

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
YEAR ENDED SEPTEMBER 30, 2009
AND INDEPENDENT AUDITORS' REPORT

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

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ORANGEBURG, SOUTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

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

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, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Orangeburg, South Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orangeburg, South Carolina, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2010, on our consideration of the City of Orangeburg, South Carolina's internal control over financial reporting and other tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 5 through 10 and budgetary comparison information on pages 48 through 49 and the schedule of funding progress for retiree health plan on page 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Orangeburg, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and supplementary schedules and the accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. W. Hunt and Company, LLP

Columbia, South Carolina
February 18, 2010

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City of Orangeburg
Orangeburg, South Carolina
Management's Discussion and Analysis (Unaudited)
September 30, 2009

Within this section, we are presenting an overview and analysis of the financial activities for the City of Orangeburg for the Fiscal Year ended September 30, 2009. This overview is to be read in conjunction with the financial statements that follow and the audit should be viewed for more detail information.

The City comprises 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 Utilities, Airport, Pro Shop and the Municipal Golf Course as well as other Boards and Commissions.

Financial Highlights from FY 2008-09

As of September 30, 2009, end of the Fiscal Year, the Government Wide assets of the City of Orangeburg exceeded its liabilities by \$253,874,859. Of this amount \$29,583,719 may be used to meet the government's ongoing needs.

Also, as of September 30, 2009, the total fund balance is \$10,359,092; the unreserved fund balance for the General Fund was \$8,872,580. 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. Of course, reduced reserves will reduce interest income and operating income from investments. Also, investment income has been down from previous years due to lower investment interest rates. It was noted in financial planning sessions with City Council for FY 2008-09 and the prior fiscal year that it may be necessary to expend limited fund balance for at least 2 to 3 years to weather recent economic times.

The City governmental activities had a total of \$6,978,401 debt beginning October 1, 2008 and issued \$882,552 debt for FY 2008-2009, including accrued annual leave. Debt was reduced by the amount of \$1,405,188 leaving a total debt of \$6,455,765. The amount of \$2,988,988 of the capital lease debt is secured by sales tax revenue and not backed by ad valorem property taxes. Accrued annual leave is the other major form of debt in the amount of \$1,200,352. The City has been preparing for GASB 45 for financial reporting for Post Employment benefits (OPEB) other than pensions which includes retiree health, dental and vision insurance, prescription, long-term care insurance, life insurance and other benefits. The City along with DPU is currently reviewing the many options that exist. Orangeburg, like many other cities in South Carolina, has not yet decided to fund this GASB prescribed liability as we have successfully formulated and funded an annual retiree medical plan for thirty years. For fiscal year 2009-2010, the City and DPU will go through a major overhaul in their insurance funding and have changed insurance carriers for employees and have opted to provide a Medicare Advantage Plan for those retirees

over 65. These steps will reduce our GASB 45 liability tremendously over the next thirty years. All new employees hired after December 31, 2009, will have no medical insurance post employment benefits funded by the City. They will have the option of a Health Savings Account (HSA).

In this analysis, there are two kinds of statements that provide different views of the City. The first two statements are Government wide financial statements that provide information about the activities of the City as a whole and long-term numbers on the City's overall financial status.

The remaining statements are Fund Financial statements that provide focus on individual areas of the City government, offering the readers more detail than the broader government wide statements by providing financial information about the City's most significant funds. They also tell how these services were financed in the short term as well as what remains for future spending. They are as follows:

Government Funds: the Departments of Public Safety, Public Works, Parks & Recreation, Service, Administration and Finance.

Proprietary Funds: the Department of Public Utilities, Hillcrest Golf Course (including Pro Shop), and Municipal Airport.

The remaining statements provide financial information about the activities for which the City acts solely as a trustee or agent for the benefit for those outside the local government.

Fiduciary Fund Statements: Delinquent taxes.

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

Government Wide Statement

Condensed Statement of Net Assets:
September 30, 2008 and September 30, 2009

	2008 Governmental <u>Activities</u>	2008 Business Type <u>Activities</u>	2009 Governmental <u>Activities</u>	2009 Business Type <u>Activities</u>
Current and other assets	\$ 13,179,933	\$ 22,572,217	\$ 16,491,885	\$ 36,732,002
Capital assets (net)	20,873,242	213,788,824	20,728,491	211,421,828
Total assets	<u>34,053,175</u>	<u>236,361,041</u>	<u>37,220,376</u>	<u>248,153,830</u>
Long term debt outstanding	5,750,758	5,492,224	6,037,218	10,897,981
Other liabilities	1,743,260	11,313,905	1,599,439	12,964,709
Total liabilities	<u>7,494,018</u>	<u>16,806,129</u>	<u>7,636,657</u>	<u>23,862,690</u>

	2008	2008	2009	2009
	Governmental	Business Type	Governmental	Business Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Net assets:				
Invested in capital assets, net of debt	\$ 15,099,080	\$ 204,574,786	\$ 15,473,078	\$ 205,606,125
Restricted	182,974	560,478	189,117	936,321
Unrestricted (deficit)	11,277,103	14,419,648	13,921,524	17,748,694
	<u>26,559,157</u>	<u>219,554,912</u>	<u>29,583,719</u>	<u>224,291,140</u>
Total net assets	<u>26,559,157</u>	<u>219,554,912</u>	<u>29,583,719</u>	<u>224,291,140</u>

Condensed Statement of Activities
September 30, 2008 and September 30, 2009

Revenue:	2008	2008	2009	2009
	Governmental	Business Type	Governmental	Business Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Program revenues:				
Charges for services	\$ 5,635,577	\$ 98,597,121	\$ 5,864,362	\$ 93,266,792
Operating grants	1,293,193	-	834,791	-
Capital grants	49,053	2,988,873	67,145	1,196,660
General revenues:				
Property taxes	2,995,904	-	3,047,649	-
Other taxes	2,600,624	-	4,664,701	-
Franchise fees	136,987	-	142,349	-
Other revenues	418,790	395,387	123,013	232,526
	<u>13,130,128</u>	<u>101,981,381</u>	<u>14,744,010</u>	<u>94,695,978</u>
Total revenues	<u>13,130,128</u>	<u>101,981,381</u>	<u>14,744,010</u>	<u>94,695,978</u>

Expenses:	2008		2009	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
General government	\$ 2,717,441	\$ -	\$ 2,453,303	\$ -
Public Safety	7,429,124	-	7,863,295	-
Public Works	2,375,274	-	2,448,664	-
Culture/recreation	2,427,937	-	2,404,374	-
Service	585,947	-	597,004	-
Interest/long term debt	236,343	-	235,519	-
Public Utilities	-	85,333,257	-	83,441,372
Airport	-	1,324,291	-	1,165,259
Golf Course	-	811,614	-	823,331
Total expenses	15,772,066	87,469,162	16,002,159	85,429,962
Excess or (deficiency) before special items or transfers	(2,641,938)	14,512,219	(1,258,149)	9,266,016
Transfers	4,069,975	(4,069,975)	4,529,784	(4,529,784)
Increase or (decrease) in net assets	1,428,037	10,442,244	3,271,635	4,736,232

Fiscal Year 2008-2009 had several fee increases on services and a tax millage increase. The millage rate increased from 85 mills to 88 mills; however due to reassessment the millage was rolled back to 84 mills in this fiscal year. Fire contracts increased 5% across the board. New categories were added and other categories were adjusted to more adequately reflect the burden on the fire service system. There was a \$1.00 per month increase in residential sanitation fees and a 5.5% increase in commercial sanitation fees. There was an 8% increase in cart fees at Hillcrest Golf Course and the transfer from DPU was increased by \$300,000.00. The non-resident fees for sports programs at Parks & Recreation were increased by \$5.00.

There was a 3% Cost of Living for employees in this fiscal year. It is important to note that with increased budget cuts, mid-year the City cut the capital budget so that Revenues exceeded Expenditures this fiscal year in the amount of \$168,982. It should be noted that the capital budget was cut almost \$500,000.00 and that there were increases due to increases in health premiums. It should also be noted however, that \$600,000 was budgeted during the budget cycle in cash reserves as revenue to balance the budget. It is obvious that City Council must address additional revenue sources in the upcoming budget years or continue to possibly use fund balance monies to balance the budget annually. Additionally, current program costs must be held at current budget amounts and possibly some services eliminated.

The City's Utility Fund plays a large role in the funding of governmental services. The General Fund reported a \$4,003,272 deficit before the transfer of \$4,554,832 from the Department of Public Utilities. After the transfer, sale of assets and lease proceeds, the General Fund had a net change of \$168,982 to Fund Balance. The City traditionally transfers from the net income of utilities as a return on investment and this amount has remained steady with only moderate increases which are approved in budget process by City Council. The overall stability of the business activities is always of utmost consideration when transfers are set. In fact, the City's Department of Public Utilities continues to have some of the lowest electric rates in the state and has very competitive rates on sewer, water, and natural gas. As the City annexes, many customers are receiving a reduced water and sewer rate. Electric and natural gas rates are not affected.

The Municipal Airport had an operating loss of (\$773,731) which includes depreciation of \$707,876 and a change in net assets of (\$172,316). The Hillcrest Golf Course and Pro Shop had a combined operating loss of (\$170,632) including depreciation of \$138,824 and a change in net assets of (\$49,261).

The Department of Public Utilities is detailed in a separate management discussion and analysis in the Department of Public Utilities financial statement section. It is evident that the Department of Public Utilities fully funds its costs through fees and rates and realizing a net income that allows revenue assistance to the General Fund of the City.

Budget Analysis

Moderate revenue increases are normal from one budget year to the next. Property taxes increase mainly due to reassessments; however with the millage cap restrictions that the state has imposed on local governments and the 15% cap on increases in real property for assessment purposes, real growth in property values are not always reflected in tax revenues. Business licenses generally increase 3-5% annually. Again, due to the national economic condition, we are watching this carefully as it may not hold true for a couple of years.

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; due to the current national economic picture and state legislature uncertainty, a closer review is more important than ever. These projections are reviewed with the Department Heads of the City and the expenditures are adjusted to bring expenditures under conservative new projected revenues and not necessarily to expend budgeted funds. These adjustments are then adopted by City Council as an amended budget. City Council should be credited with allowing staff to manage finances, while yet 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, 2009 the amount of \$22,305 is due trust fund holders as shown in Statement of Net Assets, Fiduciary Funds.

The General Fund of the City had a net decrease of (\$518,754) 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, tractors and equipment and the Hospitality & Accommodations Tax Fund.

The Debt related to Hospitality & Accommodations Tax Fund as of September 30, 2009, is \$2,988,988. This is funded by a 2% tax levied against prepared meals and accommodations rentals. The original issue was \$4,300,000, this tax is used to fund tourist related programs and capital projects. It should be noted that the City's Hospitality & Accommodations Tax Fund revenues are exceeding the state threshold of approximately \$900,000 so that we can use a portion of this sales tax (20%) to fund maintenance on some of our projects originally funded by this tax.

The Business type activities including DPU had an increase in debt of \$4,283,339. Ending balance as of September 30, 2009 is \$10,079,877. Accrued annual leave is also shown under the General Fund Debt and Business Type Activities Debt. The annual leave paid by the City and DPU has increased slightly over the years due to the number of retirees receiving payment for accrued annual leave balances. It should be noted that the City does not give sick leave so all leave liability is in the form of annual leave.

In Other Government Funds, this fund had a net change of \$3,518,071. The beginning balance for the year was \$2,227,136 and the ending balance was \$5,745,207. The change is attributed in the funds being reserved for capital projects. As Capital projects are being planned and designed, funds or reserves accumulate; once they are bid or constructed the reserves diminish. This is according to plan and should not be regarded negatively or as the City having a large undesignated balance in this fund.

Closing

In closing, I would like to stress that with the national economic outlook, it is obvious that the City look into increasing revenues such as continued annexation and promoting city growth, user fees, etc; otherwise with state mandates and increased cuts in local government funding, it will be extremely difficult for the City not to diminish fund balance yearly in order to balance the budget. However, one of the primary purposes for orderly development of fund balance is to be able to access it to continue the delivery of essential public services.

This analysis is intended to provide the reader a brief overview of the City's financial position. The audit should be viewed for more detailed information and full explanation. Each annual budget is reviewed by staff and in City Council 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

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Current assets:			
Cash and equivalents	\$ 5,788,412	\$ 9,800	\$ 5,798,212
Investments	9,088,162	15,898,407	24,986,569
Receivables:			
Current taxes	79,767	-	79,767
Delinquent taxes, net of allowance	70,927	-	70,927
State of South Carolina	164,588	-	164,588
Bond proceeds receivable	-	5,262,677	5,262,677
Other, net of allowance	134,968	9,240,913	9,375,881
Internal balances	1,052,041	(1,052,041)	-
Prepaid expenses	-	86,524	86,524
Inventory	113,020	3,337,380	3,450,400
Total current assets	<u>16,491,885</u>	<u>32,783,660</u>	<u>49,275,545</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments:			
Customer deposits	-	3,012,021	3,012,021
Bond repayment	-	861,313	861,313
Self insurance fund	-	75,008	75,008
Total restricted cash and investments	<u>-</u>	<u>3,948,342</u>	<u>3,948,342</u>
Capital assets not being depreciated	4,604,626	15,971,482	20,576,108
Capital assets net of accumulated depreciation and amortization	<u>16,123,865</u>	<u>195,450,346</u>	<u>211,574,211</u>
TOTAL ASSETS	<u>37,220,376</u>	<u>248,153,830</u>	<u>285,374,206</u>

(Continued) - 1.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 149,471	\$ 7,178,281	\$ 7,327,752
Bank overdraft	131,601	919,312	1,050,913
Withholdings and accrued expenses	35,588	104,731	140,319
Accrued compensated absences, current	327,514	670,019	997,533
Lease payable, current	755,265	18,803	774,068
General obligation bond payable, current	200,000	-	200,000
Revenue bond payable, current	-	200,229	200,229
Total current liabilities	<u>1,599,439</u>	<u>9,091,375</u>	<u>10,690,814</u>
Liabilities payable from restricted net assets:			
Current portion of revenue bonds payable	-	861,313	861,313
Customer deposits	-	3,012,021	3,012,021
Total liabilities payable from restricted assets	<u>-</u>	<u>3,873,334</u>	<u>3,873,334</u>
Noncurrent liabilities:			
Accrued compensated absences	872,838	667,248	1,540,086
Capital leases	3,000,148	48,397	3,048,545
General obligation bond payable	1,300,000	-	1,300,000
Revenue bond payable	-	8,951,135	8,951,135
Post retirement benefit obligation	864,232	1,231,201	2,095,433
Total noncurrent liabilities	<u>6,037,218</u>	<u>10,897,981</u>	<u>16,935,199</u>
TOTAL LIABILITIES	<u>7,636,657</u>	<u>23,862,690</u>	<u>31,499,347</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,473,078	205,606,125	221,079,203
Restricted for:			
Self insurance fund	189,117	75,008	264,125
Debt service	-	861,313	861,313
Unrestricted	13,921,524	17,748,694	31,670,218
TOTAL NET ASSETS	<u>29,583,719</u>	<u>224,291,140</u>	<u>253,874,859</u>

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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, 2009

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:							
Executive	\$ 402,513	\$ -	\$ -	\$ -	\$ (402,513)	\$ -	\$ (402,513)
Finance	679,550	-	-	-	(679,550)	-	(679,550)
Administrative	516,128	-	-	-	(516,128)	-	(516,128)
Public works	2,448,664	3,768,310	20,276	40,720	1,380,642	-	1,380,642
Public safety	7,863,295	1,809,438	296,469	26,425	(5,730,963)	-	(5,730,963)
Parks and recreation	2,404,374	174,004	145,817	-	(2,084,553)	-	(2,084,553)
Service	597,004	-	-	-	(597,004)	-	(597,004)
Non-departmental	855,112	112,610	372,229	-	(370,273)	-	(370,273)
Interest on long-term debt	235,519	-	-	-	(235,519)	-	(235,519)
Total governmental activities	16,002,159	5,864,362	834,791	67,145	(9,235,861)	-	(9,235,861)
Business-type activities:							
Public utilities	83,441,372	92,225,272	-	593,669	-	9,377,569	9,377,569
Municipal airport	1,165,259	389,952	-	602,991	-	(172,316)	(172,316)
Pro shop	79,319	144,889	-	-	-	65,570	65,570
Golf	744,012	506,679	-	-	-	(237,333)	(237,333)
Total business-type activities	85,429,962	93,266,792	-	1,196,660	-	9,033,490	9,033,490
Total government	101,432,121	99,131,154	834,791	1,263,805	(9,235,861)	9,033,490	(202,371)
General revenues:							
Taxes:							
Property taxes, levied for general					\$ 3,047,649	\$ -	\$ 3,047,649
Sales, accommodations, and use tax					4,664,701	-	4,664,701
Franchise fees					142,349	-	142,349
Interest income					85,080	76,792	161,872
Sale of fixed assets					37,933	155,734	193,667
Transfers					4,529,784	(4,529,784)	-
Change in net assets					3,271,635	4,736,232	8,007,867
Net assets, as restated - beginning of year					26,312,084	219,554,908	245,866,992
Net assets - end of year					29,583,719	224,291,140	253,874,859

