

**CITY OF YORK,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

CITY OF YORK, SOUTH CAROLINA

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CITY OF YORK, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED SEPTEMBER 30, 2018

Established

1842

MAYOR

J. Edward Lee

CITY COUNCIL MEMBERS

Edward Brown

Steve Love

Bill Miller

Mike Fuesser

Dennis Lowry

Jim Bradford

CITY MANAGER

Lisa L. Wallace

FINANCE DIRECTOR

Barbara Denny



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of York
York, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of York, South Carolina (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of York, South Carolina, as of September 30, 2018, 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.

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Correction of Error

As discussed in Note IV.E in the notes to the financial statements, in the year ended September 30, 2018 the City discovered an error relating to the reporting of its cash that impacted its governmental fund and government-wide financial statements as of September 30, 2017. As a result, the beginning fund balance/net position has been restated in the current year financial statements to correct the error. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended September 30, 2018 the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, the budgetary comparison schedule, the other postemployment benefits plan schedules, and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
March 27, 2019

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

The management of the City of York ("City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018 ("FY 2018" or "2018") compared to the fiscal year ended September 30, 2017 ("FY 2017" or "2017"). The intent of this management's discussion and analysis ("MD&A") is to look at the City's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- In the Statement of Net Position, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by approximately \$21,154,000. Unrestricted net position was a deficit of approximately \$7,002,000 as a result of pension accounting standards that were implemented in 2015 and other postemployment benefits accounting standards that were implemented in 2018 (see below for more details).
- The City's total net position decreased by approximately \$355,000 compared to the prior year decrease of approximately \$912,000, as expenses of approximately \$12,971,000 exceeded revenues of approximately \$12,616,000.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$5,963,000, a decrease of approximately \$136,000.
- At the end of the current year, unassigned fund balance for the General Fund was approximately \$4,273,000, which was 47% of total General Fund expenditures for FY 2018.
- The City's capital assets increased by approximately \$223,000 (1%). The increase in capital assets was primarily due to capital asset additions of approximately \$1,744,000, partially offset by depreciation expense of approximately \$1,521,000.
- The City's total debt (including capital leases) increased by approximately \$152,000 (3%). This increase was primarily due to the issuance of three capital leases, partially offset by regularly scheduled principal payments on existing debt.
- The City's net pension liabilities related to its participation in the State retirement plans decreased by approximately \$95,000 (1%) to approximately \$9,749,000.
- The City adopted GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("GASB #75" or "Statement") for the year ended June 30, 2018. This Statement requires the City to recognize a net other postemployment benefits ("OPEB") liability and any related deferred outflows/inflows of resources for the Agent Multiple-Employer Defined Benefit OPEB Plan ("OPEB Plan"), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption has resulted in the restatement of the City's net position as of July 1, 2017 for its government-wide and enterprise fund financial statements to reflect the reporting of a net OPEB liability and deferred outflows of resources for its OPEB Plan in accordance with the provisions of this Statement. Net position of the City's government-wide financial statements as of October 1, 2017 was decreased by approximately \$2,802,000, which consisted of approximately \$2,382,000 for its governmental activities and \$420,000 for its business-type activities (utility enterprise fund), reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note IV.C in the notes to the financial statements for more information regarding the City's OPEB Plan.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes the MD&A, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section*.

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements

This MD&A is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the City.

Government-Wide Financial Statements. The financial statements include two statements that present different views of the City. These are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety (police and fire), recreation, and public works. The business-type activities are the City's water and sewer operations. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. 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 all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – The City uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund (major fund), Special Revenue Fund (nonmajor fund), and Hospitality/Accommodation Tax Fund (nonmajor fund). The governmental funds financial statements can be found as listed in the table of contents.

Proprietary Funds – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City uses an enterprise fund to account for its water and sewer operations. The proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Required Supplementary Information – Regarding the City's major governmental fund, the City adopts an annual budget for its General Fund. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budgets. The City sponsors an agent multiple-employer defined benefit healthcare plan ("OPEB Plan"). The City has provided the required schedules for the OPEB Plan. Required pension schedules have been included which provide relevant information regarding the City's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information. Supplementary information, which includes budgetary schedules for certain of the City's other budgeted funds, and a schedule of court fines, assessments, and surcharges, is presented immediately following the required supplementary information. The supplementary information can be found as listed in the table of contents.

Figure A-1 Major Features of the City's Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	<u>Government-Wide Financial Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses, in the City's case, all activities related to the water and sewer operations.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses and Change in Net Position. ▪ Statement of Cash Flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for September 30, 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018 *	2017	2018 *	2017	2018 *	2017
Assets:						
Current and Other Assets	\$ 6,821,404	6,806,072	1,465,655	1,384,196	8,287,059	\$ 8,190,268
Capital Assets, Net	8,853,318	8,401,764	22,653,371	22,882,282	31,506,689	31,284,046
Total Assets	15,674,722	15,207,836	24,119,026	24,266,478	39,793,748	39,474,314
Deferred Outflows of Resources	1,467,387	1,666,676	142,148	152,644	1,609,535	1,819,320
Liabilities:						
Long-Term Obligations	2,620,857	1,888,284	3,658,882	4,263,599	6,279,739	6,151,883
Net OPEB Liability	2,758,709	258,401	482,774	42,360	3,241,483	300,761
Net Pension Liability	8,617,397	8,721,541	1,131,240	1,122,263	9,748,637	9,843,804
Other	607,497	551,752	132,039	146,537	739,536	698,289
Total Liabilities	14,604,460	11,419,978	5,404,935	5,574,759	20,009,395	16,994,737
Deferred Inflows of Resources	188,041	29,329	51,417	7,917	239,458	37,246
Net Position:						
Net Investment in Capital Assets	7,112,515	7,408,272	19,328,371	18,962,282	26,440,886	26,370,554
Restricted	1,143,741	796,231	572,053	195,444	1,715,794	991,675
Unrestricted	(5,906,648)	(2,779,298)	(1,095,602)	(321,280)	(7,002,250)	(3,100,578)
Total Net Position	\$ 2,349,608	5,425,205	18,804,822	18,836,446	21,154,430	\$ 24,261,651

* The City adopted GASB #75 in 2018. See Financial Highlights section for more details. The City also restated its net position due to a prior period adjustment. See Note E in the notes to the financial statements for more details.

The City's total assets increased approximately \$319,000 from the prior year. Current and other assets increased approximately \$97,000 primarily due to an increase in cash in 2018. Capital assets increased approximately \$223,000 from the prior year primarily due to capital asset additions exceeding depreciation expense. Total liabilities increased approximately \$3,015,000 from the prior year primarily due to an increase in the net OPEB liability due to the implementation of GASB #75 (see Financial Highlights section for more details) of approximately \$2,941,000, partially offset by regularly scheduled principal payments on debt/capital leases and a decrease in the net pension liabilities related to the City's participation in the State retirement plans. The changes in deferred outflows/inflows were primarily due to differences between expected and actual liability/investment experience, changes in actuarial assumptions, and changes in the percentage of the City's share of the net pension liabilities in the State retirement plans in the current year.

The City's net position decreased by approximately \$355,000 during the current fiscal year primarily due to expenses exceeding revenues. Please see discussion following the next table regarding current year operations.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$21,154,000 as of September 30, 2018. Approximately \$26,441,000 of total net position reflects the City's net investment in capital assets (i.e., land, buildings, water and sewer utility system, equipment, vehicles, infrastructure, etc.) less any related outstanding debt/capital leases used to acquire those assets. 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 generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Approximately \$1,716,000 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenditures, victim's assistance, public safety, and utility expansion. The remaining portion of the City's net position is an unrestricted net deficit of approximately \$7,002,000, which is primarily due to the net pension liabilities related to the State retirement plans in connection with the implementation of GASB #68/71 in 2015 and the net other postemployment benefit liability related to the implementation of GASB #75 in 2018.

The following table shows the changes in the City's net position for 2018 and 2017:

	Governmental Activities		Business-Type Activities		Totals	
	2018 *	2017	2018 *	2017	2018 *	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,605,610	1,729,102	4,223,115	4,093,710	5,828,725	\$ 5,822,812
Operating Grants and Contributions	136,073	181,038	-	-	136,073	181,038
Capital Grants and Contributions	-	-	325,387	877,230	325,387	877,230
General Revenues:						
Taxes	5,840,599	5,556,539	-	-	5,840,599	5,556,539
Other	478,273	446,691	6,617	2,191	484,890	448,882
Total Revenues	8,060,555	7,913,370	4,555,119	4,973,131	12,615,674	12,886,501
Expenses:						
General Government	1,906,494	2,291,592	-	-	1,906,494	2,291,592
Public Safety	4,795,433	4,899,398	-	-	4,795,433	4,899,398
Recreation	872,931	856,325	-	-	872,931	856,325
Public Works	1,534,313	1,548,405	-	-	1,534,313	1,548,405
Interest and Other Charges	44,565	24,848	-	-	44,565	24,848
Water/Sewer	-	-	3,816,950	4,177,961	3,816,950	4,177,961
Total Expenses	9,153,736	9,620,568	3,816,950	4,177,961	12,970,686	13,798,529
Change in Net Position Before Transfers	(1,093,181)	(1,707,198)	738,169	795,170	(355,012)	(912,028)
Transfers	350,000	243,000	(350,000)	(243,000)	-	-
Change in Net Position	(743,181)	(1,464,198)	388,169	552,170	(355,012)	(912,028)
Net Position - Beginning of Year,						
As Previously Reported	5,425,205	6,889,403	18,836,446	18,284,276	24,261,651	25,173,679
Cumulative Change in Accounting Principle	(2,382,471)	-	(419,793)	-	(2,802,264)	-
Prior Period Adjustment	50,055	-	-	-	50,055	-
Net Position - Beginning of Year, Restated	3,092,789	6,889,403	18,416,653	18,284,276	21,509,442	25,173,679
Net Position - End of Year	\$ 2,349,608	5,425,205	18,804,822	18,836,446	21,154,430	\$ 24,261,651

* The City adopted GASB #75 in 2018. See Financial Highlights section for more details. The City also restated its net position due to a prior period adjustment. See Note E in the notes to the financial statements for more details.

