

REPORT ON AUDIT OF FINANCIAL STATEMENTS OF
RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
FOR THE YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To the Commissioners
Richland-Lexington Riverbanks Park District
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Richland-Lexington Riverbanks Park District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements of the District are intended to present the financial position and changes in financial position of only that portion of governmental activities and each major fund of the State of South Carolina that is attributable to the transactions of the District. They do not purport to and do not present fairly the financial position of the State of South Carolina as of June 30, 2016, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and budgetary information on pages 3-11, and 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the District'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 District's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
December 15, 2016

**RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

This discussion and analysis of the Richland-Lexington Riverbanks Park District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The purpose of this discussion and analysis is to review the District's complete financial performance including the financial reports of the Riverbanks Society, a private non-profit corporation, which is a component unit to the District. Readers should read the basic financial statements and the notes, which follow this section, to further enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the year ended June 30, 2016 are as follows:

- The District's assets exceeded liabilities at the close of the fiscal year by \$20,379,739 (its net position). Of this amount \$29,807,667 was related to net investment in capital assets offset by a balance of (\$9,427,928) which was classified as unrestricted. The unrestricted balance reflects a \$10,325,804 net pension liability to record its proportionate share of the State Retirement System and Police Officer's Retirement System net pension liability.
- The District's net position increased by \$2,989,680. This increase is explained in detail on the following pages due to revenue exceeding expenses and the addition of capital assets.
- The District's total revenues were \$24,278,950, an increase of \$4,667,981 over last fiscal year. This increase is explained in detail on the following pages.
- The District's total expenses were \$21,289,270 which includes depreciation, interest on long-term debt, including general obligation bond debt, expenses associated with pension liability and losses on the disposal of capital assets. Expenses increased \$4,091,014 from last fiscal year which will be explained in detail on the following pages.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an explanation of the District's basic financial statements, which are comprised of three groups: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements - The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise which is quite different from the standard governmental financial statements (fund financial statements). Two of the main differences involve the handling of capital assets and long-term debt and pension liability. In the government-wide statements, the acquisition of assets are capitalized as opposed to being treated as expenditures in governmental fund financial statements. Depreciation is recorded in the government-wide reports, where it isn't in governmental fund statements.

The District is required to include the financial reports of the Riverbanks Society, which is considered a component unit of the District. The Riverbanks Society is a private, non-profit corporation whose exclusive purpose is to provide both operating and capital support to the District. The Society's financial reports appear in separate columns on the Government-wide statements.

The Statement of Net Position presents information on all of the District's assets, liabilities and deferred outflows and inflows of resources. The difference between these is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows, both in and out, during future fiscal periods (e.g. earned but unused vacation leave and accrued interest on bonded debt).

Typically, the Government-wide Financial Statements distinguish between functions that are principally supported by taxes and those that are principally supported by user fees and charges. The District is somewhat unique in the government sector in that the majority of its revenues are from user fees and the minority are from taxes. The user fees and other associated revenues in zoos and aquariums are generally referred to as earned revenue.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific activity or objective. Fund Financial Statements are the historical form of government financial reporting. The District, like any other governmental entity, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three types of funds – governmental, proprietary (business-type activities, such as a water department), and fiduciary funds. The District maintains only governmental fund types.

Governmental funds are used to account for essentially the same functions reported in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Fund Financial Statements focus on short-term inflows and outflows of available resources as well as on balances of available resources at the end of the fiscal year. In addition, these statements, through budgetary comparisons, report on how well the available funding was used for the purposes it was intended.

Because the focus of Fund Financial Statements is narrower than that of the Government-wide Financial Statements, comparing the two presentations provides a more complete picture of the District's financial condition. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliations to facilitate this comparison.

The District maintains three individual governmental funds: the General Fund, the Debt Service Fund, and the Capital Projects Fund. Financial information for each of these funds is presented in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

1. The General Fund is used to account for transactions that represent most of the day-to-day operating activities of the District. This Fund is used to account for and report all financial resources not accounted for and reported in another fund. In addition to operating activities, the General Fund can include certain relatively small scale capital expenditures. Some debt service activity is also included in the General Fund, where resources of the General Fund are budgeted for the debt service.
2. The Debt Service Fund reports on transactions associated with the long-term debt of the District. This includes long-term loans where assets of the District have been pledged as collateral, as well as GO bond debt of the District.

- The Capital Projects Fund is typically used to account for major capital improvement projects that are funded from non-operating sources such as GO bond issues. The District also uses this Fund to account for expenditures considered capital under the District's capitalization policy funded from operations, unrestricted fund balance and the Riverbanks Society. The purpose of doing so is to eliminate distortions in year-to-year comparisons of operating activities in the General Fund and to facilitate the capital budgeting process.

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget, the Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual, included as required supplemental information.

The notes to the financial statements provide additional information that is essential to obtaining a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of Government-wide Financials

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. At the end of June 30, 2016, assets exceeded liabilities by \$20,379,739. The largest portion of net position, \$29,807,667 or 146%, represents the District's investment in capital assets that includes land, improvements, buildings, and equipment, less accumulated depreciation and any related debt. Net position increased \$2,989,680 from the previous fiscal year.

Table 1 provides a comparison of the net position of the District.

Table 1 – Net Position

| | <u>June 30, 2016</u> | June 30, 2015 | <u>Changes</u> |
|--|----------------------|----------------------|-----------------------|
| Assets | | | |
| Current assets | \$ 6,512,204 | \$ 15,664,351 | \$ (9,152,147) |
| Capital assets, net of accumulated depreciation | 64,918,520 | 56,261,851 | 8,656,669 |
| Deferred outflows of resources | <u>864,290</u> | <u>834,064</u> | <u>30,226</u> |
| Total assets and deferred outflows of resources | <u>\$ 72,295,014</u> | <u>\$ 72,760,266</u> | <u>\$ (465,252)</u> |
| Liabilities | | | |
| Current liabilities | \$ 4,822,855 | \$ 6,930,871 | \$ (2,108,016) |
| Non-current liabilities | 46,730,942 | 47,615,193 | (884,251) |
| Deferred inflows of resources | <u>361,478</u> | <u>824,143</u> | <u>(462,665)</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 51,915,275</u> | <u>\$ 55,370,207</u> | <u>\$ (3,454,932)</u> |
| Net Position | | | |
| Net investment in capital assets | 29,807,667 | 26,245,028 | 3,562,639 |
| Unrestricted | <u>(9,427,928)</u> | <u>(8,854,969)</u> | <u>(572,959)</u> |
| +Total net position | <u>20,379,739</u> | <u>17,390,059</u> | <u>2,989,680</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 72,295,014</u> | <u>\$ 72,760,266</u> | <u>\$ (465,252)</u> |

The decrease in total assets and deferred outflows of resources of \$465,252 was the result of a decrease in current assets, offset by the increase in capital assets. The decrease in current assets was primarily due to the full depletion of cash held by fiscal agent for future operations for capital improvements associated with the GO bond from 2013. This is also the primary reason for the increase in capital assets.

In analyzing the components of current assets, cash held by fiscal agent for debt service increased by \$13,261. These are taxes collected by Richland and Lexington Counties, held by Richland County, to make the scheduled GO bond payments. Cash held by fiscal agent for future operations decreased \$10,025,381 and represents property tax revenues for the District collected by Lexington County that exceed the annual funding approved by Lexington County for the District, offset by the drawdown of remaining funds held by Richland County for the expenses from the GO bond from 2013 mentioned above. The escrowed balance held by Lexington County as of June 30, 2016 was \$498,263 and is either applied to the next year's funding or held pending special requests from the District. During the fiscal year a special appropriation of \$700,000 for capital projects was made by Lexington County and is reflected in the June 30, 2016 balance.

The capital assets, net of depreciation, increased mostly due to capital outlays exceeding depreciation by \$8,656,669. The largest single addition was the increase in building for the new exhibits associated with the \$32 million GO bond. A large portion of the beginning balance for construction in process was either moved to the appropriate classification for this fiscal year or expensed if not deemed a capital item, and is shown as a net of additions and transfers for this fiscal year. A new project to build a pedestrian bridge over the CSX Railway to allow access to the Rivermont parking lot was started in the fiscal year and is currently shown as construction in process. Funding was requested and approved by Richland County to fund up to \$2,902,915 from the Richland County Transportation Program funds generated by the penny sales tax revenues. As of June 30, 2016 the District had requested reimbursement of \$2,071,948 for expenses incurred to date. The remaining additions included construction projects, renovations, and equipment purchases, and were funded with the current year surplus.

Deferred outflows of resources represent the difference between expected and actual retirement plan experience, the difference between projected and actual investment earnings and contributions to the retirement plan after the measurement date. Deferred inflows of resources represent the difference between projected and actual investment earnings for the retirement plan and the change in the proportionate share of net pension liability for the District. Deferred outflows of resources increased by \$30,226, while deferred inflows of resources decreased by \$462,665.

Current liabilities decreased \$2,108,016 mostly due to a decrease of \$1,676,113 in payables and accrued payroll, and \$544,993 in unearned revenue resulting from a reduction in cash held by fiscal agent held by Lexington County.

Non-current liabilities decreased \$884,251 as a result of principal payments made, amortization of bond premium and adjustment of non-current debt to current liabilities totaling 1,700,245, offset by an increase in net pension liability and net OPEB obligation of \$815,994.

Government Activities

Table 2 provides a comparison of changes in net position.

Table 2 – Changes in Net Position

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>Changes</u> |
|--|----------------------|----------------------|---------------------|
| Program Revenues | | | |
| Charges for services | \$ 10,634,916 | \$ 9,087,397 | \$ 1,547,519 |
| Operating grants and contributions | 2,682,637 | 432,931 | 2,249,706 |
| General Revenues | | | |
| Property taxes | 6,879,609 | 6,623,158 | 256,451 |
| Sales taxes | 2,071,948 | - | 2,071,948 |
| Accommodations and hospitality taxes | 187,540 | 207,000 | (19,460) |
| Riverbanks Society contribution | 1,770,207 | 3,199,569 | (1,429,362) |
| Other revenues | 52,093 | 60,914 | (8,821) |
| Total revenues | <u>24,278,950</u> | <u>19,610,969</u> | <u>4,667,981</u> |
| Program Expenses | | | |
| General government – depreciation | 1,717,343 | 1,310,270 | 407,073 |
| Administrative | 2,157,368 | 2,106,427 | 50,941 |
| Animal care | 3,752,449 | 3,310,172 | 442,277 |
| Education | 616,062 | 574,400 | 41,662 |
| Botanical | 1,225,275 | 928,719 | 296,556 |
| Facility management | 2,014,365 | 1,738,864 | 275,501 |
| Utilities | 1,290,810 | 1,104,561 | 186,249 |
| Marketing & public relations | 935,995 | 680,756 | 255,239 |
| Guest services | 3,671,701 | 3,026,944 | 644,757 |
| Retail concessionaire operations | - | 44,442 | (44,442) |
| Interest on long term debt | 1,521,923 | 1,574,723 | (52,800) |
| Losses on the disposal of capital assets | 2,385,979 | 797,978 | 1,588,001 |
| Total expenses | <u>21,289,270</u> | <u>17,198,256</u> | <u>4,091,014</u> |
| Increase in net position | 2,989,680 | 2,412,713 | 576,967 |
| Net position – beginning | <u>17,390,059</u> | <u>14,977,346</u> | <u>2,412,713</u> |
| Net position – ending | <u>\$ 20,379,739</u> | <u>\$ 17,390,059</u> | <u>\$ 2,989,680</u> |

By charging admission and other user fees, the District strives to be as close to self-sufficiency as is reasonably possible. During the year ended June 30, 2016, admissions revenue, commissions on retail sales, other charges for services, along with the Riverbanks Society contributions (collectively earned revenues) amounted to \$15,139,853 or 62.4% of total revenues, a 2.6% decrease from the prior fiscal year. Property taxes amounted to 28.3% of total revenues, a 5.7% decrease as a percentage of total revenues from the prior fiscal year. Sales taxes, new for this fiscal year, amounted to 8.5% of total revenues. Accommodations and hospitality taxes amounted to 0.8% of total revenues, equal to the previous year.