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 122,042	\$ 5,666,370	\$ 5,788,412
Investments	9,088,162	-	9,088,162
Receivables:			
Current taxes	79,767	-	79,767
Delinquent taxes	88,659	-	88,659
State of South Carolina	153,606	10,982	164,588
Other	134,998	-	134,998
Inventory	113,020	-	113,020
Due from other funds	56,279	70,628	126,907
Advances to other funds	998,505	-	998,505
TOTAL ASSETS	10,835,038	5,747,980	16,583,018
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 149,470	\$ 30	\$ 149,500
Bank overdraft	131,601	-	131,601
Withholdings and accrued expenses	35,588	-	35,588
Due to other funds	70,628	2,743	73,371
Deferred revenue	88,659	-	88,659
Total liabilities	475,946	2,773	478,719
Fund balances:			
Reserved for:			
Self insurance	189,117	-	189,117
Inventory	113,020	-	113,020
Fire equipment	185,870	-	185,870
Amount due from Municipal Airport	488,485	-	488,485
Amount due from Hillcrest	510,020	-	510,020
Unreserved, reported in:			
General fund	8,872,580	-	8,872,580
Special revenue funds	-	1,796,257	1,796,257
Capital projects funds	-	3,948,950	3,948,950
Total fund balances	10,359,092	5,745,207	16,104,299
TOTAL LIABILITIES AND FUND BALANCES	10,835,038	5,747,980	16,583,018

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because	\$ 16,104,299
Delinquent taxes receivable and grants 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	70,926
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	20,728,491
Long-term liabilities are not due and payable in the current period, and are not reported in the funds:	
Due within a year	(1,282,779)
Due in more than one year	<u>(6,037,218)</u>
Net assets of governmental activities	<u><u>29,583,719</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, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 2,976,723	\$ -	\$ 2,976,723
Sales	917,567	-	917,567
Licenses and permits	2,773,392	-	2,773,392
Franchise fee	142,349	-	142,349
Fines and forfeitures	823,711	1,046	824,757
Charges for services	1,982,354	25,288	2,007,642
Interest income	75,513	9,568	85,081
Miscellaneous	164,188	1,500	165,688
Contributions	-	145,152	145,152
Intergovernmental	488,059	4,142,087	4,630,146
	<hr/>	<hr/>	<hr/>
Total revenues	10,343,856	4,324,641	14,668,497
EXPENDITURES:			
Executive	374,091	-	374,091
Finance	614,003	-	614,003
Administrative	483,511	-	483,511
Public works	1,794,384	-	1,794,384
Public safety	6,397,894	166,352	6,564,246
Parks and recreation	1,712,564	179,528	1,892,092
Service	481,394	2,071	483,465
Non-departmental	837,786	-	837,786
Debt service	941,745	342,927	1,284,672
Small capital outlay	89,499	47,236	136,735
Capital outlay	620,258	960,975	1,581,233
	<hr/>	<hr/>	<hr/>
Total expenditures	14,347,129	1,699,089	16,046,218
Excess (deficiency) of revenues over expenditures	(4,003,273)	2,625,552	(1,377,721)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,554,832	4,957,036	9,511,868
Operating transfers out	(917,567)	(4,064,517)	(4,982,084)
Lease proceeds	534,990	-	534,990
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	4,172,255	892,519	5,064,774
Excess (deficiency) of revenues and other sources over expenditures and other uses	168,982	3,518,071	3,687,053
FUND BALANCES, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	10,190,110	2,227,136	12,417,246
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	10,359,092	5,745,207	16,104,299

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 BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net changes in fund balances - total governmental funds \$ 3,687,053

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets and gains or losses on disposition of capital assets not addressed in the governmental funds statements:

Capital asset purchases capitalized/retired	1,581,233
Depreciation expenses	(1,721,157)
Loss on disposal	<u>(4,824)</u>
	<u>(144,748)</u>

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	(530,399)
Capital lease obligation principal payments	899,153
Note payable principal payments	<u>150,000</u>
	<u>518,754</u>

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	3,882
Other post retirement benefits obligation	<u>(864,232)</u>
	<u>(860,350)</u>

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.

	<u>70,926</u>
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Change in net assets of governmental activities	<u><u>3,271,635</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 SEPTEMBER 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>		
		Other	
	<u>Public</u>	Enterprise	<u>Total</u>
	<u>Utilities</u>	<u>Funds</u>	
<u>ASSETS</u>			
Current assets:			
Cash and equivalents	\$ 9,300	\$ 500	\$ 9,800
Investments	15,898,407	-	15,898,407
Accounts receivable - net	4,026,996	20,975	4,047,971
Unbilled customer accounts receivable	4,942,844	-	4,942,844
Bond proceeds receivable	5,262,677	-	5,262,677
Other receivables	224,007	26,091	250,098
Inventories	3,273,820	63,560	3,337,380
Due from other funds	-	43,258	43,258
Other prepaid expenses	86,524	-	86,524
	<u>33,724,575</u>	<u>154,384</u>	<u>33,878,959</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments (Note 2):			
Customer deposits	3,012,021	-	3,012,021
Bond repayment	861,313	-	861,313
Self insurance fund	75,008	-	75,008
	<u>3,948,342</u>	<u>-</u>	<u>3,948,342</u>
Land	2,328,752	12,792,278	15,121,030
Utility departments	282,169,904	-	282,169,904
Buildings	6,744,877	3,032,611	9,777,488
Machinery and equipment	4,605,118	1,081,815	5,686,933
Capital lease	-	446,780	446,780
Construction in progress	12,326,777	-	12,326,777
Less accumulated depreciation	<u>(108,668,845)</u>	<u>(5,438,237)</u>	<u>(114,107,082)</u>
Total capital assets, net of accumulated depreciation	<u>199,506,583</u>	<u>11,915,247</u>	<u>211,421,830</u>
TOTAL ASSETS	<u>237,179,500</u>	<u>12,069,631</u>	<u>249,249,131</u>

(Continued) - 1.

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

	Business-type Activities - Enterprise Funds		
	Public	Other	Total
	<u>Utilities</u>	<u>Enterprise Funds</u>	
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 7,138,505	\$ 39,778	\$ 7,178,283
Bank overdraft	919,312	-	919,312
Withholdings and accrued expenses	104,731	-	104,731
Accrued compensated absences, current	650,295	19,724	670,019
Current portion of capital lease obligation	-	18,803	18,803
Current portion of revenue bonds payable	200,229	-	200,229
Due to other funds	96,794	998,505	1,095,299
Total current liabilities	<u>9,109,866</u>	<u>1,076,810</u>	<u>10,186,676</u>
Current liabilities (payable from restricted assets):			
Current portion of revenue bonds payable	861,313	-	861,313
Customer deposits	3,012,021	-	3,012,021
Total current liabilities (payable from restricted net assets)	<u>3,873,334</u>	<u>-</u>	<u>3,873,334</u>
Noncurrent liabilities:			
Accrued compensated absences	624,793	42,455	667,248
Capital lease obligation	-	48,397	48,397
Revenue bonds payable	8,951,135	-	8,951,135
Other post employment benefit obligation	1,181,532	49,669	1,231,201
Total noncurrent liabilities	<u>10,757,460</u>	<u>140,521</u>	<u>10,897,981</u>
TOTAL LIABILITIES	<u>23,740,660</u>	<u>1,217,331</u>	<u>24,957,991</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	194,756,583	10,849,542	205,606,125
Restricted for self insurance	75,008	-	75,008
Restricted for bond repayment	861,313	-	861,313
Unrestricted	17,745,936	2,758	17,748,694
TOTAL NET ASSETS	<u>213,438,840</u>	<u>10,852,300</u>	<u>224,291,140</u>

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
OPERATING REVENUES:			
Utility sales and wastewater service	\$ 91,663,594	\$ -	\$ 91,663,594
Pro shop sales	-	99,397	99,397
Food sales	-	44,541	44,541
Rentals and other	-	325,090	325,090
Green fees, cart rentals and memberships	-	550,673	550,673
Capital projects revenue	-	21,819	21,819
	<hr/>		
Total operating revenues	91,663,594	1,041,520	92,705,114
<hr/>			
OPERATING EXPENSES:			
Cost of goods sold	59,587,399	333,284	59,920,683
Operating and maintenance	7,508,554	260,720	7,769,274
Administrative	9,313,364	545,179	9,858,543
Depreciation and amortization	6,875,305	846,700	7,722,005
	<hr/>		
Total operating expenses	83,284,622	1,985,883	85,270,505
<hr/>			
OPERATING INCOME (LOSS)	8,378,972	(944,363)	7,434,609
<hr/>			
NON-OPERATING REVENUES (EXPENSES):			
Gain/(loss) on disposal of property	13,534	142,200	155,734
Water impact and tap fees	325,740	-	325,740
Wastewater impact and tap fees	235,938	-	235,938
Interest, investments	76,792	-	76,792
Interest expense	(156,750)	(2,707)	(159,457)
	<hr/>		
Total non-operating revenues (expenses)	495,254	139,493	634,747
<hr/>			
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	8,874,226	(804,870)	8,069,356
	<hr/>		
Capital contributions - grants	593,669	602,991	1,196,660
Transfers in	-	65,570	65,570
Transfers out	(4,510,086)	(85,268)	(4,595,354)
	<hr/>		
CHANGES IN NET ASSETS	4,957,809	(221,577)	4,736,232
	<hr/>		
NET ASSETS - BEGINNING OF YEAR	208,481,031	11,073,877	219,554,908
	<hr/>		
NET ASSETS - END OF YEAR	213,438,840	10,852,300	224,291,140
	<hr/> <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, 2009

	Business-type Activities - Enterprise Funds		
	Public <u>Utilities</u>	Other	Total
		Enterprise <u>Funds</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 95,466,573	\$ 1,305,637	\$ 96,772,210
Cash payments to suppliers for goods and services	(66,920,994)	(763,270)	(67,684,264)
Cash payments for employees	(7,842,674)	(490,185)	(8,332,859)
Net cash provided by operating activities	<u>20,702,905</u>	<u>52,182</u>	<u>20,755,087</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to (from) other funds	-	97,682	97,682
Transfers in (out)	(4,510,086)	(19,698)	(4,529,784)
Net cash provided (used) by noncapital financing activities	<u>(4,510,086)</u>	<u>77,984</u>	<u>(4,432,102)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and constructions of capital assets	(8,280,821)	(843,312)	(9,124,133)
Proceeds from sale of capital assets	13,534	142,200	155,734
Principal payment of capital leases	-	(29,338)	(29,338)
Principal payment on bonds	(950,000)	-	(950,000)
Interest payments on lease	-	(2,707)	(2,707)
Water impact and tap fees	325,740	-	325,740
Wastewater impact and tap fees	235,937	-	235,937
Proceeds from capital grants	593,669	602,991	1,196,660
Net cash used by capital and related financing activities	<u>(8,061,941)</u>	<u>(130,166)</u>	<u>(8,192,107)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment interest	76,792	-	76,792
Interest expense	(156,750)	-	(156,750)
Net (purchase) sale of investments	(8,046,130)	-	(8,046,130)
Net cash used by investing activities	<u>(8,126,088)</u>	<u>-</u>	<u>(8,126,088)</u>
NET INCREASE IN CASH AND EQUIVALENTS	4,790	-	4,790
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>3,877,844</u>	<u>500</u>	<u>3,878,344</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>3,882,634</u>	<u>500</u>	<u>3,883,134</u>

(Continued) - 1.

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

	Business-type Activities - Enterprise Funds		
	Public <u>Utilities</u>	Other Enterprise <u>Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 8,378,972	\$ (944,363)	\$ 7,434,609
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,373,118	846,700	8,219,818
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer accounts receivable	64,724	264,117	328,841
Unbilled receivables	1,315,761	-	1,315,761
Other receivables - operating	12,363	-	12,363
Inventories	926,461	35,468	961,929
Other prepaid expenses	(6,995)	-	(6,995)
Increase (decrease) in:			
Accounts payable	(1,476,599)	(204,735)	(1,681,334)
Under (over) billing	2,196,755	-	2,196,755
Customer refunds payable	919,311	-	919,311
Withholdings and accrued expenses	(177,081)	-	(177,081)
Accrued compensated absences	76,525	5,326	81,851
Accrued salaries	(156,740)	-	(156,740)
Due to City of Orangeburg - General Fund	1,035,382	-	1,035,382
Customer deposits payable	7,572	-	7,572
Post retirement benefit obligation	213,376	49,669	263,045
Net cash provided by operating activities	<u>20,702,905</u>	<u>52,182</u>	<u>20,755,087</u>
RECONCILIATION OF TOTAL CASH AND CASH INVESTMENTS:			
Cash on hand and in bank	9,300	500	9,800
Restricted cash - customer deposits	3,012,021	-	3,012,021
Restricted cash - bond repayment	861,313	-	861,313
Total cash and cash equivalents	<u>3,882,634</u>	<u>500</u>	<u>3,883,134</u>

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ORANGEBURG, SOUTH CAROLINA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2009

	Delinquent Tax Collector <u>Agency Fund</u>
ASSETS	
Cash	\$ 22,305
Total assets	<u>22,305</u>
LIABILITIES	
Due to trust fund holders	\$ 22,305
Total liabilities	<u>22,305</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, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

The City of Orangeburg, South Carolina was incorporated under an Act of the General Assembly of the State of South Carolina 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 the primary government under the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*.

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 assets 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidance.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):

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 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED):

The government reports the following non major enterprise funds:

Municipal Airport

The municipal airport fund accounts for the fuel sales, hangar rents, and grant incomes 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 type:

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. 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. Likewise, 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.

When both restricted and unrestricted are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

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 State and its agencies
2. Government sponsored enterprises with appropriate credit ratings
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 it 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 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
7. Certain no load open-end of 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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED):

Reserve for Bad Debts

The recorded reserve is approximately 1.48% of accounts receivable at September 30, 2009, which management feels is a reasonable estimate.

Under GASB 34, 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 net current assets. 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. Inventories in the Municipal Airport and Hillcrest Pro Shop proprietary funds consist of supplies and items held for resale, and are recorded at 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 \$5,000 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 cost 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.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED):

Capital Assets (Continued)

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

The buildings, equipment and vehicles in other proprietary funds are computed 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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED):

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 assets.

Net Assets/Fund Equity

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 and the calculation of post employment benefits other than pension.

Subsequent Events

The City has considered subsequent events through _____, 2010, the date of issuance, in preparing the financial statements and notes.

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

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

At September 30, 2009 the City had the following investments:

	Carrying Amount <u>Cost</u>	Fair Value <u>Value</u>
U.S. government securities	\$ 15,973,415	\$ 15,985,923
State Treasurer's investment pool	9,088,164	9,088,164
	<hr/>	<hr/>
Total investments	25,061,579	25,074,087
	<hr/> <hr/>	<hr/> <hr/>

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 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, 2009 the City deposits totaled \$5,798,212 and the bank balance was \$8,916,550. Of the bank balance, \$828,651 was covered by Federal depository insurance, \$1,902,774 consisted of repurchase agreements, \$6,158,751 was covered by collateral held by the pledging banks in the City's name and \$4,068 was uninsured and uncollateralized.

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

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.

Current year and personal taxes become delinquent on January 16. 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.

\$88,659 of delinquent taxes uncollected at September 30, 2009, are not considered available to liquidate current period liabilities and, accordingly, the City has provided deferred revenue equal to the \$88,659 delinquent accounts at fiscal year end 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 \$17,732.

