

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

Annual Financial Statements
and Supplementary Information
with Single Audit Section
Year Ended September 30, 2015
and Independent Auditor's Report



CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Orangeburg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orangeburg, South Carolina (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-18, budgetary comparison information on pages 64-67 and schedule of funding progress for the retiree health plan on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated , on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

f. W. Hunt and Company, LLP

March 15, 2016

City of Orangeburg
Orangeburg, South Carolina
Management's Discussion and Analysis (Unaudited)
September 30, 2015

The City of Orangeburg is presenting this analytical overview of the government's financial activities for the City for the Fiscal Year ended September 30, 2015. This overview should be read in conjunction with the financial statements that follow and the audit should be reviewed for more detailed information.

The City is comprised of many Departments which are included in the City's General Fund; Executive, Finance, Administration, Public Works, Public Safety, Parks & Recreation, Non-Operating and Service. The City has enterprise funds including the Department of Public Utilities, Airport, Pro Shop and the Municipal Golf Course as well as other Boards and Commissions. The Boards and Commissions are: Election, Hillcrest Golf Course, Board of Zoning Appeals, Construction Board of Adjustments and Appeals, Aviation, Planning, Grievance, and Accommodations Tax Advisory.

Priorities and Projects

The City of Orangeburg's accomplishments for the past fiscal year included:

- Improvements to the City's Spray Park
- Mirmow Field Renovations including paint, new gates, and benches
- Improvements to various playgrounds
- Orangeburg Welcome Signs refurbished
- Improvements to the Lady Fountain at the Edisto Memorial Gardens
- The City Gym Project on Broughton Street is nearing completion
- Another Phase of Russell Street Streetscape Completed

Rates and Changes

The City of Orangeburg maintains its revenues to support the citizens and its activities. The principal revenues streams are tax collections and business licenses not considering the transfer from the Department of Public Utilities. Some of our fees are very low compared to other cities or entities in the state. All charges and fees are related to the costs of providing its services to the City. The City reviews its rates annually during the budget process. An aggressive process of seeking the collection of delinquent accounts is maintained through various means.

The mill rate is currently 90 mills for FY 2014-15. It has been 90 mills since 2012.

Residential Sanitation fees are currently \$12 per month. Services include the pick-up of garbage and yard debris. Commercial Sanitation varies depending on the size of container and the number of times per week it is picked up.

There was a 3% Cost Of Living Increase for eligible employees during this fiscal year and no new positions were funded. Two part-time dispatchers were re-classified as full-time, which resulted in an overall increase in the budget of \$30,000. There was a 2% merit given to all permanent and part-time employees. All sworn officers were given anywhere from a \$2,000 to \$3,200 pay increase annually, including TERI and retired officers.

Employee insurance continues to be an issue anticipating increases each year. There was not an increase for FY 2014-15 due to lower claims.

There were several retirement and terminated payouts in this fiscal year of employees that retired or left and we had to pay them their annual leave that was \$154,081.

SC Retirement rates increased for the employee and employer as of July 1, 2015. The rates increased for SCRS from 10.9% to 11.06% and PORS increased from 13.41% to 13.74%.

To purchase capital equipment, the City borrowed \$601,533 to buy vehicles and equipment for Lease Purchase.

Areas of Growth

The Hospitality and Accommodations Tax Fund continues to grow. This area of revenue has steadily increased due to audits and increased collections. Since 2012, this revenue has increased approximately 15%.

Property taxes increase generally on assessed values. Annexations increase our tax base and collections; but this also increases costs in other areas such as police and fire protection, street maintenance and sanitation services. There were no annexations in FY 2014-15.

Financial Highlights from FY 2014-2015

As of September 30, 2015, the end of the fiscal year, the Government Wide assets of the City of Orangeburg exceeded its liabilities by \$25,585,537. Of this amount \$2,787,590 may be used to meet the government's ongoing needs.

Also, as of September 30, 2015, the total general fund balance is \$13,366,189; the unassigned fund balance for the General Fund was \$10,777,486. The unreserved fund balance is also undesignated and represents a traditional fund balance reserve that may be utilized for operating deficits, emergencies, liquidity, unforeseen needs and overall financial strength. City Council has indicated that expenditures of even a portion of this fund's balance for operational costs should be on a limited basis. Reserves may be used in the future to supplement capital projects. It may be necessary to expend a limited amount of fund balance in the upcoming years; however, projections focus on a positive economic outlook due to new construction.

The City governmental activities had a total of \$17,470,850 long term obligations beginning October 1, 2014 and issued \$601,533 debt for FY 2014-2015, including accrued annual leave. Long term obligations were reduced by the amount of \$883,168 leaving a total of \$2,125,950. Capital lease debt financed by BB&T of \$601,533 is secured by the equipment acquired. Net pension liability, accrued annual leave and other post employment benefits are also major forms of debt in the amounts of \$13,433,936, \$1,169,881, and \$2,045,274. The City does try to lower this debt by allowing employees to sell a portion of their annual leave at half price. Retired employees returning to work are not allowed to accrue annual leave for sale.

The City has adopted Governmental Accounting Standards Board Statement 45 *Accounting for Other Post-Employment Benefits* (GASB 45) for financial reporting for Other Post-Employment Benefits (OPEB) which includes retiree health, dental and vision insurance, prescription, long-term care insurance, life insurance and other benefits. The City has decided not to fund this GASB prescribed liability as it has successfully formulated and funded, on a pay as you go basis, an annual retiree medical plan for thirty years. Employees hired after December 31, 2009, will not have any health insurance post-employment benefits funded by the City which has greatly reduced the GASB liability. A Health Savings Account (HSA) is being offered. We continue to offer exceptional benefits to its employees and have established an off-site Clinic at the Regional Medical Center beginning in 2016 for employees that have insurance with the City.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. This discussion and analysis is intended to serve as an introduction and provide an analytical overview of the financial activities. The City's basic financial statements consist of three parts: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements themselves.

Government Wide Financial Statements - The government wide financial statements (Statement of Net Position and Statement of Activities) are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting used by most private-sector businesses. The Statement of Net Position and Statement of Activities report the City's net position and changes in net position. The change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has either improved or diminished.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements - A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Most of the City's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and (2) the balance left at year-end that is available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the fund financial statements.

Proprietary Fund - Services for which the City charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

Fiduciary Funds - The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring that assets reported in this fund are used only for its intended purpose and by those to whom the asset belongs. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance operations.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-63 of this report.

All of these funds are explained in greater detail in the upcoming sections of this analysis.

Revenues by Category (Fiscal Year to Year Comparisons)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund			
Property Taxes	\$ 3,479,722	\$ 3,300,417	\$ 3,362,198
Franchise Fees	147,068	145,380	141,595
Business Licenses	2,877,633	2,828,224	2,768,748
Permits	80,666	93,706	27,326
Intergovernmental	445,496	789,478	459,800
Fire Service	838,750	827,949	813,218
Sanitation Fees	1,080,422	1,093,887	1,076,914
Recreation	127,581	145,625	128,411
Fines & Forfeitures	633,887	623,122	645,400
Interest	30,046	15,151	20,809
Rentals	24,000	24,000	26,502
Miscellaneous Revenue	132,690	83,692	95,340
Other Financing Sources	601,533	646,300	551,303
Interfund Transfers	5,203,649	5,139,855	5,131,027
Sale of Fixed Assets	24,342	1,250,330	40,641
Enterprise Funds			
Airport	425,013	558,949	846,587
Pro Shop	90,038	91,961	111,008
Hillcrest Golf Course	346,644	367,031	417,566

Government-Wide Statements

Condensed Statement of Net Position:

As of September 30, 2015 and September 30, 2014

	2015 Governmental Activities	2015 Business Type Activities	2014 Governmental Activities	2014 Business Type Activities
Current and other assets	\$ 22,414,796	\$ 73,451,201	\$ 21,689,087	\$ 89,970,967
Capital assets (net)	22,330,948	240,047,098	19,612,084	221,507,371
Total assets	<u>44,745,744</u>	<u>313,498,299</u>	<u>41,301,171</u>	<u>311,478,338</u>
Deferred outflow of resources	1,494,591	1,905,402	-	-
Total assets and deferred outflow of resources	<u>46,240,335</u>	<u>315,403,701</u>	<u>41,301,171</u>	<u>311,478,338</u>
Other liabilities	1,895,278	20,719,618	1,663,872	22,775,466
Long term debt outstanding	17,779,667	54,481,385	4,514,999	34,361,109
Total liabilities	<u>19,674,945</u>	<u>75,201,003</u>	<u>6,178,871</u>	<u>57,136,575</u>
Deferred inflow of resources	979,856	1,562,109		
Total liabilities and deferred inflow of resources	<u>20,654,801</u>	<u>76,763,112</u>	<u>6,178,871</u>	<u>57,136,575</u>
Net position:				
Invested in capital assets, net of debt	20,209,244	208,917,359	17,204,501	190,150,693
Restricted	2,588,703	5,927,753	2,355,808	5,504,220
Unrestricted (deficit)	<u>2,787,590</u>	<u>23,795,477</u>	<u>15,561,991</u>	<u>58,686,850</u>
Total net assets	<u>\$ 25,585,537</u>	<u>\$ 238,640,589</u>	<u>\$ 35,122,300</u>	<u>\$ 254,341,763</u>

Condensed Statement of Activities:

For the years ended September 30, 2015 and September 30, 2014

Revenues:	2015 Governmental Activities	2015 Business Type Activities	2014 Governmental Activities	2014 Business Type Activities
Program revenues:				
Charges for services	\$ 5,851,675	\$ 99,507,061	\$ 5,783,421	\$ 102,821,817
Operating grants	548,006		879,687	-
Capital grants	555,572	83,862	133,095	1,058,054
General revenues:				
Property taxes	3,460,378	-	3,314,034	-
Other taxes	4,397,244	-	1,451,163	-
Franchise fees	147,068	-	145,380	-
Other revenues	74,200	-	1,414,981	(98,757)
Total revenues	<u>15,034,143</u>	<u>99,590,923</u>	<u>13,121,761</u>	<u>103,781,114</u>
Expenses:				
General government	2,718,712	-	2,495,888	-
Public Works	2,977,497	-	2,647,039	-
Public Safety	8,689,252	-	7,501,456	-
Culture/recreation	2,307,934	-	2,196,875	-
Service	650,851	-	648,506	-
Interest/long term debt	81,742	-	109,990	-
Public Utilities	-	90,247,709	-	91,364,476
Airport	-	1,158,275	-	1,232,279
Pro Shop	-	48,387	-	51,189
Golf Course	-	586,938	-	554,473
Total expenses	<u>17,425,988</u>	<u>92,041,309</u>	<u>15,599,754</u>	<u>93,202,417</u>
Increase (decrease) in net position before transfers	(2,391,845)	7,549,614	(2,477,993)	10,578,697
Transfers	<u>4,834,363</u>	<u>(4,834,363)</u>	<u>4,831,660</u>	<u>(4,831,660)</u>
Increase in net position	\$ 2,442,518	\$ 2,715,251	\$ 2,353,667	\$ 5,747,037
Beginning net position, as restated	<u>23,143,019</u>	<u>235,925,338</u>	<u>32,768,633</u>	<u>248,594,726</u>
Ending net position	<u>\$ 25,585,537</u>	<u>\$ 238,640,589</u>	<u>\$ 35,122,300</u>	<u>\$ 254,341,763</u>

The City's mid-year budget cuts, as well as departments watching their budgets allowed revenues to come in over expenditures this fiscal year adding \$532,454 to the City's governmental fund balance reserves. It is important to note that the City had originally anticipated using \$941,323 which was originally budgeted and then was reduced and amended to \$0 in the general fund. It should be noted that even with State budget cuts, the City continues to maintain services and has not increased fees or had lay-offs or furloughs.

The City's Utility Fund plays a large role in the funding of governmental services. The General Fund reported a \$5,494,016 deficit before the transfer of \$4,838,609 from the Department of Public Utilities.

After the transfer, sale of assets and lease proceeds of \$601,533, the General Fund had a net increase of \$335,508 to Fund Balance. DPU traditionally initiates a significant transfer to the City which is approved in the budget process by City Council. The overall stability of the business activities is of utmost consideration when transfers are set. In fact, the City's Department of Public Utilities has some of the lowest electric rates in the state and has very competitive rates on sewer, water, and natural gas. As the City continues to annex property, many customers are receiving a reduced water and sewer rate, the electric and natural gas rates are not affected.

The Municipal Airport had an operating loss of \$757,674 which includes depreciation of \$691,242 and a decrease in net position of \$733,262. The Hillcrest Golf Course and Pro Shop had a combined operating loss of \$297,176 including depreciation of \$71,096 and a decrease in net position of \$240,294.

DPU has presented a separate management discussion and analysis in the DPU financial statement section. It is important that DPU fully fund its operating costs through fees and rates to realize a net income allowing a return on investment to the citizens and taxpayers of the City.

Budget Analysis

Revenue increases are normal from one budget year to the next with consistent growth. Property taxes increase mainly due to reassessments; however, real growth in property value are not always reflected in tax revenues. Business licenses generally increase due to new businesses and new construction. However, in the past several years, this has not held true. With the shortfall in Local Government Funding, we have not been fully funded since 2008. The State wants to streamline business license processes and fees which may have a negative effect on our license revenue. The City is having to fund for indigent defense instead of the State funding it in the unified court system.

The City has a system in place to assure that total expenditures do not exceed revenues. As we begin the budget cycle for the upcoming year, there are only a few months remaining in the current fiscal year. It is at this point that we have a much clearer picture of projected year-end revenues and expenditures. These projections are reviewed with the Department Heads of the City and the expenditures are adjusted to bring them in line, as closely as possible, with conservative new projected revenues to minimize expending reserve funds. These changes are then adopted by City Council as an amended budget. City Council should be credited with allowing staff to manage finances, while providing responsible oversight and sound policy decisions.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. They are not reflected in the government wide statement. The City acts as a fiduciary for funds from delinquent property tax sales. Currently, as of September 30, 2015 the amount of \$32,988 is due trust fund holders as shown in Statement of Net Position, Fiduciary Funds.

The governmental activities of the City had a decrease of \$883,168 in outstanding debt during the last fiscal year. Debt is mainly in the form of capital equipment lease purchase items such as police cars, fire trucks, tractor and other equipment and capital projects from the Hospitality and Accommodations Tax Fund.

The Business type activities of the City had a decrease in debt of \$8,513 excluding accrued annual leave. Ending balance as of September 30, 2015 is \$2,125,950. Accrued annual leave is also shown under the General Fund Debt and Business Type Activities Debt.

In Other Government Funds, these funds had a net increase of \$196,946. The beginning balance for the year was \$7,842,534 and the ending balance was \$8,039,480.

Departmental Expenses (Fiscal Year to Year Comparisons)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund			
Executive	\$ 401,281	\$ 373,676	\$ 390,824
Finance	773,658	668,772	741,548
Administration	548,499	545,084	538,836
Public Works	2,554,529	2,281,655	2,170,994
Public Safety	7,249,411	6,688,023	6,700,539
Parks and Recreation	1,837,745	1,794,917	1,833,055
Non Operating Admin Service	1,427,512	2,435,153	2,070,783
	599,342	586,882	562,161
Enterprise Funds			
Airport	1,158,275	1,232,279	1,226,301
Pro Shop	90,038	91,961	111,008
Hillcrest Golf Course	597,923	554,473	591,483

Closing

With increases in expenses and cuts in local government funding, it is extremely difficult for the City not to diminish some fund balance yearly in order to balance the budget annually. This year we were lucky again and we were able to add to our fund balance. Our fund balance is available for access to continue the delivery of essential public services. It is important to note that the City has not had a lay off, furloughed employees, or reduced benefits.