The increase in Charges for Services of \$1,547,519 was due primarily to increases in revenue from admissions of \$948,891, increases in daily paid attendance, and increases in concessionaire commissions of \$500,340 from an overall increase in attendance.

The total attendance was 1,280,824 for the year ended June 30, 2016, an increase of 252,472 visits. Opening of new exhibits, new entrance, and new gift shop, along with other improvements are the main factors in the record setting attendance. Total attendance was up 24.6%. Total paid attendance increased 5.9%. Groups (including free school groups from Lexington & Richland Counties), Rentals, Special Events, and Other Free Attendance increased 4.0%. Society member visits increased 14.7%.

The total Riverbanks Society support decreased from the prior fiscal year by \$1,429,362. Society operating support was increased by \$300,000 to \$1,500,000 from the prior fiscal year. The Society capital support designated for hospital equipment was \$63,388, a decrease of \$1,736,612. The Society is also the guarantor on the loan for the Rivermont property purchase and funds 100% of the loan payments. The debt service support increased by \$7,250.

Total expenses increased 23.8% from the prior year. Losses on the disposal of capital assets and depreciation made up 48.8% of the increase. Also \$535,754 from prior year construction in process deemed not capital additions; along with \$438,860 of current year capital expenditures also deemed non-capital were moved to related department expenses. Most of these expenses were Destination Riverbanks expenses and made up 24.0% of the increase. Management decided to record expenditures in current year as the amounts did not justify a restatement of prior year net position. Effective July 1, 2015, there was a 2% merit increase in salaries for qualified individuals. There was an increase in employee benefits costs as a result of the salary increase and required increases as defined by the SC Public Employee Benefit Authority. Animal care increased from adding staff and incurred costs for operation of new exhibits. Botanical, Facility management and Marketing & public relations incurred increased costs for the new facilities and exhibits opened during the fiscal year. Guest Services incurred increased costs also related to the new facilities and exhibits, along with the support of the increase in attendance for the fiscal year. The utilities increase was mostly attributed to higher water and sewer costs mainly attributed to new facilities and exhibits.

Financial Analysis of Governmental Funds

As mentioned previously, the Fund Financial Statements provide information on short-term inflows, outflows, and balances of spendable resources. In general, unassigned fund balance may serve as a useful measure of a government's net resources that are available for spending at the end of the fiscal year.

In many cases, the Governmental Funds Analysis will be the same or similar to the Government-wide Financial Analysis. However, amounts will be different due to the different focus of the two reporting methods. Please see the Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position and the Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government-Wide Statement of Activities. Where explanations are generally the same, this Governmental Funds financial analysis has been abbreviated to avoid repetition.

At June 30, 2016, the District's governmental funds had a combined fund balance of \$4,007,837 which was a \$6,931,041 decrease from June 30, 2015. The unassigned portion of fund balance was \$1,023,375. There was a decrease in fund balance of \$7,189,686 from the Capital Projects Fund that is associated with the \$32 million GO Bond project. The General Fund increase was the result of revenues exceeding expenditures. Total governmental fund revenues were up \$4,667,981 from the previous year or 23.8% and expenditures were down \$5,583,383 or 15.2%. This is due to the reduction in capital outlay for construction related to Destination Riverbanks and sales tax revenue from Richland County for the pedestrian bridge capital project. The General Fund provided surplus for the fiscal year in excess of other capital project expenses incurred.

The remainder of the combined fund balance was nonspendable, restricted, or committed to indicate that it was only available to spend for specific purposes. \$1,457,857 was restricted for debt service payments on GO bonds of the District. \$69,357 was nonspendable for inventory and \$204,777 was nonspendable for prepaid expenses. \$36,600 was restricted for purchases specific to the Botanical Gardens. This amount represents the fiscal year ending value of the Phelps account, a permanently restricted endowment. The sole purpose of which is to provide funding for the Botanical Gardens. The trustee of this account amended the purpose of how this money may be spent in 2015. Capital projects have a deficit of \$178,789 that is expected to be funded with additional donations from Destination Riverbanks. The employee fund represents \$15,871 prior year's proceeds from employee break room vending sales and was committed for employee training. \$1,200,000 was assigned as an operating cushion.

The purpose of the operating cushion is to provide working capital along with providing a reserve should there be an unexpected drop in attendance and related earned revenues. The District's lowest attended months occur each year between September and March, thus negatively impacting earned revenue during that time. The operating cushion is used as a cash bridge during the time between strong earned revenue (spring and summer months) and the collection of property tax revenues (late December through mid-January). The operating cushion is mandated by the Riverbanks Park Commission to be a maximum of \$1,200,000 in the General Fund.

Please refer to the Governmental Funds Balance Sheet, which provides information on the three funds maintained by the District – the General Fund, the Debt Service Fund, and the Capital Projects Fund. Please also refer to the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds for information on the revenues and expenditures of each fund for year ended June 30, 2016.

General Fund Budgetary Highlights

The District's General Fund budget is maintained on a modified accrual basis. Expenditures are recorded when they are incurred and revenues are recognized when they are earned and available. At the end of the fiscal year any outstanding encumbrances are cancelled and budgeted in the following year. The Budgetary Comparison Schedule for the General Fund reports the original and final adjusted budget amounts, actual results, and the variances between actual results and the final budgeted amounts. The following analysis concerns differences between the actual revenue and expenses for fiscal year 2016 and the final budgeted amounts.

Admissions revenue was the largest favorable variance due to the significant increase in attendance for the fiscal year. The increased attendance also resulted in visitor spending for Rides, Shows, Promotions, and Concessions that resulted in favorable variances to the budget. Property taxes had a favorable variance due to additional revenue received from Richland County.

All expenditure areas worked to maintain spending at the lowest level possible. Those areas under budget helped to support those that exceeded budget. Revenues that exceeded budget is also used to support and offset expenditures that exceeded budget.

Overall there was a favorable variance to the final budget before transfers of \$745,041. Revenues show a favorable variance of \$1,575,189 or 9.9% and expenditures without transfers show an overall negative variance of \$830,148 or 5.5%. Operating Transfers Out include \$454,566 from current fiscal year surplus for capital projects, resulting in a current fiscal year surplus of \$290,475.

Capital Asset and Debt Administration

The District's investment in capital assets, net of accumulated depreciation at June 30, 2016 amounted to \$64,918,520, an increase of \$8,656,669 from June 30, 2015. Current year new capital assets exceeded the depreciation and disposals largely due to the spending of the 2013 GO Bond proceeds which began in FY 2014. Please refer to the Notes to the Financial Statements for a schedule of capital assets.

Long-term Debt

The District's long-term debt consists of GO bond issues of the District and other loans. The bond issues are backed by the full faith and credit of the taxpayers of the District, which comprises all of both Lexington and Richland Counties. As previously mentioned, the Lexington and Richland County auditors and treasurers handle the tax collections related to the GO bonds. The Richland County Treasurer is the fiscal agent for the District in these transactions. Please refer to Table 3 below.

The District's total debt at June 30, 2016 was \$36,568,710, a decrease of \$1,563,599 from June 30, 2015. The decrease is the result of scheduled payments on long term debt.

At year-end there were two outstanding GO bond issues, the 2008 and the 2013 issues. The 2008 issue refunded the 1999 issue for the purpose of decreasing interest cost. The 2013 issue is for renovations and additions known as Destination Riverbanks, which includes a new entryway, grizzly/otter exhibit, seal/sea lion exhibit and children's garden.

The loan for the Rivermont acquisition is a note to a financial institution for the purpose of purchasing two properties – 350 and 420 Rivermont Drive, which are adjacent to the District's property. The loan for the ropes course is a note to a financial institution for the purpose of financing a new ride. Please see the Notes to the Financial Statements for additional information on the notes payable.

Compensated Absences represent the liability for accumulated vacation pay that has been earned by the District's employees. Employees are allowed to accumulate up to forty-five days of vacation which, if not used, can be paid upon termination of employment.

Table 3 – Long-term Liabilities

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>Changes</u> |
|--------------------------------|----------------------|----------------------|---------------------|
| General obligation bond issues | \$ 33,425,000 | \$ 34,760,000 | \$ (1,335,000) |
| Unamortized premiums | 1,250,793 | 1,323,653 | (72,860) |
| Loan – Rivermont acquisition | 1,673,626 | 1,790,092 | (116,466) |
| Loan – ropes course | 219,291 | 258,562 | (39,271) |
| Accrued net OPEB obligation | 1,393,630 | 1,127,979 | 265,651 |
| Compensated absences | 266,998 | 273,931 | (6,933) |
| Net pension liability | 10,325,804 | 9,775,461 | 550,343 |
| Total | <u>\$ 48,555,142</u> | <u>\$ 49,309,678</u> | <u>\$ (754,536)</u> |

Economic Factors and Next Year's Budget and Rates

As noted before, the District's earned revenues represent the majority of its total revenue 62.4%, where public support through property taxes, sales taxes and other taxes represents 37.6% of total revenue. Attendance at the Zoo and Garden along with annual membership sales in the Riverbanks Society are the prime components of earned revenue and the most significant factors in the District's economic wellbeing.

Attendance for fiscal year 2016 was 1,280,824, including after-hours attendance. Starting with fiscal year 2010, after hour's attendance was tracked, with some estimation required. The after-hours attendance includes attendance at after-hours events, overnight camps, and others that are not recorded at the admission gate. As a result of moving to new software during the fiscal year, this attendance is blended within other categories and no longer separately identified.