NOTE 5 - INTERFUND BALANCES:

Individual fund interfund receivable and payable balances at September 30, 2009 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 984,156	\$ -
Special Revenue Funds:		
Accommodations Tax Fund	-	623
Hospitality and Accommodations Tax Fund	70,628	-
Capital Projects - Hillcrest	-	2,120
Proprietary funds:		
Airport	-	474,742
Hillcrest	-	480,505
Department of Public Utilities	-	96,794
	<hr/>	<hr/>
Total	<u>1,054,784</u>	<u>1,054,784</u>

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

NOTE 5 - INTERFUND BALANCES (CONTINUED):

Individual fund operating transfers for the year ended September 30, 2009 were as follows:

	<u>Transfers out</u>	<u>Transfers in</u>
General fund	\$ 917,567	\$ 4,554,832
Nonmajor funds:		
Accommodations Tax Fund	25,811	-
Hospitality and Accommodations Tax Fund	210,000	1,079,961
County Capital 1% Fund	3,755,494	-
2006 County Capital 1% Fund	-	3,837,377
Victims' Advocate Fund	44,545	-
Hillcrest Golf Course capital	20,581	19,698
Stevenson Auditorium renovation	-	20,000
Downtown facade	8,086	
Enterprise funds:		
Pro Shop	65,570	-
Hillcrest	19,698	65,570
Department of Public Utilities	4,510,086	-
	<hr/>	<hr/>
Total	<u>9,577,438</u>	<u>9,577,438</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, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>9/30/2008</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2009</u>
Capital assets not being depreciated:					
Land	\$ 2,086,915	\$ -	\$ -	\$ -	\$ 2,086,915
Construction in progress	2,152,867	490,566	(125,722)	-	2,517,711
Total	4,239,782	490,566	(125,722)	-	4,604,626
Capital assets being depreciated:					
Buildings	9,399,104	283,625	-	-	9,682,729
Building improvements	2,676,883	-	-	(4,586)	2,672,297
Land improvements	3,255,867	48,608	-	-	3,304,475
Infrastructure	4,895,749	3,143	125,722	-	5,024,614
Vehicles	4,885,592	15,911	381,992	(391,382)	4,892,113
Furniture and fixtures	1,395,112	56,660	-	(13,275)	1,438,497
Machinery and equipment	823,857	554	59,449	(60,764)	823,096
Computer equipment	1,032,740	229,727	-	(157,779)	1,104,688
Assets under capital lease	1,567,225	447,356	(465,465)	-	1,549,116
Tools and other	1,269,971	5,083	10,282	(3,368)	1,281,968
Total	31,202,100	1,090,667	111,980	(631,154)	31,773,593
Less accumulated depreciation:					
Buildings	3,678,169	232,379	-	-	3,910,548
Building improvements	493,990	73,113	-	(1,930)	565,173
Land improvements	1,371,220	216,141	-	-	1,587,361
Infrastructure	690,448	172,334	-	-	862,782
Vehicles	4,392,407	380,734	-	(405,125)	4,368,016
Furniture and fixtures	1,087,255	89,979	-	(13,275)	1,163,959
Machinery and equipment	667,045	57,305	-	(59,322)	665,028
Computer equipment	836,791	122,560	-	(157,350)	802,001
Assets under capital lease	646,394	239,467	-	-	885,861
Tools and other	704,921	137,145	-	(3,067)	838,999
Total accumulated depreciation	14,568,640	1,721,157	-	(640,069)	15,649,728
Total capital assets being depreciated, net	16,633,460	(630,490)	111,980	8,915	16,123,865
Governmental activities capital assets, net	20,873,242	(139,924)	(13,742)	8,915	20,728,491

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

NOTE 6 - CAPITAL ASSETS (CONTINUED):

<u>Business-type Activities</u>	<u>Balance 9/30/2008</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance 9/30/2009</u>
Capital assets not being depreciated:					
Land	\$ 3,394,704	\$ 250,000	\$ -	\$ -	\$ 3,644,704
Construction in progress	15,344,679	6,252,879	(2,160,230)	(7,110,549)	12,326,779
Total	<u>18,739,383</u>	<u>6,502,879</u>	<u>(2,160,230)</u>	<u>(7,110,549)</u>	<u>15,971,483</u>
Capital assets being depreciated:					-
Buildings and improvements	7,700,082	7,688	2,069,717	-	9,777,487
Electric Division	104,503,667	5,615,368	-	(598,943)	109,520,092
Gas Division	22,396,715	267,774	-	(57,840)	22,606,649
Water Division	85,902,098	563,377	-	(21,104)	86,444,371
Wastewater Division	60,514,205	3,121,287	-	(36,699)	63,598,793
Land improvements	11,390,279	-	86,047	-	11,476,326
Tools and equipment	3,428,357	184,398	-	(40,189)	3,572,566
Furniture and fixtures	1,171,610	27,063	4,466	-	1,203,139
Vehicles	18,455	-	28,483	(17,954)	28,984
Machinery and equipment	1,026,520	12,947	18,444	(183,141)	874,770
Computer/supplies/upgrades	9,169	-	-	(1,694)	7,475
Assets under capital lease	283,163	210,669	(33,185)	(13,868)	446,779
Total	<u>298,344,320</u>	<u>10,010,571</u>	<u>2,173,972</u>	<u>(971,432)</u>	<u>309,557,431</u>
Less: accumulated depreciation	(106,712,379)	(8,219,817)	(13,742)	838,854	(114,107,084)
Total capital assets being depreciated, net	<u>191,631,941</u>	<u>1,790,754</u>	<u>2,160,230</u>	<u>(132,578)</u>	<u>195,450,347</u>
Net property, plant and equipment	<u>210,371,324</u>	<u>8,293,633</u>	<u>-</u>	<u>(7,243,127)</u>	<u>211,421,830</u>

Proprietary Fund fixed 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. Accumulated amortization for assets under capital lease was \$133,480 at September 30, 2009.

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

NOTE 6 - CAPITAL ASSETS (CONTINUED):

The following is a summary of the non major proprietary fund type fixed assets at September 30, 2009:

	Municipal <u>Airport</u>	Golf <u>Pro Shop</u>	Golf <u>Course</u>
Land and land improvements	\$ 12,265,724	\$ -	\$ 526,554
Buildings and improvements	2,568,053	-	464,558
Machinery, equipment and vehicles	723,044	1,295	357,476
Assets under capital lease	197,962	-	248,818
Less: accumulated depreciation and amortization	<u>(4,588,917)</u>	<u>(1,141)</u>	<u>(848,179)</u>
Net property, plant and equipment	<u>11,165,866</u>	<u>154</u>	<u>749,227</u>

The depreciation expense totals for the Airport, Pro Shop, and Golf Course were \$846,700 for the year ended September 30, 2009.

Department of Public Utilities

Land	\$ 2,328,752
Electric Division	109,520,091
Gas Division	22,606,649
Water Division	86,444,371
Wastewater Division	63,598,793
Buildings and improvements	6,744,877
Tools and equipment	3,457,148
Furniture, fixtures and computers	1,147,970
Construction in progress	<u>12,326,777</u>
Total	308,175,428
Less: accumulated depreciation	<u>(108,668,845)</u>
Net property, plant and equipment - DPU	<u>199,506,583</u>
Total net value - all proprietary funds	<u><u>211,421,830</u></u>

Included in these amounts is depreciation on electric and turbine generators. This depreciation (\$497,813 and \$493,595 for the years ended September 30, 2009 and 2008, respectively) is included as a part of cost of goods sold on the financial statements. Also included in these amounts is depreciation being allocated as overhead of \$49,995 and \$242,616 for 2009 and 2008, respectively.

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

NOTE 6 - CAPITAL ASSETS (CONTINUED):

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

Executive	\$ 2,595
Finance	20,023
Administrative	11,165
Public works	523,119
Public safety	729,462
Parks and recreation	362,543
Services	<u>72,250</u>
Total depreciation expense - governmental activities	<u><u>1,721,157</u></u>

NOTE 7 - LONG-TERM DEBT:

Long-term liability for the year ended September 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>9/30/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2009</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 1,204,234	\$ 352,153	\$ (356,035)	\$ 1,200,352	\$ 327,514
Capital leases payable	4,124,167	530,399	(899,153)	3,755,413	755,265
General obligation bond	1,650,000	-	(150,000)	1,500,000	200,000
Total governmental activities	<u>6,978,401</u>	<u>882,552</u>	<u>(1,405,188)</u>	<u>6,455,765</u>	<u>1,282,779</u>
 <u>Business-type Activities</u>					
Accrued annual leave	\$ 1,255,416	\$ 671,975	\$ (590,124)	\$ 1,337,267	\$ 670,019
Capital leases payable	96,538	-	(29,338)	67,200	18,803
Combined Public Utilities System Revenue Bond	<u>5,700,000</u>	<u>5,262,677</u>	<u>(950,000)</u>	<u>10,012,677</u>	<u>1,061,542</u>
Total business-type activities	<u>7,051,954</u>	<u>5,934,652</u>	<u>(1,569,462)</u>	<u>11,417,144</u>	<u>1,750,364</u>

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

<u>Governmental Activities</u>	<u>Outstanding 09/30/2008</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 09/30/2009</u>
Capital leases:				
Vehicles and equipment financed by First Citizens; three annual payments of \$109,377 principal with interest at a rate of 2.65% through July 1, 2011. The lease is secured by equipment leased.	\$ -	328,130	109,377	218,753
Vehicles and equipment financed by First Citizens; three annual payments of \$40,454 principal with interest at a rate of 3.01% through July 1, 2013. The lease is secured by equipment leased.	-	202,269	39,656	162,613
Various equipment financed by South Carolina Bank & Trust; three annual payments of \$179,310 principal and interest at a rate of 3.9% through March 1, 2009. The lease is secured by equipment leased.	166,206	-	166,206	-
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 addition includes the prepayment penalty in the refinanced in the amount of \$40,341. First payment due October 2005. The lease is secured by the pledge of certain sales tax revenue.	3,200,690	-	211,699	2,988,991
Vehicles and equipment financed by South Carolina Bank & Trust; three annual payments of \$398,340 principal with interest at a rate of 3.45% through July 1, 2010. The lease is secured by equipment leased.	757,271	-	372,215	385,056
Bonds payable:				
\$2,000,000 general obligation bond of 2003 payable November 1, 2004 through 2013; interest rate at 3.5% payable twice a year in May and November through 2013.	1,650,000	-	150,000	1,500,000
Total	<u>5,774,167</u>	<u>530,399</u>	<u>1,049,153</u>	<u>5,255,413</u>

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

The following is a schedule of debt repayments under bonds and capital leases for the governmental activities at September 30, 2009.

<u>September</u>	<u>Bonds and Notes</u>		<u>Capital Leases</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 200,000	\$ 52,500	\$ 751,564	\$ 160,363	\$ 951,564	\$ 212,863
2011	250,000	45,500	380,245	120,064	630,245	165,564
2012	300,000	36,750	280,274	106,542	580,274	143,292
2013	350,000	26,250	290,066	95,533	640,066	121,783
2014	400,000	14,000	259,805	84,122	659,805	98,122
2015-2019	-	-	1,793,459	338,727	1,793,459	338,727
2020-2024	-	-	-	-	-	-
Total	<u>1,500,000</u>	<u>175,000</u>	<u>3,755,413</u>	<u>905,351</u>	<u>5,255,413</u>	<u>1,080,351</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, 2009, the City's bonded indebtedness was below the Constitutional limits as follows:

Real property assessed value	\$ 31,465,329
Other personal property assessed value	4,570,372
Vehicles assessed value	<u>3,151,820</u>
Total taxable assessed value	<u>39,187,521</u>
Debt limit - eight percent (8%) of total taxable assessed value	\$ 3,135,002
Amount of debt applicable to limit	<u>1,500,000</u>
Legal debt margin	<u>1,635,002</u>

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

<u>Business-type Activities</u>	<u>Outstanding 09/30/2008</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 09/30/2009</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.	\$ 68,339	\$ -	\$ 9,971	\$ 58,368
Hillcrest Golf Course:				
Mower and vehicle financed by South Carolina Bank and Trust; three annual payments of \$11,288 principal and interest at 3.9% through March 1, 2009. The lease is secured by the property leased.	10,783	-	10,783	-
Equipment financed by South Carolina Bank and Trust; three annual payments of \$9,161 principal and interest at 3.45% through July 1, 2010. The lease is secured by the property leased.	17,416	-	8,584	8,832
Bonds payable:				
Public Utilities:				
\$9,500,000 Series of 2004; payable April 1, 2004 through 2014; interest at 3% payable each April 1 and October 1 through 2014.	5,700,000	-	950,000	4,750,000
\$982,514 Series of 2009, payable May 21, 2010 through 2030 – interest at 1.84% payable quarterly through February 1, 2030	-	982,514	-	982,514
\$4,280,163 Series of 2009, payable May 1, 2010 through 2030 – interest at 1.84% payable quarterly through February 1, 2030	-	4,280,163	-	4,280,163
	<u>5,796,538</u>	<u>5,262,677</u>	<u>979,338</u>	<u>10,079,877</u>
Total				

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

The bond ordinances stipulate that all bonds for the public utilities system issued 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 bond is 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, 2009, 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 combined annual principal requirements of any succeeding fiscal year on all bonds then proposed to be issued.

The following is a schedule of debt repayments under bonds and capital leases for business-type activities at September 30, 2009.

<u>September</u>	<u>Bonds and Notes</u>		<u>Capital Leases</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,061,542	\$ 174,240	\$ 18,441	\$ 4,218	\$ 1,079,983	\$ 178,458
2011	1,171,663	193,150	9,951	3,547	1,181,614	196,697
2012	1,175,775	163,537	10,331	3,167	1,186,106	166,704
2013	1,180,025	127,847	10,723	2,773	1,190,748	130,620
2014	1,184,233	95,080	17,754	4,026	1,201,987	99,106
2015-2019	1,237,996	338,321	-	-	1,237,996	338,321
2020-2024	1,357,198	218,116	-	-	1,357,198	218,116
2025-2029	1,487,881	87,436	-	-	1,487,881	87,436
2030-2034	156,364	1,082	-	-	156,364	1,082
Total	<u>10,012,677</u>	<u>1,398,809</u>	<u>67,200</u>	<u>17,731</u>	<u>10,079,877</u>	<u>1,416,540</u>

No bond interest expenses or earnings have been reflected in income during 2009.

NOTE 8 - LEASE RECEIVABLE:

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 for \$12,650 per year lease.

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

NOTE 9 - RETIREMENT PLAN:

Substantially all full-time employees of the City are covered under the South Carolina Retirement System, with the exception of the public safety departments, which are covered by the South Carolina Police Officers' Retirement System. The South Carolina Retirement System (SCRS) and the Police Officers' Retirement System (PORS) are cost-sharing multiple-employer defined benefit pension plans. The administration of the SCRS is vested in the Retirement Division of the State Budget and Control Board. Both the City and its covered employees are required to contribute to the SCRS at rates established under the authority of Title 9 of the South Carolina Code of Laws. Cost to the employee was 6.5% of their salary under SCRS and PORS. Employers were required to contribute 9.24% for SCRS and 10.65% for PORS. In addition to the above rates, participating employees of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. Participating employees under the Police Officers' Retirement System also contribute .2% of payroll to provide an accidental death benefit for their participants. All employees contribute at the actuarially required contribution rate.

Both plans provide annuity benefits as well as disability and group-life insurance benefits to eligible employees, retirement and disability benefits, cost of living adjustments on a ad-hoc basis, life insurance benefits and survivor benefits.

Plan benefits are established under the authority of Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System is publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Information as to employer and employee contributions and contribution rates to the plans is as follows:

2009		2008		2007	
<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>
\$ 781,895	\$ 204,459	\$ 731,775	\$ 209,822	\$ 685,564	\$ 202,971
1,147,351	334,999	1,097,983	332,290	964,398	323,601

2009		2008		2007	
<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>

Amounts are as of July 1 of fiscal year.

SCRS	9.24%	6.50%	9.06%	6.50%	8.05%	6.50%
PORS	10.65%	6.50%	10.30%	6.50%	10.30%	6.50%

The City contributed 100% of the required contributions for the current year and each of the two preceding years.

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

NOTE 10 - POST-RETIREMENT HEALTH BENEFITS:

The GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in June 2004. The City adopted this statement for the year ending September 30, 2009. GASB Statement No. 45 provides for substantial changes in the reporting for postemployment benefits. Previously postemployment benefits have been recorded on a pay as you go basis. With Statement No. 45, postemployment benefits will begin to accrue during the term of service of the employee and will remain until the benefits are paid. The City did not elect early implementation of GASB Statement No. 45.

PLAN DESCRIPTION:

The City of Orangeburg (the City) administers the City's 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 not assets legally segregated for the sole purpose of paying benefits under the Plan.

FUNDING POLICY:

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members 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 other post employment benefit obligation (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 and related information per the provisions of GASB Statement 45 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, 2009:

Annual OPEB cost:

Normal cost	\$ 928,261
Amortization of unfunded actuarial accrued liability	<u>1,779,983</u>
Total annual required contribution	2,708,244
OPEB contributions and implicit rate subsidy during the year	<u>(612,811)</u>
OPEB obligation at end of year	<u><u>2,095,433</u></u>

NOTE 10 - POST-RETIREMENT HEALTH BENEFITS (CONTINUED):

FUNDED STATUS AND FUNDING PROGRESS:

As of September 30, 2009, the actuarial accrued liability for benefits was \$24,501,174, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,541,143, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 140 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 to the point. 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 October 1, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, the level dollar amortization method, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 6.0 percent after ten years. If the City chooses not to fund the plan, the actuarial accrued liability will increase significantly.

Subsequent to year end, the City changed health insurance vendors and changed the terms of the post-employment benefit plan to not cover any City employee hired on or after January 1, 2009. The City expects these changes will reduce the post-employment benefit obligation.

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

NOTE 11 - FUND BALANCES AND NET ASSETS:

RESERVE FUND BALANCES:

The City has reserved a portion of the fund balance in the general fund at September 30, 2009, to indicate assets legally segregated for specific future uses and to indicate resources which are not appropriable.

Legally segregated for future uses:	
Self insurance	\$ 189,117
Fire equipment	<u>185,870</u>
Total	<u><u>374,987</u></u>
Resources not appropriable:	
Inventory	\$ 113,020
Amount due from Municipal Airport	<u>488,485</u>
Total	<u><u>601,505</u></u>

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 bond repayment	<u>861,313</u>
Total	<u><u>936,321</u></u>

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 in accord 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-like insurance benefits (Retirement System);
- 2) Claims of state employees for unemployment compensation benefits (Employment Security Commission).

