%	Communications	1,485,184	4	3.30%
Communications	1,708,200	5	3.35%	Grocery Store	1,133,443	5	2.52%
Communications	1,460,538	6	2.86%	Retailer	972,311	6	2.16%
Retailer	1,010,671	7	1.98%	Communications	920,789	7	2.05%
Retailer	996,348	8	1.95%	Retailer	851,248	8	1.89%
Retailer	985,416	9	1.93%	Retailer	796,220	9	1.77%
Automobile dealer	924,764	10	1.81%	Utility	782,570	10	1.74%
Automobile dealer	849,822	11	1.67%	Grocery Store	758,206	11	1.68%
Retailer	752,425	12	1.47%	Automobile dealer	653,066	12	1.45%
Utility	651,353	13	1.28%	Grocery Store	592,250	13	1.32%
Automobile dealer	496,125	14	0.97%	Retailer	564,337	14	1.25%
Hospital	481,179	15	0.94%	Grocery Store	553,867	15	1.23%
Total	\$ 20,201,168		39.60%		\$ 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 December 31,	Governmental Activities										
	General Obligation Bonds	Tax Increment Bonds	Certificates of Participation	Limited Obligation bonds	MID Assessment bonds	SC DHEC Loan	HUD Section 108 Loan	Rock Hill Cycling Facilities Loans	Less Deferred Amounts	Reimb. Payable to Developers	Capital Leases
2004	\$ 9,875,000	\$ 2,365,000	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 229,485	\$ 520,976
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	-	8,592,359
2011	7,480,000	17,885,000	9,120,000			921,383	1,941,000	5,000,000	27,013	-	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

<u>Business-type Activities</u>					<u>Total Primary Government</u>	<u>Personal Income</u>	<u>Percentage of Personal Income</u>	<u>Population</u>	<u>Per Capita</u>
<u>Utilities System Revenue Bonds</u>	<u>State Revolving Fund</u>	<u>Less Deferred Amounts</u>	<u>Reimbursement Payable to Developers</u>	<u>Capital Leases</u>					
\$ 124,130,000	\$ -	\$ (138,255)	\$ 871,248		\$ 137,853,454	\$ 1,935,540,202	7.12%	56,114	\$ 2,457
119,530,000	1,082,030	(74,785)	413,701		144,675,118	2,090,899,122	6.92%	57,902	2,499
114,735,000	4,979,719	(20,053)	413,701		143,372,758	2,242,505,870	6.39%	59,554	2,407
109,720,000	7,161,108	25,605	243,471	3,796,668	146,400,874	2,434,359,720	6.01%	61,620	2,376
104,552,000	7,578,722	64,477	-	3,820,423	146,714,459	2,601,324,664	5.64%	64,858	2,262
99,006,000	7,253,310	101,342	-	7,333,341	149,459,420	2,668,038,519	5.60%	67,339	2,220
124,857,000	6,918,640	600,284	-	6,404,638	182,075,041	2,882,099,671	6.32%	69,210	2,631
119,698,000	6,574,429	512,693	-	5,721,877	178,267,844	2,824,355,250	6.31%	66,154	2,695
114,015,000	6,212,210	2,594,680	-	4,929,733	184,385,439	n/a	n/a	67,243	2,742
122,135,000	5,832,985	4,289,474	-	5,003,374	203,361,289	n/a	n/a	68,094	2,986

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

Year ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		Percentage Of Actual Taxable Value of <u>Property</u>	<u>Population</u>	Per <u>Capita</u>
	<u>General Obligation</u>	<u>Total</u>			
2004	\$ 9,875,000	\$ 9,875,000	6.09%	56,114	\$ 176
2005	9,295,000	9,295,000	5.50%	57,902	161
2006	8,870,000	8,870,000	5.04%	59,554	149
2007	8,165,000	8,165,000	3.96%	61,620	133
2008	7,435,000	7,435,000	3.48%	64,858	115
2009	9,385,000	9,385,000	4.20%	67,339	139
2010	8,445,000	8,445,000	3.70%	69,210	122
2011	7,480,000	7,480,000	3.23%	66,154	113
2012	17,185,000	17,185,000	7.10%	67,423	255
2013	16,405,000	16,405,000	6.62%	68,094	241