During fiscal year 2014-2015, the City will be required to report a net pension liability for its participation in the South Carolina Retirement System and the Police Officer’s Retirement System. This is discussed in more detail in Note 1 of the financial statements.

This analysis is intended to provide the reader a brief overview of the City’s financial position. The audit should be reviewed for more detailed information and full explanation. Each annual budget is reviewed by staff and City Council in planning sessions and workshops to ensure good financial planning is ongoing and continues each year even during our mid-year projections. If you have any questions or need additional information, please contact me at 803-539-3713 at 979 Middleton Street, Orangeburg SC 29115 or email at Cjohnson@orangeburg.sc.us.

Thank you,

Carrie Johnson
Finance Director

**City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Management's Discussion and Analysis (Unaudited)
September 30, 2015**

Within this section of the Department of Public Utilities' (Department) annual financial report, the Department's management provides narrative discussion and analysis of the financial activities of the Department for the year ending September 30, 2015.

The Department is comprised of four separate operating Divisions: Electric, Natural Gas, Water and Wastewater. Each Division supports its operations through its own sales, revenues and fees and is each allocated administrative expenses on a percentage basis.

Overview of Basic Financial Statements

The Department is deemed an enterprise fund of the City of Orangeburg. The financial statement within the annual report for the Department provides information using an accrual basis of accounting similar to those used by the private sector. Detailed basic financial statements include: (1) Statement of Net Position which include all of the Department's assets and liabilities. Increases or decreases in the net position may serve as an indicator of whether the financial condition of the Department is improving or deteriorating, (2) Statement of Revenues, Expenses, and Changes in Net Position provides information to determine the Department's profitability and whether the Department successfully recovered all its costs through its rates and fees, (3) Statements of Cash Flows which report net changes in cash resulting from operations, investing and financing activities. Included within this analysis is a condensed version of the above noted statements with supporting comments. (4) Transfers to the City which are determined by City Council and are allocated per division based on each division's percentage of the Department's total sales.

Condensed Statements of Net Position

	<u>FY 2015</u>	<u>FY 2014</u>
Current assets	\$ 68,190,916	\$ 84,789,171
Non-current assets	5,927,753	5,504,220
Non-current assets (other)	1,411,711	1,512,500
Capital assets (net)	<u>231,981,474</u>	<u>213,879,119</u>
Total assets	<u>307,511,854</u>	<u>305,685,010</u>
Deferred outflows of resources	1,842,275	751,512
Total assets and deferred outflows of resources	<u>\$ 309,354,129</u>	<u>\$ 306,436,522</u>

Condensed Statements of Net Position (continued)

Current liabilities	\$ 20,757,960	\$ 22,804,535
Non-current liabilities	<u>53,649,262</u>	<u>52,358,063</u>
Total liabilities	<u>74,407,222</u>	<u>75,162,598</u>
Deferred inflows of resources	1,516,153	1,531,977
Total liabilities and deferred inflows of resources	<u>75,923,375</u>	<u>76,694,575</u>
Invested in capital assets, net of related debt	200,851,735	182,522,441
Restricted	5,927,753	5,504,220
Unrestricted	<u>26,651,266</u>	<u>41,715,286</u>
Total net position	<u>\$ 233,430,754</u>	<u>\$ 229,741,947</u>
Total net position and liabilities	<u>\$ 309,354,129</u>	<u>\$ 306,436,522</u>

Income before contributions and transfers totaled \$8,527,416. This represents a 3.7% return on equity to the citizens of Orangeburg. Total net position grew by \$3,688,807 during fiscal year 2015. The Department continues the safe and reliable delivery of utilities at the lowest reasonable price.

The Department has completed the deployment of all electric meters and natural gas modules of the AMI (Advanced Metering Infrastructure) project and has completed the first phase of the enterprise software conversion project. Each of these projects has multi-year timelines for completion. The goal of these projects is to provide more robust and reliable service to the citizens of Orangeburg as well as improved customer service.

The Department has completed approximately 75% of the construction on the rehabilitation of the wastewater treatment plant. The Department also completed construction of a new roof over one of the two finished water holding basins. These projects are aimed at maintaining a high quality of service for both water and wastewater customers.

The Department is finalizing construction of a six inch plastic natural gas line which will extend natural gas service from the intersection of US Hwy 176 and 301, north along US Hwy 301 to I-95. The Orangeburg County Development Commission has identified this area as the Global Logistics Triangle for its high growth potential regarding commercial and industrial development. The Department feels this investment in infrastructure will bolster sales growth for future periods.

Condensed Statement of Revenues, Expenses and Changes in Net Position by Division

Electric Division

	<u>FY 2015</u>	<u>FY2014</u>
Operating revenues	\$ 76,184,017	\$ 77,614,402
Non-operating revenues (expenses)	(800,180)	(244,926)
Contributed Capital	-	638,181
Total revenues	<u>75,383,837</u>	<u>78,007,657</u>
Electricity purchased	56,887,558	57,462,868
Depreciation expense	3,988,755	3,788,211
Other operating expense	7,625,747	8,513,805
Total expenses	<u>68,502,060</u>	<u>69,764,884</u>
Income before transfers	6,881,777	8,242,773
Transfers to City	<u>3,749,244</u>	<u>3,699,095</u>
Change in net position	<u>\$ 3,132,533</u>	<u>\$ 4,543,678</u>

Electric Division sales decreased slightly in volume between fiscal year 2014 and 2015. Electric Division operating revenues were also down slightly year over year due to this decrease in consumption. Total customers for the electric division fell slightly year over year in almost all rate classes. This trend is a worrisome economic indicator for the Department as the Electric Division generates the vast majority of the Department's free cash flow. Non-operating expenses increased during the year due mainly to charges associated with disposals and abandonments of certain obsolete assets.

The marginal cost of purchased electricity increased slightly due to our suppliers' increased fuel costs. The existing rate schedules contain provisions that automatically pass increases and decreases in purchase costs to customers so that the Department's margin on the service remains unchanged. Low non-operating revenue is due, in part, to continued low interest rates. Based upon the continued economic conditions, new construction expenses have been replaced by general maintenance project expense.

Because of the Energy Act of 2005, the FERC has mandated that electric suppliers such as the Electric Division must become compliant with numerous new regulations tied to homeland security issues. Failure to meet compliance deadlines could subject the Division to extensive fines. The Division is working to continue to be compliant under all regulations pertaining to the Division. There are significant costs involved in remaining compliant under such regulations. The Department continues projects that will increase the reliability and overall security of the utility system.

The Department increased certain electric distribution and service charges effective October 1, 2015. This was the first such increase in nearly eight years. These distribution and service charges generate all the Electric Division net operating profits. Due to the increasing cost of regulation, capital, maintenance, labor and changes agreed to in the Department's energy supply contract with South Carolina Electric and Gas, increases in these charges became necessary. The Department is aware of the impact rate increases have on the local economy and has maintained some of the lowest electric rates in the state and will continue to do so even through possible rate increases.

Condensed Statement of Revenues, Expenses and Changes in Net Position by Division

Gas Division

	<u>FY 2015</u>	<u>FY2014</u>
Operating revenues	\$ 8,858,900	\$ 10,945,861
Non-operating revenues (expenses)	14,718	27,494
Total revenues	<u>8,873,618</u>	<u>10,973,355</u>
Natural gas purchased	4,944,647	6,727,743
Depreciation expense	682,496	594,232
Other operating expense	2,084,934	2,074,533
Total expenses	<u>7,712,077</u>	<u>9,396,508</u>
Income before transfers	1,161,541	1,576,847
Transfers to City	<u>435,973</u>	<u>521,679</u>
Change in net position	<u>\$ 725,568</u>	<u>\$ 1,055,168</u>

Gas Division sales decreased approximately 5% in volume and revenues decreased nearly 19% between fiscal years 2014 and 2015. Operating revenues are modified over a period of time to levelize bills to customers, which contributed to part of the current year decrease in revenues. Historically low natural gas prices have encouraged the demand for natural gas deliveries.

Five large industrial customers purchase their own natural gas on the open market. The Department collects sales and profits solely from transportation of natural gas for these customers. There continues to be a risk of losing some industrial gas customers due to the effect of competition with alternate fuels, the delivery restrictions on the interstate pipeline infrastructure, and the reorganization of the gas business in this state. While this remains a concern, continued strong demand for natural gas and the acquisition of additional capacity on a supplying pipeline allowed the Department to meet these increased demand with adequate supply. Effective February 2015, Dominion Resources, Inc. acquired Carolina Gas Transmission. Carolina Gas Transmission was the Department's primary supplier of natural gas. This acquisition had little immediate effect on the Gas Division's day to day operations. Since November 1, 2006 the Department has been responsible for purchasing and arranging transportation for its entire load of natural gas.

The Division participates in the underground storage of natural gas to mitigate extreme price or demand fluctuations. Presently, the Division has the capacity to store approximately 167,000 dekatherms of natural gas. Storage gas is normally used during high price or high demand periods and replenished during low price or low demand periods. Federal regulations for safety and operations continue to increase and affect the way that natural gas utilities operate. Rate increases may be necessary to fund future compliance activities.

Condensed Statement of Revenues, Expenses and Changes in Net Position by Division

Water Division

	<u>FY 2015</u>	<u>FY2014</u>
Operating revenues	\$ 7,882,154	\$ 7,678,300
Non-operating revenues (expenses)	186,192	292,259
Contributed Capital	22,490	4,895
Total revenues	<u>8,090,836</u>	<u>7,975,454</u>
Depreciation expense	2,348,150	2,236,607
Other operating expense	<u>5,555,048</u>	<u>5,836,482</u>
Total expenses	<u>7,903,198</u>	<u>8,073,089</u>
Income before transfers	187,638	(97,635)
Transfers to City	<u>387,904</u>	<u>365,947</u>
Change in net position	<u>\$ (200,266)</u>	<u>\$ (463,582)</u>

Water Division sales decreased nearly 2% by volume. Operating revenues increased by approximately 2%. The Water Division had very little contributed capital during the prior two years, mainly as a result of the lack of construction projects in the area. The Water Division has seen very little total customer growth since the mid-2000's due to slower than average economic conditions.

The Water Division's depreciation and other operating expenses stayed relatively stable year over year, however general inflation of labor costs, consumables such as chemicals, utilities and miscellaneous products coupled with increasing repair expenditures as a result of the Division's aging infrastructure continue to drive operating costs higher. The Water Division continues to evaluate ways to grow sales, streamline operations and remain profitable.

Additions and improvements to the Water Plant in 2004 provide the Division with adequate water producing capacity for the foreseeable future. The Water Division has completed construction of a new roof over one of the two finished water holding basins. This project was necessary to maintain a high quality of service to water customers. As with most cities, the Division recognizes that it has considerable exposure from its aged distribution system and is addressing the challenges. With the increasing costs of maintaining aging infrastructure and lower sales volumes, future rate increases are necessary to maintain the quality of drinking water for the Orangeburg area.

Condensed Statement of Revenues, Expenses and Changes in Net Position by Division

Wastewater Division

	<u>FY 2015</u>	<u>FY2014</u>
Operating revenues	\$ 5,394,675	\$ 5,285,115
Non-operating revenues (expenses)	102,781	158,091
Contributed Capital	39,104	323,121
Total revenues	<u>5,536,560</u>	<u>5,766,327</u>
Depreciation expense	1,733,202	1,650,573
Other operating expense	3,506,898	3,427,832
Total expenses	<u>5,240,100</u>	<u>5,078,405</u>
Income before transfers	296,460	687,922
Transfers to City	<u>265,488</u>	<u>251,888</u>
Change in net position	<u>\$ 30,972</u>	<u>\$ 436,034</u>

Wastewater Division volumetric sales decreased by approximately 5% due to lower consumption of water by wastewater customers. Operating revenues increased by approximately 2% due to decreased consumption and rate increases enacted by City Council in April 2014. The impact of the rate increases was nearly offset by the decrease in consumption. Non-operating revenues increased slightly over the prior year due to increases in tap and impact fees. Contributed capital decreased due to the lack of construction projects in the area. Depreciation expense and other operating expense continue to increase year over year. This trend is due primarily to the increasing cost of labor, consumables such as chemicals, utilities and miscellaneous products coupled with increasing repair expenditures as a result of the Division's aging infrastructure.

As with most cities, the Division recognizes that it has considerable exposure from its aged distribution and treatment systems and is addressing the challenges. Projects aimed at addressing these problems, such as the wastewater treatment plant rehabilitation, require very large capital outlays. Rate increases will continue to be necessary in future years in order to maintain compliance with State and Federal regulations and continue to provide reliable service to the Orangeburg area.

Condensed Statement of Cash Flows

	<u>FY 2015</u>	<u>FY 2014</u>
Cash flow from operating activities	\$ 18,110,015	\$ 25,338,079
Transfer to the City and other entities	(4,838,609)	(4,838,609)
Cash flow for capital assets	(28,244,704)	(17,672,605)
Cash flow from financing and grants	14,360,544	1,793,196
Cash flow from investing activities	<u>7,654,552</u>	<u>1,894,440</u>
Net increase in cash and cash equivalents	7,041,798	6,514,501
Beginning cash and cash investments	<u>20,883,551</u>	<u>14,369,050</u>
Ending cash and cash investments	<u>\$ 27,925,349</u>	<u>\$ 20,883,551</u>

Budgeted spending on multi-year capital projects in fiscal year 2016 is anticipated to be approximately \$15,320,105, which is slightly less than budgeted capital spending in fiscal year 2015. Of these anticipated capital expenditures, approximately \$10,000,000 involving the rehabilitation of the wastewater treatment plant will be reimbursed by the SC State Revolving Fund through a drawdown bond which was issued in April 2014 to finance the project. Budgeted capital projects include the Administrative Division software replacement, the Electric Division rebuild of substation #10 and a 115 KV transmission line serving this substation, the Natural Gas Division gas line extensions in south eastern Orangeburg County, the Water Division AMI or advanced metering infrastructure and painting of certain elevated water storage tanks, and the Wastewater Division rehabilitation of the wastewater treatment plant.

Many of these projects are multi-year projects. The Department expects project expenditures to maintain these levels for the next several years. These investments in utility infrastructure will address expanding services, aging infrastructure and software improvements in an effort to provide more reliable services and improved customer service.