The Department of Public Utilities and City assume the risk for unemployment compensation benefits by paying directly to the Employment Security Commission actual claims filed against them.

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

NOTE 12 - RISK MANAGEMENT (CONTINUED):

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.

The City 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 has a self-insurance fund. This fund pays for any vehicle repair or replacement not covered by insurance.

The Department of Public Utilities does not carry collision insurance on its motor vehicles. Additionally, 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 also participates in the South Carolina Local Government Assurance Group whereby health insurance premiums are paid to cover claims in excess of \$80,000. The City is subject to additional assessments in the event of deficiencies. To cover claims of \$80,000 or less, the City funds a reserve, which if the reserve were to be depleted, the City would be liable for additional claims. For the year ending September 30, 2009, the City paid \$3,663,543 in insurance premiums under this plan. The reserve balance is \$143,927 as of September 30, 2009. The SC Local Government Assurance Group holds the reserve funds. The balances include both City and the Department of Public Utilities but are not included as an asset and liability in the balance sheet.

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 recorded insurance premium payments by allocation into the appropriate division. 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.

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

NOTE 12 - RISK MANAGEMENT (CONTINUED):

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. Insurance coverage on the City's utility plant is limited to buildings and contents, as coverage for system transmission and distribution lines is not available. Additionally, the Department of Public Utilities (proprietary fund) does not carry collision coverage on its motor vehicles.

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 combined financial statements for such contingencies.

The City has improvement projects in progress. As of September 30, 2009, the City had incurred \$5,024,613 in costs of uncompleted projects. Projected additional costs to complete the current projects are expected to be approximately \$7,825,000.

Projected costs to complete current projects in progress for the Department of Utilities are expected to be approximately \$180,000. Total expected costs for all projects approved by Council for fiscal year 2010 are approximately \$3,694,000.

NOTE 14 - RELATED PARTY TRANSACTIONS:

There was an amount due to the City of Orangeburg General Fund of \$96,918 at September 30, 2009 for unremitted garbage fees, street light transfers, and mowing services.

Included in the Department's operating income is \$391,842 in 2009 representing utilities purchased by the City of Orangeburg for the City's utility usage.

The Department transferred \$4,510,086 in 2009 to the City of Orangeburg General Fund.

NOTE 15 - PRIOR PERIOD ADJUSTMENT:

During the year management discovered that revenue had been overstated in the prior year by \$247,064 in the government wide statement of activities. Accordingly, the beginning net assets have been restated.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2009

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final			
REVENUES:					
Taxes:					
Ad valorem	\$ 2,985,681	\$ 2,971,841	\$ 2,976,723	\$ 2,976,723	\$ 4,882
Sales	975,000	907,000	917,567	917,567	10,567
Licenses and permits	2,811,605	2,887,630	2,773,392	2,773,392	(114,238)
Franchise fee	135,000	137,000	142,349	142,349	5,349
Fines and forfeitures	737,800	742,800	823,711	823,711	80,911
Charges for services	1,799,317	1,826,711	1,982,354	1,982,354	155,643
Interest income	495,000	301,600	75,513	75,513	(226,087)
Miscellaneous	579,725	455,155	164,188	164,188	(290,967)
Intergovernmental	722,371	521,956	488,059	488,059	(33,897)
Total revenues	11,241,499	10,751,693	10,343,856	10,343,856	(407,837)
EXPENDITURES:					
Executive	361,630	381,660	374,091	374,091	(7,569)
Finance	608,542	590,901	614,003	614,003	23,102
Administrative	487,597	499,280	483,511	483,511	(15,769)
Public works	1,862,995	1,832,569	1,794,384	1,794,384	(38,185)
Public safety	7,162,853	6,891,566	6,397,894	6,397,894	(493,672)
Parks and recreation	1,817,033	1,769,720	1,712,564	1,712,564	(57,156)
Service	553,435	513,931	481,394	481,394	(32,537)
Non-departmental	938,391	1,106,482	837,786	837,786	(268,696)
Debt service	900,961	897,926	941,745	941,745	43,819
Small capital outlay	-	-	89,499	89,499	89,499
Capital outlay	1,047,600	873,686	620,258	620,258	(253,428)
Total expenditures	15,741,037	15,357,721	14,347,129	14,347,129	(1,010,592)
Excess (deficiency) of revenues over expenditures	(4,499,538)	(4,606,028)	(4,003,273)	(4,003,273)	602,755
OTHER FINANCING SOURCES (USES):					
Operating transfers in	4,379,038	4,557,528	4,554,832	4,554,832	(2,696)
Operating transfers out	(1,010,000)	(1,082,000)	(917,567)	(917,567)	164,433
Lease proceeds	1,130,500	1,130,500	534,990	534,990	(595,510)
Total other financing sources (uses)	4,499,538	4,606,028	4,172,255	4,172,255	(433,773)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	168,982	168,982	168,982
FUND BALANCES, BEGINNING OF YEAR	10,568,689	10,568,689	10,190,110	10,190,110	(378,579)
FUND BALANCES, END OF YEAR	10,568,689	10,568,689	10,359,092	10,359,092	(209,597)

THE ACCOMPANYING NOTES TO THE BUDGETARY COMPARISON SCHEDULE
ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
 YEAR ENDED SEPTEMBER 30, 2009

	Actuarial Valuation Date <u>10/01/08</u>
Schedule of funding progress:	
Current retire liability	\$ 9,721,172
Activities eligible to retire	1,429,397
Activities not yet eligible	<u>13,350,605</u>
Actuarial accrued liability	24,501,174
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	24,501,174
Funded ratio	0%
Annual covered payroll	<u><u>17,541,143</u></u>
Ratio of unfunded actuarial accrued liability to covered payroll	140%
Schedule of employer contributions:	<u>Fiscal year ending 9/30/2009</u>

This is the first year that the ARC has been completed.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMPARATIVE BALANCE SHEETS - GENERAL FUND
 SEPTEMBER 30, 2009

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and equivalents (Note 2)	\$ 122,042	\$ 12,986
Investments (Note 2)	9,088,162	8,677,813
Receivables:		
Current taxes	79,767	69,990
Delinquent taxes	88,659	4,798
State of South Carolina	153,606	149,649
Other	134,998	498,808
Due from other funds (Note 5)	56,279	479,865
Advances from other funds	998,505	467,545
Inventory	113,020	149,664
TOTAL ASSETS	10,835,038	10,511,118
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 149,470	\$ 161,007
Bank overdraft	131,601	-
Withholdings and accrued expenses	35,588	37,366
Due to other funds (Note 5)	70,628	75,573
Deferred revenue	88,659	47,064
Total liabilities	<u>475,946</u>	<u>321,010</u>
Fund balances:		
Reserved for:		
Self insurance	189,117	182,974
Inventory	113,020	149,664
Encumbrances	-	13,645
Fire equipment	185,870	100,817
Amount due from Municipal Airport	488,485	467,545
Amount due to Hillcrest	510,020	
Unreserved, reported in:		
General fund	8,872,580	9,275,463
Total fund balances	<u>10,359,092</u>	<u>10,190,108</u>
TOTAL LIABILITIES AND FUND BALANCES	10,835,038	10,511,118

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Over
						(Under)
Taxes:						
Ad valorem:						
Current	\$ 2,657,000	\$ 2,592,383	\$ 2,594,847	\$ -	\$ 2,594,847	\$ 2,464
Delinquent	49,500	79,350	57,314	-	381,876	302,526
Other	279,181	300,108	324,562	-	3,301,285	3,001,177
Total ad valorem tax	2,985,681	2,971,841	2,976,723	-	6,278,008	3,306,167
Sales:						
Hospitality and accommodations	975,000	907,000	917,567	-	1,835,134	928,134
Total sales tax	975,000	907,000	917,567	-	1,835,134	928,134
Licenses and permits:						
Business licenses	1,066,605	1,105,630	1,110,029	-	2,727,335	1,621,705
Insurance	1,640,000	1,714,000	1,617,306	-	1,663,363	(50,637)
Building permits	105,000	68,000	46,057	-	2,819,449	2,751,449
Total licenses and permits	2,811,605	2,887,630	2,773,392	-	7,210,147	4,322,517
Franchise fees	135,000	137,000	142,349	-	142,349	5,349
Fines and forfeitures	737,800	742,800	823,711	-	823,711	80,911
Charges for services:						
Sanitation - commercial	360,000	360,000	394,352	-	944,212	584,212
Sanitation - residential	492,547	500,000	549,860	-	1,398,340	898,340
Fire service contracts	750,000	765,000	848,480	-	1,003,527	238,527
Recreation programs	167,770	174,556	155,047	-	189,662	15,106
Recreation department fees	29,000	27,155	34,615	-	2,016,969	1,989,814
Total charges for services	1,799,317	1,826,711	1,982,354	-	5,552,710	3,725,999
Interest income	495,000	301,600	75,513	-	75,513	(226,087)

(Continued) - 1.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Miscellaneous:						
Rentals	\$ 25,000	\$ 25,000	\$ 25,306	\$ -	\$ 25,306	\$ 306
Private donation	85,000	-	-	-	-	-
Cash reserves	380,000	241,156	-	-	-	(241,156)
Miscellaneous	89,725	188,999	138,882	-	138,882	(50,117)
Total miscellaneous	<u>579,725</u>	<u>455,155</u>	<u>164,188</u>	<u>-</u>	<u>164,188</u>	<u>(290,967)</u>
Intergovernmental:						
Local:						
SRO reimbursement	24,500	33,500	30,377	-	30,377	(3,123)
Total local	<u>24,500</u>	<u>33,500</u>	<u>30,377</u>	<u>-</u>	<u>30,377</u>	<u>(3,123)</u>
State:						
Local government fund	364,500	409,696	398,654	-	398,654	(11,042)
State grants	16,600	19,235	15,000	-	15,000	(4,235)
Total state	<u>381,100</u>	<u>428,931</u>	<u>413,654</u>	<u>-</u>	<u>413,654</u>	<u>(15,277)</u>
Federal:						
FEMA grant	80,336	-	-	-	-	-
Federal grants	189,656	20,970	-	-	-	(20,970)
Domestic violence	46,779	38,555	44,028	-	44,028	5,473
Total federal	<u>316,771</u>	<u>59,525</u>	<u>44,028</u>	<u>-</u>	<u>44,028</u>	<u>(15,497)</u>
Total intergovernmental	<u>722,371</u>	<u>521,956</u>	<u>488,059</u>	<u>-</u>	<u>488,059</u>	<u>(33,897)</u>
Total revenues	<u>11,241,499</u>	<u>10,751,693</u>	<u>10,343,856</u>	<u>-</u>	<u>22,569,819</u>	<u>11,818,126</u>

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Over
						(Under)
Executive Department:						
Administrative Division:						
Personnel	\$ 82,415	\$ 84,536	\$ 87,109	\$ -	\$ 87,109	\$ 2,573
Utility expense	-	-	2,887	-	2,887	2,887
Property and tort	17	17	17	-	17	-
Operating expenses	50,150	53,321	46,029	-	46,029	(7,292)
Capital outlay	-	-	-	-	-	-
Total Administrative Division	132,582	137,874	136,042	-	136,042	(1,832)
Election Division:						
Personnel	-	-	-	-	-	-
Utility expense	-	-	-	-	-	-
Property and tort	88	88	75	-	75	(13)
Operating expenses	-	-	3,134	-	3,134	3,134
Total Election Division	88	88	3,209	-	3,209	3,121
Municipal Court Division:						
Personnel	202,504	205,414	214,450	-	214,450	9,036
Property and tort	556	556	476	-	476	(80)
Operating expenses	25,900	37,728	19,914	-	19,914	(17,814)
Capital outlay	-	-	5,170	-	5,170	5,170
Total Municipal Court Division	228,960	243,698	240,010	-	240,010	(3,688)
Total Executive Department	361,630	381,660	379,261	-	379,261	(2,399)
Finance Department:						
Finance and Records Division:						
Personnel	298,395	294,641	295,367	-	295,367	726
Utility expense	900	2,575	4,272	-	4,272	1,697
Property and tort	2,415	2,239	2,083	-	2,083	(156)
Operating expenses	62,500	59,122	53,597	-	53,597	(5,525)
Total Finance and Records Division	364,210	358,577	355,319	-	355,319	(3,258)

(Continued) - 1.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Finance Department (Continued):						
Data Processing Division:						
Personnel	\$ 184,304	\$ 175,995	\$ 188,091	\$ -	\$ 188,091	\$ 12,096
Utility expense	1,500	3,200	2,318	-	2,318	(882)
Property and tort	993	844	895	-	895	51
Operating expenses	57,535	52,285	67,380	-	67,380	15,095
Capital outlay	-	-	16,669	-	16,669	16,669
Total Data Processing Division	244,332	232,324	275,353	-	275,353	43,029
Total Finance Department	608,542	590,901	630,672	-	630,672	39,771
Administrative Department:						
Administration Division:						
Personnel	306,907	310,528	318,985	-	318,985	8,457
Utility expense	5,000	6,383	6,734	-	6,734	351
Property and tort	1,425	1,502	1,281	-	1,281	(221)
Operating expenses	19,550	19,378	18,823	-	18,823	(555)
Capital outlay	-	-	8,988	-	8,988	8,988
Total Administration Division	332,882	337,791	354,811	-	354,811	17,020
Community Planning and Development Division						
Personnel	135,754	140,949	118,694	-	118,694	(22,255)
Utility expense	850	1,100	1,508	-	1,508	408
Property and tort	1,404	1,404	1,197	-	1,197	(207)
Operating expenses	16,707	18,036	16,289	-	16,289	(1,747)
Capital outlay	-	-	20,571	-	20,571	20,571
Total Community Planning and Development Division	154,715	161,489	158,259	-	158,259	(3,230)
Total Administrative Department	487,597	499,280	513,070	-	513,070	13,790
Public Works Department:						
Administrative Division:						
Personnel	207,146	208,175	214,119	-	214,119	5,944
Utility expense	2,500	2,304	4,875	-	4,875	2,571
Property and tort	1,316	1,315	1,122	-	1,122	(193)
Operating expenses	21,135	17,819	10,809	-	10,809	(7,010)
Capital outlay	24,000	22,369	1,031	-	1,031	(21,338)
Total Administrative Division	256,097	251,982	231,956	-	231,956	(20,026)

(Continued) - 2.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Public Works Department (Continued):						
Building Inspection Division:						
Personnel	\$ 117,645	\$ 119,345	\$ 117,877	\$ -	\$ 117,877	\$ (1,468)
Utility expense	2,000	2,200	1,807	-	1,807	(393)
Property and tort	920	919	785	-	785	(134)
Operating expenses	34,705	33,059	19,322	-	19,322	(13,737)
Capital outlay	15,600	-	-	-	-	-
Total Building Inspection Division	<u>170,870</u>	<u>155,523</u>	<u>139,791</u>	<u>-</u>	<u>139,791</u>	<u>(15,732)</u>
Inert Disposal Site Division:						
Capital outlay	5,000	5,000	4,350	-	4,350	(650)
Total Inert Disposal Site Division	<u>5,000</u>	<u>5,000</u>	<u>4,350</u>	<u>-</u>	<u>4,350</u>	<u>(650)</u>
Garage Division:						
Personnel	260,225	253,915	267,932	-	267,932	14,017
Utility expense	22,000	17,376	19,493	-	19,493	2,117
Property and tort	2,111	2,228	1,901	-	1,901	(327)
Operating expenses	35,680	39,603	43,597	-	43,597	3,994
Capital outlay	57,900	42,304	20,704	-	20,704	(21,600)
Total Garage Division	<u>377,916</u>	<u>355,426</u>	<u>353,627</u>	<u>-</u>	<u>353,627</u>	<u>(1,799)</u>
Municipal Buildings Division:						
Personnel	57,723	60,970	60,364	-	60,364	(606)
Utility expense	28,000	30,755	30,277	-	30,277	(478)
Property and tort	4,629	3,503	3,024	-	3,024	(479)
Operating expenses	43,935	40,800	29,853	-	29,853	(10,947)
Capital outlay	1,000	-	-	-	-	-
Total Municipal Buildings Division	<u>135,287</u>	<u>136,028</u>	<u>123,518</u>	<u>-</u>	<u>123,518</u>	<u>(12,510)</u>