Admissions prices were increased on July 1, 2014 with relatively no effect on attendance. Visitor studies prior to the increase indicate that the Zoo and Garden would remain a good value with the increase. There has been no indication of price resistance since the increase and, as mentioned, attendance has remained steady. The Commission's Board approved in June 2016 a \$2.00 across the board admission price increase effective July 1, 2016.

Annual memberships in the Riverbanks Society totaled 38,308 at June 30, 2016. This is a 13.3% increase from the June 30, 2015 membership number of 33,810. The revenue from memberships has increased. Part of the increase was the result of membership increases approved by the Society Board and made effective January 1, 2016. Another reason for the membership revenue increase is a shift in the type of membership to the explorer levels vs. the more basic memberships. Membership levels tend to increase and peak with the opening of new attractions and then decline during the period where there are no new attractions added. The same pattern also occurs with attendance levels; however, attendance is subject to more variables and tends to be more dynamic.

The District's funding from Lexington and Richland Counties has increased because of increases in the value of a mill resulting from the growth in total property value in both Counties. Both Counties remitted the budgeted amounts to the District. Lexington County collected \$90,969 in excess of the approved budget. This excess is escrowed and held by Lexington County and either applies to the next year's funding or pending special requests from the District. It is unknown how both counties may be impacted by the State of South Carolina's fiscal year 2017 budget.

Given the continued economic situation coupled with the financial situation in State government, the District, in developing its fiscal year 2017 general fund budget, is projecting earned revenues and expenditures at current levels, with a \$2.00 increase in admission ticket prices and a 2.5% salary increase for eligible employees. Additional operating revenue of \$200,000 is requested from the Society to support the visits from the increase in memberships.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Riverbanks Zoo and Garden, 400 Rivermont Drive, Columbia, SC 29210.

BASIC FINANCIAL STATEMENTS

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

| | Governmental Activities | Component Unit - Riverbanks Society |
|--|------------------------------------|--|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,719,846 | \$ 1,739,340 |
| Cash held by fiscal agent for debt service | 1,457,857 | - |
| Cash held by fiscal agent for future operations | 498,263 | - |
| Receivables | 2,562,104 | 1,000 |
| Unconditional promises to give - restricted | - | 938,964 |
| Prepaid expenses | 204,777 | 18,640 |
| Inventory | 69,357 | - |
| Total current assets | 6,512,204 | 2,697,944 |
| Noncurrent assets: | | |
| Capital assets, net of accumulated depreciation | 64,918,520 | - |
| Long-term unconditional promises to give - restricted | - | 446,448 |
| Total noncurrent assets | 64,918,520 | 446,448 |
| Total assets | 71,430,724 | 3,144,392 |
| Deferred outflows of resources related to net pension liability | 864,290 | - |
| Total assets and deferred outflows of resources | \$ 72,295,014 | \$ 3,144,392 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued payroll | \$ 1,732,516 | \$ 119,162 |
| Accrued compensated absences - current portion | 124,789 | 1,868 |
| Accrued interest payable | 494,288 | - |
| Unearned revenue | 771,851 | 165,500 |
| Long term debt - current portion | 1,699,411 | - |
| Total current liabilities | 4,822,855 | 286,530 |
| Noncurrent liabilities: | | |
| Accrued compensated absences - long term | 142,209 | 1,585 |
| Net pension liability | 10,325,804 | - |
| Accrued net OPEB obligation | 1,393,630 | - |
| General obligation bonds payable including unamortized bond premium | 33,147,933 | - |
| Notes payable | 1,721,366 | - |
| Total noncurrent liabilities | 46,730,942 | 1,585 |
| Total liabilities | 51,553,797 | 288,115 |
| Deferred inflows of resources related to net pension liability | 361,478 | - |
| Total liabilities and deferred inflows of resources | 51,915,275 | 288,115 |
| Net Position | | |
| Net Investment in Capital Assets | 29,807,667 | - |
| Restricted Donations - Purpose Not Yet Satisfied | - | 53,522 |
| Unrestricted | (9,427,928) | 2,802,755 |
| Total net position | 20,379,739 | 2,856,277 |
| Total liabilities, deferred inflows of resources and net position | \$ 72,295,014 | \$ 3,144,392 |

The accompanying notes are an integral part of these financial statements.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

| Function/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--------------------------------------|----------------------|----------------------|------------------------------------|---|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | Component Unit |
| | | | | Governmental Activities | Riverbanks Society |
| Governmental Activities | | | | | |
| Unallocated depreciation expense | \$ 1,717,343 | \$ - | \$ - | \$ (1,717,343) | \$ - |
| Administrative | 2,157,368 | - | - | (2,157,368) | - |
| Animal care | 3,752,449 | - | 1,432 | (3,751,017) | - |
| Education | 616,062 | 453,845 | 50,040 | (112,177) | - |
| Botanical | 1,225,275 | - | - | (1,225,275) | - |
| Facility management | 2,014,365 | - | 2,569,665 | 555,300 | - |
| Utilities | 1,290,810 | - | - | (1,290,810) | - |
| Marketing and public relations | 935,995 | 302,228 | - | (633,767) | - |
| Guest services | 3,671,701 | 8,081,790 | 61,500 | 4,471,589 | - |
| Concessionaire commissions | - | 1,797,053 | - | 1,797,053 | - |
| Interest on long-term debt | 1,521,923 | - | - | (1,521,923) | - |
| Loss on disposal of capital assets | 2,385,979 | - | - | (2,385,979) | - |
| Total governmental activities | <u>\$ 21,289,270</u> | <u>\$ 10,634,916</u> | <u>\$ 2,682,637</u> | <u>(7,971,717)</u> | <u>-</u> |
| Component Unit | | | | | |
| Riverbanks Society | \$ 6,463,659 | - | - | - | (6,463,659) |
| Total component unit | <u>\$ 6,463,659</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,463,659)</u> |
| General Revenues | | | | | |
| Property taxes | | | | 6,879,609 | - |
| Sales taxes | | | | 2,071,948 | - |
| Accommodations and hospitality taxes | | | | 187,540 | - |
| Riverbanks Society contribution | | | | 1,770,207 | - |
| Membership fees | | | | - | 4,221,276 |
| Contributions | | | | - | 2,958,371 |
| Investment earnings | | | | 23,188 | 98 |
| Miscellaneous revenues | | | | 28,905 | 3,430 |
| Total general revenues | | | | <u>10,961,397</u> | <u>7,183,175</u> |
| Change in net position | | | | 2,989,680 | 719,516 |
| Net position, beginning of year | | | | <u>17,390,059</u> | <u>2,136,761</u> |
| Net position, end of year | | | | <u>\$ 20,379,739</u> | <u>\$ 2,856,277</u> |

The accompanying notes are an integral part of these financial statements.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

| | Major Funds | | | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|--------------------------------|
| | General Fund | Debt Service | Capital Projects | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,719,846 | \$ - | \$ - | \$ 1,719,846 |
| Cash held by fiscal agent for debt service | - | 1,457,857 | - | 1,457,857 |
| Cash held by fiscal agent for future operations | 498,263 | - | - | 498,263 |
| Receivables | 490,156 | - | 2,071,948 | 2,562,104 |
| Prepaid expenses | 204,777 | - | - | 204,777 |
| Inventory | 69,357 | - | - | 69,357 |
| Due from other funds | 1,695,200 | - | 122,049 | 1,817,249 |
| Total assets | <u>\$ 4,677,599</u> | <u>\$ 1,457,857</u> | <u>\$ 2,193,997</u> | <u>\$ 8,329,453</u> |
| Liabilities | | | | |
| Accounts payable and accrued salaries | \$ 1,054,930 | \$ - | \$ 677,586 | \$ 1,732,516 |
| Unearned revenue | 771,851 | - | - | 771,851 |
| Due to other funds | 122,049 | - | 1,695,200 | 1,817,249 |
| Total liabilities | <u>1,948,830</u> | <u>-</u> | <u>2,372,786</u> | <u>4,321,616</u> |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Inventory | 69,357 | - | - | 69,357 |
| Prepaid expenses | 204,777 | - | - | 204,777 |
| Restricted: | | | | |
| Debt service | - | 1,457,857 | - | 1,457,857 |
| Botanical library acquisitions | 36,600 | - | - | 36,600 |
| Committed: | | | | |
| Operations | 1,200,000 | - | - | 1,200,000 |
| Employee fund | 15,871 | - | - | 15,871 |
| Unassigned | 1,202,164 | - | (178,789) | 1,023,375 |
| Total fund balances | <u>2,728,769</u> | <u>1,457,857</u> | <u>(178,789)</u> | <u>4,007,837</u> |
| Total liabilities and fund balances | <u>\$ 4,677,599</u> | <u>\$ 1,457,857</u> | <u>\$ 2,193,997</u> | <u>\$ 8,329,453</u> |

The accompanying notes are an integral part of these financial statements.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

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

JUNE 30, 2016

Total Fund Balances - Governmental Funds \$ 4,007,837

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds:

| | | |
|--------------------------|---------------------|------------|
| Capital assets | \$ 86,320,698 | |
| Accumulated depreciation | <u>(21,402,178)</u> | 64,918,520 |

The net pension liability and related deferred inflows and outflows of resources are not due and payable in the current fiscal year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

| | | |
|---|--------------|-------------|
| Net pension liability | (10,325,804) | |
| Deferred outflows of resources related to net pension liability | 864,290 | |
| Deferred inflows of resources related to net pension liability | (361,478) | (9,822,992) |

Long-term liabilities, including bonds and notes payable/compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | | |
|--|--------------------|---------------------|
| Bonds payable, including unamortized Premium | (34,675,793) | |
| Accrued interest on long-term debt | (494,288) | |
| Accrued net OPEB obligation | (1,393,630) | |
| Compensated absences | (266,998) | |
| Notes payable | <u>(1,892,917)</u> | <u>(38,723,626)</u> |

