

**CHARLESTON COUNTY
PARK AND RECREATION COMMISSION
(COMPONENT UNIT OF THE
COUNTY OF CHARLESTON)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

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**CHARLESTON COUNTY
PARK AND RECREATION COMMISSION**

LIST OF APPOINTED OFFICIALS

YEAR ENDED JUNE 30, 2017

GOVERNING BODY

Andrew Thomas, Chair

Theodore “Teddy” L. Manos, Vice-Chair

Collin Bruner, Secretary/Treasurer

Eduardo Curry, Commissioner

Mattese Lecque, Commissioner

Lisa S. King, Commissioner

David Bennett, Executive Director



INDEPENDENT AUDITOR’S REPORT

To the Commissioners
 Charleston County Park and Recreation Commission
 Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Charleston County Park and Recreation Commission (the “Commission”) (a component unit of the County of Charleston, South Carolina), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charleston County Park and Recreation Commission, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Commission has elected to change its policy for accounting and reporting its park fund operations from an enterprise fund to a governmental fund. Our opinion is not modified with respect to this matter.

Adoption of Accounting Principle

As discussed in Note 17 to the financial statements, for the year ended June 30, 2017, the Commission adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 77 “*Tax Abatement Disclosures*”. Our opinion is not modified with respect to this matter.

Pending Implementation of GASB Statement on Postemployment Benefits Other Than Pensions

As discussed in Note 16, the GASB issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“Statement”) in 2015. This Statement, which will be adopted by the Commission for the year ended June 30, 2018, will require the Commission to report a net other postemployment benefit (“OPEB”) liability on its applicable financial statements for its OPEB plan. Based on the Plan’s latest actuarial valuation, it is anticipated that the Commission will need to record an additional net OPEB liability which will decrease its governmental activities beginning net position for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 25, 2017

Basic Financial Statements

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
 CHARLESTON, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 20,896,290
Cash and cash equivalents - restricted	8,680,654
Taxes receivable, net	21,699,226
Due from other governments	214,777
Accounts receivable	296,972
Prepaid items and deposits	4,874,999
Inventories	813,454
Total Current Assets	<u>57,476,372</u>
Non-Current Assets:	
Non-Depreciable	108,555,275
Depreciable, net	39,259,711
Total Non-Current Assets	<u>147,814,986</u>
TOTAL ASSETS	<u>205,291,358</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	<u>3,672,323</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,453,642
Accrued payroll, related taxes, and employee benefits	1,155,634
Unearned revenue - rentals and other	1,230,746
Accrued interest	287,998
Total Current Liabilities	<u>4,128,020</u>
Non-Current Liabilities:	
Due within one year:	
General obligation bonds payable	3,225,000
Compensated absences	589,969
Due after one year:	
Net pension liability	22,617,734
General obligation bonds payable	22,686,226
Compensated absences	858,514
OPEB liability	385,216
Total Non-Current Liabilities	<u>50,362,659</u>
TOTAL LIABILITIES	<u>54,490,679</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension credits	80,465
Deferred revenue - property taxes	21,066,103
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,146,568</u>
NET POSITION	
Net investment in capital assets	122,608,616
Restricted for:	
Debt service	7,846,268
Unrestricted	2,871,550
TOTAL NET POSITION	<u>\$ 133,326,434</u>

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

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
 CHARLESTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital</u>
				<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 11,406,589	-	505,872	-
Park and recreation services	23,736,706	16,776,833	-	2,235,000
Interest and fiscal charges	654,129	-	-	-
Total Governmental Activities	\$ 35,797,424	16,776,833	505,872	2,235,000
				(16,279,719)
General revenues:				
Taxes:				
Property taxes levied for general purposes				14,512,734
Property taxes levied for debt service				6,008,314
Intergovernmental				1,074,152
Interest				12,975
Miscellaneous revenue				221,739
Total general revenues and transfers				<u>21,829,914</u>
CHANGE IN NET POSITION				5,550,195
NET POSITION, Beginning of Year				<u>124,028,163</u>
Change in Accounting Principle - See Note 15				<u>3,748,076</u>
NET POSITION, Beginning of Year, as Adjusted				<u>127,776,239</u>
NET POSITION, End of Year				\$ <u>133,326,434</u>

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

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE PARKLANDS FOUNDATION	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 18,675,222	104,117	2,116,951	-	\$ 20,896,290
Cash and cash equivalents - restricted	-	-	704,856	7,975,798	8,680,654
Taxes receivable	15,306,825	-	-	6,392,401	21,699,226
Due from other funds	332,869	-	-	-	332,869
Due from other governments	206,511	-	-	8,266	214,777
Accounts receivable	121,640	-	12,851	-	134,491
Other receivables	17,240	145,241	-	-	162,481
Prepaid items and deposits	20,499	-	-	-	20,499
Inventories	810,681	2,773	-	-	813,454
TOTAL ASSETS	\$ 35,491,487	252,131	2,834,658	14,376,465	\$ 52,954,741
LIABILITIES					
Accounts payable	\$ 1,181,603	31,979	214,088	25,972	\$ 1,453,642
Accrued payroll, related taxes, and employee benefits	1,155,634	-	-	-	1,155,634
Unearned revenue - rentals and other	1,230,746	-	-	-	1,230,746
Due to other funds	-	332,869	-	-	332,869
TOTAL LIABILITIES	3,567,983	364,848	214,088	25,972	4,172,891
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes and other	423,087	139,647	-	162,614	725,348
Deferred revenue - property taxes	14,849,876	-	-	6,216,227	21,066,103
TOTAL DEFERRED INFLOWS OF RESOURCES	15,272,963	139,647	-	6,378,841	21,791,451
FUND BALANCES					
Nonspendable:					
Prepaid items and inventories	831,180	2,773	-	-	833,953
Restricted:					
Capital improvement program	-	-	704,856	-	704,856
Debt service payments	-	-	-	7,971,652	7,971,652
Committed:					
Beach renourishment	-	-	163,182	-	163,182
Future capital costs - Baker Hospital Site	-	-	558,184	-	558,184
Future capital costs - Spring Grove Site	-	-	75,000	-	75,000
Future capital costs - Old Towne Site	-	-	159,680	-	159,680
Assigned:					
Information Technology deferred costs	300,000	-	-	-	300,000
Debris removal	500,000	-	-	-	500,000
Property insurance deductible	750,000	-	-	-	750,000
Capital improvement program	1,000,000	-	959,668	-	1,959,668
Unassigned	13,269,361	(255,137)	-	-	13,014,224
TOTAL FUND BALANCES (DEFICIT)	16,650,541	(252,364)	2,620,570	7,971,652	26,990,399
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 35,491,487	252,131	2,834,658	14,376,465	\$ 52,954,741

