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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members of
The Irmo Chapin Recreation Commission
Columbia, South Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Irmo Chapin Recreation Commission, Columbia, South Carolina (the Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the index. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the respective budgetary comparison for the general fund and the major special revenue fund of the Commission, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2009 on our consideration of Commission's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

West Columbia, South Carolina
September 11, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

2009 Audit

The Irmo Chapin Recreation Commission's (the "Commission") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the fiscal years activities, resulting changes and currently known facts, we encourage readers to consider the information presented here in conjunction with the Commission's financial statements and the notes to the financial statements.

HIGHLIGHTS

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$13,930,544. Of this amount, \$2,171,434 (unrestricted net assets) may be used to meet the Commission's ongoing obligations to citizens and creditors.
- The Commission's total net assets increased by \$612,149.
- As of the close of the most recent fiscal year, the Commission's governmental funds reported combined ending fund balances of \$3,448,841 a decrease of \$45,298 in comparison with the prior year.
- At the end of the fiscal year, undesignated fund balance for the general fund was \$1,859,349 or 37% of total general fund expenditures (excluding interfund transfers).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required 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 Commission's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* is focused on both the gross and net cost of various functions which are supported by the Commission's general tax and other revenues. This is intended to summarize and simplify the user's analysis of costs of various government services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that contains statements such as the budget and actual comparison for the governmental funds. Required supplementary information can be found on Exhibits 7 and 8.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$13,930,544 at the close of the most recent fiscal year. The Commission's increase in net assets for this fiscal year amounts to \$612,149.

By far the largest portion of the Commission's net assets (75.9 percent) reflect its investment in capital assets (e.g., land and land improvements, buildings and building improvements, furniture, equipment, vehicles, construction in progress, and public domain infrastructure), less any related debt used to acquire those assets that is still outstanding. The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Commission's net assets (9.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (\$2,171,434) may be used to meet the Commission's ongoing obligations to citizens, creditors, and customers within the respective governmental activities.

At fiscal year end the Commission is able to report positive balances in all three categories of net assets.

The government-wide financial statements include not only the Irmo Chapin Recreation Commission itself (known as the primary government), but also a legally separate foundation known as the Saluda Shoals Foundation for which the Commission is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

Irmo Chapin Recreation Commission Net Assets

The following schedule is a summary of the Statement of Net Assets found on Exhibit I of this report:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 4,343,474	\$ 4,301,201
Capital assets	<u>19,796,827</u>	<u>19,766,029</u>
Total assets	<u>24,140,301</u>	<u>24,067,230</u>
Current and other liabilities	870,632	773,126
Bonds outstanding	<u>9,339,125</u>	<u>9,975,695</u>
Total liabilities	<u>10,209,757</u>	<u>10,748,821</u>
Net assets:		
Invested in capital assets, net of debt	10,457,702	9,790,321
Restricted	1,301,408	1,062,583
Unrestricted	<u>2,171,434</u>	<u>2,465,491</u>
Total net assets	<u>13,930,544</u>	<u>13,318,395</u>

The changes in net assets displayed below shows the governmental activities during the fiscal year. The increase in net assets resulted primarily from the addition of capital assets and a rise in revenue in several areas with no resultant increase in expenditures.

	<u>Activities</u>	<u>Activities</u>
Revenues		
Program Revenues		
Charges for Services	\$2,998,439	\$ 2,967,282
Grants and Contributions	330,995	314,759
General Revenues		
Property Taxes	4,903,401	4,621,849
Unrestricted Investment Income	45,314	121,454
Gain on Sale of Fixed Assets	0	1,902
Other	43,427	76,325
Total revenues	<u>8,321,576</u>	<u>8,103,571</u>
Expenses		
Administration	3,006,436	1,869,775
Irmo Area Programs	1,186,587	1,321,960
Chapin Area Programs	1,339,739	1,517,318
Saluda Shoals Programs	826,023	1,328,394
Afterschool Programs	650,851	611,264
Interest on Long-term Debt	444,606	525,409
Therapeutic Recreation Programs	28,994	29,370
Senior Services	226,191	212,669
Depreciation not allocated	0	82,200
Total expenses	<u>7,709,427</u>	<u>7,498,359</u>
Increase in net assets	<u><u>612,149</u></u>	<u><u>605,212</u></u>

Financial Analysis of Irmo Chapin Recreation Commission Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As of June 30, 2009, the Commission's governmental funds reported combined fund balances of \$3,448,841, representing a net decrease of \$45,298 over the prior fiscal year. The primary factors for this decrease are a significant drop in investment income as well as an investment in the *Saluda Shoals Wetlands Preserve* project, the funding for which was not received until after June 30, 2009.

General and Special Revenue Funds Budgetary Highlights

A budget to actual statement is provided for the general and major special revenue funds. Columns for both the original budget adopted for fiscal year 2009 as well as the amended budget are presented.

In the general fund, revenues were under the budget by \$8,889, and expenditures were \$997,409 below budget. In the special revenue funds, revenues were under the budget by \$125,839, and expenditures were \$144,886 under budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009 the Commission's investment in capital assets was \$19,796,827 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment, vehicles, construction in progress, and public domain infrastructure. The net investment from the prior fiscal year was \$30,798.

Major capital asset activity during the fiscal year included the following:

- Completion of the demolition project at the BC Component property.
- Initiation of the *Saluda Shoals Wetlands Preserve* project which will expand environmental educational and recreational opportunities at Saluda Shoals Park.

Additional information regarding the Commission's capital assets can be found in Note 5 of the Notes to Financial Statements.

Long-term Debt

At the end of the fiscal year, ICRC had General Obligation Bond Debt outstanding of \$9,415,000. The Commission's long-term debt decreased during the fiscal year by \$645,000, which reflects, the amounts of the scheduled principal payments of the bonds.

The state limits the amount of general obligation debt the Commission can issue to 8 percent of the assessed value of all taxable property within the Commission's boundaries, unless additional debt is approved by referendum. Currently, the Commission had no outstanding debt that did not meet the referendum criteria.

Additional information regarding the Commission's long-term debt can be found in Note 10 of the Notes to Financial Statements.

Economic Factors and Fiscal Year 2009 Budgets and Rates

- At June 30, 2009 the unemployment rate for Lexington County was 8.6%, the lowest rate in South Carolina. This compares favorably with the state's rate of 9.5% and the national rate of 9.7%.
- Property values remain stable in Lexington County and projected growth in tax revenue was realized.
- Inflationary trends in the area compare favorably to national indices.
- Population growth patterns in the district are stable in the Irmo area but show continued growth in the Chapin area.

Since the Commission relies on both property taxes and user fees in its governmental activities, these indices and population growth patterns were factored into the Commission's consideration and adoption of the budget for fiscal year 2010.

Requests for Information

The Commission's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Commission's finances and to demonstrate the Commission's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director.