

**CULTURE AND HERITAGE COMMISSION
OF YORK COUNTY,
A COMPONENT UNIT OF
YORK COUNTY
ROCK HILL, SOUTH CAROLINA**

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011



**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 6
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	1	7
Statement of Activities	2	8
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	5	11
Notes to Financial Statements		12 - 22
	<u>Schedule</u>	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	1	23 - 26
Schedule of Funding Progress - Other Post Employment Benefits Plan	2	27
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		28 - 29
SCHEDULE OF FINDINGS		30
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS		31



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Culture and Heritage Commission of York County
Rock Hill, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Culture and Heritage Commission of York County (the Commission), a component unit of York County, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Culture and Heritage Commission of York County as of June 30, 2011, 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 a report dated February 15, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress - Other Post Employment Benefits Plan as listed in the Table of Contents, are not a required part of the basic financial statements but are 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.

C J Palmer

Greenwood, South Carolina
February 15, 2012

Ernest Davis LLC

**CULTURAL AND HERITAGE COMMISSION
OF YORK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ROCK HILL, SOUTH CAROLINA**

As management of the Cultural and Heritage Commission of York County, we offer readers of the Commission's financial statement this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2011. The Commission implemented Government Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and effective fiscal year-end 2003.

The Commission is the governing body for the Museum of York County, a general purpose museum; Historic Brattonsville, a living history museum; the McCelvey Center, a performing arts venue and historical archive; and the Main Street Children's Museum, a children's museum in downtown Rock Hill. Our mission is to create an enlightened and engaged citizenry by keeping, communicating, and connecting our cultural, historical and natural heritage in ways that promote deeper understanding of people and place.

FINANCIAL HIGHLIGHTS

- The assets of the Cultural and Heritage Commission exceeded its liabilities at the close of the most recent fiscal year by \$267,374 (net assets).
- Governmental fund balances for the Cultural and Heritage Commission at the beginning of the year totaled \$628,524 and \$529,019 at the end of the year, reflecting a decrease of \$99,505. The decrease was due to significant capital expenditures in fiscal year 2011.
- At the close of the current fiscal year, of the Commission's \$529,019 fund balance, \$171,004 is unassigned and available for use within the Commission's designation and policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the 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 presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e., capital reimbursement from the county, grants for events that occurred near the end of the fiscal year, and earned but unused compensated absences).

Both of the government-wide financial statements represent the activities of the Commission, which is comprised of the Museum of York County, Historic Brattonsville, and the McCelvey Center. These activities include exhibits, programming and performances throughout the year. All financial statements of the Commission represent governmental activities only as there are no business-type activities.

The government-wide financial statements can be found on pages 7 and 8 of this report.

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 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to Basic Financial Statements

The notes provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 12 through 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the commission's financial position. In the case of the Cultural and Heritage Commission of York County, assets exceeded liabilities by \$267,374 as of June 30, 2011.

A significant portion of the Commission's net assets are reflected in its investments in capital assets (collections, land, buildings, and construction in progress). The Commission uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY'S NET ASSETS

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 827,428	\$ 1,044,503
Capital assets	<u>790,137</u>	<u>2,166,628</u>
 Total assets	 <u>1,617,565</u>	 <u>3,211,131</u>
 Less: Current liabilities	 472,409	 415,979
Less: Long-term liabilities	<u>877,782</u>	<u>710,705</u>
 Less: Total liabilities	 <u>1,350,191</u>	 <u>1,126,684</u>
 Invested in capital assets	 790,137	 2,166,628
Restricted	18,056	18,056
Unrestricted (deficit)	<u>(540,819)</u>	<u>(100,237)</u>
 Total net assets	 <u>\$ 267,374</u>	 <u>\$ 2,084,447</u>

A small portion of the Commission's net assets, \$18,056, represents resources that are subject to external restrictions on how they may be used.

ANALYSIS OF THE COMMISSION'S OPERATIONS

The following table provides a summary of the Commission's operations for the year ended June 30, 2011.