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, 2013**

<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	\$ 136,521,000	57.13%	\$ 77,999,504
York County General Obligation Debt	53,210,000	21.49%	11,433,857
Other Debt			
Rock Hill School District #3	-	57.13%	-
Subtotal, overlapping debt	189,731,000		89,433,361
City direct debt	16,405,000	100.00%	<u>16,405,000</u>
Total direct and overlapping debt			<u><u>\$ 105,838,361</u></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 2013	
Assessed value	\$ 247,622,812
Debt limit (8% of assessed value)	19,809,825
Debt applicable to limit	<u>(16,405,000)</u>
Legal debt margin	<u>\$ 3,404,825</u>

	Fiscal Year ended June 30,									
	<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>
Debt Limit (8% of assessed value)	\$ 13,142,016	\$ 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
Total net debt applicable to limit	<u>(9,875,000)</u>	<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>
Legal debt margin	<u>\$ 3,267,016</u>	<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>
Total net debt applicable to the limit as a percentage of the debt limit	75.14%	67.92%	63.00%	49.45%	43.54%	52.51%	46.23%	40.38%	88.78%	82.81%

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>			
2004	\$ 83,263,689	\$ 61,983,517	\$ 21,280,172	\$ 4,107,500	\$ 5,104,127	2.31
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

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>
2004	56,114	\$ 1,935,540,202	\$ 34,493	36.1	15,537	9.5%
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%

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 Eight Years Ago**

<u>Employer</u>	<u>2013</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
TE Connectivity (Tyco)	320	1	0.98%	490	1	1.37%
West Marine	285	2	0.87%	285	2	0.80%
Physicians Choice Laboratories	235	3	0.72%			
Springs Creative	180	4	0.55%	247	3	0.69%
Southeastern Industrial	170	5	0.52%	150	8	0.42%
Atotech USA, Inc.	163	6	0.50%	200	5	0.56%
3D Systems	162	7	0.49%			
Qure Medical	162	8	0.49%			
PFG Customized Distribution	155	9	0.47%	110	10	0.31%
Transaxle Manufacturing of America, Inc	150	10	0.46%			
Lexington Medical				132	9	0.37%
TerexAmida Industries, Inc.				170	7	0.48%
Hartman-Conoco, Inc.				201	4	0.56%
The Herald				174	6	0.49%
Total	<u>1,982</u>		<u>6.05%</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>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 Government										
General services	29.0	29.0	26.0	25.5	28.5	32.0	32.0	31.0	65.5	65.5
Finance	71.5	74.5	74.5	74.5	73.0	106.5	104.5	98.0	44.5	44.5
Human resources	8.5	7.5	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Planning	28.5	30.5	5.0	5.5	4.5	4.5	4.5	4.5	4.5	4.5
Housing and neighborhood services	0.0	0.0	13.0	14.0	15.0	14.0	14.0	14.0	14.5	14.5
Police	154.5	159.0	161.0	167.0	169.5	170.5	183.5	185.5	184.5	184.5
Fire	96.5	103.5	106.0	106.0	106.0	106.0	106.0	122.0	122.0	122.0
Development services	0.0	0.0	20.5	29.0	29.5	28.5	28.5	28.5	28.5	28.5
Public works	92.5	90.0	76.5	75.5	75.5	72.0	72.5	70.5	69.5	69.5
Property maintenance	49.5	48.5	44.0	37.0	29.5	0.0	0.0	0.0	0.0	0.0
Parks, recreation, and tourism	75.0	79.5	79.0	87.0	93.5	94.0	94.0	94.0	106.0	106.0
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	7.5	12.5	13.5	13.5	12.5	12.5	12.5	12.5	12.5	12.5
Stormwater	14.0	14.0	14.0	12.0	12.0	12.0	12.0	14.0	14.0	14.0
Electricity	45.0	46.0	46.5	48.0	50.5	53.5	53.5	53.0	69.5	69.5
Water	31.5	31.5	32.0	32.0	32.0	33.0	33.0	34.5	33.0	33.0
Wastewater	35.0	35.0	38.0	38.0	38.0	37.0	37.0	36.0	37.0	37.0
Total	762.5	785.0	781.5	796.5	801.5	808.0	819.5	830.0	837.5	837.5