Governmental Activities: Governmental activities had a decrease in net position of approximately \$743,000. Governmental activities revenues increased by approximately \$147,000 (2%) from the prior year. Revenues increased approximately \$284,000 over the prior year primarily due to higher assessed values and a higher collection rate. Other revenue categories were pretty consistent with the prior year. Expenses related to total governmental activities decreased by approximately \$467,000, or 5%, from the prior year. This decrease was primarily due to lower operating expenses in the City's departments (i.e. salaries, benefits, maintenance, etc.).

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities: Net position related to business-type activities (i.e., water and sewer operations) increased by approximately \$388,000. This increase was primarily due to revenues of approximately \$4,555,000, exceeding expenses of approximately \$3,817,000 and transfers out of \$350,000. Revenues decreased by approximately \$418,000 primarily due to lower capital grants and contributions of approximately \$552,000 (primarily due to significant utility infrastructure that was donated in the prior year), partially offset by higher charges for services of approximately \$129,000. Expenses decreased by approximately \$361,000 primarily due to lower operating expenses.

FINANCIAL ANALYSIS OF THE CITY'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.

At the end of the current fiscal year, the City's governmental funds reported ending fund balance of approximately \$5,963,000, a decrease of approximately \$136,000, or 2% over the prior year restated fund balance. Approximately 72% of the total fund balance of the governmental funds \$4,273,000 constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately \$546,000 of fund balance represents nonspendable items for notes receivable and prepaids. The remainder of the fund balance is restricted to indicate that it is not available for new spending: (1) for tourism-related expenditures (\$578,000), (2) for victims' assistance (\$153,000), (3) for public safety (\$346,000), and (4) for drug enforcement (\$67,000). Total unassigned fund balance of the governmental funds (General Fund) represents approximately 45% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by approximately \$147,000 from the prior year revenues, primarily due to lower property tax revenues of approximately \$127,000 and lower charges for services of approximately \$59,000.
- Total General Fund expenditures increased by approximately \$1,153,000 from the prior year, primarily due to an increase in capital outlay of approximately \$880,000 (related to the capital leases issued in 2018).

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Net position of the Utility Fund at the end of 2018 was approximately \$18,805,000. Please see "Business-Type Activities" discussion in the previous section for details.

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City made no budget amendments in FY 2018.

The City's actual results for the General Fund were different than the budgeted amounts due to the following:

- Actual revenues were approximately \$142,000, or 2% less than budget, primarily due to property taxes being under budget by approximately \$194,000 and lower recreation fees of approximately \$128,000, partially offset by higher building permit fees of approximately \$45,000.
- Actual expenditures were approximately \$902,000 over budget, mainly due to capital outlay of approximately \$947,000 (primarily due to planned but unbudgeted capital outlay related to the 2018 capital leases).

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

City's capital assets include land, construction in progress, buildings and improvements, infrastructure, utility plant, street improvements, furniture and fixtures, automobiles and trucks, and other equipment. The City's capital assets (net of depreciation) as of September 30, 2018 and 2017 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 563,640	563,640	191,727	191,727	755,367	\$ 755,367
Construction in Progress	14,011	14,011	-	-	14,011	14,011
Buildings and Improvements	8,759,506	8,736,986	-	-	8,759,506	8,736,986
Infrastructure	1,473,510	1,473,510	-	-	1,473,510	1,473,510
Utility Plant	-	-	40,568,239	40,001,029	40,568,239	40,001,029
Street Improvements	777,362	777,362	-	-	777,362	777,362
Furniture and Fixtures	155,530	155,530	-	-	155,530	155,530
Automobiles and Trucks	4,476,018	3,452,889	188,442	188,442	4,664,460	3,641,331
Other Equipment	1,835,139	1,763,537	285,801	285,801	2,120,940	2,049,338
Accumulated Depreciation	(9,201,398)	(8,535,701)	(18,580,838)	(17,784,717)	(27,782,236)	(26,320,418)
Total	<u>\$ 8,853,318</u>	<u>8,401,764</u>	<u>22,653,371</u>	<u>22,882,282</u>	<u>31,506,689</u>	<u>\$ 31,284,046</u>

The total increase in the City's capital assets for 2018 was approximately \$223,000 or 1%. Major capital asset events during 2018 included the following:

- Capital asset additions of approximately \$1,744,000 consisted primarily of:
 - Upgrades to the Utility System - \$567,000.
 - Purchase of vehicles, equipment, and other capital assets - \$1,177,000.
- Depreciation expense of approximately \$725,000 for governmental activities and \$796,000 for business-type activities.

Additional information on the City's capital assets can be found in Notes I and III in the notes to the financial statements.

Debt

As of September 30, 2018, the City had total outstanding debt/capital leases of approximately \$5,066,000. Of this total, approximately \$411,000 was general obligation debt backed by the full faith and credit of the City. The City's total debt/capital leases as of September 30, 2018 and 2017 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 410,699	584,635	-	-	410,699	\$ 584,635
Capital Leases	1,330,104	408,857	-	-	1,330,104	408,857
Revenue Bonds	-	-	3,325,000	3,920,000	3,325,000	3,920,000
Total	<u>\$ 1,740,803</u>	<u>993,492</u>	<u>3,325,000</u>	<u>3,920,000</u>	<u>5,065,803</u>	<u>\$ 4,913,492</u>

CITY OF YORK, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

The total increase in the City's debt/capital leases for 2018 was approximately \$152,000 or 3%. Major events during 2018 included the following:

- Issuance of three capital leases for approximately \$1,074,000 for the purchase of three new police vehicles, a fire truck and a garbage truck.
- Regularly scheduled principal payments of approximately \$921,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The City's statutory debt limit at September 30, 2018 was approximately \$2,285,000. The City had approximately \$411,000 of bonded debt subject to the 8% limit and thus as of September 30, 2018 had an unused legal debt margin of approximately \$1,874,000.

Additional information regarding the City's long-term obligations can be found in Note III in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials and staff considered many factors when setting the fiscal year 2019 ("2019") budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the City's residents were all taken into account.

- **Millage:** The City's 2019 budget has a total millage rate of 124.6 (an increase of 7.4 mills).
- **Revenues and Expenditure:** The City's (a) General Fund budget has total revenues (including transfers in) and total expenditures of approximately \$8,536,000, (b) the Utility Fund budget has total revenues and expenses (including transfers out) of approximately \$4,185,000, and (c) the Hospitality/Accommodation Tax Fund has total revenues and expenditures (including transfers out) of approximately \$490,000.
- **Salaries and Wages:** The 2019 budget provided for a 2% wage increase for all employees. A 1% increase in employer retirement cost was also included in the budget. The City will continue to review our revenues, especially in our General Fund, to find ways to provide enough revenue for annual wage increases so the City can provide stable employment opportunities for our valuable employees.
- **Transfers into the General Fund:** The City continues to offset overhead, personnel, and administrative cost incurred and paid for by the General Fund, but attributable to the Utility Fund by a transfer between funds. The 2019 budget included a \$350,000 transfer.

REQUESTS FOR CITY INFORMATION

This financial report is designed to provide a general overview of the City of York's finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or Director of Finance, 10 N. Roosevelt Street, P.O. Box 500, York, SC 29745. General information about the City can be obtained from our website at www.yorksc.gov.

BASIC FINANCIAL STATEMENTS

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 2,760,094	1,640,076	\$ 4,400,170
Restricted Cash and Cash Equivalents	389,637	659,014	1,048,651
Investments	915,370	-	915,370
Accounts Receivable	208,300	550,434	758,734
Property Taxes Receivable	477,432	-	477,432
Intergovernmental Receivable	107,749	-	107,749
Internal Balances	1,416,682	(1,416,682)	-
Prepays	156,640	-	156,640
Inventory	-	32,813	32,813
Notes Receivable	389,500	-	389,500
Capital Assets:			
Non-Depreciable	577,651	191,727	769,378
Depreciable, Net	8,275,667	22,461,644	30,737,311
TOTAL ASSETS	15,674,722	24,119,026	39,793,748
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	1,275,536	108,575	1,384,111
Deferred Other Postemployment Benefit Charges	191,851	33,573	225,424
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,467,387	142,148	1,609,535
LIABILITIES			
Accounts Payable	229,138	-	229,138
Accrued Salaries and Fringe Benefits	340,579	18,801	359,380
Accrued Interest Payable	37,780	26,277	64,057
Customer Deposits	-	86,961	86,961
Non-Current Liabilities:			
Net Pension Liability	8,617,397	1,131,240	9,748,637
Net Other Postemployment Benefits Liability	2,758,709	482,774	3,241,483
Long-Term Obligations - Due Within One Year	810,030	764,498	1,574,528
Long-Term Obligations - Due in More Than One Year	1,810,827	2,894,384	4,705,211
TOTAL LIABILITIES	14,604,460	5,404,935	20,009,395
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	159,115	46,356	205,471
Deferred Other Postemployment Benefits Credits	28,926	5,061	33,987
TOTAL DEFERRED INFLOWS OF RESOURCES	188,041	51,417	239,458
NET POSITION			
Net Investment in Capital Assets	7,112,515	19,328,371	26,440,886
Restricted For:			
Utility Expansion	-	572,053	572,053
Tourism (Hospitality/Accommodation Taxes)	577,597	-	577,597
Victims Assistance	153,107	-	153,107
Public Safety	346,265	-	346,265
Drug Enforcement	66,772	-	66,772
Unrestricted	(5,906,648)	(1,095,602)	(7,002,250)
TOTAL NET POSITION	\$ 2,349,608	18,804,822	\$ 21,154,430