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY'S CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 454,367	\$ 556,547
Operating grants and contributions	746,137	476,939
General Revenues:		
Appropriations	3,304,261	3,118,295
Miscellaneous	50,969	6,389
Investment earnings	<u>687</u>	<u>1,860</u>
Total revenues	<u>4,556,421</u>	<u>4,160,030</u>
Expenses:		
Cultural and recreational	<u>4,269,164</u>	<u>4,206,884</u>
Special items:		
Transfer of capital assets to primary government	(942,465)	-
Loss on impairment of capital assets	<u>(1,161,865)</u>	-
Total special items	<u>(2,104,330)</u>	-
 Decrease in net assets	 <u>\$ (1,817,073)</u>	 <u>\$ (46,854)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the Cultural and Heritage Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of an entity's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Commission's governmental funds reported combined fund balances of \$529,019. Approximately 32% of this total amount, \$171,004, constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is in nonspendable form or has already been restricted or assigned.

The expenses for the Commission can be broken down into three components: operations, programs, and capital outlay. The operating costs include utilities, management salaries, marketing & advertising while the program costs are composed of costs directly related to offering public programming at the four sites.

CAPITAL ASSETS

The Cultural and Heritage Commission of York County's investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$790,137 (net of accumulated depreciation). This investment in capital assets includes land and building improvements, and equipment. During the fiscal year, the Commission invested \$789,673 in capital assets and transferred capital assets constructed for the Downtown Children's Museum of \$942,465 to York County, South Carolina.

In previous years collections, consisting of works of art, historical treasures, and similar assets held for public exhibition, educations and research services, had been included in capital assets. The Commission no longer capitalizes collection items as it is not cost beneficial to establish or estimate the amount at which the collection should be capitalized.

Additional information on the Cultural and Heritage Commission of York County's capital assets can be found in Note 3 on page 18 of this report.

REQUESTS FOR INFORMATION

The financial report is designed to provide the readers of the financial statements a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the York County Department of Finance at beth.latham@yorkcountygov.com or call (803) 684-8528.

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 619,043
Cash and cash equivalents - Restricted	18,056
Investments	24,564
Grants and other receivables	28,654
Inventory	78,356
Prepaid items	58,755
Capital assets, net of accumulated depreciation	<u>790,137</u>
Total assets	<u>1,617,565</u>
LIABILITIES	
Accounts payable	50,178
Other current liabilities	248,231
Long-term liabilities	
Net other post employment benefit obligation	808,122
Due within one year	174,000
Due in more than one year	<u>69,660</u>
Total liabilities	<u>1,350,191</u>
NET ASSETS	
Invested in capital assets	790,137
Restricted	18,056
Unrestricted (deficit)	<u>(540,819)</u>
Total net assets	<u><u>\$ 267,374</u></u>

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

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

<u>Functions/programs</u>	<u>Expenses</u>	Program revenues			Net revenue (expense) and changes in net assets
		<u>Charges for sales and service</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Governmental activities					
Cultural and recreational	\$ 4,269,164	\$ 454,367	\$ 746,137	\$ -	\$ (3,068,660)
General revenues:					
Appropriation					3,304,261
Investment income					687
Miscellaneous					50,969
Total general revenues					3,355,917
Special items:					
Transfer of capital assets to primary government					(942,465)
Loss on impairment of capital assets					(1,161,865)
Total special items					(2,104,330)
Change in net assets					(1,817,073)
Net assets, beginning of year, as originally reported					3,085,934
Prior period adjustment					(1,001,487)
Net assets, beginning of year, as restated					2,084,447
Net assets, end of year					\$ 267,374

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

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 619,043	\$ -	\$ 619,043
Cash and cash equivalents - Restricted	-	18,056	18,056
Investments	24,564	-	24,564
Grants and other receivables	28,654	-	28,654
Inventory	78,356	-	78,356
Prepaid items	58,755	-	58,755
Total assets	\$ 809,372	\$ 18,056	\$ 827,428
LIABILITIES			
Accounts payable	50,178	-	50,178
Other current liabilities	248,231	-	248,231
Total liabilities	298,409	-	298,409
FUND BALANCES			
Nonspendable for:			
Inventories	78,356	-	78,356
Prepaid items	58,755	-	58,755
Restricted for:			
Special revenue fund	-	18,056	18,056
Assigned to:			
Capital outlay	202,848	-	202,848
Unassigned	171,004	-	171,004
Total fund balances	\$ 510,963	\$ 18,056	\$ 529,019
RECONCILIATION OF GOVERNMENTAL ACTIVITIES			
Total governmental fund balances			\$ 529,019
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			790,137
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Compensated absences			(243,660)
Net other post employment benefit obligation			(808,122)
			(1,051,782)
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 267,374