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>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 government										
Building permits issued	646	842	1,092	1,119	898	842	1,024	1,000	1,857	1,901
Police										
Physical arrests	6,837	7,097	7,093	7,152	6,913	6,364	4,601	4,693	4,959	4,893
Parking violations	419	418	332	2,268	2,655	2,545	1,587	1,322	808	120
Traffic violations	13,041	11,409	10,725	10,807	11,890	8,712	8,566	8,782	9,546	10,525
Fire										
Medical calls answered	1,257	1,468	1,817	1,973	2,238	3,228	3,717	3,994	4,220	4,287
Fire and other responses	1,966	1,914	1,652	1,770	1,943	2,220	2,554	2,366	2,485	2,688
Inspections	2,599	2,174	2,432	2,300	3,156	2,505	2,499	1,916	2,715	2,135
Refuse collection										
Materials managed (tons)	30,461	28,933	28,907	31,368	32,010	32,764	32,515	32,144	32,720	33,173
Other public works										
Street resurfacing (miles)	11.20	2.70	4.44	7.81	8.79	10.33	7.60	4.10	8.88	3.89
New streets accepted (miles)	5.96	4.74	6.07	2.97	4.07	1.27	0.29	1.27	0.83	-
Parks, recreation and tourism										
Registered program participation	341,781	327,145	225,483	269,159	285,405	368,045	317,422	378,021	387,195	357,197
Electric										
Total mwh sales	704,813	706,158	732,850	758,847	783,394	769,452	789,101	815,181	783,647	765,881
Water										
Average daily consumptions (mgd)	13.50	13.90	18.57	19.89	21.78	14.00	18.21	15.66	14.87	14.36
Peak daily consumption (mgd)	21.00	19.40	20.60	25.10	26.47	24.00	23.84	22.38	22.27	22.00
Sewer										
Average daily treatment (mgd)	8.31	9.29	8.70	9.42	8.39	9.77	10.48	9.19	9.43	9.79
Peak daily treatment (mgd)	20.11	21.68	29.82	29.82	15.91	29.31	28.91	15	20	23.34

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

<u>Function/Program</u>	<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>
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	140	144	147	162	168	176	167	171	176	179
Fire stations	4	4	5	5	6	6	6	6	6	6
Refuse collection										
Collection trucks	72	61	57	48	50	48	48	51	50	55
Other public works										
Streets (miles)	167	169	174	177	184	185	188	215	215	215
Street lights	5,500	5,837	5,923	6,123	6,613	6,351	6,510	6,445	6,493	6,537
Parks, recreation and tourism										
Acreage	323	323	393	393	393	393	403	416	416	426
Athletic facilities and parks	26	27	28	28	29	29	29	29	30	31
Neighborhood centers	4	4	4	4	4	4	4	4	4	4
Electric										
Miles of electric lines	545	543	557	582	587	592	606	607	605	610
Number of delivery substations	5	5	5	5	5	6	6	6	6	6
Number of poles	18,955	17,591	18,125	20,839	21,036	21,119	24,365	21,288	24,917	25,234
Water										
Miles of water lines	472	459	468	471	480	485	490	496	498	504
Fire hydrants	2,364	2,386	2,441	2,684	2,763	2,800	2,825	2,850	2,890	2,929
Storage capacity (millions of gallons)	5.5	5.5	5.5	5.5	6	6	6	6	6	6
Sewer										
Miles of sanitary sewers	422	435	444	451	462	469	471	473	474	480
Treatment capacity (millions of gallons)	20	20	20	20	30	30	36	36	36	36

Schedule 24
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL ELECTRIC CUSTOMERS
 YEAR ENDED JUNE 30, 2013

Customer	Type of Business	Consumption (Kwh)	Amount Billed	Percentage of Total Billed
██████████	██████████	34,624,833	\$ 3,303,501	4.05%
██████████	██████████	21,754,121	2,419,349	2.97%
██████████	██████████	16,173,552	1,336,039	1.64%
██████████	██████████	11,392,636	984,994	1.21%
██████████	██████████	9,377,614	811,750	1.00%
██████████	██████████	8,141,203	710,785	0.87%
██████████	██████████	6,640,672	676,985	0.83%
██████████	██████████	8,145,797	630,816	0.77%
██████████	██████████	6,972,752	597,232	0.73%
██████████	██████████	5,302,303	573,674	0.70%
██████████	██████████	7,753,511	530,862	0.65%
██████████	██████████	4,957,112	477,872	0.59%
██████████	██████████	4,530,048	401,063	0.49%
██████████	██████████	5,478,906	379,482	0.47%
██████████	██████████	4,087,790	375,463	0.46%
██████████	██████████	4,400,298	360,997	0.44%
██████████	██████████	3,717,702	341,031	0.42%
██████████	██████████	3,589,886	327,769	0.40%
██████████	██████████	3,743,991	324,132	0.40%
██████████	██████████	3,534,765	305,060	0.37%
		<u>174,319,492</u>	<u>\$ 15,868,858</u>	<u>19.46%</u>

