

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH SINGLE AUDIT SECTION
YEAR ENDED SEPTEMBER 30, 2010
AND INDEPENDENT AUDITORS' REPORT

CITY OF ORANGEBURG
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, 2010, 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, 2010, 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 1, 2011, 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 1, 2011

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City of Orangeburg
Orangeburg, South Carolina
Management's Discussion and Analysis (Unaudited)
September 30, 2010

Within this section for the City of Orangeburg, we are presenting this overview and analysis of the financial activities for the City for the Fiscal Year ended September 30, 2010. This overview is to be read in conjunction with the financial statements that follow and the audit should be reviewed for more detailed information.

The City is comprised of many Departments which are included in the City's General Fund; Executive, Finance, Administration, Public Works, Public Safety, Parks & Recreation, Non-Operating and Service. The City has enterprise funds including Utilities, Airport, Pro Shop and the Municipal Golf Course as well as other Boards and Commissions.

Financial Highlights from FY 2009-2010

As of September 30, 2010, the end of the fiscal year, the Government Wide assets of the City of Orangeburg exceeded its liabilities by \$262,438,138. Of this amount \$40,349,597 may be used to meet the government's ongoing needs.

Also, as of September 30, 2010, the total fund balance is \$10,632,579; the unreserved fund balance for the General Fund was \$9,038,612. 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 dropped tremendously from previous years due to lower investment interest rates. It was noted in financial planning sessions with City Council for FY 2009-10 and the prior fiscal year that it may be necessary to expend a limited amount of fund balance for several years to weather recent economic times.

The City governmental activities had a total of \$6,455,765 debt beginning October 1, 2009 and issued \$1,109,297 debt for FY 2009-2010, including accrued annual leave. Debt was reduced by the amount of \$1,268,615 leaving a total debt of \$6,296,447. Capital lease debt of \$2,768,613 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 \$1,219,870. The City does try to lower this debt by allowing employees once a year to buyback a portion of their annual leave at half price.

In the prior year the City implemented Governmental Accounting Standards Board Statement 45 *Accounting for Other Post-Employment Benefits* 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 the Department of Public Utilities (DPU) performed an extensive search and review of benefit alternatives and funding options. The City has decided

not to fund this GASB prescribed liability as it has successfully formulated and funded an annual retiree medical plan for thirty years. For fiscal year 2009-2010, the City and DPU overhauled their insurance program, have changed insurance carriers for employees and have opted to provide a Medicare Advantage Plan for those retirees over 65. These steps have greatly reduced our GASB 45 liability and this will continue 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). By doing this as of January 1, 2010, the City has saved approximately \$500,000 exclusive of the Department of Public Utilities. These changes have improved our bottom line tremendously.

Overview of the Financial Statements

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

Government Wide Financial Statements - The government wide financial statements (Statement of Net Assets and Statement of Activities) are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets and Statement of Activities report the City's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has either improved or diminished.

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-48 of this report.

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

Government Wide Statements

Condensed Statement of Net Assets:
September 30, 2009 and September 30, 2010

	2009 Governmental <u>Activities</u>	2009 Business Type <u>Activities</u>	2010 Governmental <u>Activities</u>	2010 Business Type <u>Activities</u>
Current and other assets	\$ 16,491,885	\$ 36,732,002	\$ 16,963,254	\$ 31,675,226
Capital assets (net)	20,728,491	211,421,828	21,211,440	218,423,373
Total assets	<u>37,220,376</u>	<u>248,153,830</u>	<u>38,174,694</u>	<u>250,098,599</u>
Long term debt outstanding	6,037,218	10,897,981	6,271,524	10,069,094
Other liabilities	1,599,439	12,964,709	1,397,572	8,096,965
Total liabilities	<u>7,636,657</u>	<u>23,862,690</u>	<u>7,669,096</u>	<u>18,166,059</u>
Net assets:				
Invested in capital assets, net of debt	15,473,078	205,606,125	17,184,863	202,372,567
Restricted	189,117	936,321	1,593,967	937,144
Unrestricted (deficit)	<u>13,921,524</u>	<u>17,748,694</u>	<u>11,726,768</u>	<u>28,622,829</u>
Total net assets	<u><u>29,583,719</u></u>	<u><u>224,291,140</u></u>	<u><u>30,505,598</u></u>	<u><u>231,932,540</u></u>

Condensed Statement of Activities:
September 30, 2009 and September 30, 2010

Revenues:	2009 Governmental Activities	2009 Business Type Activities	2010 Governmental Activities	2010 Business Type Activities
Program revenues:				
Charges for services	\$ 5,864,362	\$ 93,266,792	\$ 5,628,524	\$ 104,819,916
Operating grants	834,791	-	559,549	-
Capital grants	67,145	1,196,660	292,430	160,445
General revenues:				
Property taxes	3,047,649	-	3,075,058	-
Other taxes	4,664,701	-	1,380,405	-
Franchise fees	142,349	-	149,992	-
Other revenues	123,013	232,526	99,807	45,308
Total revenues	<u>14,744,010</u>	<u>94,695,978</u>	<u>11,185,765</u>	<u>105,025,669</u>
Expenses:				
General government	2,453,303	-	2,472,606	-
Public Safety	7,863,295	-	7,397,224	-
Public Works	2,448,664	-	2,319,239	-
Culture/recreation	2,404,374	-	2,182,145	-
Service	597,004	-	569,504	-
Interest/long term debt	235,519	-	198,342	-
Public Utilities	-	83,441,372	-	91,061,830
Airport	-	1,165,259	-	1,214,071
Golf Course	-	823,331	-	717,882
Total expenses	<u>16,002,159</u>	<u>85,429,962</u>	<u>15,139,060</u>	<u>92,993,783</u>
Excess or (deficiency) before special items or transfers	(1,258,149)	9,266,016	(3,953,295)	12,031,886
Transfers	<u>4,529,784</u>	<u>(4,529,784)</u>	<u>4,371,068</u>	<u>(4,371,068)</u>
Increase or (decrease) in net assets	<u>3,271,635</u>	<u>4,736,232</u>	<u>417,773</u>	<u>7,660,818</u>

In fiscal year 2009-2010, there were only two fee increases on services and a tax millage increase. The millage rate increased from 84 mills to 87 mills, which was the maximum the state would allow us to increase the millage. There was a 3.8% increase in commercial sanitation fees

due to the increase in tipping fees from the Orangeburg County landfill. There was also an 8% increase in cart fees at Hillcrest Golf Course.

There was no Cost of Living increase for employees in this fiscal year. It is important to note that with mid-year budget cuts, the change in employee insurance, as well as departments watching their budgets, revenues exceeded expenditures this fiscal year in the amount of \$273,487. The City originally anticipated using its cash reserves of \$355,807 to balance the budget. However, due to the changes noted above which created an addition to fund balance for 2010, no cash reserves were used to balance the budget. It is obvious that City Council must address and research 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 such as cutting the state right of ways.

The City's Utility Fund plays a large role in the funding of governmental services. The General Fund reported a \$4,147,213 deficit before the transfer of \$4,569,848 from the Department of Public Utilities. After the transfer, sale of assets and lease proceeds, the General Fund had a net increase of \$273,487 to Fund Balance. DPU traditionally initiates a significant transfer to the City and this amount has remained steady with only moderate increases which is 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 continues to annex property, 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 (\$784,282) which includes depreciation of \$753,308 and a change in net assets of (\$721,288). The Hillcrest Golf Course and Pro Shop had a combined operating loss of (\$184,218) including depreciation of \$133,187 and a change in net assets of (\$182,304).

DPU has presented a separate management discussion and analysis in the DPU financial statement section. It is important that DPU fully funds its operating costs through fees and rates in order to realize 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 have in the past generally increased 3-5% annually. This fiscal year, due to the economy, business license revenue was down as well as investment interest. 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 them in line, as closely as possible, with conservative new projected revenues to minimize expending reserve funds. These are then adopted by City Council as an amended budget. City Council should be credited with allowing staff to manage finances, while providing responsible oversight and sound policy decisions.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. They are not reflected in the government wide statement. The City acts as a fiduciary for funds from delinquent property tax sales. Currently, as of September 30, 2010 the amount of \$99,893 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 \$178,836 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, equipment and projects funded by the Hospitality & Accommodations Tax Fund.

The Debt related to Hospitality & Accommodations Tax Fund as of September 30, 2010, is \$2,768,613. This is funded by 2% tax levied against prepared meals and accommodation rentals. The original debt issue of \$4,300,000, was 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 the City 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 a decrease in debt of \$1,197,921. Ending balance as of September 30, 2010 is \$8,881,956. Accrued annual leave is also shown under the General Fund Debt and Business Type Activities Debt. The number 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 increase of \$228,239. The beginning balance for the year was \$5,745,207 and the ending balance was \$5,973,446. The largest portion of this change is in the capital projects funds. As capital projects are being planned and designed, funds or reserves accumulate; once the projects are bid and 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 should look into increasing revenues by continuing its 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 annually. 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 reviewed for more detailed information and full explanation. Each annual budget is reviewed by staff and 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
Department of Public Utilities
Management's Discussion and Analysis (Unaudited)
September 30, 2010**

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, 2010.

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

Overview of Basic Financial Statements

The Department is deemed an enterprise fund of the City of Orangeburg. The financial statement within the annual report for the Department provides information using an accrual basis of accounting similar to those used by the private sector. Detailed basic financial statements include: (1) Statement of Net Assets which include 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) Statements of Cash Flows which report net changes in cash resulting from operations, investing and financing activities. Included within this analysis is a condensed version of the above noted statements with supporting comments. (4) Transfers to the City which are determined by City Council and are allocated per division based on each division's percentage of the Department's total sales.

