ORANGEBURG COUNTY LIBRARY

REPORT ON FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

ORANGEBURG COUNTY LIBRARY
ORANGEBURG, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Orangeburg County Library
Orangeburg, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orangeburg County Library (the Library), a component unit of Orangeburg County, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library'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 Library as of June 30, 2010, 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 January 20, 2011, on our consideration of the Library'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 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.

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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 20 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Library 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, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements as a whole. The schedule of revenues and expenditures by source of revenues is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of revenues and expenditures by source of revenue is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as whole.

McGregor + Company LLP

Orangeburg, South Carolina
January 20, 2011

BASIC FINANCIAL STATEMENTS

ORANGEBURG COUNTY LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities/ Total
ASSETS	
Cash	$ 160,980
Due from primary government	53,750
Total assets	214,730
LIABILITIES	
Accounts payable	10,267
Compensated absences:	
Due within one year	23,425
Due in more than one year	29,814
Net OPEB obligation - Note 7	296,672
Total liabilities	360,178
NET ASSETS	
Unrestricted net assets	(145,448)
Total net assets	$ (145,448)

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

ORANGEBURG COUNTY LIBRARY
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					
Salaries and benefits	$ 957,262	$ -	$ 105,332	$ -	$ (851,930)
Operating expenses	422,324	63,440	54,020	-	(304,864)
Total governmental activities	$ 1,379,586	$ 63,440	$ 159,352	$ -	(1,156,794)
GENERAL REVENUES:					
County appropriations					900,931
Interest					178
Transfers - Note 10					(9,149)
Total general revenues and transfers					891,960
Change in net assets					(264,834)
Net assets - beginning of year					119,386
Net assets - end of year					$ (145,448)

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

ORANGEBURG COUNTY LIBRARY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

	General Fund/Total
ASSETS	
Cash	$ 160,980
Due from primary government	53,750
Total assets	$ 214,730
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 10,267
Total liabilities	10,267
FUND BALANCE	
Unreserved, undesignated	204,463
Total fund balance	204,463
Total liabilities and fund balance	$ 214,730

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

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

Total fund balance - Governmental fund	$	204,463
Amounts reported for governmental activities in the statement of net assets are different because:		
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		(53,239)
OPEB obligation		(296,672)
Net assets of governmental activities	$	(145,448)

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

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

	General Fund/Total
REVENUES	
State aid - operating	$ 120,888
Stabilization funds	38,464
County appropriation	900,931
Fines	25,283
Interest	178
Gifts	6,200
Refunds - Net	20,688
Other	11,269
Total revenues	1,123,901
EXPENDITURES	
Salaries and benefits	811,245
Books	149,562
Utilities and telephone	39,881
Periodicals	16,088
Library and audio-visual supplies	11,774
Postage	8,050
Maintenance	47,678
Office supplies and copying	22,017
Computer software, maintenance and supplies	47,602
Professional fees	52,782
Travel and meetings	2,173
Building insurance	6,850
Vehicle expense	4,879
Dues	2,504
Printing and binding	627
Miscellaneous	5,093
Small capital items	4,764
Total expenditures	1,233,569
Excess of revenues over (under) expenditures	(109,668)
OTHER FINANCING SOURCES (USES)	
Transfers out - Note 10	(9,149)
Net other financing sources (uses)	(9,149)
Net change in fund balance	(118,817)
Fund balance, beginning of year	323,280
FUND BALANCE, END OF YEAR	$ 204,463

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

ORANGEBURG COUNTY LIBRARY
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	$ (118,817)
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	
Change in compensated absences	(2,577)
Change in OPEB obligation	(143,440)
Change in net assets of government activities	$ (264,834)