The Department strives to maintain certain financial metrics and ratios to ensure adequate liquidity and minimal operating leverage. All of the Department's cash is on deposit with high quality financial institutions. All of the Department's investments are comprised of United States Treasury bills, bonds and United States Agency bonds of limited term durations. Management is aware that major layoffs or industry relocations could cause significant reduction of revenue and or loss of collections. In the event significant economic problems occur, management may suspend any and all capital projects.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 5,253,809	\$ 22,073,104	\$ 27,326,913
Investments	14,296,695	21,028,696	35,325,391
Receivables:			
Bond proceeds	-	11,533,005	11,533,005
Current taxes	171,760	-	171,760
Delinquent taxes	3,622	-	3,622
State of South Carolina	217,785	-	217,785
Unbilled customer accounts	-	5,839,123	5,839,123
Other	169,071	4,195,309	4,364,380
Internal balances	2,184,810	(2,184,810)	-
Inventory	117,246	3,437,933	3,555,179
Other current assets	-	189,374	189,374
Total current assets	<u>22,414,798</u>	<u>66,111,734</u>	<u>88,526,532</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments:			
Customer deposits	-	3,855,279	3,855,279
Bond repayment	-	1,997,466	1,997,466
Self insurance fund	-	75,008	75,008
Capital assets, net	22,330,948	240,047,098	262,378,046
Other assets	-	1,411,711	1,411,711
Total noncurrent assets	<u>22,330,948</u>	<u>247,386,562</u>	<u>269,717,510</u>
Total assets	<u>44,745,746</u>	<u>313,498,296</u>	<u>358,244,042</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	1,494,591	1,905,402	3,399,993
Total deferred outflows of resources	<u>1,494,591</u>	<u>1,905,402</u>	<u>3,399,993</u>
Total assets and deferred outflows of resources	<u>\$ 46,240,337</u>	<u>\$ 315,403,698</u>	<u>\$ 361,644,035</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
GOVERNMENT-WIDE STATEMENT OF NET POSITION

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 536,716	\$ 6,845,317	\$ 7,382,033
Bank overdraft	124,091	-	124,091
Over billings	-	7,896,101	7,896,101
Withholdings and accrued expenses	239,096	397,955	637,051
Accrued salaries payable	-	599,116	599,116
Compensated absences, current	284,904	612,617	897,521
Other accrued expenses	-	321,569	321,569
Lease payable, current	710,469	-	710,469
Revenue bond payable, current	-	191,661	191,661
Total current liabilities	<u>1,895,276</u>	<u>16,864,336</u>	<u>18,759,612</u>
Current liabilities (payable from restricted assets):			
Customer deposits	-	3,855,279	3,855,279
Total current liabilities (payable from restricted net assets)	<u>-</u>	<u>3,855,279</u>	<u>3,855,279</u>
Noncurrent liabilities:			
Compensated absences	884,977	666,107	1,551,084
Lease payable	1,415,481	-	1,415,481
Revenue bond payable	-	30,938,078	30,938,078
Other post employment benefits payable	2,045,274	2,702,361	4,747,635
Net pension liability	13,433,936	20,174,839	33,608,775
Total noncurrent liabilities	<u>17,779,668</u>	<u>54,481,385</u>	<u>72,261,053</u>
Total liabilities	<u>19,674,944</u>	<u>75,201,000</u>	<u>94,875,944</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	979,856	1,562,109	2,541,965
Total deferred inflows of resources	<u>979,856</u>	<u>1,562,109</u>	<u>2,541,965</u>
Total liabilities and deferred inflows of resources	<u>20,654,800</u>	<u>76,763,109</u>	<u>97,417,909</u>
NET POSITION			
Net investment in capital assets	20,209,244	208,917,359	229,126,603
Restricted for:			
Self insurance fund	181,589	75,008	256,597
Customer deposits	-	3,855,279	3,855,279
Bond repayment	-	1,997,466	1,997,466
Inventory	117,246	-	117,246
Fire Equipment	176,212	-	176,212
Amount due from Hillcrest	1,187,526	-	1,187,526
Amount due from Municipal Airport	926,130	-	926,130
Unrestricted	<u>2,787,590</u>	<u>23,795,477</u>	<u>26,583,067</u>
Total net position	<u>25,585,537</u>	<u>238,640,589</u>	<u>264,226,126</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 46,240,337</u>	<u>\$ 315,403,698</u>	<u>\$ 361,644,035</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,718,712	\$ 8,005	\$ 323,285	\$ -	\$ (2,387,422)	\$ -	\$ (2,387,422)
Public works	2,977,497	4,106,408	24,792	472,847	1,626,550	-	1,626,550
Public safety	8,689,252	1,604,520	116,634	82,725	(6,885,373)	-	(6,885,373)
Parks and recreation	2,307,934	132,742	83,295	-	(2,091,897)	-	(2,091,897)
Service	650,851	-	-	-	(650,851)	-	(650,851)
Interest on long-term debt	81,742	-	-	-	(81,742)	-	(81,742)
Total governmental activities	<u>17,425,988</u>	<u>5,851,675</u>	<u>548,006</u>	<u>555,572</u>	<u>(10,470,735)</u>	<u>-</u>	<u>(10,470,735)</u>
Business-type activities:							
Public utilities	89,422,209	98,624,120	-	61,594	-	9,263,505	9,263,505
Municipal airport	1,158,275	400,432	-	24,581	-	(733,262)	(733,262)
Pro shop	48,387	90,038	-	-	-	41,651	41,651
Golf	586,938	300,747	-	-	-	(286,191)	(286,191)
Total business-type activities	<u>91,215,809</u>	<u>99,415,337</u>	<u>-</u>	<u>86,175</u>	<u>-</u>	<u>8,285,703</u>	<u>8,285,703</u>
Total government	<u>\$ 108,641,797</u>	<u>\$ 105,267,012</u>	<u>\$ 548,006</u>	<u>\$ 641,747</u>	<u>(10,470,735)</u>	<u>8,285,703</u>	<u>(2,185,032)</u>
			General revenues:				
			Property taxes		3,460,378	-	3,460,378
			Sales taxes		4,397,244	-	4,397,244
			Franchise taxes		147,068	-	147,068
			Interest income		41,987	89,411	131,398
			Sale of fixed assets		18,282	(825,500)	(807,218)
			Donated assets		13,931	-	13,931
			Transfers		4,834,363	(4,834,363)	-
			Change in net position		2,442,518	2,715,251	5,157,769
			Net position - beginning, as restated		23,143,019	235,925,338	259,068,357
			Net position - ending		<u>\$ 25,585,537</u>	<u>\$ 238,640,589</u>	<u>\$ 264,226,126</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and equivalents	\$ 185,502	\$ 5,068,307	\$ 5,253,809
Investments	11,196,365	3,100,330	14,296,695
Receivables (net of allowance for uncollectibles)	534,796	27,442	562,238
Due from other funds	71,116	89,134	160,250
Advances to other funds	2,113,656	-	2,113,656
Inventory	117,246	-	117,246
	<hr/>		
Total assets	<u>\$ 14,218,681</u>	<u>\$ 8,285,213</u>	<u>\$ 22,503,894</u>
LIABILITIES			
Accounts payable	\$ 290,983	\$ 245,733	\$ 536,716
Bank overdrafts	124,091	-	124,091
Withholdings and accrued expenses	239,096	-	239,096
Due to other funds	89,096	-	89,096
Total liabilities	<u>743,266</u>	<u>245,733</u>	<u>988,999</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>109,226</u>	-	<u>109,226</u>
Total deferred inflows of resources	<u>109,226</u>	-	<u>109,226</u>
FUND BALANCES			
Nonspendable:			
Inventory	117,246	-	117,246
Amount due from Hillcrest Golf Course	1,187,526	-	1,187,526
Amount due from Municipal Airport	926,130	-	926,130
Restricted for:			
Capital projects	-	6,217,184	6,217,184
Tourism related expenditures	-	1,526,486	1,526,486
Law enforcement	-	38	38
Self insurance	181,589	-	181,589
Committed for:			
Firemen's equipment	176,212	102,386	278,598
Law enforcement	-	60,791	60,791
Capital projects	-	29,011	29,011
Cemetery maintenance	-	90,491	90,491
Other purposes	-	13,093	13,093
Unassigned	10,777,486	-	10,777,486
Total fund balances	<u>13,366,189</u>	<u>8,039,480</u>	<u>21,405,669</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,218,681</u>	<u>\$ 8,285,213</u>	<u>\$ 22,503,894</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 21,405,669
Delinquent taxes receivable will be collected after year-end, but are not available soon enough to pay for current period's expenditures and, therefore, are reported as deferred revenue in the funds.	109,226
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	22,330,948
Long-term liabilities are not due and payable in the current period, and are not reported in the funds:	
Capital leases	(2,125,950)
Accrued annual leave	(1,169,881)
Other post-employment benefits	(2,045,274)
Deferred Inflows/Outflows	514,735
Net Pension Liability	<u>(13,433,936)</u>
Net position of governmental activities	<u><u>\$ 25,585,537</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 3,479,722	\$ -	\$ 3,479,722
Sales taxes	-	4,397,244	4,397,244
Franchise taxes	147,068	-	147,068
Licenses and permits	2,958,299	-	2,958,299
Fines and forfeitures	633,887	2,425	636,312
Charges for services	2,046,753	18,449	2,065,202
Interest income	30,046	11,941	41,987
Miscellaneous	156,690	13,614	170,304
Contributions	-	109,933	109,933
Intergovernmental	445,496	569,706	1,015,202
Total revenues	<u>9,897,961</u>	<u>5,123,312</u>	<u>15,021,273</u>
EXPENDITURES			
Current:			
General government	2,515,347	-	2,515,347
Public works	2,148,124	-	2,148,124
Public safety	7,110,675	351,757	7,462,432
Parks and recreation	1,670,887	80,045	1,750,932
Service	583,362	47	583,409
Debt service:			
Principal	540,241	342,927	883,168
Interest	81,742	-	81,742
Capital outlay:			
General government	13,620	-	13,620
Public works	406,405	-	406,405
Public safety	138,736	3,782,304	3,921,040
Parks and recreation	166,858	-	166,858
Service	15,980	-	15,980
Total expenditures	<u>15,391,977</u>	<u>4,557,080</u>	<u>19,949,057</u>
Excess (deficiency) of revenues over expenditures	<u>(5,494,016)</u>	<u>566,232</u>	<u>(4,927,784)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,203,649	20,000	5,223,649
Operating transfers out	-	(389,286)	(389,286)
Lease proceeds	601,533	-	601,533
Sale of general capital assets	24,342	-	24,342
Total other financing sources (uses)	<u>5,829,524</u>	<u>(369,286)</u>	<u>5,460,238</u>
Net change in fund balances	335,508	196,946	532,454
FUND BALANCES, BEGINNING OF YEAR	<u>13,030,681</u>	<u>7,842,534</u>	<u>20,873,215</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,366,189</u>	<u>\$ 8,039,480</u>	<u>\$ 21,405,669</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Net changes in fund balances - total governmental funds		\$ 532,454
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases	\$ 4,523,903	
Depreciation expenses	<u>(1,812,912)</u>	2,710,991
Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of asset(s) that were sold. The statement of activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.		
		(6,061)
In the statement of activities, revenue from capital assets contributed to the City is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.		
		13,931
Repayment of debt principal is an expenditure in the governmental funds while the repayment reduces long-term liabilities in the statement of net assets. Lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets:		
Capital lease proceeds	(601,533)	
Capital lease obligation principal payments	883,168	
Note payable principal payments	<u>-</u>	281,635
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:		
Accrued annual leave	(7,662)	
Deferred Inflows/Outflow	514,735	
Pension Liability	(1,454,655)	
Other post-employment benefits obligation	<u>(123,506)</u>	(1,071,088)
Some property taxes will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenue in governmental funds.		
Amounts not meeting prior year availability criteria are recognized in governmental funds in the current year.	(128,570)	
Amounts not meeting current year availability criteria are not recognized in governmental funds in the current year.	<u>109,226</u>	<u>(19,344)</u>
Change in net position of governmental activities		<u>\$ 2,442,518</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 22,072,604	\$ 500	\$ 22,073,104
Investments	21,028,696	-	21,028,696
Accounts receivable, net	3,941,867	19,321	3,961,188
Unbilled customer accounts receivable	5,839,123	-	5,839,123
Bond proceeds receivable	11,533,005	-	11,533,005
Other receivables	231,808	2,313	234,121
Inventories	3,354,439	83,494	3,437,933
Due from other funds	-	18,295	18,295
Other current assets	189,374	-	189,374
Total current assets	68,190,916	123,923	68,314,839
Noncurrent assets:			
Restricted assets:			
Cash:			
Customer deposits	3,855,279	-	3,855,279
Bond repayment	1,997,466	-	1,997,466
Investments:			
Self insurance fund	75,008	-	75,008
Capital assets:			
Property, plant and equipment net of accumulated depreciation	200,889,114	6,234,134	207,123,248
Property, plant, and equipment not being depreciated	31,092,360	1,831,490	32,923,850
Other noncurrent assets	1,411,711	-	1,411,711
Total noncurrent assets	239,320,938	8,065,624	247,386,562
Total assets	307,511,854	8,189,547	315,701,401
DEFERRED OUTFLOWS OF RESOURCES			
Deferred inflows of resources	1,842,275	63,127	1,905,402
Total deferred inflows of resources	1,842,275	63,127	1,905,402
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 309,354,129	\$ 8,252,674	\$ 317,606,803