Condensed Statements of Net Assets

	<u>FY 2010</u>	<u>FY 2009</u>
Current and other assets	\$ 36,813,908	\$ 37,672,917
Capital assets (net)	203,255,878	199,506,583
Total assets	<u>240,069,786</u>	<u>237,179,500</u>
Long-term liabilities	9,925,198	10,711,471
Other liabilities	8,141,338	13,029,189
Total liabilities	<u>18,066,536</u>	<u>23,740,660</u>
Invested in capital assets, net of related debt	202,372,567	194,756,583
Restricted	937,144	936,321
Unrestricted	18,693,539	17,745,936
Total net assets	<u><u>222,003,250</u></u>	<u><u>213,438,840</u></u>

Total net assets grew by \$8.5 million. Significant changes in the net assets were due to several factors: an increase in cash, a \$4.3 million decrease in accounts payable, a \$1 million decrease in bonds payable and the continued completion of construction in progress projects led by the Electric Engine Control Panels completions and Water Division Highway 400 South Carolina State Revolving Fund Projects along with the increase of Investment Capital.

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

Electric Division

	<u>FY 2010</u>	<u>FY 2009</u>
Operating revenues	\$ 80,058,891	\$ 69,744,976
Non-operating revenues (expenses)	<u>(47,183)</u>	<u>(38,367)</u>
Total revenues	<u>80,011,708</u>	<u>69,706,609</u>
Electricity purchased	59,423,820	50,336,641
Depreciation expense	3,246,924	3,745,432
Other operating expense	<u>6,498,661</u>	<u>6,691,900</u>
Total expenses	<u>69,169,405</u>	<u>60,773,973</u>
Income before transfers	10,842,303	8,932,636
Transfers to City	<u>3,379,892</u>	<u>3,433,077</u>
Change in net assets	<u><u>7,462,411</u></u>	<u><u>5,499,559</u></u>

Sales by volume increased 4.3%, while operating revenues increased 15.1% in dollars due to an increase in cost of electricity along with an increase of unbilled receivables. The cost of purchased electricity 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 decreased due to lower expenses 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 2010</u>	<u>FY 2009</u>
Operating revenues	\$ 11,868,856	\$ 11,853,092
Non-operating revenues (expenses)	<u>(5,548)</u>	<u>(3,659)</u>
Total revenues	<u>11,863,308</u>	<u>11,849,433</u>
Natural gas purchased	7,897,693	8,752,945
Depreciation expense	614,913	473,401
Other operating expense	<u>1,827,733</u>	<u>1,953,345</u>
Total expenses	<u>10,340,339</u>	<u>11,179,691</u>
Income before transfers	1,522,969	669,742
Transfers to City	<u>501,211</u>	<u>583,605</u>
Change in net assets	<u>1,021,758</u>	<u>86,137</u>

Sales increased by 13.6% in volume, while operating revenues remained level due to the lower cost of natural gas. Unbilled receivables increased sales by \$387,515 from 2009. Operating Revenues are modified over a period of time to levelize bills to customers. Statistically, revenues for 2009 were \$1,383,422 higher than 2010.

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 competition with alternate 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. Another factor to the improved profits is the recording of lower expenses 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 2010</u>	<u>FY 2009</u>
Operating revenues	\$ 7,126,918	\$ 6,141,024
Non-operating revenues (expenses)	177,006	297,316
Contributed capital	92,744	452,177
Total revenues	<u>7,396,668</u>	<u>6,890,517</u>
Depreciation expense	1,930,319	1,760,683
Other operating expense	4,942,692	5,017,317
Total expenses	<u>6,873,011</u>	<u>6,778,000</u>
Income before transfers	523,657	112,517
Transfers to City	<u>300,901</u>	<u>301,274</u>
Change in net assets	<u>222,756</u>	<u>(188,757)</u>

Sales decreased 3.5% by volume, while sales increased 16.1% by dollars due to a 5.5% rate increase in October 2009, offset by an increase in unbilled receivables. A new 10% rate increase was implemented October 2010 which is expected to increase sales accordingly in 2011. Non-operating revenue decreased due to a decrease of tap and impact fees. Contributed capital decreased due to the decrease of 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 lower expenses for OPEB health benefits affected profits overall.

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

Wastewater Division

	<u>FY 2010</u>	<u>FY 2009</u>
Operating revenues	\$ 4,542,587	\$ 3,924,502
Non-operating revenues (expenses)	42,375	239,964
Contributed capital	3,535	141,492
Total revenues	<u>4,588,497</u>	<u>4,305,958</u>
Depreciation expense	1,457,705	1,393,297
Other operating expense	3,081,745	3,159,652
Total expenses	<u>4,539,450</u>	<u>4,552,949</u>
Income (loss) before transfers	49,047	(246,991)
Transfers to City	<u>191,562</u>	<u>192,130</u>
Change in net assets	<u>(142,515)</u>	<u>(439,121)</u>

Sales increased 15% due to a rate increase of 5% and unbilled receivables at the end of the year. A decrease in non-operating revenue is because tap and impact fee collections refunded to Orangeburg County. Contributed capital decreased significantly from prior years due to completion of the Orangeburg County Penny Projects. These projects vary year to year according to County Council's direction. The recording of lower expenses for OPEB health benefits kept profits from being lower. The Wastewater Division has 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 2011. This project is funded through The South Carolina State Revolving Fund.

Condensed Statement of Cash Flows

	<u>FY 2010</u>	<u>FY 2009</u>
Cash flow from operating activities	\$ 18,883,862	\$ 20,702,905
Transfer to the City and other entities	(4,373,566)	(4,510,086)
Cash flow for capital assets	(15,665,982)	(8,280,821)
Cash flow from financing and grants	3,319,846	218,880
Cash flow from investing activities	<u>(1,613,138)</u>	<u>(8,126,088)</u>
	551,022	4,790
Starting cash and cash investments	<u>3,882,634</u>	<u>3,877,844</u>
Ending cash and cash investments	<u>4,433,656</u>	<u>3,882,634</u>

Spending on capital projects in year ending September 30, 2011 is anticipated to be \$3.2 million, slightly lower than spending in 2010 and significantly lower than the pace set in 2008 and 2009. Some notable capital projects include the Administrative Division Communications Improvements, the Electric Division Substations and Re-Closure Projects, Water Division Booster Pump Station Hwy 4/400 and the upgrade to the Wastewater Treatment Plant. All investments are insured government securities. Management is aware that major layoffs or industry relocations 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

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and equivalents	\$ 6,010,191	\$ 412,111	\$ 6,422,302
Investments	9,204,348	17,417,228	26,621,576
Receivables:			
Current taxes	78,070	-	78,070
Delinquent taxes	111,433	-	111,433
State of South Carolina	165,263	-	165,263
Other	122,045	11,834,515	11,956,560
Internal balances	1,146,429	(1,146,429)	-
Other prepaid expenses	-	50,218	50,218
Inventory	125,475	3,107,583	3,233,058
Total current assets	<u>16,963,254</u>	<u>31,675,226</u>	<u>48,638,480</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments			
Customer deposits	-	3,159,910	3,159,910
Bond repayment	-	862,136	862,136
Self insurance	-	75,008	75,008
Capital assets (net)	21,211,440	214,326,319	235,537,759
Total noncurrent assets	<u>21,211,440</u>	<u>218,423,373</u>	<u>239,634,813</u>
TOTAL ASSETS	<u>38,174,694</u>	<u>250,098,599</u>	<u>288,273,293</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:			
Bank overdraft	\$ 10,221	\$ -	\$ 10,221
Accounts payable	161,053	2,839,382	3,000,435
Withholdings and accrued expenses	45,924	91,122	137,046
Deferred revenue	28,600	171,651	200,251
Accrued annual leave, current	332,839	655,222	988,061
Capital leases payable, current	568,935	10,219	579,154
General obligation bond payable, current	250,000	-	250,000
Revenue bond payable, current	-	1,169,459	1,169,459
Customer deposits	-	3,159,910	3,159,910
Total current liabilities	<u>1,397,572</u>	<u>8,096,965</u>	<u>9,494,537</u>
Noncurrent liabilities:			
Capital leases payable	3,207,642	38,426	3,246,068
Accrued annual leave	887,030	715,859	1,602,889
Other post-employment benefit payable	1,126,852	1,650,957	2,777,809
General obligation bond payable	1,050,000	-	1,050,000
Revenue bond payable	-	7,663,852	7,663,852
Total noncurrent liabilities	<u>6,271,524</u>	<u>10,069,094</u>	<u>16,340,618</u>
TOTAL LIABILITIES	<u>7,669,096</u>	<u>18,166,059</u>	<u>25,835,155</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	17,184,863	202,372,567	219,557,430
Restricted for:			
Self insurance fund	186,666	75,008	261,674
Inventory	125,475	-	125,475
Fire equipment	186,011	-	186,011
Amount due from Hillcrest	599,771	-	599,771
Amount due from municipal airport	496,044	-	496,044
Bond payment	-	862,136	862,136
Unrestricted	11,726,768	28,622,829	40,349,597
TOTAL NET ASSETS	<u>30,505,598</u>	<u>231,932,540</u>	<u>262,438,138</u>

(Concluded) - 2.