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

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended June 30, 2011

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Appropriations	\$ 3,304,261	\$ -	\$ 3,304,261
Other support	707,383	-	707,383
Program revenues	544,777	-	544,777
Total revenues	<u>4,556,421</u>	<u>-</u>	<u>4,556,421</u>
EXPENDITURES			
Operations	2,296,810	-	2,296,810
Programs	1,569,443	-	1,569,443
Capital outlay	789,673	-	789,673
Total expenditures	<u>4,655,926</u>	<u>-</u>	<u>4,655,926</u>
Net change in fund balance	(99,505)	-	(99,505)
FUND BALANCE, BEGINNING OF YEAR	<u>610,468</u>	<u>18,056</u>	<u>628,524</u>
FUND BALANCE, END OF YEAR	<u>\$ 510,963</u>	<u>\$ 18,056</u>	<u>\$ 529,019</u>

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

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ (99,505)

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

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

Compensated absences	(26,335)
Net other post employment benefit obligation	<u>(314,742)</u>
	<u>(341,077)</u>

The cost of capital assets removed from the capital asset account is not reported as an expenditure in the governmental funds.

However, in the statement of activities, the cost of property removed is reported in the current period. (942,465)

The cost of capital assets impaired is not reported as an expenditure in the governmental funds. However, in the statement of activities, the cost of property impaired is reported in the current period. (1,161,865)

Capital outlays are reported as expenditures in the Statement of Revenue, Expenditures and Changes in Fund Balance; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	789,673
Depreciation	<u>(61,834)</u>
Excess of capital outlay over depreciation expense	<u>727,839</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (1,817,073)**

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

**CULTURE AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

On October 20, 1997, the York County Council formally adopted an ordinance to amend the York County Code by adding new sections to create a new commission to be known as the Cultural and Heritage Commission of York County (the Commission). The Commission assumed the duties and responsibilities of the Museum of York County and the York County Historical Commission. Additionally, the assets and property of the Museum of York County and the York County Historical Commission were transferred to the Commission. Also, the York County code sections relating to the Museum of York County and the York County Historical Commission were repealed.

The financial statements of the Commission have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

REPORTING ENTITY

York County levies and collects property taxes for the Culture and Heritage Commission of York County (the Commission). Property tax revenue collected by the County is appropriated to the Commission by County Council and is the majority of the Commission's operating revenue. York County Council appoints members of the Commission's Board of Trustees, which is the Commission's governing authority. Accordingly, the Commission is considered to be a component unit of York County and its financial position and results of operations have been reported in the financial statements of York County.

The accompanying financial statements present the financial position and results of operations of the Commission only and do not include any financial information for the County or any other component unit of York County. The Cultural and Heritage Commission of York County - the primary government - is a discretely presented component unit of York County, South Carolina.

BASIS OF PRESENTATION

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

Government-wide financial statements

The statement of net assets and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the primary government, except for fiduciary funds and component units that are fiduciary in nature. For the most part, the effect of interfund activity has been removed from the statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The statement of net assets presents the financial condition of the government activities for the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund financial statements

During the year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The Commission reports the following major governmental fund:

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

Additionally, the government reports the following nonmajor fund type:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Resources restricted to expenditure for purposes normally financed from the general fund may be accounted for through the general fund provided that applicable legal requirements can be appropriately satisfied; and use of special revenue funds is not required unless they are legally mandated.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources management focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are appropriated by the governmental entity. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with the operation of the Commission are included on the statement of net assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund financial statements

All governmental funds are accounted for using a flow of *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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Property taxes and appropriations associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include appropriations, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: appropriations, grants, interest, and charges for services.

Expenses/expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budget

The Cultural and Heritage Commission's Board of Trustees adopts an annual budget for the general fund revenues and expenditures prior to the beginning of each fiscal year. The budget is prepared on a consistent basis of accounting with actual financial statement results, including significant accruals, to provide meaningful comparisons. Throughout the year, amendments are made to the budget.