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

	Business-type Activities - Enterprise Funds		
	Public	Other	Total
	Utilities	Enterprise Funds	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,806,830	\$ 38,487	\$ 6,845,317
Over billings	7,896,101	-	7,896,101
Due to other funds	89,449	-	89,449
Withholdings and accrued expenses	397,955	-	397,955
Accrued salaries payable	599,116	-	599,116
Accrued compensated absences	600,000	12,617	612,617
Other accrued expenses	321,569	-	321,569
Current portion of revenue bonds payable	191,661	-	191,661
Total current liabilities	<u>16,902,681</u>	<u>51,104</u>	<u>16,953,785</u>
Current liabilities (payable from restricted assets):			
Customer deposits	3,855,279	-	3,855,279
Total current liabilities (payable from restricted net assets)	<u>3,855,279</u>	<u>-</u>	<u>3,855,279</u>
Noncurrent liabilities:			
Advances from other funds	-	2,113,656	2,113,656
Accrued compensated absences	594,671	71,436	666,107
Bonds payable	30,938,078	-	30,938,078
Other post employment benefit obligation	2,594,015	108,346	2,702,361
Net Pension Liability	19,522,498	652,341	20,174,839
Total noncurrent liabilities	<u>53,649,262</u>	<u>2,945,779</u>	<u>56,595,041</u>
Total liabilities	<u>74,407,222</u>	<u>2,996,883</u>	<u>77,404,105</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	1,516,153	45,956	1,562,109
Total deferred inflows of resources	<u>1,516,153</u>	<u>45,956</u>	<u>1,562,109</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	<u>\$ 75,923,375</u>	<u>\$ 3,042,839</u>	<u>\$ 78,966,214</u>
NET POSITION			
Invested in capital assets, net of related debt	200,851,735	8,065,624	208,917,359
Restricted for self insurance	75,008	-	75,008
Restricted for customer deposits	3,855,279	-	3,855,279
Restricted for bond repayment	1,997,466	-	1,997,466
Unrestricted	26,651,266	(2,855,789)	23,795,477
Total net position	<u>233,430,754</u>	<u>5,209,835</u>	<u>238,640,589</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 309,354,129</u>	<u>\$ 8,252,674</u>	<u>\$ 317,606,803</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
OPERATING REVENUES:			
Utility sales and wastewater service	\$ 98,319,746	\$ -	\$ 98,319,746
Pro shop sales	-	63,504	63,504
Food sales	-	26,121	26,121
Oil and fuel sales	-	324,150	324,150
Rentals and other	-	76,695	76,695
Green fees, cart rentals and memberships	-	288,080	288,080
Capital projects revenue	-	12,667	12,667
	<hr/>		
Total operating revenues	98,319,746	791,217	99,110,963
OPERATING EXPENSES:			
Cost of goods sold	61,832,205	288,100	62,120,305
Operating and maintenance	9,532,707	222,559	9,755,266
Administrative	9,239,920	531,419	9,771,339
Depreciation and amortization	8,752,603	762,338	9,514,941
	<hr/>		
Total operating expenses	89,357,435	1,804,416	91,161,851
	<hr/>		
OPERATING INCOME (LOSS)	8,962,311	(1,013,199)	7,949,112
NON-OPERATING REVENUES (EXPENSES):			
Gain (loss) on disposal of property	(825,500)	10,985	(814,515)
Water impact and tap fees	163,412	-	163,412
Wastewater impact and tap fees	140,962	-	140,962
Interest income	89,411	-	89,411
Interest expense	(64,774)	(169)	(64,943)
	<hr/>		
Total non-operating revenues (expenses)	(496,489)	10,816	(485,673)
	<hr/>		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	8,465,822	(1,002,383)	7,463,439
Capital contributions - grants	61,594	24,581	86,175
Transfers in	-	45,897	45,897
Transfers out	(4,838,609)	(41,651)	(4,880,260)
	<hr/>		
CHANGES IN NET POSITION	3,688,807	(973,556)	2,715,251
	<hr/>		
NET POSITION - BEGINNING OF YEAR, AS RESTATED	229,741,947	6,183,391	235,925,338
	<hr/>		
NET POSITION - END OF YEAR	\$ 233,430,754	\$ 5,209,835	\$ 238,640,589
	<hr/>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 101,860,994	\$ 795,612	\$ 102,656,606
Cash payments to suppliers for goods and services	(75,380,538)	(494,932)	(75,875,470)
Cash payments to employees	(8,370,441)	(479,671)	(8,850,112)
Net cash provided (used) by operating activities	<u>18,110,015</u>	<u>(178,991)</u>	<u>17,931,024</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to others	-	220,869	220,869
Transfers out	(4,838,609)	4,246	(4,834,363)
Net cash provided (used) by noncapital financing activities	<u>(4,838,609)</u>	<u>225,115</u>	<u>(4,613,494)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(28,244,704)	(73,008)	(28,317,712)
Proceeds from sale of capital assets	-	10,985	10,985
Proceeds from bonds	14,286,289		14,286,289
Principal payment of capital leases	-	(8,513)	(8,513)
Principal paid on capital debt	(226,939)	-	(226,939)
Interest paid on capital debt	(64,774)	-	(64,774)
Interest payments on lease	-	(169)	(169)
Water impact and tap fees	163,412	-	163,412
Wastewater impact and tap fees	140,962	-	140,962
Proceeds from capital grants	61,594	24,581	86,175
Net cash used by capital and related financing activities	<u>(13,884,160)</u>	<u>(46,124)</u>	<u>(13,930,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment interest	89,411	-	89,411
Purchases of investments	(15,664,859)	-	(15,664,859)
Proceeds from maturity of investments	23,230,000	-	23,230,000
Net cash provided by investing activities	<u>7,654,552</u>	<u>-</u>	<u>7,654,552</u>
NET INCREASE IN CASH AND EQUIVALENTS	7,041,798	-	7,041,798
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	20,883,551	500	20,884,051
CASH AND EQUIVALENTS AT END OF YEAR	\$ 27,925,349	\$ 500	\$ 27,925,849

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Public</u> <u>Utilities</u>	<u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 8,962,311	\$ (1,013,199)	\$ 7,949,112
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	9,316,849	762,338	10,079,187
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer accounts receivable	(115,802)	-	(115,802)
Unbilled receivables	(136,169)	-	(136,169)
Other receivables - operating	981,871	4,395	986,266
Inventories	824,564	20,332	844,896
Other prepaid expenses	(189,374)	-	(189,374)
Other noncurrent assets	100,789	-	100,789
Employee benefits	-	-	-
Deferred outflows	(1,090,763)	(63,128)	(1,153,891)
Increase (decrease) in:			
Accounts payable	(5,612,901)	(4,605)	(5,617,506)
Over billing	2,393,109	-	2,393,109
Sales tax payable	298,387	-	298,387
Withholdings and accrued expenses	298,059	-	298,059
Accrued compensated absences	67,507	1,867	69,374
Accrued salaries	157,069	-	157,069
Other post employment benefits obligation	102,283	6,025	108,308
Due to City of Orangeburg - General Fund	(1,337)	-	(1,337)
Customer deposits payable	418,239	-	418,239
Net pension liability	1,351,148	61,028	1,412,176
Deferred inflows	(15,824)	45,956	30,132
Net cash provided (used) by operating activities	<u>\$ 18,110,015</u>	<u>\$ (178,991)</u>	<u>\$ 17,931,024</u>
RECONCILIATION OF TOTAL CASH AND CASH INVESTMENTS:			
Cash on hand and in bank	\$ 22,072,604	\$ 500	\$ 22,073,104
Restricted cash - customer deposits	3,855,279	-	3,855,279
Restricted cash - bond repayment	1,997,466	-	1,997,466
Total cash and cash equivalents	<u>\$ 27,925,349</u>	<u>\$ 500</u>	<u>\$ 27,925,849</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

	<u>Delinquent Tax Collector Agency Fund</u>
ASSETS	
Cash	<u>\$ 32,988</u>
Total assets	<u>32,988</u>
LIABILITIES	
Due to trust fund holders	<u>32,988</u>
Total liabilities	<u>32,988</u>
NET POSITION	<u><u>\$ -</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

The City of Orangeburg, South Carolina (City) was incorporated under an Act of the General Assembly of the State of South Carolina (State) on December 24, 1883, and operates under the Council form of government.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented.

The City has been defined as a primary government under the criteria established by GASB. The criteria include an elected governing body by the citizens of the City of Orangeburg, a legally separate entity and fiscally independent of other state and local government entities.

Government-Wide and Fund Financial Statements:

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the City. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to earned vacation pay, other post-employment benefits, and claims and judgments, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

The government reports the following major governmental fund:

General Fund

The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The government reports the following major enterprise fund:

Public Utilities

The public utilities fund accounts for the user charges, fees, and other resources and all costs associated with the operation of the water and sewer systems and the electricity and gas systems of the City.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

The government reports the following non major enterprise funds:

Municipal Airport

The municipal airport fund accounts for the fuel sales, hangar rents, and grant income and all costs associated with the operations of the municipal airport of the City.

Pro Shop

The pro shop fund accounts for merchandise and food sales and rentals related to the golf course of the City along with all costs associated with the operation of the pro shop.

Golf Course

The golf course fund accounts for user fees and all costs associated with the operation of the City's golf course.

Additionally, the government reports the following fund types:

Capital Projects

The capital projects fund accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Debt Service

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Special Revenue

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Fiduciary Funds

The delinquent tax collector fund accounts for the City's collection of delinquent taxes. This agency fund accounts for monies held on behalf of others.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and certificates of deposit with initial maturities of three months or less.

Deposits and Investments

The City is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and its agencies.
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a debt rating in one of the top two ratings categories.
3. General obligations of the State of South Carolina or any of its political units or revenue obligations of the State of South Carolina or its political units with appropriate credit ratings
4. Savings and loan associations to the extent that the same are insured by an agency of the Federal government.
5. Certificates of deposit which are secured by securities described in (1) and (2) above held by a third party custodian, of a market value not less than the face value of the certificate, including accrued interest; however such collateral shall not be required to the extent the certificates are insured by an agency of the Federal government.
6. Repurchase agreements when collateralized as outlined above.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

7. Certain no load open-end or closed-end management type investment companies or trusts registered under the Investment Company Act of 1940 or operating in a manner consistent with that Act.
8. A political subdivision receiving Medicaid funds appropriated by the General Assembly may utilize appropriated funds to participate in principal protected investments in the form of notes, bonds, guaranteed investment contracts, debentures or other contracts issued by a bank chartered in the United States or agency of a bank if chartered in the United States. No more than forty percent of the appropriated funds may be invested in the manner provided in this item.

State law also requires the City to secure its deposits with either Federal Deposit Insurance, surety bonds, pledged securities as described above or a qualified irrevocable letter of credit.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the year are referred to as due to/from other funds (current inter-fund loans) or advances to/from other funds (non-current portion of inter-fund loans).

Advances between funds are offset by a fund balance reserve account in the applicable government funds to indicate that they are not available for appropriation and are not available financial resources.

Inter-fund transfers represent permanent reallocation of resources between funds. Inter-fund transfers are eliminated in the statement of activities.

Reserve for Bad Debts

The recorded reserve is approximately 1.52% of accounts receivable at September 30, 2015, which management feels is a reasonable estimate. The provision for bad debts is reported as a reduction in operating revenues, not as an expense.

Inventory

The City's inventories are valued at the lower of cost or market (first-in, first-out). The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Amounts reported as inventory in the General Fund are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of assets. Inventories in the Municipal Airport and Hillcrest Pro Shop proprietary funds consist of supplies and items held for resale.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

Inventories in the Department of Public Utilities proprietary fund consist of fuel for sale and materials for operating and maintenance and improving property and plant and are recorded at average cost.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, sidewalks, water and sewer delivery systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Governmental funds capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life (Years)</u>
Building and machinery	40
Water and sewer systems	50
Infrastructure	25
Major improvements	20
Furniture and fixtures	5
Equipment	5-10

Amortization of capital leases is included in depreciation expense.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

The buildings, equipment and vehicles in other proprietary funds are depreciated using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life (Years)</u>
Airport:	
Building	30-39
Runways	20
Vehicles	5
Equipment	3-20
Pro Shop:	
Buildings	30-39
Vehicles	5
Equipment	3-20
Public Utilities:	
Electric system	25-50
Gas system	35-50
Water system	30-100
Wastewater system	40-60
Buildings	45
Warehouse	25
Fiber optics and SCADA systems (part of the electric system)	12-30
Tools	3-7
Furniture and fixtures	3-20

Accrued Annual Leave

The City's policy is to permit employees to accumulate leave depending upon length of service. The maximum leave which may be accrued is 1,080 hours for persons with twenty or more years of service (calculated as hours earned times hourly rate). There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

Fund Balance

The usefulness of fund balance information is enhanced by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental

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NOTES TO THE FINANCIAL STATEMENTS

fund type definitions. Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The City classifies governmental fund balances as follows:

Nonspendable - includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, long-term portion of loans receivable, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

Restricted - includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts or (d) imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action taken by the City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed; in addition, such assignments are made by the City manager.

Unassigned - includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are classified as invested in capital assets net of related debt, restricted, and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, including accrued interest, used for the

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acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of unbilled customer accounts receivable, the calculation of post employment benefits other than pension, and the calculation of net pension liability.

Subsequent Events:

The City has considered subsequent events through March 10, 2016, the date of issuance, in preparing the financial statements and notes.

Recent Accounting Pronouncements:

During the year, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) effective for plan fiscal years beginning after June 15, 2014 and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to Measurement Date* (GASB 71) effective for plan fiscal years beginning after June 15, 2014. The primary objective of GASB 68 was to improve accounting and financial reporting by state and local governments for pensions. Entities who participate in a cost-sharing multiple employer plan are now required to recognize a liability for its proportionate share of the net pension liability of that plan. It was GASB's intention that GASB 68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered. The purpose of GASB 71, which was required to be implemented simultaneously with GASB 68, is to eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of GASB 68. The impact of the implementation of GASB 68 and 71 is discussed in further detail in *Note 9* and *Note 14*.

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NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

At September 30, 2015 the City had the following investments:

	Amortized <u>Cost</u>	Fair <u>Value</u>	Weighted Average Maturity <u>(Years)</u>
Money Market Funds	\$ 430,298	\$ 430,298	
U.S. Treasuries Bonds and Notes	12,066,992	12,081,719	1.23
U.S. Agency Securities	8,606,414	8,664,778	2.42
State Treasurer's investment pool	14,296,695	14,296,695	
	<u>\$ 35,400,399</u>	<u>\$ 35,473,490</u>	
Total investments			

Investments are carried at amortized cost which approximates market value. The City invests in the State Treasurer's South Carolina Local Government Investment Pool which is an unrated investment trust fund, not required to register with the Securities and Exchange Commission. The fair value of the investment in the pool is the same as the value of the pool shares.

Interest Rate Risk

The City does not have a formal investment policy that would limit investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. However, the City limits its risk by restricting its investment maturities to no more than one year.

Credit Risk

The City has no investment policy that would limit its investment choices other than those that are mandated by State law.

Concentration of Credit Risk

The City places no limit on the amount that can be invested with any one issuer.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's custodial credit risk policy is to use only high quality financial institutions for its deposits. In addition, its policy is to comply with the State's collateralization statutes. At September 30, 2015, City deposits totaled \$31,079,952 and the bank balance was \$31,408,383. Of the bank balance, \$828,703 was covered by Federal depository insurance. The balance is collateralized by obligations of the United States of America and its agencies (as required by state law) and is held at the Federal Reserve under the City's control via book entry or by the pledging banks in the City's name.

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NOTE 3 - PROPERTY TAXES:

Property taxes are levied on real and personal properties owned on the preceding December 31 of the City's fiscal year ended September 30. Liens attach to the property at the time the taxes are levied, which is usually in November of each year.

These taxes are due without penalty through January 15. After January 15, penalties are added and taxes become delinquent. After March 16, the taxes go into execution.

The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Delinquent taxes uncollected at September 30, 2015 are \$109,226 and are not considered available to liquidate current period liabilities. Accordingly, the City has provided deferred revenue equal to that amount in the fund financial statements.

NOTE 4 - ACCOUNTS RECEIVABLE:

Proprietary fund accounts receivable consist primarily of amounts billed to customers for electric, gas and water utilities and wastewater services which were not collected as of the end of the year. The balance is net of an allowance for doubtful accounts of \$60,756. Delinquent taxes have an allowance for doubtful accounts of \$27,307.

