

CITY of YORK
York, South Carolina

FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2016

TABLE of CONTENTS

Independent Auditor's Report	Pages 1-2
Management's Discussion and Analysis (Unaudited)	Pages 3-6
Basic Financial Statements:	
Statement of Net Position	Page 7
Statement of Activities	Page 8
Balance Sheet - Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Page 9-10
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	Page 11-12
Statement of Net Position - Proprietary Fund	Page 13
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	Page 14
Statement of Cash Flows - Proprietary Fund	Page 15
Notes to the Financial Statements	Pages 16-39
Required Supplementary Information	
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	Pages 40-44
Schedule of Funding Progress for Retiree Health Plan	Page 45
Disclosures for a Street System Based on a Percentage of Roads In Good or Substandard Condition	Page 46
Schedule of the City's Contributions	Page 47
Schedule of the City's Proportionate Share of the Net Pension Liability	Page 48
Supplementary Information (Optional)	
Special Revenue Funds	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	Page 49
Capital Improvements Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	Page 50
Utility Fund	
Statement of Revenues, Expenses and Changes in Net Position - Budget (GAAP Basis) and Actual	Page 51-52
Capacity Fee Fund	
Statement of Revenues, Expenses and Changes in Net Position - Budget (GAAP Basis) and Actual	Page 53
Schedule of Court Fines and Assessments	Page 54
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Pages 55-56

CANTEY, TILLER, PIERCE & GREEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1204 BROAD STREET • POST OFFICE BOX 862
CAMDEN, SOUTH CAROLINA 29021

PIERCE W. CANTEY, JR., CPA EMERITUS
RICHARD C. TILLER, CPA
JANET M. PIERCE, CPA
HENRY D. GREEN, III, CPA
MARY ELLEN GREEN, CPA

MEMBER OF AMERICAN INSTITUTE
AND SOUTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS
TELEPHONE (803) 432-1436
FAX (803) 432-5055

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of the City Council for
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, major funds and the aggregate remaining fund information of City of York, South Carolina as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of City of York, South Carolina as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for retiree health plan and disclosures for a street system based on percentage of roads in good or substandard condition, the schedule of the City's Contributions and the schedule of the City's Proportionate Share of the Net Pension Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are 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 January 8, 2017, on our consideration of the City of York, South Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of York, South Carolina's internal control over financial reporting and compliance.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

January 8, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF YORK FISCAL YEAR ENDED SEPTEMBER 30, 2016**

The discussion and analysis of the City of York's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the following financial statements and supplemental information.

FINANCIAL HIGHLIGHTS

For the 2015 – 2016 fiscal year, the Total Assets of all Governmental and Business-Type Activities decreased by \$731,073 for the City of York from \$40,368,795 at September 30, 2015 to \$39,637,722 at September 30, 2016.

Last year the City was required to adopt GASB 68, which requires that the city book the liability related to the SC retirement plan. This amount was adjusted to \$7,337,518 for the SC retirement plan for employees for fiscal year ended 2015-2016.

The City's General Fund, representing the majority of the city's general governmental funds, ended the fiscal year with \$142,679 in excess expenditures over revenues. The General Fund's expenses over revenues increased by \$141,163 compared to the previous fiscal year. Comparing fiscal year end 2014 – 2015 to fiscal year end 2015 – 2016 expenditures increased 6.9%. No new programs were added during this fiscal year.

Overall, the Utility Fund or Proprietary Fund ended the fiscal year with a net loss of \$320,756. There was net income last year due to a CDBG Grant for \$471,299 for the Cannon Mill Village water and sewer upgrade project and a South Carolina Rural Infrastructure grant for \$272,500 for the Madison Street water main upgrade project. However, there were no utility grant receipts this year. Gross water and sewer revenues increased by \$132,607 during 2015-2016 as compared to 2014-2015. Total operating revenue, for the year ended September 30, 2016 totaled \$3,279,798 which is up slightly as compared to 2014-2015. Operating revenues posted for 2014-2015 were \$3,122,487.

The City of York continued to spend cash conservatively during the 2016 fiscal year. Although much of the year-end cash is restricted for capital improvements, the overall cash, cash equivalents, and investment balances increased by 6.65%. As budgeted the City of York opened a 'rainy day' account at South Carolina Bank and Trust in the winter of 2008. Additional money was contributed to this 'rainy day' fund in subsequent years. The city plans to continue contributions to reserves each and every year in the future. Cash makes up about 5.3 months of expenditures.

The City adopted a Capital Improvement Plan in September of 2003. This plan continues to be implemented and provides a long-range blueprint for managing the needs of public facilities and projects. The total cumulative fund balance for this fund is \$268,408. This fund balance improved drastically during the fiscal 2015-2016 year. As revenues continue to be realized and debt is retired, the fund balance will continue to grow. During the 2015–2016 fiscal year, the Capital Improvement Fund ended strong with revenues in excess of expenses of \$123,981.

USING THIS ANNUAL REPORT

This annual report consists of the Independent Auditor's Report, Basic Financial Statements and Supplemental Information. The City of York's financial statements reflect GASB 34 and GASB 68 requirements. The Statement of Net Position and Statement of Activities and the Balance Sheets provide an overall statement of the city's financial condition. The Notes to the Financial Statements provide explanations and detailed information about every aspect of the city's finances. Supplemental Information provides schedules and detailed information on the General Fund, Special Revenue Fund, Capital Improvements Fund, Capacity Fee Fund, and the Utility Fund.

CITY OF YORK'S MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED:

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the question, "Is the City better off or worse off as a result of the fiscal year's activities?" These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. One can think of the City's net position—the difference between assets and liabilities—as a way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Factors such as changes in the City's property tax base, the condition or adequacy of equipment, or federal or state legislation should be considered in assessing the overall health of the City.

In the Statement of Net position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including the police, fire, public works, recreation, planning, economic development, and general administration. Property taxes, franchise fees, service fees and state and federal funding finance most of these activities.
- **Business-type activities.** The City charges a fee to customers to cover all or most of the cost associated with the services it provides. This activity type describes the City's utility or water and sewer system.

Fund Financial Statements, Fund Accounting and various fund types associated with the city's finances are described in detail in the Note A of the financial statements. Likewise, detailed descriptions and schedules on assets and debt are provided in the financial statements.

The following table provides a comparison between the 2014-2015 fiscal year and the 2015-2016 fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$4,969,227	4,992,508	\$2,320,740	2,614,884	\$7,289,967	\$7,607,392
Capital assets	<u>9,119,072</u>	<u>8,832,830</u>	<u>23,959,756</u>	<u>23,197,500</u>	<u>33,078,828</u>	<u>32,030,330</u>
Total assets	<u>14,088,299</u>	<u>13,825,338</u>	<u>26,280,496</u>	<u>25,812,384</u>	<u>40,368,795</u>	<u>39,637,722</u>
Deferred Outflow of Resources	<u>569,531</u>	<u>1,116,729</u>	<u>107,858</u>	<u>173,010</u>	<u>677,389</u>	<u>1,289,739</u>
Total Assets and Def. Outflow	<u>\$14,657,830</u>	<u>\$14,942,067</u>	<u>\$26,388,354</u>	<u>\$25,985,394</u>	<u>\$41,046,184</u>	<u>\$40,927,461</u>
Long-term debt outstanding	\$1,365,914	1,082,214	\$4,960,000	4,465,000	\$6,325,914	\$5,547,214
Other liabilities	<u>5,462,520</u>	<u>6,177,920</u>	<u>2,497,005</u>	<u>2,915,767</u>	<u>7,959,525</u>	<u>9,093,687</u>
Total liabilities	<u>6,828,434</u>	<u>7,260,134</u>	<u>7,457,005</u>	<u>7,380,767</u>	<u>14,285,439</u>	<u>14,640,901</u>
Deferred Inflow of Resources	<u>550,645</u>	<u>464,112</u>	<u>86,226</u>	<u>80,260</u>	<u>636,871</u>	<u>544,372</u>
Total net position	<u>\$ 7,278,751</u>	<u>\$ 7,217,821</u>	<u>\$ 18,845,123</u>	<u>\$ 18,524,367</u>	<u>\$ 26,123,874</u>	<u>\$ 25,742,188</u>

CITY OF YORK'S MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED:

GENERAL FUND BUDGETARY HIGHLIGHTS

As stated above, the General Fund ended the year with \$142,679 in excess expenditures over revenues. The General Fund's excess expenditures over revenues increased by \$141,163 compared to the previous fiscal year. The primary reasons for this deficiency includes a slight decrease in State Shared Revenues. State shared revenues decreased 4.1% in fiscal 2015 – 2016 as compared to 2014 -2015. Although heavy controls on operating costs had a significant positive impact on our ending fund balance, operating costs in the police and fire departments increased 8.67% in 2015-2016 as compared to 2014-2015. All other expenditure line items were up slightly in 2015 – 2016 as compared to 2014 – 2015 except for legal expenditures. On a positive note, Economic Development costs went up because the city added an Economic Development Director in fiscal 2015 – 2016. As economic development grows the city will realize expansion and development and the quality of life in the City of York will be enhanced.

Investments in Fire Suppression services over the past nine years resulted in an improved ISO Rating for our Fire District effective July 1, 2004. The rating was reduced to a 4 in the city and a 6 in the county. In July 2009, we reduced the ISO rating further, to a 4 district-wide. Our most recent ISO rating remained at a 4. Although there was no rating evaluation in 2016 due to a 10 year rotation, the rotation may change to a 3 year cycle. The City of York should be rated again late in 2017 or early 2018. The ISO Rating continues to be favorable. This improvement provides savings to our residents, businesses and industries via reduced insurance premiums. Most importantly, this achievement demonstrates we are better at saving lives and property.

PROPRIETARY FUND HIGHLIGHTS

The proprietary fund reports on the activities of the Utility Fund and the Capacity Fee Fund. As stated above, the Proprietary Fund ended the year with a net loss of \$320,756. Total operating revenues were up moderately by 5% for 2015-2016 as compared to the 2014-2015 year. The Utility Fund ended the year with operating expenditures over operating revenues of \$283,102 which included depreciation expense of \$827,285. Depreciation is not a cash outlay but is a necessary expense under Governmental Accounting Standards.