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 26,990,399
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes and other revenues that will be collected in the future but are not available soon enough to pay for the current period's expenditures are considered unavailable in the governmental funds.	725,348
Prepaid lease expense is not an available financial resource and, therefore, is not reported as an asset in governmental funds.	4,854,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	147,814,986
The Commission's proportionate shares of the net pension liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(19,025,876)
The OPEB liability does not require the use of current financial resources and, therefore, is not reported as a liability in the governmental funds.	(385,216)
Long-term obligations, including bonds payable and capital leases, are not due or payable in the current period and, therefore, are not reported in the governmental funds. Long-term obligations at year-end consisted of the following:	
Accrued interest	(287,998)
Compensated absences	(1,448,483)
General obligation bonds payable	(25,000,000)
Bond premiums	(911,226)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 133,326,434</u>

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

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
 CHARLESTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE PARKLANDS FOUNDATION	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 14,459,115	-	-	5,970,615	\$ 20,429,730
Gross sales revenue	4,351,271	-	-	-	4,351,271
Admissions and program revenue	7,476,879	-	-	-	7,476,879
Facility and fleet rentals	3,871,334	-	-	-	3,871,334
Intergovernmental	877,367	-	-	289,484	1,166,851
Contributions	-	78,248	309,333	-	387,581
Recreational programming	1,076,819	530	-	-	1,077,349
Interest	-	11,394	1,581	-	12,975
Other	218,364	3,375	-	-	221,739
TOTAL REVENUES	32,331,149	93,547	310,914	6,260,099	38,995,709
EXPENDITURES					
Current:					
General government:					
Administration	835,178	11,079	-	5,000	851,257
Executive	984,580	-	-	-	984,580
Financial services	899,689	-	-	-	899,689
General services	3,491,552	-	-	-	3,491,552
Total general government	6,210,999	11,079	-	5,000	6,227,078
Park and recreation services	22,460,004	-	-	-	22,460,004
Capital outlay	780,549	-	3,200,919	-	3,981,468
Debt service:					
Principal	-	-	-	9,811,895	9,811,895
Interest and fiscal charges	-	-	-	799,969	799,969
TOTAL EXPENDITURES	29,451,552	11,079	3,200,919	10,616,864	43,280,414
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,879,597	82,468	(2,890,005)	(4,356,765)	(4,284,705)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	478,298	-	-	-	478,298
Transfers In	25,000	-	3,010,500	-	3,035,500
Transfers Out	(3,010,500)	(25,000)	-	-	(3,035,500)
TOTAL OTHER FINANCING SOURCES (USES)	(2,507,202)	(25,000)	3,010,500	-	478,298
NET CHANGES IN FUND BALANCES	372,395	57,468	120,495	(4,356,765)	(3,806,407)
FUND BALANCES, Beginning of Year,					
As Previously Reported	13,349,938	(309,832)	2,500,075	12,328,417	27,868,598
Change in Accounting Principle - See Note 15					
	2,928,208	-	-	-	2,928,208
FUND BALANCES, Beginning of Year, as Adjusted					
	16,278,146	(309,832)	2,500,075	12,328,417	30,796,806
FUND BALANCES, End of Year	\$ 16,650,541	(252,364)	2,620,570	7,971,652	\$ 26,990,399

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2017

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (3,806,407)**

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

Property taxes and other revenues that will be collected in the future but are not available soon enough to pay for the current period's expenditures are considered unavailable in the governmental funds.	116,910
Bond principal payments and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	9,811,895
Lease expense is reported in the governmental funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, lease expense is amortized on a straight-line basis over the lease term, regardless of when it is due and payable. This adjustment relates to the change in prepaid lease expense from the prior year.	(266,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This adjustment relates to the change in accrued interest from the prior year.	34,208
Bond premiums are other financing sources and uses in the year they are received in governmental funds but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the amortization expense in the current year that is included in interest and fiscal charges.	111,632
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in compensated absences from the prior year.	(13,886)
The Commission's OPEB liability resulting from the unfunded annual required contribution to the OPEB Plan is not reported as a liability in the governmental funds. Payments made to fund the OPEB Plan are recorded as expenditures in the governmental funds, but reduce the liability in the Statement of Net Position. This amount represents the change in the liability from the prior year.	(194,846)
Changes in the Commission's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(955,635)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$4,709,325 (including donated assets of \$2,235,000) exceeded depreciation expense of \$3,390,205 and net disposals of \$606,796.	712,324

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 5,550,195**

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charleston County Park and Recreation Commission (the "Commission") have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Charleston County Park and Recreation Commission was organized under the provisions of the General Assembly Act 1595 on August 3, 1972. The Commission operates under a commission form of government with power to acquire or lease lands to establish and operate county parks, and to provide recreational activities in Charleston County, South Carolina. The funding source is primarily property taxes assessed and collected by Charleston County on behalf of the Commission.

The County of Charleston, South Carolina (the "County") has budgetary authority over the Commission. In addition, the County has authority over any general obligation bond issuances for the Commission. As a result, the Commission is reported as a discretely presented component unit of the County.

As required by GAAP, the financial statements must present the Commission's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Commission both appoints a voting majority of the entity's governing body, and either 1) the Commission is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Commission. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Commission and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Commission.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Commission having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Commission; and (c) issue bonded debt without approval by the Commission. An entity has a financial benefit or burden relationship with the Commission if, for example, any one of the following conditions exists: (a) the Commission is legally entitled to or can otherwise access the entity's resources, (b) the Commission is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Commission is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Commission's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Commission. Based on the criteria above, the Commission has one blended component unit and no discretely presented component units; however, the Commission is a discretely presented component unit of Charleston County.

The Commission established the Parklands Foundation in May 1990. The Parklands Foundation, a blended component unit, is a not-for-profit 501(c)(3) organization created to identify, develop and sustain projects that actively encourage people to experience Charleston County park system's facilities, programs and services for the benefit of living a healthier and safer lifestyle. Because the Parklands Foundation is so closely related to the Commission, it is, in effect, the same as the primary government. The Parklands Foundation's financial information is presented in individual columns throughout the financial statements. Separate financial statements for the Parklands Foundation are not issued. The Parklands Foundation financial information is reported as a major fund in separate columns throughout the financial statements.

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Commission. 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. The Commission does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Commission.

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

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

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers all governmental fund revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period with the exception of grant revenues, which are considered to be available if they are collected within one year after the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease purchase are reported as other financing sources.

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Commission has no non-major funds.