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,906,494	3,000	-	-	(1,903,494)	-	\$ (1,903,494)
Public Safety	4,795,433	321,115	136,073	-	(4,338,245)	-	(4,338,245)
Recreation	872,931	142,124	-	-	266,440	-	266,440
Public Works	1,534,313	1,139,371	-	-	(1,392,189)	-	(1,392,189)
Interest and Other Charges	44,565	-	-	-	(44,565)	-	(44,565)
Total Governmental Activities	9,153,736	1,605,610	136,073	-	(7,412,053)	-	(7,412,053)
Business-Type Activities:							
Water/Sewer	3,816,950	4,223,115	-	325,387	-	731,552	731,552
Total Business-Type Activities	3,816,950	4,223,115	-	325,387	-	731,552	731,552
TOTAL - PRIMARY GOVERNMENT	\$ 12,970,686	5,828,725	136,073	325,387	(7,412,053)	731,552	(6,680,501)
General Revenues:							
Taxes:							
Property Taxes					3,113,440	-	3,113,440
Hospitality Taxes					496,961	-	496,961
Accommodations Taxes					110,080	-	110,080
Franchise Fees					686,614	-	686,614
Business Licenses					1,433,504	-	1,433,504
Intergovernmental Revenue					375,414	-	375,414
Miscellaneous Revenue					76,438	-	76,438
Investment Earnings					19,183	6,617	25,800
Gain on Sale/Disposal of Capital Assets					7,238	-	7,238
Transfers					350,000	(350,000)	-
Total General Revenues and Transfers					6,668,872	(343,383)	6,325,489
CHANGE IN NET POSITION					(743,181)	388,169	(355,012)
NET POSITION, Beginning of Year, as Previously Reported					5,425,205	18,836,446	24,261,651
Cumulative Change in Accounting Principle - GASB #75					(2,382,471)	(419,793)	(2,802,264)
Prior Period Adjustments					50,055	-	50,055
NET POSITION, Beginning of Year, Restated					3,092,789	18,416,653	21,509,442
NET POSITION, End of Year					\$ 2,349,608	18,804,822	\$ 21,154,430

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

CITY OF YORK, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	NONMAJOR FUNDS			
	GENERAL	SPECIAL	HOSPITALITY/ ACCOMMOD- -ATION TAX	TOTAL
	FUND	REVENUE FUND	FUND	GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,760,094	-	-	\$ 2,760,094
Restricted Cash and Cash Equivalents	258,870	130,767	-	389,637
Investments	915,370	-	-	915,370
Accounts Receivable	176,846	31,454	-	208,300
Property Taxes Receivable	477,432	-	-	477,432
Intergovernmental Receivable	49,895	-	57,854	107,749
Prepays	156,640	-	-	156,640
Due from Other Funds	1,416,682	145,053	519,743	2,081,478
Notes Receivable	389,500	-	-	389,500
TOTAL ASSETS	\$ 6,601,329	307,274	577,597	\$ 7,486,200
LIABILITIES				
Accounts Payable	\$ 229,138	-	-	\$ 229,138
Accrued Expenses	340,579	-	-	340,579
Due to Other Funds	664,796	-	-	664,796
TOTAL LIABILITIES	1,234,513	-	-	1,234,513
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	288,539	-	-	288,539
FUND BALANCES				
Nonspendable				
Notes Receivable - Pee Dee Rose Hotel	389,500	-	-	389,500
Prepays	156,640	-	-	156,640
Restricted for:				
Tourism	-	-	577,597	577,597
Victim's Assistance	-	153,107	-	153,107
Public Safety	258,870	87,395	-	346,265
Drug Enforcement	-	66,772	-	66,772
Unassigned	4,273,267	-	-	4,273,267
TOTAL FUND BALANCES	5,078,277	307,274	577,597	5,963,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,601,329	307,274	577,597	\$ 7,486,200

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

CITY OF YORK, SOUTH CAROLINA

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

SEPTEMBER 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,963,148**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$18,054,716 and the accumulated depreciation was \$9,201,398. 8,853,318

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds. 288,539

Net other postemployment benefits liability and deferred outflows and inflows related to the City's other postemployment benefits plan are not recorded in the governmental funds but are recorded in the Statement of Net Position. (2,595,784)

The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (7,500,976)

Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (37,780)

Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consisted of the following:

Long-Term Obligations (Debt and Lease Purchase Obligations)	(1,740,803)	
Compensated Absences (General Leave)	(880,054)	(2,620,857)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 2,349,608**

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	NONMAJOR FUNDS			
	GENERAL	SPECIAL	HOSPITALITY/ ACCOMMOD- -ATION TAX	TOTAL
	FUND	REVENUE	FUND	GOVERNMENTAL
REVENUES		FUND		FUNDS
Taxes				
Ad Valorem	\$ 3,048,191	-	-	\$ 3,048,191
Franchise Fees	686,614	-	-	686,614
Occupancy	3,000	-	-	3,000
Hospitality/Accommodation Taxes	-	-	607,041	607,041
Licenses and Permits	1,558,323	-	-	1,558,323
Fines and Levies	83,676	-	-	83,676
Charges for Services	1,156,676	-	-	1,156,676
Fire Protection	81,749	-	-	81,749
State Shared Revenue	375,414	-	-	375,414
Grants	-	124,650	-	124,650
School District Partnership	155,100	-	-	155,100
Other	88,037	19,597	-	107,634
TOTAL REVENUES	7,236,780	144,247	607,041	7,988,068
EXPENDITURES				
Current:				
General Government	1,649,622	-	116,489	1,766,111
Public Safety	4,102,477	111,426	-	4,213,903
Recreation	757,371	-	-	757,371
Public Works	1,248,928	-	-	1,248,928
Capital Outlay	1,144,504	-	72,952	1,217,456
Debt Service:				
Principal	222,487	-	103,936	326,423
Interest and Fiscal Charges	12,214	-	12,909	25,123
TOTAL EXPENDITURES	9,137,603	111,426	306,286	9,555,315
EXCESS OF REVENUES OVER EXPENDITURES	(1,900,823)	32,821	300,755	(1,567,247)
OTHER FINANCING SOURCES (USES)				
Issuance of Capital Leases	1,073,734	-	-	1,073,734
Proceeds from Sale/Disposal of Capital Assets	7,238	-	-	7,238
Transfers In	590,000	10,575	-	600,575
Transfers Out	(10,575)	-	(240,000)	(250,575)
TOTAL OTHER FINANCING SOURCES (USES)	1,660,397	10,575	(240,000)	1,430,972
NET CHANGES IN FUND BALANCES	(240,426)	43,396	60,755	(136,275)
FUND BALANCES, Beginning of Year, As Previously Reported	5,318,703	213,823	516,842	6,049,368
Prior Period Adjustments	-	50,055	-	50,055
FUND BALANCES, Beginning of Year, Restated	5,318,703	263,878	516,842	6,099,423
FUND BALANCES, End of Year	\$ 5,078,277	307,274	577,597	\$ 5,963,148

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

CITY OF YORK, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (136,275)**

Amounts reported for the governmental activities in the Statement of Activities are different
because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	65,249
Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	326,423
Bond proceeds provide current financial resources to the governmental fund, but issuing debt or entering into notes payable increases long-term liabilities in the Statement of Net Position.	(1,073,734)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(19,442)
Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	(416,782)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	14,738
Changes in the net other postemployment benefits liability and deferred outflows and inflows of resources for the City's other postemployment benefits plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	45,088
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$1,176,918 exceeded depreciation expense of \$725,364 in the current period.	<u>451,554</u>

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (743,181)**

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2018

	UTILITY FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,640,076
Restricted Cash and Cash Equivalents	659,014
Account Receivable, Net	550,434
Inventory	32,813
Total Current Assets	2,882,337
Noncurrent Assets	
Non-Depreciable Capital Assets	191,727
Depreciable Capital Assets, Net	22,461,644
Total Noncurrent Assets	22,653,371
TOTAL ASSETS	25,535,708
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	108,575
Deferred OPEB Charges	33,573
Total Deferred Outflows of Resources	142,148
LIABILITIES	
Current Liabilities	
Accrued Salaries and Fringe Benefits	18,801
Accrued Interest Payable	26,277
Due to General Fund	1,416,682
Customer Deposits	86,961
Current Portion - Compensated Absences	89,498
Current Portion - Debt	675,000
Total Current Liabilities	2,313,219
Noncurrent Liabilities	
Compensated Absences, Less Current Portion	244,384
Debt, Less Current Portion	2,650,000
Net Pension Liability	1,131,240
Net Other Postemployment Benefits Liability	482,774
Total Non-Current Liabilities	4,508,398
TOTAL LIABILITIES	6,821,617
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	46,356
Deferred OPEB Credits	5,061
Total Deferred Inflows of Resources	51,417
NET POSITION	
Net Investment in Capital Assets	19,328,371
Restricted for Utility Expansion	572,053
Unrestricted	(1,095,602)
TOTAL NET POSITION	\$ 18,804,822

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2018

	UTILITY FUND
OPERATING REVENUES	
Charges for Service	
Water and Sewer Revenue	\$ 3,756,089
Water and Sewer Taps	22,492
Meter Connection Fees	50,411
Sprinkler/Hydrant Fees	11,244
Pre-Treatment Wastewater	17,416
Administrative Fee	55,575
Other	1,814
TOTAL OPERATING REVENUES	3,915,041
OPERATING EXPENSES	
Utility Administration	2,773,734
Waterworks Department	4,751
Non-Departmental	155,634
Depreciation	796,121
TOTAL OPERATING EXPENSES	3,730,240
OPERATING INCOME (LOSS)	184,801
NONOPERATING REVENUES (EXPENSES)	
Capital Grants	325,387
Capacity Fees	308,074
Interest Earned	6,617
Interest Expense	(86,710)
TOTAL NONOPERATING REVENUES (EXPENSES)	553,368
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	738,169
Transfers Out	(350,000)
CHANGE IN NET POSITION	388,169
NET POSITION, Beginning of Year, As Previously Reported	18,836,446
Cumulative Change in Accounting Principle - GASB #75	(419,793)
NET POSITION, Beginning of Year, Restated	18,416,653
NET POSITION, End of Year	\$ 18,804,822

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2018

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 4,233,490
Cash Payments for Goods and Services	(1,928,250)
Cash Payments to Employees	(938,941)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,366,299
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances and Transfers (to) from Other Funds	(62,458)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(62,458)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants	325,387
Acquisition of Capital Assets	(567,210)
Principal Paid on Revenue Bonds	(595,000)
Interest Payments on Revenue Bonds	(91,064)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(927,887)
CASH FLOWS FROM INVESTING ACTIVITIES	
Income on Investments	6,617
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,617
NET INCREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS	382,571
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	1,916,519
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	\$ 2,299,090
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 184,801
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	796,121
Other Non-Operating Income	308,074
Changes in Accounts Representing Operating Activities:	
Account Receivable, Net	13,570
Deferred Pension Charges	44,069
Deferred OPEB Charges	(11,433)
Accrued Salaries and Fringe Benefits	(6,948)
Customer Deposits	(3,196)
Compensated Absences	(9,717)
Net OPEB Obligation	(1,519)
Net Pension Liability	8,977
Deferred Pension Credits	38,439
Deferred OPEB Credits	5,061
Net Cash Provided by Operating Activities	\$ 1,366,299

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

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

SEPTEMBER 30, 2018

	FIREMAN'S FUND
ASSETS	
Cash and Cash Equivalents	\$ 16,603
TOTAL ASSETS	16,603
LIABILITIES	
Held in Custody for Others	16,603
TOTAL LIABILITIES	\$ 16,603

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

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

The City of York ("City") was incorporated in 1842. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City operates under a Council-Manager Form of government and provides the following services as authorized by its charter; public safety, public works, recreation, and water and sewer with a Mayor elected at large and six council members elected from single member districts. The Mayor and Council are vested with the legislative and policymaking powers of the City. The Council appoints a City Manager who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the financial statements must present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) 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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all 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; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. 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.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any component units.