Total net position - governmental activities \$ 20,379,739

The accompanying notes are an integral part of these financial statements.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|--------------------------------|
| | General Fund | Debt Service | Capital Projects | |
| Revenues | | | | |
| Property taxes | \$ 3,367,477 | \$ 2,812,132 | \$ 700,000 | \$ 6,879,609 |
| Sales taxes | - | - | 2,071,948 | 2,071,948 |
| Accommodations & hospitality taxes | 187,540 | - | - | 187,540 |
| General admission fees | 5,511,832 | - | - | 5,511,832 |
| Concessionaire commissions | 1,797,053 | - | - | 1,797,053 |
| Riverbanks Society contributions | 1,706,819 | - | 63,388 | 1,770,207 |
| Classes and program fees | 453,845 | - | - | 453,845 |
| Rides, shows, promotions, and rentals | 2,569,958 | - | - | 2,569,958 |
| Facility rental & group admission fees | 136,569 | - | - | 136,569 |
| Sponsorships | 165,659 | - | - | 165,659 |
| Non-federal grants and donations | 6,530 | - | 2,676,107 | 2,682,637 |
| Interest revenue | 9,361 | 2,789 | 11,038 | 23,188 |
| Miscellaneous revenues | 28,905 | - | - | 28,905 |
| Total revenues | 15,941,548 | 2,814,921 | 5,522,481 | 24,278,950 |
| Expenditures | | | | |
| Administrative | 2,035,659 | 538 | 9,417 | 2,045,614 |
| Animal care | 3,527,168 | - | 78,823 | 3,605,991 |
| Education | 204,089 | - | 6,915 | 211,004 |
| Botanical | 1,032,298 | - | 188,894 | 1,221,192 |
| Facility management | 1,944,354 | - | 60,547 | 2,004,901 |
| Utilities | 1,290,810 | - | - | 1,290,810 |
| Marketing and public relations | 911,857 | - | 2,972 | 914,829 |
| Guest services | 2,462,204 | - | 91,292 | 2,553,496 |
| Rides, shows, promotions, and rentals | 1,071,493 | - | - | 1,071,493 |
| Classes and programs | 403,488 | - | - | 403,488 |
| Debt service | | | | |
| Principal | 155,737 | 1,335,000 | - | 1,490,737 |
| Interest | 100,197 | 1,511,213 | - | 1,611,410 |
| Capital outlay | | | | |
| Land, Building, Equipment, & Improvements | 57,153 | - | 12,727,873 | 12,785,026 |
| Total expenditures | 15,196,507 | 2,846,751 | 13,166,733 | 31,209,991 |
| Excess of revenues over (under) expenditures | 745,041 | (31,830) | (7,644,252) | (6,931,041) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | 454,566 | 454,566 |
| Transfers Out | (454,566) | - | - | (454,566) |
| Total other financing (uses) sources | (454,566) | - | 454,566 | - |
| Net change in fund balances | 290,475 | (31,830) | (7,189,686) | (6,931,041) |
| Fund balance, beginning of year | 2,438,294 | 1,489,686 | 7,010,898 | 10,938,878 |
| Fund balance, end of year | <u>\$ 2,728,769</u> | <u>\$ 1,457,856</u> | <u>\$ (178,788)</u> | <u>\$ 4,007,837</u> |

The accompanying notes are an integral part of these financial statement

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds \$ (6,931,041)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets are allocated over their estimated lives and reported as depreciation expense:

| | | |
|----------------------|--------------------|------------|
| Capital outlays | \$ 12,785,026 | |
| Depreciation expense | <u>(1,742,378)</u> | 11,042,648 |

| | | |
|--|--|--------|
| Amortization of premium on bond issuance is reported as a reduction of expenses in the statement of activities | | 72,860 |
|--|--|--------|

| | | |
|--|--|-----------|
| Prior year retirement plan contributions are considered a current year expense | | (557,069) |
|--|--|-----------|

Pension expense is reported as expenses in the statement of activities:

| | | |
|--|-----------------|---------|
| Current year expense considered a deferred outflow of resources | 612,407 | |
| Increase in pension expense for change in deferred inflows and outflows of resources | (550,343) | |
| Amortization of deferred inflows of resources related to net pension liability | 462,665 | |
| Amortization of deferred outflows of resources related to net pension liability | <u>(25,110)</u> | 499,619 |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported.

| | | |
|----------------------------|--|-------------|
| Loss on disposal of assets | | (2,385,979) |
|----------------------------|--|-------------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

| | | |
|---------------------------|--|-----------|
| Payment of long-term debt | | 1,490,737 |
|---------------------------|--|-----------|

Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:

| | | |
|---|--------------|------------------|
| Accrual of interest payable | 16,625 | |
| Accrual of current year net OPEB obligation | (265,651) | |
| Decrease in compensated absence accrual | <u>6,931</u> | <u>(242,095)</u> |

| | | |
|--|--|---------------------|
| Total change in net position - governmental activities | | <u>\$ 2,989,680</u> |
|--|--|---------------------|

The accompanying notes are an integral part of these financial statements.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Richland-Lexington Riverbanks Park District (the “District”) was created under the provisions of Act No. 323 of the 1969 Acts and Joint Resolutions of the General Assembly of the State of South Carolina (sections 51-61 to 51-64), as amended by Act No. 365 of 1969. The District was created to provide recreational facilities, specifically a zoological park, for the citizens of South Carolina. Over one-third of total revenue for the District is received from Richland and Lexington counties. The District is governed by the Riverbanks Park Commission (the “Commission”). The Commission is comprised of seven members. Two members are appointed by Richland County Council, two by Lexington County Council, two by the Mayor and Council of the City of Columbia, and one by all three groups. The Commissioners serve for six years.

The Commission hires a President/CEO who serves as Chief Administrative Officer of the District. The President/CEO administers the daily operations of the District through appointed department heads.

The basic financial statements of the District are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The District’s reporting entity applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the District’s financial activities for the fiscal year ended June 30, 2016.

Financial Reporting Entity

The District’s financial reporting entity is comprised of the following:

| | |
|--------------------------------------|---|
| Primary government: | The Richland-Lexington Riverbanks Park District |
| Discretely Presented Component Unit: | The Riverbanks Society |

In determining the financial reporting entity, the District implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. Additional guidance to determine whether certain organizations are component units, based on the nature and significance of their relationship with the primary government, is found in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

The Riverbanks Society (the “Society”) is a legally separate, tax-exempt component unit set up to provide financial support primarily through donor contributions for the District and its activities. The eighteen member board of the Society is self-perpetuating. The District controls the timing and amount of receipts from the Society. The majority of resources and income thereon that the Society holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Society can only be used by, or for the benefit of, the District, the Society is considered a component unit of the District and is discretely presented in the District’s financial statements. Separately issued audited financial statements, which are based on Financial Accounting Standards Board (FASB) standards, for the Society may be obtained from the Chief Financial Officer, Administrative Office of Riverbanks Zoo and Garden, at 400 Rivermont Drive, Columbia, SC 29210.

Basis of Presentation

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 District. As a general rule the effect of inter-fund activity has been eliminated 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.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

The District reports under the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Therefore, government-wide statements now reflect net assets as net position. GASB 34 as amended by GASB 63 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, with a classification of net position broken down into three components – net investment in capital assets; restricted net position; and unrestricted net position. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues, and unamortized debt expense reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Based on the District's policies regarding net position classifications as noted above, the District considers amounts that are restricted to be spent when the corresponding expenditure that has been designated by the District Commission or donors has been made. After these fund balances have been depleted, unrestricted fund position will be considered to have been spent.

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

Fund financial statements are also provided in the report for all of the governmental funds of the District.

The District reports the General Fund, Debt Service Fund, and Capital Projects Fund as major governmental funds. The General Fund is the main operating fund of the District and is used to account for all financial resources except for those required to be accounted for in another fund. The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the District. The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and equipment.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Investment earnings and intergovernmental revenues received from Richland and Lexington Counties are accrued because they are measurable at year-end. Most other intergovernmental revenues are not susceptible to accrual because they generally are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position. When the District incurs an expense that may be paid from unrestricted or restricted funds, the District first uses restricted funds as allowed by legal or contractual requirements.

The 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 are considered measurable when transferred to the District's account by the County Treasurers and are recognized at that time. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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 payment is due.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates affecting these financial statements are the useful lives of fixed assets and estimates for net pension liability. Actual results could differ from those estimates.

Budgetary Control

The Commission adopts an annual budget for the General Fund at the beginning of each fiscal year. The President/CEO is authorized to transfer budgeted amounts between departments, with the approval of the Commission. Any revisions that alter the total expenditures must be approved by the Commission.

The Budgetary Comparison Schedule for General Fund presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results. Capital Projects Funds are budgeted over the life of the project and not on an annual basis.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term investments having an initial maturity of three months or less.

Cash Held by Fiscal Agent

The District reports funds collected for the District by Richland and Lexington Counties for both operating and debt service purposes.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

The District receives operating support from both Richland and Lexington Counties in the form of an annual fixed-dollar appropriation. Both Counties fund the support by levying a millage that is expected to produce the required amount of funding. If the millage produces more than is appropriated, the excess funds are escrowed. It has been Richland County’s practice to take into account any escrowed amounts in setting the millage in subsequent years which results in a relatively small amount being carried forward from year-to-year. However, Lexington County allows the escrowed funds to accumulate over the years. At June 30, 2016 the escrowed funds collected from the operating millage totaled \$498,263, which was all held by Lexington County. The District would have to seek approval through a budget ordinance by the County to receive these funds.

Both Richland and Lexington Counties also levy a millage to produce funds to pay the general obligation debt of the District. The Richland County Treasurer is the fiscal agent for each of the District’s bonds and is responsible for management of funds from both Counties collected from the debt service millage and the payment of bonds. The amount held by the fiscal agent for debt service varies with the bond amortization amounts and timing of payments and the amounts collected by each County. The amount on hand at June 30, 2016 was \$1,457,857.

Supplies Inventories

Supplies inventories consists of gasoline, animal feed, plants for resale, and general supplies used in the day-to-day operation of the zoo and garden. The quantity used is expensed and the remaining inventories at the balance sheet date are recorded as assets at the lower of cost or market.

Prepaid Expenses

Prepaid expenses consist of premiums which have been paid in advance for periods after year-end, for general insurance – property, liability and automobile.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost equal to or more than \$5,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets, with the exception of land, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------|--------------|
| Buildings | 10-30 |
| Exhibits | 10-30 |
| Furniture and fixtures | 5-7 |
| Equipment | 3-7 |
| Vehicles | 5 |
| Technology equipment | 3-5 |
| Capitalized software | 3 |

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Due To/From Other Funds

Short-term amounts owed between funds are classified in this category.

Deferred Outflows of Resources

Deferred outflows of resources consist of contributions to the retirement plan after the measurement date and the differences between expected and actual retirement plan experience and net differences between projected and actual investment earnings, as required by the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*.

Unearned Revenue

Unearned revenue consists mostly of the cash held by fiscal agent which is escrowed funds collected from the operating millage as discussed previously as well as deposits held for future group visits.

Compensated Absences

The District's policy allows employees to accumulate unused vacation leave to a maximum of 360 hours. Upon termination, any accumulated vacation leave will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

Deferred Inflows of Resources

Deferred inflows of resources consist of the District's change in proportionate share of the net pension liability and difference between expected and actual retirement plan experience. This is now reflected in deferred inflows of resources with the requirement of GASB Statement No. 68.

