ORANGEBURG COUNTY FIRE DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

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ORANGEBURG COUNTY FIRE DISTRICT
ORANGEBURG, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Orangeburg County Fire District
Orangeburg, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orangeburg County Fire District (the District), a component unit of Orangeburg County, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 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 the 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 respective financial position of the governmental activities and each major fund of the District as of June 30, 2010, and the respective changes in financial position thereof and the respective comparison for the General Fund 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 February 7, 2011, 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the schedule of funding progress for the retiree health plan, on page 21, 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 statement 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.

The District has not presented Management's Discussion and Analysis that the accounting principles generally accepted in the United States of America have determined is necessary to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

McGregor & Company LLP

Orangeburg, South Carolina
February 7, 2011

BASIC FINANCIAL STATEMENTS

ORANGEBURG COUNTY FIRE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities/Total
ASSETS	
Cash	$ 500
Property taxes receivable - net	177,870
Due from primary government	476,680
Total assets	655,050
LIABILITIES	
Accounts payable	34,410
Accrued salaries and benefits	8,400
Compensated absences:	
Due within one year	15,435
Due in more than one year	14,248
Net OPEB obligation - Note 6	58,106
Total liabilities	130,599
NET ASSETS	
Unrestricted	524,451
Total net assets	$ 524,451

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

ORANGEBURG COUNTY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

PRIMARY GOVERNMENT	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities/Total
Governmental activities					
Public safety					
Salaries and benefits	$ 350,407	$ -	$ -	$ -	$ (350,407)
Contracted services	61,392	-	-	-	(61,392)
Operating expenses - Note 9	2,198,463	-	-	-	(2,198,463)
Total governmental activities	$ 2,610,262	$ -	$ -	$ -	$ (2,610,262)

GENERAL REVENUES:	
Property taxes	$ 2,346,108
Interest	4,633
Total general revenues	2,350,741
Change in net assets	(259,521)
Net assets beginning of year	783,972
Net assets end of year	$ 524,451

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

ORANGEBURG COUNTY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

	General Fund/Total
ASSETS	
Cash	$ 500
Property taxes receivable - net	177,870
Due from primary government	476,680
Total assets	$ 655,050
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 34,410
Accrued salaries and benefits	8,400
Deferred revenue - taxes	158,380
Total liabilities	201,190
FUND BALANCE	
Reserved for encumbrances	42,062
Unreserved, undesignated	411,798
Total fund balance	453,860
Total liabilities and fund balance	$ 655,050

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

ORANGEBURG COUNTY FIRE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance - Governmental fund	$	453,860
Amounts reported for governmental activities in the statement of net assets are different because:		
Some revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Property taxes		158,380
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		(29,683)
OPEB obligation		(58,106)
		70,591
Net assets of governmental activities	$	524,451

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

ORANGEBURG COUNTY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund/Total
REVENUES	
Property taxes	$ 2,336,356
Interest	4,633
Total revenues	2,340,989
EXPENDITURES	
Current	
Salaries and benefits	323,482
Contracted services	61,392
Operating expenses - Note 9	2,198,463
Total expenditures	2,583,337
Excess of revenues over (under) expenditures	(242,348)
Net change in fund balance	(242,348)
FUND BALANCE, BEGINNING OF YEAR	696,208
FUND BALANCE, END OF YEAR	$ 453,860

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

ORANGEBURG COUNTY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balance - Total governmental fund	$ (242,348)
Amounts reported for governmental activities in the statement of activities are different because:	
Some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred property tax revenues increased by this amount this year.	9,752
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.	
Change in compensated absence	1,990
Change in OPEB obligation	(28,915)
Change in net assets of government activities	$ (259,521)