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

ORANGEBURG COUNTY LIBRARY
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	Variance-Favorable (Unfavorable)
REVENUES				
State aid - operating	$ 132,794	$ 132,794	$ 120,888	$ (11,906)
Stabilization funds	-	-	38,464	38,464
County appropriation	900,931	900,931	900,931	-
Fines	22,200	22,200	25,283	3,083
Interest	-	-	178	178
Gifts	-	-	6,200	6,200
Refunds - Net	-	-	20,688	20,688
Other	-	-	11,269	11,269
Total revenues	1,055,925	1,055,925	1,123,901	67,976
EXPENDITURES				
Salaries and benefits	769,053	769,053	811,245	(42,192)
Books	150,000	150,000	149,562	438
Utilities and telephone	38,866	38,866	39,881	(1,015)
Periodicals	-	-	16,088	(16,088)
Library and audio-visual supplies	28,338	28,338	11,774	16,564
Postage	7,430	7,430	8,050	(620)
Maintenance	48,409	48,909	47,678	1,231
Office supplies and copying	8,040	8,040	22,017	(13,977)
Branches	36,000	36,000	-	36,000
Computer software, maintenance and supplies	51,312	51,312	47,602	3,710
Professional fees	49,900	49,900	52,782	(2,882)
Travel and meetings	2,473	2,473	2,173	300
Building insurance	6,990	6,990	6,850	140
Vehicle expense	6,049	5,549	4,879	670
Dues	2,665	2,665	2,504	161
Printing and binding	400	400	627	(227)
Miscellaneous	-	-	5,093	(5,093)
Small capital items	-	-	4,764	(4,764)
Total expenditures	1,205,925	1,205,925	1,233,569	(27,644)
Excess (deficiency) of revenue over expenditures	(150,000)	(150,000)	(109,668)	40,332
OTHER FINANCING SOURCES (USES)				
Transfers out - Note 10	-	-	(9,149)	(9,149)
Net other financing sources (uses)	-	-	(9,149)	(9,149)
Net change in fund balances	$ (150,000)	$ (150,000)	(118,817)	$ 31,183
FUND BALANCE, BEGINNING OF YEAR			323,280	
FUND BALANCE, END OF YEAR			$ 204,463	

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orangeburg County Library (the Library) is a component unit of Orangeburg County, South Carolina. Orangeburg County Council enacted the ordinance #79-6-11 for the establishment of Orangeburg County Public Library Commission on July 1, 1979.

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

Orangeburg County provides the Orangeburg County Library (the Library) with an annual appropriation which approximates the majority of the Library's operating revenue. Orangeburg County Council appoints members of the Library's Board of Trustees, which is the Library's governing authority, and the Library is required to submit its budget to Orangeburg County Council for approval. Accordingly, the Library is considered to be a component unit of Orangeburg County and 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 Library 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 Library 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.

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

The Library'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 Library as a whole. These statements include the financial activities of the Library. 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 Library at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library'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 Library, 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 Library.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Library 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.

C. Basis of Presentation

Fund accounting

The accounts of the Library 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, and revenue and expenditures, as appropriate. Library 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Library, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include appropriations, 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 Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library 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 source is considered to be both measurable and available at year-end: grants.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Library had no outstanding encumbrances as of June 30, 2010.

Compensated absences

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

Capital assets

All capital assets of the Library are owned by Orangeburg County pursuant to the County ordinance which created the Library. Accordingly, capital assets 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 Library, were $1,553,494 at June 30, 2010.

Library books

Because almost all of the Library's books are in circulation, their estimated useful lives are limited. Accordingly, the Library has chosen to expense all books as they are acquired.

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.

Net assets

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

NOTE 2 – BUDGET

Prior to the beginning of the fiscal year, the Library's Board of Trustees adopts an annual budget for all general fund expenditures. This budget request is forwarded to Orangeburg County Council and to the State Library. The State Library Board of Trustees appropriates an amount to the Library appropriation which includes expenditures from State Library funds. If either the County or the State amends its appropriations to the Library, the Board amends expenditures accordingly.

The Library's annual budget is prepared on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America for the general fund. Federal revenue and expenditures are not included in the budget. 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 Library, and all changes to the budget must be approved by the Library's Board of Trustees.

The General Fund expenditures exceeded appropriations by $36,793 for the year ended June 30, 2010.

NOTE 3 – CASH AND DEPOSITS

The Library's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agencies thereof, general obligations of the State of South Carolina or any of its political units, certificates of deposit, savings accounts and repurchase agreements. Collateral is required for demand deposits, certificates of deposit and repurchase agreements in excess of amounts covered by federal deposit insurance. Obligations that may be pledged as collateral consist of obligations of the United States and its agencies and obligations of the State and its subdivisions.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the Library's deposits was $160,980 and the bank balance was $174,137. All of the Library's deposits at year-end were covered by federal depository insurance or by collateral held in the pledging financial institution's trust departments in the County's name.

NOTE 4 – Operating Leases

The Library has entered into several operating leases for office equipment. Lease payments including maintenance and equipment were $11,962 in 2010.

Future minimum rental payments for the lease under noncancelable lease terms are as follows:

2011	$ 5,630
2012	6,565
2013	5,422
2014	1,994
2015	1,994
	$ 21,605

NOTE 5 – RISK MANAGEMENT

The Library 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 Library 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 accord 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 6 – PENSION PLAN

Library employees participate in the South Carolina Retirement System (SCRS). The plan is administered by the South Carolina Retirement System and is classified as a cost-sharing multiple-employers defined benefit plan. SCRS provides retirement and disability benefits, group life insurance and survivor benefits to plan members and beneficiaries. Benefit provisions for SCRS are established under Title 9 of the South Carolina 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 as a condition of employment.