(Continued) - 3.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Public Works Department (Continued):						
Parking Facilities Division:						
Property and tort	\$ 79	\$ 78	\$ 78	\$ -	\$ 78	\$ -
Operating expenses	6,480	5,920	5,380	-	5,380	(540)
Total Parking Facilities Division	6,559	5,998	5,458	-	5,458	(540)
Sanitation Division:						
Personnel	770,588	721,649	738,799	-	738,799	17,150
Utility expense	4,500	5,000	5,400	-	5,400	400
Property and tort	5,032	4,947	4,311	-	4,311	(636)
Operating expenses	215,318	238,307	192,968	-	192,968	(45,339)
Capital outlay	428,000	372,772	226,343	-	226,343	(146,429)
Total Sanitation Division	1,423,438	1,342,675	1,167,821	-	1,167,821	(174,854)
Street and Maintenance Division:						
Property and tort	328	410	692	-	692	282
Operating expenses	19,000	21,972	19,599	-	19,599	(2,373)
Total Street and Maintenance Division	19,328	22,382	20,291	-	20,291	(2,091)
Total Public Works Division	2,394,495	2,275,014	2,046,812	-	2,046,812	(228,202)
Public Safety Department:						
Administrative Division:						
Personnel	200,364	198,475	230,020	-	230,020	31,545
Utility expense	110,000	122,481	131,175	-	131,175	8,694
Property and tort	4,500	4,632	4,402	-	4,402	(230)
Operating expenses	576,708	567,062	614,825	-	614,825	47,763
Capital outlay	62,000	51,856	-	-	-	(51,856)
Total Administrative Division	953,572	944,506	980,422	-	980,422	35,916

(Continued) - 4.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Public Safety Department (Continued):						
Patrol Division:						
Personnel	\$ 2,547,046	\$ 2,636,399	\$ 2,452,419	\$ -	\$ 2,452,419	\$ (183,980)
Property and tort	64,257	64,257	48,005	-	48,005	(16,252)
Operating expenses	307,223	319,200	215,941	-	215,941	(103,259)
Capital outlay	116,000	115,000	197,675	-	197,675	82,675
Total Patrol Division	3,034,526	3,134,856	2,914,040	-	2,914,040	(220,816)
Special Operations Division:						
Personnel	1,393,703	1,219,350	1,315,533	-	1,315,533	96,183
Property and tort	16,635	18,845	16,964	-	16,964	(1,881)
Operating expenses	712,265	537,052	150,739	-	150,739	(386,313)
Capital outlay	74,300	24,300	73,344	-	73,344	49,044
Total Special Operations Division	2,196,903	1,799,547	1,556,580	-	1,556,580	(242,967)
Investigation Division:						
Personnel	1,071,850	1,028,956	1,080,055	-	1,080,055	51,099
Property and tort	20,046	20,045	17,066	-	17,066	(2,979)
Operating expenses	73,229	90,407	61,204	-	61,204	(29,203)
Capital outlay	59,000	54,958	24,248	-	24,248	(30,710)
Total Investigation Division	1,224,125	1,194,366	1,182,573	-	1,182,573	(11,793)
CDV Program:						
Personnel	57,798	57,282	56,075	-	56,075	(1,207)
Utility expense	900	471	457	-	457	(14)
Property and tort	1,329	1,329	1,133	-	1,133	(196)
Operating expenses	4,500	3,662	1,881	-	1,881	(1,781)
Capital outlay	3,500	1,806	-	-	-	(1,806)
Total CDV Program	68,027	64,550	59,546	-	59,546	(5,004)
Total Public Safety Department	7,477,153	7,137,825	6,693,161	-	6,693,161	(444,664)

(Continued) - 5.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Parks and Recreation Department:						
Administrative Division:						
Personnel	\$ 196,477	\$ 197,034	\$ 200,823	\$ -	\$ 200,823	\$ 3,789
Utility expense	12,000	9,400	10,853	-	10,853	1,453
Property and tort	5,500	5,122	4,055	-	4,055	(1,067)
Operating expenses	20,100	16,227	8,351	-	8,351	(7,876)
Capital outlay	35,000	16,211	41,660	-	41,660	25,449
Total Administrative Division	269,077	243,994	265,742	-	265,742	21,748
Recreation Division:						
Personnel	217,187	217,943	224,959	-	224,959	7,016
Utility expense	32,000	30,900	29,827	-	29,827	(1,073)
Property and tort	6,500	5,962	6,045	-	6,045	83
Operating expenses	182,300	169,430	159,729	-	159,729	(9,701)
Capital outlay	4,000	-	4,023	-	4,023	4,023
Total Recreation Division	441,987	424,235	424,583	-	424,583	348
Gardens Division:						
Personnel	405,845	383,566	407,383	-	407,383	23,817
Utility expense	35,000	46,800	39,997	-	39,997	(6,803)
Property and tort	23,000	20,920	18,206	-	18,206	(2,714)
Operating expenses	77,300	100,961	73,031	-	73,031	(27,930)
Capital outlay	35,400	33,341	1,059	-	1,059	(32,282)
Total Gardens Division	576,545	585,588	539,676	-	539,676	(45,912)
Parks and Cemetery Division:						
Personnel	476,524	418,155	420,221	-	420,221	2,066
Utility expense	15,000	22,180	20,048	-	20,048	(2,132)
Property and tort	18,000	19,150	13,316	-	13,316	(5,834)
Operating expenses	94,300	105,970	75,720	-	75,720	(30,250)
Capital outlay	36,500	39,267	3,224	-	3,224	(36,043)
Total Parks and Cemetery Division	640,324	604,722	532,529	-	532,529	(72,193)
Total Parks and Recreation Department	1,927,933	1,858,539	1,762,530	-	1,762,530	(96,009)

(Continued) - 6.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Service Department:						
Administrative Division:						
Personnel	449,435	404,865	398,336	-	398,336	(6,529)
Utility expense	4,000	5,305	6,013	-	6,013	708
Property and tort	13,000	12,064	9,388	-	9,388	(2,676)
Operating expenses	87,000	91,697	67,657	-	67,657	(24,040)
Capital outlay	90,900	96,163	21,218	-	21,218	(74,945)
Total Administrative Division	<u>644,335</u>	<u>610,094</u>	<u>502,612</u>	<u>-</u>	<u>502,612</u>	<u>(107,482)</u>
Total Service Department	<u>644,335</u>	<u>610,094</u>	<u>502,612</u>	<u>-</u>	<u>502,612</u>	<u>(107,482)</u>
Non-Departmental:						
Employee Christmas	15,000	23,187	14,175	-	14,175	(9,012)
Building code enforcement	15,000	15,000	3,307	-	3,307	(11,693)
Annexation covenants	10,000	15,000	23,651	-	23,651	8,651
Grant expense	1,900	1,141	-	-	-	(1,141)
Transfer to 2006 1% 099 Fund	-	-	2,400	-	2,400	2,400
Municipal Association	55,000	55,660	51,868	-	51,868	(3,792)
Commercial sanitation fees	261,191	244,043	235,861	-	235,861	(8,182)
Unemployment insurance	5,700	14,745	9,645	-	9,645	(5,100)
Special projects	35,000	34,000	39,480	-	39,480	5,480
Downtown revitalization	25,000	25,000	25,000	-	25,000	-
Retirees - group insurance	137,500	146,400	167,491	-	167,491	21,091
Setoff debt	1,000	126	562	-	562	436
CDL drug and alcohol testing	1,200	930	159	-	159	(771)
Employee shots	3,000	4,860	4,832	-	4,832	(28)
Street lights	215,000	232,000	239,052	-	239,052	7,052
Hydrant rentals	20,000	20,000	20,000	-	20,000	-
Christmas lights	25,000	27,090	29,358	-	29,358	2,268
Insurance reserve	104,400	237,400	-	-	-	(237,400)
Chamber dues	1,500	1,500	1,525	-	1,525	25
Fiber rental expense	6,000	8,400	8,900	-	8,900	500
Debt service	741,461	738,426	736,620	-	736,620	(1,806)
Debt service - city facilities	159,500	159,500	205,125	-	205,125	45,625
Total Non-Departmental	<u>1,839,352</u>	<u>2,004,408</u>	<u>1,819,011</u>	<u>-</u>	<u>1,819,011</u>	<u>(185,397)</u>
Total Expenditures	<u>15,741,037</u>	<u>15,357,721</u>	<u>14,347,129</u>	<u>-</u>	<u>14,347,129</u>	<u>(1,010,592)</u>

(Concluded) - 7.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	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
<u>ASSETS</u>								
Cash and investments	\$ 61,665	\$ 68,321	\$ 16,138	\$ 12,649	\$ 59	\$ 1,309,907	\$ 282	\$ 49,340
Revenue receivable	-	-	-	-	10,982	-	-	-
Due from other funds	-	-	-	-	-	70,628	-	-
TOTAL ASSETS	61,665	68,321	16,138	12,649	11,041	1,380,535	282	49,340
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accrued expenditures and payables	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	623	-	-	-
Total liabilities	-	-	-	-	623	-	-	-
Fund Balances:								
Designated for future capital projects	-	-	-	-	-	-	-	-
Unreserved	61,665	68,321	16,138	12,649	10,418	1,380,535	282	49,340
Total fund balances	61,665	68,321	16,138	12,649	10,418	1,380,535	282	49,340
TOTAL LIABILITIES AND FUND BALANCES	61,665	68,321	16,138	12,649	11,041	1,380,535	282	49,340

(Continued) - 1.

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 Block Grant	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	
ASSETS								
Cash and investments	\$ 63,994	\$ 2,014	\$ 52,280	\$ -	\$ 78,651	\$ 20,195	\$ 3,930,875	\$ 5,666,370
Revenue receivable	-	-	-	-	-	-	-	10,982
Due from other funds	-	-	-	12	-	-	-	70,640
TOTAL ASSETS	63,994	2,014	52,280	12	78,651	20,195	3,930,875	5,747,992
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accrued expenditures and payables	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30
Due to other funds	-	-	-	-	-	2,120	-	2,743
Total liabilities	30	-	-	-	-	2,120	-	2,773
Fund Balances:								
Designated for future capital projects	-	-	-	-	-	18,075	3,930,875	3,948,950
Unreserved	63,964	2,014	52,280	12	78,651	-	-	1,796,269
Total fund balances	63,964	2,014	52,280	12	78,651	18,075	3,930,875	5,745,219
TOTAL LIABILITIES AND FUND BALANCES	63,994	2,014	52,280	12	78,651	20,195	3,930,875	5,747,992

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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, 2009

	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								
Confiscated drug funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,046
Charges for services	-	1,501	500	16,762	-	-	-	-
Interest	98	172	41	53	15	2,924	33	115
Miscellaneous	-	-	-	-	-	-	-	1,500
Contributions	-	-	-	7,972	-	75,699	-	-
Intergovernmental	58,111	-	-	5,000	41,230	-	46,028	32,063
Total revenues	58,209	1,673	541	29,787	41,245	78,623	46,061	34,724
EXPENDITURES								
Public safety	57,998	-	-	-	-	91,009	1,323	15,892
Cultural and recreational	-	-	-	37,136	20,169	-	-	-
Developmental services	-	1,785	236	-	-	-	-	-
Small capital outlay	-	-	-	-	-	36,454	-	2,714
Debt service	-	-	-	-	-	342,927	-	-
Capital outlay	-	-	-	-	-	365,645	-	5,585
Total expenditures	57,998	1,785	236	37,136	20,169	836,035	1,323	24,191
Excess of revenues over (under) expenses	211	(112)	305	(7,349)	21,076	(757,412)	44,738	10,533
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	1,079,961	-	-
Operating transfers out	-	-	-	-	(25,811)	(215,000)	(44,545)	-
Total other financing sources (uses)	-	-	-	-	(25,811)	864,961	(44,545)	-
Excess of revenues and other sources (uses) over (under) expenditures and other uses	211	(112)	305	(7,349)	(4,735)	107,549	193	10,533
Fund balance, beginning of year	61,454	68,434	15,833	19,998	15,153	1,267,985	89	38,808
Fund balance, end of year	61,665	68,322	16,138	12,649	10,418	1,375,534	282	49,341

(Continued) - 1.

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	Downtown Fascade	Community Development Corporation	Magic Johnson Fund	Hillcrest Golf Course	County Capital One Percent Fund	
REVENUES									
Confiscated drug funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,046
Charges for services	2,195	4,330	-	-	-	-	-	-	25,288
Interest	54	4	67	-	21	-	60	5,911	9,568
Miscellaneous	-	-	-	-	-	-	-	-	1,500
Contributions	-	-	-	-	-	-	-	61,481	145,152
Intergovernmental	-	-	165,000	-	-	93,750	-	3,700,905	4,142,087
Total revenues	2,249	4,334	165,067	-	21	93,750	60	3,768,297	4,324,641
EXPENDITURES									
Public safety	-	-	130	-	-	-	-	-	166,352
Cultural and recreational	19,088	2,879	-	6,506	-	93,750	-	-	179,528
Developmental services	-	-	-	-	50	-	-	-	2,071
Small capital outlay	-	-	8,068	-	-	-	-	-	47,236
Debt service	-	-	-	-	-	-	-	-	342,927
Capital outlay	-	-	107,396	-	-	-	-	482,349	960,975
Total expenditures	19,088	2,879	115,594	6,506	50	93,750	-	482,349	1,699,089
Excess of revenues over (under) expenses	(16,839)	1,455	49,473	(6,506)	(29)	-	60	3,285,948	2,625,552
OTHER FINANCING SOURCES (USES)									
Operating transfers in	20,000	-	-	-	-	-	19,698	3,837,377	4,957,036
Operating transfers out	-	-	-	(8,086)	-	-	(20,581)	(3,755,494)	(4,069,517)
Total other financing sources (uses)	20,000	-	-	(8,086)	-	-	(883)	81,883	887,519
Excess of revenues and other sources (uses) over (under) expenditures and other uses	3,161	1,455	49,473	(14,592)	(29)	-	(823)	3,367,831	3,513,071
Fund balance, beginning of year	60,803	559	2,806	14,592	78,680	-	18,898	563,044	2,227,136
Fund balance, end of year	63,964	2,014	52,279	-	78,651	-	18,075	3,930,875	5,740,207

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF NET ASSETS - NON-MAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2009

	Business-type Activities - Non-major Enterprise Funds			
	Municipal		Golf	
	<u>Airport</u>	<u>Pro Shop</u>	<u>Course</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and equivalents	\$ 200	\$ -	\$ 300	\$ 500
Accounts receivable - net	19,425	-	1,550	20,975
Other receivables	26,091	-	-	26,091
Due from other funds	40,110	23,450	-	63,560
Inventories	13,743	29,515	-	43,258
	<hr/>			
Total current assets	99,569	52,965	1,850	154,384
<hr/>				
Noncurrent assets:				
Capital assets:				
Property, plant and equipment net of accumulated depreciation and amortization	11,165,866	154	749,227	11,915,247
	<hr/>			
Total noncurrent assets	11,165,866	154	749,227	11,915,247
	<hr/>			
TOTAL ASSETS	11,265,435	53,119	751,077	12,069,631
<hr/>				
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	22,465	3,525	13,788	39,778
Current portion of capital lease obligation	9,971	-	8,832	18,803
Accrued compensated absences	4,477	-	15,247	19,724
Due to other funds	488,485	-	510,020	998,505
	<hr/>			
Total current liabilities	525,398	3,525	547,887	1,076,810
<hr/>				
Noncurrent liabilities:				
Capital lease obligation	48,397	-	-	48,397
Post retirement benefit obligation	4,967	-	44,702	49,669
Accrued compensated absences	-	-	42,455	42,455
	<hr/>			
Total noncurrent liabilities	53,364	-	87,157	140,521
	<hr/>			
TOTAL LIABILITIES	578,762	3,525	635,044	1,217,331
<hr/>				
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	10,619,013	154	230,375	10,849,542
Unrestricted	67,660	49,440	(114,342)	2,758
	<hr/>			
TOTAL NET ASSETS	10,686,673	49,594	116,033	10,852,300
<hr/>				

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
NON-MAJOR FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Non-major Enterprise Funds			
	Municipal			Golf
	<u>Airport</u>	<u>Pro Shop</u>	<u>Course</u>	<u>Total</u>
OPERATING REVENUES:				
Pro shop sales	\$ -	\$ 99,397	\$ -	\$ 99,397
Food sales	-	44,541	-	44,541
Rentals and other	324,139	951	-	325,090
Green fees, cart rentals and memberships	65,813	-	484,860	550,673
Capital projects revenue	-	-	21,819	21,819
	<hr/>			
Total operating revenues	389,952	144,889	506,679	1,041,520
<hr/>				
OPERATING EXPENSES:				
Cost of goods sold	265,297	67,987	-	333,284
Operating and maintenance	89,498	11,147	160,075	260,720
Administrative	101,012	-	444,167	545,179
Depreciation and amortization	707,876	185	138,639	846,700
	<hr/>			
Total operating expenses	1,163,683	79,319	742,881	1,985,883
<hr/>				
OPERATING INCOME (LOSS)	(773,731)	65,570	(236,202)	(944,363)
<hr/>				
NON-OPERATING REVENUES (EXPENSES):				
Gain/(loss) on disposal of property	-	-	142,200	142,200
Interest expense	(1,576)	-	(1,131)	(2,707)
	<hr/>			
Total non-operating revenues (expenses)	(1,576)	-	141,069	139,493
<hr/>				
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(775,307)	65,570	(95,133)	(804,870)
Capital contributions - grants	602,991	-	-	602,991
Transfers in	-	-	65,570	65,570
Transfers out	-	(65,570)	(19,698)	(85,268)
	<hr/>			
CHANGES IN NET ASSETS	(172,316)	-	(49,261)	(221,577)
NET ASSETS - BEGINNING OF YEAR	10,858,989	49,594	165,294	11,073,877
	<hr/>			
NET ASSETS - END OF YEAR	10,686,673	49,594	116,033	10,852,300
	<hr/> <hr/>			

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Non-major Enterprise Funds			
	Municipal <u>Airport</u>	Pro Shop	Golf <u>Course</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 654,832	\$ 144,889	\$ 505,916	\$ 1,305,637
Cash payments to suppliers for goods and services	(538,673)	(70,617)	(153,980)	(763,270)
Cash payments for employees	(95,031)	-	(395,154)	(490,185)
Net cash provided (used) by operating activities	21,128	74,272	(43,218)	52,182
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to (from) other funds	7,197	(8,702)	99,187	97,682
Transfers in (out)	-	(65,570)	45,872	(19,698)
Net cash provided (used) by noncapital financing activities	7,197	(74,272)	145,059	77,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net acquisition of capital assets	(619,769)	-	(223,543)	(843,312)
Sale of fixed assets	-	-	142,200	142,200
Capital contributed - grants	602,991	-	-	602,991
Capital lease obligation	(9,971)	-	(19,367)	(29,338)
Interest paid	(1,576)	-	(1,131)	(2,707)
Net cash used by capital and related financing activities	(28,325)	-	(101,841)	(130,166)
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

(Continued) - 1.