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, 2010

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	\$ 349,305	\$ -	\$ -	\$ -	\$ (349,305)	\$ -	\$ (349,305)
Finance	614,762	-	-	-	(614,762)	-	(614,762)
Administrative	502,928	-	-	-	(502,928)	-	(502,928)
Public works	2,319,239	3,733,266	35,234	34,286	1,483,547	-	1,483,547
Public safety	7,397,224	1,668,097	156,734	145,888	(5,426,505)	-	(5,426,505)
Parks and recreation	2,182,145	157,015	41,616	112,256	(1,871,258)	-	(1,871,258)
Service	569,504	-	-	-	(569,504)	-	(569,504)
Non-departmental	1,005,611	70,146	325,965	-	(609,500)	-	(609,500)
Interest on long-term debt	198,342	-	-	-	(198,342)	-	(198,342)
Total governmental activities	15,139,060	5,628,524	559,549	292,430	(8,658,557)	-	(8,658,557)
Business-type activities:							
Public utilities	91,061,830	103,858,214	-	96,279	-	12,892,663	12,892,663
Municipal airport	1,214,071	428,616	-	64,166	-	(721,289)	(721,289)
Pro shop	68,092	121,922	-	-	-	53,830	53,830
Golf	649,790	411,164	-	-	-	(238,626)	(238,626)
Total business-type activities	92,993,783	104,819,916	-	160,445	-	11,986,578	11,986,578
Total government	108,132,843	110,448,440	559,549	452,875	(8,658,557)	11,986,578	3,328,021
General revenues:							
Taxes:							
					\$ 3,075,058	\$ -	\$ 3,075,058
					1,380,405	-	1,380,405
					149,992	-	149,992
					47,838	45,308	93,146
					51,969	-	51,969
					4,371,068	(4,371,068)	-
					417,773	7,660,818	8,078,591
					30,087,825	224,271,722	254,359,547
					30,505,598	231,932,540	262,438,138

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 117,986	\$ 5,892,207	\$ 6,010,193
Investments	9,204,348	-	9,204,348
Receivables:			
Current taxes	78,070	-	78,070
Delinquent taxes	120,801	-	120,801
State of South Carolina	157,747	7,516	165,263
Other	122,075	-	122,075
Due from other funds	1,149,173	78,752	1,227,925
Inventory	125,475	-	125,475
TOTAL ASSETS	11,075,675	5,978,475	17,054,150
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 158,798	\$ 2,285	\$ 161,083
Bank overdraft	10,221	-	10,221
Withholdings and accrued expenses	45,924	-	45,924
Due to other funds	78,752	2,744	81,496
Deferred property taxes	120,801	-	120,801
Deferred revenue	28,600	-	28,600
Total liabilities	443,096	5,029	448,125
Fund balances:			
Reserved for:			
Self insurance	186,666	-	186,666
Inventory	125,475	-	125,475
Fire equipment	186,011	-	186,011
Amount due from Hillcrest	599,771	-	599,771
Amount due from municipal airport	496,044	-	496,044
Unreserved, reported in:			
General fund	9,038,612	-	9,038,612
Special revenue funds	-	1,858,485	1,858,485
Capital projects funds	-	4,114,961	4,114,961
Total fund balances	10,632,579	5,973,446	16,606,025
TOTAL LIABILITIES AND FUND BALANCES	11,075,675	5,978,475	17,054,150

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, 2010

Amounts reported for governmental activities in the statement of net assets are different because	\$ 16,606,023
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	111,433
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	21,211,440
Long-term liabilities are not due and payable in the current period, and are not reported in the funds:	
Due within a year	(1,151,774)
Due in more than one year	<u>(6,271,524)</u>
Net assets of governmental activities	<u><u>30,505,598</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, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 3,034,541	\$ -	\$ 3,034,541
Sales	919,485	-	919,485
Licenses and permits	2,731,092	-	2,731,092
Franchise fee	149,992	-	149,992
Fines and forfeitures	755,825	2,203	758,028
Charges for services	1,903,374	29,563	1,932,937
Interest income	39,992	7,849	47,841
Miscellaneous	187,531	15,967	203,498
Contributions	-	63,977	63,977
Intergovernmental	683,261	620,602	1,303,863
	<hr/>	<hr/>	<hr/>
Total revenues	10,405,093	740,161	11,145,254
EXPENDITURES:			
Executive	337,838	-	337,838
Finance	586,081	-	586,081
Administrative	475,848	-	475,848
Public works	1,858,634	-	1,858,634
Public safety	6,292,407	148,242	6,440,649
Parks and recreation	1,638,100	65,317	1,703,417
Service	479,659	1,869	481,528
Non-departmental	996,190	-	996,190
Debt service	25,268	12,015	37,283
Small capital outlay	807,838	342,927	1,150,765
Capital outlay	1,054,443	665,513	1,719,956
	<hr/>	<hr/>	<hr/>
Total expenditures	14,552,306	1,235,883	15,788,189
Excess (deficiency) of revenues over expenditures	(4,147,213)	(495,722)	(4,642,935)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,569,848	1,018,273	5,588,121
Operating transfers out	(922,735)	(294,312)	(1,217,047)
Lease proceeds	773,587	-	773,587
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	4,420,700	723,961	5,144,661
Excess (deficiency) of revenues and other sources over expenditures and other uses	273,487	228,239	501,726
FUND BALANCES, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	10,359,092	5,745,207	16,104,299
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	10,632,579	5,973,446	16,606,025

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, 2010

Net changes in fund balances - total governmental funds \$ 501,726

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:

Capital asset purchases capitalized/retired	1,720,328
Loss on disposal of fixed assets	(372)
Depreciation expenses	<u>(1,741,113)</u>
	<u>(21,157)</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	(773,587)
Capital lease obligation principal payments	752,423
Note payable principal payments	<u>200,000</u>
	<u>178,836</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	(19,517)
Other post retirement benefits obligation	<u>(262,622)</u>
	<u>(282,139)</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.

40,507

Change in net assets of governmental activities 417,773

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, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
		Other	
	<u>Public</u> <u>Utilities</u>	<u>Enterprise</u> <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and equivalents	\$ 411,610	\$ 500	\$ 412,110
Investments	17,417,228	-	17,417,228
Accounts receivable - net	4,400,177	20,912	4,421,089
Unbilled customer accounts receivable	6,210,517	-	6,210,517
Other receivables	57,711	24,487	82,198
Bond proceeds receivable	1,120,711	-	1,120,711
Inventories	3,048,682	58,901	3,107,583
Due from other funds	-	28,469	28,469
Other prepaid expenses	50,218	-	50,218
Total current assets	32,716,854	133,269	32,850,123
Noncurrent assets:			
Restricted assets:			
Cash and investments:			
Customer deposits	3,159,910	-	3,159,910
Bond repayment	862,136	-	862,136
Self insurance fund	75,008	-	75,008
Total restricted assets	4,097,054	-	4,097,054
Capital assets:			
Property, plant and equipment net of accumulated depreciation	203,255,878	11,070,441	214,326,319
Total noncurrent assets	207,352,932	11,070,441	218,423,373
TOTAL ASSETS	240,069,786	11,203,710	251,273,496

(Continued) - 1.

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

	<u>Business-type Activities - Enterprise Funds</u>		
	Public	Other	<u>Total</u>
	<u>Utilities</u>	<u>Enterprise Funds</u>	
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 2,820,114	\$ 19,268	\$ 2,839,382
Withholdings and accrued expenses	91,122	-	91,122
Current portion of capital lease obligation	-	10,219	10,219
Current portion of revenue bonds payable	307,323	-	307,323
Accrued compensated absences	650,000	5,222	655,222
Accrued sales tax payable	171,651	-	171,651
Due to other funds	79,082	1,095,815	1,174,897
Total current liabilities	<u>4,119,292</u>	<u>1,130,524</u>	<u>5,249,816</u>
Current liabilities (payable from restricted assets):			
Current portion of revenue bonds payable	862,136	-	862,136
Customer deposits	3,159,910	-	3,159,910
Total current liabilities (payable from restricted net assets)	<u>4,022,046</u>	<u>-</u>	<u>4,022,046</u>
Noncurrent liabilities:			
Capital lease obligation	-	38,426	38,426
Bonds payable	7,663,852	-	7,663,852
Other post employment benefit obligation	1,589,418	61,539	1,650,957
Accrued compensated absences	671,928	43,931	715,859
Total noncurrent liabilities	<u>9,925,198</u>	<u>143,896</u>	<u>10,069,094</u>
TOTAL LIABILITIES	<u>18,066,536</u>	<u>1,274,420</u>	<u>19,340,956</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	202,372,567	-	202,372,567
Restricted for self insurance	75,008	-	75,008
Restricted for bond payment	862,136	-	862,136
Unrestricted	18,693,539	9,929,290	28,622,829
TOTAL NET ASSETS	<u>222,003,250</u>	<u>9,929,290</u>	<u>231,932,540</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, 2010

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
OPERATING REVENUES:			
Utility sales and wastewater service	\$ 103,597,252	\$ -	\$ 103,597,252
Pro shop sales	-	85,221	85,221
Food sales	-	35,946	35,946
Oil and fuel sales	-	359,542	359,542
Rentals and other	-	69,830	69,830
Green fees, cart rentals and memberships	-	392,376	392,376
Capital projects revenue	-	18,788	18,788
Total operating revenues	103,597,252	961,703	104,558,955
OPERATING EXPENSES:			
Cost of goods sold	67,326,849	334,414	67,661,263
Operating and maintenance	7,577,475	251,366	7,828,841
Administrative	8,768,020	457,928	9,225,948
Depreciation and amortization	7,249,861	886,495	8,136,356
Total operating expenses	90,922,205	1,930,203	92,852,408
OPERATING INCOME (LOSS)	12,675,047	(968,500)	11,706,547
NON-OPERATING REVENUES (EXPENSES):			
Water impact and tap fees	220,170	-	220,170
Wastewater impact and tap fees	40,797	-	40,797
Interest, investments	45,308	-	45,308
Interest expense	(139,625)	(1,750)	(141,375)
Total non-operating revenues (expenses)	166,650	(1,750)	164,900
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	12,841,697	(970,250)	11,871,447
Capital contributions - grants	96,279	64,166	160,445
Transfers in	-	75,110	75,110
Transfers out	(4,373,566)	(72,618)	(4,446,184)
CHANGES IN NET ASSETS	8,564,410	(903,592)	7,660,818
NET ASSETS - BEGINNING OF YEAR, as restated	213,438,840	10,832,882	224,271,722
NET ASSETS - END OF YEAR	222,003,250	9,929,290	231,932,540

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, 2010

	Business-type Activities - Enterprise Funds		
	Public <u>Utilities</u>	Other	
		Enterprise <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 97,747,217	\$ 963,367	\$ 98,710,584
Cash payments to suppliers for goods and services	(70,613,035)	(601,632)	(71,214,667)
Cash payments for employees	(8,250,320)	(459,082)	(8,709,402)
Net cash provided (used) by operating activities	<u>18,883,862</u>	<u>(97,347)</u>	<u>18,786,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to (from) other funds	-	112,099	112,099
Transfers in (out)	(4,373,566)	2,492	(4,371,074)
Net cash provided (used) by noncapital financing activities	<u>(4,373,566)</u>	<u>114,591</u>	<u>(4,258,975)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and constructions of capital assets	(15,665,982)	(61,105)	(15,727,087)
Principal payment of capital leases	-	(18,555)	(18,555)
Principal payment on bonds	(1,179,366)	-	(1,179,366)
Proceeds from bonds	4,141,966	-	4,141,966
Interest payments on lease	-	(1,750)	(1,750)
Water impact and tap fees	220,170	-	220,170
Wastewater impact and tap fees	40,797	-	40,797
Proceeds from capital grants	96,279	64,166	160,445
Net cash used by capital and related financing activities	<u>(12,346,136)</u>	<u>(17,244)</u>	<u>(12,363,380)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment interest	45,308	-	45,308
Interest expense	(139,625)	-	(139,625)
Net (purchase) sale of investments	(1,518,821)	-	(1,518,821)
Net cash used by investing activities	<u>(1,613,138)</u>	<u>-</u>	<u>(1,613,138)</u>
NET INCREASE IN CASH AND EQUIVALENTS	551,022	-	551,022
CASH AND EQUIVALENTS AT BEGINNING OF YEAR, as restated	<u>3,882,634</u>	<u>500</u>	<u>3,883,134</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>4,433,656</u>	<u>500</u>	<u>4,434,156</u>

(Continued) - 1.