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

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund types are those through which most governmental functions of the Commission are financed. The Commission's expendable financial resources and related assets and liabilities (except for those accounted for in the proprietary funds) are accounted for through governmental funds.

The Commission reports the following major governmental funds:

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

Special Revenue Parklands Foundation Fund. This fund is used to account for and report the financial resources received that are restricted for use by the Parklands Foundation, a blended component unit, as discussed previously. These resources primarily consist of donations from private sources.

Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund. This fund is used to account for the property taxes levied for the payment of principal, interest and fees relating to bonds and capital leases.

C. Budget and Budgetary Accounting

The annual General Fund budget is adopted on a basis consistent with GAAP. The Special Revenue and Capital Projects Funds are budgeted over the life of the grant or project. Formal budgetary policies are not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions and the base lease agreements governing capital leases.

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Commission receives the Executive Director's recommended budget for the next fiscal year at its January meeting. Commission approval of the budget is required at the February meeting.
2. In early April, the Commission submits to the Charleston County Council a proposed budget for all funds for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them. The General Fund and Debt Service Fund are under Charleston County Council's budgetary authority. Charleston County Council approves the tax levy for these funds. Other funds are submitted for informational purposes.
3. Prior to July 1, the budget is legally enacted by the passage of a budget ordinance. The ordinance has three readings and one public hearing held in Council Chamber.
4. The Executive Director is authorized to transfer budgeted amounts between line items within a division and transfer between divisions; however, no revisions that alter the total expenditures of any fund are allowed.
5. Formal budgeting integration is employed as a management control device during the year for the General Fund. No formally adopted budget is prepared for the Special Revenue Parklands Foundation Fund, Debt Service Fund or Capital Projects Fund.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, petty cash and short-term investments with a maturity date within three months of the date acquired. Restricted cash relates to bond and lease proceeds restricted for construction projects and capital acquisitions detailed in the lease documents and debt service property tax collections restricted for debt service payments.

Investments

The Commission's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the Commission to invest in the following:

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments (Continued)

In addition, South Carolina state statutes authorize the Commission to invest in South Carolina Local Government Investment Pool. This South Carolina Local Government Investment Pool (“the Pool”) is duly chartered and administered by the State Treasurer’s Office and the portfolio normally consists of investments in the U.S. Government and Agencies which carry a guarantee of the full faith and credit of the Federal Government. All investments are made in accordance with state statutes.

The Pool is a 2a 7 - like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The Commission’s cash investment objectives are preservation of capital, liquidity, and yield. The Commission reports its cash and investments at fair value which is normally determined by quoted market prices. The Commission’s only investments in the past year were with the South Carolina Local Government Investment Pool.

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles (if any).

Inventories and Prepaid Items

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as expenditures as they are used (consumed). Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories and prepaid items in the governmental funds are offset by non-spendable fund balance to reflect that portion of fund balance that is not spendable in form.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value (estimated by the Commission) at the date of donation. General infrastructure assets consist of park development, road network and utilities assets and are reported at estimated historical cost. The Commission capitalizes capital acquisitions having a useful life greater than one year and a value of \$5,000 or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives
Land improvements	40
Buildings and structures	10 - 40
Machinery and equipment	5 - 10
Vehicles	5 - 10
Utilities and infrastructure	7 - 40

Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The employee may receive the balance of their accumulated vacation pay upon separation from the Commission. The Commission records a liability for this balance. There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission.

The Commission reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The entire compensated absence liability and expense are reported in the government-wide financial statements. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year-end that are expected to be paid within a short time subsequent to year end, if they are material.

Deferred Outflows/Inflows of Resources

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

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

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance

The Commission implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB #54") during the year ended June 30, 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Commission classifies governmental fund balances as follows:

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

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Commission has granted management the authority to assign fund balance to be used for specific purposes.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Net Position

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 10 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Commission recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Commission's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Commission's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Fair Value

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Commission can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

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

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fair Value (Continued)

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

Other Postemployment Benefits

Other Postemployment Benefits (“OPEB”) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note 11 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

Accounting Estimates

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

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission’s deposits may not be recovered. The Commission does not have a policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2017, the Commission’s total bank balance was approximately \$29,749,000, with a carrying amount of approximately \$29,414,000. The entire amount was insured under FDIC or collateralized by government investments held by the pledging financial institution’s trust department or agent in the Commission’s name.

Investments

As of June 30, 2017, the Commission had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturities in Years			
				< 1 yr	1 - 3 yrs	3 - 5 yrs	> 5 yrs
SCLGIP	N/A ⁽²⁾	NR, NR	\$ 163,182	\$ 163,182	-	-	\$ -

[^] If available, credit ratings are for Standard & Poor’s and Moody’s Investors Service.

⁽¹⁾ See Note I.D. for details of the Commission’s fair value hierarchy.

⁽²⁾ Investments that have a net asset value are not subject to the fair value hierarchy.

NR – Not rated.

N/A - Not Applicable.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

A reconciliation of deposits and investments reported in the footnotes to amounts in the Statement of Net Position follows:

Financial Statements	
Statement of Net Position:	
Cash and Cash Equivalents	\$ 20,896,290
Cash and Cash Equivalents - Restricted	8,680,654
Total	\$ 29,576,944
Notes to the Financial Statements	
Deposits	\$ 29,413,762
Investments	163,182
Total	\$ 29,576,944

Interest Rate Risk

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission does not currently have a formal investment policy that limits its exposure to credit risk for investments.

Concentration of Credit Risk

The Commission does not currently have a formal investment policy that limits the amount the Commission may invest in any one issuer.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not currently have an investment policy related to custodial credit risk for investments.

NOTE 3. RECEIVABLES

The County bills and collects property taxes for itself and all other taxing entities within the County. The Commission recognizes property taxes in the period in which they are levied and available for financing current expenditures. Property taxes receivable represent delinquent real and personal taxes for the past ten years, plus the current year levy as discussed below, less an allowance for amounts estimated to be uncollectible.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 3. RECEIVABLES (CONTINUED)

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are generally levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - three percent, February 1 - an additional seven percent, March 16 - an additional five percent plus collection cost. If not paid by March 15, the property is subject to sale by the delinquent tax office. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is up for renewal. The taxpayer must provide proof of payment to the South Carolina Department of Transportation before that agency will renew the taxpayer's vehicle license.

The Commission is given an appropriation for property taxes by the County at the beginning of each fiscal year. In the event that collections for the Commission are less than the appropriation, state law mandates that the deficiency be made up through subsequent years' collections. However, any collections on behalf of the Commission that exceed the appropriation may be held in escrow by the County to cover any future shortfalls of collections. The County has not established such an escrow account.