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)	\$ (773,731)	\$ 65,570	\$ (236,202)	\$ (944,363)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	707,876	185	138,639	846,700
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	264,880	-	(763)	264,117
Inventories	28,088	7,380	-	35,468
Increase (decrease) in:				
Accounts payable	(211,967)	1,137	6,095	(204,735)
Accrued leave	1,015	-	4,311	5,326
Post retirement benefit obligation	4,967	-	44,702	49,669
Net cash provided (used) by operating activities	21,128	74,272	(43,218)	52,182

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SUPPLEMENTARY SCHEDULE OF FINES AND ASSESSMENTS AND SURCHARGES
 REVENUE FOR VICTIMS' SERVICES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Total</u>
COURT FINES	
Court fines collected	\$ 278,734
Court fines retained by City	<u>278,734</u>
Court fines remitted to State Treasurer	<u><u>-</u></u>
COURT ASSESSMENTS	
Court assessments collected	\$ 269,222
Court assessments retained by City	<u>32,559</u>
Court assessments remitted to State Treasurer	<u><u>236,663</u></u>
COURT SURCHARGES	
Court surcharges collected	\$ 143,714
Court surcharges retained by the City	<u>8,801</u>
Court surcharges remitted to State Treasurer	<u><u>134,913</u></u>
VICTIMS' SERVICES	
Court assessments allocated to Victims' Services	\$ 37,228
Court surcharges allocated to Victims' Services	<u>8,801</u>
Funds allocated to Victims' Services	46,029
Victims' Services expenditures	<u>45,868</u>
Funds available for carryforward	<u><u>161</u></u>
Beginning balance, October 1, 2008	\$ 88
Funds available for carryforward	161
Interest income	<u>33</u>
Ending balance, September 30, 2009	<u><u>282</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

J. W. HUNT AND COMPANY, LLP

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited 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, as of and for the year ended September 30, 2009, which collectively comprise the City of Orangeburg's basic financial statements and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Orangeburg's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Orangeburg's financial statements that is more than inconsequential will not be prevented or detected by the City of Orangeburg's internal control. We consider the deficiency, 09-01, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Orangeburg's internal control.

(Continued) - 1.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orangeburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with these 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*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

f. W. Hunt and Company, LLP

Columbia, South Carolina
February 18, 2010

(Concluded) - 2.

J. W. HUNT AND COMPANY, LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Orangeburg with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Orangeburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Orangeburg's management. Our responsibility is to express an opinion on the City of Orangeburg's compliance based on our audit.

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 of Orangeburg'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. Our audit does not provide a legal determination of the City of Orangeburg's compliance with those requirements.

In our opinion, the City of Orangeburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

(Continued) - 1.

Internal Control over Compliance

The management of the City of Orangeburg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Orangeburg's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Orangeburg's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, City Council, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

f. W. Hunt and Company, LLP

Columbia, South Carolina
February 18, 2010

(Concluded) - 2.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SEPTEMBER 30, 2009

<u>Grantor</u>	<u>Federal CFDA Number</u>	<u>Total Awards Expended</u>
U.S. Department of Justice:		
Through SC Department of Public Safety:		
COPS Methamphetamine Initiative	16.710	\$ 113,205
Criminal Domestic Violence	16.588	44,696
JAG Grant	16.738	2,210
U. S. Department of Housing and Ueban Development:		
CDBG Downtown Fascade	14.228	14,592
Federal Aviation Administration:		
Airport Grant - Partial Construction	20.106	576,482
U.S. Department of Transportation:		
Through SC Department of Transportation		
Traffic Records Enhancement	20.600	<u>26,425</u>
Total federal assistance		<u><u>777,610</u></u>

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Orangeburg and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with 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.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified that are not considered
to be material weakness(es)? yes

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 weakness(es)? no

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

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:

CFDA Numbers

Name of Federal Program

20.106 Airport Improvement Grant - Airport Grant

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

Auditee qualified as low-risk auditee? no

(Continued) - 1.

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 09-01

Statements on Auditing Standards No. 112, which became effective for years ending after December 15, 2006, defines internal control over financial reporting to require the client to prepare its own financial statements, including note disclosures, in accordance with generally accepted accounting principles without any material adjusting journal entries proposed by the auditor. As part of our current engagement as the City's auditor, we have proposed adjusting journal entries and have drafted the City's financial statements and notes subject to the review and acceptance of the City's management. Therefore, we must report a significant deficiency in internal control over financial reporting to management and those charged with governance. The limited number of the City's personnel necessarily imposes practical limitations on the effectiveness of those internal controls that depend on the segregation of duties and specialized knowledge of financial reporting.

SECTION III - FINDINGS RELATED TO FEDERAL AWARDS

There were no findings related to federal awards.

(Concluded) - 2.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

PROPRIETARY FUND FINANCIAL
STATEMENTS AND ACCOMPANYING
FINANCIAL INFORMATION
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
AND INDEPENDENT AUDITORS' INFORMATION

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council and
Department of Public Utilities
City of Orangeburg
Orangeburg, South Carolina

We have audited the accompanying financial statements of the Department of Public Utilities, City of Orangeburg, South Carolina, as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Department of Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Department of Public Utilities as of and for the year ended September 30, 2008, were audited by other auditors whose report dated February 18, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department of Public Utilities, City of Orangeburg, South Carolina are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Orangeburg, South Carolina as of September 30, 2009 and 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2009 financial statements present fairly, in all material respects, the financial position of the Department of Public Utilities, City of Orangeburg, South Carolina, as of September 30, 2009, and the changes in financial position, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

(Continued) - 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Public Utilities basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 4 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2010, on our consideration of Department of Public Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

J.W. Hent and Company, LLP

Columbia, South Carolina
February 18, 2010

(Concluded) - 2.

**City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Management's Discussion and Analysis (Unaudited)
September 30, 2009**

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, 2009.

The Department comprises four separate operating Divisions: Electric, Natural Gas, Water, and Wastewater. Each Division supports its operations through its own sales, revenues, and fees.

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 that used by the private sector. Detailed basic financial statements include: (1) Statement of Net Assets which includes all of the Department's assets and liabilities. Increases or decreases in the net assets 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 Assets provides information to determine the Department's profitability and whether the Department successfully recovered all its costs through its rates and fees, (3) Statement of Cash Flows which reports net changes in cash resulting from operations, investing, and finance 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 Assets

	<u>FY 2009</u>	<u>FY 2008</u>
Current and other assets	\$ 37,672,917	\$ 26,671,632
Capital assets (net)	199,506,583	198,452,689
Total assets	<u>237,179,500</u>	<u>225,124,321</u>
Long-term liabilities	10,757,460	5,381,810
Other liabilities	12,983,200	11,261,481
Total liabilities	<u>23,740,660</u>	<u>16,643,291</u>
Invested in capital assets, net of related debt	194,756,583	192,752,688
Restricted	936,321	618,855
Unrestricted	<u>17,745,936</u>	<u>15,109,488</u>
Total net assets	<u><u>213,438,840</u></u>	<u><u>208,481,031</u></u>

Total assets grew by \$5 million. Significant changes in net assets were due to several factors, primarily the continued completion of construction in progress projects led by the Electric Cross Town Tie and relocation of transmission lines located on the Wastewater Plant property.

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

Electric Division

	<u>FY 2009</u>	<u>FY 2008</u>
Operating revenues	\$ 69,744,976	\$ 70,671,532
Non-operating revenues (expenses)	<u>(38,367)</u>	<u>100,005</u>
Total revenues	<u>69,706,609</u>	<u>70,771,537</u>
Electricity purchased	50,253,054	51,554,423
Depreciation expense	3,247,619	3,120,799
Other operating expense	<u>7,273,309</u>	<u>5,893,157</u>
Total expenses	<u>60,773,982</u>	<u>60,568,379</u>
Income before transfers	8,932,627	10,203,158
Transfers to City	<u>3,433,077</u>	<u>3,144,435</u>
Change in net assets	<u>5,499,550</u>	<u>7,058,723</u>

Sales by volume decreased 5.7% due to the recession, while operating revenues decreased only 1.3% in dollars due to an increase in cost of electricity. The cost of electricity purchased increased due to our suppliers' increased fuel cost and a 3% contractual increase. The existing rate schedules contain provisions that automatically pass increases and decreases in purchase cost to customers so that the Department's margin on the service remains unchanged. Decreased non-operating revenue is due to continued low interest rates. The operating expenses increased due to legal and consulting fees for a new contract and the recording of \$508,059 for OPEB health coverage. 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 currently working to become compliant under all regulations pertaining to the division.

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

Gas Division

	<u>FY 2009</u>	<u>FY 2008</u>
Operating revenues	\$ 11,853,092	\$ 15,152,681
Non-operating revenues (expenses)	<u>(3,659)</u>	<u>42,936</u>
Total revenues	<u>11,849,433</u>	<u>15,195,617</u>
Natural gas purchased	8,752,945	11,720,171
Depreciation expense	473,401	603,114
Other operating expense	<u>1,953,345</u>	<u>1,616,009</u>
Total expenses	<u>11,179,691</u>	<u>13,939,294</u>
Income before transfers	669,742	1,256,323
Transfers to City	<u>583,605</u>	<u>674,145</u>
Change in net assets	<u>86,137</u>	<u>582,178</u>

Sales decreased by 8% in volume due primarily to the recession, while operating revenues decreased 27.8%. The drop in operating revenue is due to an 11.5% decrease in sales by dollar and a change in unbilled receivables from last year.

Several 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 the high price of natural gas, competition with alternative fuels, the delivery restrictions on the interstate pipeline infrastructure and the reorganization of the gas business in this state. This has occurred previously on an irregular basis. Over half of the Gas Division's profits come from industrial sales. Since November 1, 2006 the Department has been responsible for purchasing and arranging transportation for its entire load of natural gas. The profits are down due to the recording of \$177,230 for OPEB health benefits. 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.

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

Water Division

	<u>FY 2009</u>	<u>FY 2008</u>
Operating revenues	\$ 6,141,024	\$ 6,217,605
Non-operating revenues (expenses)	297,316	506,713
Contributed capital	452,177	26,723
Total revenues	<u>6,890,517</u>	<u>6,751,041</u>
Depreciation expense	1,760,683	1,502,468
Other operating expense	5,017,317	4,598,182
Total expenses	<u>6,778,000</u>	<u>6,100,650</u>
Income before transfers	112,517	650,391
Transfers to City	<u>301,274</u>	<u>276,628</u>
Change in net assets	<u>(188,757)</u>	<u>373,763</u>

Sales decreased 6.7% by volume due to the recession, while sales decreased 1.2% by dollars due to a 6% rate increase in October 2008, offset by a decrease in unbilled receivables. A new 5% rate increase was implemented in October 2009 which is expected to increase sales accordingly in 2010. Non-operating revenue decreased due to a decrease of tap and impact fees. Contributed capital increased due to Orangeburg County Penny Projects. These projects vary year to year according to County Council's direction. The increase to other operating expenses is due to general inflation of consumables such as chemicals, utilities and miscellaneous products coupled with increasing small repair expenditures as a result of the Division's aging infrastructure. The recording of \$330,829 for OPEB health benefits affected profits overall. The Water Division has entered into a contract to rehabilitate the SC Highway 400 Water Main at a cost of \$982,514. This project is funded through the South Carolina State Revolving Fund.

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

Wastewater Division

	<u>FY 2009</u>	<u>FY 2008</u>
Operating revenues	\$ 3,924,502	\$ 4,655,287
Non-operating revenues (expenses)	239,964	203,060
Contributed capital	141,492	1,871,693
Total revenues	<u>4,305,958</u>	<u>6,730,040</u>
Depreciation expense	1,393,297	1,419,218
Other operating expense	3,159,652	3,130,702
Total expenses	<u>4,552,949</u>	<u>4,549,920</u>
Income (loss) before transfers	(246,991)	2,180,120
Transfers to City	<u>192,130</u>	<u>206,933</u>
Change in net assets	<u>(439,121)</u>	<u>1,973,187</u>

Sales dropped 15% due to the recession and the loss of various industrial sales. An 18% increase in non-operating revenue is because of an increase in tap and impact fee collections from new customers on the system. Contributed capital decreased significantly (\$1.7 million) due to completion of the Orangeburg County Penny Projects. These projects vary year to year according to County Council's direction. Operating expenses increased 1% due to general inflation of consumables such as chemicals, utilities, and miscellaneous products coupled with increasing small repair expenditures due to the Division's aging infrastructure. The recording of \$165,414 for OPEB health benefits reduced overall profits. The Wastewater Division had entered into contracts to upgrade the Wastewater Treatment Plant and the Rehabilitation of the Gravity Sewer Line at a cost of \$4,280,163 to be completed in 2010. This project is funded through the South Carolina State Revolving Fund.

Condensed Statement of Cash Flows

	<u>FY 2009</u>	<u>FY 2008</u>
Cash flow from operating activities	\$ 20,702,905	\$ 16,042,027
Transfer to the City and other entities	(4,510,086)	(4,302,141)
Cash flow for capital assets	(8,280,821)	(14,375,897)
Cash flow from financing and grants	218,880	1,575,173
Cash flow from investing activities	<u>(8,126,088)</u>	<u>1,742,093</u>
	4,790	681,255
Starting cash and cash investments	<u>3,877,844</u>	<u>3,196,589</u>
Ending cash and cash investments	<u>3,882,634</u>	<u>3,877,844</u>

Spending on capital projects in the year ending September 30, 2010 is anticipated to be \$3.7 million, slightly lower than spending in 2009 and significantly lower than the pace set in 2007 and 2008. Some notable capital projects include the Administrative Division Communications Improvements, the Electric Division Breaker and Relay Replacement, Gas Division Big Buck Boulevard, Water Division Booster Pump Station Highway 4/400, and Wastewater Division Whitford Stage Creek Upgrade. All investments are insured governmental securities. Management is concerned that major layoffs or plant closings could cause significant reduction of revenue and/or proper collections. If significant economic problems occur, management is poised to suspend any and all projects.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 9,300	\$ 535,352
Investments	15,898,407	7,852,277
Customer accounts receivable less reserve for bad debt - \$60,756 for 2009 and 2008	4,026,996	4,091,720
Unbilled customer accounts receivable	4,942,844	6,258,605
Other receivables	224,007	236,370
Bond proceeds receivable	5,262,677	-
Inventories	3,273,820	4,200,281
Other prepaid expenses	86,524	79,527
	33,724,575	23,254,132
Total current assets		
Noncurrent assets:		
Restricted assets:		
Cash and investments:		
Customer deposits	3,012,021	2,798,645
Bond repayment	861,313	543,847
Self insurance fund	75,008	75,008
Total restricted assets	3,948,342	3,417,500
Capital assets:		
Property, plant, and equipment being depreciated - net	184,851,054	182,582,666
Property, plant, and equipment not being depreciated	14,655,529	15,870,023
Total property, plant, and equipment - net	199,506,583	198,452,689
	203,454,925	201,870,189
Total noncurrent assets		
TOTAL ASSETS	237,179,500	225,124,321