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

	Business-type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 12,675,047	\$ (968,500)	\$ 11,706,547
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,834,722	886,495	8,721,217
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer accounts receivable	166,296	-	166,296
Unbilled receivables	(1,267,673)	-	(1,267,673)
Other receivables - operating	(373,181)	1,665	(371,516)
Bond proceeds receivable	4,141,966	-	4,141,966
Inventories	225,138	4,659	229,797
Other prepaid expenses	36,304	-	36,304
Increase (decrease) in:			
Accounts payable	376,626	(20,511)	356,115
Under (over) billing	(4,523,366)	-	(4,523,366)
Customer refunds payable	(919,311)	-	(919,311)
Withholdings and accrued expenses	(13,609)	-	(13,609)
Accrued compensated absences	46,840	(13,025)	33,815
OPEB obligation	347,886	11,870	359,756
Due to City of Orangeburg - General Fund	(17,712)	-	(17,712)
Customer deposits payable	147,889	-	147,889
Net cash provided (used) by operating activities	18,883,862	(97,347)	18,786,515
RECONCILIATION OF TOTAL CASH AND CASH INVESTMENTS:			
Cash on hand and in bank	411,610	500	412,110
Restricted cash - customer deposits	3,159,910	-	3,159,910
Restricted cash - capital investment	-	-	-
Restricted cash - bond repayment	862,136	-	862,136
Total cash and cash equivalents	4,433,656	500	4,434,156

(Concluded) - 2.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2010

	Delinquent Tax Collector <u>Agency Fund</u>
ASSETS	
Cash	\$ 99,893
Total assets	<u>99,893</u>
LIABILITIES	
Due to trust fund holders	\$ 99,893
Total liabilities	<u>99,893</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, 2010

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 1.38% of accounts receivable at September 30, 2010, 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 February 1, 2011, 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, 2010 the City had the following investments:

	Carrying Amount <u>Cost</u>	Fair Value <u>Value</u>
U.S. Treasuries	\$ 17,492,236	\$ 17,498,114
State Treasurer's investment pool	9,204,348	9,204,348
Total investments	<u>26,696,584</u>	<u>26,702,462</u>

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, 2010 the City deposits totaled \$6,422,302 and the bank balance was \$10,718,340. Of the bank balance, \$828,688 was covered by Federal depository insurance. The balance is collateralized by obligations of the United States of America and its agencies (as required by state law) and is held at the Federal Reserve under the City's control via book entry or by the pledging banks in the City's name.

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.

\$120,801 of delinquent taxes uncollected at September 30, 2010, are not considered available to liquidate current period liabilities and, accordingly, the City has provided deferred revenue equal to the \$120,801 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 \$9,368.

NOTE 5 - INTERFUND BALANCES:

Individual fund interfund receivable and payable balances at September 30, 2010 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,149,173	\$ 78,752
Special Revenue Funds:		
Accommodations Tax Fund	-	2,744
Hospitality and Accommodations Tax Fund	78,752	-
Proprietary funds:		
Airport	-	496,044
Pro Shop	28,469	-
Hillcrest	-	599,771
Department of Public Utilities	-	79,083
	<hr/>	<hr/>
Total	<u>1,256,394</u>	<u>1,256,394</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, 2010 were as follows:

	<u>Transfers out</u>	<u>Transfers in</u>
General fund	\$ 922,735	\$ 4,569,848
Nonmajor funds:		
Accomodations Tax Fund	25,549	-
Hospitality and Accomodations Tax Fund	206,780	999,485
2006 County Capital 1% Fund	-	-
Victims' Advocate Fund	41,983	-
Hillcrest Golf Course capital	20,000	18,788
Enterprise funds:		
Pro Shop	53,830	-
Hillcrest	18,788	75,110
Department of Public Utilities	4,373,566	-
	<hr/>	<hr/>
Total	<u>5,663,231</u>	<u>5,663,231</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, 2010 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>9/30/2009</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2010</u>
Capital assets not being depreciated:					
Land	\$ 2,086,915	\$ -	\$ -	\$ -	\$ 2,086,915
Construction in progress	2,517,714	315,760	(1,546,399)	-	1,287,075
Total	<u>4,604,629</u>	<u>315,760</u>	<u>(1,546,399)</u>	<u>-</u>	<u>3,373,990</u>
Capital assets being depreciated:					
Buildings	9,682,728	290,774	-	(175,000)	9,798,502
Building improvements	2,672,297	175,000	-	-	2,847,297
Land improvements	3,304,476	7,727	53,263	-	3,365,466
Infrastructure	5,024,613	-	1,493,137	-	6,517,750
Vehicles	4,892,112	83,059	914,095	(383,152)	5,506,114
Furniture and fixtures	1,438,496	18,318	(8,422)	(11,550)	1,436,842
Machinery and equipment	823,097	2,660	138,882	(51,420)	913,219
Computer equipment	1,104,687	58,840	-	(31,658)	1,131,869
Assets under capital lease	1,549,115	771,333	(1,070,394)	(63)	1,249,991
Tools and other	1,281,969	5,278	17,417	(9,166)	1,295,498
Total	<u>31,773,590</u>	<u>1,412,989</u>	<u>1,537,978</u>	<u>(662,009)</u>	<u>34,062,548</u>
Less accumulated depreciation:					
Buildings	3,910,547	244,246	-	(175,000)	3,979,793
Building improvements	567,256	76,206	-	-	643,462
Land improvements	1,587,344	223,052	-	-	1,810,396
Infrastructure	860,851	232,763	-	-	1,093,614
Vehicles	4,761,451	406,158	-	(383,168)	4,784,441
Furniture and fixtures	1,155,160	83,163	-	(11,551)	1,226,772
Machinery and equipment	714,532	67,867	-	(51,397)	731,002
Computer equipment	698,323	138,843	-	(31,658)	805,508
Assets under capital lease	43,930	136,601	-	-	180,531
Tools and other	846,228	132,214	-	(8,863)	969,579
Total accumulated depreciation	<u>15,145,622</u>	<u>1,741,113</u>	<u>-</u>	<u>(661,637)</u>	<u>16,225,098</u>
Total capital assets being depreciated, net	<u>16,627,968</u>	<u>(328,124)</u>	<u>1,537,978</u>	<u>(372)</u>	<u>17,837,450</u>
Governmental activities capital assets, net	<u>21,232,597</u>	<u>(12,364)</u>	<u>(8,421)</u>	<u>(372)</u>	<u>21,211,440</u>

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

NOTE 6 - CAPITAL ASSETS (CONTINUED):

<u>Business-type Activities</u>	<u>Balance</u> <u>9/30/2009</u>	<u>Additions</u>	<u>Transfers/</u> <u>Adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2010</u>
Capital assets not being depreciated:					
Land	\$ 3,644,704	\$ -	\$ -	\$ -	\$ 3,644,704
Construction in progress	13,345,147	11,566,323	-	(7,943,031)	16,968,439
Total	16,989,851	11,566,323	-	(7,943,031)	20,613,143
Capital assets being depreciated:					
Buildings and improvements	8,759,119	-	-	-	8,759,119
Electric Division	109,520,091	3,520,071	-	(781,212)	112,258,950
Gas Division	22,606,649	486,335	-	(20,988)	23,071,996
Water Division	86,444,371	2,541,693	-	(36,118)	88,949,946
Wastewater Division	63,598,793	446,801	-	(578)	64,045,016
Land improvements	11,476,325	1,081,954	-	(11,401)	12,546,878
Tools and equipment	4,570,525	150,121	-	-	4,720,646
Furniture and fixtures	1,147,970	-	-	-	1,147,970
Assets under capital lease	424,137	-	-	-	424,137
Total	308,547,980	8,226,975	-	(850,297)	315,924,658
Less: accumulated depreciation	(114,126,498)	(8,721,217)	-	636,233	(122,211,482)
Total capital assets being depreciated, net	194,421,482	(494,242)	-	(214,064)	193,713,176
Net property, plant and equipment	211,411,333	11,072,081	-	(8,157,095)	214,326,319

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 \$57,742 at September 30, 2010.

The following is a summary of the non major proprietary fund type fixed assets at September 30, 2010:

	<u>Municipal</u> <u>Airport</u>	<u>Golf</u> <u>Pro Shop</u>	<u>Golf</u> <u>Course</u>
Land and land improvements	\$ 13,314,997	\$ -	\$ 547,836
Buildings and improvements	1,549,684	-	464,558
Machinery, equipment and vehicles	723,044	1,295	389,040
Assets under capital lease	197,962	-	226,175
Less: accumulated depreciation and amortization	(5,361,643)	(1,295)	(981,212)
Net property, plant and equipment	10,424,044	-	646,397

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

NOTE 6 - CAPITAL ASSETS (CONTINUED):

The depreciation expense totals for the Airport, Pro Shop, and Golf Course were \$886,495 for the year ended September 30, 2010.