Major Operations

The City's major governmental operations include: general government, public safety (police and fire), recreation, and public works. In addition, the City provides water and sewer operations through its utility fund.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following fund types and funds are used by the City.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related balance sheet items (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's fund governmental funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all governmental revenues and expenditures of the City. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following special revenue funds:

The **Special Revenue Fund, a nonmajor fund** and a budgeted fund, is used to primarily account for public safety grant revenues/expenditures and victim's advocate revenues/expenditures that are legally restricted for specified purposes.

The **Hospitality/Accommodation Tax Fund, a nonmajor fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales (hospitality tax) and the rental of accommodations (accommodation tax) within the City limits. These funds are restricted and thus can only be spent for tourism related expenditures.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are generally reported as non-operating items. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has one enterprise fund.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following enterprise funds:

The **Utility Fund, a major enterprise fund** and a budgeted fund, is used to account for all activities of the City's water/sewer operations. The revenues of this fund are generated through water/sewer fees charged to customers. Services are supplied to customers under a rate structures designed to produce revenues sufficient to recover operating expenses, including principal and interest on proprietary fund debt. This fund is restricted for the payment of water/sewer expenses.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Change in Accounting Principle

The City adopted GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“GASB #75” or “Statement”) for the year ended September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (“OPEB”). It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. It is GASB’s intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City’s financial obligations to current and former employees for past services rendered.

In particular, this Statement requires the City to recognize a net OPEB liability, any related deferred outflows/inflows of resources, and a more comprehensive measure of OPEB expense for its agent multiple-employer defined benefit OPEB plan (“OPEB Plan”), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption has resulted in the restatement of the City’s net position as of October 1, 2017 for its government-wide and enterprise fund financial statements to reflect the reporting of a net OPEB liability and deferred outflows of resources for its OPEB Plan in accordance with the provisions of this Statement. Net position of the City’s government-wide financial statements as of October 1, 2017 was decreased by approximately \$2,802,000, which consisted of approximately \$2,382,000 for its governmental activities and \$420,000 for its business-type activities (utility enterprise fund), reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note IV.C for more information regarding the City’s OPEB Plan.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The City’s operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool ("South Carolina LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All accounts receivable, property taxes receivable, intergovernmental receivable, and notes receivable are shown net of an allowance for uncollectible amounts (if material). Accounts receivables are comprised of amounts due from entities and individuals for a variety of types of fees, including but not limited to, franchise fees, hospitality fees, accommodations taxes, garbage fees, water/sewer fees, and other fees/charges.

3. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out method. Prepaids and inventories are recorded as expenditures/expenses at the time the items are consumed (consumption method) rather than when purchased (if material).

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Utility Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Utility Fund are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the Proprietary Fund financial statements.

The City defines capital assets 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. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend its life 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 (if material). Depreciation of exhaustible capital assets used by the Proprietary Fund is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Fund's balance sheet.

Capital assets are depreciated on the straight-line method generally using the following estimated useful lives:

Buildings and Improvements	5 - 50 years
Infrastructure	5 - 15 years
Streets Improvements	5 - 20 years
Furniture and Fixtures	5 - 25 years
Water and Sewer Utility Systems	5 - 50 years
Automobiles, Trucks, and Equipment	3 - 20 years

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. *Compensated Absences*

The City's employees earn vacation time, which either may be taken or accumulated until paid upon retirement or termination. Each employee may accumulate a maximum of 320 hours of vacation time. Any vacation over 320 hours not taken in the year earned will be forfeited. An employee who has at least 16 years of continuous services and has a minimum of 280 hours accumulated vacation balance may request to be reimbursed for one or two weeks once per calendar year. The remaining 10 days must be taken as annual leave within the calendar year.

Sick leave may be accumulated up to 1,240 hours. Sick leave must be used for valid illness but will be paid out up to a maximum of 120 hours. Employees that retire from the City may apply a maximum of 1,040 hours toward early retirement. Compensatory leave is accumulated up through the employee's effective date of termination and is paid at the employee's regular rate of pay.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the Utility Fund. The governmental funds will also recognize a liability for compensated absences if they have matured, for example, as a result of employee resignation or retirement prior to fiscal year end (if material).

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports *deferred OPEB charges* in its Statement of Net Position in connection with its OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports *unavailable revenue* for property taxes only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (3) The City reports *deferred OPEB credits* in its Statement of Net Position in connection with its OPEB Plan. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

8. *Fund Balance*

In accordance with GAAP, the City classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, note receivables, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, lease purchase obligations, and capital leases which have not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

10. Pensions and Other Postemployment Benefits

In government-wide financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes net pension and net OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City’s fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11. Fair Value (Continued)

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

12. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the balance sheet date. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

13. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City's charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures of the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council. Prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

Budgeted amounts are as originally adopted, or as amended by the City Council and are prepared on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The City did not amend any of its budgets in the current year.

The City has elected to present its budgetary comparison information (required supplementary information) for the General Fund as a separate schedule and not as a basic financial statement.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The General Fund, Hospitality/Accommodations Tax Fund (which is made up of several subfunds), and Utility Fund (which is made up of several subfunds) were the governmental and enterprise funds for which the City has legally adopted budgets. See the required supplementary information and the supplementary information for details on the City's budgeted funds.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2018, approximately \$14,000 of the City's bank balances of approximately \$6,851,000 (with a carrying value of approximately \$6,356,000) were exposed to custodial credit risk.

Investments

As of September 30, 2018, the City had the following investments and maturities:

Investment Type	Credit Rating *	Fair Value Level (1)	Fair Value	WAM (In Years)
South Carolina LGIP	Unrated	N/A	\$ 24,362	< 1 Year

* If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

(1) See Note I.C.11 for details on the City's fair value hierarchy.

N/A - Not Applicable

WAM = weighted average maturity.

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The City places no limit on the amount the City may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents, and investments of the City are legally restricted for specified purposes. The major types of restrictions at September 30, 2018 were those imposed by the revenue or other financing source (i.e. hospitality taxes, accommodation taxes, etc.).

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation of Deposits and Investments to the Financial Statements

A reconciliation of cash, cash equivalents, and investments as shown in the statement of net position for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 6,356,432
Fair Value of Investments	24,362
Total Deposits and Investments	<u>\$ 6,380,794</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 4,400,170
Restricted Cash and Cash Equivalents	1,048,651
Investments	915,370
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	
Cash and Cash Equivalents	16,603
Total Cash, Cash Equivalents, and Investments	<u>\$ 6,380,794</u>

B. Receivables and Unavailable Revenues

Property Taxes and Deferred Inflows of Resources

York County, South Carolina (the "County") is responsible for levying and collecting property taxes to meet the funding obligations of the City. This obligation is established each year by City Council. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value.

Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 th	3%
February 2 nd	an additional 7%
March 17 th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The City's fiscal year 2018 real and business personal property taxes (which was for tax year 2017) were levied in October 2017 based on a millage rate of 117.2 mills (same as the prior year) and were due beginning on that date. The City's assessed value of real and personal property was approximately \$28.6 million for tax year 2017. Amounts received by the County but not yet remitted to the City at year end (immaterial amounts) are included in "Property Taxes Receivable" in the balance sheet and statement of net position.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable Revenues (Continued)

Property Taxes and Deferred Inflows of Resources (Continued)

The City has recorded uncollected property taxes at September 30, 2018 of approximately \$477,000. The City recognized outstanding delinquent property taxes as revenue in the current year because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$289,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements.

Notes Receivable

The note receivables relate to loans the City provided to a developer in December 1999 and June 2000 for approximately \$410,000 (discounted to approximately \$390,000) related to the PeeDee Apartments (rehabilitation of the Rose Hotel) and are subject to repayment commencing on the 41st anniversary of the completion date (first payment is scheduled to be made starting in 2032).

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at September 30, 2018, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 1,416,682	\$ 664,796
Special Revenue Fund	145,053	-
Hospitality/Accommodation Tax Fund	519,743	-
<u>Enterprise Fund:</u>		
Utility Fund	-	1,416,682
Totals	<u>\$ 2,081,478</u>	<u>\$ 2,081,478</u>

The interfund receivables and payables are primarily the result of the General Fund handling the cash activities of the Special Revenue Fund, Hospitality/Accommodation Tax Fund, and the Utility Fund. The General Fund (a) finances the salaries and other operating expenses for the Utility Fund, (b) processes vendor payments and payroll transactions for the Special Revenue Fund, Hospitality/Accommodation Tax Fund, and the Utility Fund, and (c) collects customer payments for the Utility Fund.

