ORANGEBURG-CALHOUN
REGIONAL DETENTION CENTER

REPORT ON FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

ORANGEBURG-CALHOUN REGIONAL DETENTION CENTER
ORANGEBURG, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Orangeburg-Calhoun Regional Detention Center
Orangeburg, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Orangeburg-Calhoun Regional Detention Center (the LEC), component unit of Orangeburg County, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the LEC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LEC'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, the business-type activities, and each major fund of the LEC as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary 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 March 25, 2011, on our consideration of the LEC'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 26 be presented to supplement the basic financial statement. 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 LEC 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 the 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
March 25, 2011

BASIC FINANCIAL STATEMENTS

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ -	$ 56,967	$ 56,967
Intergovernmental receivables	507,612	-	507,612
Other receivables	991	21,183	22,174
Total assets	508,603	78,150	586,753
LIABILITIES			
Due to primary government	330,906	-	330,906
Accounts payable	62,000	-	62,000
Accrued salaries	109,153	-	109,153
Compensated absences:			
Due within one year	76,473	-	76,473
Due in more than one year	110,047	-	110,047
Net OPEB obligation - Note 6	885,871	-	885,871
Total liabilities	1,574,450	-	1,574,450
NET ASSETS			
Unrestricted (deficit) - general fund	(1,065,847)	-	(1,065,847)
Unrestricted (deficit) - proprietary fund	-	78,150	78,150
Total net assets	$ (1,065,847)	$ 78,150	$ (987,697)

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF ACTIVITIES
FOR THE FISCAL 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	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Total
Governmental activities							
Regional Detention Center - Prisoner care	$ 5,686,048	$ 145,722	$ -	$ -	$ (5,540,326)		$ (5,540,326)
Business-type activities							
Regional Detention Center	90,909	98,898	-	-		$ 7,989	7,989
Total primary government	$ 5,776,957	$ 244,620	$ -	$ -	$ (5,540,326)	$ 7,989	$ (5,532,337)
GENERAL REVENUES:							
Payment from primary government					4,374,387	-	4,374,387
Payment from other government					725,155	-	725,155
Miscellaneous					664	6,737	7,401
Total general revenues					5,100,206	6,737	5,106,943
Change in net assets					(440,120)	14,726	(425,394)
Net assets - beginning of year					(625,727)	63,424	(562,303)
Net assets (deficit), end of year					$ (1,065,847)	$ 78,150	$ (987,697)

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

	General Fund/ Total
ASSETS	
Intergovernmental receivables	$ 507,612
Other receivables	991
Total assets	$ 508,603
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 62,000
Accrued salaries	109,153
Due to primary government	330,906
Total liabilities	502,059
FUND BALANCE	
Unreserved, undesignated (deficit)	6,544
Total fund balance	6,544
Total liabilities and fund balance	$ 508,603

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance (deficit) - Governmental fund	$	6,544
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		(186,520)
OPEB obligation		(885,871)
Net assets of governmental activities	$	(1,065,847)

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund/ Total
REVENUES	
Intergovernmental	$ 5,245,928
Total revenues	5,245,928
EXPENDITURES	
Salaries and benefits	3,789,463
Medical and health services	487,390
Utilities and telephone	166,209
Juvenile subsistence	38,730
Supplies	67,014
Food supplies	361,012
Office and copying	23,038
Prisoner care	54,304
Building maintenance	130,755
Travel and meetings	7,610
Insurance	56,729
Other	2,844
Vehicle expenditures	26,606
Capital expenditures - Note 9	27,680
Total expenditures	5,239,384
Excess of revenues over (under) expenditures	6,544
Net change in fund balance	6,544
Fund balance (deficit), beginning of year	-
Fund balance (deficit), end of year	$ 6,544

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balance - Total governmental fund	$	6,544
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 absence		(5,849)
Change in OPEB obligation		(440,815)
Change in net assets of governmental activities	$	(440,120)