Taxes receivable consists of unpaid property taxes from the Charleston County Treasurer's office for the following years, less allowances for estimated uncollectible taxes as follows:

Tax Years	June 30, 2017	
	General Fund	Debt Service Fund
2017	\$ 15,457,350	\$ 6,470,518
2016	270,244	113,122
2015	79,509	24,043
2014	61,318	19,447
2013	43,442	13,779
Prior to 2013	83,074	36,873
Total taxes receivable	15,994,937	6,677,782
Less allowance for uncollectible taxes	(688,112)	(285,381)
Taxes receivable, net	<u>\$ 15,306,825</u>	<u>\$ 6,392,401</u>

NOTE 4. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2017 are as follows:

Fund	Receivables	Payables
General Fund	\$ 332,869	\$ -
Special Revenue Parklands Foundation Fund	-	332,869
Total	<u>\$ 332,869</u>	<u>\$ 332,869</u>

The General Fund receivable and Special Revenue Parklands Foundation Fund payable are primarily the result of the General Fund financing expenditures for the Special Revenue Parklands Foundation Fund. This receivable is expected to be repaid as revenues are received by the Special Revenue Parklands Foundation Fund, which has agreed to designate 10 percent of all donations and non-grant related revenues to repay the Commission's administration costs including operating expenses and the interfund payable. This repayment plan was approved by the Commission at the August 17, 2015 Commissioners meeting.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 5. INTERFUND TRANSFERS

A summary of transfers for the year ended June 30, 2017 is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 25,000	\$ 3,010,500
Special Revenue Parklands Foundation Fund	-	25,000
Capital Projects Fund	3,010,500	-
Total	<u>\$ 3,035,500</u>	<u>\$ 3,035,500</u>

Transfers are used to move unrestricted revenue collected in the General Fund or Special Revenue Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the General Fund to the Capital Projects Fund was made in order to fund future capital projects and to remain in line with the Commission's future capital project goals. The transfer from the Special Revenue Parklands Foundation Fund to the General Fund was a pass through of grant funds received.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance*	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 104,515,920	2,235,000	235,061	1,459,976	\$ 107,975,835
Construction in progress	3,928,611	1,549,128	369,543	(4,528,756)	579,440
Total Capital Assets, Non-Depreciable	<u>108,444,531</u>	<u>3,784,128</u>	<u>604,604</u>	<u>(3,068,780)</u>	<u>108,555,275</u>
Capital Assets, Depreciable:					
Land improvements	23,784,455	-	-	293,966	24,078,421
Buildings and structures	48,481,053	-	-	2,279,921	50,760,974
Machinery and equipment	4,637,292	490,331	425,483	-	4,702,140
Utilities and infrastructure	5,110,890	-	3,283	494,893	5,602,500
Vehicles	2,655,570	434,866	180,278	-	2,910,158
Total Capital Assets, Depreciable	<u>84,669,260</u>	<u>925,197</u>	<u>609,044</u>	<u>3,068,780</u>	<u>88,054,193</u>
Less: Accumulated Depreciation for:					
Land improvements	10,010,926	838,817	-	-	10,849,743
Buildings and structures	28,445,503	1,752,873	-	-	30,198,376
Machinery and equipment	3,291,627	350,487	425,482	-	3,216,632
Utilities and infrastructure	2,437,322	165,085	2,327	-	2,600,080
Vehicles	1,825,751	282,943	179,043	-	1,929,651
Total Accumulated Depreciation	<u>46,011,129</u>	<u>3,390,205</u>	<u>606,852</u>	<u>-</u>	<u>48,794,482</u>
Total Capital Assets, Depreciable, Net	<u>38,658,131</u>	<u>(2,465,008)</u>	<u>2,192</u>	<u>3,068,780</u>	<u>39,259,711</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 147,102,662</u>	<u>1,319,120</u>	<u>606,796</u>	<u>-</u>	<u>\$ 147,814,986</u>

* Beginning balances have been adjusted to reflect the conversion of the Enterprise Fund to a Governmental Fund as of July 1, 2016. See Note 15.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Functions/Programs	Amount
Governmental Activities:	
General government	\$ 2,542,654
Park operations	847,551
Total	<u>\$ 3,390,205</u>

NOTE 7. LONG-TERM OBLIGATIONS

All long-term debt issued for governmental purposes of the Commission is retired from the Debt Service Fund. If applicable, self-supporting, special assessment bonds with governmental commitments are retired from the Debt Service Fund. General obligation bonds and notes are secured by the full faith, credit and taxing power of the Commission. Resources from the General Fund will be used to liquidate the compensated absences accrual for the governmental activities.

The following is a summary of long-term obligation transactions for the Commission for the year ended June 30, 2017.

Long-Term Obligations	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 34,170,000	-	9,170,000	25,000,000	\$ 3,225,000
Plus: issuance premium	1,022,858	-	111,632	911,226	-
Total General Obligation Bonds	<u>35,192,858</u>	<u>-</u>	<u>9,281,632</u>	<u>25,911,226</u>	<u>3,225,000</u>
Capital leases	641,895	-	641,895	-	-
Compensated Absences	1,434,597	598,200	584,314	1,448,483	589,969
Total Long-Term Obligations	<u>\$ 37,269,350</u>	<u>598,200</u>	<u>10,507,841</u>	<u>27,359,709</u>	<u>\$ 3,814,969</u>

* Beginning balances have been adjusted to reflect the conversion of the Enterprise Fund to a Governmental Fund effective July 1, 2016. See Note 15.

General obligation bonds consist of:

	Principal Outstanding at Year End
2011 General Obligation Bonds in original amount of \$12,500,000, due in annual installments of \$500,000 to \$2,500,000 from February 1, 2013 through February 1, 2021; interest ranges from 2.00% to 3.00%.	\$ 7,950,000
2013 General Obligation Bonds in original amount of \$17,500,000, due in annual installments of \$25,000 to \$1,825,000 from February 1, 2014 through February 1, 2028; interest ranges from 2.00% to 4.00%.	14,760,000
2016 General Obligation Refunding Bonds in original amount of \$2,835,000, due in annual installments of \$540,000 to \$605,000 from February 1, 2017 through February 1, 2021; interest rate of 1.25%.	2,290,000
Plus unamortized premiums	<u>911,226</u>
Total General Obligation Bonds	<u>\$ 25,911,226</u>

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2017, maturities on long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
<u>General Obligation Bonds</u>			
2018	\$ 3,225,000	699,700	\$ 3,924,700
2019	3,285,000	639,250	3,924,250
2020	3,360,000	569,000	3,929,000
2021	3,505,000	484,188	3,989,188
2022	1,600,000	389,625	1,989,625
2023-2027	8,650,000	1,021,375	9,671,375
2028-2029	1,375,000	41,250	1,416,250
Totals	<u>\$ 25,000,000</u>	<u>3,844,388</u>	<u>\$ 28,844,388</u>

Operating Leases

In July 1995, the Commission entered into a lease agreement with the County whereby the Commission assumed the responsibilities of operating and maintaining 19 boat landings throughout Charleston County. The lease is for a term of 99 years and commenced on July 1, 1995. The Commission pays a nominal fee of \$1 per year under the lease terms, but the agreement expresses the intent of the County to transfer millage each year to help fund related expenses. Funding is contingent upon future County Council approval.