NOTE 5 - INTERFUND BALANCES:

Individual fund interfund receivable and payable balances at September 30, 2015 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due from/to other funds:		
General Fund	\$ 71,116	\$ 89,096
Special Revenue Funds:		
Hospitality and Accomodations Tax Fund	89,096	-
JAG Grant Fund	38	-
Enterprise funds:		
Pro Shop	18,295	-
Department of Public Utilities	-	89,449
Total due from/to other funds	<u>178,545</u>	<u>178,545</u>
Advances to/from other funds:		
General Fund	2,113,656	-
Enterprise funds:		
Municipal Airport	-	1,187,526
Hillcrest	-	926,130
Total advances to/from other funds	<u>2,113,656</u>	<u>2,113,656</u>
Total interfund receivables and payables	<u>\$ 2,292,201</u>	<u>\$ 2,292,201</u>

Individual fund operating transfers for the year ended September 30, 2015 were as follows:

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	<u>Transfers out</u>	<u>Transfers in</u>
General fund	\$ -	\$ 5,203,649
Nonmajor funds:		
Accomodations Tax Fund	25,040	-
Hospitality and Accomodations Tax Fund	324,246	-
Victims' Advocate Fund	40,000	-
Stevenson Auditorium	-	20,000
Enterprise funds:		
Pro Shop	41,651	-
Hillcrest	-	45,897
Department of Public Utilities	4,838,609	-
	<hr/>	<hr/>
Total	<u>\$ 5,269,546</u>	<u>\$ 5,269,546</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2015</u>
Capital assets not being depreciated:					
Land	\$ 2,088,366	\$ 29,938	\$ -	\$ -	\$ 2,118,304
Construction in progress	1,226,215	3,478,559	(600,585)	-	4,104,189
Total	<u>3,314,581</u>	<u>3,508,497</u>	<u>(600,585)</u>	<u>-</u>	<u>6,222,493</u>
Capital assets being depreciated:					
Buildings	9,850,495	1,500	-	-	9,851,995
Building improvements	2,890,099	4,856	-	(1,245)	2,893,710
Land improvements	4,495,266	119,744	-	-	4,615,010
Infrastructure	7,783,732	165,007	600,586	-	8,549,325
Vehicles	6,747,706	43,435	390,105	(259,579)	6,921,667
Furniture and fixtures	1,639,552	63,520	-	(5,676)	1,697,396
Machinery and equipment	1,226,114	19,900	12,305	(42,437)	1,215,882
Computer equipment	1,424,340	45,768	9,860	(25,647)	1,454,321
Assets under capital lease	1,058,483	560,758	(433,398)	-	1,185,843
Tools and other	1,315,405	4,849	21,127	(8,382)	1,332,999
Total	<u>38,431,192</u>	<u>1,029,337</u>	<u>600,585</u>	<u>(342,966)</u>	<u>39,718,148</u>
Less accumulated depreciation:					
Buildings	5,134,960	248,129	-	-	5,383,089
Building improvements	953,896	83,569	-	(407)	1,037,058
Land improvements	2,801,518	237,823	-	-	3,039,341
Infrastructure	2,316,997	327,497	-	-	2,644,494
Vehicles	5,880,472	470,873	119,455	(259,579)	6,211,221
Furniture and fixtures	1,496,025	59,091	-	(5,676)	1,549,440
Machinery and equipment	994,796	83,661	3,369	(39,208)	1,042,618
Computer equipment	1,148,976	98,389	2,958	(23,655)	1,226,668
Assets under capital lease	199,232	160,934	(132,472)	-	227,694
Tools and other	1,206,817	42,946	6,690	(8,383)	1,248,070
Total accumulated depreciation	<u>22,133,689</u>	<u>1,812,912</u>	<u>-</u>	<u>(336,908)</u>	<u>23,609,693</u>
Total capital assets being depreciated, net	<u>16,297,503</u>	<u>(783,575)</u>	<u>600,585</u>	<u>(6,058)</u>	<u>16,108,455</u>
Governmental activities capital assets, net	<u>\$ 19,612,084</u>	<u>\$ 2,724,922</u>	<u>\$ -</u>	<u>\$ (6,058)</u>	<u>\$ 22,330,948</u>

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Depreciation expense was charged to function/programs of the governmental activities as follows:

Executive	\$ 3,110
Finance	25,420
Administrative	17,725
Public works	656,100
Public safety	681,589
Parks and recreation	374,183
Services	<u>54,785</u>
Total depreciation expense - governmental activities	<u>\$ 1,812,912</u>

Business type capital asset activity for the year ended September 30, 2015 was as follows:

<u>Business-type Activities</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Additions</u>	<u>Transfers/</u> <u>Adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2015</u>
Capital assets not being depreciated:					
Land	\$ 3,660,354	\$ -	\$ -	-	3,660,354
Construction in progress	<u>16,067,862</u>	<u>29,524,234</u>	-	<u>(16,275,566)</u>	<u>29,316,530</u>
Total	<u>19,728,216</u>	<u>29,524,234</u>	-	<u>(16,275,566)</u>	<u>32,976,884</u>
Capital assets being depreciated:					
Buildings and improvements	9,100,526	492,122	-	-	9,592,648
Electric Division	125,146,446	8,840,804	-	(2,688,618)	131,298,632
Gas Division	26,402,535	1,636,025	-	(120,820)	27,917,740
Water Division	101,580,710	1,171,951	-	(207,228)	102,545,433
Wastewater Division	73,010,999	892,690	-	(136,271)	73,767,418
Land improvements	12,735,786	-	-	-	12,735,786
Tools and equipment	4,610,351	2,065,136	104,274	(61,909)	6,717,852
Furniture and fixtures	884,326	13,927	-	-	898,253
Assets under capital lease	<u>301,737</u>	-	-	<u>(103,775)</u>	<u>197,962</u>
Total	<u>353,773,416</u>	<u>15,112,655</u>	<u>104,274</u>	<u>(3,318,621)</u>	<u>365,671,724</u>
Less: accumulated depreciation	(150,872,702)	(10,079,187)	-	2,350,379	(158,601,510)
Total capital assets being depreciated, net	<u>202,900,714</u>	<u>5,033,468</u>	<u>104,274</u>	<u>(968,242)</u>	<u>207,070,214</u>
Business-type activities capital assets, net	<u>\$ 222,628,930</u>	<u>\$ 34,557,702</u>	<u>\$ 104,274</u>	<u>\$ (17,243,808)</u>	<u>\$ 240,047,098</u>

Proprietary Fund capital assets are recorded at cost, and transfers from other funds and donated assets are recorded at their estimated fair value at the time of transfer and contribution. Repairs and maintenance are recorded as expenses. The sale or disposal of fixed assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

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The following is a summary of the proprietary fund type capital assets at September 30, 2015:

	Municipal <u>Airport</u>	Golf <u>Pro Shop</u>	Golf <u>Course</u>	Department of <u>Public Utilities</u>	<u>Total</u>
Land	\$ 1,315,952	\$ -	\$ -	\$ 2,344,402	\$ 3,660,354
Construction in progress	568,574	-	-	28,747,957	29,316,531
Buildings and improvements	1,553,968	-	464,558	7,574,122	9,592,648
Electric Division	-	-	-	131,298,632	131,298,632
Gas Division	-	-	-	27,917,740	27,917,740
Water Division	-	-	-	102,545,433	102,545,433
Wastewater Division	-	-	-	73,767,418	73,767,418
Land improvements	12,151,670	-	584,115	-	12,735,785
Tools and equipment	660,060	1,295	513,002	5,543,495	6,717,852
Furniture and fixtures	36,396	-	26,970	834,887	898,253
Assets under capital lease	197,962	-	-	-	197,962
	<hr/>				
Total	16,484,582	1,295	1,588,645	380,574,086	398,648,608
Less: accumulated depreciation	<u>(8,777,303)</u>	<u>(1,295)</u>	<u>(1,230,300)</u>	<u>(148,592,612)</u>	<u>(158,601,510)</u>
Net capital assets - proprietary funds	<u>\$ 7,707,279</u>	<u>\$ -</u>	<u>\$ 358,345</u>	<u>\$ 231,981,474</u>	<u>\$ 240,047,098</u>

Depreciation and amortization expense was charged to function/programs of the proprietary funds as follows:

Department of Public Utilities	
Electric Division	\$ 4,553,001
Gas Division	682,496
Water Division	2,348,150
Wastewater Division	<u>1,733,202</u>
Total Department of Public Utilities	<u>9,316,849</u>
Municipal Airport	691,242
Golf Course	<u>71,096</u>
Total	<u>\$ 10,079,187</u>

Included in these amounts is depreciation on electric and turbine generators of \$564,246 for the year ended September 30, 2015, and is included as a part of cost of goods sold on the financial statements.

CITY OF ORANGEBURG
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NOTE 7 - LONG-TERM OBLIGATIONS:

Long-term obligations as of September 30, 2015 were as follows:

<u>Governmental Activities</u>	<u>9/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2015</u>	<u>Due Within One Year</u>
Capital leases payable	\$ 2,407,585	\$ 601,533	\$ (883,168)	\$ 2,125,950	\$ 710,469
Accrued compensated absences	1,162,219	292,566	(284,904)	1,169,881	284,904
Net pension obligation	11,979,281	1,468,107	(13,452)	13,433,936	-
Other post employment benefits	1,921,765	123,509	-	2,045,274	-
Total governmental activities	\$ 17,470,850	\$ 2,485,715	\$ (1,181,524)	\$ 18,775,041	\$ 995,373
<u>Business-type Activities</u>					
Capital leases payable	\$ 8,513	\$ -	\$ (8,513)	\$ -	\$ -
Accrued compensated absences	1,209,349	336,110	(266,735)	1,278,724	612,617
Net pension obligation	18,762,663	1,412,176	-	20,174,839	-
Other post employment benefits	2,594,053	108,308	-	2,702,361	-
Combined Public Utilities System revenue bond	31,356,678	-	(226,939)	31,129,739	191,661
Total business-type activities	\$ 53,931,256	\$ 1,856,594	\$ (502,187)	\$ 55,285,663	\$ 804,278

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<u>Governmental Activities</u>	<u>Outstanding</u> <u>9/30/2014</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding</u> <u>9/30/2015</u>
Capital leases:				
Capital projects for the City financed by BB&T in the amount of \$3,787,058. The City financed several capital projects through a lease purchase. These projects included construction of several parking lots, cart paths at the golf course, Stevenson Auditorium renovation, improvements of two buildings, a spray fountain, and a downtown streetscape. This lease was refinanced in October 2004. Payments of \$342,927 including principal and interest at 4.1% for 15 years. The lease is secured by the pledge of certain sales tax revenue.	\$ 1,792,959	\$ -	\$ (269,416)	\$ 1,523,543
Vehicles and equipment financed by BB&T in the amount of \$643,700; three annual payments of \$215,433, principal with interest at a rate of .9360% through September 1, 2016. The lease is secured by equipment acquired.	-	601,533	(214,559)	386,974
Vehicles and equipment financed by BB&T; due in three annual payments of \$215,433 principal with interest at a rate of 0.93% and maturing September 1, 2016. The lease is secured by equipment acquired.	430,867	-	(215,434)	215,433
Vehicles and equipment financed by First Citizens; due in three annual payments of \$183,758 principal with interest at a rate of 1.08% and maturing August 1, 2015. The lease is secured by equipment acquired.	183,759	-	(183,759)	-
Total	<u>\$ 2,407,585</u>	<u>\$ 601,533</u>	<u>\$ (883,168)</u>	<u>\$ 2,125,950</u>

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The following is a schedule of future debt repayments capital leases for the governmental activities as of September 30, 2015.

<u>September</u>	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 710,469	\$ 68,300	\$ 778,769
2017	464,361	52,673	517,034
2018	303,931	38,996	342,927
2019	316,393	26,535	342,928
2020	330,796	12,131	342,927
Total	<u>\$ 2,125,950</u>	<u>\$ 198,635</u>	<u>\$ 2,324,585</u>

The South Carolina Constitution limits local unit borrowing power to 8 percent of its assessed property value. The limitation excludes bonded indebtedness existing on December 1, 1977 (date of the Constitutional amendment), certain special levies assessed on properties located in an area receiving special benefits and other prescribed indebtedness approved by the voters. Lease purchases are also excluded from this limitation. As of September 30, 2015, the City's bonded indebtedness was below the Constitutional limits as follows:

Real property assessed value	\$ 30,994,759
Other personal property assessed value	1,266,300
Vehicles assessed value	<u>3,789,903</u>
Total taxable assessed value	<u>\$ 36,050,962</u>
Debt limit - eight percent (8%) of total taxable assessed value	\$ 2,884,077
Amount of debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 2,884,077</u>

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<u>Business-type Activities</u>	<u>Outstanding 9/30/2014</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 9/30/2015</u>
Capital leases:				
Municipal Airport:				
Facilities lease for the construction and equipping of a hangar building on the property of the Airport; 20 annual payments of \$9,971 principal with interest at 5.19% through August 1, 2015. The cost of \$197,961 is included in assets under capital leases. The lease is secured by the property leased.	\$ 8,513	\$ -	\$ (8,513)	\$ -
Bonds payable:				
Public Utilities:				
\$982,514 Series of 2009, payable May 21, 2010 through 2030; interest at 1.68% payable quarterly.	712,881	-	(42,192)	670,689
\$4,280,163 Series of 2009, payable May 1, 2010 through 2030 - interest at 1.84% payable quarterly.	3,189,097	-	(184,747)	3,004,350
\$27,454,700 Series of 2014, payable November 1, 2016 through 2036 - interest at 1.68% payable quarterly.	27,454,700	-	-	27,454,700
	<hr/>			
Total	<u>\$ 31,365,191</u>	<u>\$ -</u>	<u>\$ (235,452)</u>	<u>\$ 31,129,739</u>

The bond ordinances stipulate that all bonds issued for the public utilities system are revenue bonds. The bonds are payable solely from the revenues of the operations of the system. All issuances of the bonds are parity bonds and have equal standing. The bonds are secured by all revenues which remain after paying the cost of the operation and maintenance of the system of the Department.

The bond ordinances require the Department to maintain various funds as long as the bonds are outstanding. The gross revenue fund, the operating and maintenance fund, the debt service fund, the depreciation fund and the contingent fund are maintained to provide for payment of principal, interest, operating contingencies and depreciation. These funds are invested in obligations of the U.S. Government. As of September 30, 2015, balances in all funds meet bond requirements.

Additional bonds can be issued only if (1) there are no defaults in payments of interest and principal of any existing bond having claim on the revenues of the system, (2) existing bonds' cushion funds have been maintained as required, and (3) the net earnings of the system for the fiscal year in which bonds are to be issued should not be less than 120% of the highest

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combined annual principal requirements of any succeeding fiscal year on all bonds then proposed to be issued.

The following is a schedule of future debt repayments under bonds and capital leases for business-type activities as of September 30, 2015.

<u>September</u>	<u>Bonds and Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 191,661	\$ 60,088	\$ 251,749
2017	1,399,689	510,902	1,910,591
2018	1,422,758	487,833	1,910,591
2019	1,446,299	464,293	1,910,592
2020	1,470,322	440,270	1,910,592
2021-2025	7,729,626	1,823,330	9,552,956
2026-2030	8,249,502	1,444,152	9,693,654
2031-2035	7,617,936	476,463	8,094,399
2036	1,601,946	16,933	1,618,879
Total	<u>\$ 31,129,739</u>	<u>\$ 5,724,264</u>	<u>\$ 36,854,003</u>

NOTE 8 - LEASES:

Lessor:

The Department of Public Utilities has a five-year contract to lease space on top of a water tank to a company for a telecommunication tower. Lease income was \$14,548 in 2015 and 2014. There is one year remaining in the lease term with an annual payment of \$14,548.

NOTE 9 - RETIREMENT PLAN:

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description:

The City contributes to the South Carolina Retirement System (SCRS) which is a cost sharing multiple employer defined benefit pension plan. SCRS was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The City also contributes to the South Carolina Police Officers Retirement System (PORS) which is a cost sharing multiple employer defined benefit pension plan. PORS was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership:

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property

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destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits:

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working

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for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

For the year ended September 30, 2015, the City's total payroll for all employees was \$17,296,344. Total covered payroll was \$17,263,843. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS	
Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS	
Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS	
Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

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The City's contributions to the Plan for the year ended September 30, 2015 were \$1,960,830. Plan members contributions to the Plan for the year ended September 30, 2015 were \$1,403,489.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the consulting actuary, Gabriel, Roeder, Smith and Company.