Department of Public Utilities

Land	\$ 2,328,752
Electric Division	112,258,950
Gas Division	23,071,996
Water Division	88,949,946
Wastewater Division	64,045,016
Buildings and improvements	6,744,877
Tools and equipment	3,607,269
Furniture, fixtures and computers	1,147,970
Construction in progress	<u>16,968,436</u>
Total	319,123,212
Less: accumulated depreciation	<u>(115,867,334)</u>
Net property, plant and equipment - DPU	<u>203,255,878</u>
Total net value - all proprietary funds	<u><u>214,326,319</u></u>

Included in these amounts is depreciation on electric and turbine generators. This depreciation (\$584,861 and \$497,813 for the years ended September 30, 2010 and 2009, 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 \$443,621 and \$49,995 for 2010 and 2009, 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	\$ 2,495
Finance	18,295
Administrative	21,144
Public works	406,861
Public safety	784,788
Parks and recreation	433,007
Services	74,523
	<hr/>
Total depreciation expense - governmental activities	<u><u>1,741,113</u></u>

NOTE 7 - LONG-TERM DEBT:

Long-term liability for the year ended September 30, 2010 was as follows:

<u>Governmental Activities</u>	<u>9/30/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2010</u>	<u>Due Within One Year</u>
Capital leases payable	\$ 3,755,413	\$ 773,500	\$ (752,336)	\$ 3,776,577	\$ 568,935
Accrued annual leave	1,200,352	335,797	(316,279)	1,219,870	332,839
General obligation bond	1,500,000	-	(200,000)	1,300,000	250,000
	<hr/>				
Total governmental activities	<u>6,455,765</u>	<u>1,109,297</u>	<u>(1,268,615)</u>	<u>6,296,447</u>	<u>1,151,774</u>
	<hr/>				
<u>Business-type Activities</u>					
Capital leases payable	\$ 67,200	\$ -	\$ (18,555)	\$ 48,645	10,219
Accrued annual leave	1,337,267	603,170	(569,356)	1,371,081	655,222
Combined Public Utilities System Revenue Bond	10,012,677	-	(1,179,366)	8,833,311	1,169,459
	<hr/>				
Total business-type activities	<u>11,417,144</u>	<u>603,170</u>	<u>(1,767,277)</u>	<u>10,253,037</u>	<u>1,834,900</u>
	<hr/>				

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

<u>Governmental Activities</u>	<u>Outstanding 09/30/2009</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 09/30/2010</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.	\$ 218,753	\$ -	\$ (108,050)	\$ 110,703
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.	162,613	-	(38,852)	123,761
Various equipment financed by South Carolina Bank & Trust; four annual payments of \$213,827 principal and interest at a rate of 2.30% through September 1, 2014. The lease is secured by equipment leased.	-	773,500	-	773,500
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.	2,988,991	-	(220,378)	2,768,613
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.	385,056	-	(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.	1,500,000	-	(200,000)	1,300,000
Total	5,255,413	773,500	(952,336)	5,076,577

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, 2010.

<u>September</u>	<u>Bonds and Notes</u>			<u>Capital Leases</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2011	\$ 250,000	\$ 45,500	\$ 295,500	\$ 568,935	\$ 32,020	\$ 600,955	\$ 896,455
2012	300,000	36,750	336,750	479,643	15,893	495,536	832,286
2013	350,000	26,250	376,250	494,043	10,068	504,111	880,361
2014	400,000	14,000	414,000	438,601	4,135	442,736	856,736
2015	-	-	-	269,416	-	269,416	269,416
2016-2020	-	-	-	1,525,939	-	1,525,939	1,525,939
Total	1,300,000	122,500	1,422,500	3,776,577	62,116	3,838,693	5,261,193

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, 2010, the City's bonded indebtedness was below the Constitutional limits as follows:

Real property assessed value	\$ 29,940,018
Other personal property assessed value	5,154,122
Vehicles assessed value	<u>2,739,548</u>
Total taxable assessed value	<u><u>37,833,688</u></u>
Debt limit - eight percent (8%) of total taxable assessed value	\$ 3,026,695
Amount of debt applicable to limit	<u>1,300,000</u>
Legal debt margin	<u><u>1,726,695</u></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 09/30/2009</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 09/30/2010</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.	\$ 58,368	\$ -	\$ (9,971)	\$ 48,397
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.	8,832	-	(8,584)	248
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.	4,750,000	-	(950,000)	3,800,000
\$982,514 Series of 2009, payable May 21, 2010 through 2030 – interest at 1.84% payable quarterly through February 1, 2030	982,514	-	(108,092)	874,422
\$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	-	(121,274)	4,158,889
Total	<u>10,079,877</u>	<u>-</u>	<u>(1,197,921)</u>	<u>8,881,956</u>

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.

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

NOTE 7 - LONG-TERM DEBT (CONTINUED):

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, 2010.

<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>
2011	\$ 1,169,459	\$ 190,320	\$ 10,219	\$ 3,547	\$ 1,179,678	\$ 193,867
2012	1,173,467	157,812	10,331	3,167	1,183,798	160,979
2013	1,177,549	125,230	10,723	2,773	1,188,272	128,003
2014	1,181,706	92,574	17,372	4,026	1,199,078	96,600
2015	235,938	74,091	-	-	235,938	74,091
2016-2020	1,245,936	304,207	-	-	1,245,936	304,207
2021-2025	1,363,982	186,122	-	-	1,363,982	186,122
2026-2030	1,285,274	57,383	-	-	1,285,274	57,383
Total	<u>8,833,311</u>	<u>1,187,739</u>	<u>48,645</u>	<u>13,513</u>	<u>8,881,956</u>	<u>1,201,252</u>

No bond interest expenses or earnings have been reflected in income during 2010.

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:

2010		2009		2008	
<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>
\$ 790,666	\$ 202,513	\$ 781,895	\$ 204,459	\$ 731,775	\$ 209,822
1,158,170	331,811	1,147,351	334,999	1,097,983	332,290

2010		2009		2008	
<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%	9.24%	6.50%	9.06%	6.50%
PORS	10.65%	6.50%	10.65%	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, 2010:

Annual OPEB cost:

Normal cost	\$ 400,385
Amortization of unfunded actuarial accrued liability	<u>540,056</u>
Total annual required contribution	940,441
OPEB contributions and implicit rate subsidy during the year	<u>(257,995)</u>
Current year increase in OPEB obligation	<u><u>682,446</u></u>

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

FUNDED STATUS AND FUNDING PROGRESS:

As of September 30, 2010, the actuarial accrued liability for benefits was \$9,338,657, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,901,722, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 135 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, 2010 to indicate assets legally segregated for specific future uses and to indicate resources which are not appropriable.

Legally segregated for future uses:	
Self insurance	\$ 186,666
Fire equipment	<u>186,011</u>
Total	<u><u>372,677</u></u>
Resources not appropriable:	
Inventory	\$ 125,475
Amount due from municipal airport	<u>496,044</u>
Total	<u><u>621,519</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>862,136</u>
Total	<u><u>937,144</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 participated 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, 2010, the City paid \$734,084 in insurance premiums under this plan. As of January 1, 2010, the City changed its provider to BlueCross/BlueShield. The City paid \$1,116,458 in insurance premiums under this plan.

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.

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.

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

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. Projected additional costs to complete the current projects are expected to be approximately \$150,000. The City has incurred engineering fees for the design on a recreation complex, city gym, parking lot, and streetscape projects. Even though no construction contract has been signed, the City plans to move forward in the future.

Projected costs to complete current projects in progress for the Department of Utilities are expected to be approximately \$3,170,000. Total expected costs for all projects approved by Council for fiscal year 2011 are approximately \$6,749,000.

NOTE 14 - PRIOR PERIOD ADJUSTMENT:

During the year, management discovered that accumulated depreciation had been overstated in a prior period by \$504,106 in the government wide statement of net assets. Also accumulated depreciation was understated in the Municipal Airport fund by \$19,418. The effect of restatement on beginning fund balance and on operations is shown below:

	<u>As originally stated</u>	<u>Change</u>	<u>As restated</u>
General Fund:			
Accumulated depreciation	\$ 15,649,728	\$ (504,106)	\$ 15,145,622
Fund balance	29,583,719	504,106	30,087,825
Municipal Airport Fund:			
Accumulated depreciation	4,588,917	19,418	4,608,335
Fund balance	10,686,673	(19,418)	10,667,255
Operating income (loss)	1,163,683	(19,418)	1,144,265

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2010

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes:				
Ad valorem	\$ 3,155,770	\$ 3,095,148	\$ 3,034,541	\$ (60,607)
Sales	958,000	927,000	919,485	(7,515)
Licenses and permits	2,881,630	2,781,837	2,731,092	(50,745)
Franchise fee	140,000	144,000	149,992	5,992
Fines and forfeitures	800,000	775,000	755,825	(19,175)
Charges for services	1,956,300	1,937,600	1,903,374	(34,226)
Interest income	100,000	40,000	39,992	(8)
Miscellaneous	155,650	192,668	187,531	(5,137)
Intergovernmental	1,183,921	699,041	683,261	(15,780)
Total revenues	11,331,271	10,592,294	10,405,093	(187,201)
EXPENDITURES:				
Executive	361,630	340,883	337,838	(3,045)
Finance	608,542	599,653	586,081	(13,572)
Administrative	487,597	480,066	475,848	(4,218)
Public works	1,862,995	1,893,959	1,858,634	(35,325)
Public safety	7,069,425	6,420,733	6,292,407	(128,326)
Parks and recreation	1,817,033	1,649,708	1,638,100	(11,608)
Service	553,435	476,667	479,659	2,992
Non-departmental	938,391	991,338	996,190	4,852
Debt service	900,961	1,022,000	807,838	(214,162)
Small capital outlay	-	41,611	25,268	(16,343)
Capital outlay	1,047,600	1,085,778	1,054,443	(31,335)
Total expenditures	15,647,609	15,002,396	14,552,306	(450,090)
Excess (deficiency) of revenues over expenditures	(4,316,338)	(4,410,102)	(4,147,213)	262,889
OTHER FINANCING SOURCES (USES):				
Operating transfers in	4,552,838	4,549,198	4,569,848	20,650
Operating transfers out	(1,010,000)	(927,000)	(922,735)	4,265
Lease proceeds	773,500	765,000	773,587	8,587
Total other financing sources (uses)	4,316,338	4,387,198	4,420,700	33,502
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(22,904)	273,487	296,391
FUND BALANCES, BEGINNING OF YEAR, as restated				
	10,359,092	10,359,092	10,359,092	-
FUND BALANCES, END OF YEAR				
	10,359,092	10,336,188	10,632,579	296,391