Schedule 25
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS
 YEAR ENDED JUNE 30, 2013

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
██████████	██████████	1,325,142,532	\$ 1,881,831	14.99%
██████████	██████████	467,472,107	711,675	5.67%
██████████	██████████	79,908,948	107,830	0.86%
██████████	██████████	75,850,035	103,899	0.83%
██████████	██████████	25,994,043	102,173	0.81%
██████████	██████████	16,497,685	89,469	0.71%
██████████	██████████	34,788,829	81,875	0.65%
██████████	██████████	17,953,900	71,782	0.57%
██████████	██████████	11,397,209	60,019	0.48%
██████████	██████████	17,427,876	48,338	0.38%
██████████	██████████	23,785,450	46,094	0.37%
██████████	██████████	34,253,164	46,043	0.37%
██████████	██████████	8,125,172	45,961	0.37%
██████████	██████████	13,870,089	44,432	0.35%
██████████	██████████	6,284,449	41,872	0.33%
██████████	██████████	7,260,986	39,303	0.31%
██████████	██████████	10,803,222	38,010	0.30%
██████████	██████████	8,126,018	36,155	0.29%
██████████	██████████	11,390,491	33,567	0.27%
██████████	██████████	6,824,415	32,653	0.26%
		<u>2,203,156,620</u>	<u>\$ 3,662,982</u>	<u>29.17%</u>

Schedule 26
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL WASTEWATER CUSTOMERS
 YEAR ENDED JUNE 30, 2013

Customer	Type of Business	Consumption (Gallons)	Amount Billed	Percentage of Total Billed
██████████	██████████	1,028,191,200	\$ 2,389,475	12.70%
██████████	██████████	19,527,475	179,766	0.96%
██████████	██████████	44,805,000	174,709	0.93%
██████████	██████████	39,181,386	169,230	0.90%
██████████	██████████	13,283,753	136,630	0.73%
██████████	██████████	31,073,536	122,874	0.65%
██████████	██████████	13,536,481	85,721	0.46%
██████████	██████████	23,668,601	84,128	0.45%
██████████	██████████	21,501,656	79,861	0.42%
██████████	██████████	8,536,109	68,185	0.36%
██████████	██████████	14,804,153	54,337	0.29%
██████████	██████████	5,211,683	52,653	0.28%
██████████	██████████	13,144,035	50,750	0.27%
██████████	██████████	6,731,364	45,448	0.24%
██████████	██████████	11,410,276	43,784	0.23%
██████████	██████████	6,465,757	41,985	0.22%
██████████	██████████	9,661,714	37,265	0.20%
██████████	██████████	5,231,000	36,191	0.19%
██████████	██████████	3,561,598	36,102	0.19%
██████████	██████████	5,611,758	35,445	0.19%
		<u>1,325,138,535</u>	<u>\$ 3,924,537</u>	<u>20.86%</u>

Schedule 27
 CITY OF ROCK HILL, SOUTH CAROLINA

PRINCIPAL STORMWATER CUSTOMERS
 YEAR ENDED JUNE 30, 2013

Customer	Type of Business	Consumption (gallons)	Amount Billed	Percentage of Total Billed
██████████	██████████	916,281,364	\$ 168,046	6.61%
██████████	██████████	401,186,554	113,103	4.45%
██████████	██████████	220,728,205	68,885	2.71%
██████████	██████████	494,958,343	48,499	1.91%
██████████	██████████	74,146,772	27,447	1.08%
██████████	██████████	85,148,086	18,706	0.74%
██████████	██████████	44,945,475	17,676	0.70%
██████████	██████████	24,627,856	16,154	0.64%
██████████	██████████	107,455,552	13,954	0.55%
██████████	██████████	19,499,860	11,353	0.45%
██████████	██████████	79,364,580	9,808	0.39%
██████████	██████████	69,187,233	9,459	0.37%
██████████	██████████	13,608,437	9,277	0.36%
██████████	██████████	12,419,432	8,276	0.33%
██████████	██████████	16,260,415	7,200	0.28%
██████████	██████████	10,207,760	7,142	0.28%
██████████	██████████	11,423,178	7,032	0.28%
██████████	██████████	52,115,185	6,439	0.25%
██████████	██████████	21,933,335	6,322	0.25%
██████████	██████████	95,959,209	6,314	0.25%
		<u>2,771,456,830</u>	<u>\$ 581,090</u>	<u>22.85%</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.