Although there was no proprietary grant activity recognized in 2015-2016 net capacity fee earnings are classified as proprietary non-operating line items. These earnings increased net income in the proprietary fund slightly. Net Capacity Fees increased 3.5% in 2015-2016 as compared to 2014-2015.

CAPITAL IMPROVEMENT PLAN HIGHLIGHTS

City Council adopted a five-year capital improvement plan in September of 2003 providing a long-range blueprint for managing the needs of public facilities and projects. This fund is listed as the Capital Projects Fund in the financial statements. A favorable interest rate was achieved in issuing \$900,000 in General Obligation Debt, for the renovation and expansion of the police department. This funding was part of the capital improvement plan. This debt on the police department was paid off in September of 2015. In addition, in fiscal 2013 the majority of the City Hall renovation was completed. The cost of this expansion and renovation allowed the city to move forward with this project after many years of anticipation. It was completed for \$1,000,000. Currently, the city is over halfway finished paying off this general obligation bond; this debt will be retired in 2020.

The downtown city area, vital to our economy and our identity, also benefits from the Capital Improvement Plan. Furthermore, this plan funds the implementation of our citizen driven Down City City Master Plan. As we have continued to realize revenue from various sources and retire debt, fund balance in the capital improvement plan has improved drastically. Similar to 2014-2015, the 2015-2016 ending fund balance increased significantly. Ending fund balance finally became positive in the 2014-2015 fiscal year end and the fund finished strong in 2015 – 2016 as reported earlier, with revenues over expenditures of \$123,981. In 2015-2016, capital projects that were funded by the Capital Improvement Fund in addition to several down city improvement expenditures included the Recreation Bike Trail repairs and a significant head start on a second Fire Station. Also, the Capital Improvement Fund funded the design and installation of pedestrian lighting along the major routes in downtown York including Congress and Liberty Street.

CITY OF YORK'S MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED:

SPECIAL REVENUE FUND HIGHLIGHTS

A COPS Hiring Grant was awarded to the city in fiscal 2015 – 2016 for one officer for three years.

In addition, a grant from the Office of Highway Safety and Justice Programs was awarded to the city during the 2016 – 2016 fiscal year. It covers the salary of one officer and various equipment, including a new vehicle, to help improve highway safety.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City reports a broad range of fixed assets net of depreciation totaling \$30,556,820 including; Land, Buildings, Vehicles, Water and Sewer Plant in Service, and Infrastructure. The city requires developers to install roadways according to South Carolina Department of Transportation design standards. Inspections are performed during installation and three years after installation. Any deficiencies during the three year inspection are the developer's responsibility to address before the city will accept ownership of the roadways. This information is detailed in Note D in the financial statements. Note D in the financial statements addresses the City of York's Street Infrastructure. Two roads that need to be overlaid as soon as possible are Ole East Point and Pebble Creek. Currently, there are no funds budgeted for major rehabilitation. As a general rule, if more than 40% of a street is in need of significant repair, then, the Public Works Department will explore options to rehabilitate the street. The City of York plans to resurface these two streets through potential grant revenues made possible through a government stimulus package.

In fiscal 2009, a desirable interest rate was obtained for a General Obligation Bond of \$455,000, issued to purchase a much-needed Class One Fire Engine Pumper Fire Truck. The purchase of this truck is part of a replacement program. The truck replaced a 1986 engine which is now in storage at Bethel Fire Department. This engine is stored away to use as a reserve. In early 2012 – 2013, an unusually low rate was obtained for the refinancing of this General Obligation Bond. A Utility Revenue Bond was issued in late fiscal 2009. The city borrowed \$4,500,000 to help with the financing of the Wastewater Treatment Plant upgrade and expansion. In 2015-2016, a very favorable rate of 1.66 rate was obtained for the purchase of 3 Police Ford Explorers including outfitting costs. These issuances indicate a positive reflection of the city's financial condition by the bond market. Note E in the financial statements provides detailed information and schedules on the city's debt.

The city's initial Booster Water Pump project on Highway 161 was begun to allow all water to be purchased from the City of Rock Hill. An EPA Grant of \$996,000 was awarded to help with this project. The majority of this grant was realized in fiscal 2015. In fiscal 2015-2016 the city nearly completed the connection between Rock Hill and York County which will enable the city to buy water from the City of Rock Hill. This last phase will allow us to utilize the final EPA grant funding as well. The first phase of this project was known as the Shiloh Road/Ground Storage Tank Project, and this final phase is the Newport Waterline Project. This project marks a significant improvement to the City of York's water services abilities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives and how this money is spent. If you have questions about this report or would like to request additional financial information, contact the City Manager or Director of Finance at York City Hall, 10 N. Roosevelt Street, York, SC 29745 or visit us online at www.yorkcitysc.com.

CITY of YORK, SOUTH CAROLINA

STATEMENT of NET POSITION
September 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,896,420	\$ 1,297,101	\$ 5,193,521
Investments	13,799	9,900	23,699
Accounts Receivable	466,852	385,002	851,854
Prepaid Expense	117,538	175,430	292,968
Inventory	-	42,600	42,600
Note Receivable	389,500	-	389,500
Total Current Assets	<u>4,884,109</u>	<u>1,910,033</u>	<u>6,794,142</u>
NON-CURRENT ASSETS			
RESTRICTED ASSETS			
Restricted Cash and Investments			
Drug Funds	74,114	-	74,114
Police Bonds	2,465	-	2,465
Fire 1%	31,820	-	31,820
Customer Deposits	-	100,522	100,522
Capital Improvements	-	604,329	604,329
Total Non-current Assets	<u>108,399</u>	<u>704,851</u>	<u>813,250</u>
CAPITAL ASSETS			
General Capital Assets, Net	7,359,320	23,197,500	30,556,820
Infrastructure Assets	1,473,510	-	1,473,510
Total Capital Assets	<u>8,832,830</u>	<u>23,197,500</u>	<u>32,030,330</u>
Total Assets	<u>13,825,338</u>	<u>25,812,384</u>	<u>39,637,722</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Pension Outflow	1,116,729	157,110	1,273,839
Prepaid Debt Issuance Costs	-	15,900	15,900
Total Deferred Outflow of Resources	<u>1,116,729</u>	<u>173,010</u>	<u>1,289,739</u>
LIABILITIES			
Accounts Payable	267,856	-	267,856
Accrued Expenses	903,259	482,067	1,385,326
Due to Other Funds	(1,224,472)	1,224,472	-
Reserve for Utility Deposits	-	100,522	100,522
Reserve for Police Bonds	2,465	-	2,465
Net Pension Liability	6,228,812	1,108,706	7,337,518
Long-Term Liabilities			
Due within One Year	301,188	545,000	846,188
Due in More than One Year	781,026	3,920,000	4,701,026
Total Liabilities	<u>7,260,134</u>	<u>7,380,767</u>	<u>14,640,901</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Pension Inflow	464,112	80,260	544,372
Total Deferred Inflow of Resources	<u>464,112</u>	<u>80,260</u>	<u>544,372</u>
NET POSITION			
Net Investment in Capital Assets	7,730,623	19,336,829	27,067,452
Restricted			
Pee Dee Rose Hotel	389,500	-	389,500
Fire 1%	31,820	-	31,820
Drug Funds	66,013	-	66,013
Police Auction	8,101	-	8,101
Unrestricted	(1,008,236)	(812,462)	(1,820,698)
Total Net Position	<u>\$ 7,217,821</u>	<u>\$ 18,524,367</u>	<u>\$ 25,742,188</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of YORK, SOUTH CAROLINA

STATEMENT of ACTIVITIES
For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Governmental	\$ 7,514,060	\$ 1,827,023	\$ 768,773	\$ -	\$ (4,918,264)	\$ -	\$ (4,918,264)
Special Revenues	167,609	-	187,088	-	19,479	-	19,479
Capital Projects	403,288	-	-	-	(403,288)	-	(403,288)
Total Governmental Activities	<u>8,084,957</u>	<u>1,827,023</u>	<u>955,861</u>	<u>-</u>	<u>(5,302,073)</u>	<u>-</u>	<u>(5,302,073)</u>
Business-Type Activities:							
Water and Sewer Charges	3,703,342	3,382,586	-	-	-	(320,756)	(320,756)
Total Business-Type Activities	<u>3,703,342</u>	<u>3,382,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(320,756)</u>	<u>(320,756)</u>
Total Primary Government	<u>\$ 11,788,299</u>	<u>\$ 5,209,609</u>	<u>\$ 955,861</u>	<u>\$ -</u>	<u>(5,302,073)</u>	<u>(320,756)</u>	<u>(5,622,829)</u>
General Revenues:					Primary Government		
Taxes:							
Property Taxes, Vehicle Taxes, Delinquent Taxes					3,089,205	-	3,089,205
In Lieu of Taxes					1,505,663	-	1,505,663
Occupancy					3,000	-	3,000
Hospitality Tax					463,208	-	463,208
Accommodations Tax					64,061	-	64,061
Total General Revenues					<u>5,125,137</u>	<u>-</u>	<u>5,125,137</u>
Other					<u>116,006</u>	<u>-</u>	<u>116,006</u>
Total General Revenues, Special Items and Transfers					<u>5,241,143</u>	<u>-</u>	<u>5,241,143</u>
Change in Net Position					(60,930)	(320,756)	(381,686)
Net Position, Beginning of Year					<u>7,278,751</u>	<u>18,845,123</u>	<u>32,095,390</u>
Net Position, End of Year					<u>\$ 7,217,821</u>	<u>\$ 18,524,367</u>	<u>\$ 25,742,188</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of YORK, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2016

	General	Special Revenue	Capital Improvements	Total Governmental Funds
ASSETS				
Cash and Cash equivalents	\$ 3,892,251	\$ 4,169	\$ -	\$ 3,896,420
Investments	13,799	-	-	13,799
Accounts Receivable	414,791	52,061	-	466,852
Prepaid Expense	117,538	-	-	117,538
Due from Other Funds	753,253	202,811	268,408	1,224,472
Note Receivable	389,500	-	-	389,500
Restricted Cash and Investments		-		
Drug Funds and Police Auction	74,114	-	-	74,114
Police Bonds	2,465	-	-	2,465
Fire 1%	31,820	-	-	31,820
Total Assets	\$ 5,689,531	\$ 259,041	\$ 268,408	\$ 6,216,980
LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 267,856	\$ -	\$ -	\$ 267,856
Reserved for Police Bonds	2,465	-	-	2,465
Accrued Expenses	883,266	-	-	883,266
Total Liabilities	1,153,587	-	-	1,153,587
FUND BALANCES				
Fund Balance				
Committed				
Pee Dee Rose Hotel	389,500	-	-	389,500
Victims' Assistance	-	153,107	-	153,107
Fire 1%	-	31,820	-	31,820
Drug Funds	-	66,013	-	66,013
Police Auction	-	8,101	-	8,101
Unassigned	4,146,444	-	268,408	4,414,852
Total Fund Balances	4,535,944	259,041	268,408	5,063,393
Total Liabilities and Fund Balances	\$ 5,689,531	\$ 259,041	\$ 268,408	\$ 6,216,980