Fund Balance

The District follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following categories of fund balance are being used in the fund level financial statement of the governmental fund:

Nonspendable Fund Balance – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted Fund Balance – The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District recognizes committed fund balances that have been approved for specific purposes by the District Commission before the fiscal year end. The first \$1,200,000 of fund balance is committed by the Board of Commissioners as a stabilization amount.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Assigned Fund Balance – The assigned fund balance classification includes amounts that are constrained by the District’s intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the District’s highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the District’s highest level of authority. Assigned fund balance amounts in the District’s financial statements represent amounts approved by the District Commission for operations.

Unassigned Fund Balance – The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

Based on the District’s policies regarding fund balance classifications as noted above, the District considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the District Commission or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

Note 2. Property Taxes

Property taxes used to finance the District's operations are levied and collected by Richland and Lexington Counties under the direction of their respective Councils. The District considers funds received from both counties within 30 days after fiscal year end as revenue in the fund level statements.

Note 3. Cash and Cash Equivalents

Custodial credit risk is the risk incurred in the event of a bank failure where the District’s deposits may not be returned. The District's cash and cash equivalents consist of demand deposits, investments overseen by South Carolina State Treasurer’s Office, and cash on hand. The District is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow or custodian of a market value not less than the amount of the certificates of deposit so secured in the name of the District, including interest.

As of June 30, 2016, the carrying amount of the District's cash and cash equivalents was \$1,715,306. The District had \$19,430 cash on hand, \$1,344,033 invested with the South Carolina Local Government Investment Pool (the Pool), and \$351,843 on deposit with financial institutions. The Pool is under the regulatory oversight of the South Carolina State Treasurer’s Office and the fair market value of the District’s funds in the Pool is the same as the value of the Pool shares as allocated to the District.

The District places no limit on the amount the District may invest in any one issuer. More than 78.4% of the District’s cash and cash equivalents are with the South Carolina Local Government Investment Pool. These investments are reported in the District’s General Fund and Special Revenue Fund.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents (continued)

More information pertaining to carrying amounts, fair value, credit and other risks as required by GASB Statement No. 40, Deposits and Investments - Risk Disclosures, of the State Treasurer's investments are disclosed in the Comprehensive Annual Financial Report ("CAFR") of the State of South Carolina.

Note 4. Receivables

Receivables consisted of the following at June 30, 2016:

| | |
|-------------------|---------------------|
| Intergovernmental | \$ 2,099,098 |
| Other | <u>463,006</u> |
| Total | <u>\$ 2,562,104</u> |

Receivables are stated at fair value with no allowance for doubtful accounts. Management is of the opinion that all of the receivables are collectible and no allowance is needed at this time.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

| Governmental activities | Beginning Balance | Additions | Disposals & Transfers | Ending Balance |
|---|----------------------|----------------------|--------------------------|----------------------|
| Capital assets – not depreciated | | | | |
| Land | \$ 2,936,949 | \$ — | \$ — | \$ 2,936,949 |
| Zoological collection | 1 | — | — | 1 |
| Construction in progress | <u>24,403,044</u> | <u>8,664,499</u> | <u>(14,753,989)</u> | <u>18,313,554</u> |
| Total capital assets – not depreciated | <u>27,339,994</u> | <u>8,664,499</u> | <u>(14,753,989)</u> | <u>21,250,504</u> |
| Capital assets – depreciated | | | | |
| Buildings | 27,497,867 | 2,456,243 | 11,732,779 | 41,686,889 |
| Improvements | 17,374,726 | 822,461 | 492,204 | 18,689,391 |
| Equipment | <u>3,754,087</u> | <u>841,823</u> | <u>98,004</u> | <u>4,693,914</u> |
| Total capital assets – depreciated | <u>48,626,680</u> | <u>4,120,527</u> | <u>12,322,987</u> | <u>65,070,194</u> |
| Less accumulated depreciation | <u>19,704,823</u> | <u>1,742,378</u> | <u>(45,023)</u> | <u>21,402,178</u> |
| Total capital assets - depreciated, net | <u>28,921,857</u> | <u>2,378,149</u> | <u>12,368,010</u> | <u>43,668,016</u> |
| Governmental activities capital assets, net | <u>\$ 56,261,851</u> | <u>\$ 11,042,648</u> | <u>\$(2,385,979)</u> | <u>\$ 64,918,520</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------|---------------------|
| General government | \$ 1,717,343 |
| Guest services | <u>25,035</u> |
| Total | <u>\$ 1,742,378</u> |

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 6. Long-term Debt

General Obligation Bonds

The District issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The sale of bonds, investment of bonds proceeds, investment of the Debt Service Funds, and the repayment of the bonds are handled by the Richland County Treasurer as required by the bond ordinances.

General Obligation Bonds Payable at June 30, 2016, was as follows:

| | |
|--|----------------------|
| \$9,020,000 General Obligation Bonds issued in 2008 due in annual series installments through 2018, with an interest rate of 3.2% for the term of the bond. | \$ 2,950,000 |
| \$32,000,000 General Obligation Bonds issued in 2013 due with a first payment due in 2014, then with annual series installments beginning in 2019 through 2033, with interest rates ranging from 3.0% to 4.625% in 2033. | <u>30,475,000</u> |
| | \$ 33,425,000 |
| Add, unamortized premium | <u>1,250,793</u> |
| Total | <u>\$ 34,675,793</u> |

The annual aggregate maturities for the General Obligation Bonds for the subsequent years are as follows:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2017 | 1,455,000 | 1,464,221 | 2,919,221 |
| 2018 | 1,495,000 | 1,413,005 | 2,908,005 |
| 2019 | 1,200,000 | 1,360,381 | 2,560,381 |
| 2020 | 1,340,000 | 1,300,381 | 2,640,381 |
| 2021 | 1,430,000 | 1,233,381 | 2,663,381 |
| 2022-26 | 8,805,000 | 5,042,756 | 13,847,756 |
| 2027-31 | 11,885,000 | 2,953,413 | 14,838,413 |
| 2032-33 | 5,815,000 | 403,463 | 6,218,463 |
| Total | <u>\$ 33,425,000</u> | <u>\$ 15,171,001</u> | <u>\$ 48,596,001</u> |

Notes Payable

From time to time, the District borrows additional funds to finance improvements to its facilities. At June 30, 2016, the District was obligated under the following installment notes.

| | |
|--|---------------------|
| Note payable to a financial institution in monthly installments including interest at a fixed rate equal to 5.00%*. The note matured and was refinanced on September 30, 2016. | \$ 1,673,626 |
| Note payable to a financial institution in monthly installments including interest at a fixed rate equal to 4.09%. The note matures in 2021. | <u>219,291</u> |
| Total | <u>\$ 1,892,917</u> |

*The interest rate for this note was re-negotiated in 2011 resulting in a 5.00% rate compared to the re-negotiated rate of 6.32% in 2008 and the original rate of 7.75%.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 6. Long-term Debt (continued)

Annual requirements to amortize notes payable outstanding for the subsequent years are as follows:

| Year Ending June 30, | Principle | Interest | Total |
|----------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 134,725 | \$ 98,092 | \$ 232,817 |
| 2018 | 195,999 | 41,530 | 237,529 |
| 2019 | 201,371 | 36,158 | 237,529 |
| 2020 | 206,902 | 30,627 | 237,529 |
| 2021 | 209,582 | 24,933 | 234,515 |
| 2022-26 | 881,836 | 60,237 | 942,073 |
| Thereafter | 62,502 | 302 | 62,804 |
| Total | \$ 1,892,917 | \$ 291,879 | \$ 2,184,796 |

The above principle and interest reflects the refinancing of the note payable as of September 30, 2016.

The following changes occurred in the District's long-term liabilities during the fiscal year:

| | June 30,2015 | Additions | Payment/ Transfers | June 30,2016 | Amount Due in 2017 |
|---------------------------------|---------------------|-------------------|-----------------------|---------------------|-----------------------|
| General Obligation Bond of 2008 | \$ 4,285,000 | \$ - | \$ 1,335,000 | \$ 2,950,000 | \$ 1,455,000 |
| General Obligation Bond of 2013 | 30,475,000 | - | - | 30,475,000 | - |
| Unamortized Premium | 1,323,653 | - | 72,860 | 1,250,793 | 72,860 |
| Note Payable-Rivermont | 1,790,092 | - | 116,466 | 1,673,626 | 130,645 |
| Note Payable-Ropes Course | 258,562 | - | 39,271 | 219,291 | 40,906 |
| Accrued Net OPEB Obligation | 1,127,979 | 265,651 | - | 1,393,630 | - |
| Net Pension Liability | 9775,461 | 550,343 | - | 10,325,804 | - |
| Compensated Absences | 273,931 | - | 6,933 | 266,998 | 124,789 |
| Total | \$49,309,678 | \$ 815,994 | \$ 1,570,530 | \$48,555,142 | \$ 1,824,200 |

Note 7. Pension Plan

Description of the Entity

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

PEBA issues a CAFR containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

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

Membership

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

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

Benefits

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

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

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

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

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

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 Budget and Control Board for approval an increase in the SCRS and PORS 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 SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Required employee contribution rates* for fiscal years 2015 & 2016 respectively are as follows:

SCRS

| | |
|----------------------|--|
| Employee Class Two | 8.00% & 8.16% of earnable compensation |
| Employee Class Three | 8.00% & 8.16% of earnable compensation |

PORS

| | |
|----------------------|--|
| Employee Class Two | 8.41% & 8.74% of earnable compensation |
| Employee Class Three | 8.41% & 8.74% of earnable compensation |

Required employer contribution rates for fiscal years 2015 & 2016 respectively are as follows:

SCRS

| | |
|-----------------------------------|--|
| Employer Class Two | 10.75% & 10.91% of earnable compensation |
| Employer Class Three | 10.75% & 10.91% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation |

PORS

| | |
|-----------------------------------|--|
| Employer Class Two | 13.01% & 13.34% of earnable compensation |
| Employer Class Three | 13.01% & 13.34% of earnable compensation |
| Employer Incidental Death Benefit | 0.20% of earnable compensation |
| Employer Accidental Death Program | 0.20% of earnable compensation |

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

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 that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and State Fiscal Accountability Authority 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, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

| | SCRS | PORS |
|----------------------------|------------------------------------|------------------------------------|
| Actuarial cost method | Entry age normal | Entry age normal |
| Investment rate of return* | 7.5% | 7.5% |
| Projected salary increases | 3.5% to 12.5% (varies by service)* | 4.0% to 10.0% (varies by service)* |
| Benefit adjustments | lesser of 1% or \$500 annually | Lessor 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 June 1, 2015, valuations for SCRS and PORS are as follows.

| Former Job Class | Males | Females |
|---|---|--|
| Educators and Judges | 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% |

Net Pension Liability

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. The District's proportional share of the NPL amounts for SCRS and PORS are presented below:

| System | June 30, 2015 | June 30, 2016 |
|--------|---------------|---------------|
| SCRS | \$9,775,461 | \$10,297,688 |
| PORS | | \$28,116 |

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 District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2016, the District's percentage of the SCRS and PORS net pension liability were 0.054297% and 0.00129%, respectively. The District's change of \$550,343 from prior year in proportionate share of net pension liability and related deferred outflows of resources will be amortized into pension expense over the respective average remaining service lives in the respective system.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook in 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgement.