Cash and investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Commission. Investments with a readily determined fair value are stated at fair value in accordance with GASB 31. State statutes authorize the Commission to invest in:

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 agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
4. Repurchase agreements when collateralized by securities as set forth in this section.
5. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the Commission, if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

Intergovernmental receivable

Amounts due from federal grants represent reimbursable costs, which have been incurred by the Commission but have not been reimbursed by the grantor agency. Costs under grant programs are recognized as expenditures in the period in which they are incurred by the Commission.

Inventories and prepaid assets

The Commission's inventories consist of souvenirs held for resale. All inventories are valued at lower of cost or market using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased or produced.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated absences

It is the commission's policy to permit employees to accumulate earned but unused annual leave. Commission employees are permitted to accumulate up to 360 hours annual leave days. Annual leave is paid when taken, except for any unused portion of annual leave (360 hour maximum), which is payable upon termination, retirement or death. No liability is reported for unpaid accumulated personal time off. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements.

Use of estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenditures. Actual results could differ from these estimates.

Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. No depreciation is provided for developmental costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	10-30 Years
Furniture, Fixtures and Equipment	3-7 Years

Net assets/fund balances

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Commissioners through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Commissioners. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned amounts could be used the Commission considers the expenditures to be used in this respective order.

The Board of Commissioners is the Commission's highest level of decision making. The Board can establish, modify, or rescind a fund balance commitment through adoption of a resolution or ordinance.

Subsequent events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition and disclosure through February 15, 2012, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At June 30, 2011, the carrying amount of the Commission's deposits was \$632,404 and the bank balance was \$657,146. All of the Commission's deposits at year-end were covered by federal depository insurance or by collateral held in the pledging financial institutions' trust department in the Commission's name. Petty cash funds of \$4,695 are reflected as cash on the general fund balance sheet.

Investments

As of June 30, 2011, the Commission had the following investments:

	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Maturities</u>
Mutual funds	\$ 24,564	\$ 24,564	Various

Interest rate risk

At June 30, 2011, the Commission did not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit risk

At June 30, 2011, the Commission had no investment policy that would further limit its investment choices other than state law.

Concentration of credit risk

The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2010 as originally stated	Restatement	Balance June 30, 2010 as restated	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated						
Construction in progress	\$ 1,342,434	\$ -	\$ 1,342,434	\$ 761,896	\$ (2,104,330)	\$ -
Total capital assets at historical cost not being depreciated	1,342,434	-	1,342,434	761,896	(2,104,330)	-
Capital assets being depreciated						
Building and improvements	2,317,761	(1,030,101)	1,287,660	27,777	(426)	1,315,011
Furniture, fixtures and equipment	228,628	-	228,628	-	-	228,628
Total capital assets at historical cost being depreciated	2,546,389	(1,030,101)	1,516,288	27,777	(426)	1,543,639
Less accumulated depreciation						
Building and improvements	(549,532)	28,614	(520,918)	(43,312)	426	(563,804)
Furniture, fixtures and equipment	(171,176)	-	(171,176)	(18,522)	-	(189,698)
Total accumulated depreciation	(720,708)	28,614	(692,094)	(61,834)	426	(753,502)
Total capital assets being depreciated, net	1,825,681	(1,001,487)	824,194	(34,057)	-	790,137
Governmental activities capital assets, net	\$ 3,168,115	\$ (1,001,487)	\$ 2,166,628	\$ 727,839	\$ (2,104,330)	\$ 790,137

During the year ended June 30, 2011, construction of the Downtown Children’s Museum was completed at a cost of \$942,465. This capital asset was transferred to York County, South Carolina at completion.

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of the Commission’s long term liabilities for the year ended June 30, 2011:

	Estimated long term liability for annual leave Governmental fund
Payable at July 1, 2010	\$ 217,325
Amounts incurred	200,012
Amounts retired	(173,677)
Payable at June 30, 2011	\$ 243,660
Amounts due within one year	\$ 174,000

NOTE 5 - EMPLOYEE BENEFITS

Retirement Plan

Substantially all Commission employees are members of the South Carolina Retirement System, (SCRS). These systems are cost-sharing multiple-employer plans administered by the Retirement Division of the State Budget and Control Board. The Plan offers retirement and disability benefits, cost of living adjustments on an ad hoc basis, and life and survivor benefits. The Plan’s provisions are established under Title 9 of the South Carolina Code of Laws. The State is authorized by statute to establish and amend all plan provisions. Covered payroll was \$2,065,012, \$2,018,152 and \$2,040,512 for the years ended June 30, 2011, 2010 and 2009, respectively.