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of YORK, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
September 30, 2016

Fund balance per Governmental Funds Balance Sheet	\$ 5,063,393
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	8,832,830
Interest payable used in governmental activities is not payable from current resources and, therefore, are not reported in governmental funds	(19,993)
Deferred outflows and inflows related to the pension liability are applicable to future periods and therefore are not reported in the governmental funds:	
Deferred outflows-pension	1,116,729
Deferred inflows-pension	(464,112)
Long-term liabilities are not due and payable in the current year, and, therefore, are not reported in governmental funds for pension liability	(6,228,812)
Long-term debt are not due and payable in the current year, and, therefore, are not reported in governmental funds	<u>(1,082,214)</u>
Net Position per Statement of Net Position	<u><u>\$ 7,217,821</u></u>

CITY of YORK, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General	Special Revenue	Capital Projects	Total
REVENUES				
Taxes				
Ad Valorem	\$ 3,089,205	\$ -	\$ 527,269	\$ 3,616,474
Payments in Lieu of Taxes	1,505,663	-	-	1,505,663
Occupancy	3,000	-	-	3,000
Intergovernmental	242,987	30,200	-	273,187
Licenses and Permits	486,277	-	-	486,277
Fines and Levies	88,991	15,934	-	104,925
Charges for Services	1,170,080	-	-	1,170,080
Fire Protection	81,675	-	-	81,675
State Shared Revenue	330,444	-	-	330,444
Grants	-	125,129	-	125,129
School District Partnership	195,342	-	-	195,342
Other	116,006	15,825	-	131,831
Total Revenues	<u>7,309,670</u>	<u>187,088</u>	<u>527,269</u>	<u>8,024,027</u>
EXPENDITURES				
Legislative	87,162	-	-	87,162
Community	-	-	8,491	8,491
Executive	148,477	-	-	148,477
Administration	489,825	-	-	489,825
Court	158,838	-	-	158,838
Legal	18,199	-	-	18,199
Police Department	2,902,456	141,170	116,845	3,160,471
Fire Department	1,024,027	22,271	-	1,046,298
Planning & Zoning	283,507	-	-	283,507
Recreation Department	749,691	-	151,610	901,301
Public Works	1,218,006	-	55,685	1,273,691
Economic Development	17,551	-	-	17,551
Non Departmental	354,610	4,168	70,657	429,435
Total Expenditures	<u>7,452,349</u>	<u>167,609</u>	<u>403,288</u>	<u>8,023,246</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	(142,679)	19,479	123,981	781
FUND BALANCE, Beginning of Year	4,678,623	239,562	144,427	5,062,612
FUND BALANCE, End of Year	<u>\$ 4,535,944</u>	<u>\$ 259,041</u>	<u>\$ 268,408</u>	<u>\$ 5,063,393</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of YORK, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,
EXPENDITURES and CHANGES in FUND BALANCE
to the STATEMENT of ACTIVITIES
For the Year Ended September 30, 2016

NET CHANGE in FUND BALANCE - TOTAL GOVERNMENT FUNDS	\$	781
Capital outlays exceed depreciation (capital outlays of \$305,609 and depreciation of \$591,851)		(286,242)
Long-term principal repayments of \$283,700		283,700
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds as follows:		
Net increase in net pension liability		(64,274)
Change in bond interest not accrued		<u>5,105</u>
CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES	\$	<u>(60,930)</u>

CITY OF YORK, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2016

ASSETS	
Cash	\$ 1,297,101
Investments	9,900
Accounts Receivable	385,002
Inventory	42,600
Prepaid Project Expense	175,430
Restricted Cash for Customer Deposits	100,522
Restricted Cash for Capital Improvements	604,329
Property, Plant and Equipment	23,197,500
Total Assets	<u>25,812,384</u>
DEFERRED OUTFLOW of RESOURCES	
Deferred Pension Outflow	157,110
Prepaid Debt Issuance Costs	15,900
Total Deferred Outflow of Resources	<u>173,010</u>
LIABILITIES and NET POSITION	
LIABILITIES	
Accrued Expenses	482,067
Due to General Fund	1,224,472
Reserve for Utility Deposits	100,522
Current Portion of Long-Term Debt	545,000
Net Pension Liability	1,108,706
Long Term Bonds Payable	3,920,000
Total Liabilities	<u>7,380,767</u>
DEFERRED INFLOW of RESOURCES	
Deferred Pension Inflow	80,260
Total Deferred Outflow of Resources	<u>80,260</u>
NET POSITION	
Net Investment in Capital Assets	19,336,829
Unrestricted	(812,462)
Total Net Position	<u>\$ 18,524,367</u>

CITY of YORK, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in
NET POSITION- PROPRIETARY FUNDS
For the Year Ended September 30, 2016

OPERATING REVENUE	
Water and Sewer Revenue	\$ 3,147,933
Water and Sewer Taps	6,206
Meter Connection Fees	49,518
Sprinkler/Hydrant Fees	11,357
Pre-Treatment Wastewater	8,375
Administrative Fee	54,972
Other	1,437
Total Operating Revenue	<u>3,279,798</u>
OPERATING EXPENSES	
Utility Administration	684,298
Utility Maintenance	571,008
Waterworks Department	746,233
Wastewater Department	1,181,578
Plant Maintenance	77,464
Non-Departmental	302,319
Total Operating Expenses	<u>3,562,900</u>
Net Operating Loss	<u>(283,102)</u>
NON-OPERATING REVENUE (EXPENSE)	
Capacity	100,540
Interest Earned	2,248
Interest Expense	<u>(140,442)</u>
Total Non-Operating Revenue (Expense)	<u>(37,654)</u>
Net Loss	(320,756)
BEGINNING NET POSITION	<u>18,845,123</u>
ENDING NET POSITION	<u><u>\$ 18,524,367</u></u>

CITY of YORK, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2016

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 3,266,473
Cash Payments to Employees and Vendors	(2,556,417)
Other Non-Operating Revenue (Expense)	(37,654)
Net Cash Provided by Operating Activities	<u>672,402</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Increase in Property Plant and Equipment	(65,029)
Net Cash Used in Investing Activities	<u>(65,029)</u>
CASH FLOW from CAPITAL and RELATED FINANCING ACTIVITIES:	
Principal Paid on Bonds and Leases	(495,000)
Net Cash Used in Capital and Related Financing Activities	<u>(495,000)</u>
Net Increase in Cash and Cash Equivalents	112,373
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,899,479</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 2,011,852</u></u>
RECONCILIATION of NET LOSS to NET	
CASH PROVIDED by OPERATING ACTIVITIES:	
Net Loss	\$ (320,756)
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities	
Depreciation	827,285
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets	
Accounts Receivable	(13,325)
Inventory	6,985
Prepaid Project Expense	(175,430)
Deferred Outflows	(65,152)
Increase (Decrease) in Liabilities	
Accrued Expenses	241,643
Reserve for Utility Deposits	2,715
Due to General Fund	88,552
Deferred Inflows	(5,966)
Net Pension Liability	85,851
Net Cash Provided by Operating Activities	<u><u>\$ 672,402</u></u>

CITY of YORK, SOUTH CAROLINA
NOTES to FINANCIAL STATEMENTS
September 30, 2016

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The City of York has adopted the Home Rule Charter 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.

The following is a summary of the significant accounting policies.

The financial statements of the City of York are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

1. Reporting Entity

For financial reporting purposes, the City includes all funds, account groups and other boards and entities that are controlled by or dependent on the City as determined on the basis of the City's ability to impose its will over budget adoption, appointment of governing boards, approval over tax or fee changes, determination of management and influence over governing boards decisions, or the City's obligation to fund any deficits that may occur. Based upon the application of criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, there are no component units of the City of York.

2. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (the Statement of Net position and the Statement of Activities), report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements. GASB Statement No. 34 is very specific in its definition and methods for determination of "major funds". In brief, major funds are funds whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or proprietary funds, or at least 5 percent of the aggregate amount for all governmental and proprietary funds for the same item. The general fund is always a major fund. Statement No. 34 allows other funds that are of particular importance also to be reported as major funds. We elected not to exercise this option for any other funds this year. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (or expenses, as appropriate). Governmental resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental and proprietary funds.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various government funds accounting to the purposes for which they may or must be used. Liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The City maintains General, Special Revenue and Capital Improvements Funds.

General Fund

The General Fund is the City's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Principal sources of revenue are property taxes, fines and forfeitures, and intergovernmental. Primary expenditures are for general government, public safety and public works.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds from specific revenue sources (other than funding for major capital projects) that are legally restricted to expenditures for specified purposes. The primary revenue source is grants.

Capital Improvements Fund

The Capital Improvements Fund accounts for financial resources, including bond proceeds and intergovernmental grants, used for the acquisition, construction or improvement of major general government facilities. The capital projects are part of an ongoing plan for renovating and improving the City of York.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector. The Financial Accounting Standards Board and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flow.

A proprietary fund is used to account for operations which provide goods or services and recover costs through user charges. The City maintains proprietary funds for water and sewer, and solid waste disposal operations. Services are supplied to customers under a rate structure designed to produce revenues sufficient to recover operating expenses, including principal and interest on proprietary fund debt.

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are presented using the "economic resources measurement focus", under which current and long-term economic resources and obligations are reported. Basis of accounting refers to when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The City's recognition standards as discussed below are in compliance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Proprietary fund types are accounted for on a "flow of economic resources measurement focus" as well. Assets and liabilities associated with the operation of these funds are included in the statement of net position. The statement of revenues, expenses and changes in fund net position reports increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information as to how the City finances and meets cash flow needs of its proprietary activities.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are reported in the balance sheet. The reported fund balance is considered to be a measurement of "available spending resources". The statement of revenues, expenditures and changes in fund balance reports on the sources (revenues and other financial sources) and uses (expenditures and other financial uses) of current financial resources.

Governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenue recognition is subject to the measurable and available criteria for the governmental funds. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally-imposed derived tax revenues are recognized in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they are imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Governmental-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met. Expenditures are recognized when assets are used or liability is incurred, except for principal and interest on general long-term obligations, which are recognized when due or when funds have been made available for payment.

The accrual basis of accounting is utilized by the proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when assets are used or liabilities are incurred. The revenues of these systems, which are based upon rates authorized by City Council, are determined by cash collections and monthly billings to customers.

The effects of interfund activity have not been eliminated from the government-wide financial statements for transactions between the proprietary funds and the general government, because to do so would distort the revenue and expenditures.

Basis of Accounting and Financial Statement Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or use goods or services and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, internally dedicated resources and other items not properly includible in program revenues are reported as general revenues rather than as program revenues.

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. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation of capital assets. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Governmental Fund Types use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recorded as fund liabilities when due, and accrued vacation and sick leave which is recorded when payable from current available financial resources.

The revenues susceptible to accrual are property taxes, franchise taxes, special assessment, and licenses, charges for services, interest and intergovernmental revenues. Revenue collected and held by the state at year-end on behalf of the government is also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

The Proprietary Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, including unbilled water and sewer services which are accrued. Expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. For purposes of the statement of cash flows, the City considers all short-term investments (including restricted assets) with original maturities of one year or less when acquired to be cash equivalents.

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Investments (Continued)

Most operating cash is held by a single central depository. Investments, consisting of money market funds and government securities, are stated at fair value (quoted) or the best available estimate thereof. It is generally the policy of the City to hold investments to maturity. Due to the type of investments held, the cost approximates market value. Cash in excess is invested in an investment pool operated by the State of South Carolina.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures at the time the items are consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The inventories in the Proprietary Funds consist of supplies and are recorded at cost.

Restricted Assets

Drug enforcement greater than and less than \$1,000 accounts are restricted accounts that are disbursed by York County. These funds are Multijurisdictional Drug Enforcement Unit Forfeited Funds and can only be spent on police related expenditures. The greater than \$1,000 funds can only be spent on drug related items. The less than \$1,000 can be used for any purchases related to law enforcement.

The Fire 1% money is collected by insurance companies and distributed to the Fire Department for fireman's recreation, (i.e., t-shirts, for volunteer members, periodic meals). No equipment whatsoever can be purchased with this fire money.

The victim's assistance fund can only be used for victim services.

The restricted amounts for police bonds and customer deposits is the amount on hand at September 30, 2016

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset is defined by the government as an asset with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets 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. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary fund's balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

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

Buildings	30 Years
Infrastructure	10 - 30 Years
Water and Sewer Systems	10 - 50 Years
Vehicles and Equipment	5 - 10 Years

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus; therefore, capital assets are not included in the governmental fund financial statements.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. In governmental fund financial statements, normally, receivables that will not be collected within the available period are reported as deferred revenue.

Budgetary Control

The City 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 between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted.

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results. Proprietary Fund and Capital Improvements Fund is in the same manner as the general fund. Special revenue funds are not budgeted.

Vacation, Sick Leave, and Other 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 sixteen 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 ten days must be taken as annual leave within the calendar year.

Sick leave may be accumulated up to 1,240 hours. Sick leave is paid out up to a maximum of 120 hours. Compensatory leave is accumulated up through the employee's effective date of termination and is paid at the employee's regular rate of pay.

Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 and so will not be recognized as an expense or expenditure until then. The City has two items that meets this criterion-- pension-related deferrals and deferred bond costs. In addition to liabilities, the statement of financial position can also 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 and so will not be recognized as revenue until then. The City has one item that meets this criterion-- pension-related deferrals.

Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.
- Committed fund balance - amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Net Position

Net position is classified and presented in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any mortgages, notes payable, or other borrowings, that are attributable to the acquisitions, construction, or improvement of those assets.

Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets”.

NOTE B DEPOSITS and INVESTMENTS

The City considers highly liquid investments (including restricted assets) with an original maturity of one year or less when purchased to be cash equivalents.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statutes permits the City to invest in the following types of instruments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.
2. 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 the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (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 graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate 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.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. 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 (1), (2), (3), and (6) 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.

Deposits are shown at carrying value at September 30, 2016 as follows:

Description	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Checking Accounts	\$ 286,187	\$ 410,012	\$ -	\$ 696,199	\$ 415,096
Savings Accounts	250,000	4,445,051	-	4,695,051	4,688,815
Certificates of Deposit	500,000	399,623	-	899,623	899,810
	<u>\$ 1,036,187</u>	<u>\$ 5,254,686</u>	<u>\$ -</u>	<u>\$ 6,290,873</u>	6,003,721
Cash on Hand					3,050
Total					<u>6,006,771</u>
S.C. Local Government Investment Pool					
(Fair value substantially equivalent to the value of the pool shares)					23,699
Total					<u>\$ 6,030,470</u>

NOTE B DEPOSITS and INVESTMENTS (Continued)

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash, cash equivalents and investments, had a bank balance of \$6,290,873 at September 30, 2016. Of that amount, all was fully insured by depository insurance or secured with collateral held by the City's agent in its name.

The City's deposits are categorized to indicate the level of risk assumed by the City at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

The City's investments are categorized to indicate the level of risk assumed by the City at September 30, 2016. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name. The South Carolina Local Government Investment Pool is run by the State Treasurer's Office and can invest only in the same type of instruments allowed by the City.

NOTE C PROPERTY TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1. Liens attach to the property at the time the taxes are levied. These taxes are due without penalty through January 15. Current year real and personal taxes become delinquent on March 16. The levy date for motor vehicle taxes is the first day of the month in which the vehicle license expires. These taxes are due by the last day of the same month. These vehicle taxes are collected by the County and remitted to the City monthly.

Most of the property taxes as of September 30, 2016, have been collected, or the property has been sold at auction. However, \$91,210 in property taxes was collected within sixty days of September 30, 2016. Taxes collected through the sale of property are held in escrow for one year and then recognized as income. The tax mill rate (per \$1,000 of assessed value) for the City for the 2015 fiscal year was 117.2 mills.

NOTE D PROPERTY, PLANT and EQUIPMENT

Activity for general fixed assets capitalized by the City is summarized below:

	Balance 9/30/2015	Additions	Retirements and Transfers	Balance 9/30/2016
By Category:				
Land	\$ 594,382	\$ -	\$ -	\$ 594,382
Construction in Progress	14,011	-	-	14,011
Buildings and Improvements	8,549,880	189,578	-	8,739,458
Furniture and Fixtures	155,530	-	-	155,530
Automobiles and Trucks	2,976,357	103,736	-	3,080,093
Other Equipment	2,543,371	12,295	-	2,555,666
Streets Improvements	777,362	-	-	777,362
Sub-Total	<u>15,610,893</u>	<u>305,609</u>	<u>-</u>	<u>15,916,502</u>
Less Accumulated Depreciation	<u>(7,965,329)</u>	<u>(591,851)</u>	<u>-</u>	<u>(8,557,180)</u>
Totals	<u>\$ 7,645,564</u>	<u>\$ (286,242)</u>	<u>\$ -</u>	<u>\$ 7,359,322</u>
By Department:				
City Management	\$ 189,633	\$ -	\$ -	\$ 189,633
Police	3,639,708	72,888	-	3,712,596
Fire	2,685,597	149,467	-	2,835,064
Public Works	2,722,452	45,549	-	2,768,001
Recreation	3,262,180	37,705	-	3,299,885
Administration	3,100,504	-	-	3,100,504
Court	10,819	-	-	10,819
Totals	<u>\$ 15,610,893</u>	<u>\$ 305,609</u>	<u>\$ -</u>	<u>\$ 15,916,502</u>

A summary of property, plant and equipment of the Proprietary Fund is presented below:

Land	\$ 181,730
Utility Plant	39,199,293
Construction in Progress	307,419
Automobiles and Trucks	227,187
Other Equipment	393,444
Sub-Total	<u>40,309,073</u>
Less Accumulated Depreciation	<u>(17,111,573)</u>
Net Property, Plant and Equipment	<u>\$ 23,197,500</u>

NOTE D PROPERTY, PLANT and EQUIPMENT (Continued)

With the implementation of GASB 34, the City of York opted to report infrastructure under the "modified approach". Streets, sidewalks, and curb and gutter costs in today's dollars were indexed back to the cost based on the year of service.

A summary of the City of York's Infrastructure is presented on page 27.

The City of York assesses the condition of these assets annually. The City of York, Public Works Department, will be responsible for establishing target condition assessments. Target condition assessments are based on four levels of conditions. These conditions determine whether a cut and patch, full depth cut, repair to sub-base, or to overlay to the road is necessary. These conditions serve as a measurement scale for betterments and improvements. A major improvement becomes necessary when the asphalt has started to separate and 'alligator' cracks have become present. When asphalt starts to separate, water gets under the asphalt, and cold weather freezes water at the sub-base and expands the cracks even more. To correct this condition a two inch overlay is required. The total costs to resurface all existing paved city owned streets total \$1,220,000. The costs to resurface the existing city owned parking areas total \$228,373. The costs to resurface the unpaved streets total \$574,920. These estimates are based on recent bids from local engineering firms. Although currently, as a whole, all the City of York's infrastructure is in fairly good condition, it will take significant dollars for betterments and improvements.

As for small repairs and maintenance, i.e., an occasional pothole, where a simple cut and patch is necessary, a budget line item exists under Public Works Administration. When pieces of infrastructure need to be replaced when utility cuts are necessary, a line item exists under Utility Maintenance.