(Continued) - 1.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES
STATEMENTS OF NET ASSETS, SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,138,505	\$ 6,418,309
Bank overdraft	919,312	-
Withholding and accrued expenses	104,731	281,812
Current portion of revenue bonds payable	200,229	406,153
Accrued compensated absences	650,295	566,753
Accrued salaries	-	156,740
Due to City of Orangeburg - General Fund	96,794	89,222
	<hr/>	<hr/>
Total current liabilities	9,109,866	7,918,989
Current liabilities (payable from restricted assets):		
Current portion of revenue bonds payable	861,313	543,847
Customer deposits	3,012,021	2,798,645
	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	3,873,334	3,342,492
Noncurrent liabilities:		
Revenue bonds payable	8,951,135	4,750,000
Other post employment benefits payable	1,181,532	-
Accrued compensated absences	624,793	631,810
	<hr/>	<hr/>
Total noncurrent liabilities	10,757,460	5,381,810
TOTAL LIABILITIES	<hr/> 23,740,660	<hr/> 16,643,291
NET ASSETS		
Invested in capital assets, net of related debt	194,756,583	192,752,688
Restricted for self insurance	75,008	75,008
Restricted for bond repayment	861,313	543,847
Unrestricted	17,745,936	15,109,488
	<hr/>	<hr/>
TOTAL NET ASSETS	<hr/> 213,438,840	<hr/> 208,481,031

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Charges for services:		
Electric	\$ 69,744,976	\$ 70,671,533
Gas	11,853,092	15,152,681
Water	6,141,024	6,217,604
Wastewater	3,924,502	4,655,286
	91,663,594	96,697,104
OPERATING EXPENSES:		
Electricity purchased	49,862,512	50,585,543
Electric generators and other costs	645,900	639,757
Solar turbines	326,042	329,123
Natural gas purchased	8,752,945	11,720,171
Operating and maintenance	7,508,554	7,608,500
Administrative	9,313,364	7,629,548
Depreciation and amortization	6,875,305	6,645,599
	83,284,622	85,158,241
Total operating expenses		
Operating income	8,378,972	11,538,863
NON-OPERATING REVENUES (EXPENSES):		
Gain/(loss) on disposal of property	13,534	16,611
Water impact and tap fees	325,740	455,280
Wastewater impact and tap fees	235,938	154,866
Interest income	76,792	400,975
Interest expense	(156,750)	(175,016)
	495,254	852,716
Total non-operating revenues (expenses)		
Income before contributions and transfers	8,874,226	12,391,579
Capital contributions - grants	593,669	1,898,416
Transfers to the City of Orangeburg - General Fund	(4,510,086)	(4,302,141)
	4,957,809	9,987,854
CHANGES IN NET ASSETS		
NET ASSETS - BEGINNING OF YEAR	208,481,031	198,493,177
NET ASSETS - END OF YEAR	213,438,840	208,481,031

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 95,466,573	\$ 95,226,736
Cash payments to suppliers for goods and services	(66,920,994)	(70,587,546)
Cash payments for employees	(7,842,674)	(8,597,163)
	20,702,905	16,042,027
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(4,510,086)	(4,302,141)
	(4,510,086)	(4,302,141)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(8,280,821)	(14,375,897)
Proceeds from sale of capital assets	13,534	16,611
Principal payment on bonds	(950,000)	(950,000)
Water impact and tap fees	325,740	455,280
Wastewater impact and tap fees	235,937	154,866
Proceeds from grants	593,669	1,898,416
	(8,061,941)	(12,800,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment interest	76,792	400,975
Interest expense	(156,750)	(175,016)
Net (purchase) sale of investments	(8,046,130)	1,516,134
	(8,126,088)	1,742,093
NET INCREASE IN CASH AND EQUIVALENTS	4,790	681,255
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	3,877,844	3,196,589
CASH AND EQUIVALENTS AT END OF YEAR	3,882,634	3,877,844

(Continued) - 1.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES
STATEMENTS OF CASH FLOWS, SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 8,378,972	\$ 11,538,863
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,373,118	6,645,599
Changes in assets and liabilities:		
(Increase) decrease in:		
Customer accounts receivable	64,724	95,804
Unbilled receivables	1,315,761	(280,031)
Other receivables - operating	12,363	79,888
Inventories	926,461	(388,996)
Other prepaid expenses	(6,995)	(3,665)
Increase (decrease) in:		
Accounts payable	(1,476,599)	(554,209)
Under (over) billing	2,196,755	(1,499,581)
Bank overdraft	919,311	-
Withholdings and accrued expenses	(177,081)	62,206
Accrued compensated absences	76,525	114,817
Accrued salaries	(156,740)	79,313
Other post employment benefits	1,035,382	-
Due to City of Orangeburg - General Fund	7,572	18,467
Customer deposits payable	213,376	133,552
	<u>20,702,905</u>	<u>16,042,027</u>
Net cash provided by operating activities	<u>20,702,905</u>	<u>16,042,027</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:		
Cash on hand and in bank	\$ 9,300	\$ 535,352
Restricted cash:		
Customer deposits	3,012,021	2,798,645
Bond repayment	861,313	543,847
	<u>3,882,634</u>	<u>3,877,844</u>
Total cash and cash equivalents	<u>3,882,634</u>	<u>3,877,844</u>

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The Department of Public Utilities of the City of Orangeburg, South Carolina was established to provide utilities for the City of Orangeburg and adjacent areas outside the corporate city limits. It is a proprietary fund of the City of Orangeburg. The Department consists of five divisions: administrative, electric, gas, water, and wastewater.

BASIS OF ACCOUNTING:

The Department maintains its accounting records on the accrual basis of accounting; that is, income is recognized when earned and expense when incurred.

The financial statements of the Department of Public Utilities have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Department are described below.

The Department has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

On October 1, 2002, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net assets, a statement of activities and changes in net assets classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

BASIS OF ACCOUNTING (CONTINUED):

On October 1, 2002 the Department also adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*. This statement requires that capital contributions to the Department be presented as a change in net assets.

OPERATING REVENUES AND EXPENSES:

Operating revenues and expenses are those that result from providing services and producing and delivering goods and services. Non operating revenues and expenses include revenues considered to be non exchange and exchange-like items, financing and investment-related income and expenses.

For financial statement purposes, as shown on the included schedules, administrative income and expenses are allocated among the four remaining divisions on the basis of divisional revenue in relation to total revenue. The allocation rates for fiscal years 2009 and 2008 are: 43% electric; 15% gas; 28% water; and 14% wastewater.

RATES:

Rates charged to customers for each service are determined through engineering studies and authorized by the City Council.

DEPOSITS AND INVESTMENTS:

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

1. Obligations of the United State and its agencies
2. Government sponsored enterprises with appropriate credit ratings
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 it 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 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
7. Certain no load open-end of 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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

RESERVE FOR BAD DEBTS:

The recorded reserve is approximately 1.48% of accounts receivable at September 30, 2009 and 1.46% of accounts receivable at September 30, 2008 which management feels is a reasonable estimate.

Under GASB 34, the provision for bad debts is reported as a reduction in operating revenues, not as an expense.

INVENTORIES:

Material and fuel inventories are carried at average costs. At the time of issuance or consumption, an expense is recorded at the average cost. Fuel expense for all customers are billed utilizing rates and contracts, the majority of which include fuel adjustment provisions based on either the actual costs for the previous month or the actual average costs for the previous month.

RECEIVABLES:

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.

PROPERTY, PLANT AND EQUIPMENT:

The property, plant and equipment of the Department are stated at historical cost including labor and other direct costs of the asset. Net interest income or expense related to tax exempt bond issues is included as a component of the cost of assets financed by such proceeds. The assets are being depreciated using the straight-line method over estimated useful lives as follows:

	Useful Life (Years)
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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

DEFERRED COSTS:

Cost of a material nature which are intended to be recovered from customers over a period of time are capitalized and amortized over the period of recovery.

INCOME TAXES:

The Department of Public Utilities is a proprietary fund of a governmental unit, the City of Orangeburg, South Carolina, and is, therefore, exempt from federal and state income taxes.

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 expenses. Actual results could vary from the estimates that were used.

COMPENSATED ABSENCES:

All regular full-time employees of the Department of Public Utilities accumulate vacation and sick 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. Accrued compensation is calculated as hours earned times hourly rate plus related payroll taxes and retirement.

REVENUE RECOGNITION AND FUEL COSTS:

Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers that have not been billed are accrued. Accrued revenue for retail customers totaled \$4,942,844 in 2009 and \$6,258,605 in 2008. Fuel costs are reflected in operating expenses as fuel is consumed.

SUBSEQUENT EVENTS:

The City has considered subsequent events through February 18, 2010, the date of issuance, in preparing the financial statements and notes.

RECLASSIFICATIONS:

To achieve conformity and comparability, the Department may reclassify certain amounts in prior year financial statements for the purpose of conforming to the current year presentation. Such reclassifications had no effect on net assets.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Unrestricted cash and cash equivalents and investments consist of the following:

	<u>2009</u>	<u>2008</u>
Petty cash and change drawers	\$ 9,300	\$ 9,300
Cash deposited with banking institutions including daily repurchase agreements	2,954,022	3,868,544
Bank overdrafts	919,312	-
Less: restricted for customer deposits	(3,012,021)	(2,798,645)
Less: restricted for bond repayment	(861,313)	(543,847)
	<hr/>	<hr/>
Total unrestricted cash and equivalents	9,300	535,352
	<hr/> <hr/>	<hr/> <hr/>

Investments consist of short-term United States Treasury Bills	\$ 15,973,415	\$ 7,927,285
Less: investments restricted for capital investment	(75,008)	(75,008)
	<hr/>	<hr/>
Total unrestricted investments	15,898,407	7,852,277
	<hr/> <hr/>	<hr/> <hr/>

Restricted assets consist of the following:

	<u>2009</u>	<u>2008</u>
Cash deposited with banking institutions:		
Cash restricted for customer deposits	\$ 3,012,021	\$ 2,798,645
Cash restricted for bond repayment	861,313	543,847
Short-term United States Treasury Bills	75,008	75,008
	<hr/>	<hr/>
Total restricted assets	3,948,342	3,417,500
	<hr/> <hr/>	<hr/> <hr/>

INTEREST RATE RISK:

The Department 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 Department limits its risk by restricting its investment maturities to no more than one year.

CREDIT RISK:

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

CONCENTRATION OF CREDIT RISK:

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

CITY OF ORANGEBURG
 ORANGEBURG, SOUTH CAROLINA
 DEPARTMENT OF UTILITIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED):

CUSTODIAL CREDIT RISK - DEPOSITS:

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department's deposit policy for custodial credit risk is that all deposits should be collateralized. The Department has an agreement with the bank that the bank is to guarantee that the deposits are insured. The deposits are periodically checked by the finance director to ensure collateralization. As of September 30, 2009, the Department's bank balance of \$1,334,159 (excluding repurchase agreements of \$1,902,774) was exposed to \$4,068 of custodial credit risk.

Amount insured by FDIC	\$ 500,000
Amount collateralized with securities held by pledging financial institution's agent in the Department's name	<u>2,736,933</u>
	<u><u>3,236,933</u></u>

Investments made by the Department, including repurchase agreements, are summarized below.

	Carrying Amount <u>Cost</u>	Fair Value <u>Value</u>
U.S. government securities	<u>\$ 15,973,415</u>	<u>\$ 15,985,923</u>

The U.S. Treasury bills and notes are reported at amortized cost.

The repurchase agreements earn an interest rate which will be determined by the bank.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment consist of the following:

	<u>2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>2009</u>
Capital assets not being depreciated:				
Land	\$ 2,078,752	\$ 250,000	\$ -	\$ 2,328,752
Construction in progress	13,791,271	5,646,055	(7,110,549)	12,326,777
Total	<u>15,870,023</u>	<u>5,896,055</u>	<u>(7,110,549)</u>	<u>14,655,529</u>
Electric Division	104,503,667	5,615,367	(598,943)	109,520,091
Gas Division	22,396,715	267,774	(57,840)	22,606,649
Water Division	85,902,098	563,377	(21,104)	86,444,371
Wastewater Division	60,514,205	3,121,287	(36,699)	63,598,793
Non-Utility:				
Buildings	6,737,189	7,688	-	6,744,877
Tools and equipment	3,369,526	184,398	(38,638)	3,515,286
Furniture, fixtures, and computers	1,080,025	9,807	-	1,089,832
Total	<u>284,503,425</u>	<u>9,769,698</u>	<u>(753,224)</u>	<u>293,519,899</u>
Less:				
Accumulated depreciation	<u>101,920,759</u>	<u>7,373,117</u>	<u>(625,031)</u>	<u>108,668,845</u>
Total capital assets being depreciated, net	<u>182,582,666</u>	<u>2,396,581</u>	<u>(128,193)</u>	<u>184,851,054</u>
Net property, plant and equipment	<u>198,452,689</u>	<u>8,292,636</u>	<u>(7,238,742)</u>	<u>199,506,583</u>

Depreciation and amortization expense consist of the following:

	<u>2009</u>	<u>2008</u>
Depreciation and amortization:		
Electric Division	\$ 3,732,252	\$ 3,714,430
Gas Division	486,721	632,454
Water Division	1,765,967	1,560,226
Wastewater Division	<u>1,388,178</u>	<u>1,474,701</u>
Total	<u>7,373,118</u>	<u>7,381,811</u>

Included in these amounts is depreciation on electric and turbine generators. This depreciation (\$497,813 and \$493,595 for the years ended September 30, 2009 and 2008, respectively) is included as a part of cost of goods sold on the financial statements. Also included in these amounts is depreciation being allocated as overhead of \$49,995 and \$242,616 for 2009 and 2008, respectively.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVENTORIES:

Components of inventories are:

	<u>2009</u>	<u>2008</u>
Materials inventory:		
Electrical Division	\$ 1,525,729	\$ 1,419,646
Gas Division	202,051	183,464
Water Division	448,874	470,218
Wastewater Division	34,428	40,712
Gasoline, oil, and fuel	205,221	385,286
Administrative	30,666	39,119
Plant chemicals	97,221	66,090
Total materials inventory	<u>2,544,191</u>	<u>2,604,535</u>
Fuel inventory:		
Propane	139,104	139,104
Natural gas	590,525	1,456,642
Total fuel inventory	<u>729,629</u>	<u>1,595,746</u>
Total inventories	<u><u>3,273,820</u></u>	<u><u>4,200,281</u></u>

NOTE 5 - RETIREMENT PLAN:

Substantially all employees of the Department are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan. The plan also provides group-life insurance benefits to eligible employees.

Plan benefits are established under the authority of Title 9 of the South Carolina Code of Laws. Employees are eligible for a service retirement annuity upon reaching age 65 or completion of 30 years of credited service. The benefit formula, effective July 1, 1989 is 1.82% of an employee's average final compensation multiplied by the number of years of creditable service. An early retirement option with reduced benefits is available as early as age 55. Employees are vested for a deferred annuity after 5 years of service and qualify for a survivor's benefit upon completion of 15 years of credited service.

Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of 5 years of credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an employee with a minimum of one year of credited service.

NOTE 5 - RETIREMENT PLAN (CONTINUED):

Of the Department's \$8,620,720 payroll, total payroll covered by the above retirement plan for the fiscal year was \$7,587,806. Beginning July 1, 2006 employees are required to contribute 6.5% of all compensation. Under Title 9 of the South Carolina Code of Laws, the Department's liability under the plan is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State of South Carolina Budget and Control Board. Accordingly, the Department recognizes no contingent liability for unfunded costs associated with participation in the plan. Beginning July 1, 2007, the employer contribution rate is 9.24%. The contribution requirements for the Department for the current year and each of the two preceding years are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employee contribution	\$ 535,123	\$ 508,379	\$ 476,237
Employer contribution	796,555	757,265	669,664
Group life	12,979	12,486	12,097

The Department contributed 100% of the required contributions for the current year and each of the two preceding years.

The System does not make separate measurements of assets and pension benefit obligations for individual employers. Accordingly, this information regarding the vested benefits over the total of the applicable pension funds and any balance sheet accruals, less any pension prepayments or deferred charges, is not available.

Information concerning the authority under which benefit provisions and employee obligations to contribute are established, the significant actuarial assumptions for the plans, an explanation of the pension benefit obligations, the pension benefit obligations for the System, the total net assets available for benefits, and ten year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2009, separately issued reports. Their Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement

System is publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

NOTE 6 - POST RETIREMENT HEALTH BENEFITS:

The GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in June 2004. The Department adopted this statement for the year ending September 30, 2009. GASB Statement No. 45 provides for substantial changes in the reporting for postemployment benefits. Previously postemployment benefits have been recorded on a pay as you go basis. With Statement No. 45, postemployment benefits will begin to accrue during the term of service of the employee and will remain until the benefits are paid. The Department did not elect early implementation of GASB Statement No. 45.

NOTE 6 - POST RETIREMENT HEALTH BENEFITS (CONTINUED):

PLAN DESCRIPTION:

The City of Orangeburg (the City) administers the Department's 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 not assets legally segregated for the sole purpose of paying benefits under the Plan.

FUNDING POLICY:

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Department 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 Department's annual other post employment benefit obligation (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 and related information per the provisions of GASB Statement 45 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 Department's annual OPEB cost for the year, the amount contributed to the plan, implicit rate subsidy, and the Department's net OPEB obligation to the Retiree Health Plan at September 30, 2009:

Annual OPEB cost:	
Normal cost	\$ 467,452
Amortization of unfunded actuarial accrued liability	<u>999,679</u>
Total annual required contribution	1,467,131
OPEB contributions and subsidy during the year	<u>(285,599)</u>
OPEB obligation at end of year	<u><u>1,181,532</u></u>

FUNDED STATUS AND FUNDING PROGRESS:

As of September 30, 2009, the actuarial accrued liability for benefits was \$13,760,417, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,587,806, and the actuarial accrued liability was unfunded at year end.