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL 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						
Intergovernmental	$ 5,205,542	$ 5,205,542	$ 5,245,928	$ -	$ 5,245,928	$ 40,386
Total revenue	5,205,542	5,205,542	5,245,928	-	5,245,928	40,386
EXPENDITURES						
Salaries and benefits	3,548,742	3,548,742	3,789,463	-	3,789,463	(240,721)
Medical and health services	650,000	650,000	487,390	-	487,390	162,610
Utilities and telephone	189,900	192,300	166,209	-	166,209	26,091
Juvenile subsistence	50,000	50,000	38,730	-	38,730	11,270
Supplies	84,500	70,258	67,014	-	67,014	3,244
Food supplies	450,000	450,000	361,012	-	361,012	88,988
Office and copying	21,000	24,237	23,038	-	23,038	1,199
Prisoner care	55,000	55,000	54,304	(316)	53,988	1,012
Building and equipment maintenance	125,000	135,535	130,755	(9,325)	121,430	14,105
Travel and meetings	14,500	13,770	7,610	-	7,610	6,160
Insurance	54,500	54,500	56,729	-	56,729	(2,229)
Other	1,000	1,790	2,844	-	2,844	(1,054)
Vehicle expenditures	31,000	31,000	26,606	-	26,606	4,394
Capital expenditures	30,400	28,410	27,680		27,680	730
Total expenditures	5,305,542	5,305,542	5,239,384	(9,641)	5,229,743	75,799
Excess of revenues over (under) expenditures	(100,000)	(100,000)	6,544	9,641	16,185	116,185
Other financing sources (uses)						
Transfer in from Proprietary Fund	100,000	100,000	-	-	-	(100,000)
Net other financing sources (uses)	100,000	100,000	-	-	-	(100,000)
Net change in fund balance	$ -	$ -	6,544	9,641	16,185	$ 16,185
Fund balance, beginning of year			-	(9,641)	-	
Fund balance, end of year			$ 6,544	$ -	$ 16,185	

Encumbrances for supplies or services ordered but not received is reported in the year the orders are placed for budgetary purposes, but are reported in the year the supplies or services are received for GAAP purposes

Prior year encumbrances	$ 9,641
Current year encumbrances	-
Net increase in fund balance - GAAP to budget	$ 9,641

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Canteen Fund/ Total Proprietary Fund
ASSETS	
Cash and cash equivalents	$ 56,967
Proprietary fund receivables	21,183
Total assets	78,150
NET ASSETS	
Unrestricted	78,150
Total net assets	$ 78,150

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Canteen Fund/ Total Proprietary Fund
OPERATING REVENUES	
Canteen sales	$ 58,468
Telephone revenue	40,430
Miscellaneous revenue	6,737
Total revenues	105,635
OPERATING EXPENSES	
Work release	23,591
Administration	27,515
Benefit for inmates	38,553
Capital expenditures	1,250
Total operating expenses	90,909
OPERATING INCOME (LOSS)	14,726
Change in net assets	14,726
NET ASSETS, BEGINNING OF YEAR	63,424
NET ASSETS, END OF YEAR	$ 78,150

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Canteen Fund/ Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	104,200
Cash paid to suppliers		(89,659)
Net cash provided by (used in) operating activities		14,541
Net increase (decrease) in cash and cash equivalents		14,541
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		42,426
CASH AND CASH EQUIVALENTS, END OF YEAR	$	56,967
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	$	14,726
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities; (Increase) decrease in accounts receivable		(185)
Net cash provided by (used in) operating activities	$	14,541

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

ORANGEBURG - CALHOUN REGIONAL DETENTION CENTER
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND
JUNE 30, 2010

ASSETS	
Cash and cash equivalents	$ 37,766
Total assets	$ 37,766
LIABILITIES	
Due to others	$ 37,766
Total liabilities	$ 37,766

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Orangeburg-Calhoun Regional Detention Center (the LEC) was incorporated in 1982 to operate a jail which houses prisoners from Orangeburg and Calhoun counties in South Carolina. The LEC is governed by a seven-member board. Five board members are appointed by the Orangeburg County Council, and two board members are appointed by the Calhoun County Council. The LEC's budget must be approved by Orangeburg County Council. Both Orangeburg and Calhoun counties make annual appropriations to operate the LEC.