NOTE 8. RENTAL INCOME

On August 15, 2016, the Commission entered into an agreement with 1 Center Street, LLC (Tides Hotel) for the Folly Beach Edwin S. Taylor Fishing Pier Restaurant. The terms of the agreement were for a period of five years, beginning in November 1, 2016 – with the option of extending the lease for an additional five years, with the option terminating on October 31, 2021. Base rent is due in equal monthly installments of \$13,000 and increases 2% each year. In addition to base rent, the lessee shall pay 8% of the gross annual receipts over \$1,200,000.

The following is a schedule by years of the minimum future rentals on the non-cancelable operating lease as of June 30, 2017:

Year Ending June 30,	Total
2018	\$ 158,080
2019	161,280
2020	164,520
2021	167,808
2022	56,304
Total	<u>\$ 707,992</u>

Total rental income of \$99,047 was recorded during the current year.

NOTE 9. DEFICIT IN FUND EQUITY

The Special Revenue Parklands Foundation Fund for the Commission had a deficit in fund balance of approximately \$252,000 as of June 30, 2017. The Commission expects future revenue generation to alleviate the deficit fund balance.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN

The Commission participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

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

Plan Description

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

Plan Membership

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

- 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.

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.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the PEBA 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 PEBA Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the PEBA 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.

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

Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates		
	2015	2016	2017
Employer Contribution Rate: [^]			
Retirement	10.75%	10.91%	11.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	<u>10.90%</u>	<u>11.06%</u>	<u>11.56%</u>
Employee Contribution Rate	<u>8.00%</u>	<u>8.16%</u>	<u>8.66%</u>

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

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

Year Ended June 30,	SCRS Contributions	
	Required	% Contributed
2017	\$ 1,197,853	100%
2016	1,135,994	100%
2015	\$ 1,080,200	100%

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

Year Ended June 30,	SCRS Payroll	
2017	\$	10,362,054
2016		10,271,200
2015	\$	9,910,088

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires than an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA 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 June 30, 2016 using generally accepted actuarial principles. Information included in these notes are based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the SCRS.

	<u>SCRS</u>
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for the SCRS is as follows:

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-Term Expected Rate of Return

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 third quarter 2015. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 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 below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return 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.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

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

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2016 measurement date, for the SCRS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	23,996,362,354	\$ 21,359,852,398	52.9%

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

At June 30, 2017, the Commission reported a liability of \$22,617,734 for its proportionate share of the net pension liability for the SCRS (“Plan”). The net pension liability was measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2015 that was projected forward to the measurement date. The Commission’s proportion of the net pension liability was based on a

Projection of the Commission’s long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined.

At the June 30, 2016 measurement date, the Commission’s SCRS proportion was .10589 percent, which was an increase of 0.00039 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$2,013,731 for the SCRS. At June 30, 2017, the Commission reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 234,459	\$ (24,563)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,902,878	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	337,133	(55,902)
The Commission's Contributions Subsequent to the Measurement Date	1,197,853	-
Total SCRS	<u>\$ 3,672,323</u>	<u>\$ (80,465)</u>

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

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

Approximately \$1,198,000 that was reported as deferred outflows of resources related to the Commission’s contributions subsequent to the measurement date to the SCRS will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2018	\$ 662,346
2019	539,792
2020	766,054
2021	425,813
Total	<u>\$ 2,394,005</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. 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 sensitivity of the Commission’s proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it 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:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
The Commission's proportionate share of the net pension liability of the SCRS	\$ 28,215,004	22,617,734	\$ 17,958,218
Total Pension Liability	<u>\$ 28,215,004</u>	<u>22,617,734</u>	<u>\$ 17,958,218</u>

Plans Fiduciary Net Position

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

Payable to Plans

The Commission reported a payable of approximately \$168,000 to the PEBA as of June 30, 2017, representing required employer and employee contributions for the month of June 2017 for the SCRS. This amount is included in Accounts Payable on the financial statements and was paid in July 2017.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Plan Developments

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS and PORS contribution rates to 13.56% and 16.24%, respectively, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS and PORS employer rate totaling 18.56% and 21.24%, respectively, for fiscal year 2023 and thereafter. The legislation (a) would also increase and cap the employee SCRS and PORS contribution rates to 9.00% and 9.75%, respectively, provides, after June 30, 2027 for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (b) lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (c) for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

The Commission provides health and dental benefits to eligible employees and their beneficiaries through a single-employer plan administered by the Commission's Human Resources Division. The plan does not issue stand-alone financial statements. The Commission extends these benefits to retirees and beneficiaries that meet eligibility provisions of the Commission's Personnel Policy and Procedures Manual. The Commission is in the process of setting up an irrevocable trust in which to invest plan contributions.

Plan Description, Contribution Information, and Funding Policies

The Commission changed the eligibility criteria during the year ended June 30, 2016. The eligibility criteria are as follows.

Employees who retire from the Commission prior to July 1, 2016:

Any covered employee who retires with at least 20 years, but less than 25 years of Commission covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 50% of the retiree cost and 50% of the dependent cost for health and dental coverage.

- Any covered employee who retires with 25 or more years of Commission covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 100% of the retiree cost and 65% of the dependent cost for health and dental coverage.
- The health and dental insurance premium for surviving spouses and dependents of deceased retirees will be waived for one year after the retiree's death. Following one year, the surviving spouse and/or dependents are eligible to continue coverage at the same proportional cost (50% or 65%) as in effect prior to the retiree's death. Survivors may remain on the plan until death or remarriage, whichever comes first.