At September 30, 2015, the City reported a liability of \$33,608,775 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At July 1, 2015, the City's and the Department's proportion of SCRS was .043739% and .1029%. The City's proportion of PORS was .26570%.

For the year ended September 30, 2015, the City recognized pension expense of \$1,184,481. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual results	\$ 609,003	\$ (49,747)
Net difference between projected and actual earnings on Plan investments	2,287,729	(2,038,168)
Changes in proportionate share	11,423	(454,050)
City contributions made to SCRS and PORS from measurement date to end of year	491,838	-
	<u>\$ 3,399,993</u>	<u>\$ (2,541,965)</u>

The \$3,399,993 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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Actuarial Assumptions:

Measurement Period Ending June 30,	<u>SCRS</u>	<u>PORS</u>
2016	\$ 343,436	\$ 145,010
2017	(24,411)	21,019
2018	(194,171)	15,949
2019	419,622	131,574
2020	-	-
	<hr/>	<hr/>
Net balance of deferred outflows/(inflows) of resources	<u>\$ 544,476</u>	<u>\$ 313,552</u>

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-200 Males (with blue Collar adjustment) multiplied by 115%	RP-200 Females (with blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The

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actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

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Discount Rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

Sensitivity of the City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$35,070,310	\$27,817,810	\$21,739,294
PORS	\$7,888,647	\$5,790,965	\$3,915,752

Plan Fiduciary Net Position:

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, Post Office Box 11960, Columbia, SC 29211-1960.

NOTE 10 - POST-RETIREMENT HEALTH BENEFITS:

PLAN DESCRIPTION:

The City administers a Retiree Medical and Prescription Drug Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit Plan (OPEB). The Plan provides for continuation of medical insurance benefits for certain retirees and can be amended by action of the City. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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FUNDING POLICY:

The City pays the cost of the postemployment health care benefits for the retirees between the ages of 60 and 65. Upon reaching Medicare eligibility, the City will pay up to \$100 per month toward the cost of a Medicare supplement. The City will also reimburse out of pocket prescription costs exceeding \$2,000 per year up to a total annual benefit of \$840. Surviving spouses of retirees may elect to continue health care benefits at their own expense. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the government.

The obligation of employer is established by action of the City's Council. The required contribution rate of the employer varies depending on the applicable agreement. The City currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

ANNUAL OPEB COST AND NET OPEB OBLIGATION:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the Retiree Health Plan at September 30, 2015:

Annual OPEB cost:	
Normal cost	\$ 221,930
Amortization of unfunded actuarial accrued liability	<u>251,106</u>
Total annual required contribution	473,036
OPEB contributions and implicit rate subsidy during the year	<u>241,219</u>
Current year increase in OPEB obligation	231,817
Net OPEB obligation, beginning of year	<u>4,515,818</u>
Net OPEB obligation, end of year	<u><u>\$ 4,747,635</u></u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Current Year Increase</u>	<u>Net OPEB Obligation</u>
2013	\$ 633,098	39.67%	\$ 381,925	\$ 4,285,084
2014	481,907	52.12%	230,734	4,515,818
2015	473,036	51.00%	231,817	4,747,635

FUNDED STATUS AND FUNDING PROGRESS:

As of September 30, 2015, the actuarial accrued liability for benefits was \$6,950,418, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,398,586, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.84% percent.

The projection of future benefit payments for an ongoing plan involves 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The 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.

In the most recent actuarial valuation dated October 1, 2015, the actuarial cost method is the projected unit cost method. The amortization method is the level dollar open method and the remaining amortization period is 30 years. The actuarial assumptions include a 4% return on investments, which includes inflation at 2.75%, and an annual healthcare cost trend rate of 8.5% initially reduced by decrements to an ultimate rate of 5% after 5 years.

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NOTE 11 - FUND BALANCES AND NET ASSETS:

RESTRICTED NET ASSETS:

The Department of Public Utilities reserved a portion of the net assets for the following purposes:

Restricted for self insurance	\$ 75,008
Restricted for customer deposits	3,855,279
Restricted for bond repayment	<u>1,997,466</u>
Total	<u>\$ 5,927,753</u>

OTHER:

The golf course has a negative fund balance of \$1,482,830 as of September 30, 2015. The fund balance is expected to return to a positive position as the economy improves.

NOTE 12 - RISK MANAGEMENT:

The City is exposed to various risks of loss and maintains elements of both self-insurance and purchased insurance policies divided into coverage for workers' compensation, property and casualty, general tort liability, employee dishonesty, and employee health insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits.

Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

- 1) Claims of covered public employees for long-term disability and group-life insurance benefits (Retirement System);

The City assumes the risk for unemployment compensation benefits by paying directly to the Department of Employment and Workforce actual claims filed against them.

The City and other entities pay premiums to the State's Insurance Reserve Fund which issues policies, accumulates assets to cover risk of loss, and pays claims incurred for covered losses related to the following assets and activities:

- 1) Theft of, damage to, or destruction of assets;
- 2) Real property, its contents, and other equipment;
- 3) Auto liability;
- 4) General tort liability.

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The City, excluding the Department, carries collision insurance on its motor vehicles. However, after the motor vehicles are five years old the collision insurance is no longer carried. The City also has a self-insurance fund that pays for any vehicle repair or replacement not covered by insurance. Insurance coverage on the electric substations and on all utility system transmission and distribution lines is not available.

The City participates in the South Carolina Municipal Insurance Trust/Workers' Compensation Pool, a public entity risk pool for its workers' compensation coverage. Pool members are subject to a supplemental assessment in the event of deficiencies.

The City obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The Department of Public Utilities has set aside and reserved \$75,008 to cover excess cost to clean up contamination surrounding its three underground storage tanks that may not be covered under the Super Fund provisions in the Clean Water Act legislation. The South Carolina Department of Health and Environmental Control established the amount set aside. The Department is not required to purchase outside insurance for this coverage as long as it has these funds reserved as such.

The Department of Public Utilities has allocated insurance premium payments to the appropriate divisions. All claims are expected to be covered up to the deductibles. These risks of loss (the deductibles) have not been transferred to a commercial insurer.

In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the City.

Beginning January 1, 2014, the City implemented a partial self-insurance program for medical insurance coverage for its employees. The City's health insurance plan has an individual stop loss insurance amount of \$125,000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Projected costs to complete current projects in progress for the Department of Public Utilities are expected to be approximately \$19,414,500.

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The City entered into an agreement with Orangeburg County (County) and the State to provide financial assistance to the Orangeburg County/City Industrial Park Commission to acquire a building to induce new businesses to locate in the County. The City has offered to provide \$1.6 million of the total \$5.2 million in financial assistance.

NOTE 14 -PRIOR PERIOD ADJUSTMENT:

During the year ended September 30, 2015, the City implemented GASB 68 and GASB 71 (as discussed in Note 1 and Note 9). The Department also corrected an error in accumulated depreciation. The implementation and correction required a prior period adjustment and a restatement of beginning net position as follows:

	As originally <u>stated</u>	<u>Change</u>	<u>As restated</u>
Governmental-wide activities:			
Net pension liability	\$ -	\$ (11,979,281)	\$ (11,979,281)
Unrestricted net position	(35,122,300)	11,979,281	(23,143,019)
Business type activities:			
Airport:			
Net pension liability	-	(162,531)	(162,531)
Unrestricted net position	(7,538,864)	162,531	(7,376,333)
Golf Course:			
Net pension liability	-	(428,782)	(428,782)
Unrestricted net position	813,754	428,782	1,242,536
Department of Public Utilities:			
Net pension liability	-	(18,951,815)	(18,951,815)
Unrestricted net position	(60,667,101)	18,951,815	(41,715,286)
Accumulated Depreciation	(142,732,958)	1,126,703	(141,606,255)
Net position invested in capital assets net of related debt	(181,395,738)	(1,126,703)	(182,522,441)

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Ad valorem	\$ 3,387,266	\$ 3,444,197	\$ 3,479,722	\$ 35,525
Sales	1,192,000	1,190,600	-	(1,190,600)
Franchise	153,500	144,100	147,068	2,968
Licenses and permits	2,843,106	2,810,956	2,958,299	147,343
Fines and forfeitures	672,500	662,500	633,887	(28,613)
Charges for services	2,050,050	2,022,911	2,046,753	23,842
Interest income	13,500	20,000	30,046	10,046
Miscellaneous	1,028,853	152,854	156,690	3,836
Intergovernmental	612,426	429,230	445,496	16,266
Total revenues	<u>11,953,201</u>	<u>10,877,348</u>	<u>9,897,961</u>	<u>(979,387)</u>
EXPENDITURES				
Current:				
General government:				
Executive	423,182	418,971	401,281	(17,690)
Finance	783,151	783,829	773,658	(10,171)
Administrative	577,969	578,335	548,499	(29,836)
Non-departmental	1,161,945	1,006,925	805,529	(201,396)
Total general government	<u>2,946,247</u>	<u>2,788,060</u>	<u>2,528,967</u>	<u>(259,093)</u>
Public works	2,581,186	2,543,549	2,554,529	10,980
Public safety	7,916,073	7,202,504	7,249,411	46,907
Parks and recreation	2,003,639	1,802,547	1,837,745	35,198
Service	598,671	593,503	599,342	5,839
Debt service:				
Principal	624,168	621,984	540,241	(81,743)
Interest	-	-	81,742	81,742
Total debt service	<u>624,168</u>	<u>621,984</u>	<u>621,983</u>	<u>(1)</u>
Total expenditures	<u>16,669,984</u>	<u>15,552,147</u>	<u>15,391,977</u>	<u>(419,264)</u>
Deficiency of revenues over expenditures	<u>(4,716,783)</u>	<u>(4,674,799)</u>	<u>(5,494,016)</u>	<u>(560,123)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,220,083	5,204,609	5,203,649	(960)
Operating transfers out	(1,192,000)	(1,190,600)	-	1,190,600
Lease proceeds	643,700	643,700	601,533	(42,167)
Sale of general capital assets	45,000	25,000	24,342	(658)
Total other financing sources	<u>4,716,783</u>	<u>4,682,709</u>	<u>5,829,524</u>	<u>1,146,815</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,910</u>	<u>335,508</u>	<u>\$ 327,598</u>
Fund balance - beginning			<u>13,030,681</u>	
Fund balance - ending			<u>\$ 13,366,189</u>	

*THE ACCOMPANYING NOTE TO THE BUDGETARY COMPARISON SCHEDULE
IS AN INTEGRAL PART OF THIS STATEMENT*

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTE TO THE BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

NOTE 1 - BUDGET PROCESS:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the City Administrator and Finance Director submit to City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to administer the budget and may authorize the transfer of appropriated funds within and between departments and funds as necessary to achieve the goals of the budget. All appropriations are legally controlled at the departmental level for the General Fund.
5. Expenditures may not legally exceed budgeted appropriations at the fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States. All budgets are presented on the modified accrual basis of accounting.
8. The budget at the end of the year for the General Fund represents the budget adopted and amended by City Council.
9. All unexpended appropriations lapse at year-end unless they are committed.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – DEPARTMENT OF PUBLIC UTILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services and fees	\$ 101,941,143	\$ 101,941,143	\$ 98,319,746	\$ (3,621,397)
OPERATING EXPENSES:				
Electricity purchased	59,472,111	59,472,111	55,479,680	(3,992,431)
Natural gas purchased	5,276,100	5,276,100	4,944,647	(331,453)
Operating and maintenance	8,703,739	8,703,739	9,532,707	828,968
Administrative	8,874,352	8,874,352	10,647,798	1,773,446
Depreciation and amortization	7,922,894	7,922,894	8,752,603	829,709
Total operating expenses	<u>90,249,196</u>	<u>90,249,196</u>	<u>89,357,435</u>	<u>(891,761)</u>
Operating income	<u>11,691,947</u>	<u>11,691,947</u>	<u>8,962,311</u>	<u>(2,729,636)</u>
NON-OPERATING REVENUES (EXPENSES):				
Gain on disposal of property	-	-	(825,500)	(825,500)
Water impact and tap fees	130,100	130,100	163,412	33,312
Wastewater impact and tap fees	150,000	150,000	140,962	(9,038)
Interest income	545,560	545,560	89,411	(456,149)
Interest expense	(64,804)	(64,804)	(64,774)	30
Total non-operating revenues (expenses)	<u>760,856</u>	<u>760,856</u>	<u>(496,489)</u>	<u>(1,257,345)</u>
Income before contributions and transfers	12,452,803	12,452,803	8,465,822	(3,986,981)
Contributions	-	-	61,594	61,594
Transfers	(4,838,609)	(4,838,609)	(4,838,609)	-
Changes in net assets	<u>\$ 7,614,194</u>	<u>\$ 7,614,194</u>	<u>\$ 3,688,807</u>	<u>\$ (3,925,387)</u>

*THE ACCOMPANYING NOTE TO THE BUDGETARY COMPARISON SCHEDULE
IS AN INTEGRAL PART OF THIS STATEMENT*

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

NOTE TO THE BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND

NOTE 1 - BUDGET PROCESS:

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the Department Manager submits to City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The Department Manager is authorized to administer the budget and may authorize the transfer of appropriated funds within and between departments as necessary to achieve the goals of the budget. All appropriations are legally controlled at the departmental level for the Enterprise Fund.
5. Expenditures may not legally exceed budgeted appropriations at the fund level.
6. Formal budgetary integration is employed as a management control device during the year for the Enterprise Fund.
7. The budget for the Enterprise Fund is adopted on a basis consistent with accounting principles generally accepted in the United States. All budgets are presented on the accrual basis of accounting.
8. The budget at the end of the year for the Enterprise Fund represents the budget adopted by City Council.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
YEAR ENDED SEPTEMBER 30, 2015

The following is the schedule of funding progress per the most recent actuarial valuation dated October 1, 2015:

	Actuarial Valuation Date <u>10/01/15</u>
Schedule of funding progress:	
Current retiree liability	\$ 1,939,819
Activities employees eligible to retire	2,267,484
Activities employees not yet eligible	<u>2,743,115</u>
Actuarial accrued liability	6,950,418
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	6,950,418
Funded ratio	0%
Annual covered payroll	<u><u>\$ 10,398,586</u></u>
Ratio of unfunded actuarial accrued liability to covered payroll	66.8%

The City's annual Other Post Employment Benefits Plan (OPEB) cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Current Year <u>Increase</u>	Net OPEB <u>Obligation</u>
2013	\$ 633,098	39.67%	\$ 381,925	\$ 4,285,084
2014	481,907	52.12%	230,734	4,515,818
2015	473,036	51.00%	231,817	4,747,635