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 year ended June 30, 2010 (6.5% for the years ended June 30, 2009 and 2008). The Library is required to contribute 9.24% of employees' earnable compensation for the year ended June 30, 2010 (9.24% for the year ended June 30, 2009 and 9.06% for the year ended June 30, 2008).

	Employee Amount	Employer Amount	Total
2010	$ 40,987	$ 57,832	$ 98,819
2009	42,108	59,482	101,590
2008	37,250	50,839	88,089

The contributions equaled 100% of the Library's required contributions.

NOTE 6 – PENSION PLAN (continued)

The Library'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 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 Library to these plans. Employee contributions were $21,513.

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 make SCRS Contributions, 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 Library's employees have elected to be covered under the optional retirement plans as of June 30, 2010.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Background

Beginning in fiscal year ended June 30, 2009, the Orangeburg County Library 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 Library's retiree health benefit subsidy. Historically, the Library's subsidy was funded on a pay-as-you-go basis but GASB 45 requires that the Library 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 Library.

Plan Description

The County of Orangeburg's postemployment benefit plan in which the Library 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 7 - 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 Library and must qualify for retirement under the South Carolina Retirement System guidelines. For any employee retiring with less than 15 years of service with the Library, no health and dental retirement benefits will be provided.

The Library 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 Library 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 Library is 8.1%.

The Library'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	$ 158,609
Interest on net OPEB obligation	5,219
Adjustment to annual required contribution	(7,682)
Annual OPEB cost (expense)	156,146
Estimated pay-as-you-go annual employer contributions	(12,706)
Increase (decrease) in net OPEB obligation	143,440
Net OPEB obligation, beginning of year	153,232
Net OPEB obligation, end of year	$ 296,672

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 7 - 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 Library'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 Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 157,633	2.9%	$ 153,232
June 30, 2010	$ 156,146	8.1%	$ 296,672

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:

	Library
Actuarial accrued liability (AAL)	$ 1,277,072
Actuarial value of plan assets	-
Unfunded Actuarial accrued liability (UAAL)	$ 1,277,072
Funded ratio (actuarial value of plan assets (AAL)	0%
Covered payroll (active plan members)	$ 493,586
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 8 – CHANGES IN GENERAL 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	$ 50,662
Subtractions	(29,358)
Additions	31,935
Accrued compensated absences, end of year	$ 53,239
Estimated amounts due within one year	$ 23,425

NOTE 9 – RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

As discussed in Note 1, the Library received approximately 89 percent of its revenue from Orangeburg County, of which it is a component unit. During the year ended June 30, 2010, this appropriation totaled $900,931. The County owes the Library $53,750 of funds appropriated at June 30, 2010.

Orangeburg County provides accounting, payroll and cash management services at no charge. As part of these services, a portion of the Library's general fund cash is managed by the Orangeburg County Treasurer.

NOTE 10 – TRANSFERS TO PRIMARY GOVERNMENT

The transfer to primary government represents the purchase of capital assets, meeting the County's capitalization threshold, recorded on Orangeburg County's ledger of $9,149.

ORANGEBURG COUNTY LIBRARY
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 Library	6/30/2008	$ -	$ 1,277,072	$ 1,277,072	0.00%	$ 493,586	258.7%

The Library implemented GASB 45 in Fiscal Year 2009 and performed its first actuarial valuation at 6/30/2008. 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.

ORANGEBURG COUNTY LIBRARY
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2010