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, 2010

	Actuarial Valuation Date <u>10/01/10</u>
Schedule of funding progress:	
Current retire liability	\$ 2,967,687
Activities eligible to retire	338,009
Activities not yet eligible	<u>6,032,961</u>
Actuarial accrued liability	9,338,657
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	9,338,657
Funded ratio	0%
Annual covered payroll	<u><u>6,901,722</u></u>
Ratio of unfunded actuarial accrued liability to covered payroll	135%

The City's annual Other Post Employment Benefits Plan (OPEB) cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2009	\$ 2,708,244	22.6%	\$ 2,095,363
2010	940,441	27.4%	682,446

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMPARATIVE BALANCE SHEETS - GENERAL FUND
 SEPTEMBER 30, 2010

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and equivalents	\$ 117,986	\$ 122,043
Investments	9,204,348	9,088,165
Receivables:		
Current taxes	78,070	79,767
Delinquent taxes	120,801	88,659
State of South Carolina	157,747	153,606
Other	122,075	134,998
Due from other funds	1,149,173	1,054,781
Inventory	125,475	113,020
TOTAL ASSETS	11,075,675	10,835,039
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 158,798	\$ 149,471
Bank overdraft	10,221	131,601
Withholdings and accrued expenses	45,924	35,588
Due to other funds	78,752	70,628
Deferred property taxes	120,801	-
Deferred revenue	28,600	88,659
Total liabilities	443,096	475,947
Fund balances:		
Reserved for:		
Self insurance	186,666	189,117
Inventory	125,475	113,020
Fire equipment	186,011	185,870
Amount due to Hillcrest	599,771	510,020
Amount due from municipal airport	496,044	488,485
Unreserved, reported in:		
General fund	9,038,612	8,872,580
Total fund balances	10,632,579	10,359,092
TOTAL LIABILITIES AND FUND BALANCES	11,075,675	10,835,039

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem:				
Current	\$ 2,727,089	\$ 2,664,864	\$ 2,614,877	\$ (49,987)
Delinquent	99,500	92,328	79,772	(12,556)
Other	329,181	337,956	339,892	1,936
Total ad valorem tax	<u>3,155,770</u>	<u>3,095,148</u>	<u>3,034,541</u>	<u>(60,607)</u>
Sales:				
Hospitality and accomodations	958,000	927,000	919,485	(7,515)
Total sales tax	<u>958,000</u>	<u>927,000</u>	<u>919,485</u>	<u>(7,515)</u>
Licenses and permits:				
Business licenses	1,126,630	1,227,574	1,151,170	(76,404)
Insurance	1,655,000	1,510,000	1,532,777	22,777
Building permits	100,000	44,263	47,145	2,882
Total licenses and permits	<u>2,881,630</u>	<u>2,781,837</u>	<u>2,731,092</u>	<u>(50,745)</u>
Franchise fees	<u>140,000</u>	<u>144,000</u>	<u>149,992</u>	<u>5,992</u>
Fines and forfeitures	<u>800,000</u>	<u>775,000</u>	<u>755,825</u>	<u>(19,175)</u>
Charges for services:				
Sanitation - commercial	388,000	388,000	385,901	(2,099)
Sanitation - residential	565,000	565,000	567,187	2,187
Fire service contracts	835,000	820,000	785,388	(34,612)
Recreation programs	137,300	133,600	133,595	(5)
Recreation department fees	31,000	31,000	31,303	303
Total charges for services	<u>1,956,300</u>	<u>1,937,600</u>	<u>1,903,374</u>	<u>(34,226)</u>
Interest income	<u>100,000</u>	<u>40,000</u>	<u>39,992</u>	<u>(8)</u>
Miscellaneous:				
Rentals	28,000	28,000	21,598	(6,402)
Miscellaneous	127,650	164,668	165,933	1,265
Total miscellaneous	<u>155,650</u>	<u>192,668</u>	<u>187,531</u>	<u>(5,137)</u>
Intergovernmental:				
Local:				
SRO reimbursement	30,000	29,500	29,758	258
Total local	<u>30,000</u>	<u>29,500</u>	<u>29,758</u>	<u>258</u>

(Continued) - 1.

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

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
State:				
Local government fund	\$ 445,000	\$ 333,495	\$ 322,005	\$ (11,490)
State grants	662,142	177,848	175,214	(2,634)
Total state	<u>1,107,142</u>	<u>511,343</u>	<u>497,219</u>	<u>(14,124)</u>
Federal:				
Federal grants	-	113,198	112,256	(942)
Domestic violence	46,779	45,000	44,028	(972)
Total federal	<u>46,779</u>	<u>158,198</u>	<u>156,284</u>	<u>(1,914)</u>
Total intergovernmental	<u>1,183,921</u>	<u>699,041</u>	<u>683,261</u>	<u>(15,780)</u>
Total revenues	<u>11,331,271</u>	<u>10,592,294</u>	<u>10,405,093</u>	<u>(187,201)</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, 2010

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Executive Department:				
Administrative Division:				
Personnel	\$ 82,415	\$ 85,204	\$ 85,186	\$ (18)
Utility expense	-	3,840	3,839	(1)
Property and tort	17	17	17	-
Operating expenses	50,150	22,176	21,515	(661)
Capital outlay	-	32,122	28,035	(4,087)
Total Administrative Division	<u>132,582</u>	<u>143,359</u>	<u>138,592</u>	<u>(4,767)</u>
Election Division:				
Personnel	-	-	-	-
Utility expense	-	-	-	-
Property and tort	88	75	75	-
Operating expenses	-	-	-	-
Total Election Division	<u>88</u>	<u>75</u>	<u>75</u>	<u>-</u>
Municipal Court Division:				
Personnel	202,504	208,305	206,520	(1,785)
Property and tort	556	476	476	-
Operating expenses	25,900	20,790	20,211	(579)
Capital outlay	-	1,220	1,555	335
Total Municipal Court Division	<u>228,960</u>	<u>230,791</u>	<u>228,762</u>	<u>(2,029)</u>
Total Executive Department	<u>361,630</u>	<u>374,225</u>	<u>367,429</u>	<u>(6,796)</u>
Finance Department:				
Finance and Records Division:				
Personnel	298,395	287,419	280,900	(6,519)
Utility expense	900	4,600	4,030	(570)
Property and tort	2,415	2,083	2,083	-
Operating expenses	62,500	59,122	57,947	(1,175)
Total Finance and Records Division	<u>364,210</u>	<u>353,224</u>	<u>344,960</u>	<u>(8,264)</u>
Data Processing Division:				
Personnel	184,304	192,623	190,730	(1,893)
Utility expense	1,500	2,300	1,602	(698)
Property and tort	993	921	921	-
Operating expenses	57,535	50,585	47,869	(2,716)
Total Data Processing Division	<u>244,332</u>	<u>246,429</u>	<u>241,122</u>	<u>(5,307)</u>
Total Finance Department	<u>608,542</u>	<u>599,653</u>	<u>586,082</u>	<u>(13,571)</u>

(Continued) - 1.

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Administrative Department:				
Administration Division:				
Personnel	\$ 306,907	\$ 319,141	\$ 316,849	\$ (2,292)
Utility expense	5,000	7,083	7,083	-
Property and tort	1,425	1,281	1,281	-
Operating expenses	19,550	19,030	18,879	(151)
Total Administration Division	<u>332,882</u>	<u>346,535</u>	<u>344,092</u>	<u>(2,443)</u>
Community Planning and Development Division				
Personnel	135,754	121,609	121,509	(100)
Utility expense	850	1,433	920	(513)
Property and tort	1,404	1,196	1,197	1
Operating expenses	16,707	9,293	8,130	(1,163)
Total Community Planning and Development Division	<u>154,715</u>	<u>133,531</u>	<u>131,756</u>	<u>(1,775)</u>
Total Administrative Department	<u>487,597</u>	<u>480,066</u>	<u>475,848</u>	<u>(4,218)</u>
Public Works Department:				
Administrative Division:				
Personnel	207,146	215,446	215,352	(94)
Utility expense	2,500	4,863	4,863	-
Property and tort	1,316	1,122	1,122	-
Operating expenses	21,135	20,886	18,413	(2,473)
Capital outlay	24,000	12,628	12,628	-
Total Administrative Division	<u>256,097</u>	<u>254,945</u>	<u>252,378</u>	<u>(2,567)</u>
Building Inspection Division:				
Personnel	117,645	112,839	112,383	(456)
Utility expense	2,000	1,520	1,520	-
Property and tort	920	551	551	-
Operating expenses	34,705	21,682	18,028	(3,654)
Capital outlay	15,600	1,000	-	(1,000)
Total Building Inspection Division	<u>170,870</u>	<u>137,592</u>	<u>132,482</u>	<u>(5,110)</u>
Inert Disposal Site Division:				
Capital outlay	5,000	-	-	-
Total Inert Disposal Site Division	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued) - 2.