CITY of YORK, SOUTH CAROLINA
INFRASTRUCTURE FIXED ASSETS
September 30, 2016

<u>Street Directory Name</u>	<u>Date In Service</u>	<u>Length In Feet</u>	<u>Lanes</u>	<u>Street Cost</u>	<u>Index Cost</u>	<u>Sidewalk Length</u>	<u>Sidewalk Cost</u>	<u>Index Cost</u>	<u>Curb/ Gutter Length</u>	<u>Curb/ Gutter Cost</u>	<u>Index Cost</u>
Ecology Road	1981	5,000	2	\$ 220,000	\$ 135,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Devinney Road	1984	320	2	14,080	8,659	-	-	-	-	-	-
Pebble Creek	1989	3,915	2	172,260	105,940	-	-	-	-	-	-
Ole East Point	1989	2,414	2	106,216	65,323	-	-	-	-	-	-
White Rose Lane	1990	1,200	2	52,800	32,472	-	-	-	-	-	-
Finewright/Ridgewood	1993	1,200	2	52,800	32,472	-	-	-	-	-	-
Popular Point	1996	570	2	25,080	15,424	-	-	-	-	-	-
Pheasant Ridge	1997	1,841	2	81,004	49,817	3,682	40,502	21,061	3,682	44,184	44,184
McNeel Street	1997	1,000	2	44,000	27,060	-	-	-	-	-	-
English Garden Park (Paved)	1999	1584	2	69,696	42,863	-	-	-	-	-	-
Misty Way (Settlemyre Pl)	2001	519	2	22,836	14,044	1,038	11,418	5,937	1,038	12,456	12,456
Green Acres	2001	3,316	2	145,904	89,731	-	-	-	-	-	-
Oaks of Broadway	2002	1,608	2	70,752	43,512	3,216	35,376	18,396	3,216	7,591	7,591
Lincoln Estates	2002	2,600	2	114,400	70,356	-	-	-	-	-	-
Hunter Park	2003	8,538	2	375,672	231,038	-	-	-	-	-	-
Raille Street	2003	1,000	2	44,000	27,060	-	-	-	-	-	-
Wellington Square	2007	1,500	2	66,000	40,590	3,000	33,000	17,160	3,000	36,000	36,000
					<u>\$ 1,031,662</u>			<u>\$ 62,554</u>			<u>\$ 100,231</u>
<u>City Owned Parking Lots</u>											
City Hall/Police Complex	1981	169		\$ 3,718	\$ 2,287	\$ 169	\$ 1,859	\$ 967	\$ 169	\$ 2,028	\$ 2,028
Fire Department	2000	111		2,442	1,502	111	1,221	635	111	1,332	1,332
Senior Citizens	1920	96		2,112	1,299	96	1,056	549	96	1,152	1,152
Rec Complex 4 th Street	1991	430		9,460	5,818	430	4,730	2,460	430	5,160	5,160
Rec Center White Rose Lane	1980	75		1,650	1,015	75	825	429	75	900	900
York Chamber Office	1982	200		4,400	2,706	200	2,200	1,144	200	2,400	2,400
Pecan Circle	1981	160		3,520	2,165	160	1,760	915	160	1,920	1,920
Bishop Street	1981	160		3,520	2,165	160	1,760	915	160	1,920	1,920
Cannon Court	1984	170		3,740	2,300	170	1,870	972	170	2,040	2,040
					<u>\$ 21,257</u>			<u>\$ 8,986</u>			<u>\$ 18,852</u>
				<u>Unpaved</u>	<u>Index</u>						
<u>Existing Unpaved City Owed Streets</u>				<u>Cost</u>	<u>Cost</u>	<u>Total of Index Cost</u>					
English Garden Park (Gravel)		1,576		\$ 70,920	\$ 28,368						
McClain Street		900		40,500	16,200						
Washington Court		1,000		45,000	18,000						
McCorkle Street		1,800		81,000	32,400						
Arrow Road		500		22,500	9,000						
Lake Caldwell		7,000		315,000	126,000						
					<u>\$ 229,968</u>						

NOTE E LONG-TERM OBLIGATIONS

Compensated Absences

Vacation liabilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

At September 30, 2016, the liability of the primary government for accrued vacation and sick leave benefits amounted to \$440,936 and the proprietary fund amounted to \$141,347. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be payable in the following year.

Governmental Fund Debt

In the government-wide and proprietary funds' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charged.

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

The City is obligated under certain leases accounted for as capital leases. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2016:

Year Ended September 30,	General
2017	<u>Long-Term Debt</u>
2018	\$ 140,705
2019	114,734
2020	58,362
Minimum Lease Payments for All Capital Leases	<u>11,578</u>
	325,379
Less: Amount Representing Interest at the City's Incremental Borrowing Rate of Interest	<u>(9,645)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 315,734</u></u>

NOTE E LONG-TERM OBLIGATIONS (Continued)

Debt outstanding as of September 30, 2016, consisted of the following:

Description	Interest Rate	Date		Principal Balance 9/30/16
		Issuance	Maturity	
<u>General Long-Term Debt:</u>				
General Obligation Bond of 2009	2.50%	6/17/2009	6/1/2019	215,000
General Obligation Bond of 2010	2.97%	10/28/2010	10/1/2020	551,480
Obligations under Capital Lease Agreements:				
Residential Trash Truck	1.99%	6/1/2012	6/1/2018	102,041
Recycling Truck	1.99%	3/7/2012	3/15/2018	47,547
2 Ford Explorers and Dodge Truck	1.55%	4/15/2013	4/15/2017	25,580
2 Ford Explorers, 1 Chevy Impala,	1.48%	1/15/2014	1/15/2018	62,150
3 Tahoes	1.66%	7/7/2015	9/30/2020	78,416
Total General Long-Term Debt				1,082,214
Less Current Portion				(301,188)
Long-Term Liabilities				<u>\$ 781,026</u>

The following is a summary of the City's long-term debt transactions for the year ended September 30, 2016:

	General Long-Term and Capital Leases		
	Capital Leases	General Long-Term Debt	Total
Debt Outstanding, September 30, 2015	\$ 457,313	\$ 908,601	\$ 1,365,914
Additional Borrowings	-	-	-
Retirements and Repayments	(141,580)	(142,120)	(283,700)
Debt Outstanding, September 30, 2016	<u>\$ 315,733</u>	<u>\$ 766,481</u>	<u>\$ 1,082,214</u>

The annual Debt Service Retirements for all governmental fund debt to maturity, including principal and interest are:

Year Ended September 30,	Principal	Interest
2017	\$ 301,188	\$ 29,424
2018	285,567	21,636
2019	244,393	13,814
2020	121,684	6,738
2021	129,382	3,370
Totals	<u>\$ 1,082,214</u>	<u>\$ 74,982</u>

NOTE E LONG-TERM OBLIGATIONS (Continued)

The following is a summary of Enterprise Fund Debt:

Description	Interest Rate	Date		Principal Balance 9/30/16
		Issuance	Maturity	
<u>Enterprise Fund Debt:</u>				
Revenue Bonds:				
Water and Sewer Bonds	2.50%	4/16/2004	7/1/2019	765,000
Water and Sewer Bonds for Wastewater Treatment Plant	2.42%	12/1/2014	12/1/2024	3,700,000
Total Enterprise Fund Long-Term Debt				<u>\$ 4,465,000</u>
Debt Outstanding, October 1, 2015				\$ 4,960,000
Retirements and Repayments				(495,000)
Debt Outstanding, September 30, 2016				4,465,000
Less Current Portion				(545,000)
Long-Term Liabilities				<u>\$ 3,920,000</u>

The annual debt service requirements for Enterprise Fund are:

Year Ended September 30,		Total	Principal	Interest
2004 Bonds	2017	\$ 239,125	\$ 220,000	\$ 19,125
	2018	258,625	245,000	13,625
	2019	307,500	300,000	7,500
		<u>\$ 805,250</u>	<u>\$ 765,000</u>	<u>\$ 40,250</u>
2009 WWTP Bonds	2017	\$ 410,607	\$ 325,000	\$ 85,607
	2018	427,440	350,000	77,440
	2019	443,668	375,000	68,668
	2020	459,290	400,000	59,290
	2021	449,610	400,000	49,610
	After	1,942,565	1,850,000	92,565
		<u>\$ 4,133,180</u>	<u>\$ 3,700,000</u>	<u>\$ 433,180</u>
Total Bonds	2017	\$ 649,732	\$ 545,000	\$ 104,732
	2018	686,065	595,000	91,065
	2019	751,168	675,000	76,168
	2020	459,290	400,000	59,290
	2021	449,610	400,000	49,610
	After	1,942,565	1,850,000	92,565
		<u>\$ 4,938,430</u>	<u>\$ 4,465,000</u>	<u>\$ 473,430</u>

NOTE F EMPLOYEE RETIREMENT SYSTEM

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled Accounting and Financial Reporting for Pension Plans in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System are prescribed in paragraphs 48 through 82 of GASB 68. The following information is provided in order to meet the current disclosure requirements.

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

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

Membership

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTE F RETIREMENT PLAN (Continued)

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

Benefits

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

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

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

NOTE F RETIREMENT PLAN (Continued)

Contributions

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

The following provides a summary of the City of York, South Carolina's retirement plan contributions at September 30, 2016: (includes group life insurance)

Retirement System	Covered Salaries	Employee Contributions	Employer Contributions	Total Contributions
SCRS	\$ 2,204,890	\$ 180,795	\$ 246,945	\$ 427,740
PORS	\$ 2,078,908	\$ 182,559	\$ 288,604	\$ 471,163
		<u>Contribution Rates</u>		
		<u>Employee</u>	<u>Employer</u>	<u>Total</u>
SCRS		8.16%	10.91%	18.75%
PORS		8.74%	13.34%	22.08%

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

At September 30, 2016, the City reported a liability of \$7,337,518 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportion was .022% for the SCRS and .141% for the PORS.

NOTE F RETIREMENT PLAN (Continued)

For the year ended September 30, 2016, the City recognized pension expense of \$612,567. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 544,372
Liability Experience	738,292	-
City Contributions Subsequent to the Measurement Date	535,549	-
Total	<u>\$ 1,273,841</u>	<u>\$ 544,372</u>

The \$535,549 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ 25,465
2017	25,465
2018	(3,197)
2019	146,187

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2016 annual valuation is complete.

The September 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended September 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS. The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000.