	Local	County	State Aid	Stabilization Funds	Total
Revenues					
State aid - operating	$ -	$ -	$ 120,888	$ -	$ 120,888
Stabilization funds	-	-	-	38,464	38,464
County appropriation	-	900,931	-	-	900,931
Fines	25,283	-	-	-	25,283
Interest	178	-	-	-	178
Gifts	6,200				6,200
Refunds	20,688	-	-	-	20,688
Other	11,269	-	-	-	11,269
Total revenues	$ 63,618	$ 900,931	$ 120,888	$ 38,464	$ 1,123,901
Expenditures					
Salaries and benefits	$ -	$ 705,913	$ 105,332	$ -	$ 811,245
Books	126,916	-	15,253	7,393	149,562
Utilities and telephone	-	39,881	-	-	39,881
Periodicals	15,785	-	303	-	16,088
Library and audio-visual supplies	11,774	-	-	-	11,774
Postage	-	8,050	-	-	8,050
Maintenance	-	47,678	-	-	47,678
Office supplies and copying	-	11,991	-	10,026	22,017
Computer software, maintenance and supplies	16,223	18,422	-	12,957	47,602
Professional fees	2,829	49,953	-	-	52,782
Travel and meetings	-	2,173	-	-	2,173
Building insurance	-	6,850	-	-	6,850
Vehicle expense	-	4,879	-	-	4,879
Dues	-	2,504	-	-	2,504
Printing and binding	-	627	-	-	627
Miscellaneous	4,373	720	-	-	5,093
Small capital items	-	1,290	-	3,474	4,764
Total expenditures	177,900	900,931	120,888	33,850	1,233,569
Other financing sources (uses)					
Transfers out	4,535	-	-	4,614	9,149
Total expenditures and other financing sources (uses)	$ 182,435	$ 900,931	$ 120,888	$ 38,464	$ 1,242,718

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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*

Board of Trustees
Orangeburg County Library
Orangeburg, South Carolina

We have audited the financial statements of the governmental activities and each major fund of Orangeburg County Library (the Library), a component unit of Orangeburg County, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 20, 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 Library'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 Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library'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 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses, 2010-1 – 2010-3, to be material weaknesses.

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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 Library'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*.

We noted certain other matters that we reported to management of the Library in a separate letter dated January 20, 2011.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Library's responses and, accordingly, we express no opinion on them.

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

McGregor + Company LLP

Orangeburg, South Carolina
January 20, 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 has issued Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit.* This standard, emphasizes the need for the Library to have internal controls over financial reporting in place that will provide reasonable assurance that the Library's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In order for these controls to be effective, Library personnel need to receive adequate training to allow them to prepare the Library'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: Although, the Library's inability to prepare financial statements and note disclosures does not reflect the Library's ability to maintain accounting records and subsidiary ledgers, a material misstatement to the Library's financial statements and disclosures can occur and not be prevented or detected by the Library's internal controls over financial reporting.

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

Response: The accountant is continuing to develop financial reports which aid in preparation of financial statements. She is attending training classes designed to further her knowledge in these areas.

2010-2 Excess of Salary and Benefits Expenditures over Budgeted Amounts

Material Weakness

Conditions: As the Library did not prepare reasonable budgets based on anticipated expenditures or budget amendments, the actual salaries and benefits paid exceeded the amount approved in the budget by County Council. The Library did not cut expenditures nor staff positions so that salaries, benefits, or other expenditures would be in compliance with the approved budget.

Criteria: The County appropriations are calculated based upon budgeted expenses less other budgeted revenue resources. In 2010, there was a budgeted operating deficit for 2010. The budget should be prepared based upon actual salary and benefit projections and other projected expenditures. Once approved, expenditures should be made in accordance with the approved budget. Actual expenditures should be compared to the budgeted amounts on a monthly basis to monitor and maintain compliance with the budget. Budget amendments should be requested when necessary in accordance with the County policy.

2010-2 Excess of Salary and Benefits Expenditures over Budgeted Amounts (continued)

Effect: The excess of expenditures over the budgeted amounts increased the budgeted operating deficit in 2010.

Recommendation: The budget should include all approved and projected expenditures based upon actual salary and benefit projections and other projected expenditures. If the projections exceed the amount approved, then the Library should eliminate staff positions and other expenditures which will exceed the budget. If the County intends to pay the requested salaries and expenditures, then the budget should be developed and approved accordingly.

Response: Historically the County administrator has determined the final amount that will be provided for salaries in the budget. Several meetings with the County administrator, financial director, and Library director have not resulted in setting accurate salary figures. The accountant plans to create a statement just for salaries to monitor and to be used as documentation for further discussions with County administration. The next step would be for the director and Library board to meet with County Council to discuss the continued discrepancies and need for adequate salary funding.

2010-3 Calculation of County Appropriations

Material Weakness

Conditions: The County appropriation for the Library recorded at June 30, 2010 is incorrect.

Criteria: In 2010, the Library began recording the County appropriations by recording the Library expenditures paid directly by the County less actual State aid received. In prior years this method would have resulted in the correct appropriation recorded. In 2010, the County appropriation was calculated based upon budgeted expenditures, less budgeted other revenues, with a budgeted operating deficit of $150,000.

Effect: Due to the change of the appropriation calculation, the amount recorded was incorrect.

Recommendation: The Library should adjust the amount recorded to the final appropriations calculation prior to closing.

Response: Prior to closing, we will determine the final appropriation to record.