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Works Department (Continued):				
Garage Division:				
Personnel	\$ 260,225	\$ 291,414	\$ 287,422	\$ (3,992)
Utility expense	22,000	21,124	19,662	(1,462)
Property and tort	2,111	1,901	1,901	-
Operating expenses	35,680	39,727	39,142	(585)
Capital outlay	57,900	17,298	14,298	(3,000)
Total Garage Division	<u>377,916</u>	<u>371,464</u>	<u>362,425</u>	<u>(9,039)</u>
Municipal Buildings Division:				
Personnel	57,723	61,630	59,198	(2,432)
Utility expense	28,000	36,519	34,686	(1,833)
Property and tort	4,629	5,103	5,103	-
Operating expenses	43,935	36,902	29,841	(7,061)
Capital outlay	1,000	3,000	-	(3,000)
Total Municipal Buildings Division	<u>135,287</u>	<u>143,154</u>	<u>128,828</u>	<u>(14,326)</u>
Parking Facilities Division:				
Property and tort	79	78	78	-
Operating expenses	6,480	5,480	4,980	(500)
Total Parking Facilities Division	<u>6,559</u>	<u>5,558</u>	<u>5,058</u>	<u>(500)</u>
Sanitation Division:				
Personnel	770,588	646,737	639,077	(7,660)
Utility expense	4,500	5,662	5,662	-
Property and tort	5,032	4,895	4,895	-
Operating expenses	215,318	330,159	329,101	(1,058)
Capital outlay	428,000	10,062	9,321	(741)
Total Sanitation Division	<u>1,423,438</u>	<u>997,515</u>	<u>988,056</u>	<u>(9,459)</u>
Street and Maintenance Division:				
Property and tort	328	692	692	-
Operating expenses	19,000	27,027	24,964	(2,063)
Capital outlay	-	1,000	-	(1,000)
Total Street and Maintenance Division	<u>19,328</u>	<u>28,719</u>	<u>25,656</u>	<u>(3,063)</u>
Total Public Works Department	<u>2,394,495</u>	<u>1,938,947</u>	<u>1,894,883</u>	<u>(44,064)</u>

(Continued) - 3.

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety Department:				
Administrative Division:				
Personnel	\$ 200,364	\$ 199,585	\$ 199,191	\$ (394)
Utility expense	110,000	133,000	132,510	(490)
Property and tort	4,500	4,557	4,556	(1)
Operating expenses	576,708	594,165	567,536	(26,629)
Capital outlay	62,000	521	521	-
Total Administrative Division	<u>953,572</u>	<u>931,828</u>	<u>904,314</u>	<u>(27,514)</u>
Patrol Division:				
Personnel	2,450,618	2,399,994	2,325,148	(74,846)
Property and tort	64,257	49,121	49,121	-
Operating expenses	307,223	274,556	264,402	(10,154)
Capital outlay	116,000	67,277	67,277	-
Total Patrol Division	<u>2,938,098</u>	<u>2,790,948</u>	<u>2,705,948</u>	<u>(85,000)</u>
Special Operations Division:				
Personnel	1,396,703	1,329,592	1,300,306	(29,286)
Property and tort	16,635	14,573	14,573	-
Operating expenses	712,265	187,596	179,161	(8,435)
Capital outlay	74,300	620,386	654,491	34,105
Total Special Operations Division	<u>2,199,903</u>	<u>2,152,147</u>	<u>2,148,531</u>	<u>(3,616)</u>
Investigation Division:				
Personnel	1,071,850	1,053,342	1,036,404	(16,938)
Property and tort	20,046	18,182	18,182	-
Operating expenses	73,229	79,223	73,763	(5,460)
Capital outlay	59,000	26,861	26,859	(2)
Total Investigation Division	<u>1,224,125</u>	<u>1,177,608</u>	<u>1,155,208</u>	<u>(22,400)</u>
CDV Program:				
Personnel	57,798	55,663	55,510	(153)
Utility expense	900	400	345	(55)
Property and tort	1,329	1,133	1,133	-
Operating expenses	4,500	4,800	1,753	(3,047)
Capital outlay	3,500	2,571	2,571	-
Total CDV Program	<u>68,027</u>	<u>64,567</u>	<u>61,312</u>	<u>(3,255)</u>

(Continued) - 4.

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety Department (Continued):				
Highway Safety DUI Special Enforcement:				
Personnel	\$ -	\$ 71,681	\$ 68,616	\$ (3,065)
Property and tort	-	17	17	-
Operating expenses	-	183	182	(1)
Capital outlay	-	70,395	70,395	-
Total CDV Program	-	142,276	139,210	(3,066)
Total Public Safety Department	7,383,725	7,259,374	7,114,523	(144,851)
Parks and Recreation Department:				
Administrative Division:				
Personnel	196,477	202,365	202,012	(353)
Utility expense	12,000	11,000	11,071	71
Property and tort	5,500	3,925	3,925	-
Operating expenses	20,100	10,021	9,773	(248)
Capital outlay	35,000	40,110	25,110	(15,000)
Total Administrative Division	269,077	267,421	251,891	(15,530)
Recreation Division:				
Personnel	217,187	218,806	218,545	(261)
Utility expense	32,000	29,544	29,544	-
Property and tort	6,500	6,203	6,203	-
Operating expenses	182,300	155,859	165,389	9,530
Capital outlay	4,000	20,269	19,452	(817)
Total Recreation Division	441,987	430,681	439,133	8,452
Gardens Division:				
Personnel	405,845	378,991	368,148	(10,843)
Utility expense	35,000	46,565	46,564	(1)
Property and tort	23,000	18,636	18,635	(1)
Operating expenses	77,300	73,717	72,754	(963)
Capital outlay	35,400	15,474	15,474	-
Total Gardens Division	576,545	533,383	521,575	(11,808)
Parks and Cemetery Division:				
Personnel	476,524	389,890	385,031	(4,859)
Utility expense	15,000	14,000	11,442	(2,558)
Property and tort	18,000	12,170	12,170	-
Operating expenses	94,300	78,016	76,894	(1,122)
Capital outlay	36,500	53,032	53,031	(1)
Total Parks and Cemetery Division	640,324	547,108	538,568	(8,540)
Total Parks and Recreation Department	1,927,933	1,778,593	1,751,167	(27,426)

(Continued) - 5.

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Service Department:				
Administrative Division:				
Personnel	\$ 449,435	\$ 393,206	\$ 393,264	\$ 58
Utility expense	4,000	6,092	6,518	426
Property and tort	13,000	9,408	9,408	-
Operating expenses	87,000	67,961	70,469	2,508
Capital outlay	90,900	15,350	15,349	(1)
Total Administrative Division	<u>644,335</u>	<u>492,017</u>	<u>495,008</u>	<u>2,991</u>
Total Service Department	<u>644,335</u>	<u>492,017</u>	<u>495,008</u>	<u>2,991</u>
Non-Departmental:				
Employee Christmas	15,000	16,199	16,199	-
Building code enforcement	15,000	10,000	5,750	(4,250)
Annexation covenants	10,000	15,310	12,713	(2,597)
Grant expense	1,900	-	-	-
Operating/insurance overage	-	225,000	206,628	(18,372)
Municipal Association	55,000	54,977	54,978	1
Commercial sanitation fees	261,191	240,844	240,844	-
Unemployment insurance	5,700	17,368	17,368	-
Special projects	35,000	41,183	38,338	(2,845)
Downtown revitalization	25,000	25,000	25,000	-
Retirees - group insurance	137,500	108,385	108,384	(1)
Setoff debt	1,000	623	565	(58)
CDL drug and alcohol testing	1,200	206	206	-
Employee shots	3,000	4,391	4,391	-
Street lights	215,000	230,000	256,879	26,879
Hydrant rentals	20,000	20,000	20,000	-
Christmas lights	25,000	36,910	36,910	-
Insurance reserve	104,400	-	3,250	3,250
Chamber dues	1,500	1,525	1,525	-
Fiber rental expense	6,000	9,600	9,600	-
Debt service	741,461	773,000	558,838	(214,162)
Debt service - city facilities	159,500	249,000	249,000	-
Total Non-Departmental	<u>1,839,352</u>	<u>2,079,521</u>	<u>1,867,366</u>	<u>(212,155)</u>
Total Expenditures	<u>15,647,609</u>	<u>15,002,396</u>	<u>14,552,306</u>	<u>(450,090)</u>

(Concluded) - 6.

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, 2010

	Special Revenue							
	<u>Firemen's Fund</u>	<u>Sunnyside Cemetery</u>	<u>Orangeburg Cemetery</u>	<u>S.C. Festival of Roses</u>	<u>Accomodations Tax</u>	<u>Hospitality and Accomodations Tax</u>	<u>Victims' Advocate Fund</u>	<u>Drug Fund</u>
<u>ASSETS</u>								
Cash and investments	\$ 67,527	\$ 67,299	\$ 16,910	\$ 10,141	\$ 1,918	\$ 1,402,208	\$ (20)	\$ 72,139
Revenue receivable	-	-	-	-	7,516	-	-	-
Due from other funds	-	-	-	-	-	78,752	-	-
TOTAL ASSETS	67,527	67,299	16,910	10,141	9,434	1,480,960	(20)	72,139
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accrued expenditures and payables	-	-	-	-	2,255	-	-	-
Due to other funds	-	-	-	-	623	-	-	-
Total liabilities	-	-	-	-	2,878	-	-	-
Fund Balances:								
Designated for future capital projects	-	-	-	-	-	-	-	-
Unreserved	67,527	67,299	16,910	10,141	6,556	1,480,960	(20)	72,139
Total fund balances	67,527	67,299	16,910	10,141	6,556	1,480,960	(20)	72,139
TOTAL LIABILITIES AND FUND BALANCES	67,527	67,299	16,910	10,141	9,434	1,480,960	(20)	72,139

(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 Corporation	Hillcrest Golf Course	County Capital One Percent Fund	
<u>ASSETS</u>							
Cash and investments	\$ 49,365	\$ 6,562	\$ 2,389	\$ 78,687	\$ 19,021	\$ 4,098,061	\$ 5,892,207
Revenue receivable	-	-	-	-	-	-	7,516
Due from other funds	-	-	-	-	-	-	78,752
TOTAL ASSETS	49,365	6,562	2,389	78,687	19,021	4,098,061	5,978,475
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accrued expenditures and payables	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,285
Due to other funds	-	-	-	-	2,121	-	2,744
Total liabilities	30	-	-	-	2,121	-	5,029
Fund Balances:							
Designated for future capital projects							-
Unreserved	49,335	6,562	2,389	78,687	16,900	4,098,061	5,973,446
Total fund balances	49,335	6,562	2,389	78,687	16,900	4,098,061	5,973,446
TOTAL LIABILITIES AND FUND BALANCES	49,365	6,562	2,389	78,687	19,021	4,098,061	5,978,475