The expected returns, along with expected inflation rate, form the basis for the target asset allocation as adopted by the RSIC for fiscal year 2015. 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 set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|---|----------------------------|---|--|
| Short Term | 5.0% | | |
| Cash | 2.0% | 1.90% | 0.04% |
| Short Duration | 3.0% | 2.00% | 0.06% |
| Domestic Fixed Income | 13.0% | | |
| Core Fixed Income | 7.0% | 2.70% | 0.19% |
| Mixed Credit | 6.0% | 3.80% | 0.23% |
| Global Fixed Income | 9.0% | | |
| Global Fixed Income | 3.0% | 2.80% | 0.08% |
| Emerging Markets Debt | 6.0% | 5.10% | 0.31% |
| Global Public Equity | 31.0% | 7.10% | 2.20% |
| Global Tactical Asset Allocation | 10.0% | 4.90% | 0.49% |
| Alternatives | 32.0% | | |
| Hedge Funds (Low Beta) | 8.0% | 4.30% | 0.34% |
| Private Debt | 7.0% | 9.90% | 0.69% |
| Private Equity | 9.0% | 9.90% | 0.89% |
| Real Estate (Broad Market) | 5.0% | 6.00% | 0.30% |
| Commodities | 3.0% | 5.90% | 0.18% |
| Total Expected Real Return | <u>100.0%</u> | | <u>6.00%</u> |
| Inflation for Actuarial Purposes | | | <u>2.75%</u> |
| Total Expected Nominal Return | | | <u>8.75%</u> |

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

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.

Sensitivity Analysis

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

| Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate | | | |
|---|-----------------------------------|--|-----------------------------------|
| System | 1.00% Decrease (6.50%) | Current Discount Rate (7.50%) | 1.00% Increase (8.50%) |
| SCRS | \$12,982,442 | \$10,297,688 | \$8,047,523 |
| PORS | \$38,301 | \$28,116 | \$19,012 |

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2016, the District recognized pension expense of \$648,329 which is included in general fund expenses by department in the accompanying financial statements. At June 30, 2016, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 612,407 | \$ — |
| Differences in actual and expected retirement plan experience | 182,955 | (18,416) |
| Change in proportionate share of net pension liability | | (343,062) |
| Differences between projected and actual earnings on plan investments | 68,928 | — |
| | <u>\$ 864,290</u> | <u>\$ (361,478)</u> |

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

The District reported \$612,407 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2016. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2016 was 4.164 years for SCRS and 4.796 year for PORS.

| Measurement Period Ending June 30, | Fiscal Year Ending June 30, | SCRS | PORS |
|--|--------------------------------|--------------|------------|
| 2016 | 2017 | \$ (63,825) | \$ (360) |
| 2017 | 2018 | (63,825) | (360) |
| 2018 | 2019 | (126,667) | (385) |
| 2019 | 2020 | 146,352 | (525) |
| Net balance of deferred outflows (inflows) of resources | | \$ (107,965) | \$ (1,630) |

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Some employees of the District have elected to participate, for which PEBA is responsible.

The multiple-employer plans, created under Internal Revenue Code Sections 457 & 401(k) are administered by third parties and are not included in the State's CAFR. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate employment or prior to termination if they meet requirements specified by the applicable plan.

The District did not contribute for the fiscal year ended June 30, 2016.

Note 8. Other Post-Employment Benefits

From an accrual perspective, the cost of other post-employment healthcare benefits ("OPEB"), like the cost of pension benefits, generally should be associated with the periods in which that cost occurs. In adopting GASB Statement 45 during the year ended June 30, 2009, prospectively, the District recognized the Annual Required Contribution ("ARC") associated with OPEB as an expense and the liability associated with the net OPEB obligations ("NOO"). The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial liability over a period of thirty years.

Plan Description

The District employees participate in the State of South Carolina Employee Health Plan. To qualify for the Employee Health Plan, the employee must be considered full time. The District employees also participate in the SCRS defined pension plan. Any employee retiring under the provisions of SCRS may elect to continue the health insurance coverage after retirement. Survivors of deceased employees (spouses and dependents) may also continue their coverage. Note that this is considered to be a single employer plan to the District.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

The retired employee must pay 100% of the health insurance premium unless the employee retires with at least twenty years of service to the District. All service used to determine eligibility must have been performed for the District. Service with other governmental entities, although acceptable for retirement under SCRS, cannot count in determining if the District contributes to the health cost.

For employees retiring with twenty years but less than twenty four years of service to the District, the District pays 50% of the “employer premium for the subscriber only” as defined in the rate schedules that are set and modified from time to time by the State of South Carolina Budget and Control Board and administered by the State Office of Insurance Services. For employees retiring with at least twenty four years of service but less than twenty eight years to the District, the District pays 75% of the “employer premium for the subscriber only.” For employees who retire with a length of service to the District of at least twenty eight years, the District pays 100% of the “employer premium for the subscriber only.”

The District currently has 236 budgeted positions and 122 are qualified for the Employee Health Plan. The remaining employees are part-time or seasonal employees and do not meet the qualification for the health insurance coverage.

Funding Policy

The District currently pays for post-employment benefits on a pay-as-you-go basis. The District had nine retirees eligible for OPEB as of June 30, 2016. Contributions for fiscal year 2015 were \$53,262 and contributions for fiscal year 2016 were \$46,242. These financial statements assume that a pay-as-you-go funding policy will continue in the immediate future.

Annual OPEB costs and Net OPEB Obligation

The District had an actuarial valuation performed for the plan as of June 30, 2016 to determine the funded status of the plan as of that date as well as the employer’s ARC for the fiscal year ended June 30, 2015. The District’s annual OPEB costs and the net OPEB obligation for the year ended June 30, 2016 is as follows:

| | | |
|------------------------------------|----|-----------|
| Employer Normal Cost | \$ | 179,361 |
| Amortization of UAAL* | | 127,629 |
| Expenses | | 4,345 |
| Annual Required Contribution (ARC) | | 311,335 |
| ARC Adjustment | | (44,561) |
| Interest on Net Obligation | | 45,119 |
| Annual OPEB - Current Year | | 311,893 |
| Contributions Made | | (46,242) |
| Beginning Balance | | 1,127,979 |
| Net OPEB Obligations end of year | \$ | 1,393,630 |

* Unfunded Actuarial Accrued Liabilities (“UAAL) are being amortized over 30 years.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Funded status and Funding Progress of the plan as of the last actuarial valuation on June 30, 2016 was as follows:

| | |
|--|---------------------|
| Actuarial Accrued Liability: | |
| Retirees & Beneficiaries | \$ 916,653 |
| Active Members Fully Eligible for Benefits | 741,624 |
| Active Members Not Fully Eligible for Benefits | 1,572,454 |
| Total Actuarial Accrued Benefits | <u>\$ 3,230,731</u> |
| | |
| Actuarial Value of Assets | \$ — |
| Unfunded Actuarial Accrued Liabilities | \$ 3,230,731 |
| Funded Ratio | — |
| Covered Payroll (active plan members) | \$ 5,154,774 |
| UAAL as a percentage of covered payroll | 67.0% |

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, rate 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. For the purpose of determining the Net OPEB Obligation, the portion of the annual OPEB contributions for the medical and prescription drug costs that are determined on a combined basis for active employees and retirees were increased by \$21,777 to include the impact of the 50% implicit subsidy.

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 2.65%) required to fully amortize the UAAL over a 30 year period. The actuarial assumptions included 4.0% rate of investment return. The valuation assumes a pre-65 health care trend inflation rate of 9.5%, dropping by 1.0% each of the first three years, dropping 0.5% for the following three years to reach the ultimate rate of 5.0% in 2018. Similarly the valuation assumes a post-65 health care trend inflation rate of 7.5%, dropping 0.5% in each future year until reaching an ultimate rate of 5.0% in 2017. General inflation is assumed to be 3.0% per year. There is no trust fund established so no separate audit report is available.

Note 9. Operating Leases

The District leases the majority of its land from SCANA Corporation at \$1 per year under a 99-year lease which expires in March 2068. Thereafter, the lease will be year-to-year until terminated by either party upon six months written notice.

RICHLAND-LEXINGTON RIVERBANKS PARKS DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 10. Riverbanks Society

The Society was organized exclusively to provide additional financial support for the District. The Society is reported as a discretely presented component unit. Each year, the Society provides the District with direct support from its dues and from specific fund-raising campaigns. During the year ended June 30, 2016, the Society contributed \$1,500,000 in direct support to the General Fund of the District. In addition, the Society paid loan costs of \$206,819 on behalf of the District due on the 2007 note payable of which the Society is the guarantor. The Society also transferred approximately \$689,710 of Explorer Pass revenue to the District, which is included in charges for services in the statement of activities. The Society contributed \$63,388 for the Capital Project Fund of District to be used to purchase hospital equipment.

Note 11. Deficit Fund Balance

There was a deficit fund balance of \$178,788 in the Capital Projects fund as of June 30, 2016. Contributions in the upcoming year are expected to fund this deficit.

Note 12. Subsequent Events

Management has evaluated all events subsequent to the date of the statement of net position of June 30, 2016 through the date the financial statements were available to be issued, December 15, 2016. The Society Board approved at their November board meeting to expend up to \$1,700,000 of the Society's undesignated fund balance for capital improvements and significant repairs and maintenance needs of the District as defined and prioritized by the senior staff of the District. The District approved in their October board meeting a list of urgent capital needs identified by senior staff of the District to be funded through the unassigned fund balance at June 30, 2016. The estimated total for the projects was \$436,522, with the estimated cost for one project not yet determined. Also the note payable in Note 6 was refinanced as of September 30, 2016. It was refinanced as a lease with a buy-out provision at the end of \$1. The interest rate is fixed at 2.32% for 10 years with a monthly payment of \$15,701.

REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
SCHEDULE OF FUNDING PROGRESS, OTHER POSTEMPLOYMENT BENEFITS
AS OF JUNE 30, 2016

| Actual Valuation Date | Actual Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll ((b-a)/c) |
|-----------------------|----------------------------|---|-----------------------------|--------------------|---------------------|--|
| 06/30/2010 | \$ - | \$ 925,000 | \$ 925,000 | 0% | \$ 3,695,900 | 25.0% |
| 06/30/2011 | \$ - | \$ 925,000 | \$ 925,000 | 0% | \$ 3,859,213 | 24.0% |
| 06/30/2012 | \$ - | \$ 2,791,478 | \$ 2,791,478 | 0% | \$ 3,844,341 | 72.6% |
| 06/30/2013 | \$ - | \$ 2,791,478 | \$ 2,791,478 | 0% | \$ 4,093,323 | 68.2% |
| 06/30/2014 | \$ - | \$ 2,791,478 | \$ 2,791,478 | 0% | \$ 4,256,371 | 65.6% |
| 06/30/2015 | \$ - | \$ 3,230,731 | \$ 3,230,731 | 0% | \$ 4,821,003 | 67.0% |
| 06/30/2016 | \$ - | \$ 3,230,731 | \$ 3,230,731 | 0% | \$ 5,154,774 | 62.7% |

Note: The July 1, 2015 valuation reflects SCRS eligibility changes and 2011 experience study assumption changes. Information displayed for years prior to 2012 was reported by a prior actuary and assumed benefits ceased at age 65, which is not the case. The July 1, 2009 valuation used the Entry Age Normal cost method and a discount rate of 4.5%. The July 1, 2012 valuation and subsequent valuation use the Projected Unit Credit cost method and a discount rate of 4.0%. In addition to the changes made in the method and assumptions, the July 1, 2012 and subsequent valuation consider benefits payable beyond age 65.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS, OTHER POSTEMPLOYMENT BENEFITS
 AS OF JUNE 30, 2016

| Year Ended June 30 | Annual Required Contribution | Actual Contribution | Net OPEB Liability | Percentage Contributed |
|-----------------------|---------------------------------|------------------------|-----------------------|---------------------------|
| 2010 | \$ 94,300 | \$ 19,320 | \$ 155,298 | 20.49% |
| 2011 | \$ 103,931 | \$ 21,984 | \$ 237,614 | 21.15% |
| 2012 | \$ 257,464 | \$ 33,204 | \$ 462,299 | 12.90% |
| 2013 | \$ 261,154 | \$ 38,165 | \$ 686,114 | 14.61% |
| 2014 | \$ 265,188 | \$ 46,052 | \$ 904,477 | 17.37% |
| 2015 | \$ 273,144 | \$ 53,262 | \$ 1,127,979 | 19.50% |
| 2016 | \$ 311,335 | \$ 46,242 | \$ 1,393,630 | 14.83% |

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,
 SOUTH CAROLINA RETIREMENT SYSTEM
 AS OF JUNE 30, 2016

South Carolina Retirement System Pension Plan*

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|--------------|---------------|
| Employer's proportion of the net pension liability | 0.054% | 0.057% | 0.057% |
| Employer's proportionate share of the collective net liability | \$ 10,297,688 | \$ 9,775,461 | \$ 10,184,127 |
| Employer's covered payroll | \$ 5,106,656 | \$ 5,154,774 | \$ 4,885,170 |
| Employer's share of the net pension liability as percentage of covered payroll | 201.65% | 189.64% | 208.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.0% | 59.9% | 56.4% |

Police Officer Retirement System Pension Plan*

| | <u>2016</u> |
|--|-------------|
| Employer's proportion of the net pension liability | 0.0013% |
| Employer's proportionate share of the collective net liability | \$ 28,116 |
| Employer's covered payroll | \$ 16,253 |
| Employer's share of the liability as a percentage of covered payroll | 172.99% |
| Plan net position as a percentage of the total pension liability | 64.6% |

*The amounts presented were determined as of June 30, 2015. No participants prior to 2016.

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS, SOUTH CAROLINA RETIREMENT SYSTEM
AS OF JUNE 30, 2016

South Carolina Retirement System Pension Plan

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 608,045 | \$ 557,069 | \$ 546,406 | \$ 517,828 | \$ 448,558 |
| Contributions in relation to the contractually required contribution | 608,045 | 557,069 | 546,406 | 517,828 | 448,558 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| Covered employee payroll | \$ 5,497,694 | \$ 5,106,656 | \$ 5,154,774 | \$ 4,885,170 | \$ 4,704,331 |
| Contributions as a percentage of covered employee payroll | 11.06% | 10.90% | 10.60% | 10.60% | 9.54% |
| | | | | | |
| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
| Contractually required contribution | \$ 427,854 | \$ 403,504 | \$ 392,100 | \$ 382,000 | \$ 322,000 |
| Contributions in relation to the contractually required contribution | 427,854 | 403,504 | 392,100 | 382,000 | 322,000 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| Covered employee payroll | \$ 4,556,486 | \$ 4,297,167 | \$ 4,175,719 | \$ 4,147,666 | \$ 3,926,829 |
| Contributions as a percentage of covered employee payroll | 9.39% | 9.39% | 9.39% | 9.21% | 8.2% |

Police Officer Retirement System Pension Plan

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Contractually required contribution | \$ 4,362 | \$ 2,147 |
| Contributions in relation to the contractually required contribution | 4,362 | 2,147 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Covered employee payroll | \$ 31,216 | \$ 16,253 |
| Contributions as a percentage of covered employee payroll | 13.97% | 13.21% |

RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT
 BUDGETARY COMPARISON - SCHEDULE FOR GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------|-------------------|-------------------|---------------------|
| | Original | Final | | Final Budget - |
| | | | | Positive (Negative) |
| Revenues | | | | |
| Property taxes | \$ 3,221,352 | \$ 3,256,159 | \$ 3,367,477 | \$ 111,318 |
| Accommodations & hospitality taxes | 225,000 | 180,000 | 187,540 | 7,540 |
| Admissions | 4,474,683 | 4,785,000 | 5,511,832 | 726,832 |
| Concessions | 1,272,820 | 1,478,587 | 1,797,053 | 318,466 |
| Riverbanks Society | 1,406,820 | 1,706,820 | 1,706,819 | (1) |
| Classes and program fees | 387,038 | 416,516 | 453,845 | 37,329 |
| Rides, shows and promotions | 2,136,833 | 2,276,499 | 2,569,958 | 293,459 |
| Facility rental and group sales admissions revenue | 82,618 | 137,743 | 136,569 | (1,174) |
| Sponsorships | 100,000 | 100,000 | 165,659 | 65,659 |
| Non-federal grants and donations | 5,000 | 6,000 | 6,530 | 530 |
| Interest income | 3,000 | 3,000 | 9,361 | 6,361 |
| Other | 16,392 | 20,035 | 28,905 | 8,870 |
| Total revenues | 13,331,556 | 14,366,359 | 15,941,548 | 1,575,189 |
| Expenditures | | | | |
| Administrative | 1,764,364 | 1,793,968 | 2,035,659 | (241,691) |
| Animal care | 3,426,534 | 3,593,098 | 3,527,168 | 65,930 |
| Education | 156,111 | 202,692 | 204,089 | (1,397) |
| Botanical | 976,173 | 1,026,217 | 1,032,298 | (6,081) |
| Facility management | 1,562,656 | 1,738,132 | 1,944,354 | (206,222) |
| Utilities | 1,062,000 | 1,164,714 | 1,290,810 | (126,096) |
| Marketing and public relations | 780,421 | 1,013,016 | 911,857 | 101,159 |
| Guest services | 1,687,199 | 2,044,770 | 2,462,204 | (417,434) |
| Rides, shows and promotions | 1,056,978 | 1,050,862 | 1,071,493 | (20,631) |
| Classes and programs expenditures | 417,208 | 443,711 | 403,488 | 40,223 |
| Debt service | | | | |
| Principal | 150,618 | 162,518 | 155,737 | 6,781 |
| Interest | 105,318 | 93,418 | 100,197 | (6,779) |
| Capital outlay | | | | |
| Land, building, equipment, and improvements | 185,976 | 39,243 | 57,153 | (17,910) |
| Total expenditures | 13,331,556 | 14,366,359 | 15,196,507 | (830,148) |
| Excess of revenues over expenditures | - | - | 745,041 | 745,041 |
| Other Financing Uses | | | | |
| Transfers out | - | - | (454,566) | (454,566) |
| Total other financing uses | - | - | (454,566) | (454,566) |
| Excess of revenues over expenditures and other financing uses | - | - | 290,475 | \$ 290,475 |
| Fund balance, beginning of year | 2,438,294 | 2,438,294 | 2,438,294 | |
| Fund balance, end of year | \$ 2,438,294 | \$ 2,438,294 | \$ 2,728,769 | |

OTHER INFORMATION

Riverbanks Zoo & Garden Overview

Riverbanks Zoo & Garden...Flora, Fauna and History

Riverbanks Zoo & Garden is home to more than 2,000 magnificent and fascinating animals and one of the nation's most beautiful and inspiring botanical gardens. The lush 170-acre site features dynamic natural habitat exhibits, scenic river views and significant historic landmarks.

With more than 350 species from around the world, each visit to the Zoo plays host to an array of wild adventures - from a diving expedition on a Pacific coral reef to a safari across the plains of Africa. Across the river in the Botanical Garden, more than 4,300 species of native and exotic plants provide a living classroom for gardeners and non-gardeners alike. The Botanical Garden also serves as the ideal location for weddings and special events.

Listed on the National Register of Historic Places since 1973, Riverbanks Zoo & Garden is the site of structural remains dating back to the early 1800s. The Saluda Mill, one of South Carolina's oldest textile mills, was set ablaze by Sherman and his troops. The ruins of the mill can be found along Riverbanks' Garden River Trail. In an effort to educate the community about the historical significance of the Saluda Mill, an Interpretive Center adjacent to the mill site showcases historic artifacts, descriptions and graphics.

Destination Riverbanks

Thanks to the support of the leaders and citizens of Richland and Lexington counties as well as private support from generous donors and members, Riverbanks Zoo & Garden kicked off a major, multi-million dollar expansion in fiscal year 2015, dubbed Destination Riverbanks. After just one year of construction, the Zoo opened a new, larger entrance with a brand-new guest relations center and gift shop as well as grizzly bear and river otter habitats. The development project culminated in 2016 with the opening in April of Waterfall Junction, an interactive children's garden in the Botanical Garden, and in June with Sea Lion Landing, a multi-level state-of-the-art exhibit with underwater views of the popular animals. In addition, the pedestrian bridge construction project began that traverses the railroad tracks allowing access from a new 500-car parking lot on Rivermont Drive to the Zoo's new entry way, paving the way for Riverbanks Zoo & Garden to become a true destination attraction in the heart of the state.

Powerful Economic Driver

Riverbanks Zoo & Garden welcomes more than one million visitors annually. The Zoo and Garden attracted 1,280,824 visitors in the year ended June 30, 2016. According to an economic impact study conducted by the USC College of Hospitality, Retail and Sport Management, Riverbanks Zoo & Garden is a powerful economic driver within the Midlands, pumping more than \$60 million into the local economy and creating more than 700 additional jobs throughout the community. More than 40 percent of Riverbanks' visitors originate from outside a 50-mile radius of the Zoo, and nearly 30 percent come from out of state.