NOTE 6 - POST RETIREMENT HEALTH BENEFITS (CONTINUED):

FUNDED STATUS AND FUNDING PROGRESS (CONTINUED):

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 to the point. 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 October 1, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, the level dollar amortization method, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 6.0 percent after ten years.

Because the Department currently finances OPEB using a pay-as-you-go approach, the discount rate is based on returns on short term investments in money market and other interest bearing accounts. If the Department chooses not to fund the plan to this level, and instead continues to pay the benefits out of the General Fund of the employer, the discount rate must be adjusted accordingly to reflect the rate of return on the assets which will be used to pay benefits. This could result in as much as a 3% decrease in the discount rate used to calculate the Actuarial Accrued Liability, which could increase the liability by 80% and the ARC by 64%.

Subsequent to year end, the Department changed health insurance vendors and changed the terms of the post-employment benefit plan to not cover any Department employee hired on or after January 1, 2009. The Department expects these changes will reduce the post-employment benefit obligation.

NOTE 7 - RELATED PARTY TRANSACTIONS:

There was an amount due to the City of Orangeburg general fund of \$96,918 and \$89,222 at September 30, 2009 and 2008, respectively, for unremitted garbage fees, street light transfers, and mowing services.

CITY OF ORANGEBURG
 ORANGEBURG, SOUTH CAROLINA
 DEPARTMENT OF UTILITIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED):

Included in the Department's operating income is \$391,842 and \$534,577 in 2009 and 2008, respectively, representing utilities purchased by the City of Orangeburg for the City's utility usage.

The Department transferred \$4,510,086 and \$4,302,141 in 2009 and 2008, respectively, to the City of Orangeburg general fund.

INTERDEPARTMENTAL SALES:

Included in the sales for each of the Department's divisions are sales to the Department for its own utility usage. These interdepartmental sales are as follows:

	<u>2009</u>	<u>2008</u>
Electric	\$ 697,546	\$ 782,017
Gas	151,486	240,859
Water	39,545	52,098
Wastewater	125,030	157,877
	<hr/>	<hr/>
Total	<u>1,013,607</u>	<u>1,232,851</u>

NOTE 8 - RISK MANAGEMENT:

The Department 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 in accord with insurance policy and benefit program limits.

Several state funds accumulate assets and the State 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 Department and other entities pay premiums to the State's Insurance Reserve Fund which issues policies, accumulates assets to cover the 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

The Department does not carry collision insurance on its major vehicles. Additionally, insurance coverage on the electric substations and on all utility system transmission and distribution lines is not available.

NOTE 8 - RISK MANAGEMENT (CONTINUED):

The Department 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 Department also participates in the South Carolina Local Government Assurance Group whereby health insurance premiums are paid to cover claims in excess of \$80,000. The Department is subject to additional assessments in the event of deficiencies. To cover claims of \$80,000 or less, the Department funds a reserve which is maintained with the assurance group. For the year ending September 30, 2009, the Department and Department employees paid approximately \$1,835,663 in insurance premiums under the plan. If the reserve was depleted, the Department would be liable for additional claims. The reserve balance is \$143,923 as of September 30, 2009. At year end, Management was engaged in changing to a fully insured plan requiring no reserve balance.

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

The Department has set aside and reserved \$75,008 to cover the 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 amount set aside was established by the South Carolina Department of Health and Environmental Control. The Department is not required to purchase outside insurance for this coverage as long as it has these funds reserved as such.

The Department has recorded insurance premium payments by allocation into the appropriate division. 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.

NOTE 9 - LEASES:

LESSEE:

During 2007, the Department signed a 60-month lease for six copiers. The monthly payment is \$1,210. Lease expense under the lease was \$14,520 in 2009 and 2008.

Future minimum lease payments are as follows:

2010	\$ 14,520
2011	<u>14,520</u>
Total	<u><u>29,040</u></u>

LESSOR:

The Department has a five-year contract to lease space on top of a water tank to a company for a telecommunication tower for \$12,650 per year. Lease income was \$12,650 in 2009 and 2008.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT:

COMBINED PUBLIC UTILITIES REVENUE BONDS:

	<u>2009</u>	<u>2008</u>
\$9,500,000 Series of 2004, payable April 1, 2004 through 2014 - interest at 3% payable each April 1 and October 1 through 2014	<u>\$ 4,750,000</u>	<u>\$ 5,700,000</u>
Total	4,750,000	5,700,000
Less: current portion	<u>950,000</u>	<u>950,000</u>
Long-term portion	<u><u>3,800,000</u></u>	<u><u>4,750,000</u></u>
\$4,280,163 Series of 2009, payable quarterly beginning May 1, 2010 through 2030 - interest at 1.84%	<u>\$ 4,280,163</u>	<u>\$ -</u>
Total	4,280,163	-
Less: current portion	<u>90,718</u>	<u>-</u>
Long-term portion	<u><u>4,189,445</u></u>	<u><u>-</u></u>
\$982,514 Series of 2009, payable quarterly beginning May 1, 2010 through 2030 - interest at 1.84%	<u>\$ 982,514</u>	<u>\$ -</u>
Total	982,514	-
Less: current portion	<u>20,824</u>	<u>-</u>
Long-term portion	<u><u>961,690</u></u>	<u><u>-</u></u>

The bond ordinances stipulate that all bonds issued 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 bond is secured by all revenues which remain after paying the cost of the operation and maintenance of the system of the Department of Utilities.

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, 2009, balances in all funds meet bond requirements.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT (CONTINUED):

COMBINED PUBLIC UTILITIES REVENUE BONDS (CONTINUED):

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

Annual revenue bond maturities of principal and interest follow:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,061,542	\$ 174,240	\$ 1,235,782
2011	1,171,663	193,150	1,364,813
2012	1,175,775	163,537	1,339,312
2013	1,180,025	127,847	1,307,872
2014	1,184,233	95,080	1,279,313
2015-2019	1,237,996	338,321	1,576,317
2020-2024	1,357,198	218,116	1,575,314
2025-2029	1,487,881	87,436	1,575,317
2030-2034	156,364	1,082	157,446
	<u>10,012,677</u>	<u>1,398,809</u>	<u>11,411,486</u>

NOTE 11 - CHANGES IN LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended September 30, 2009:

	<u>Outstanding</u> <u>September 30,</u> <u>2008</u>	<u>Accrued/</u> <u>Issued</u>	<u>Used/</u> <u>Repaid</u>	<u>Outstanding</u> <u>September 30,</u> <u>2009</u>	<u>Due within</u> <u>one year</u>
\$9,500,000 Series of 2004, payable April 1, 2004 through 2014 - interest at 3% payable each April 1 and October 1 through 2014	\$ 5,700,000	\$ -	\$ (950,000)	\$ 4,750,000	\$ 950,000
\$982,514 Series of 2009, payable May 1, 2010 through 2030 - interest at 1.84% payable quarterly through February 1, 2030	-	982,514	-	982,514	20,824

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF UTILITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - CHANGES IN LONG-TERM DEBT (CONTINUED):

	Outstanding September 30, <u>2008</u>	Accrued/ <u>Issued</u>	Used/ <u>Repaid</u>	Outstanding September 30, <u>2009</u>	Due within <u>one year</u>
\$4,280,163 Series of 2009, payable May 1, 2010 through 2030 - interest at 1.84% payable quarterly through February 1, 2030	\$ -	\$ 4,280,163	\$ -	\$ 4,280,163	\$ 90,718
Accrued compensated absences	1,198,563	666,650	(590,125)	1,275,088	650,295
Total	<u>6,898,563</u>	<u>5,929,327</u>	<u>(1,540,125)</u>	<u>11,287,765</u>	<u>1,711,837</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Additional projected costs to complete current projects in progress are expected to be approximately \$1,800,000. Total expected costs for all projects approved by Council for fiscal year 2010 are approximately \$3,694,000.

NOTE 13 - ELECTRICITY AND NATURAL GAS CONTRACTS:

The Department has a contract with South Carolina Electric & Gas to purchase electricity, transmission, and ancillary services based upon the Department's customer usage. The rates charged as specified in the contract are subject to an annual contracted amount. The agreement shall be in effect until December 31, 2012, at which time the contract agreement will be reviewed for renewal.

The Department has a natural gas agreement to purchase a combination of firm natural gas purchases and firm natural gas transportation services equaling the firm gas requirements of the Department for its gas distribution in and around Orangeburg, South Carolina with South Carolina Pipeline Company (SCPC). The Department will pay a demand and commodity charge as specified in SCPC rate schedules. This contract will expire October 31, 2014, at which time the contract agreement will be reviewed for renewal.

Additionally, the Department has entered into a natural gas supply and pipeline management agreement with SCANA Energy Marketing at rates established in the contract.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

SCHEDULE OF DIVISIONAL INCOME AND EXPENSES
SEPTEMBER 30, 2009

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES:					
Charges for services:					
Gross billings	\$ 68,484,531	\$ 11,643,895	\$ 6,009,328	\$ 3,836,990	\$ 89,974,744
Service fees	666,605	179,974	55,290	37,265	939,134
Interest on past due bills	235,989	32,496	27,814	13,454	309,753
Miscellaneous sales and services	346,120	1,223	35,523	3,089	385,955
Communication	54,154	-	-	-	54,154
Other	-	-	20,000	35,993	55,993
Provision for bad debts	(42,423)	(4,496)	(6,931)	(2,289)	(56,139)
Total	<u>69,744,976</u>	<u>11,853,092</u>	<u>6,141,024</u>	<u>3,924,502</u>	<u>91,663,594</u>
OPERATING EXPENSES:					
Electricity purchased	49,862,512	-	-	-	49,862,512
Natural gas purchased	-	8,752,945	-	-	8,752,945
Electric generators and other costs	645,900	-	-	-	645,900
Solar turbines	326,042	-	-	-	326,042
Total	<u>50,834,454</u>	<u>8,752,945</u>	<u>-</u>	<u>-</u>	<u>59,587,399</u>
Operating and maintenance:					
Operating expenses and salaries	-	-	1,382,471	1,241,278	2,623,749
Employee benefits	-	-	10,829	4,428	15,257
Sludge removal	-	-	-	131,261	131,261
Equipment maintenance and repair	-	-	10,507	-	10,507
Transmission and distribution	-	-	38,994	-	38,994
Contracted services	-	-	58,717	36,083	94,800
Regulatory fees	-	-	-	35,117	35,117
Water pumping	-	-	154,391	-	154,391
Pumping stations and water tank maintenance	-	-	162,576	287,525	450,101
Hydrant and valve maintenance	-	-	3,931	-	3,931
General plant	-	-	26,916	-	26,916
Laboratory supplies and expenses	-	-	47,144	-	47,144
Street light maintenance	168,403	-	-	-	168,403
Water treatment	-	-	216,655	-	216,655
Materials and supplies	-	-	4,009	11,440	15,449
Chemicals	-	-	350,276	131,045	481,321
Manholes	-	-	-	21,459	21,459
Vehicle maintenance	-	-	-	4,289	4,289
Janitorial and cleaning	-	-	10,223	-	10,223
Miscellaneous	-	-	78,347	141,430	219,777
Maintenance of overhead and underground lines	1,602,800	-	-	-	1,602,800
Maintenance of mains	-	273,071	-	-	273,071
Customer installation	-	27,242	-	-	27,242
Maintenance of services	-	99,681	62,891	6,217	168,789
Substation maintenance	191,103	-	-	-	191,103
Maintenance of meters	225,136	114,405	-	-	339,541
Maintenance of other	108,293	27,971	-	-	136,264
Total	<u>2,295,735</u>	<u>542,370</u>	<u>2,618,877</u>	<u>2,051,572</u>	<u>7,508,554</u>

(Continued) - 1.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES
SCHEDULE OF DIVISIONAL INCOME AND EXPENSES

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING EXPENSES (CONTINUED):					
Administrative:					
Administrative expenses and salaries	\$ 619,969	\$ 210,605	\$ 316,819	\$ 94,103	\$ 1,241,496
Employee benefits	666,642	271,791	513,410	262,489	1,714,332
Office supplies	235,634	86,560	146,920	68,728	537,842
Demonstrating and selling expenses	36,461	12,553	23,432	11,716	84,162
Sales and use tax	5,657	1,973	3,684	1,842	13,156
Supervision	-	5,760	-	-	5,760
Customer accounts expense	265,811	92,725	173,086	86,543	618,165
Inventory facility	10,358	3,613	6,745	3,372	24,088
Miscellaneous general expense	107,485	5,167	85,405	15,897	213,954
Office building maintenance	77,074	26,886	50,188	25,094	179,242
Customer collections	389,987	136,042	253,945	126,972	906,946
Advertising	57,148	22,280	30,122	13,615	123,165
General and administrative expenses	288,082	129,053	187,589	93,794	698,518
Accounting	124,712	43,504	81,208	40,604	290,028
GIS	38,838	13,548	25,290	12,645	90,321
Data processing	224,031	78,150	145,881	72,940	521,002
Regulatory commission	74,175	2,778	-	-	76,953
Injuries and damages	1,194	167	(1,803)	156	(286)
Mayor and council salaries	57,635	20,105	37,530	18,765	134,035
Outside services employed	690,161	99,112	42,166	13,170	844,609
Customer billing and records	425,120	148,298	276,823	138,411	988,652
Maintenance of general plant	-	-	-	7,224	7,224
Total	<u>4,396,174</u>	<u>1,410,670</u>	<u>2,398,440</u>	<u>1,108,080</u>	<u>9,313,364</u>
DEPRECIATION	<u>3,247,619</u>	<u>473,706</u>	<u>1,760,683</u>	<u>1,393,297</u>	<u>6,875,305</u>
TOTAL OPERATING EXPENSES	<u>60,773,982</u>	<u>11,179,691</u>	<u>6,778,000</u>	<u>4,552,949</u>	<u>83,284,622</u>
NET OPERATING INCOME	<u>8,970,994</u>	<u>673,401</u>	<u>(636,976)</u>	<u>(628,447)</u>	<u>8,378,972</u>
NON-OPERATING REVENUES (EXPENSES):					
Gain on disposal of property	5,820	2,030	3,790	1,895	13,535
Water impact and tap fees	-	-	325,740	-	325,740
Wastewater impact and tap fees	-	-	-	235,938	235,938
Interest - investments	37,163	9,155	21,910	8,564	76,792
Interest - expense	(81,350)	(14,844)	(54,124)	(6,433)	(156,751)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(38,367)</u>	<u>(3,659)</u>	<u>297,316</u>	<u>239,964</u>	<u>495,254</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	8,932,627	669,742	(339,660)	(388,483)	8,874,226
CAPITAL CONTRIBUTIONS - GRANTS	-	-	452,177	141,492	593,669
INCOME BEFORE TRANSFERS	<u>8,932,627</u>	<u>669,742</u>	<u>112,517</u>	<u>(246,991)</u>	<u>9,467,895</u>

(Concluded) - 2.

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS SCHEDULE

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGEBURG
 ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 YEAR ENDED SEPTEMBER 30, 2009

	Actuarial Valuation Date <u>09/30/09</u>
Schedule of funding progress:	
Current retire liability	\$ 924,791
Activities eligible to retire	5,080,414
Activities not yet eligible	<u>7,755,212</u>
Actuarial accrued liability	13,760,417
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	13,760,417
Funded ratio	0%
Annual covered payroll	<u><u>7,587,806</u></u>
Ratio of unfunded actuarial accrued liability to covered payroll	160%
Schedule of employer contributions:	<u>Fiscal year ending 9/30/2009</u>

This is the first year that the ARC calculation has been completed.

J. W. HUNT AND COMPANY, LLP

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To City Council
Orangeburg, South Carolina

We have audited the accompanying financial statements of the Department of Public Utilities, as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department of Public Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department of Public Utilities' financial statements that is more than inconsequential will not be prevented or detected by the Department of Public Utilities' internal control. We consider the deficiency, 09-01, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department of Public Utilities' internal control.

(Continued) - 1.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Department of Public Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

J.W. Hent and Company, LLP

Columbia, South Carolina
February 18, 2010

(Concluded) - 2.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weakness(es)?	yes
Noncompliance material to financial statements noted?	no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 09-01

Statements on Auditing Standards No. 112, which became effective for years ending after December 15, 2006, defines internal control over financial reporting to require the client to prepare its own financial statements, including note disclosures, in accordance with generally accepted accounting principles without any material adjusting journal entries proposed by the auditor. As part of our current engagement as the Department's auditor, we have proposed adjusting journal entries and have drafted the Department's financial statements and notes subject to the review and acceptance of the Department's management. Therefore, we must report a significant deficiency in internal control over financial reporting to management and those charged with governance. The limited number of the Department's personnel necessarily imposes practical limitations on the effectiveness of those internal controls that depend on the segregation of duties and specialized knowledge of financial reporting.