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 provides the Orangeburg-Calhoun Regional Detention Center (the LEC) with an annual appropriation which approximates the majority of the LEC's operating revenue, since Orangeburg County Council appoints members of the LEC's board, and since the LEC is required to submit its budget to Orangeburg County Council for approval, the LEC 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 LEC 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 LEC 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 LEC'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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Government-wide financial statements

The statement of net assets and the statement of activities display information about the LEC as a whole. These statements include the financial activities of the LEC, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the LEC that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities and business-type activities for the LEC at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the LEC's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants, and contributions that are restricted to meeting the operational and 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 LEC, 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 LEC.

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

2. Fund financial statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The LEC considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt acquisitions under capital leases are reported as other financial sources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the LEC finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Presentation

Fund accounting

The accounts of the LEC 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. LEC 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. LEC reports the following major funds:

Governmental Fund Type

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

Proprietary Fund Type

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with Government Accounting Standards Board Statement No. 20, the government applies all FASB statements and interpretations issued prior to November 30, 1989 in accounting and reporting for its proprietary operations. The LEC uses one proprietary fund type, enterprise.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The **Canteen fund** is the single enterprise fund maintained by the LEC. It is operated at the LEC to sell various snacks and personal hygiene items to the inmates. Its primary source of revenue is sales to inmates, through a private outside company and telephone commission.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

LEC reports the following other fund types:

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. The fiduciary fund used by the LEC is as follows:

The **agency fund** is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

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. Proprietary and fiduciary funds also use the 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.

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 expected to be liquidated with expendable available financial resources is reported as an expenditure in the governmental fund when it is paid.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The LEC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are shown net of an allowance for uncollectibles.

Capital assets

All capital assets of the LEC are owned by Orangeburg County pursuant to the County ordinance which created the LEC. Capital assets as reflected on the records of Orangeburg County, held for the benefit of the LEC totaled $11,125,491 at June 30, 2010.

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 LEC or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

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 – BUDGET

Prior to the beginning of the fiscal year, the LEC'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 LEC appropriation.

The LEC'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 LEC, and all changes to the budget must be approved by the LEC's Board of Trustees and Orangeburg County Council. Budget amounts reflected in the accompanying financial statements represent the original budget and any revisions.

NOTE 3 – CASH AND DEPOSITS

The LEC'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.

The LEC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the LEC's deposits was $94,733 and the bank balance was $104,651. All of the LEC's deposits at year-end were covered by federal depository insurance or by collateral held in the pledging financial institution's trust department in the County's name.

Amounts per Financial Statements are as follows:

Statement of Net Assets – Proprietary Fund, page 10	$ 56,967
Statement of Fiduciary Net Assets, page 13	37,766
	$ 94,733

NOTE 4 – RISK MANAGEMENT

The LEC 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 LEC 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 5 – PENSION PLAN

LEC 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 pension plans and are administered by the South Carolina Retirement Systems. 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.

Under South Carolina Retirement System (SCRS), employees are eligible for normal retirement with no reduction of benefits upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for the System is 1.82% of an employee's average final compensation multiplied by the number of years of credited service. Employees are vested after 5 years service. An early retirement option with reduced benefits is available as early as age 55. A group life 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, June 30, 2009, and June 30, 2008. LEC is required to contribute 9.24% of employees' compensation for the year ended June 30, 2010 (9.24% and 9.06% for the years ended June 30, 2009 and 2008) on their behalf and .15% of earnable compensation for group life insurance.

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 PORS is 2.14% of an employee's 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 line of duty as an annuity to the surviving spouse, children, or parents. Participating employees contribute 6.5% of their annual covered earnable compensation. LEC contributes on their behalf 10.65% in 2010 (10.65% in 2009 and 10.3% in 2008) of annual payroll plus an additional .2% of earnable compensation for group life and .2% of earnable compensation to provide accidental death benefits.

NOTE 5 – PENSION PLAN (continued)

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 Amount	Employer Amount	Total
June 30, 2010	$ 190,176	$ 302,515	$ 492,691
June 30, 2009	192,140	317,800	509,940
June 30, 2008	171,818	275,963	447,781

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

The LEC employees may participate in the 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 LEC 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 LEC to these plans. Employee contributions were $6,435 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 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.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Background

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

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

Plan Description

The County of Orangeburg's postemployment benefit plan in which the LEC 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.

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 LEC 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 LEC, no health and dental retirement benefits will be provided.

The LEC 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 LEC 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 LEC is 1%.