NOTE F RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2014, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal Year 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.9%	0.04%
Short Duration	3.0%	2.0%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.7%	0.19%
Mixed Credit	2.0%	3.8%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.8%	0.08%
Emerging Markets Debt	6.0%	5.1%	0.31%
Global Public Equity	31.0%	7.1%	2.20%
Global Tactical Asset Allocation Alternatives	10.0%	4.9%	0.49%
Hedge Funds (Low Beta)	32.0%		
Hedge Funds (Low Beta)	8.0%	4.3%	0.34%
Private Debt	7.0%	9.9%	0.69%
Private Equity	9.0%	9.9%	0.89%
Real Estate (Broad Market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

NOTE F RETIREMENT PLAN (Continued)

Discount Rate

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

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	\$ 9,563,515
Current Discount Rate	7.50%	\$ 7,337,518
1% Increase	8.50%	\$ 5,409,509

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE G FEDERAL and STATE ASSISTED PROGRAM

The City has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being approved expenditures under the grant agreements. Such audits could result in the refund of grant money to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for refund of grant money.

NOTE H UTILITY FUND ACCOUNTS RECEIVABLE

Enterprise fund accounts receivable represent amounts due from customers for water and sewer services that were outstanding at the end of the year. Customers are billed on a cycle that usually ends in the second week of the month and bills are payable without penalty by the fourteenth of the month. A penalty is added after 5:00 p.m. on the fourteenth and other charges are applied if the bill is not paid within ten days after the penalty date.

NOTE I LONG-TERM NOTE RECEIVABLE

The Long-Term Note Receivable is due from Peedee Limited Partnership. This note is in the amount of \$410,000 discounted 5% to \$389,500. The first payment is scheduled to be made starting 2032. This transaction resulted from the rehabilitation of the Rose Hotel.

NOTE J POST EMPLOYMENT HEALTH CARE BENEFITS

In 2004, the GASB issued GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. This statement supersedes the previous guidance on other post-employment benefits (OPEB) contained in GASBS Numbers 12, 26 and 27. GASB 45 became effective for the City for the year ending September 30, 2010, and will cause a change in the accounting and presentation of OPEB.

The City provides post-retirement healthcare insurance for employees who meet the following qualifications:

Employees with 15 years of service as of July 1, 2010, who retire under the State Retirement System at age 55, having completed 20 years of continuous service with the City are eligible for health insurance on the City's plan. The City pays 100% to age 65, at which time the City pays 100% of the Medicare Supplement until death.

Employees with 10 years of service as of July 1, 2010, who retire under the State Retirement System at age 55, having completed 15 but fewer than 20 years of continuous service with the City, are eligible for health insurance on the City's plan. The City pays 50% to age 65, at which time the City pays 50% of the Medicare Supplement until death.

Employees hired as of 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 are eligible for health insurance on the City's plan. The city pays \$300 per month to age 65 at which time the city pays \$300 per month of the Medicare Supplement until death. The retiree must remain on the City's insurance plan.

Employees hired as of July 1, 2000 or after who retires under the State Retirement System at age 55, having completed 15 years but fewer than 20 years of continuous service with the City are eligible for health insurance on the City's plan. The city pays \$150 per month to age 65 at which time the city pays \$150 per month of the Medicare Supplement until death. The retiree must remain on the City's insurance plan.

The city will provide life insurance to retirees meeting the appropriate eligibility requirements in the amount of \$10,000 until age 65, at which time the benefit decreases to \$6,500 and further decreases to \$5,000 at age 70.

The plan is closed to members hired on or after January 1, 2014.

Funding Policy

The new proposed policy, described above, will require an annual required contribution. This deposit will be distributed to the trust administered by the Municipal Association. Based on the analysis prepared by Cavanaugh Macdonald, the City deposited \$128,631 during fiscal 2015-2016. Depending on demographics and a multitude of other factors, i.e., ages of employees at any given time, number of people employed here, etc., the yearly contribution will vary from year to year. Although the actuary cannot predict the exact time frame that the City will be allowed to withdraw money from the trust, it is estimated that after about 13 to 15 years, the "pay-as-you-go costs" will exceed the annual required contribution. At this point, the City will be allowed to withdraw money from the trust to help cover the healthcare benefits described above.

The goal is to maintain a level of security for those loyal employees who have been here for over 15 years, who have looked forward to retiring feeling that healthcare benefits will not be a worrisome issue during their golden years. However, prudence must be maintained in shaping the benefits the City of York, South Carolina offers in the future. The City exists to serve the public. Therefore, in an effort to still provide a generous, yet modest, reasonable benefit to our less-than-15-year public servants, who have some time yet to plan for their retirement, the capped monthly amounts, of \$150 to \$300, aforementioned above will allow them a supplement as a foundation for health care premiums.

NOTE J POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligations: The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer. The ARC is an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 2.5 years. The following table shows the components of the City's annual OPEB cost for the year ending September 30, 2016 the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2015.

Annual Required Contribution (ARC)	\$ 277,734
Interest on Net OPEB Obligation (NOO)	-
Amortization of NOO	-
Annual OPEB cost	<u>277,734</u>
Contributions Made	<u>(208,745)</u>
Change in Net OPEB Obligation	68,989
Net OPEB Obligation, Beginning of Year	<u>145,880</u>
Net OPEB Obligation, End of Year	<u><u>\$ 214,869</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 277,734	75%	\$ 214,869

Funded Status and Funding Progress: The funding status of the plan as of September 30, 2016, based on an actuarial valuation as of July 1, 2015, was as follows:

Actuarially Accrued Liability (AAL)	\$ 3,546,349
Actuarial Value of Plan Assets	<u>(573,621)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 2,972,728</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	16.17%
UAAL as a Percentage of Covered Payable	90.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE J POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

In the July 1, 2015, actuarial valuation, the "entry age normal" method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual health care cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 5.0% over 80 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis.

There are no other post-employment benefits offered by the City other than that is required under the Consolidated Omnibus Budget and Reconciliation Act (COBRA). As required, the City provides health insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no associated cost to the City under this program.

NOTE K RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because of the high cost of worker's compensation insurance purchased from commercial insurers, the City has chosen to participate with other municipalities in the state in the South Carolina Municipal Insurance Trust Fund, a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the reserve for its worker's compensation insurance coverage based upon the total payroll of the City for each plan year. The Agreement for Formation of the Reserve Fund provides that it will be self-sustaining through member premiums, and any deficiencies can be charged back to the ninety eight members in the event that a fund deficit arises.

The City continues to participate in the South Carolina Municipal Insurance Trust Fund for all other risks of loss.