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description, Contribution Information, and Funding Policies (Continued)

Employees who retire from the Commission between July 1, 2016 and July 1, 2030:

- Any covered employee who retires with at least 20 years, but less than 25 years of Commission covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 50% of the retiree cost and 50% of the dependent cost for health and dental coverage.
- Any covered employee who retires with 25 or more years of Commission covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 100% of the retiree cost and 65% of the dependent cost for health and dental coverage.
- The health and dental insurance premiums for surviving spouses and dependents of deceased retirees will be waived for one year after the retiree's death. Following one year, the surviving spouse and/or dependents are eligible to continue coverage at the same proportional cost (50% or 65%) as in effect prior to the retiree's death. Survivors may remain on the plan until death or remarriage, whichever comes first.
- Retirees and their dependents may remain on retiree coverage until the retiree reaches Medicare eligible age. Upon reaching Medicare eligibility, retirees and/or their dependents will be required to enroll in Medicare Part A and B and will be eligible for a reimbursement of premium costs of a Medicare Supplemental Plan. Retirees with 25 or more years of Commission service credit under the South Carolina Retirement Systems will be eligible to receive up to \$250 per month and up to \$162.50 for a spouse. Retirees with at least 20 Commission full time years, but less than 25 full time years of Commission service will be eligible to receive up to \$125 per month and up to \$125 for a spouse. The reimbursement amount will be reviewed annually during the budget process. The Executive Director or designee will develop reimbursement procedures. Retirees will be notified of reimbursement procedures in the *Retiree Medicare Supplemental Plan Premium Reimbursement Agreement*, which each retiree will be required to accept before reimbursements will be issued.
- If the retiree reaches Medicare eligibility prior to their covered spouse, the covered spouse may remain on the Commission's group coverage until they reach Medicare eligible age and the Commission will continue to contribute toward their premium at the same percentage to which they are eligible based on the retiree's years of service with the Commission.
- Retirees and their dependents may remain on the Agency's dental and vision plans. The Commission will continue dental and vision premium contributions for both the retiree and their dependents based on the retiree's years of service.

Employees who retire from the Commission after July 1, 2030:

- Any covered employee who meets the following requirements: is at least 55 years old, who is not currently eligible for Medicare coverage, who retires with at least 20 Commission full time years, but less than 25 full time years of Commission service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, and provided he/she is eligible for retirement at the time he/she leaves active Commission service and retires at the time of separation with the Commission. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 50% of the retiree cost only. Retiree's dependents may remain on the insurance plan but retirees will be responsible for the full cost of the dependent's premiums.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description, Contribution Information, and Funding Policies (Continued)

- Any covered employee who meets the following requirements: is at least 55 years old, who is not currently eligible for Medicare coverage, who retires with at least with 25 or more years of Commission service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement, and provided he/she is eligible for retirement at the time he/she leaves active Commission service and retires at the time of separation with the Commission. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 75% of the retiree cost only. Retiree’s dependents may remain on the insurance plan but retirees will be responsible for the full cost of the dependent’s premiums.

Employees that are hired by the Commission after July 1, 2016:

- The Commission will not provide group health, vision and dental insurance for retirees who have retired on service, age or an approved disability retirement through the South Carolina Retirement Systems if the employees full-time start date with the Commission is on or after July 1, 2016.

No coverage is available to an employee not eligible for employer paid coverage.

Covered participants are required to apply for Medicare when eligible, and retiree coverage will be secondary to Medicare or any other group coverage that employees or their dependents have.

Employees may opt out of the plan. The Commission is not required to contribute at an actuarially determined rate, but has elected to contribute based on an advanced funding basis based on the actuarial determined amount.

Membership of the plan is as follows:

Retirees, survivors, and beneficiaries receiving benefits	11
Active employees	<u>175</u>
Total	<u><u>186</u></u>

Annual OPEB costs and Net OPEB Obligation

The Commission’s annual OPEB costs and the net OPEB obligation for June 30, 2017 were as follows:

Net OPEB Obligation, Beginning of the Plan Year	<u>\$ 190,370</u>
One Year's Interest on the Net OPEB Obligation	8,567
ARC (Normal Cost Plus Any Amortization Payments)	259,738
Annual OPEB Cost	<u>268,305</u>
Contributions Made for the Plan Year	<u>(73,459)</u>
Increase (Decrease) in Net OPEB Obligation	194,846
Net OPEB Obligation (Asset), End of the Plan Year	<u><u>\$ 385,216</u></u>

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB costs and Net OPEB Obligation (Continued)

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

Fiscal Year Ending	Schedule of Employer Contributions			
	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ (430,532)	65,771	-15.28%	\$ (2,427)
June 30, 2016	259,629	66,832	25.74%	190,370
June 30, 2017	\$ 268,305	73,459	27.38%	\$ 385,216

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan 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 plan members to that point.

The actuarial valuation used the projected unit credit cost method. The UAAL amortization payment is the level dollar required to fully amortize the UAAL over a thirty-year period. The actuarial assumptions included a 4.5% rate of investment return. The valuation assumes a 6.0% health care trend inflation rate for 2016 through 2018 and decreases 0.25% each year beginning 2019 until 2025. For 2025 and thereafter 4.5% was assumed. General inflation is assumed to be 3.0% per year.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
June 30, 2009	\$ -	4,321,784	\$ 4,321,784	0.00%	\$ 7,780,156	55.55%
June 30, 2011	-	4,137,514	4,137,514	0.00%	8,282,581	49.95%
June 30, 2014	\$ 2,625,705	2,597,755	\$ (27,950)	101.08%	\$ 9,314,460	-0.30%

As of June 30, 2017, the plan assets have increased to \$2,642,280 due to interest income since the actuarial valuation was performed.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Beachwalker Park

On June 29, 1988, Kiawah Island was sold to Kiawah Resort Associates. The Commission has been in contact with the new owners in order to obtain a new lease agreement for Beachwalker Park. A verbal agreement has been made to ensure that the Park can continue to operate. To date, however, no formal agreement has been signed.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Charleston Maritime Center

On August 4, 1997, the City of Charleston and the Commission entered into an agreement that terminated the Master Lease of the Charleston Maritime Center dated August 1, 1995 between the two parties. This agreement grants the Commission the right of first refusal for the purchase of the Maritime Center for a period of 50 years from the date of execution of the agreement. In the event that the Commission does elect to purchase the Maritime Center, then the City of Charleston will credit \$1,500,000 toward the purchase price. If the Commission elects not to purchase the Maritime Center, then the City of Charleston will pay the Commission \$1,500,000 from the proceeds of the sale.