The LEC'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	$ 452,330
Interest on net OPEB obligation	14,884
Adjustment to annual required contribution	(21,909)
Annual OPEB cost (expense)	445,305
Estimated pay-as-you-go annual employer contributions	(4,490)
Increase (decrease) in net OPEB obligation	440,815
Net OPEB obligation, beginning of year	445,056
Net OPEB obligation, end of year	$ 885,871

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

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.

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 LEC'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	$ 449,546	1%	$ 445,056
June 30, 2010	$ 445,305	1%	$ 885,871

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:

	Detention Center
Actuarial accrued liability (AAL)	$ 3,642,019
Actuarial value of plan assets	-
Unfunded Actuarial accrued liability (UAAL)	$ 3,642,019
Funded ratio (actuarial value of plan assets (AAL)	0%
Covered payroll (active plan members)	$ 1,407,634
UAAL as a percentage of covered payroll	258.7%

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

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	$ 180,670
Additions	127,493
Subtractions	(121,643)
Accrued compensation absences, end of year	$ 186,520
Estimated amounts due within one year	$ 76,473

NOTE 8 – RELATED PARTY TRANSACTIONS

As discussed in Note 1, the LEC receives approximately 85 percent of its general fund revenue from Orangeburg County, of which it is a component unit. During the year ended June 30, 2010, this appropriation was $4,374,387. The LEC owes Orangeburg County $330,906 at June 30, 2010.

Additionally it receives approximately 14 percent of its general fund revenue from Calhoun County. During the year ended June 30, 2010, this appropriation was $725,155. The amount receivable from Calhoun County is $462,466 at June 30, 2010.

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

NOTE 9 – CAPITAL ASSETS

Orangeburg County owns and reports the capital assets of the LEC in excess of $2,500, therefore, the payment for these items is included in the LEC's operating activities rather than reporting the capital assets and debt service in the LEC's financial statements. (See Note 1) The following activity summarizes the reimbursement to Orangeburg County for these transactions:

	Governmental Activities	Business-type Activities
Capital assets (in excess of $2,500)	$ 5,598	$ -

NOTE 10 – CONTINGENT LIABILITIES

There are several lawsuits against the LEC pending with each involving inmates at the Detention Center. In all cases, the legal proceedings are ongoing and are being handled by the Office of Insurance Reserve Fund whose position is to defend the LEC's case vigorously. It is too early in the proceedings to determine any potential outcome but all should be covered by the Insurance Reserve Fund.

Additionally, the County received notice that certain persons working at the Detention Center may be due compensation for what is commonly referred to as "Off the Clock" time under the Fair Labor Standards Act (FLSA). The County has assisted the LEC in reviewing the matter.

At this time it appears that the FLSA claims are limited to two types and involves 13 employees over a period of two years. The current calculations, which are subject to change, are as follows: (1) $28,225 for one type of claim; and (2) approximately $87,000 for the other type of claim. An amount for attorneys' fees is expected to be demanded; however, a specific dollar demand for same has not yet been received. As to (2), as long as the employees are working for the LEC, this claim can be resolved via compensatory time off or in cash.

On March 22, 2011, the LEC voted to pay out the $28,225 and to have counsel for the relevant parties review the calculations and work on a resolution of the second type of claim as well as attorneys fees. As these amounts are an estimate and subject to change, an amount has not been accrued or recorded on the financial statements as of June 30, 2010. The estimated range of loss as discussed above is $28,225 - $87,000.

ORANGEBURG COUNTY LEC
ORANGEBURG, SOUTH CAROLINA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
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 LEC	6/30/2008	$ -	$ 3,642,019	$ 3,642,019	0.00%	$ 1,407,634	258.7%

The LEC 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.

McGregor & COMPANY LLP

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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-Calhoun Regional Detention Center
Orangeburg, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Orangeburg-Calhoun Regional Detention Center (LEC), a component unit of Orangeburg County, as of and for the year ended June 30, 2010, which collectively comprise the LEC's basic financial statements and have issued our report thereon dated March 25, 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 Orangeburg-Calhoun Regional Detention Center'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 LEC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LEC'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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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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 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, 2010-5 through 2010-8, to be material weaknesses.