(Continued)

NOTE 5 - EMPLOYEE BENEFITS, Continued

Generally all employees are required to participate in the SCRS or PORS as a condition of employment.

Under South Carolina Retirement System (SCRS), employees are eligible for normal retirement with no reduction of benefits upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula effective July 1, 1989, for the System is 1.82% of an employee's average final compensation multiplied by the number of years of credited service. An early retirement option with reduced benefits is available as early as age 60. Employees are vested for a deferred annuity after 5 years service and qualify for a survivor's benefit upon completion of 15 years credited service. A group-life insurance benefit equal to an active employee's annual rate of compensation is payable upon the death of an employee with a minimum of one year of credited service. Employees are required to contribute 6.50% of their salary for the years ended June 30, 2011, 2010, and 2009. The Commission is required to contribute 9.24% of employees' salary for the years ended June 30, 2011, 2010 and 2009. In addition, the Commission pays 0.15% of payroll for group life contributions.

The Pension Plan provides death and disability as well retirement benefits. Both employees and employers are required to contribute to the Plan at rates established under authority of Title 9 of the SC Code of Laws.

Contribution information for the year ended June 30, 2011 and the two years prior is as follows:

	<u>Employee Amount</u>	<u>Contributions % of Wages</u>	<u>Employer Amount</u>	<u>Contributions % of Wages</u>	<u>Total</u>
SCRS					
June 30, 2011	\$ 134,226	6.50%	\$ 193,905	9.24%	\$ 328,131
June 30, 2010	131,181	6.50%	189,504	9.24%	320,685
June 30, 2009	132,634	6.50%	189,482	9.24%	322,116

Ten year historical trend information presenting the retirement system's progress in accumulating sufficient assets to pay benefits when due is presented in the Component Unit Financial Report issued annually by the South Carolina Retirement Systems.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211-1960.

Deferred Compensation Plan

The Commission offers its employees a deferred compensation plans created in accordance with Internal Revenue Code Section 401(k) and 457 administered by the a separate commission under South Carolina Retirement Systems Office. ING currently serves as custodian of the investments. The plan is available to all Commission employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional. In effect, participating employees temporarily forgo access to the resources in exchange for the right to defer federal and state income taxes. Employees may not withdraw the deferred compensation except upon termination of employment or retirement, death, disability or qualifying hardship.

Effective during the fiscal year ended June 30, 1999, Federal legislation recharacterized the deferred compensation plan assets from Commission-owned to participant-owned assets. A significant beneficial result of this change is to protect plan assets against claims of the Commission's general creditors. Fiduciary responsibility for the plan was transferred to the third-party plan administrator. Consequently, the plan assets are no longer reported in the accompanying financial statements.

NOTE 6 - POST-EMPLOYMENT BENEFITS

Plan description, contribution information, and funding policies

In addition to providing pension benefits, the Commission provides certain post-employment health care benefits for retired employees. The coverage is optional and not all retirees participate. To participate, the retired employee must have worked for the Commission for ten years as a full time employee and retire as a full time employee. Benefits paid are equivalent to benefits paid on behalf of current employees, and continue until age 65. At age 65, benefits are coordinated with Medicare benefits. Following the death of a retired employee, the surviving spouse and dependent children may remain covered unless the spouse remarries. The dependent children may remain covered until they reach age 25 (if enrolled as a full-time student), become gainfully employed or marry, whichever comes first. The State of South Carolina Health Plan, provider of the Commission's health program, determines post-retirement benefits paid.