Laurel Hill Plantation

During October 2010, the Commission entered into a lease for an area commonly known as Laurel Hill Plantation for an initial period of 25 years with a provision that the lease will be automatically extended for 3 separate successive terms of 25 years each provided that the Commission is not in default. The Commission is required to pay base rental fees, operating expenses and additional rental fees. The base rental fee was \$1,330,000 for the first five years of the rental term for a total of \$6,650,000 with no further base rent being required for the remainder of the lease, including extension periods. Additional rental fees are defined as other items for which the Commission may become liable during the lease, including, but not limited to, premiums for insurance. Operating expenses are defined as nominal costs including, but not limited to, ad valorem taxes and premiums for insurance. The lease also contains an option to purchase contingent upon the Lessor obtaining the right to convey a few simple interest in the property as well as the acceptance of an appraisal of fair market value. The base rental fee is being amortized on a straight-line basis over the initial lease term of 25 years in the government-wide financial statements, and at June 30, 2017, the unamortized prepaid rent was \$4,854,500.

James Island Master Plan

During 1988, the Commission was advised by the South Carolina Highway Department that the proposed Mark Clark Expressway will go through the northern portion of the James Island County Park. The South Carolina Highway Department has been in contact with the Commission with the expected plans for the Mark Clark Expressway, but there has been no formal agreement and the full effects of the project have not yet been determined.

Folly Beach Renourishment

The Commission has entered into an agreement with the City of Folly Beach to commit \$77,850 each year to provide for the renourishment of the erosion that occurs along Folly Beach. Capital Projects fund balance of \$163,182 has been committed for beach renourishment as of June 30, 2017. The annual contribution for the year ended June 30, 2017 was made directly to the City of Folly Beach.

Cooper River Marina

In December 2000, the U.S. Secretary of the Interior conveyed property consisting of approximately 25 acres in fee simple and 0.6 acres of easements to the Commission in a Quitclaim Deed. The property conveyed includes areas presently known as the Cooper River Marina, previously known as the Old Navy Base Marina facilities. The conveyance has several restrictions including the following: the property must be used and maintained for the public park and recreation purposes for which it was conveyed in perpetuity, the property shall not be sold, leased, assigned or otherwise disposed of except to another eligible governmental agency that the Secretary of the Interior agrees in writing can assure the same continued use of the property, and funds generated on the property may not be used for non-recreational purposes and, furthermore, must be used for the development, operation and maintenance of the property until it is fully developed in accordance with the Program of Utilization. There are also various reporting requirements.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Town of Hollywood

In May 2017, the Commission entered into an agreement with the Town of Hollywood (the "Town") for the planning, construction, and management of a recreational facility that will include a swimming pool. In accordance with the agreement, the Town will obtain and retain ownership of property for the intended use of the recreational facility. The Commission will be responsible for costs related to the initial planning and design as well as construction of the pool and related infrastructure, and the Town will be responsible for the costs of constructing other park features. The Commission will also be responsible for the management, staffing, and maintenance of the pool complex, and the Town will be responsible for the management, staffing, and maintenance of all other proposed recreational amenities upon construction. The project is expected to cost the Commission approximately \$2,900,000 and will be funded through General Obligation Bond proceeds.

Construction Commitments

The Commission had several incomplete construction projects at year end. As of June 30, 2017, the Commission had contractual commitments of approximately \$1,338,000 in excess of amounts paid or accrued at year end.

NOTE 13. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. For all of these risks, the Commission is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Commission pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The Commission is also subject to risks of loss from providing health, life, accident, dental and other medical benefits to employees. Optional coverage for dependents is paid by the employee. This insurance coverage is obtained from one independent medical insurance company.

In addition, the Commission insures the risk of job-related injury or illness to its employees through South Carolina State Accident Fund, a public entity risk pool operating for the benefit of local governments. The Commission pays an annual premium to the State Accident Fund for its insurance coverage.

The Commission has elected not to be covered by the South Carolina Employment Security Commission and is on a direct reimbursement plan in which the Commission reimburses the South Carolina Employment Security Commission for any claims filed. The Commission is unable to determine the amount of contingent liability for unemployment compensation as of June 30, 2017. Based on prior experience, the Commission believes the liability would not be significant.

For all of the above risk management programs, the Commission has not significantly reduced insurance coverage from the previous year or settled claims in excess of insurance coverage for the last three years. Insurance claims for the years ended June 30, 2017, 2016 and 2015 were \$8,989, \$48,892 and \$84,697, respectively. For each of the insurance programs and public entity risk pools in which it participates, the Commission has effectively transferred all risk with no liability for unfunded claims.

NOTE 14. LITIGATION

The Commission is a defendant in a variety of cases arising from accidents and other alleged torts. These cases are being defended by the insurance carrier of the Commission and are believed to offer no material risk to the Commission.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 15. ENTERPRISE FUND RECLASSIFICATION

Effective July 1, 2016, the Commission converted its Enterprise Fund from a proprietary fund to a governmental fund and began reporting the operation, development and maintenance of park facilities in the General Fund. This change in accounting principle resulted in an adjustment to beginning fund balance of the General Fund of approximately \$2,928,000, as follows:

Net Position of Enterprise Fund - Beginning of Year, as Reported	\$ 3,748,076
Less: Net Book Value of Capital Assets	(9,316,151)
Deferred Pension Charges	(914,038)
Plus: Net Pension Liability	8,663,001
Accrued Compensated Absences	653,234
OPEB Liability	78,606
Deferred Pension Credits	15,480
Net Adjustment to Fund Balance - General Fund	2,928,208
Fund Balance of General Fund - Beginning of Year, as Reported	13,349,938
Fund Balance of General Fund - Beginning of Year, as Adjusted	<u>\$ 16,278,146</u>

On the government-wide statements, the Commission recognized a corresponding increase to beginning net position for governmental activities and decrease for business-type activities. There was no change in total net position for the Commission as a result of this change.

Management believes that this new statement is preferable because they plan to internally report and budget park operations in the same manner as they do for all other governmental activities, using the modified accrual basis of accounting.

NOTE 16. PENDING IMPLEMENTATION OF GASB STATEMENT ON OPEB

GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“Statement”), which was issued by the GASB in June 2015, is required to be implemented by the Commission for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net OPEB liability of that plan. It is GASB’s intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Commission’s financial obligations to current and former employees for past services rendered.

In particular, the Statement will require the Commission to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its OPEB Plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statements of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the Commissions governmental funds. The Commission has been in communications with its actuary on the effect of implementing this Statement. Based on recent information provided by the actuary, it is anticipated that the Commission’s share of the net OPEB liability for its OPEB Plan will decrease its governmental activities beginning net position for the year ended June 30, 2018, although the exact amount has yet to be determined.