A significant *deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompany schedule of findings and responses, 2010-1 through 2010-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orangeburg-Calhoun Regional Detention Center'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 Orangeburg-Calhoun Regional Detention Center in a separate letter dated March 25, 2011.

LEC's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit LEC'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 Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

McGregor + Company LLP

Orangeburg, South Carolina
March 25, 2011

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

2010-1 Meetings of the Board of Commissioners

Significant Deficiency

Conditions: The meetings of the board of commissioners were not held monthly or on a periodic basis. Meetings were consistently canceled throughout the first part of the fiscal year, although were held on a more consistent basis in the latter part of the fiscal year. In the review of the minutes of the meetings which were held, it remained difficult to tell whether items on the agenda are being discussed as information provided to the commissioners or whether the commissioners have approved the items. There were some actions documented as approved by the commissioners.

Criteria: Meetings should be held as stated in the County ordinance. Minutes should contain evidence of a motion to approve an item on the agenda and the result of board action – whether approved, postponed for further discussion, or denied.

Effect: It is unclear as to whether agenda items considered by the board were approved.

Recommendation: As noted above.

Response: Agree with the recommendation of the auditor.

2010-2 Cash – (Fiduciary Fund)

Significant Deficiency

Conditions: The inmate fund cash recorded in the fiduciary fund is not reconciled to the check book balance or to a subsidiary report which reflects the amount of cash held for the inmates. A reconciliation report is prepared but is reconciled to an incorrect checkbook balance as outstanding checks from closed inmate accounts are not deducted as outstanding checks on the reconciliation. The reconciliation also does not reconcile to the resident balance report as the outstanding checks need to be added back to the resident balance report as voided if not deducted on the cash reconciliation.

Criteria: A bank reconciliation should be prepared to reconcile the balance in the bank with the corrected balance per the checkbook. This should also be reconciled to the resident balance report.

Effect: The bank balance provided by the client for the fiduciary fund was not accurate.

Recommendation: As stated above.

Response: The Detention Center accountant and Swanson Services are working together to install system software that would generate the correct balance reports.

2010-3 Numerous Audit Adjustments

Significant Deficiency

Conditions: Orangeburg County provides accounting, payroll, and cash management services for the LEC. Although not material, several adjustments were made at the request of the accounting personnel when account balances were discovered to contain misstatements.

Criteria: The testing of accounts revealed that the account payable balance was not corrected for a prior year adjustment, the accounts payable detail was not reconciled to general ledger, and unrecorded receivables in the proprietary fund and general fund.

Effect: Accounts payable are not reconciled to the detailed supporting information. Revenues are understated, and expenditures are overstated.

Recommendation: Accounts payable recorded on the ledger should be reconciled to the detailed reports and corrections made when necessary. The LEC should inform the County's accounting personnel of amounts billed for services such as Federal Housing so that amounts billed for the year can be recorded in the appropriate period. Collections in the subsequent period should be reviewed to determine if they should be recorded as a receivable in the current period.

Response: Agree with the Auditor's recommendation.

2010-4 Emergency Dental Care

Significant Deficiency

Conditions: The LEC has established polices governing providing emergency dental care to inmates. We noted that the LEC is not retaining the completed "request for dental care" form as required by the policy nor is there a written agreement with the dental care providers as required by the policy. The policies governing the providing of emergency dental service is not clear as to what dental services should be provided and what dental services are considered emergency.

Criteria: Policies established by the LEC governing providing emergency dental care should be followed.

Effect: Dental care costs for inmates are not properly documented as to need and approval.

Recommendation: We recommend that the policy be amended to clarify which dental services and to what extent dental services are to be provided to inmates. Additionally, we recommend that procedures already established under the policy be followed by obtaining a written agreement with dental care providers. Additionally, the "inmate request for dental services" form should be completed by the inmate, the nurse, and the dentist and retained in the inmate's medical file.

Response: Dental policy will be reviewed and changed as deemed necessary and a written agreement will be obtained from the dental care provider. All inmate dental care is considered a medical necessity.

2010-5 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 LEC to have internal controls over financial reporting in place that will provide reasonable assurance that the LEC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In order for these controls to be effective, LEC personnel need to receive adequate training to allow them to prepare the LEC'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 LEC personnel have not received adequate training in preparing financial statements in accordance with GAAP, a material misstatement to the LEC's financial statements could occur and not be prevented or detected by the LEC's internal controls over financial reporting.