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

ORANGEBURG COUNTY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget Original	Budget Final	Actual GAAP Basis	GAAP to Budget Differences Over (Under)	Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
REVENUE						
Property tax	$ 2,399,000	$ 2,399,000	$ 2,336,356	$ -	$ 2,336,356	$ (62,644)
Interest	10,000	10,000	4,633	-	4,633	(5,367)
Total revenue	2,409,000	2,409,000	2,340,989	-	2,340,989	(68,011)
EXPENDITURES						
Salaries and benefits	328,850	328,850	323,482	-	323,482	5,368
Contracted services	112,000	74,236	61,392	-	61,392	12,844
Operating expenses - Note 9	2,393,150	2,430,914	2,198,463	42,062	2,240,525	190,389
Total expenditures	2,834,000	2,834,000	2,583,337	42,062	2,625,399	208,601
Excess (deficiency) of revenue over expenditures	(425,000)	(425,000)	(242,348)	(42,062)	(284,410)	140,590
Net change in Fund Balance	$ (425,000)	$ (425,000)	(242,348)	(42,062)	(284,410)	$ 140,590
FUND BALANCE, BEGINNING OF YEAR			696,208	-	696,208	
FUND BALANCE, END OF YEAR			$ 453,860	$ (42,062)	$ 411,798	

Encumbrance for capital outlay and supplies ordered but not received is reported in the year the orders are placed for budgetary purposes, but are reported in the year the capital items and supplies are received for GAAP purposes

Prior year encumbrances	$ -
Current year encumbrances	(42,062)
Net decrease in fund balance - GAAP to budget	$ (42,062)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Orangeburg County Fire District (the District) was created by Orangeburg County under the South Carolina Code of Laws 4-19-10 and incorporated in 1997 to consolidate and coordinate countywide fire protection services. The District contracts with the County's twenty-three volunteer fire departments and Santee Fire Service District to provide fire protection services. The District has the authority to purchase and sell personal and real property as shall be appropriate to provide fire protection services, however, real property cannot be transferred or sold without prior consent of the Orangeburg County Council. The District has purchased the equipment and vehicles previously owned by the various fire departments and is leasing a building from one fire department. Although titled to the District, all real estate and equipment is considered owned by Orangeburg County which is also responsible for all the District's debt. The District is governed by a seven-member board, the members of which are appointed by Orangeburg County Council. Orangeburg County Council must approve the District's budget and its property tax millage rate.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has established basic criteria for determining the scope of the reporting entity for financial statement presentation. The GASB has determined that if a governmental unit's elected officials have oversight responsibility for an organization, the larger government must incorporate the organization's financial statements with its own. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Ability to significantly influence operations
- Accountability for fiscal matters

Since Orangeburg County Council appoints members of the District's board and approves the District's budget and millage rate, and since the County is considered the owner of all District capital assets and is responsible for all District debt, the District is considered to be a component unit of Orangeburg County. Its financial position and results of operations have been reported in the financial statements of Orangeburg County.

The accompanying financial statements present the financial position and results of operations of the District only and do not include any financial information for the County or any other component unit of Orangeburg County.

B. Measurement Focus and Basis of Accounting

The financial statements of the District are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units as recommended by the Governmental Accounting Standards Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the more significant accounting policies:

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

1. Government-wide financial statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the District. For the most part, the effect of interfund activity has been removed from the statements.

The statement of net assets presents the financial condition of the governmental activities for the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District'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 to 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 District, with certain limited exemptions. The comparison of direct expenses with program revenues identified the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

2. Fund financial statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. 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 financial 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled as follows:

Governmental Fund

General Fund – to account for all financial resources, except those required to be accounted for in another fund.

D. Basis of accounting

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District 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: delinquent taxes and grants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/expenditures

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

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Compensated absences

Vacation pay that is liquidated with expendable available financial resources is reported as an expenditure of the governmental fund when it is paid.

Capital assets

All capital assets of the District are owned by Orangeburg County pursuant to the County ordinance which created the District. Accordingly, capital assets and the related long-term liabilities are not reported in the accompanying financial statements. Capital assets as reflected on the records of Orangeburg County, held for the benefit and use of the District, totaled $11,178,806 before accumulated depreciation at June 30, 2010.

Interest incurred and reported in expenditures related to the purchase of capital assets was $48,265 in 2010.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets

Net assets represent the difference between assets and liabilities. Net assets are reported when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – PROPERTY TAXES

Property tax revenues are recognized when due or past due and collectible within the current period or soon enough thereafter (defined as sixty days) to pay liabilities of the current period.