NOTE 17. TAX ABATEMENTS

The Commission is subject to tax abatements entered into by Charleston County, who enters into property tax abatement agreements with local businesses through various abatement programs. For the fiscal year ended June 30, 2017, the Commission’s property taxes abated by agreements entered into by Charleston County totaled approximately \$1,024,000. The Commission has not entered into any of its own tax abatement agreements.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 18. SUBSEQUENT EVENTS

The Commission issued \$25,000,000 in General Obligation Bonds in September 2017. The proceeds of the bonds will be used to defray the cost of improving, expanding, and renovating existing and new facilities and of undertaking other capital expenditures identified in the Commission's capital improvement projects plan.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule:

- General Fund

Pension Schedules:

- Schedule of Charleston County Park and Recreation Commission's Proportionate Share of the Net Pension Liability – South Carolina Retirement System
- Schedule of Charleston County Park and Recreation Commission's Contributions – South Carolina Retirement System

Other Post-Employment Benefit Plan - Defined Benefit Healthcare Plan - Schedules of Employer Contributions and Funding Status

CHARLESTON COUNTY PARK AND RECREATION COMMISSION
 CHARLESTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 13,885,480	13,885,480	14,459,115	\$ 573,635
Gross sales revenue	4,535,010	4,535,010	4,351,271	(183,739)
Admissions and program revenue	7,579,150	7,579,150	7,476,879	(102,271)
Facility and fleet rentals	3,719,625	3,719,625	3,871,334	151,709
Intergovernmental	2,280	2,280	877,367	875,087
Recreational programming	1,164,355	1,164,355	1,076,819	(87,536)
Other	64,490	64,490	218,364	153,874
TOTAL REVENUES	30,950,390	30,950,390	32,331,149	1,380,759
EXPENDITURES				
Current:				
General Government:				
Administration	692,170	692,170	835,178	143,008
Executive	965,710	965,710	984,580	18,870
Financial services	897,590	897,590	899,689	2,099
General services:				
Administration and information technology	2,432,985	2,432,985	2,010,162	(422,823)
Capital projects	506,950	506,950	604,587	97,637
Human resources	582,200	582,200	560,820	(21,380)
Planning and resource management	417,220	417,220	315,983	(101,237)
Total general services	3,939,355	3,939,355	3,491,552	(447,803)
Total General Government	6,494,825	6,494,825	6,210,999	(283,826)
Park and Recreation Services:				
Administration, park and program services and safety	755,215	755,215	745,190	(10,025)
Maintenance	5,752,290	5,752,290	5,585,657	(166,633)
Marketing	1,425,480	1,425,480	1,443,264	17,784
Operations	1,379,565	1,379,565	1,320,903	(58,662)
Recreation	11,871,845	11,871,845	11,469,916	(401,929)
Cost of goods sold	1,858,450	1,858,450	1,895,074	36,624
Total Park and Recreation Services	23,042,845	23,042,845	22,460,004	(582,841)
Capital outlay	827,400	827,400	780,549	(46,851)
TOTAL EXPENDITURES	30,365,070	30,365,070	29,451,552	(913,518)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	585,320	585,320	2,879,597	2,294,277
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	51,425	51,425	478,298	426,873
Transfers In	-	-	25,000	25,000
Transfers Out	-	-	(3,010,500)	(3,010,500)
TOTAL OTHER FINANCING SOURCES (USES)	51,425	51,425	(2,507,202)	(2,558,627)
NET CHANGE IN FUND BALANCE	636,745	636,745	372,395	(264,350)
FUND BALANCE, Beginning of Year, As Previously Reported	13,349,938	13,349,938	13,349,938	-
Change in Accounting Principle - See Note 15	2,928,208	2,928,208	2,928,208	-
FUND BALANCE, Beginning of Year, as Adjusted	16,278,146	16,278,146	16,278,146	-
FUND BALANCE, End of Year	\$ 16,914,891	16,914,891	16,650,541	\$ (264,350)

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

Note: Transfers from the General Fund to the Capital Projects Fund were approved by the Commission.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CHARLESTON COUNTY PARK AND RECREATION COMMISSION'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2017	2016	2015	2014
Charleston County Park and Recreation Commission's Proportion of the Net Pension Liability	0.10589%	0.10628%	0.10271%	0.10271%
Charleston County Park and Recreation Commission's Proportionate Share of the Net Pension Liability	\$ 22,617,734	20,156,134	17,682,740	\$ 18,421,972
Charleston County Park and Recreation Commission's Covered Payroll	\$ 10,271,200	9,910,088	9,324,443	\$ 8,915,053
Charleston County Park and Recreation Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	220.21%	203.39%	189.64%	206.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.906%	56.992%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of information are presented as only four years of data were available.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CHARLESTON COUNTY PARK AND RECREATION COMMISSION'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,197,853	1,135,994	1,080,200	\$ 988,391
Contributions in Relation to the Contractually Required Contribution	1,197,853	1,135,994	1,080,200	988,391
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Charleston County Park and Recreation Commission's Covered Payroll	\$ 10,362,054	10,271,200	9,910,088	\$ 9,324,443
Contributions as a Percentage of Covered Payroll	11.56%	11.06%	10.90%	10.60%

Notes to Schedule:

Only four years of information are presented as only four years of data were available.

**CHARLESTON COUNTY PARK AND RECREATION COMMISSION
CHARLESTON, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POSTEMPLOYMENT BENEFIT PLAN – DEFINED BENEFIT HEALTHCARE PLAN –
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING STATUS**

YEAR ENDED JUNE 30, 2017

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$ 268,305	\$ 73,459	27.38%	\$ 385,216
June 30, 2016	259,629	66,832	25.74%	190,370
June 30, 2015	(430,532)	65,771	-15.28%	(2,427)
June 30, 2014	493,875	2,625,698	531.65%	493,876
June 30, 2013	493,875	-	0.00%	2,625,699
June 30, 2012	497,510	-	0.00%	2,131,824
June 30, 2011	497,510	-	0.00%	1,634,314
June 30, 2010	\$ 378,935	\$ -	0.00%	\$ 1,136,804

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
June 30, 2009	\$ -	4,321,784	\$ 4,321,784	0.00%	\$ 7,780,156	55.55%
June 30, 2011	-	4,137,514	4,137,514	0.00%	8,282,581	49.95%
June 30, 2014	\$ 2,625,705	2,597,755	\$ (27,950)	101.08%	\$ 9,314,460	-0.30%

The Actuarial Accrued Liability decreased from the June 30, 2011 valuation date to the June 30, 2014 valuation date due primarily to changes in the eligibility requirements of the Plan, which were made during the year ended June 30, 2016.

Compliance Section



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

INDEPENDENT AUDITOR’S REPORT

To the Commissioners
 Charleston County Park and Recreation Commission
 Charleston, 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 and each major fund of the Charleston County Park and Recreation Commission (the “Commission”) (a component unit of the County of Charleston, South Carolina), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’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 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 those 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 the Commission’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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 25, 2017