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

Response: The Law Enforcement Commission will get with the County's Finance Department on items and seek the necessary recommendation from them that is deemed appropriate.

2010-6 Capital Expenditures

Material Weakness

Conditions: The LEC has "financed" some capital purchases through the company providing the telephone services whereby monthly payments for the purchases are being deducted from the monthly commission payments to the LEC. These purchases are not reported to the County and therefore, have not been added into the County's capital asset records.

Criteria: Capital assets of the LEC are owned by Orangeburg County. The purchase of the assets are recorded as an expenditure on the LEC's ledger and capitalized on the County of Orangeburg's capital assets ledger. The County inventories assets over an established dollar level - $300 for computer equipment, $2,500 for all others.

Effect: Capital expenditures in excess of the established dollar levels purchased from the proprietary funds are not recorded in the County's capital assets records. Telephone commission revenue in the proprietary fund is understated by the amounts withheld for the capital purchase payments.

2010-6 Capital Expenditures (continued)

Recommendation: The capital purchases from the proprietary fund, which fit the capitalization criteria, should be reported to the County so that the County can inventory them. The telephone commission revenue should be reported at the gross amount with the amount withheld reported in expenditures of the proprietary fund.

Response: We will adhere to the County's policy regarding capital item purchases, and report all expenditures to the County, as required.

2010-7 Budgeting Process

Material Weakness

Conditions: The LEC's expenditures for salaries and benefits exceed the budgeted amount by $240,721. Although the director requested actual projected expenditures for salaries and benefits, the amount approved in the budget was substantially less than the actual amounts requested or the amounts incurred in prior years. The LEC has not cut staff positions so that salaries, benefits, or other expenditures would be in compliance with the amount approved. A contingency account was approved in the budget of $200,000 to reduce the possibility that expenditures would exceed appropriation, though the contingency was actually to provide for medical services.

Criteria: The budget should include all approved and projected expenditures based upon actual salary and benefits projections and other projected expenditures. If the projections exceed the amounts approved, then the LEC 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.

Effect: The budget is an ineffective tool for monitoring individual line item budgeted expenditures in compliance with the budget.

Recommendation: The budget should be developed and approved based upon actual projections.

Response: Agree with the recommendation of the auditor.

2010-8 Intergovernmental Receivable and Revenue – Calhoun County

Material Weakness

Conditions: Orangeburg County provides accounting, payroll and cash management services for LEC. The collection of the 2010 fourth quarter appropriations and supplemental or adjustment to the 2010 billings were recorded on the ledger as revenues in 2011 rather than recorded as a receivable or revenues in 2010. Additionally, the amounts billed for a portion of the prior years' agreed upon adjustment to the appropriations for Calhoun County's share of costs exceeding the budget were recorded in revenue in 2010. These amounts have already been recorded and recognized in prior years.

Criteria: The revenue recorded on the ledger should be recognized when measurable and available and should apply to the appropriate period.

Effect: Intergovernmental revenue is incorrect.

Recommendation: The County and the commission should establish a consistent procedure to bill and record Calhoun County for the amount appropriated by Calhoun County plus any agreed upon adjustments to the appropriation for Calhoun County's portion of actual costs in excess or under the budgeted expenditures.

Response: Agree with recommendation.

2009-1 Meetings of the Board of Commissioners

Significant Deficiency

Conditions and Criteria: The meetings of the board of commissioners were not held monthly or on a periodic basis. Meetings were consistently canceled throughout the year. In the review of the minutes of the meetings which were held, it was difficult to tell whether items on the agenda are being discussed as information provided to the commissioners or whether the commissioners have approved the items. Meetings should be held periodically or as stated in the County ordinance. Minutes should contain evidence of a motion to approve an item on the agenda and the result of board action – whether approved, postponed for further discussion, or denied.

Corrective Action Taken: The Board of Commissioners began meeting on a more regular basis in 2010. No changes noted on evidence of motions and actions approved by the Board of Commission. See 2010-1.