The County bills and collects property taxes for the District.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Taxes on real property are assessed as of January 1, levied the following September, due January 15, and become delinquent March 15. Liens attach to the property at the time the taxes are levied. The levy date for motor vehicles taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Deferred revenue (property taxes) represents that portion of property taxes which is deemed not available to pay current expenditures. Allowances for uncollectible taxes receivable as of June 30, 2010 was $19,763.

A receivable is recorded when an enforceable legal claim for property taxes has arisen, and revenue is recognized when the resources are available. Prior to this change, a receivable and revenue were recognized only for the portion of taxes collected within the current period or within sixty days after year-end.

NOTE 3 – BUDGET

Prior to the beginning of the fiscal year, the District's Commission adopts an annual budget for all general fund expenditures. This budget request is forwarded to Orangeburg County Council. Based on the budget, the Orangeburg County Council approves an annual millage for the District.

The District's annual budget is prepared on the modified accrual basis of accounting which is a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Overall budgetary control for revenues and appropriations is maintained at the level of Orangeburg County. Budgetary control is maintained at the line-item level at the District, and all changes to the budget must be approved by the District's Commission and Orangeburg County Council. Budget amounts reflected in the accompanying financial statements represent the original budget and any revisions.

NOTE 4 – RISK MANAGEMENT

The District 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 District is insured against such risks by the County. The County purchases tort, property and casualty and automobile coverage from the South Carolina Accident Fund. The County purchases workmen's compensation insurance from a public entity risk pool. The public entity risk pool and the State Accident 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 5 – PENSION PLAN

District employees participate in the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS), depending on their particular duties. Both plans are classified as cost-sharing multiple-employers defined benefit plans and are administered by the South Carolina Retirement System. SCRS and PORS provide retirement and disability benefits, group life insurance and survivor benefits to plan members and beneficiaries. Benefit provisions for SCRS and PORS are established under Title 9 of the SC Code of Laws. The South Carolina Retirement System issues a publicly available stand-alone Comprehensive Annual Financial Report containing financial statements and required supplementary information which may be obtained by writing to South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211 or on the website @ www.retirement.sc.gov.

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

NOTE 5 – PENSION PLAN (continued)

Under the 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 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 55. Employees are vested after 5 years service. A group-life insurance benefit equal to an 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 6.5% of their earnable compensation for the years ended June 30, 2010, 2009 and 2008. The District is required to contribute 9.24% for the year ended June 30, 2010 (9.24% and 9.06% for the years ended June 30, 2009 and 2008, respectively) of employees' earnable compensation on their behalf plus .15% of earnable compensation for group life insurance.

Under the Police Officers Retirement System (PORS), employees are eligible for normal retirement with no reduction of benefits upon reaching 55 or completion of 25 years of service regardless of age. There is not an early retirement option. The benefit formula for the PORS is 2.14% of an employees average final compensation times years of service credited. Employees are vested after 5 years of service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an employee with a minimum of one year of credited service. The accidental death benefit provides 50% of earnable compensation at the time of accidental death in the line of duty as an annuity to the serving spouse, children, or parents. Participating employees contribute 6.5% of their annual covered earnable compensation. The District contributes on their behalf 10.65% for the year ended June 30, 2010 (10.65% for the year ended June 30, 2009 and 10.3% for the year ended June 30, 2008) of annual earnable compensation plus an additional .2% of earnable compensation for group life and .2% of earnable compensation to provide accidental death benefits.

The Pension Plans provide death and group life as well as 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, 2010 and the two years prior is as follows:

SCRS/PORS	Employee	Employer
June 30, 2010	$ 13,729	$ 22,783
June 30, 2009	14,562	24,172
June 30, 2008	12,571	20,291

These contributions equaled 100% of the District's required contributions.

NOTE 5 – PENSION PLAN (continued)

The District's employees may participate in 457 and/or 401(k) deferred compensation plans, which are available to state and local governmental employees and administered by a state-approved nongovernmental third party. The plans, available to all District employees, permit them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plans are not available to employees until termination, retirement, death, or unforeseeable emergency. There are no employer contributions made by the District to these plans. Employee contributions were $6,935 in 2010.

Employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the program after July 1, 2005 are required to pay the same pre-tax contribution to the SCRS during the TERI period, but do not earn service credit. None of the District's employees have elected to be covered under the optional retirement plan as of June 30, 2010.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Background

Beginning in fiscal year ended June 30, 2009, the Orangeburg County Fire District implemented prospectively Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the District's retiree health benefit subsidy. Historically, the District's subsidy was funded on a pay-as-you-go basis but GASB 45 requires that the District accrue the cost of the retiree health subsidy and other postemployment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the District.

Plan Description

The County of Orangeburg's postemployment benefit plan in which the District participates, is a single employer defined plan that is self-funded.

Other postemployment benefits provided under the plan include a retiree health and dental insurance premium contribution plan that covers retirees.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

An employee must meet the following criteria to be eligible for retiree health and dental insurance. The employee must have 15 years of service with the District and must qualify for retirement under the South Carolina Retirement System or Police Office Retirement System guidelines. For any employee retiring with less than 15 years of service with the District, no health and dental retirement benefits will be provided.

The District will pay the full cost of single retiree medical and dental insurance premium costs. Coverage for the spouse is the responsibility of the retiree.

Funding Policy

The District has elected not to pre-fund OPEB liabilities and to fund healthcare benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus an amount to amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The current employer contribution rate for the District is 0%.

The District's annual OPEB cost and the net OPEB obligation is calculated using a 4.0% discount rate, which is based upon the anticipated long-term rate of return of the general funds of the employer used to pay the plan benefits and an annual healthcare cost trend rate of 10% reduced by decrements of .5% to an ultimate rate of 6% and amortizing the unfunded actuarial liability over 30 years using the level dollar method is as follows:

Annual required contribution	$ 29,372
Interest on net OPEB obligation	966
Adjustment to annual required contribution	(1,423)
Annual OPEB cost (expense)	28,915
Estimated contributions made	-
Increase (decrease) in net OPEB obligation	28,915
Net OPEB obligation, beginning of year	29,191
Net OPEB obligation, end of year	$ 58,106

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 employee and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (continued)

The Projected Unit Credit, Level Dollar actuarial cost method has been used to calculate the GASB ARC for this valuation. Using the plan benefits, the present health and dental premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. The unfunded liability is amortized over thirty years using the level dollar method which divides the liability into equal dollar amounts over the selected number of years; each payment is part interest, part principal. This is both an accepted and reasonable cost method.

Trend Information:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 29,191	0%	$ 29,191
June 30, 2010	$ 28,915	0%	$ 58,106

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, was as follows:

	Fire Commission
Actuarial accrued liability (AAL)	$ 236,495
Actuarial value of plan assets	-
Unfunded Actuarial accrued liability (UAAL)	$ 236,495
Funded ratio (actuarial value of plan assets (AAL)	0%
Covered payroll (active plan members)	$ 91,405
UAAL as a percentage of covered payroll	258.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2010, the following changes occurred in liabilities reported as long-term debt:

Accrued compensated absences, beginning of year	$ 31,672
Additions	8,459
Subtractions	(10,448)
Accrued compensation absences, end of year	$ 29,683
Estimated amounts due within one year	$ 14,248

NOTE 8 – RELATED PARTY TRANSACTIONS

Orangeburg County provides accounting, payroll, tax collection and cash management services to the District at no charge. As part of these services, the District's general fund cash is managed by the Orangeburg County Treasurer. The amount of District cash held by Orangeburg County at June 30, 2010 was $476,680 and is reported on the statement of net assets as "due from primary government."