Findings – financial statements audit

2009-1 Purchase orders not obtained for all purchases for which would be required

Significant Deficiency

Conditions and Criteria: We performed a test of twenty-five disbursements. Of the twenty-five items tested, ten should have had a purchase order prepared and approved by the director; one of those ten purchases did not have a purchase order; six of those nine prepared purchase orders were not approved by the director. The purchasing procedures require purchase orders approved by the director to be attached for purchases of books, supplies, etc.

Corrective Action Taken: Revised the purchase order approval procedures to specify that all are to be signed by director as evidence of approval.

2009-2 Preparation of Financial Statements

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The Library should have internal controls over financial reporting in place that will provide reasonable assurances that the Library'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 Library's financial statements in accordance with GAAP. The Library did not prepare its own financial statements and note disclosures. Preparation of financial statements would aid in detecting material misstatements.

Corrective Action Taken: The accounting system consultant is working with the accountant to develop financial reports that will satisfy the reporting needs.

2009-3 Operating Deficit

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The actual salaries paid exceeded the amount approved in the budget by County Council. Additionally, the budget amounts included in the operating general ledger maintained by the Library did not agree with the approved budgeted operating expenditures. The Library did not cut expenditures nor staff positions so that salaries, benefits, or other expenditures would be in compliance with the approved budget. The budget should be prepared based upon actual salary and benefit projections and other projected expenditures. Once approved, expenditures should be made in accordance with the approved budget. Actual expenditures should be compared to the budgeted amounts on a monthly basis to monitor and maintain compliance with the budget. Budget amendments should be requested when necessary in accordance with the County policy.

Corrective Action Taken: As discussed below, the Library began recording expenditures for salaries, benefits and other items paid directly by the County on its ledger. A Director's Budget report is being developed to assist the Director in monitoring expenditures in compliance with the budget.

2009-4 Capital expenditures

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: Capital expenditures purchased from the Library checking account have not been capitalized by the County. Orangeburg County owns all capital assets of the Orangeburg County Library. Orangeburg County's policy is to capitalize all capital assets with a cost of $2,500 and over. The County inventories those assets and in addition, inventories computer equipment with a cost in excess of $300.

Corrective Action Taken: Procedures have been established to provide the County with information regarding the capital assets purchased from the Library checking account which fall within the County criteria to be capitalized.

2009-5 Calculation of County Appropriations

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The County appropriation for the Library recorded at June 30, 2009 is incorrect. The County appropriation is calculated based upon budgeted expenditures less actual state library aid received.

Corrective Action Taken: The Library began recording expenditures on its ledger quarterly, for salaries, benefits, and other items paid directly by the County, net of State aid collected by the County as the County appropriation. This method more closely approximates the County appropriation for the fiscal year.

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OTHER MATTERS

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January 20, 2011

Board of Trustees
Orangeburg County Library
County of Orangeburg, South Carolina

In planning and performing our audit of the financial statements of the Orangeburg County Library (the Library), for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) 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 Library's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and increasing operating efficiency. The following summarizes our comments and suggestions regarding those matters. We previously reported on the Library's internal control in our report dated January 20, 2011. This letter does not affect our report dated January 20, 2011, on the financial statements of the Library.

Capital Assets

Capital assets of the Library are owned and inventoried by the County and reported in the County's financial statements as the primary government's capital assets. Orangeburg County's policy is to capitalize all capital assets with a cost of $2,500 and over. The County inventories these assets and in addition, inventories computer equipment with a cost of $300 and over. The Library has developed a procedure to report assets to the County within the above criteria.

We noted that all assets which met the above criteria were not reported to the County.

We recommend that general ledger accounts be setup to post small capital purchases (items less than $2,500) and large capital purchases (greater than or equal to $2,500). The sheets used to report the capital purchases to the County should be retained and reconciled to the general ledger capital accounts.

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Purchasing

In the process of vouching the expenditures, we noted that two of nine expenditures tested, (where applicable) did not have purchase orders completed.

We recommend that the policy governing purchase order requirements already in place be followed.

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

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To the Board of Trustees
Orangeburg County Library
Orangeburg, South Carolina

We have audited the financial statements of the governmental activities and each major fund of Orangeburg County Library 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 22, 2010. Professional standards also require that we communicate to you 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 Library 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 estimate affecting the financial statements was:

> 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.

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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. The following material misstatement detected as a result of audit procedures was corrected by management.

	Net Effect on Fund Balance Increase (Decrease)
To adjust County appropriations	$ (27,114)

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 January 20, 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 Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McGregor + Company LLP

January 20, 2011
Orangeburg, South Carolina