2009-2 Cash – (Fiduciary Fund)

Significant Deficiency

Conditions and Criteria: The inmate fund cash recorded in the fiduciary fund is not reconciled to the check book balance or to a subsidiary report which reflects the amount of cash held for the inmates. A reconciliation report is prepared but is reconciled to an incorrect checkbook balance and is not reconciled to the resident balance report. A bank reconciliation should be prepared to reconcile the balance in the bank with the corrected balance per the checkbook. This should also be reconciled to the resident balance report.

Corrective Action Taken: A reconciliation is being prepared which balances to a "checkbook balance report" developed by the programmer for the current account. The outstanding items from the accounts which have been closed and deposited into the new account are not accounted for in the reconciliation therefore the cash reconciliation does not reconcile to the resident balance report. See 2010-2.

2009-3 Numerous Audit Adjustments

Significant Deficiency

Conditions and Criteria: Although not material, numerous adjustments were made at the request of management when account balances were discovered to contain misstatements. The combination of control deficiencies in effective designs and operations of internal control and inadequate monitoring by those charged with governance indicate a significant deficiency even though adjustment may not be material to the financial statements. The testing of accounts revealed some exceptions as to account classifications, an unrecorded accounts payable, account payable balance not corrected for a prior year adjustment, accounts payable detail not reconciled to general ledger, and unrecorded receivables in the proprietary fund and general fund.

Corrective Action Taken: Invoices were posted to proper expenditure accounts. Other conditions discussed above still exist in 2010, see 2010-3.

2009-4 Preparation of Financial Statements

Significant Deficiency Considered a Material Weakness

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

Corrective Action Taken: No action taken, see 2010-5.

2009-5 Capital Expenditures

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The LEC has paid for capital expenditures which are considered to benefit the inmates from the proprietary fund cash. Additionally, some capital purchases have been "financed" by contracting with the company providing the telephone services with monthly payments being deducted from the monthly commission payments to the LEC. These purchases are not reported to the County and therefore, have not been added into the County's capital asset records. The LEC has also incorrectly posted capital items paid through the County purchasing system to repair and maintenance accounts. Capital assets of the LEC are owned by Orangeburg County. The purchase of the assets are recorded as an expenditure on the LEC's ledger and capitalized on the County of Orangeburg's capital assets ledger. The County inventories assets over an established dollar level - $300 for computer equipment, $2,500 for all others.

Corrective Action Taken: Capital expenditures paid from the general fund were posted to the appropriate expenditures accounts in 2010 and properly recorded by the County. No action has been taken to correct or change the accounting treatment of capital purchases "financed" by the proprietary fund, see 2010-6.

2009-6 Operating Deficit

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The LEC's expenditures exceeded the original appropriations and other budgeted revenue by the Orangeburg County Council and the Calhoun County Council by $660,425 in 2009. Although the director requested actual projected expenditures, the expenditures approved in the budget were substantially less than the actual amounts requested or the amounts incurred in prior years. The LEC has not cut expenditures or staff positions so that salaries, benefits, or other expenditures would be in compliance with the amount approved. The budget should include all approved and projected expenditures based upon actual salary and benefits projections and other projected expenditures. If the projections exceed the amounts approved, then the LEC 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 and appropriation from both counties made to cover increased expenditures when the appropriated revenue is less than actual expenditures incurred a deficit in the LEC's fund balance results.

Corrective Action Taken: The budget approved contained a contingency amount of $200,000 in order to reduce the potential for expenditures to exceed appropriated revenues. The budget for most expenditures more closely approximated actual than in prior years, although the salary and fringe budget was much less than actual and prior year actual with new temporary staff position approved for 2010. See 2010-7.

2009-7 Intergovernmental Receivable and Revenue – Calhoun County

Significant Deficiency Considered a Material Weakness

Conditions and Criteria: The collection of the 2008 fourth quarter appropriations and supplemental billing for Calhoun were recorded on the ledger as revenues in 2009 and not applied to the receivable. Additionally, the amount that was billed for 2009 was incorrect. Quarterly billings were prepared using differing reports cut-off dates which did not capture all costs through the closing of the quarters. The revenue recorded on the ledger should be recognized when measurable and available.

Corrective Action Taken: The quarterly billings were corrected to capture actual costs through the closing of the quarters, although by year end the billings were adjusted back to the budgeted appropriation amount. The fourth quarter billing and adjustment was not properly reflected in the ledger for 2010. See 2010-8.