Annual OPEB costs and Net OPEB Obligation

As a component unit of the County, the Commission had an actuarial valuation performed for the plan as of June 30, 2011 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year then ended. The Commission's annual OPEB cost of \$416,361 is equal to the ARC plus interest on the net OPEB obligation less ARC adjustment. The Commission's annual OPEB costs and the net OPEB obligation for June 30, 2011 was as follows:

	<u>June 30, 2011</u>
Employer Normal Costs	\$ 221,156
Amortization of UAL*	<u>202,905</u>
Annual Required Contribution (ARC)	424,061
Adjustment to ARC	(27,435)
Interest on Net Obligation	<u>19,735</u>
Annual OPEB costs	416,361
Required employer contributions made	<u>(101,619)</u>
Increase in net OPEB obligation	314,742
Net OPEB Obligation, beginning of year	<u>493,380</u>
Net OPEB Obligation, end of year	<u><u>\$ 808,122</u></u>

* Unfunded Actuarial Accrued Liabilities (UAL) were amortized over 30 years.

The Commission currently pays for post employment benefits on a pay as you go basis. For the year ended June 30, 2011, the Commission contributed \$101,619 for current premiums of existing retirees.

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010, and 2009 are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 241,853	0%	\$ 241,853
2010	251,527	0%	493,380
2011	416,361	24.41%	808,122

(Continued)

NOTE 6 - POST-EMPLOYMENT BENEFITS, Continued

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2011, was as follows:

	<u>June 30, 2011</u>
Actuarial accrued liability	\$ 3,766,491
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	3,766,491
Funded ratio	0%
Covered payroll	2,065,012
Unfunded actuarial accrued liability as a Percentage of covered payroll	182.40%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce short term volatility in actuarial liabilities and the actuarial value of assets. In the June 30, 2011, actuarial valuation, the projected unit credit cost method was used and the study was based on a closed group. The UAAL amortization payment is the level annual payments required to fully amortize the UAAL over a 30 year closed period. The actuarial assumptions included 4.0% rate of investment return. The valuation assumes a 7.41% health care trend inflation rate for 2011 and 2012 and decreases 0.25% each year until 2022, for 2023 and thereafter 4.50% was assumed.

NOTE 7 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

NOTE 8 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, job related illnesses and injuries, and errors and omissions. The Commission is insured against such risks by the County which carries commercial insurance. The Commission carries employee health and accident insurance through the South Carolina Insurance Reserve Fund which represents South Carolina government entities joined together in a public entity risk pool. The Commission purchases workmen's compensation insurance from a public entity risk pool. The public entity risk pool and the State Insurance Reserve Fund promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

NOTE 9 - OTHER COMMITMENTS

The Commission leases computer equipment under operating leases. Future minimum lease payments required under the operating leases are as follows:

<u>Fiscal year ending June 30,</u>	<u>Total minimum lease payments</u>
2012	7,777
2013	<u>5,499</u>
	<u>\$ 13,276</u>

NOTE 10 - ECONOMIC DEPENDENCE

As discussed in Note 1, the Commission receives approximately 72 percent of its revenue from York County, of which it is a component unit. During the year ended June 30, 2011, this revenue totaled \$3,254,374.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

Capital assets of \$1,001,487 as of June 30, 2010 were recorded in the government-wide financial statements for building improvements on a property which was owned by the County. These improvements were recognized by the County. Therefore, the effect of the change was to decrease the beginning fund balance on the statement of activities by \$1,001,487. The fund financial statements were not affected by this prior period adjustment.

A summary of the above is as follows:

	<u>Governmental</u>
Government wide statements	
Net assets as previously reported	\$ 3,085,934
Prior period adjustment	
Capital asset removal	<u>(1,001,487)</u>
Net assets, as restated	<u>\$ 2,084,447</u>

NOTE 12 - SPECIAL ITEMS

During fiscal year ending June 30, 2011 the Commission indefinitely suspended a construction project relating to a new museum. This indefinite suspension led to the related design work becoming obsolete (impaired) and subsequently written down by \$1,161,865. Also during the year, the Commission completed construction on a new Downtown Children's Museum. This new museum, which cost \$942,465, was accepted into York County's capital assets and was removed from the Commission's construction in progress account.