(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, 2010

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,203
Charges for services	-	751	750	21,420	-	-	-	-
Interest	45	96	23	21	6	1,785	13	69
Miscellaneous	-	-	-	-	-	-	-	15,967
Contributions	-	-	-	8,263	-	29,675	-	-
Intergovernmental	63,164	-	-	2,000	35,973	-	42,618	18,899
Total revenues	63,209	847	773	31,704	35,979	31,460	42,631	37,138
EXPENDITURES								
Public safety	57,348	-	-	-	-	65,880	950	14,339
Cultural and recreational	-	-	-	34,213	14,292	-	-	-
Developmental services	-	1,868	1	-	-	-	-	-
Small capital outlay	-	-	-	-	-	12,015	-	-
Debt service	-	-	-	-	-	342,927	-	-
Capital outlay	-	-	-	-	-	302,917	-	-
Total expenditures	57,348	1,868	1	34,213	14,292	723,739	950	14,339
Excess of revenues over (under) expenses	5,861	(1,021)	772	(2,509)	21,687	(692,279)	41,681	22,799
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	999,485	-	-
Operating transfers out	-	-	-	-	(25,549)	(206,780)	(41,983)	-
Total other financing sources (uses)	-	-	-	-	(25,549)	792,705	(41,983)	-
Excess of revenues and other sources (uses) over (under) expenditures and other uses	5,861	(1,021)	772	(2,509)	(3,862)	100,426	(302)	22,799
Fund balance, beginning of year, as restated	61,666	68,320	16,138	12,650	10,418	1,380,534	282	49,340
Fund balance, end of year	67,527	67,299	16,910	10,141	6,556	1,480,960	(20)	72,139

(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	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	
REVENUES							
Confiscated drug funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,203
Charges for services	2,000	4,642	-	-	-	-	29,563
Interest	84	6	30	37	37	5,597	7,849
Miscellaneous	-	-	-	-	-	-	15,967
Contributions	-	-	-	-	-	26,039	63,977
Intergovernmental	-	-	35,000	-	-	422,948	620,602
Total revenues	2,084	4,648	35,030	37	37	454,584	740,161
EXPENDITURES							
Public safety	-	-	9,725	-	-	-	148,242
Cultural and recreational	16,712	100	-	-	-	-	65,317
Developmental services	-	-	-	-	-	-	1,869
Small capital outlay	-	-	-	-	-	-	12,015
Debt service	-	-	-	-	-	-	342,927
Capital outlay	-	-	75,197	-	-	287,399	665,513
Total expenditures	16,712	100	84,922	-	-	287,399	1,235,883
Excess of revenues over (under) expenses	(14,628)	4,548	(49,892)	37	37	167,185	(495,722)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	18,788	-	1,018,273
Operating transfers out	-	-	-	-	(20,000)	-	(294,312)
Total other financing sources (uses)	-	-	-	-	(1,212)	-	723,961
Excess of revenues and other sources (uses) over (under) expenditures and other uses	(14,628)	4,548	(49,892)	37	(1,175)	167,185	228,239
Fund balance, beginning of year	63,963	2,014	52,280	78,651	18,075	3,930,876	5,740,207
Fund balance, end of year	49,335	6,562	2,388	78,688	16,900	4,098,061	5,968,446

(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, 2010

	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	19,747	-	1,165	20,912
Other receivables	24,487	-	-	24,487
Due from other funds	-	28,469	-	28,469
Inventories	35,224	23,677	-	58,901
	<hr/>			
Total current assets	79,658	52,146	1,465	133,269
<hr/>				
Noncurrent assets:				
Capital assets:				
Property, plant and equipment net of accumulated depreciation and amortization	10,424,044	-	646,397	11,070,441
	<hr/>			
Total noncurrent assets	10,424,044	-	646,397	11,070,441
	<hr/>			
TOTAL ASSETS	10,503,702	52,146	647,862	11,203,710
<hr/>				
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	1,913	2,552	14,803	19,268
Current portion of capital lease obligation	9,971	-	248	10,219
Accrued compensated absences	4,930	-	292	5,222
Due to other funds	496,044	-	599,771	1,095,815
Total current liabilities	512,858	2,552	615,114	1,130,524
<hr/>				
Noncurrent liabilities:				
Capital lease obligation	38,426	-	-	38,426
Other post employment benefits obligation	6,451	-	55,088	61,539
Accrued compensated absences	-	-	43,931	43,931
Total noncurrent liabilities	44,877	-	99,019	143,896
	<hr/>			
TOTAL LIABILITIES	557,735	2,552	714,133	1,274,420
<hr/>				
<u>NET ASSETS</u>				
Unrestricted	9,945,967	49,594	(66,271)	9,929,290
	<hr/>			
TOTAL NET ASSETS	9,945,967	49,594	(66,271)	9,929,290
<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, 2010

	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	\$ -	\$ 85,221	\$ -	\$ 85,221
Food sales	-	35,946	-	35,946
Oil and fuel sales	359,542	-	-	359,542
Rentals and other	69,075	755	-	69,830
Green fees, cart rentals and memberships	-	-	392,376	392,376
Capital projects revenue	-	-	18,788	18,788
Total operating revenues	428,617	121,922	411,164	961,703
OPERATING EXPENSES:				
Cost of goods sold	275,615	58,799	-	334,414
Operating and maintenance	82,064	9,139	160,163	251,366
Administrative	101,912	-	356,016	457,928
Depreciation and amortization	753,308	154	133,033	886,495
Total operating expenses	1,212,899	68,092	649,212	1,930,203
OPERATING INCOME (LOSS)	(784,282)	53,830	(238,048)	(968,500)
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(1,172)	-	(578)	(1,750)
Total non-operating revenues (expenses)	(1,172)	-	(578)	(1,750)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(785,454)	53,830	(238,626)	(970,250)
Capital contributions - grants	64,166	-	-	64,166
Transfers in	-	-	75,110	75,110
Transfers out	-	(53,830)	(18,788)	(72,618)
CHANGES IN NET ASSETS	(721,288)	-	(182,304)	(903,592)
NET ASSETS - BEGINNING OF YEAR, as restated	10,667,255	49,594	116,033	10,832,882
NET ASSETS - END OF YEAR	9,945,967	49,594	(66,271)	9,929,290

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, 2010

	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	\$ 429,898	\$ 121,922	\$ 411,548	\$ 963,368
Cash payments to suppliers for goods and services	(373,345)	(69,138)	(159,149)	(601,632)
Cash payments for employees	(99,975)	-	(359,108)	(459,083)
Net cash provided (used) by operating activities	(43,422)	52,784	(106,709)	(97,347)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to (from) other funds	21,302	1,046	89,750	112,098
Transfers in (out)	-	(53,830)	56,322	2,492
Net cash provided (used) by noncapital financing activities	21,302	(52,784)	146,072	114,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net acquisition of capital assets	(30,903)	-	(30,201)	(61,104)
Capital contributed - grants	64,166	-	-	64,166
Capital lease obligation	(9,971)	-	(8,584)	(18,555)
Interest paid	(1,172)	-	(578)	(1,750)
Net cash provided (used) by capital and related financing activities	22,120	-	(39,363)	(17,243)
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)	\$ (784,282)	\$ 53,830	\$ (238,048)	\$ (968,500)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	753,308	154	133,033	886,495
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	1,281	-	384	1,665
Inventories	4,886	(227)	-	4,659
Increase (decrease) in:				
Accounts payable	(20,552)	(973)	1,014	(20,511)
Accrued leave	453	-	(13,478)	(13,025)
OPEB obligation	1,484	-	10,386	11,870
Net cash provided (used) by operating activities	(43,422)	52,784	(106,709)	(97,347)

(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, 2010

	<u>Total</u>
COURT FINES	
Court fines collected	\$ 276,671
Court fines retained by City	<u>276,671</u>
Court fines remitted to State Treasurer	<u><u>-</u></u>
COURT ASSESSMENTS	
Court assessments collected	\$ 297,317
Court assessments retained by City	<u>33,181</u>
Court assessments remitted to State Treasurer	<u><u>264,136</u></u>
COURT SURCHARGES	
Court surcharges collected	\$ 172,285
Court surcharges retained by the City	<u>1,907</u>
Court surcharges remitted to State Treasurer	<u><u>170,378</u></u>
VICTIMS' SERVICES	
Court assessments allocated to Victims' Services	\$ 40,712
Court surcharges allocated to Victims' Services	<u>1,907</u>
Funds allocated to Victims' Services	42,619
Victims' Services expenditures	<u>42,933</u>
Funds available for carryforward	<u><u>(314)</u></u>
Beginning balance, October 1, 2009	\$ 282
Funds available for carryforward	(314)
Interest income	<u>12</u>
Ending balance, September 30, 2010	<u><u>(20)</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, 2010, which collectively comprise the City of Orangeburg's basic financial statements and have issued our report thereon dated February 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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, 10-01, 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 1, 2011

(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, 2010. 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, 2010.

(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 1, 2011

(Concluded) - 2.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Passed through the South Carolina Budget and Control Board State Revolving Fund:		
Capitalization Grants for Clean Water State Revolving Funds ARRA Federal Award Number: 2W-95426309-0	66.458	\$ 1,427,393 2,140,081
Passed through the South Carolina Budget and Control Board State Revolving Fund:		
Capitalization Grants for Drinking Water State Revolving Funds ARRA Federal Award Number: 2F-95426409-0	66.468	333,317 491,257
U.S. DEPARTMENT OF JUSTICE:		
Passed through South Carolina Department of Public Safety:		
COPS Methamphetamine Initiative	16.710	46,818
Criminal Domestic Violence	16.588	42,305
JAG Grant 2009	16.804	34,096
JAG Grant 2007	16.738	476
FEDERAL AVIATION ADMINISTRATION:		
Airport Grant - Partial Construction	20.106	11,401
U.S. DEPARTMENT OF TRANSPORTATION:		
Passed through South Carolina Department of Transportation:		
DUI Special Enforcement	20.601	145,889
Clafin Subaward		<u>140,856</u>
Total federal assistance		<u><u>4,813,889</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, 2010

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, 2010

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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 10-01

AU 325 requires 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.