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Taxes:				
Ad valorem:				
Current	\$ 2,820,000	\$ 2,842,000	\$ 2,872,689	\$ 30,689
Delinquent	197,250	228,843	233,250	4,407
Other	370,016	373,354	373,783	429
Total ad valorem tax	<u>3,387,266</u>	<u>3,444,197</u>	<u>3,479,722</u>	<u>35,525</u>
Sales:				
Hospitality and accomodations	1,192,000	1,190,600	-	(1,190,600)
Total sales tax	<u>1,192,000</u>	<u>1,190,600</u>	<u>-</u>	<u>(1,190,600)</u>
Franchise taxes	<u>153,500</u>	<u>144,100</u>	<u>147,068</u>	<u>2,968</u>
Licenses and permits:				
Business licenses	1,100,500	1,050,350	1,009,931	(40,419)
Insurance	1,710,000	1,710,000	1,867,702	157,702
Building permits	32,606	50,606	80,666	30,060
Total licenses and permits	<u>2,843,106</u>	<u>2,810,956</u>	<u>2,958,299</u>	<u>147,343</u>
Fines and forfeitures	<u>672,500</u>	<u>662,500</u>	<u>633,887</u>	<u>(28,613)</u>
Charges for services:				
Sanitation - commercial	400,000	386,076	385,648	(428)
Sanitation - residential	698,000	695,604	694,774	(830)
Fire service contracts	830,000	825,000	838,750	13,750
Recreation programs	102,050	96,231	116,243	20,012
Recreation department fees	20,000	20,000	11,338	(8,662)
Total charges for services	<u>2,050,050</u>	<u>2,022,911</u>	<u>2,046,753</u>	<u>23,842</u>
Interest income	<u>13,500</u>	<u>20,000</u>	<u>30,046</u>	<u>10,046</u>
Miscellaneous:				
Rentals	24,000	29,000	33,501	4,501
Miscellaneous	1,004,853	123,854	123,189	(665)
Total miscellaneous	<u>1,028,853</u>	<u>152,854</u>	<u>156,690</u>	<u>3,836</u>

CITY OF ORANGEBURG
 ORANGEBURG, SOUTH CAROLINA
 GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Intergovernmental:				
Local:				
SRO reimbursement	\$ 31,000	\$ 36,000	\$ 32,577	\$ (3,423)
Total local	<u>31,000</u>	<u>36,000</u>	<u>32,577</u>	<u>(3,423)</u>
State:				
Local government fund	325,000	300,000	292,385	(7,615)
Total state	<u>325,000</u>	<u>300,000</u>	<u>292,385</u>	<u>(7,615)</u>
Federal:				
Federal grants	256,426	93,230	120,534	27,304
Total federal	<u>256,426</u>	<u>93,230</u>	<u>120,534</u>	<u>27,304</u>
Total intergovernmental	<u>612,426</u>	<u>429,230</u>	<u>445,496</u>	<u>16,266</u>
Total revenues	<u>\$ 11,953,201</u>	<u>\$ 10,877,348</u>	<u>\$ 9,897,961</u>	<u>\$ (979,387)</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Executive Department:				
Administrative Division:				
Personnel	\$ 92,405	\$ 92,306	\$ 93,648	\$ 1,342
Utility expense	6,775	3,462	2,592	(870)
Property and tort	14	14	14	-
Operating expenses	67,200	67,100	58,758	(8,342)
Total Administrative Division	<u>166,394</u>	<u>162,882</u>	<u>155,012</u>	<u>(7,870)</u>
Election Division:				
Property and tort	75	75	75	-
Operating expenses	6,000	6,000	3,024	(2,976)
Total Election Division	<u>6,075</u>	<u>6,075</u>	<u>3,099</u>	<u>(2,976)</u>
Municipal Court Division:				
Personnel	223,837	223,141	227,221	4,080
Property and tort	476	473	473	-
Operating expenses	26,400	26,400	15,476	(10,924)
Total Municipal Court Division	<u>250,713</u>	<u>250,014</u>	<u>243,170</u>	<u>(6,844)</u>
Total Executive Department	<u>423,182</u>	<u>418,971</u>	<u>401,281</u>	<u>(17,690)</u>
Finance Department:				
Finance and Records Division:				
Personnel	376,201	374,088	381,781	7,693
Utility expense	4,400	4,200	3,891	(309)
Property and tort	2,139	2,314	2,314	-
Operating expenses	51,706	68,671	68,620	(51)
Total Finance and Records Division	<u>434,446</u>	<u>449,273</u>	<u>456,606</u>	<u>7,333</u>
Information Technology Division:				
Personnel	219,051	234,542	239,606	5,064
Utility expense	2,500	2,899	2,899	-
Property and tort	1,601	1,379	1,379	-
Operating expenses	112,853	82,116	59,548	(22,568)
Capital outlay	12,700	13,620	13,620	-
Total Data Processing Division	<u>348,705</u>	<u>334,556</u>	<u>317,052</u>	<u>(17,504)</u>
Total Finance Department	<u>783,151</u>	<u>783,829</u>	<u>773,658</u>	<u>(10,171)</u>
Administrative Department:				
Administration Division:				
Personnel	347,869	343,311	343,348	37
Utility expense	6,500	6,500	5,721	(779)
Property and tort	1,278	1,278	1,278	-
Operating expenses	19,590	19,819	19,531	(288)
Total Administration Division	<u>375,237</u>	<u>370,908</u>	<u>369,878</u>	<u>(1,030)</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Administrative Department (continued):				
Community Planning and Development Division				
Personnel	\$ 159,903	\$ 160,024	\$ 162,722	\$ 2,698
Utility expense	1,700	1,700	1,195	(505)
Property and tort	1,194	1,194	1,194	-
Operating expenses	39,935	44,509	13,510	(30,999)
Total Community Planning and Development Division	202,732	207,427	178,621	(28,806)
Total Administrative Department	577,969	578,335	548,499	(29,836)
Public Works Department:				
Administrative Division:				
Personnel	247,470	241,552	246,704	5,152
Utility expense	4,000	4,715	4,715	-
Property and tort	1,120	1,119	1,119	-
Operating expenses	18,185	11,448	9,528	(1,920)
Total Administrative Division	270,775	258,834	262,066	3,232
Building Inspection Division:				
Personnel	136,448	155,471	159,146	3,675
Utility expense	3,500	3,000	2,736	(264)
Property and tort	1,017	782	782	-
Operating expenses	29,027	13,928	12,831	(1,097)
Total Building Inspection Division	169,992	173,181	175,495	2,314
Garage Division:				
Personnel	298,745	295,740	302,239	6,499
Utility expense	22,000	16,145	16,144	(1)
Property and tort	2,363	2,401	2,401	-
Operating expenses	46,415	47,795	45,655	(2,140)
Capital outlay	71,700	72,791	72,676	(115)
Total Garage Division	441,223	434,872	439,115	4,243
Municipal Buildings Division:				
Personnel	61,440	59,383	60,293	910
Utility expense	30,000	36,391	36,391	-
Property and tort	5,630	6,415	6,415	-
Operating expenses	25,985	44,903	44,215	(688)
Capital outlay	26,800	23,383	23,382	(1)
Total Municipal Buildings Division	149,855	170,475	170,696	221
Parking Facilities Division:				
Property and tort	78	78	78	-
Operating expenses	5,980	5,180	5,154	(26)
Total Parking Facilities Division	6,058	5,258	5,232	(26)

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Works Department (continued):				
Sanitation Division:				
Personnel	\$ 883,560	\$ 864,873	\$ 889,631	\$ 24,758
Utility expense	5,800	6,077	6,077	-
Property and tort	5,693	5,693	5,694	1
Operating expenses	276,466	256,129	255,314	(815)
Capital outlay	260,000	260,000	242,832	(17,168)
Total Sanitation Division	1,431,519	1,392,772	1,399,548	6,776
Street and Maintenance Division:				
Property and tort	654	1,158	1,158	-
Operating expenses	40,000	39,484	33,704	(5,780)
Capital outlay	71,110	67,515	67,515	-
Total Street and Maintenance Division	111,764	108,157	102,377	(5,780)
Total Public Works Division	2,581,186	2,543,549	2,554,529	10,980
Public Safety Department:				
Administrative Division:				
Personnel	238,676	218,827	218,051	(776)
Utility expense	130,000	130,000	113,415	(16,585)
Property and tort	15,500	15,493	15,493	-
Operating expenses	570,900	554,219	550,875	(3,344)
Total Administrative Division	955,076	918,539	897,834	(20,705)
Patrol Division:				
Personnel	2,807,072	2,642,809	2,693,910	51,101
Property and tort	52,000	46,887	46,886	(1)
Operating expenses	273,300	265,736	269,972	4,236
Capital outlay	100,500	103,664	98,838	(4,826)
Total Patrol Division	3,232,872	3,059,096	3,109,606	50,510
Special Operations Division:				
Personnel	1,764,338	1,541,929	1,555,457	13,528
Property and tort	16,000	15,378	15,377	(1)
Operating expenses	246,300	235,811	228,575	(7,236)
Capital outlay	191,500	-	-	-
Total Special Operations Division	2,218,138	1,793,118	1,799,409	6,291
Investigation Division:				
Personnel	984,500	943,397	956,538	13,141
Property and tort	13,500	15,713	15,713	-
Operating expenses	72,700	63,146	63,135	(11)
Capital outlay	42,000	39,899	39,898	(1)
Total Investigation Division	1,112,700	1,062,155	1,075,284	13,129

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety Department (continued):				
Highway Safety DUI Special Enforcement:				
Personnel	\$ 52,795	\$ 56,107	\$ 56,797	\$ 690
Property and tort	1,131	1,130	1,130	-
Operating expenses	36,585	34,940	31,335	(3,605)
Total Highway Safety DUI Special Enforcement Division	90,511	92,177	89,262	(2,915)
Forensic Services Unit				
Personnel	253,061	225,529	227,549	2,020
Property and tort	2,715	2,715	2,714	(1)
Operating expenses	51,000	49,175	47,753	(1,422)
Total Forensic Services Unit	306,776	277,419	278,016	597
Total Public Safety Department	7,916,073	7,202,504	7,249,411	46,907
Parks and Recreation Department:				
Administrative Division:				
Personnel	215,987	189,580	192,744	3,164
Utility expense	12,000	14,210	14,209	(1)
Property and tort	3,474	3,474	3,474	-
Operating expenses	13,620	23,226	22,283	(943)
Capital outlay	22,000	18,344	18,344	-
Total Administrative Division	267,081	248,834	251,054	2,220
Recreation Division:				
Personnel	223,070	157,727	160,434	2,707
Utility expense	30,000	25,810	25,787	(23)
Property and tort	4,595	4,361	4,361	-
Operating expenses	150,486	135,342	142,171	6,829
Total Recreation Division	408,151	323,240	332,753	9,513
Gardens Division:				
Personnel	432,720	391,224	404,460	13,236
Utility expense	46,000	58,220	58,215	(5)
Property and tort	21,714	22,185	22,185	-
Operating expenses	87,014	84,222	83,258	(964)
Capital outlay	40,000	52,455	52,455	-
Total Gardens Division	627,448	608,306	620,573	12,267

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Parks and Recreation Department (continued):				
Parks and Cemetery Division:				
Personnel	\$ 466,971	\$ 397,455	\$ 409,047	\$ 11,592
Utility expense	15,000	19,261	19,262	1
Property and tort	15,692	15,384	15,385	1
Operating expenses	93,296	94,008	93,612	(396)
Capital outlay	110,000	96,059	96,059	-
Total Parks and Cemetery Division	700,959	622,167	633,365	11,198
Total Parks and Recreation Department	2,003,639	1,802,547	1,837,745	35,198
Service Department:				
Administrative Division:				
Personnel	479,396	479,292	493,294	14,002
Utility expense	7,000	7,088	7,089	1
Property and tort	12,000	7,423	7,423	-
Operating expenses	84,175	83,720	75,556	(8,164)
Capital outlay	16,100	15,980	15,980	-
Total Administrative Division	598,671	593,503	599,342	5,839
Total Service Department	598,671	593,503	599,342	5,839
Non-Departmental:				
Employee Christmas	18,000	15,933	15,933	-
Building code enforcement	300,000	200,000	15,200	(184,800)
Annexation covenants	25,000	25,000	22,662	(2,338)
Operating/insurance overage	70,000	40,000	30,154	(9,846)
Municipal Association	50,000	52,224	52,224	-
Commercial sanitation fees	238,000	238,000	233,499	(4,501)
Unemployment insurance	2,800	3,205	3,204	(1)
Special projects	50,000	40,000	29,729	(10,271)
Downtown revitalization	25,000	25,000	25,000	-
Retirees - group insurance	65,000	55,088	54,435	(653)
Setoff debt	2,000	2,242	2,242	-
CDL drug and alcohol testing	500	261	261	-
Employee shots	1,500	5,358	5,265	(93)
Street lights	280,000	275,000	286,107	11,107
Christmas lights	23,000	18,469	18,469	-
Chamber dues	1,545	1,545	1,545	-
Fiber rental expense	9,600	9,600	9,600	-
Debt service	624,168	621,984	621,983	(1)
Total Non-Departmental	1,786,113	1,628,909	1,427,512	(201,397)
Total Expenditures	\$ 16,669,984	\$ 15,552,147	\$ 15,391,977	\$ (160,170)

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue								
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accomodations Tax	Hospitality and Accomodations Tax	Victims' Advocate Fund	Drug Fund	
ASSETS									
Cash	\$ 102,386	\$ 68,831	\$ 21,660	\$ 422	\$ 612	\$ 1,437,938	\$ 6,624	\$ 60,791	
Investments	-	-	-	-	-	1,513,507	-	-	
Revenue receivable	-	-	-	-	12,367	15,075	-	-	
Due from other funds	-	-	-	-	-	89,096	-	-	
Total assets	<u>\$ 102,386</u>	<u>\$ 68,831</u>	<u>\$ 21,660</u>	<u>\$ 422</u>	<u>\$ 12,979</u>	<u>\$ 3,055,616</u>	<u>\$ 6,624</u>	<u>\$ 60,791</u>	
LIABILITIES									
Accrued expenditures and payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total liabilities	-	-	-	-	-	-	-	-	
FUND BALANCES									
Restricted for:									
Capital projects	-	-	-	-	-	1,542,109	-	-	
Tourism related expenditures	-	-	-	-	12,979	1,513,507	-	-	
Law enforcement	-	-	-	-	-	-	-	-	
Committed for:									
Firemen's equipment	102,386	-	-	-	-	-	-	-	
Law enforcement	-	-	-	-	-	-	-	60,791	
Capital projects	-	-	-	-	-	-	-	-	
Cemetery maintenance	-	68,831	21,660	-	-	-	-	-	
Other purposes	-	-	-	422	-	-	6,624	-	
Total fund balances	<u>102,386</u>	<u>68,831</u>	<u>21,660</u>	<u>422</u>	<u>12,979</u>	<u>3,055,616</u>	<u>6,624</u>	<u>60,791</u>	
Total liabilities and fund balances	<u>\$ 102,386</u>	<u>\$ 68,831</u>	<u>\$ 21,660</u>	<u>\$ 422</u>	<u>\$ 12,979</u>	<u>\$ 3,055,616</u>	<u>\$ 6,624</u>	<u>\$ 60,791</u>	