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2011

	Original & Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Appropriations			
York County	\$ 2,783,304	\$ 3,254,374	\$ 471,070
State of South Carolina	40,800	49,887	9,087
City of York	<u>32,200</u>	<u>-</u>	<u>(32,200)</u>
Total appropriations	<u>2,856,304</u>	<u>3,304,261</u>	<u>447,957</u>
Other support			
Culture and Heritage Foundation	199,436	460,568	261,132
Fundraisers	46,450	18,202	(28,248)
Memberships	241,645	42,445	(199,200)
Gifts	<u>91,000</u>	<u>186,168</u>	<u>95,168</u>
Total other support	<u>578,531</u>	<u>707,383</u>	<u>128,852</u>
Program revenues:			
Admissions and tours	138,204	85,714	(52,490)
Sales - shop and gallery	138,624	109,572	(29,052)
Public programs	57,400	32,587	(24,813)
Educational program and trip income	123,925	127,499	3,574
Grants	-	99,401	99,401
Building rentals	65,000	38,348	(26,652)
Interest and dividend income	3,500	687	(2,813)
Miscellaneous income	<u>8,458</u>	<u>50,969</u>	<u>42,511</u>
Total program revenues	<u>535,111</u>	<u>544,777</u>	<u>9,666</u>
Total revenues	<u>3,969,946</u>	<u>4,556,421</u>	<u>586,475</u>
EXPENDITURES			
Operational expenditures:			
Salaries	\$ 1,145,182	\$ 1,120,459	\$ 24,723
Payroll taxes	86,750	81,397	5,353
Retirement	106,481	103,937	2,544
Health insurance	150,347	158,405	(8,058)
Workers' compensation	19,000	18,987	13
Insurance - general liability	52,275	50,101	2,174
Rentals	9,174	4,353	4,821
Lease	64,303	64,691	(388)
Telephone	49,486	66,981	(17,495)
Utilities	139,873	139,827	46

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2011

	Original & Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES, continued			
Operational expenditures, continued:			
Postage	20,542	21,625	(1,083)
Shipping	-	139	(139)
Printing - outside	46,403	28,050	18,353
Printing - inside	18,008	14,405	3,603
Office supplies	8,058	3,298	4,760
Licenses and permits	1,477	3,071	(1,594)
Special department supplies	20,345	6,570	13,775
Film and processing	6,490	1,089	5,401
Supplies/small tools	4,508	4,550	(42)
Auto expense	8,980	9,407	(427)
Repairs and maintenance - vehicles	6,613	9,061	(2,448)
Repairs and maintenance - building	42,250	58,569	(16,319)
Repairs and maintenance - equipment	9,025	4,010	5,015
Repairs and maintenance - grounds	12,300	14,113	(1,813)
Equipment purchases	4,275	8,147	(3,872)
Museum contractual fees	28,885	18,978	9,907
Service contracts	65,990	76,759	(10,769)
Janitorial supplies	13,764	8,603	5,161
Uniforms	100	-	100
Travel	2,799	3,399	(600)
Employee training	11,369	10,546	823
Institutional advancement	5,688	2,254	3,434
Audit fees and bookkeeping	6,500	13,363	(6,863)
Other professional services	14,047	7,824	6,223
Advertising	101,605	67,615	33,990
Design	29,821	20,297	9,524
Dues and publications	5,925	10,440	(4,515)
Library purchases	200	172	28
Cost of sales - shop and gallery	200	-	200
Museum consultants	-	249	(249)
Hospitality, food and beverage	38,388	24,135	14,253
Bank and administration fees	6,300	8,463	(2,163)
Miscellaneous	4,985	28,471	(23,486)
Total operational expenditures	<u>2,368,711</u>	<u>2,296,810</u>	<u>71,901</u>

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES, continued			
Program expenditures:			
Salaries	984,259	969,397	14,862
Payroll taxes	75,295	71,365	3,930
Retirement	92,422	89,878	2,544
Health insurance	73,585	77,693	(4,108)
Rentals	8,408	29,661	(21,253)
Telephone	-	1,120	(1,120)
Postage	3,021	1,407	1,614
Shipping	3,705	3,266	439
Printing - outside	13,469	7,297	6,172
Printing - inside	1,319	2,031	(712)
Office supplies	4,142	2,335	1,807
Licenses and permits	52	170	(118)
Special department supplies	21,149	25,373	(4,224)
Curator/archival supplies	9,500	22,761	(13,261)
Film and processing	318	-	318
Supplies/small tools	2,566	1,292	1,274
Auto expense	10,305	9,523	782
Repairs and maintenance - vehicles	1,800	706	1,094
Repairs and maintenance - building	1,425	4,945	(3,520)
Repairs and maintenance - equipment	3,420	1,555	1,865
Repairs and maintenance - grounds	12,025	5,869	6,156
Equipment purchases	-	2,617	(2,617)
Museum contractual fees	84,787	56,501	28,286
Service contracts	6,555	2,396	4,159
Contract travel	6,365	600	5,765
Exhibitions	10,324	23,524	(13,200)
Janitorial supplies	-	400	(400)
Uniforms	2,595	559	2,036
Travel	5,205	5,940	(735)
Employee training	4,181	2,199	1,982
Institutional advancement	833	603	230
Other professional services	2,594	12,677	(10,083)
Advertising	-	79	(79)
Design	266	2,500	(2,234)
Dues and publications	2,785	12,737	(9,952)
Library purchases	3,757	8,720	(4,963)