As these cash activities occur, the General Fund records this activity in the interfund account with the actual income or expenditure/expense being recorded in the appropriate fund (i.e. Special Revenue Fund, Hospitality/Accommodations Tax Fund, and the Utility Fund). Amounts to be paid between the funds are accounted for in the interfund receivable/payable accounts.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Receivables and Payables (Continued)

Interfund Transfers

Interfund transfers for the year ended September 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Fund:</u>		
General Fund	\$ 590,000	\$ 10,575
Special Revenue Fund	10,575	-
Hospitality/Accommodation Tax Fund	-	240,000
<u>Enterprise Fund:</u>		
Utility Fund	-	350,000
Totals	<u>\$ 600,575</u>	<u>\$ 600,575</u>

Funds are transferred to the General Fund from the Utility Fund in lieu of overhead, salary and fringe benefits, and administrative cost. Council approves the amounts transferred annually during the budget process. The Hospitality/Accommodations Tax Fund transferred funds to the General Fund for expenditures related to events the City hosted. The transfer from the General Fund to the Special Revenue Fund was to create a new Police Officers sub fund.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 563,640	-	-	-	\$ 563,640
Construction In Progress	14,011	-	-	-	14,011
Total Capital Assets, Non-Depreciable	<u>577,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,651</u>
Capital Assets, Depreciable:					
Buildings and Improvements	8,736,986	22,520	-	-	8,759,506
Infrastructure	1,473,510	-	-	-	1,473,510
Street Improvements	777,362	-	-	-	777,362
Furniture and Fixtures	155,530	-	-	-	155,530
Automobiles and Trucks	3,452,889	1,082,796	59,667	-	4,476,018
Other Equipment	1,763,537	71,602	-	-	1,835,139
Total Capital Assets, Depreciable	<u>16,359,814</u>	<u>1,176,918</u>	<u>59,667</u>	<u>-</u>	<u>17,477,065</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,001,146	196,388	-	-	4,197,534
Infrastructure	128,896	128,896	-	-	257,792
Street Improvements	301,675	48,567	-	-	350,242
Furniture and Fixtures	149,665	896	-	-	150,561
Automobiles and Trucks	2,319,989	288,763	59,667	-	2,549,085
Other Equipment	1,634,330	61,854	-	-	1,696,184
Total Accumulated Depreciation	<u>8,535,701</u>	<u>725,364</u>	<u>59,667</u>	<u>-</u>	<u>9,201,398</u>
Total Capital Assets, Depreciable, Net	<u>7,824,113</u>	<u>451,554</u>	<u>-</u>	<u>-</u>	<u>8,275,667</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,401,764</u>	<u>451,554</u>	<u>-</u>	<u>-</u>	<u>\$ 8,853,318</u>

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 45,204	\$ 69,028
Public Safety	829,213	294,098
Recreation	48,918	87,260
Public Works	253,583	274,978
Total - Governmental Activities	<u>\$ 1,176,918</u>	<u>\$ 725,364</u>

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 191,727	-	-	-	\$ 191,727
Construction In Progress	-	567,210	-	(567,210)	-
Total Capital Assets, Non-Depreciable	191,727	567,210	-	(567,210)	191,727
Capital Assets, Depreciable:					
Utility Plant	40,001,029	-	-	567,210	40,568,239
Automobile and Trucks	188,442	-	-	-	188,442
Other Equipment	285,801	-	-	-	285,801
Total Capital Assets, Depreciable	40,475,272	-	-	567,210	41,042,482
Less: Accumulated Depreciation for:					
Utility Plant	17,335,967	793,314	-	-	18,129,281
Automobile and Trucks	188,442	-	-	-	188,442
Other Equipment	260,308	2,807	-	-	263,115
Total Accumulated Depreciation	17,784,717	796,121	-	-	18,580,838
Total Capital Assets, Depreciable, Net	22,690,555	(796,121)	-	567,210	22,461,644
Business-Type Activities Capital Assets, Net	\$ 22,882,282	(228,911)	-	-	\$ 22,653,371

Capital asset additions and depreciation expense for business-type activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water/Sewer	\$ 567,210	\$ 796,121

The City business-type activities receive from time to time donated capital assets (generally water and sewer lines) from subdivisions/projects that are given to the City from various parties. For the year ended September 30, 2018, the City did not receive any donations.

The cost of equipment and other assets recorded under capital lease in the City's governmental and business-type activities was approximately \$1,986,000 and accumulated amortization was approximately \$597,000 at September 30, 2018. Amortization of assets recorded under capital lease obligations has been included with depreciation expense

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from a specific source (water/sewer charges). Capital Lease ("CL") obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are not pledged for the payment of the RB or CL obligations nor the interest thereon.

Details on the City's outstanding debt and capital lease issues as of September 30, 2018 are as follows:

	Balance at September 30, 2018
<i>General Obligation and General Obligation Refunding Bonds</i>	
\$455,000 general obligation refunding bonds issued in June 2009 ("GORB – 2009"), due in annual installments of \$30,000 to \$80,000 beginning on June 1, 2012 through June 1, 2019, plus interest at 2.50% due annually. The proceeds from this issue were used to current refund GOB Series 2007 used to purchase a fire truck.	\$ 80,000
\$1,000,000 general obligation bonds issued in October 2010 ("GOB – 2010"), due in annual installments of \$89,000 to \$113,000 beginning on October 1, 2011 through October 1, 2020, plus interest at 2.97% due annually. The proceeds from this issue were used primarily to renovate City hall.	330,699
<i>Capital Leases</i>	
\$229,000 capital lease issued in June 2012 ("CL – 2012B"), due in semi-annual installments of \$17,604 beginning on December 1, 2012 through June 1, 2018, which includes interest at 1.99%. The proceeds from this issue were used to purchase a garbage truck.	34,689
\$100,000 capital lease issued in July 2015 ("CL – 2015"), due in semi-annual installments of \$11,577 beginning on January 7, 2016 through January 7, 2020, which includes interest at 1.66%. The proceeds from this issue were used to purchase three police vehicles.	34,163
\$116,208 capital lease issued in February 2017 ("CL – 2017A"), due in annual installments of \$30,704 beginning on February 23, 2018 through February 23, 2021, which includes interest at 2.25%. The proceeds from this issue were used to purchase three police vehicles.	88,118
\$112,167 capital lease issued in March 2017 ("CL – 2017B"), due in annual installments of \$15,750 beginning on March 15, 2018 through March 15, 2025, which includes interest at 2.66%. The proceeds from this issue were used to purchase a wheel loader.	99,400
\$714,917 capital lease issued in October 2017 ("CL – 2017C"), due in annual installments of \$81,138 beginning on October 13, 2018 through October 13, 2027, which includes interest at 2.37%. The proceeds from this issue were used to purchase a fire truck.	714,917
\$225,731 capital lease issued in October 2017 ("CL – 2017D"), due in annual installments of \$35,228 beginning on October 13, 2018 through October 13, 2024, which includes interest at 2.26%. The proceeds from this issue were used to purchase a garbage truck.	225,731
\$133,086 capital lease issued in February 2018 ("CL – 2018A"), due in annual installments of \$35,496 beginning on February 8, 2019 through February 8, 2022, which includes interest at 2.64%. The proceeds from this issue were used to purchase three police vehicles.	\$ 133,086

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	Balance at September 30, 2018
<i>Revenue and Refunding Revenue Bonds</i>	
\$1,475,000 waterworks and sewer system refunding revenue bonds issued in December 2011 (“RRB – 2011”), due in annual installments of approximately \$100,000 to \$300,000 beginning July 1, 2012 through July 1, 2019, plus interest at 2.50% due semiannually. The proceeds from this issue were used to current refund the 2004 revenue bonds. The original 204 revenue bonds were used to finance the City’s water and sewer system upgrades.	\$ 300,000
\$4,000,000 waterworks and sewer system refunding revenue bonds issued in December 2014 (“RRB – 2014”), due in annual installments of approximately \$300,000 to \$500,000 beginning December 1, 2014 through December 1, 2024, plus interest at 2.42% due semiannually. The proceeds from this issue were used to current refund the 2009 revenue bonds. The original 2009 revenue bonds were used to finance the City’s upgrades to the wastewater plant, a pump station, and other capital improvements.	\$ 3,025,000

The order of priority for pledges and security on the capital assets of the City’s water/sewer activities is the revenue bonds. The revenue bond requires the City to maintain user rates sufficient to generate net earnings, as defined by the agreements, 100% of the annual principal and interest payments on the revenue bonds and junior bonds (as defined). The revenue bonds contain significant requirements for meeting annual debt service payments and to comply with other general requirements. The City is in compliance with all of the significant financial covenants at September 30, 2018.

Interest paid on the debt issued by the City is generally exempt from federal income tax. The City may sometimes temporarily reinvest the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not have any arbitrage liability at September 30, 2018.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of September 30, 2018, the City had approximately \$411,000 of bonded debt subject to the 8% limit of approximately \$2,285,000 resulting in an unused legal debt margin of approximately \$1,874,000.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's governmental activities for the year ended September 30, 2018:

Long-Term Obligations	Beginning Balances	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GORB – 2009	\$ 150,000	-	70,000	80,000	\$ 80,000
GOB – 2010	434,635	-	103,936	330,699	107,023
Total Debt	584,635	-	173,936	410,699	187,023
Capital Leases:					
CL - 2012A	24,009	-	24,009	-	-
CL - 2012B	68,698	-	34,009	34,689	34,689
CL - 2014	31,303	-	31,303	-	-
CL - 2015	56,472	-	22,309	34,163	22,681
CL - 2017A	116,208	-	28,090	88,118	28,722
CL - 2017B	112,167	-	12,767	99,400	13,107
CL - 2017C	-	714,917	-	714,917	64,194
CL - 2017D	-	225,731	-	225,731	30,126
CL - 2018A	-	133,086	-	133,086	31,983
Total Capital Leases	408,857	1,073,734	152,487	1,330,104	225,502
Compensated Absences	894,792	382,767	397,505	880,054	397,505
Total Governmental Activities	\$ 1,888,284	1,456,501	723,928	2,620,857	\$ 810,030

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended September 30, 2018:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
RB – 2011	\$ 545,000	-	245,000	300,000	\$ 300,000
RB – 2014	3,375,000	-	350,000	3,025,000	375,000
Total Debt	3,920,000	-	595,000	3,325,000	675,000
Compensated Absences	343,599	79,781	89,498	333,882	89,498
Total Business-Type Activities	\$ 4,263,599	79,781	684,498	3,658,882	\$ 764,498

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of debt service and capital lease requirements to maturity by year for the City's governmental activities as of September 30, 2018:

Year Ended September 30,	Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities:</u>					
2019	\$ 187,023	11,822	225,502	31,178	\$ 455,525
2020	110,202	6,643	183,655	26,238	326,738
2021	113,474	3,370	176,311	22,006	315,161
2022	-	-	149,844	17,765	167,609
2023	-	-	118,001	14,115	132,116
2024-2028	-	-	476,791	30,854	507,645
Totals	\$ 410,699	21,835	1,330,104	142,156	\$ 1,904,794

Presented below is a summary of debt service requirements to maturity by year for the City's business-type activities as of September 30, 2018:

Year Ended September 30,	Debt		Total
	Principal	Interest	
<u>Business-Type Activities</u>			
2019	\$ 675,000	76,168	\$ 751,168
2020	400,000	59,290	459,290
2021	400,000	49,610	449,610
2022	425,000	39,628	464,628
2023	450,000	29,040	479,040
2024-2025	975,000	23,898	998,898
Totals	<u>\$ 3,325,000</u>	<u>277,634</u>	<u>\$ 3,602,634</u>

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

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. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF") and the South Carolina Municipal Insurance Trust ("SCMIT"), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

The City pays an annual premium to SCMIRF for its general risk insurance. For the year ended September 30, 2018, the City made premium payments totaling approximately \$86,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$12,207,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)

The City pays an annual premium to SCMIT for its workers compensation insurance. For the year ended September 30, 2018, the City made premium payments totaling approximately \$118,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$55,464,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

B. Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership (Continued)

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

	SCRS Rates					
	2016		2017		2018	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate: ^						
Retirement	10.91%	11.41%	11.41%	13.41%	13.41%	14.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>11.06%</u>	<u>11.56%</u>	<u>11.56%</u>	<u>13.56%</u>	<u>13.56%</u>	<u>14.56%</u>
Employee Rate	<u>8.16%</u>	<u>8.66%</u>	<u>8.66%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
	PORS Rates					
	2016		2017		2018	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate: ^						
Retirement	13.34%	13.84%	13.84%	15.84%	15.84%	16.84%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	<u>13.74%</u>	<u>14.24%</u>	<u>14.24%</u>	<u>16.24%</u>	<u>16.24%</u>	<u>17.24%</u>
Employee Rate	<u>8.74%</u>	<u>9.24%</u>	<u>9.24%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

^ Calculated on earnable compensation as defined in Table 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed to the Plans for the past three years were as follows:

Year Ended September 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2018	\$ 318,492	100%	\$ 381,104	100%
2017	271,146	100%	318,546	100%
2016	\$ 246,945	100%	\$ 288,604	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2018. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2018 (measurement date) to the City were approximately \$22,000 and \$21,000 for the SCRS and PORS, respectively.

The City recognized contributions (on-behalf benefits) from the State of approximately \$32,000 for the year ended September 30, 2018. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Year Ended September 30,	SCRS Payroll	PORS Payroll	Total Payroll
2018	\$ 2,308,246	2,313,193	\$ 4,621,439
2017	2,256,674	2,164,250	4,420,924
2016	\$ 2,204,890	2,078,908	\$ 4,283,798

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018 for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016:

Former Job Class	Males	Females
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females multiplied by 111%

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2018 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	26,414,916,370	\$ 22,406,813,697	54.1%
PORS	\$ 7,403,972,673	4,570,430,247	\$ 2,833,542,426	61.7%

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At September 30, 2018, the City reported liabilities of approximately \$5,014,000 and \$4,734,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2018, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2017 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the City's SCRS proportion was 0.022378 percent, which was a decrease of 0.001074 from its proportion measured as of June 30, 2017. At the June 30, 2018 measurement date, the City's PORS proportion was 0.16708 percent, which was an increase of 0.00047 from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of approximately \$465,000 and \$754,000 for the SCRS and PORS, respectively. At September 30, 2018, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 9,051	\$ 29,507
Change in Assumptions	198,937	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,651	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	113,636	175,964
Employer Contributions Subsequent to the Measurement Date	79,985	-
Total SCRS	481,260	205,471
PORS		
Differences Between Expected and Actual Experience	145,875	-
Change in Assumptions	312,163	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	94,677	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	256,323	-
Employer Contributions Subsequent to the Measurement Date	93,813	-
Total PORS	902,851	-
Total SCRS and PORS	\$ 1,384,111	\$ 205,471

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$80,000 and \$94,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended September 30,	SCRS	PORS	Total
2019	\$ 187,815	424,341	\$ 612,156
2020	126,434	305,292	431,726
2021	(105,830)	72,432	(33,398)
2022	(12,615)	6,973	(5,642)
Total	<u>\$ 195,804</u>	<u>809,038</u>	<u>\$ 1,004,842</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability of the SCRS	\$ 6,407,252	5,014,228	\$ 4,018,349
City's proportionate share of the net pension liability of the PORS	6,382,575	4,734,409	3,384,423
Total	<u>\$ 12,789,827</u>	<u>9,748,637</u>	<u>\$ 7,402,772</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The City reported a payable of approximately \$92,000 to the PEBA as of September 30, 2018, representing required employer and employee contributions for the month of September 2018 for the SCRS and PORS. This amount is included in Accrued Expenses on the financial statements and was paid in October 2018.

C. Other Postemployment Benefits

Plan Description

The City sponsors a defined benefit postemployment healthcare plan (the "OPEB Plan") that provides medical and dental insurance for eligible retirees under the Medicare eligible age of 65. The OPEB Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), and thus is considered an agent multiple-employer plan, whose OPEB Plan assets are administered by the Municipal Association of South Carolina ("MASC"). SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

Plan Membership

As of July 1, 2017, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	17
Active Members	60
Total Membership	<u>77</u>

Plan Benefits and Contributions

A regular full-time City employee who is a member of the State Retirement System (SCRS and PORS) is eligible for retiree insurance as follows:

1. An employee with 15 years of service as of July 1, 2010, who retires under the State Retirement System at age 55, having completed 20 years of continuous service with the City is eligible for health insurance on the City's plan. The City pays 100% of the Cigna plan until age 65, at which time the City pays 100% of the Medicare Supplement until death.
2. An employee with 10 but not yet 15 years of service as of July 1, 2010, who retires under the State Retirement System at age 55, having completed 15 years of continuous service with the City is eligible for health insurance on the City's plan. The City pays 50% of the Cigna plan until age 65, at which time the City pays 50% of the Medicare Supplement until death.
3. An employee hired July 1, 2000 or after who retires under the State Retirement System at age 55, having completed 20 years of continuous service with the City is eligible for health insurance on the City's plan. The City pays \$300 a month to age 65, at which time the City pays \$300 a month of the Medicare Supplement until death. The retiree must remain on the City's insurance plan.
4. An employee hired July 1, 2000 or after who retires under the State Retirement System at age 55, having completed 15, but fewer than 20 years of continuous service with the City is eligible for health insurance on the City's plan. The City pays \$150 a month to age 65, at which time the City pays \$150 a month of the Medicare Supplement until death. The retiree must remain on the City's insurance plan.
5. Employees or elected officials hired after January 1, 2013 will no longer be offered retiree insurance by the City.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Plan Benefits and Contributions (Continued)

Spouses and dependents are not eligible for retiree coverage. If a retiree goes to work where health coverage is available, he/she forfeits City coverage. Information regarding the State Retirement System (SCRS and PORS) eligibility may be found in Note IV.B.

City contributions include the cost of health and dental premiums. City contributions that are listed with a specific dollar amount (\$300 or \$150 per month) are not expected to increase in the future. The City also provides \$10,000 in life insurance to qualified retirees under age 65. At age 65, the policy reduces to \$6,500, further reducing to \$5,000 at age 70, where it remains until death.

Coverage in the City's group health plan will continue until the qualified retiree becomes Medicare eligible, at which time health coverage will be converted to a Medicare Supplement policy.

The total monthly costs for the pre-65 and post-65 plan coverage options are as follows:

	<u>Medical</u>	<u>Dental</u>
Pre-65 Total Cost of Coverage	\$ 688.44	\$ 35.61
Post-65 Total Cost of Coverage	\$ 401.71	\$ 35.61

For the year ended December 31, 2017 (measurement date), the City made contributions of approximately \$192,000, or an average of 6.96% of covered payroll.

Actuarial Assumptions and Method

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its 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.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Actuarial Assumptions and Method (Continued)

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Investment Rate of Return	4.75% which includes inflation
Discount Rate	4.75%
Healthcare Cost Trend Rate	Pre-Medicare - 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023, Medicare - 5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020
Payroll Growth	SCRS - 3.00% - 7.00%; PORS - 3.50% - 9.50%
Coverage Elections	10 years of service as of July 1, 2010 - 55 & 15 - 75%, 15 years of service as of July 1, 2010 - 55 & 20 - 100%, Hired After July 1, 2000 - 55 & 15 - 37.5% and 55 & 20 - 75%, Elected Officials - 95%, and Spouse Coverage - 0%
Participation/Marriage	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table	RP-2014 Mortality Table with a 95% multiplier

The actuarial assumptions used above were based on the results of the 2016 actuarial experience study adopted for the SCRS pension plan.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan Investments is based upon 35 year capital market assumptions, as well as current consensus expectations and market based inputs. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach and are presented net of investment fees. There are no municipal bond rate assumptions used in deriving the discount rate, and the discount rate forecast period extends for 50 years. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation for the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table.

Asset Class	Target Allocation
Fixed Income	94.3%
Cash and Cash Equivalents	5.7%
Total Expected Real Rate of Return	100.0%

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The City's net OPEB liability was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of December 31, 2016	\$ 3,915,743	664,062	\$ 3,251,681
Changes for the year:			
Service Cost	45,126	-	45,126
Interest	183,614	-	183,614
Difference Between Expected/Actual Experience	(39,542)	-	(39,542)
Contributions - Employer	-	191,565	(191,565)
Net Investment Income	-	17,812	(17,812)
Benefit Payments	(101,565)	(101,565)	-
Administrative Expense	-	(9,981)	9,981
Net Changes	87,633	97,831	(10,198)
Balances as of December 31, 2017	\$ 4,003,376	761,893	\$ 3,241,483

For the year ended September 30, 2018, the City recognized OPEB expense of approximately \$203,000. At September 30, 2018, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 33,987
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments	12,487	
Employer Contributions Subsequent to the Measurement Date	212,937	-
Total	\$ 225,424	\$ 33,987

Approximately \$213,000 that was reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the OPEB Plan, respectively, will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Year Ended September 30,	Total
2019	\$ (2,432)
2020	(2,432)
2021	(2,432)
2022	(2,433)
2023	(5,554)
Thereafter	(6,218)
Total	<u>\$ (21,501)</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

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

The following table presents the sensitivity of the City's net OPEB liability to changes in the discount rate, calculated using the discount rate of 4.75%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (3.75%) or 1% point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$ 3,855,137	3,241,483	\$ 2,741,679

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the City's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 2,765,057	3,241,483	\$ 3,825,588

D. Contingent Liabilities and Commitments

Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments (Continued)

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at September 30, 2018.