	Federal CFDA #	Expenditures
Department of Housing and Urban Development		
Direct Program:		
Community Development Block Grant	14.218	\$ 535,476
Neighborhood Stabilization Grants	14.264	1,368,868
Passed through State Housing Finance and Development Authority		
Home Program	14.239	81,883
Total Department of Housing and Urban Development		<u>1,986,227</u>
Department of Justice		
Direct Programs:		
ARRA - COPS Recovery Grant	16.710	159,301
ARRA - COPS Technology	16.710	13,385
ARRA - Byrne Justice Assistance - JAG Recovery	16.804	
ARRA - Byrne Justice Assistance - JAG Recovery	16.804	4,787
Byrne Justice Assistance - JAG	16.738	56,524
Bulletproof Vest Partnership Program	16.607	5,186
Passed through SC Department of Public Safety		
JAG - Child/Elder Abuse 1G10032	16.738	52,192
JAG - White Collar Crimes 1G10040	16.738	67,363
Total Department of Justice		<u>358,738</u>
Department of Labor		
Workforce Investment Act, Adult Program	17.258	8,537
Workforce Investment Act, Dislocated Worker Program	17.278	
Total Department of Labor		<u>8,537</u>
Department of Transportation		
Direct Programs:		
Airport Improvement Program	20.106	158,196
5307 Urbanized Area Formula Program	20.205	205,554
Streetcar Grant SC-03-0044	20.507	15,856
Passed through State Department of Transportation		
RFATS UPWP2010-2011 (PL112 funds)	20.205	191,670
CMAQ Mt. Gallant/Celanese LPA05-10	20.205	10,394
CMAQ Riverview/RiverChase	20.205	16,789
TEP - Saluda Gateway LPA13-11	20.205	157,289
TEP - White Street/Jones Ave LPA46-03416a	20.205	26,436
Passed through State Department of Public Safety		
Traffic Enforcement Unit 2H10023	20.601	201,617
Total Department of Transportation		<u>983,801</u>
Department of Health and Human Services		
Passed thru National Recreation and Park Association		
ACHIEVE grant	93.283	4,295
Total Department of Health		<u>4,295</u>
Department of Energy		
Direct Programs:		
ARRA - Energy Stimulus Grant	81.128	211,479
ARRA Alt Fuels CNG Conversion	81.214	217,924
Alternative Fuels at Operations Center	81.214	4
Passed through DOE State Energy Program		
Efficiency and Renewables	81.041	4,959
Total Department of Energy		<u>434,366</u>
Department of Homeland Security		
Passed through SC Emergency Management		
Homeland Security Grant 7LETP18	97.067	220,820
Homeland Security Fire 8SHSP69	97.067	149,225
Homeland Sec PD 11SHSP03	97.067	1,871
Homeland Sec Fire 10SHSP40	97.067	79,269
Total Department of Homeland Security		<u>451,185</u>
Total - All Grants		<u>\$ 4,227,149</u>

CITY OF ROCK HILL, SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2013

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, 2013, which have been financed by the United States Department of Housing and Urban Development and other federal agencies as applicable. Except as described in the following paragraph, accounting principles generally accepted in the United States of America are in agreement with the accounting practices prescribed for such programs by the Department of Housing and Urban Development's fiscal control and fund accounting procedures.

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2013, 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 20, 2013.

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

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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, provided 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 20, 2013



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, 2013. 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, 2013.

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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

BURKETT BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
December 20, 2013

CITY OF ROCK HILL, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:
 Unqualified

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: Unqualified

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>
14.218	CDBG
81.214	Alternative Fuels CNG Conversion
97.067	Homeland Security

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

Auditee qualified as low-risk auditee? Yes

CITY OF ROCK HILL, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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.