(Continued)

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2011

	Original & Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES, continued			
Program expenditures, continued:			
Cost of sales - shop and gallery	77,429	56,296	21,133
Museum consultants	7,500	40,483	(32,983)
Hospitality, food and beverage	5,874	5,791	83
Bank and administration fees	2,800	5,097	(2,297)
Miscellaneous	<u>2,600</u>	<u>2,080</u>	<u>520</u>
Total program expenditures	<u>1,548,635</u>	<u>1,569,443</u>	<u>(20,808)</u>
Capital outlay	<u>52,600</u>	<u>789,673</u>	<u>(737,073)</u>
Total expenditures	<u>3,969,946</u>	<u>4,655,926</u>	<u>(685,980)</u>
Net change in fund balance	<u>\$ -</u>	(99,505)	<u>\$ (99,505)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>610,468</u>	
FUND BALANCE, END OF YEAR		<u>\$ 510,963</u>	

CULTURAL AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN

The Commission's annual Other Post Employment Benefits Plan (OPEB) cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$241,853	0.00%	\$241,853
2010	251,527	0.00%	493,380
2011	416,361	24.41%	808,122

Funded status and Funding Progress

The funded status of the plan as of June 30, 2011 was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial accrued liability	\$3,766,491	\$1,975,624	\$1,975,624
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability	\$3,766,491	\$1,975,624	\$1,975,624
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	\$2,065,012	\$2,018,152	\$2,093,693
Unfunded actuarial accrued liability as a percentage of covered payroll	182.40%	97.89%	94.36%



**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***

Board of Commissioners
Culture and Heritage Commission of York County
Rock Hill, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Culture and Heritage Commission of York County, a component unit of York County, South Carolina, as of and for the year ended June 30, 2011 which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 15, 2012. 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.

Internal Control Over Financial Reporting

Management of the Culture and Heritage Commission of York County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Culture and Heritage Commission of York County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness: 2011-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Culture and Heritage Commission of York County'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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board and management and is not intended to be and should not be used by anyone other than those specified parties.

Greenwood, South Carolina
February 15, 2012

ELLSOTT DENNIS LLC

CULTURE AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
SCHEDULE OF FINDINGS
For the year ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the Commission's financial statements.
2. One material weakness relating to the audit of the financial statements is reported in the schedule of findings as finding 2011-1.
3. No instances of noncompliance material to the Commission's financial statements were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2011-1 - Accounting for capital assets

Criteria: Section 1400 of the Governmental Accounting Standards Board's Codification requires that the Commission report capital assets in the government-wide financial statements.

Condition: For the year ended June 30, 2010, the Commission reported capital assets related to building improvements on a property which was owned by York County. Upon completion of the improvements, York County received these improvements but the capital assets were not removed from the Commission's capital asset records. The Commission reported \$1,001,487 in capital assets which had been transferred to York County.

Cause: The Commission's management did not record the transfer of improvements to York County.

Effect: The \$1,001,487 was improperly reported in the government-wide financial statements for the year ended June 30, 2010 resulting in a prior period adjustment to the fund financial statements for the year ended June 30, 2011.

Auditor's Recommendation: We recommend that the Commission recognize future transfers of capital assets to the primary government in the government-wide financial statements when the primary government recognizes those assets.

CULTURE AND HERITAGE COMMISSION OF YORK COUNTY
ROCK HILL, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2011

None reported.