E. Prior Period Adjustment

In connection with the City's review of its cash accounts (as they prepared for the 2018 audit), the City became aware of a cash misstatement in its prior year balances in both its governmental fund financial statements and its government-wide financial statements. The City recorded a prior period adjustment to correct the error. The error primarily relates to a cash account that was being held by the City, but had inadvertently not been recorded in the City's ledger. The total impact of the above adjustment that affected beginning fund balance/net position for the year ended September 30, 2018 was approximately \$50,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED	ACTUAL	
REVENUES				
Taxes				
Property Taxes	\$ 2,967,652	2,967,652	2,773,845	\$ (193,807)
Vehicle Taxes	253,000	253,000	274,346	21,346
Franchise Fees - Duke Power	537,000	537,000	546,763	9,763
Franchise Fees - Other	133,000	133,000	139,851	6,851
Total Taxes	3,890,652	3,890,652	3,734,805	(155,847)
Other Revenues				
State Shared Revenue	342,623	342,623	375,414	32,791
Business Licenses	1,415,000	1,415,000	1,433,504	18,504
Building Permits	80,000	80,000	124,819	44,819
Court Fines/Fees	90,000	90,000	83,676	(6,324)
Interest	11,000	11,000	19,183	8,183
Rent	3,000	3,000	3,000	-
Garbage Fees	965,000	965,000	978,841	13,841
Garbage Bags	4,500	4,500	3,657	(843)
Fire Protection	81,750	81,750	81,749	(1)
Recreation Fees	270,000	270,000	142,124	(127,876)
Recycling Fees	43,000	43,000	32,054	(10,946)
Over/Short	-	-	(5)	(5)
Miscellaneous	26,886	26,886	68,031	41,145
Fingerprinting	-	-	590	590
Copies	-	-	142	142
Sales Permits	-	-	96	96
Reimbursement School Resource	155,100	155,100	155,100	-
Total Other Revenues	3,487,859	3,487,859	3,501,975	14,116
TOTAL REVENUES	7,378,511	7,378,511	7,236,780	(141,731)
EXPENDITURES				
General Government:				
Legislative				
Personnel Services	577,612	577,612	587,666	(10,054)
Operating Expenditures	96,000	96,000	94,735	1,265
Total Legislative	673,612	673,612	682,401	(8,789)
Economic Development				
Personnel Services	19,817	19,817	12,939	6,878
Operating Expenditures	12,000	12,000	12,297	(297)
Total Economic Development	31,817	31,817	25,236	6,581
Court				
Personnel Services	97,636	97,636	99,841	(2,205)
Operating Expenditures	28,220	28,220	21,251	6,969
Total Court	\$ 125,856	125,856	121,092	\$ 4,764

(Continued)

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
Planning and Zoning				
Personnel Services	\$ 314,085	314,085	259,001	\$ 55,084
Operating Expenditures	24,750	24,750	20,770	3,980
Capital Outlay	7,500	7,500	-	7,500
Total Planning and Zoning	346,335	346,335	279,771	66,564
Non-Departmental				
Personnel Services	77,300	77,300	101,606	(24,306)
Operating Expenditures	404,700	404,700	439,516	(34,816)
Debt Service	116,845	116,845	-	116,845
Total Non-Departmental	598,845	598,845	541,122	57,723
Total General Government	1,776,465	1,776,465	1,649,622	126,843
Public Safety:				
Police				
Personnel Services	2,658,059	2,658,059	2,687,569	(29,510)
Operating Expenditures	328,981	328,981	361,006	(32,025)
Debt Service	108,070	108,070	77,366	30,704
Capital Outlay	30,000	30,000	147,008	(117,008)
Total Police	3,125,110	3,125,110	3,272,949	(147,839)
Fire				
Personnel Services	877,703	877,703	926,832	(49,129)
Operating Expenditures	109,218	109,218	108,609	609
Debt Service	220,147	220,147	82,009	138,138
Capital Outlay	-	-	714,847	(714,847)
Total Fire	1,207,068	1,207,068	1,832,297	(625,229)
Fire Suppression/County				
Operating Expenditures	15,000	15,000	18,461	(3,461)
Total Fire Suppression/County	15,000	15,000	18,461	(3,461)
Total Public Safety	4,347,178	4,347,178	5,123,707	(776,529)
Recreation:				
Recreation				
Personnel Services	495,464	495,464	481,164	14,300
Operating Expenditures	267,480	267,480	276,207	(8,727)
Capital Outlay	100,000	100,000	48,918	51,082
Total Recreation	862,944	862,944	806,289	56,655
Total Recreation	\$ 862,944	862,944	806,289	\$ 56,655

(Continued)

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
Public Works:				
Public Works Administration				
Personnel Services	\$ 490,813	490,813	471,938	\$ 18,875
Operating Expenditures	336,154	336,154	445,088	(108,934)
Debt Service	59,458	59,458	50,958	8,500
Capital Outlay	60,000	60,000	8,000	52,000
Total Public Works Administration	946,425	946,425	975,984	(29,559)
Public Works Commercial				
Personnel Services	52,132	52,132	54,485	(2,353)
Operating Expenditures	168,000	168,000	205,833	(37,833)
Capital Outlay	-	-	225,731	(225,731)
Total Public Works Commercial	220,132	220,132	486,049	(265,917)
Recycling				
Personnel Services	50,728	50,728	51,109	(381)
Operating Expenditures	19,300	19,300	20,475	(1,175)
Debt Service	12,184	12,184	24,368	(12,184)
Total Recycling	82,212	82,212	95,952	(13,740)
Total Public Works	1,248,769	1,248,769	1,557,985	(309,216)
TOTAL EXPENDITURES	8,235,356	8,235,356	9,137,603	(902,247)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(856,845)	(856,845)	(1,900,823)	(1,043,978)
OTHER FINANCING SOURCES (USES)				
Issuance of Capital Leases	-	-	1,073,734	1,073,734
Proceeds from Sale/Disposal of Capital Assets	-	-	7,238	7,238
Transfers In	590,000	590,000	590,000	-
Transfers Out	-	-	(10,575)	(10,575)
TOTAL OTHER FINANCING SOURCES (USES)	590,000	590,000	1,660,397	1,070,397
NET CHANGES IN FUND BALANCES	(266,845)	(266,845)	(240,426)	26,419
FUND BALANCES, Beginning of Year	5,318,703	5,318,703	5,318,703	-
FUND BALANCES, End of Year	\$ 5,051,858	5,051,858	5,078,277	\$ 26,419

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The City's original and revised budgets reflect an expected use of fund balance of approximately \$267,000.

Note: The City's actual expenditures exceeded its budgeted expenditures due to unbudgeted capital lease outlay expenditures.

CITY OF YORK, SOUTH CAROLINA

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2018

A. BASIS OF ACCOUNTING

The budgetary comparison schedules have been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

B. BUDGETARY INFORMATION

The City follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City's charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures of the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council. Prior to October 1, the budget is legally enacted through passage of an ordinance.
2. Budgeted amounts are as originally adopted, or as amended by the City Council and are prepared on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.
3. The General Fund, Hospitality/Accommodations Tax Fund, and Utility Fund (which is made up of several subfunds) were the governmental and enterprise funds for which the City has legally adopted budgets.
4. During the year, accountability for the budget for each department is primarily the responsibility of the department head. The City Manager has the authority to transfer funds within departments but funds can only be transferred between departments by approval of City Council. The legal level of budgetary control is at the department level, as reflected in the required supplementary information.
5. The presented budgetary information is as originally adopted or as amended by City Council. During the year, City Council did not revise the budget.
6. At year-end, unencumbered balances of appropriations lapse into the unappropriated fund balance.

CITY OF YORK, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES****SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS****LAST FISCAL YEAR**

	Year Ended September 30, 2018
Total OPEB Liability:	
Service Cost	\$ 45,126
Interest	183,614
Differences Between Expected and Actual Experience	(39,542)
Benefit Payments, Including Refunds of Member Contributions	(101,565)
Net Change in Total OPEB Liability	87,633
Total OPEB Liability - Beginning of Year	3,915,743
Total OPEB Liability - End of Year (a)	<u>\$ 4,003,376</u>
OPEB Plan Fiduciary Net Position:	
Employer Contribution	\$ 191,565
Net Investment Income	17,812
Benefit Payments, Including Refunds of Member Contributions	(101,565)
Administrative Expense	(9,981)
Net Change in OPEB Plan Fiduciary Net Position	97,831
OPEB Plan Fiduciary Net Position - Beginning of Year	664,062
OPEB Plan Fiduciary Net Position - End of Year (b)	<u>\$ 761,893</u>
Net OPEB Liability (Asset) - End of Year (a) - (b)	<u>\$ 3,241,483</u>
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	19.03%
Covered-Employee Payroll	\$ 2,751,126
Net OPEB Liability as a Percentage of Covered-Employee Payroll	117.82%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31st of the current year (measurement date).

The City adopted GASB #75 during the year ended September 30, 2018. Information before 2018 is not available.

CITY OF YORK, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES****SCHEDULE OF THE CITY'S CONTRIBUTIONS****LAST FISCAL YEAR**

	Year Ended September 30, 2018
Actuarially Determined Contribution	\$ 265,991
Contributions in Relation to the Actuarially Determined Contribution	191,565
Contribution Deficiency (Excess)	\$ 74,426
Covered-Employee Payroll	\$ 2,751,126
Contributions as a Percentage of Covered:-Employee Payroll	6.96%

Notes to Schedule:

The City adopted GASB #75 during the year ended September 30, 2018. Information before 2018 is not available.

