

**CALHOUN COUNTY
ST. MATTHEWS, SOUTH CAROLINA**

SINGLE AUDIT REPORTS

YEAR ENDED JUNE 30, 2013

**CALHOUN COUNTY
ST. MATTHEWS, SOUTH CAROLINA**

SINGLE AUDIT REPORTS

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S 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*

To the County Council
Calhoun County, South Carolina
St. Matthews, South Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Calhoun County, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Calhoun County, South Carolina's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calhoun County, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Calhoun County, South Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

**INDEPENDENT AUDITOR'S 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**
(continued)

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 questioned costs to be material weaknesses. (2013-1)

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 Calhoun County, South Carolina's financial statements are free from 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*.

Calhoun County, South Carolina's Response to Findings

Calhoun County, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Calhoun County, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McShugor & Co. LLP

Orangeburg, South Carolina

December 23, 2013 except for additional testing described on page 3 as to which date is August 27, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Calhoun County Council
St. Matthews, SC

Report on Compliance for Each Major Federal Program

We have audited Calhoun County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Calhoun County's major federal programs for the year ended June 30, 2013. Calhoun County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

We noted after issuing the financial statements dated December 23, 2013, that Calhoun County was also subject to a single audit under OMB Circular A-133. The major federal program, USDA Rural Utilities Service loan, CFDA Number 10.781, had expenditures funded by interim financing. These expenditures were not originally considered federal expenditures. In further research, we noted that expenditures from commercial sources that will be repaid from proceeds of the RUS loan are considered Federal awards expended. The audit work was completed on August 27, 2014 which resulted in dual dating our letter on page 2.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Calhoun County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calhoun County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Calhoun County's compliance.

Opinion on Each Major Federal Program

In our opinion, Calhoun County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Calhoun County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Calhoun County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

**Report on Schedule of Expenditures of Federal Awards Required by OMB
Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Calhoun County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Calhoun County's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGregor & Co. LLP

August 27, 2014

**CALHOUN COUNTY, SOUTH CAROLINA
 SCHEDULE OF EXPENDITURES OF
 FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Through Department of Social Services:			
Office of Child Support Enforcement:			
Filing Fees	93.563	G-04SC404	\$ 6,750
Federal Financial Assistance	93.563	G-04SC404	35,484
Clerk of Court Incentive (IV-D)	93.563	G-04SC404	53,651
Family Court Filing Fees	93.563	G-04SC404	6,953
Sheriff's Department	93.563	G-04SC404	4,901
 CLTC Home Delivered Meals - Council on Aging	 93.045	 E-40456	 20,141
US EPA WATER PROTECTION DIVISION:			
Water system project	14.228	XP 95452211-0	22,990
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Through SC Emergency Management Division:			
LEMPG	97.042	11EMPG01	9,000
EMPG	97.042	12EMPG01	52,106
NATIONAL ENDOWMENT FOR HUMANITIES PASS THROUGH:			
SC Arts Commission	45.025	FY13-GOS	3,973
SC State Library	45.31	IID-12-01	9,615
US DEPARTMENT OF JUSTICE:			
Justice Assistance Grant-ARRA	16.607	2009-SB-B9-1275	471
US DEPARTMENT OF AGRICULTURE:			
Rural Utilities Service-Loan ARRA	10.781		<u>2,419,714</u>
GRAND TOTAL			<u><u>\$ 2,645,749</u></u>

CALHOUN COUNTY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR END JUNE 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Calhoun County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CALHOUN COUNTY, SOUTH CAROLINA
ST. MATTHEWS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Calhoun County.
2. One material weakness was disclosed during the audit of the financial statements and is reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Calhoun County were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal awards programs for Calhoun County were disclosed during the audit and is reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Calhoun County expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as major programs included:
 - Rural Utilities Service Loan CFDA# 10.781
8. The threshold used for distinguishing Type A and Type B programs was \$300,000.
9. Calhoun County was not determined to be a low-risk auditee.

CALHOUN COUNTY
ST. MATTHEWS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

Material Weakness

2013-1 Material Audit Adjustment

Condition: During our audit, we noted a correction that needed to be made to the books in order for the resulting financial statements to be presented in accordance with generally accepted accounting principles.

Criteria: The identification by the auditor of a material misstatement to be corrected through one or more proposed journal entries is indicative of a material weakness in internal control.

Cause: The entries were the result of either oversight on the part of finance staff or inability to determine how to make the necessary corrections.

Effect: Without the proposed entries being made, the financial statements would have been materially misstated as of and for the year ended June 30, 2013.

Recommendation: An attempt should be made by finance staff to reconcile liability accounts and transactions.

County response: This has been addressed with the finance staff and efforts will be made in the future to ensure that all material adjustments are made.

C. FINDINGS – MAJOR FEDERAL PROGRAM AUDIT

There were no findings.

**CALHOUN COUNTY
ST. MATTHEWS, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

A. Findings and Questioned Costs – Financial Statement Audit

Material Weaknesses

2012-1 Material Audit Adjustments

Criteria and Condition: The identification by the auditor of a material misstatement to be corrected through one or more proposed journal entries is indicative of a material weakness in internal control. During our audit, we noted corrections that needed to be made to the books in order for the resulting financial statements to be presented in accordance with generally accepted accounting principles.

Current status: See Finding 2013-1.