NOTE L SUBSEQUENT EVENTS

The City evaluated all events or transactions that occurred after September 30, 2016, through January 8, 2017, the date the City issued these financial statements. During this period, the City did not have any material subsequent events that required recognition in the City's disclosures to the September 30, 2016, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YORK, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
TAXES				
Property Taxes	\$ 2,870,485	\$ 2,870,485	\$ 2,832,066	\$ (38,419)
Vehicle Taxes	230,000	230,000	257,139	27,139
In Lieu of Taxes	923,678	923,678	970,748	47,070
Total Taxes	<u>4,024,163</u>	<u>4,024,163</u>	<u>4,059,953</u>	<u>35,790</u>
OTHER REVENUES				
Duke Power	530,000	530,000	534,915	4,915
State Shared Revenue	365,908	365,908	330,444	(35,464)
Business Licenses	400,275	400,275	422,357	22,082
Building Permits	80,000	80,000	63,920	(16,080)
Court Fines/Fees	110,593	110,593	88,991	(21,602)
Interest	10,000	10,000	11,573	1,573
Rent	3,000	3,000	3,000	-
Garbage Fees	872,000	872,000	894,663	22,663
Garbage Bags	6,000	6,000	3,563	(2,437)
Fire Protection	81,648	81,648	81,675	27
Recreation Fees	230,000	230,000	239,188	9,188
Recycling Fees	42,000	42,000	32,666	(9,334)
Utility Transfer	217,987	217,987	217,987	-
Utility Transfer	25,000	25,000	25,000	-
Over/Short	-	-	(1)	(1)
Miscellaneous	11,000	11,000	84,322	73,322
Fingerprinting	1,000	1,000	1,260	260
Copies	1,500	1,500	284	(1,216)
Sales Permits	500	500	268	(232)
Donations	-	-	18,300	18,300
Reimbursement School Resource	163,828	163,828	195,342	31,514
Amounts Available for Appropriation	<u>3,152,239</u>	<u>3,152,239</u>	<u>3,249,717</u>	<u>97,478</u>
Total Revenue from all Sources	<u>7,176,402</u>	<u>7,176,402</u>	<u>7,309,670</u>	<u>133,268</u>
CHARGES TO APPROPRIATIONS				
GENERAL GOVERNMENT				
Legislative				
Personnel Services	76,266	76,266	74,960	1,306
Operating Expenditures	18,840	18,840	12,202	6,638
Total Legislative	<u>95,106</u>	<u>95,106</u>	<u>87,162</u>	<u>7,944</u>
Executive				
Personnel Services	137,585	137,585	144,943	(7,358)
Operating Expenditures	9,800	9,800	3,534	6,266
Total Executive	<u>147,385</u>	<u>147,385</u>	<u>148,477</u>	<u>(1,092)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF YORK, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Economic Development				
Personnel Services	18,196	18,196	16,723	1,473
Operating Expenditures	2,800	2,800	828	1,972
Capital Outlay	500	500	-	500
Total Economic Development	<u>21,496</u>	<u>21,496</u>	<u>17,551</u>	<u>3,945</u>
Administration				
Personnel Services	378,573	378,573	413,637	(35,064)
Operating Expenditures	68,497	68,497	76,188	(7,691)
Capital Outlay	3,000	3,000	-	3,000
Total Administration	<u>450,070</u>	<u>450,070</u>	<u>489,825</u>	<u>(39,755)</u>
Court				
Personnel Services	133,365	133,365	134,157	(792)
Operating Expenditures	16,554	16,554	24,681	(8,127)
Capital Outlay	1,000	1,000	-	1,000
Total Court	<u>150,919</u>	<u>150,919</u>	<u>158,838</u>	<u>(7,919)</u>
Legal				
Personnel Services	36,207	36,207	18,199	18,008
Operating Expenditures	1,200	1,200	-	1,200
Total Legal	<u>37,407</u>	<u>37,407</u>	<u>18,199</u>	<u>19,208</u>
Police Administration				
Personnel Services	412,608	412,608	421,288	(8,680)
Operating Expenditures	131,360	131,360	145,236	(13,876)
Capital Outlay	29,378	29,378	29,378	-
Total Police Administration	<u>573,346</u>	<u>573,346</u>	<u>595,902</u>	<u>(22,556)</u>
Police Patrol				
Personnel Services	1,282,211	1,282,211	1,388,178	(105,967)
Operating Expenditures	98,745	98,745	89,515	9,230
Debt Service	72,638	72,638	72,638	-
Total Police Patrol	<u>1,453,594</u>	<u>1,453,594</u>	<u>1,550,331</u>	<u>(96,737)</u>
Police Investigation				
Personnel Services	432,395	432,395	441,938	(9,543)
Operating Expenditures	39,160	39,160	32,208	6,952
Capital Outlay	1,500	1,500	-	1,500
Total Police Investigation	<u>473,055</u>	<u>473,055</u>	<u>474,146</u>	<u>(1,091)</u>
Police Dispatch/Jail				
Personnel Services	269,984	269,984	276,168	(6,184)
Operating Expenditures	8,595	8,595	5,909	2,686
Total Police Dispatch/Jail	<u>278,579</u>	<u>278,579</u>	<u>282,077</u>	<u>(3,498)</u>
Total Police Department	<u>2,778,574</u>	<u>2,778,574</u>	<u>2,902,456</u>	<u>(123,882)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF YORK, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Fire Administration				
Personnel Services	744,861	744,861	809,341	(64,480)
Operating Expenditures	75,615	75,615	63,219	12,396
Debt Service	8,259	-	8,259	-
Total Fire Administration	<u>828,735</u>	<u>820,476</u>	<u>880,819</u>	<u>(52,084)</u>
Fire Suppression/City				
Personnel Services	-	-	282	(282)
Operating Expenditures	36,311	36,311	29,828	6,483
Debt Service	66,875	66,875	66,875	-
Total Fire Suppression/City	<u>103,186</u>	<u>103,186</u>	<u>96,985</u>	<u>6,201</u>
Fire Suppression/County				
Operating Expenditures	13,863	13,863	12,476	1,387
Total Fire Suppression/County	<u>13,863</u>	<u>13,863</u>	<u>12,476</u>	<u>1,387</u>
First Responder				
Operating Expenditures	35,700	35,700	33,747	1,953
Total First Responder	<u>35,700</u>	<u>35,700</u>	<u>33,747</u>	<u>1,953</u>
Total Fire Department	<u>981,484</u>	<u>973,225</u>	<u>1,024,027</u>	<u>(42,543)</u>
Planning and Zoning				
Personnel Services	225,136	225,136	254,821	(29,685)
Operating Expenditures	24,050	24,050	28,686	(4,636)
Capital Outlay	1,800	1,800	-	1,800
Total Planning and Zoning	<u>250,986</u>	<u>250,986</u>	<u>283,507</u>	<u>(32,521)</u>
Recreation Administration				
Personnel Services	94,973	94,973	99,127	(4,154)
Operating Expenditures	23,222	23,222	22,204	1,018
Total Recreation Administration	<u>118,195</u>	<u>118,195</u>	<u>121,331</u>	<u>(3,136)</u>
Recreation Programming				
Personnel Services	186,411	186,411	188,571	(2,160)
Operating Expenditures	119,416	119,416	129,137	(9,721)
Total Recreation Programming	<u>305,827</u>	<u>305,827</u>	<u>317,708</u>	<u>(11,881)</u>
Recreation Building and Grounds				
Personnel Services	143,590	143,590	145,673	(2,083)
Operating Expenditures	17,637	17,637	10,060	7,577
Total Recreation Building and Grounds	<u>161,227</u>	<u>161,227</u>	<u>155,733</u>	<u>5,494</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF YORK, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Favorable (Unfavorable)
Recreation Complex				
Personnel Services	63,091	63,091	77,072	(13,981)
Operating Expenditures	63,070	63,070	77,847	(14,777)
Total Recreation Complex	<u>126,161</u>	<u>126,161</u>	<u>154,919</u>	<u>(28,758)</u>
Total Recreation Department	<u>711,410</u>	<u>711,410</u>	<u>749,691</u>	<u>(38,281)</u>
Public Works Administration				
Personnel Services	77,816	77,816	81,217	(3,401)
Operating Expenditures	26,439	26,439	31,044	(4,605)
Total Public Works Administration	<u>104,255</u>	<u>104,255</u>	<u>112,261</u>	<u>(8,006)</u>
Public Works Building and Grounds				
Personnel Services	62,129	62,129	2,997	59,132
Operating Expenditures	44,632	44,632	48,518	(3,886)
Total Public Works Building and Grounds	<u>106,761</u>	<u>106,761</u>	<u>51,515</u>	<u>55,246</u>
Public Works Brush Collection				
Personnel Services	184,147	184,147	169,701	14,446
Operating Expenditures	54,450	54,450	56,620	(2,170)
Debt Service	8,717	8,717	8,717	-
Total Public Works Brush Collection	<u>247,314</u>	<u>247,314</u>	<u>235,038</u>	<u>12,276</u>
Public Works Leaf Collection				
Personnel Services	48,939	48,939	47,040	1,899
Operating Expenditures	14,885	14,885	16,781	(1,896)
Capital Outlay	2,500	2,500	-	2,500
Total Public Works Leaf Collection	<u>66,324</u>	<u>66,324</u>	<u>63,821</u>	<u>2,503</u>
Public Works Residential				
Personnel Services	48,584	48,584	51,108	(2,524)
Operating Expenditures	171,479	171,479	206,967	(35,488)
Debt Service	35,208	35,208	35,208	-
Total Public Works Residential	<u>255,271</u>	<u>255,271</u>	<u>293,283</u>	<u>(38,012)</u>
Public Works Commercial				
Personnel Services	49,228	49,228	51,775	(2,547)
Operating Expenditures	165,863	165,863	196,855	(30,992)
Capital Outlay	23,310	23,310	-	23,310
Total Public Works Commercial	<u>238,401</u>	<u>238,401</u>	<u>248,630</u>	<u>(10,229)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF YORK, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Favorable (Unfavorable)
Maintenance Shop				
Personnel Services	84,018	84,018	97,196	(13,178)
Operating Expenditures	21,592	21,592	20,937	655
Capital Outlay	1,500	1,500	-	1,500
Total Maintenance Shop and Grounds	<u>107,110</u>	<u>107,110</u>	<u>118,133</u>	<u>(11,023)</u>
Recycling				
Personnel Services	47,115	47,115	50,173	(3,058)
Operating Expenditures	17,374	17,374	20,784	(3,410)
Debt Service	24,368	24,368	24,368	-
Total Recycling	<u>88,857</u>	<u>88,857</u>	<u>95,325</u>	<u>(6,468)</u>
Total Public Works Department	<u>1,214,293</u>	<u>1,214,293</u>	<u>1,218,006</u>	<u>(3,713)</u>
Non-Departmental				
Personnel Services	81,997	81,997	69,306	12,691
Operating Expenditures	255,275	255,275	285,304	(30,029)
Total Non-Departmental	<u>337,272</u>	<u>337,272</u>	<u>354,610</u>	<u>(17,338)</u>
Total General Government Revenue				
Total Personnel Services	5,319,425	5,319,425	5,525,591	(206,166)
Total Operating Expenditures	1,576,424	1,576,424	1,681,315	(104,891)
Debt Service	216,065	216,065	216,065	-
Total Capital Outlay	64,488	64,488	29,378	35,110
Total Expenditures	<u>7,176,402</u>	<u>7,176,402</u>	<u>7,452,349</u>	<u>(275,947)</u>
Total Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,679)</u>	<u>\$ (142,679)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of YORK, SOUTH CAROLINA
York, South Carolina

SCHEDULE of FUNDING PROGRESS FOR RETIREE HEALTH PLAN

Year Ended September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
July 1, 2009	\$ -	\$ 2,073,600	\$ 2,073,600	0.00%	\$ 3,323,200	62.40%
July 1, 2011	\$ 88,421	\$ 2,690,076	\$ 2,601,655	3.29%	\$ 3,071,394	84.71%
July 1, 2013	\$ 288,851	\$ 3,181,012	\$ 2,892,161	9.08%	\$ 3,186,942	90.75%
July 1, 2015	\$ 573,621	\$ 3,546,349	\$ 2,972,728	16.17%	\$ 3,290,584	90.34%

CITY of YORK, SOUTH CAROLINA
York, South Carolina

DISCLOSURES for a STREET SYSTEM BASED on a PERCENTAGE of ROADS in GOOD
or SUBSTANDARD CONDITION

Year Ended September 30, 2016

**Percentage of Lane-Miles in
Good or Better Condition**

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>
Streets	87.50%	87.50%	87.50%
City Owned Parking Lots	66.50%	66.50%	66.50%
Existing Unpaved City Owned Streets	64.00%	64.00%	64.00%
Overall System	72.70%	72.70%	72.70%

**Percentage of Lane-Miles in
Substandard Condition**

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>
Streets	2.80%	2.80%	2.80%
City Owned Parking Lots	6.10%	6.10%	6.10%
Existing Unpaved City Owned Streets	9.50%	9.50%	9.50%
Overall system	6.10%	6.10%	6.10%

The remaining percentages are in fair condition.

**Comparison of Needed-to-Actual Maintenance/Preservation
(in Thousands)**

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>
Streets:			
Needed	\$ 122,800	\$ 122,800	\$ 122,800
Actual	107,160	107,160	107,160
City Owned Parking Lots:			
Needed	21,040	21,040	21,040
Actual	7,000	7,000	7,000
Existing Unpaved City Owned Streets:			
Needed	76,000	76,000	76,000
Actual	24,000	24,000	24,000
Overall system:			
Needed	219,840	219,840	219,840
Actual	138,160	138,160	138,160
Difference	81,680	81,680	81,680

The roads were categorized by the following condition index: good or better condition, fair condition, and substandard condition. It is the City's policy to maintain at least 60 percent of its street system at a good or better condition level. No more than 10 percent should be in a substandard condition. Condition assessments are determined every year.