Funding Sustainability

Riverbanks Zoo & Garden operating budget is 73% self-sustaining. One of Riverbanks' primary objectives is to continually find ways to boost revenue streams with creative, interactive, fee-based activities and attractions that add to the Zoo experience. In fiscal year 2016, Riverbanks Zoo & Garden guests made 152,000 revolutions around the carousel, fed 30,000 cups of nectar to the lorikeets, felt the tickle of a giraffe's tongue 86,000 times, saddled up for 25,000 pony rides, enjoyed 75,000 kid's train rides, climbed the rock wall 30,000 times, crossed the scenic Saluda River during 25,000 zip line canopy tours and braved 50,000 Sky-High Safari vertical ropes course challenges, in total generating more than \$2 million in earned revenue.

Who Visits the Zoo?

More than 70 percent of Riverbanks Zoo & Garden visitors are from South Carolina. Most visiting parties consist of 2 adults and 2 children. Riverbanks Zoo & Garden attracts a diverse audience that reflects the diversity in this region with 66 percent Caucasian, 22 percent African American and 12 percent citing other ethnicities. The average annual household income of a Riverbanks Zoo & Garden visitor is roughly 30% higher than the state average which is consistent with other similar institutions.

Education

For more than 40 years, Riverbanks Zoo & Garden has provided individuals, families and groups with a common place to connect with and learn about the world's wildlife and wild places. Thousands of school-aged children from across the Southeast visit Riverbanks Zoo & Garden each year to participate in the Zoo and Garden's conservation education programs. Whether engaged in day camps, school programs, overnights or behind-the-scenes Adventure Tours, participants can be certain that our team of highly-skilled educators will provide an interactive and captivating learning experience. In fiscal year 2016, Riverbanks Zoo & Garden educators connected with:

- 13,485 K-12 school students during 537 on-site School Programs;
- 7,479 participants through 240 Outreach Programs;
- 1,203 children ages 4 to 12 in Zoo Camp;
- 828 Homeschoolers in 18 Homeschool Programs;
- 241 Scouts through 3 Scout Programs;
- 667 members and guests during 82 Adventure Tours;
- 2,135 adults and kids during 72 Overnights;
- 744 family members through 97 Family Programs;
- 1,431 adults and kids during 136 Garden Programs; and
- 178,377 Zoo guests through 2,152 educator-led presentations and up-close encounters.

Signature Events

Each year Riverbanks Zoo & Garden hosts five signature after-hours events, showcasing the Zoo and Garden to non-traditional visitors. Lights Before Christmas and Boo at the Zoo are family-friendly holiday events that have become perennial favorites for residents of the Midlands. Wine Tasting at Riverbanks Botanical Garden, Brew at the Zoo and Riverbanks ZOOfare are geared toward an adult audience and are the Zoo's major fundraisers hosted by Riverbanks Society. Riverbanks Zoo & Garden welcomed a combined total of 100,076 members and guests and generated more than \$900,000 in gross revenues from these events in the year ended June 30, 2016.

Giving Back

Riverbanks Zoo & Garden gave back to the community through several complimentary admissions programs in fiscal year 2016, representing more than \$500,000 in donated admissions. Riverbanks Zoo & Garden provided free admissions to:

- More than 8,000 residents of Richland and Lexington counties during Free Fridays in January and February;
- Over 19,000 Richland and Lexington county school students (K-12);
- More than 1,000 soldiers in uniform, military graduates and veterans;
- Over 22,000 local residents during the three days following the devastating October flood; and
- Over 2,000 guests bringing in 2,683 pounds of non-perishables for Harvest Hope Food Bank during the two-for-one Toucan Tuesday summer promotion

Riverbanks Zoo & Garden also provided nearly \$10,000 in complimentary admission tickets to 200 local charities and nonprofit organizations. In addition, Riverbanks Zoo & Garden donated monthly meeting space to Palmetto Health Hospital's PrimeTimes group (seniors 55 and older) for the ZooWalkers health program and provides keynote speakers for six of twelve sessions.

An Award-Winning Experience

Notably, Riverbanks Zoo & Garden received numerous accolades in fiscal year 2016 from major websites, publications and associations:

- **Named One of America's Top 10 Zoos**
by TripAdvisor
- **Voted Top 10 Travel Destination for Animal Attractions**
by readers of *Family Fun* magazine
- **Voted Best Place to Take Out-of-Towners**
by readers of FreeTimes
- **Recipient of the Columbia Choice Award**
by Columbia Green and the Columbia Tree & Appearance Commission for new Zoo entrance
- **Recipient of the Quarter Century Award**
by Association of Zoos and Aquariums for 25 Years of Continuous Accreditation
- **Tuskers Restaurant Recognized as 3-Star Certified Green**

Riverbanks Zoo and Garden
Fiscal Year Attendance History

| Category: | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> |
|---|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Regular Paid | 339,662 | 345,873 | 359,070 | 415,773 | 386,478 | 424,001 | 365,973 | 352,769 | 332,533 | 393,216 |
| Education Group | | | | 36,121 | 22,861 | 3,699 | 5,524 | 9,748 | 10,196 | 11,831 |
| After Hours/Special Events | | | | | | 2,691 | 84,811 | 62,797 | 72,500 | 73,584 |
| Group & Corp Paid | 108,565 | 102,581 | 89,290 | 83,459 | 87,866 | 99,457 | 57,654 | 102,508 | 75,948 | 83,876 |
| Total Paid | 448,227 | 448,454 | 448,360 | 535,353 | 497,205 | 529,848 | 513,962 | 527,822 | 491,177 | 562,507 |
| Free School Groups- Lexington & Richland Counties | 30,413 | 31,569 | 34,518 | 35,943 | 24,461 | 1,436 | 23,842 | 19,369 | 26,159 | 27,052 |
| Riverbanks Society Visits | 320,345 | 339,619 | 362,576 | 338,235 | 376,052 | 396,897 | 411,481 | 423,358 | 465,017 | 615,954 |
| Free Friday's-Lexington & Richland | 27,265 | 30,278 | 29,244 | 24,858 | 23,734 | 20,291 | 19,750 | 11,665 | 11,062 | 9,419 |
| Prepaid and Complimentary anc | 14,180 | 10,862 | 16,713 | 17,007 | 19,327 | 22,163 | 17,103 | 20,673 | 5,945 | 31,089 |
| Children Under Three | 59,335 | 61,882 | 65,305 | 63,805 | 59,445 | 58,857 | 53,234 | 50,490 | 28,992 | 34,803 |
| Total Free | 451,538 | 474,210 | 508,356 | 479,848 | 503,019 | 499,644 | 525,410 | 525,555 | 537,175 | 718,317 |
| Total Attendance | 899,765 | 922,664 | 956,716 | 1,015,201 | 1,000,224 | 1,029,492 | 1,039,372 | 1,053,377 | 1,028,352 | 1,280,824 |

Riverbanks Zoo & Garden
Fiscal Year Attendance Chart



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



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters based
on an Audit of Financial Statements performed in accordance with
*Government Auditing Standards***

To the Commissioners
Richland-Lexington Riverbanks Park District
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Richland-Lexington Riverbanks Zoo District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, which is listed as 2016-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

District's Response to Finding

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

Purpose of this Report

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

Scott and Company LLC

Columbia, South Carolina
December 15, 2016

Richland-Lexington Riverbanks Park District
Schedule of Findings
Year Ended June 30, 2016

Financial Statement Findings

Condition considered to be a Significant Deficiency

2016-01 – Expensing of certain prior period Construction-in-progress balances

Condition:

The District improperly capitalized approximately \$302,000 and \$234,000 in Construction-in-progress in fiscal years 2014 and 2015, respectively, which should have been expensed during those years. Therefore, the prior year capital asset balance was overstated by these amounts, and the related expense balance was understated. The \$302,000 related to legal fees for bond issuance costs, and the \$234,000 consisted of several small dollar amounts, generally less than \$5,000.

Criteria:

Under GASB 65, *Items previously reported as Assets and Liabilities*, the \$302,000 related to bond issuance costs should have been expensed when incurred. Additionally, under generally accepted accounting principles, the remaining small dollar amounts less than \$5,000 should have been expensed as they did not significantly increase the useful lives of the assets, and are below the District's capitalization threshold.

Context/Effect:

Management reviewed all assets capitalized in the Construction-in-progress account as of June 30, 2016 to determine what should still be considered Construction-in-progress. It was noted through review that the amounts mentioned above were improperly capitalized. Management expensed all \$536,000 in the current year.

Cause:

Prior years' inadvertent capitalization of items that should have been expensed under GASB 65 and generally accepted accounting principles.

Recommendation:

We recommend that management continually review the Construction-in-progress account and other capital asset balances to ensure that all assets capitalized are appropriate under generally accepted accounting principles, and that all others are expensed as incurred. We note that this error was made in prior years, and does not appear to be a consistent trend in capital assets as of June 30, 2016.

Richland-Lexington Riverbanks Park District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Summary Schedule of Prior Audit Findings

There were no prior year audit findings for the year ended June 30, 2015.

December 15, 2016

**Richland-Lexington Riverbanks Park District
Corrective Action Plan**

The Richland-Lexington Park District respectfully submits this Corrective Action Plan for the audit of the year June 30, 2016 performed by the independent accounting firm:

Scott and Company, LLC
1441 Main Street, Suite 800
Columbia, SC 29201

Audit period: July 1, 2015 to June 30, 2016

Schedule of Finding and Reponses

2016-01 – Expensing of certain prior period Construction-in- progress balances

Condition:

The District improperly capitalized approximately \$302,000 and \$234,000 in Construction-in-progress in fiscal years 2014 and 2015, respectively, which should have been expensed during those years. Therefore, the prior year capital asset balance was overstated by this amount, and the related expense balance was understated. The amount improperly capitalized included \$302,000 related to legal fees for bond issuance costs, and the \$234,000 was made up of several small dollar amounts, generally less than \$5,000.

Criteria:

Under GASB 65, *Items previously reported as Assets and Liabilities*, the \$302,000 related to bond issuance costs should have been expensed when incurred. Additionally, under generally accepted accounting principles, the remaining small dollar amounts less than \$5,000 should have been expensed as they did not significantly increase the useful lives of the assets, and are below the District's capitalization threshold.

Cause:

Prior year's inadvertent capitalization of items that should have been expensed under GASB 65 and generally accepted accounting principles.

Management's Response:

Of the approximately \$24,400,000 in the beginning balance for construction in progress, all but \$229,361 were related to the bond projects. The \$24,400,000 balance is made up of numerous transactions and relates to projects extending over several years. As of June 30, 2016 the costs in construction-in-progress have been analyzed and determination made to either capitalize as a completed project, expense to appropriate department or remain in construction-in-progress to be addressed in the subsequent year.

Kind regards,



Breta Rheney
Chief Financial Officer