NOTE 9 – CAPITAL ASSETS AND RELATED DEBT

Orangeburg County owns and reports all capital assets of the District and related debt, therefore the payment for these items is included in the District's operating activities rather than reporting the capital assets and debt service in the Districts financial statement. (See Note 1)

The following activity summarizes the reimbursement to Orangeburg County for these transactions:

Principal	$ 220,000
Interest	48,265
	268,265
Capital assets	937,569
Total	$ 1,205,834

ORANGEBURG COUNTY FIRE DISTRICT
ORANGEBURG, SOUTH CAROLINA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2010

	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2)-(1))/(5))
Orangeburg County Fire District	6/30/2008	$ -	$ 236,495	$ 236,495	0.00%	$ 91,405	258.7%

The District implemented GASB 45 in Fiscal Year 2009 and performed its first actuarial evaluation at June 30, 2008. The required three actuarial valuations data will be presented as accumulated over time. The valuation has been calculated using the Projected Unit Credit Actuarial Cost Method, discount rates of 4.0%, and the unfunded actuarial liability is amortized over 30 years using the level dollar method. It should be noted that an actuarial cost method determines a contribution or expense by assigning portions of the present value of projected benefits to various years with the general goal of accruing the cost of benefits over the working lifetime of the employees.

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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*

Orangeburg County Fire District
Orangeburg, South Carolina

We have audited the financial statements of the governmental activities and each major fund of Orangeburg County Fire District (the District), a component unit of Orangeburg County, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2011. 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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of 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 and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses, 2010-1, to be a material weakness.

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.

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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization and the commission members and is not intended to be and should not used by anyone other than these specified parties.

McGregor & Company LLP

Orangeburg, South Carolina
February 7, 2011

FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS:*

2010-1 Preparation of Financial Statements

Material Weakness

Conditions: The AICPA issued Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit.* This standard, emphasizes the need for the District to have internal controls over financial reporting in place that will provide reasonable assurance that the District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In order for these controls to be effective, District personnel need to receive adequate training to allow them to prepare the District's financial statements in accordance with GAAP.

Criteria: Internal controls over financial reporting should be in place to provide reasonable assurance that financial statements are prepared in accordance with GAAP.

Effect: Because District personnel have not received adequate training in preparing financial statements in accordance with GAAP, a material misstatement to the District's financial statements could occur and not be prevented or detected by the District's internal controls over financial reporting.

Recommendation: Appropriate District personnel should attend training courses that will enhance their ability to prepare the District's annual financial statements and footnote disclosures in accordance with GAAP.

Response: Heretofore, the County has maintained and updated the accounting records. The District does not have access to the County records for accounting and updating. To train the District personnel to prepare financial statements necessitates that the District have access to accounting records which are now not available to the District.

ORANGEBURG COUNTY FIRE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

2009-1 Capital Expenditures

Significant Deficiency

Conditions and Criteria: Orangeburg County is considered to own the assets of the District. The account maintained for construction costs contains capital expenditures and repair and maintenance expenditures. The capital expenditures in excess of $2,500 included in this account have not been added to the County's capital assets. Orangeburg County's policy is to capitalize all fixed assets with a cost of $2,500 or greater. The County inventories these assets and in addition, inventories computer equipment with a cost in excess of $300. Capital assets purchased should have a purchase order and be coded to ledger account number's 7000 to 8000.

Corrective action taken: New general ledger accounts were set up in the 7000 range for construction costs considered capital improvements in 2010. Expenditures with a cost of $2,500 or greater were charged to this account. Items with a cost of $2,500 or greater charged to these accounts are to be inventoried by the County.

2009-2 Preparation of Financial Statements

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The District should have internal controls over financial reporting in place that will provide reasonable assurances that the District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Personnel need to receive adequate training to allow them to prepare the District's financial statements in accordance with GAAP. The District did not prepare its own financial statements and note disclosures. Preparation of financial statements would aid in detecting material misstatements.

Corrective action taken: None.

ORANGEBURG COUNTY FIRE DISTRICT
ORANGEBURG, SOUTH CAROLINA

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
JUNE 30, 2010

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To the Commissioners
Orangeburg County Fire District
Orangeburg, South Carolina

We have audited the financial statements of the governmental activities and each major fund of Orangeburg County Fire District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 14, 2010. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Orangeburg County Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the allowance for uncollectible taxes receivable is based on historical loss levels and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the net OPEB obligation and expense is based on an actuarial study done by the contracted firm. We evaluated the key factors and assumptions used to develop the OPEB obligation and expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Commissioners and management of Orangeburg County Fire District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McGregor & Company LLP

February 7, 2011
Orangeburg, South Carolina