Valuation Date: July 1, 2017.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.25%
Investment Rate of Return	4.75% which includes inflation
Discount Rate	4.75%
Healthcare Cost Trend Rates	Pre-Medicare - 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023, Medicare - 5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020
Payroll Growth	SCRS - 3.0% - 7.0%; PORS - 3.5% - 9.5% (including inflation)
Coverage Elections	Varying from 100% for those with 15 years experience and 55 years old on July 1, 2010 to 37.50% for those hired after July 1, 2000. No spousal coverage.
Marriage Percentage	100% of active employees are assumed to be married, with female spouses being three years younger than males.
Mortality Table	RP-2014 Mortality Table for Employees with a 95% multiplier

Other Information:

None

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.022378%	0.023452%	0.022296%	0.022432%
City's Proportionate Share of the Net Pension Liability	\$ 5,014,228	5,279,422	4,762,393	\$ 4,254,337
City's Covered Payroll	\$ 2,272,609	2,359,724	2,159,043	\$ 2,106,937
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	220.64%	223.73%	220.58%	201.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.34%	52.91%	56.99%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of that year.
The City implemented GASB #68/71 during the year ended September 30, 2015. Information before FY 2015 is not readily available.
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 318,492	271,146	246,945	\$ 232,961
Contributions in Relation to the Contractually Required Contribution	318,492	271,146	246,945	232,961
Contribution Deficiency (Excess)	\$ -	-	-	\$ -
City's Covered Payroll	\$ 2,308,246	2,256,674	2,204,890	\$ 2,128,874
Contributions as a Percentage of Covered Payroll	13.80%	12.02%	11.20%	10.94%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended September 30, 2015. Information before FY 2015 is not readily available.

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.16708%	0.16661%	0.15716%	0.14146%
City's Proportionate Share of the Net Pension Liability	\$ 4,734,409	4,564,382	3,986,349	\$ 3,083,181
City's Covered Payroll	\$ 2,286,847	2,238,907	2,003,597	\$ 1,752,530
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	207.03%	203.87%	198.96%	175.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.73%	60.94%	60.44%	64.57%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of that year.
The City implemented GASB #68/71 during the year ended September 30, 2015. Information before FY 2015 is not readily available.
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

CITY OF YORK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 381,104	318,546	288,604	\$ 244,682
Contributions in Relation to the Contractually Required Contribution	381,104	318,546	288,604	244,682
Contribution Deficiency (Excess)	\$ -	-	-	\$ -
City's Covered Payroll	\$ 2,313,193	2,164,250	2,078,908	\$ 1,811,894
Contributions as a Percentage of Covered Payroll	16.48%	14.72%	13.88%	13.50%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended September 30, 2015. Information before FY 2015 is not readily available.

SUPPLEMENTARY INFORMATION

CITY OF YORK, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
Drug Enforcement > \$1,000	\$ -	-	3,987	\$ 3,987
Drug Enforcement < \$1,000	-	-	7,436	7,436
Police Grant	-	-	124,650	124,650
Volunteer Fire Department	-	-	8,174	8,174
TOTAL REVENUES	-	-	144,247	144,247
EXPENDITURES				
Special Revenues:				
Victim's Assistance	-	-	1,597	(1,597)
Police Grant	-	-	96,685	(96,685)
Equitable Sharing	-	-	4,168	(4,168)
Volunteer Fire Department	-	-	8,976	(8,976)
TOTAL EXPENDITURES	-	-	111,426	(111,426)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	32,821	32,821
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	10,575	10,575
TOTAL OTHER FINANCING SOURCES (USES)	-	-	10,575	10,575
NET CHANGES IN FUND BALANCES	-	-	43,396	43,396
FUND BALANCE, Beginning of Year, As Previously Reported	213,823	213,823	213,823	-
Prior Period Adjustments	50,055	50,055	50,055	-
FUND BALANCES, Beginning of Year, Restated	263,878	263,878	263,878	-
FUND BALANCES, End of Year	\$ 263,878	263,878	307,274	\$ 43,396

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF YORK, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY COMPARISON SCHEDULE -
HOSPITALITY/ACCOMMODATION TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
Hospitality Tax	\$ 480,000	480,000	496,961	\$ 16,961
Accommodations Tax	-	-	110,080	110,080
TOTAL REVENUES	480,000	480,000	607,041	127,041
EXPENDITURES				
Capital Improvements:				
Other Capital Outlay	88,000	88,000	72,952	15,048
Debt Service	-	-	116,845	(116,845)
Miscellaneous	132,000	132,000	116,489	15,511
TOTAL EXPENDITURES	220,000	220,000	306,286	(86,286)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	260,000	260,000	300,755	40,755
OTHER FINANCING SOURCES (USES)				
Transfers Out	(260,000)	(260,000)	(240,000)	20,000
TOTAL OTHER FINANCING SOURCES (USES)	(260,000)	(260,000)	(240,000)	20,000
NET CHANGES IN FUND BALANCES	-	-	60,755	60,755
FUND BALANCES, Beginning of Year	516,842	516,842	516,842	-
FUND BALANCES, End of Year	\$ 516,842	516,842	577,597	\$ 60,755

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF YORK, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY COMPARISON SCHEDULE - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			
	ORIGINAL	REVISED	ACTUAL	VARIANCE
REVENUES				
Water/Sewer Receipts	\$ 2,115,000	2,115,000	2,084,081	\$ (30,919)
Base Charge	1,368,500	1,368,500	1,505,644	137,144
DHEC Charge	71,000	71,000	70,191	(809)
Penalty	85,000	85,000	96,173	11,173
Water/Sewer Taps	9,000	9,000	22,492	13,492
Connection Fees	27,000	27,000	29,012	2,012
Hydrant Fees	13,000	13,000	11,244	(1,756)
Meter Reinstallation	900	900	2,280	1,380
Meter Installation	15,000	15,000	19,119	4,119
Capacity Fees	-	-	308,074	308,074
Administration	51,000	51,000	55,575	4,575
Pretreatment	6,500	6,500	17,416	10,916
Interest	151,500	151,500	6,617	(144,883)
Grants	-	-	325,387	325,387
Miscellaneous	100	100	1,814	1,714
TOTAL REVENUES	3,913,500	3,913,500	4,555,119	641,619
EXPENSES				
Utility Administration:				
Personnel Services	929,585	929,585	931,994	(2,409)
Operating Expenditures	1,822,850	1,822,850	1,841,740	(18,890)
Debt Service	686,065	686,065	86,710	599,355
Total Utility Administration	3,438,500	3,438,500	2,860,444	578,056
Utility Maintenance:				
Depreciation Expense	-	-	140,845	(140,845)
Total Utility Maintenance	-	-	140,845	(140,845)
Water Plant:				
Operating Expenditures	-	-	4,751	(4,751)
Depreciation Expense/Interest	-	-	266,235	(266,235)
Total Water Plant	-	-	270,986	(270,986)
Wastewater Plant:				
Depreciation Expense/Interest	-	-	389,041	(389,041)
Total Wastewater Plant	-	-	389,041	(389,041)
Non-Departmental:				
Personnel Services	-	-	73,876	(73,876)
Operating Expenditures	125,000	125,000	69,142	55,858
Capital Outlay	-	-	12,616	(12,616)
Total Non-Departmental	125,000	125,000	155,634	(30,634)
TOTAL EXPENSES	\$ 3,563,500	3,563,500	3,816,950	\$ (253,450)
				(Continued)

(Continued)

CITY OF YORK, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY COMPARISON SCHEDULE - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 350,000	350,000	738,169	\$ 388,169
Transfers Out	(350,000)	(350,000)	(350,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(350,000)	(350,000)	(350,000)	-
NET CHANGES IN NET POSITION	-	-	388,169	388,169
NET POSITION, Beginning of Year, As Previously Reported	18,836,446	18,836,446	18,836,446	-
Prior Period Adjustments	(419,793)	(419,793)	(419,793)	-
NET POSITION, Beginning of Year, Restated	18,416,653	18,416,653	18,416,653	-
NET POSITION, End of Year	\$ 18,416,653	18,416,653	18,804,822	\$ 388,169

Note: The budget is presented on the accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF YORK, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED SEPTEMBER 30, 2018

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 173,671	\$ 173,671
Court fines and assessments remitted to State Treasurer			(101,501)	(101,501)
Total Court Fines and Assessments retained			72,170	72,170
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			4,487	4,487
Assessments retained			8,652	8,652
Total Surcharges and Assessments retained for victim services			\$ 13,139	\$ 13,139

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 153,107		\$ 153,107
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	8,652		8,652
Victim Service Surcharges Retained by City/County Treasurer	4,487		4,487
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 166,246		\$ 166,246
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			-
Operating Expenditures			-
Victim Service Contract(s):			
(1) York County	\$ 13,139		\$ 13,139
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	13,139		13,139
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ 153,107		\$ 153,107



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of York
York, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of York, South Carolina (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

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City's Response to the Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Greene Finney, LLP". The signature is written in a cursive, flowing style.

Greene Finney, LLP
Mauldin, South Carolina
March 27, 2019

CITY OF YORK, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2018

2018-001: PRIOR PERIOD ADJUSTMENT - CASH

Condition:	In connection with the City's review of its cash accounts (as they prepared for the 2018 audit), the City became aware of a cash account which had inadvertently not been recorded in the prior year balances in both its governmental fund financial statements and its government-wide financial statements. The City recorded a prior period adjustment to correct the error. The error primarily relates to a fire department cash account that was being held by the City, but not being recorded in the City's ledger.
Criteria:	The City should have adequate internal controls in place that would prevent or detect material misstatements from the day-to-day transactions all the way to the reporting of those transactions in the annual financial statements.
Context, Cause and Effect:	The City was not aware that this account existed and thus resulted in the City's financial statements being misstated in the prior year
Recommendation:	We would encourage the City to monitor and record all cash accounts in all departments of the City.
Response:	Current management met several times with its external auditors to continue to discuss the annual financial reporting process for the current year financial statements. Management plans to improve the annual financial reporting process in the coming years so that the City can properly manage and oversee this process.