CITY of YORK, SOUTH CAROLINA
York, South Carolina

SCHEDULE of the CITY'S CONTRIBUTIONS
South Carolina Retirement System
Years Ended September 30,

	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 535,549	\$ 477,643
Contributions in Relation to Statutorily Required Contributions	<u>535,549</u>	<u>477,643</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's Covered-Employee Payroll	<u>\$ 4,283,798</u>	<u>\$ 3,940,768</u>
Contributions as a Percentage of Covered Employee Payroll	12.5%	12.1%

Until a full 10 year trend is compiled, the City will present information for those years for which information is available.

CITY of YORK, SOUTH CAROLINA
York, South Carolina

SCHEDULE of the CITY'S PROPORTIONATE
SHARE of the NET PENSION LIABILITY
South Carolina Retirement System
Years Ended September 30,

	2016	2015
Reporting Unit's Proportion of South Carolina Retirement System Net Pension Liability (%)	0.0228%	0.0228%
Reporting Unit's Proportion of Police Officers Retirement System Net Pension Liability (%)	0.1378%	0.1378%
Reporting Unit's Proportionate Share of Net Pension Liability	\$ 7,337,518	\$ 6,553,662
Reporting Unit's Covered Employee Payroll	\$ 4,283,798	\$ 3,940,768
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	171.3%	166.3%

Until a full 10 year trend is compiled, the City will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION (OPTIONAL)

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Fire 1% - To account for money received from the State of South Carolina.

Victims' Assistance - To account for funds designated for Victims' Assistance.

Drug Enforcement - To account for funds designated for drug enforcement.

Police Auction -To account for funds received from auction of vehicles and equipment to be used for police operations.

Police Grant-To account for grant proceeds.

CITY OF YORK, SOUTH CAROLINA
SPECIAL REVENUE FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Special Revenues				
Auction Receipts	\$ -	\$ -	\$ 1,430	\$ 1,430
Fire 1%	-	-	26,032	26,032
Equitable Sharing	-	-	4,168	4,168
Victims' Assistance	-	-	15,934	15,934
Drug Enforcement > \$1,000	-	-	6,241	6,241
Drug Enforcement < \$1,000	-	-	8,154	8,154
Police Grant	-	-	125,129	125,129
Total Revenues	-	-	187,088	187,088
 CHARGES to APPROPRIATIONS (Outflow)				
Special Revenues				
Police Auction	-	-	107	(107)
Fire 1%	-	-	22,271	(22,271)
Victims' Assistance	-	-	15,934	(15,934)
Police Grant	-	-	125,129	(125,129)
Equitable Sharing	-	-	4,168	-
Total Expenditures	-	-	167,609	(163,441)
 Total Revenues over Expenditures	\$ -	\$ -	19,479	\$ 23,647
 Beginning Fund Balance			239,562	
Ending Fund Balance			\$ 259,041	

The Accompanying Notes are an Integral Part of These Financial Statements

CAPITAL IMPROVEMENTS FUND

The Capital Improvements fund is to account for resources used for the acquisition and/or construction of capital improvements by the City.

CITY OF YORK, SOUTH CAROLINA
CAPITAL IMPROVEMENTS FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Hospitality Tax	410,000	410,000	463,208	53,208
Accommodations Tax	40,000	40,000	64,061	24,061
Amounts Available for Appropriation	450,000	450,000	527,269	77,269
CHARGES to APPROPRIATIONS (Outflow)				
Capital Improvements				
Downtown Business Association	5,000	5,000	6,656	(1,656)
Community Promotions	2,500	2,500	1,835	665
Other Capital Outlay	213,655	213,655	151,610	62,045
Debt Service	116,845	116,845	116,845	-
Professional Services	42,000	42,000	50,735	(8,735)
Capital Improvements - Repairs	-	-	4,950	(4,950)
Miscellaneous	70,000	70,000	70,657	(657)
Total Capital Expenditures	450,000	450,000	403,288	46,712
Total Government Revenues	450,000	450,000	527,269	77,269
Total Revenues over Expenditures	\$ -	\$ -	123,981	\$ 123,981
Beginning Fund Balance			144,427	
Ending Fund Balance			\$ 268,408	

The Accompanying Notes are an Integral Part of These Financial Statements

UTILITY and CAPACITY FEE FUND

CITY OF YORK, SOUTH CAROLINA
UTILITY FUND

STATEMENT of REVENUES, EXPENSES and CHANGES in
NET POSITION - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water/Sewer Receipts	\$ 2,073,955	\$ 2,073,955	\$ 1,931,943	\$ (142,012)
Base Charge	1,074,836	1,074,836	1,084,399	9,563
DHEC Charge	67,810	67,810	69,030	1,220
Penalty	83,140	83,140	62,561	(20,579)
Water/Sewer Taps	15,000	15,000	6,206	(8,794)
Connection Fees	27,320	27,320	29,794	2,474
Purchased Water	-	-	1,395	1,395
Hydrant Fees	13,000	13,000	11,357	(1,643)
Meter Reinstallation	2,000	2,000	972	(1,028)
Meter Installation	7,277	7,277	18,752	11,475
Administration	47,860	47,860	54,972	7,112
Pretreatment	9,000	9,000	8,375	(625)
Interest	30,000	30,000	1,736	(28,264)
Miscellaneous	10,000	10,000	42	(9,958)
Total Revenue	<u>3,461,198</u>	<u>3,461,198</u>	<u>3,281,534</u>	<u>(179,664)</u>
EXPENSES				
UTILITY FUND				
Utility Administration				
Personnel Services	123,131	123,131	131,839	(8,708)
Operating Expenditures	472,752	472,752	544,091	(71,339)
Depreciation Expense	2,000	2,000	8,368	(6,368)
Total Administration	<u>597,883</u>	<u>597,883</u>	<u>684,298</u>	<u>(86,415)</u>
Utility Maintenance				
Personnel Services	212,202	212,202	234,770	(22,568)
Operating Expenditures	173,308	173,308	180,500	(7,192)
Depreciation Expense	9,400	9,400	155,738	(146,338)
Total Maintenance	<u>394,910</u>	<u>394,910</u>	<u>571,008</u>	<u>(176,098)</u>
Water Plant				
Personnel Services	182,266	182,266	191,991	(9,725)
Operating Expenditures	319,095	319,095	281,126	37,969
Depreciation Expense/Interest	334,285	334,285	273,116	61,169
Total Water Plant	<u>835,646</u>	<u>835,646</u>	<u>746,233</u>	<u>89,413</u>
Wastewater Plant				
Personnel Services	290,995	290,995	287,851	3,144
Operating Expenditures	626,087	626,087	501,464	124,623
Depreciation Expense/Interest	366,066	366,066	532,705	(166,639)
Total Wastewater Plant	<u>1,283,148</u>	<u>1,283,148</u>	<u>1,322,020</u>	<u>(38,872)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF YORK, SOUTH CAROLINA
UTILITY FUND

STATEMENT of REVENUES, EXPENSES and CHANGES in
NET POSITION - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Plant Maintenance				
Personnel Services	1,660	1,660	1,834	(174)
Operating Expenditures	<u>101,464</u>	<u>101,464</u>	<u>75,630</u>	<u>25,834</u>
Total Plant Maintenance	<u>103,124</u>	<u>103,124</u>	<u>77,464</u>	<u>25,660</u>
 Non-Departmental				
Operating Expenditures	<u>246,487</u>	<u>246,487</u>	<u>302,319</u>	<u>(55,832)</u>
Total Non-Departmental	<u>246,487</u>	<u>246,487</u>	<u>302,319</u>	<u>(55,832)</u>
 Total General Government Expenditures				
Total Personnel Services	810,254	810,254	848,285	(38,031)
Total Operating Expenditures	1,939,193	1,939,193	1,885,130	54,063
Total Depreciation/Interest	<u>711,751</u>	<u>711,751</u>	<u>969,927</u>	<u>(258,176)</u>
Total Expenditures	<u>3,461,198</u>	<u>3,461,198</u>	<u>3,703,342</u>	<u>(242,144)</u>
 Total Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	(421,808)	<u>\$ (421,808)</u>
 Beginning Net Position			<u>17,728,522</u>	
Ending Net Position			<u>\$ 17,306,714</u>	

CITY OF YORK, SOUTH CAROLINA
CAPACITY FEE FUND

STATEMENT of REVENUES, EXPENSES and CHANGES in
NET POSITION - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Capacity Fees	\$ -	\$ -	\$ 100,540	\$ 100,540
Interest Income	-	-	512	512
Total Revenue	-	-	101,052	101,052
Total Revenues under Expenditures	\$ -	\$ -	101,052	\$ 101,052
Beginning Net Position			1,116,601	
Ending Net Position			\$ 1,217,653	

CITY OF YORK, SOUTH CAROLINA
 SCHEDULE of COURT FINES and ASSESSMENTS
 For the Year Ended September 30, 2016

Fines Collected	\$ 88,991
Assessments and Surcharges Collected	116,776
Assessments and Surcharges for Victims' Assistance	<u>15,934</u>
Total Fines, Assessments and Surcharges	<u><u>\$ 221,701</u></u>
Fines and Fees Retained by City	\$ 88,991
Assessments and Surcharges Retained by City For Victims' Services	<u>15,934</u>
Total Fines, Assessments and Surcharges Retained by City	<u><u>\$ 104,925</u></u>
Assessments and Surcharges Remitted to State Treasurer	
Total Assessments and Surcharges Remitted to State Treasurer	<u><u>\$ 116,776</u></u>

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to the State Treasurer on the State Treasurer's monthly Remittance Form.

CANTEY, TILLER, PIERCE & GREEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1204 BROAD STREET • POST OFFICE BOX 862
CAMDEN, SOUTH CAROLINA 29021

PIERCE W. CANTEY, JR., CPA EMERITUS
RICHARD C. TILLER, CPA
JANET M. PIERCE, CPA
HENRY D. GREEN, III, CPA
MARY ELLEN GREEN, CPA

MEMBER OF AMERICAN INSTITUTE
AND SOUTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS
TELEPHONE (803) 432-1436
FAX (803) 432-5055

INDEPENDENT AUDITOR'S REPORT on INTERNAL CONTROL over FINANCIAL
REPORTING and on COMPLIANCE and OTHER MATTERS BASED on an AUDIT of
FINANCIAL STATEMENTS PERFORMED in ACCORDANCE with
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of York, South Carolina, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of York, South Carolina's basic financial statements, and have issued our report thereon dated January 8, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
York, South Carolina

January 8, 2017