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

	Special Revenue				Capital Projects		Total
	Stevenson Auditorium	Edisto Senior Games	JAG Grant	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	
ASSETS							
Cash	\$ 29,041	\$ 6,047	\$ -	\$ 78,703	\$ 19,020	\$ 3,236,232	\$ 5,068,307
Investments	-	-	-	-	-	1,586,823	3,100,330
Revenue receivable	-	-	-	-	-	-	27,442
Due from other funds	-	-	38	-	-	-	89,134
Total assets	\$ 29,041	\$ 6,047	\$ 38	\$ 78,703	\$ 19,020	\$ 4,823,055	\$ 8,285,213
LIABILITIES							
Accrued expenditures and payables	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ 245,703	\$ 245,733
Total liabilities	30	-	-	-	-	245,703	245,733
FUND BALANCES							
Restricted for:							
Capital projects	-	-	-	78,703	19,020	4,577,352	6,217,184
Tourism related expenditures	-	-	-	-	-	-	1,526,486
Law enforcement	-	-	38	-	-	-	38
Committed for:							
Firemen's equipment	-	-	-	-	-	-	102,386
Law enforcement	-	-	-	-	-	-	60,791
Capital projects	29,011	-	-	-	-	-	29,011
Cemetery maintenance	-	-	-	-	-	-	90,491
Other purposes	-	6,047	-	-	-	-	13,093
Total fund balances	29,011	6,047	38	78,703	19,020	4,577,352	8,039,480
Total liabilities and fund balances	\$ 29,041	\$ 6,047	\$ 38	\$ 78,703	\$ 19,020	\$ 4,823,055	\$ 8,285,213

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue							
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accomodations Tax	Hospitality and Accomodations Tax	Victims' Advocate Fund	Drug Fund
REVENUES								
Sales taxes	\$ -	\$ -	\$ -	\$ 4,500	\$ 33,228	1,177,240	\$ -	\$ -
Confiscated drug funds	-	-	-	-	-	-	-	2,425
Charges for services	-	1,250	-	14,849	-	-	-	-
Interest	-	-	-	-	-	4,122	-	-
Miscellaneous	-	-	-	-	-	134	-	-
Contributions	-	-	-	3,500	-	64,949	-	-
Intergovernmental	81,547	-	-	-	-	15,075	43,403	4,509
Total revenues	<u>81,547</u>	<u>1,250</u>	<u>-</u>	<u>22,849</u>	<u>33,228</u>	<u>1,261,520</u>	<u>43,403</u>	<u>6,934</u>
EXPENDITURES								
Public safety	72,226	-	-	-	-	250,633	(13)	19,853
Cultural and recreational	-	-	-	24,043	10,388	30,000	-	-
Developmental services	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	342,927	-	-
Small capital outlay	-	-	-	-	-	6,442	-	2,616
Capital outlay	-	-	-	-	-	73,802	-	42,475
Total expenditures	<u>72,226</u>	<u>-</u>	<u>-</u>	<u>24,043</u>	<u>10,388</u>	<u>703,804</u>	<u>(13)</u>	<u>64,944</u>
Excess of revenues over (under) expenditures	9,321	1,250	-	(1,194)	22,840	557,716	43,416	(58,010)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(25,040)	(324,246)	(40,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,040)</u>	<u>(324,246)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balances	9,321	1,250	-	(1,194)	(2,200)	233,470	3,416	(58,010)
Fund balance, beginning of year	93,065	67,581	21,660	1,616	15,179	2,822,146	3,208	118,801
Fund balance, end of year	<u>\$ 102,386</u>	<u>\$ 68,831</u>	<u>\$ 21,660</u>	<u>\$ 422</u>	<u>\$ 12,979</u>	<u>\$ 3,055,616</u>	<u>\$ 6,624</u>	<u>\$ 60,791</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

	Special Revenue				Capital Projects		Total
	Stevenson Auditorium	Edisto Senior Games	JAG Grant	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	
REVENUES							
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	3,182,276	\$ 4,397,244
Confiscated drug funds	-	-	-	-	-	-	2,425
Charges for services	1,650	700	-	-	-	-	18,449
Interest	-	-	-	8	-	7,811	11,941
Miscellaneous	-	-	-	-	-	13,480	13,614
Contributions	-	-	-	-	-	41,484	109,933
Intergovernmental	-	-	-	-	-	425,172	569,706
Total revenues	<u>1,650</u>	<u>700</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>3,670,223</u>	<u>5,123,312</u>
EXPENDITURES							
Public safety	-	-	-	-	-	-	342,699
Cultural and recreational	14,803	811	-	-	-	-	80,045
Developmental services	-	-	-	47	-	-	47
Debt service	-	-	-	-	-	-	342,927
Small capital outlay	-	-	-	-	-	-	9,058
Capital outlay	-	-	-	-	-	3,666,027	3,782,304
Total expenditures	<u>14,803</u>	<u>811</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>3,666,027</u>	<u>4,557,080</u>
Excess of revenues over (under) expenses	(13,153)	(111)	-	(39)	-	4,196	566,232
OTHER FINANCING SOURCES (USES)							
Operating transfers in	20,000	-	-	-	-	-	20,000
Operating transfers out	-	-	-	-	-	-	(389,286)
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(369,286)</u>
Net change in fund balances	6,847	(111)	-	(39)	-	4,196	196,946
Fund balance, beginning of year	<u>22,164</u>	<u>6,158</u>	<u>38</u>	<u>78,742</u>	<u>19,020</u>	<u>4,573,156</u>	<u>7,842,534</u>
Fund balance, end of year	<u>\$ 29,011</u>	<u>\$ 6,047</u>	<u>\$ 38</u>	<u>\$ 78,703</u>	<u>\$ 19,020</u>	<u>\$ 4,577,352</u>	<u>\$ 8,039,480</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF NET POSITION - NON-MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2015

	Business-type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
ASSETS				
Current assets:				
Cash and equivalents	\$ 200	\$ -	\$ 300	\$ 500
Accounts receivable - net	15,808	-	3,513	19,321
Other receivables	2,313	-	-	2,313
Inventories	50,701	32,793	-	83,494
Due from other funds	-	18,295	-	18,295
Total current assets	<u>69,022</u>	<u>51,088</u>	<u>3,813</u>	<u>123,923</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment net of accumulated depreciation	<u>7,707,279</u>	-	<u>358,345</u>	<u>8,065,624</u>
Total noncurrent assets	<u>7,707,279</u>	-	<u>358,345</u>	<u>8,065,624</u>
Total assets	<u>7,776,301</u>	<u>51,088</u>	<u>362,158</u>	<u>8,189,547</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	<u>17,351</u>	-	<u>45,776</u>	<u>63,127</u>
Total Deferred outflows of resources	<u>17,351</u>	-	<u>45,776</u>	<u>63,127</u>
LIABILITIES				
Current liabilities:				
Accounts payable	10,909	1,494	26,084	38,487
Accrued compensated absences	3,364	-	9,253	12,617
Current portion of capital lease obligation	-	-	-	-
Total current liabilities	<u>14,273</u>	<u>1,494</u>	<u>35,337</u>	<u>51,104</u>
Noncurrent liabilities:				
Advances from other funds	926,130	-	1,187,526	2,113,656
Accrued compensated absences	4,986	-	66,450	71,436
Other post employment benefits obligation	13,255	-	95,091	108,346
Net Pension Liability due after one year	179,305	-	473,036	652,341
Total noncurrent liabilities	<u>1,123,676</u>	-	<u>1,822,103</u>	<u>2,945,779</u>
Total liabilities	<u>1,137,949</u>	<u>1,494</u>	<u>1,857,440</u>	<u>2,996,883</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	<u>12,632</u>	-	<u>33,324</u>	<u>45,956</u>
Total deferred inflows of resources	<u>12,632</u>	-	<u>33,324</u>	<u>45,956</u>
NET POSITION				
Invested in capital assets, net of related debt	7,707,279	-	358,345	8,065,624
Unrestricted	<u>(1,064,208)</u>	<u>49,594</u>	<u>(1,841,175)</u>	<u>(2,855,789)</u>
Total net position	<u>\$ 6,643,071</u>	<u>\$ 49,594</u>	<u>\$ (1,482,830)</u>	<u>\$ 5,209,835</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Non-major Enterprise Funds			
	Municipal <u>Airport</u>	Pro Shop	Golf <u>Course</u>	<u>Total</u>
OPERATING REVENUES:				
Pro shop sales	\$ -	\$ 63,504	\$ -	\$ 63,504
Food sales	-	26,121	-	26,121
Oil and fuel sales	324,150	-	-	324,150
Rentals and other	76,282	413	-	76,695
Green fees, cart rentals and memberships	-	-	288,080	288,080
Capital projects revenue	-	-	12,667	12,667
Total operating revenues	400,432	90,038	300,747	791,217
OPERATING EXPENSES:				
Cost of goods sold	244,986	43,114	-	288,100
Operating and maintenance	85,759	5,273	131,527	222,559
Administrative	136,119	-	395,300	531,419
Depreciation and amortization	691,242	-	71,096	762,338
Total operating expenses	1,158,106	48,387	597,923	1,804,416
OPERATING INCOME (LOSS)	(757,674)	41,651	(297,176)	(1,013,199)
NON-OPERATING REVENUES (EXPENSES):				
Gain on disposal of property	-	-	10,985	10,985
Interest expense	(169)	-	-	(169)
Total non-operating revenues (expenses)	(169)	-	10,985	10,816
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(757,843)	41,651	(286,191)	(1,002,383)
Capital contributions - grants	24,581	-	-	24,581
Transfers in	-	-	45,897	45,897
Transfers out	-	(41,651)	-	(41,651)
CHANGES IN NET POSITION	(733,262)	-	(240,294)	(973,556)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	7,376,333	49,594	(1,242,536)	6,183,391
NET POSITION - END OF YEAR	\$ 6,643,071	\$ 49,594	\$ (1,482,830)	\$ 5,209,835

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 404,597	\$ 90,038	\$ 300,977	\$ 795,612
Cash payments to suppliers for goods and services	(322,540)	(54,610)	(117,782)	(494,932)
Cash payments for employees	(122,680)	-	(356,991)	(479,671)
Net cash provided (used) by operating activities	(40,623)	35,428	(173,796)	(178,991)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to others	82,048	6,223	132,598	220,869
Transfers in (out)	-	(41,651)	45,897	4,246
Net cash provided (used) by noncapital financing activities	82,048	(35,428)	178,495	225,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(57,324)	-	(15,684)	(73,008)
Interest paid	(169)	-	-	(169)
Proceeds from sale of capital assets	-	-	10,985	10,985
Capital contributed - grants	24,581	-	-	24,581
Capital lease obligation	(8,513)	-	-	(8,513)
Net cash used by capital and related financing activities	(41,425)	-	(4,699)	(46,124)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	-	-	-	-
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	200	-	300	500
CASH AND EQUIVALENTS AT END OF YEAR	\$ 200	\$ -	\$ 300	\$ 500

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS

	Business-type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (757,674)	\$ 41,651	\$ (297,176)	\$ (1,013,199)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	691,242	-	71,096	762,338
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	4,165	-	230	4,395
Inventories	25,907	(5,575)	-	20,332
Deferred outflows	(17,351)		(45,777)	(63,128)
Increase (decrease) in:				
Accounts payable	(17,702)	(648)	13,745	(4,605)
Accrued leave	631	-	1,236	1,867
OPEB obligation	753	-	5,272	6,025
Net pension liability	16,774	-	44,254	61,028
Deferred inflows	12,632	-	33,324	45,956
Net cash provided (used) by operating activities	\$ (40,623)	\$ 35,428	\$ (173,796)	\$ (178,991)
RECONCILIATION OF TOTAL CASH AND CASH INVESTMENTS:				
Cash on hand and in bank	\$ 200	\$ -	\$ 300	\$ 500
Total cash and cash equivalents	\$ 200	\$ -	\$ 300	\$ 500

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FINES AND ASSESSMENTS AND SURCHARGES REVENUES
FOR VICTIMS' SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Total</u>
COURT FINES	
Court fines collected	\$ 173,781
Court fines retained by City	<u>173,781</u>
Court fines remitted to State Treasurer	<u>\$ -</u>
COURT ASSESSMENTS	
Court assessments collected	\$ 252,518
Court assessments retained by City	<u>28,957</u>
Court assessments remitted to State Treasurer	<u>\$ 223,561</u>
COURT SURCHARGES	
Court surcharges collected	\$ 136,385
Court surcharges retained by the City	<u>14,445</u>
Court surcharges remitted to State Treasurer	<u>\$ 121,940</u>
VICTIMS' SERVICES	
Court assessments allocated to Victims' Services	\$ 28,958
Court surcharges allocated to Victims' Services	<u>14,445</u>
Funds allocated to Victims' Services	43,403
Victims' Services expenditures	<u>39,987</u>
Funds available for carryforward	<u>\$ 3,416</u>
Beginning balance, October 1, 2014	\$ 3,208
Funds available for carryforward	<u>3,416</u>
Ending balance, September 30, 2015	<u>\$ 6,624</u>

SINGLE AUDIT SECTION



J. W. Hunt and Company, LLP

Certified Public Accountants

John C. Creech, Jr., CPA
Anne H. Ross, CPA
William T. Pouncey, CPA
M. Riley Creech, CPA

**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 Honorable Mayor and City Council
City of Orangeburg
Orangeburg, South Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orangeburg, South Carolina (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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.

J. W. Hunt and Company, LLP

March 15, 2016



J. W. Hunt and Company, LLP

Certified Public Accountants

John C. Creech, Jr., CPA
Anne H. Ross, CPA
William T. Pouncey, CPA
M. Riley Creech, CPA

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

To The Honorable Mayor and City Council
City of Orangeburg
Orangeburg, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Orangeburg, South Carolina's (the City) 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 the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the City'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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 September 30, 2015.

Report on Internal Control Over Compliance

Management of the City 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 the City'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 the City'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.

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.

f. W. Hunt and Company, LLP

March 15, 2016

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>Environmental Protection Agency</u>		
Through South Carolina Budget and Control Board State Revolving Fund: Capitalization Grants for Clean Water State Revolving Fund	66.458	\$ 6,530,116
<u>U.S. Department of Homeland Security</u>		
Through South Carolina Emergency Management Division: Federal Emergency Management Agency Disaster Grant	97.036	17,419
Assistance to Firefighters Grant, FP&S	97.044	<u>16,530</u>
Total U.S. Department of Homeland Security		<u>33,949</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs: Community Development Block Grant for Entitlement Communities	14.228	425,172
<u>U.S. Department of Justice</u>		
Direct Programs: Bullet Proof Vest Partnership	16.607	3,859
<u>U.S. Department of Transportation</u>		
Through South Carolina Department of Transportation: Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	57,885
State and Community Highway Safety Grant	20.600	24,840
Through Federal Aviation Administration: Airport Improvement Program	20.106	22,268
Airport Improvement Program	20.106	<u>2,313</u>
Total U.S. Department of Transportation		<u>107,306</u>
Total expenditures of federal awards		<u><u>\$ 7,100,402</u></u>

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Orangeburg, South Carolina under programs of the federal government for the year ended September 30, 2015. 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 financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weaknesses? no

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major programs:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weaknesses? no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
14.228	Community Development Block Grants for Entitlement Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements.

SECTION III - FINDINGS RELATED TO FEDERAL AWARDS

There were no findings related to federal awards.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS,
YEAR ENDED SEPTEMBER 30, 2015

Finding 14-01

The limited number of the City's personnel necessarily imposed practical limitations on the effectiveness of those controls that depend on the segregation of duties. Since this condition is inherent in the size of the City, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the City.