

**City Council Minutes  
Special Meeting  
July 19, 2022**

Orangeburg City Council held a special meeting on Tuesday, July 19, 2022, at 9:00 AM with Mayor Michael C. Butler presiding.

**PRESENT:**

**Michael C. Butler, Mayor  
Bernard Haire  
Jerry Hannah  
L. Zimmerman Keitt  
Sandra P. Knotts  
Richard F. Stroman**

**ABSENT:**

**Dr. Kalu Kalu, Mayor Pro Tem**

A motion was made by Councilmember Keitt, seconded by Councilmember Knotts to approve the June 21, 2022, City Council minutes. The motion was unanimously approved.

Mr. Grant Davis with Mauldin & Jenkins, CPAs & Advisors presented the Audit of Fiscal Year 2020-2021. He stated, "We issued three documents this year. The City's financial statements for Fiscal Year 2021. DPU financial information is included in City's financial report, but it has separately issued financial statements that are comparative that show 2020 and 2021. The third and final document is the auditor's discussion analysis which has the City Seal on it. In the auditor's discussion analysis, there is also some financial analysis and accounting standards that will be effective in the coming years. The City is responsible for the financial statements. Our responsibility is to express an opinion on those financial statements. Our audit is in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS). We have issued a clean opinion which is what you want. Next is the Management Discussion and Analysis (MD&A) section. The City's MD&A and financial statements have good information because it compares 2020 to 2021. If I had to suggest you read one portion of this document, the MD&A would be the portion. Some of the Financial Statement highlights for Fiscal Year 2021 are total assets for the City \$438 million, \$60 million cash, \$35.6 million investments, \$10.6 million receivables and \$320 million capital assets and overall total assets are up \$7 million from 2020. \$128 million in total liabilities which \$34 million is considered current and \$86 million long term debt. The liabilities are flat compared to 2020 meaning they did not go up or down. The next section is \$310 million in net position which including \$294 million in net investment in capital assets, \$5.8 million in restricted and \$10 million in unrestricted. This is an increase in equity from 2020 of \$6 million or 2%. On the General Fund side, \$10.9 million in assets and it is pretty liquid as the vast majority. Liabilities of the General Fund are \$2.9 million and \$8 million in fund balance. The fund balance is broken up into categories such as non-spendable, restricted, committed, assigned or unassigned. The unassigned is where you want to have a healthy number. The unassigned in the City's General Fund is \$7 million or 87%. Most the City's fund balance in the General Fund is unassigned, basically available for spending. We want to look at that compared to expenditures of the General Fund. The General Fund had expenditures of \$18.1 million in the prior year versus \$8 million in the Fund Balance. When you talk about measuring yourself against other cities, how many days could the City operate if it were not to take in another dollar? In most cases, a very healthy percentage is something over 50%. The City is a little under that number of \$8 million in fund balance versus \$18 million in expenditures. Overall, the General Fund had a decline in its fund balance of \$467,000 from 2020. I have a chart in the next couple slides that will show the General Fund balance over time. The Income Statement of the General Fund is \$11.4 million in revenues which is up \$500,000 from 2020. \$18.1 in expenditures which is down \$400,000 from 2020. Other items are transfers in from DPU as a franchise fee payment of \$6.2 million, slight sale of capital assets of \$113,000. This all reconciles to a change in fund balance to a decrease of \$467,000 from 2020 to 2021. It may be helpful to look at this in terms of the budget for 2021. Budgeted revenues for the City were \$11.7 million versus actual revenue \$11.4 million so collected a little less than was anticipated. In terms of expenditures, the City budgeted \$21.5 million and spent \$18.1 million. You underspent what you anticipated. Other items are the City budgeted transfers in, capital lease, etc. of \$9.9 million and actual other items were \$6.3 million which is a budget shortfall of \$3.6 million. The chart of the General Fund

revenues is a breakdown of where your revenues are coming from by type. The red is property taxes which is typical to be the largest section. Other items are other taxes in the form of local option sales tax and in blue the charges for services which could be things like sanitation fees, recreation fees, etc. The next slide is General Fund expenditures broken down by what we call function. The largest portion in red being Public Safety including Police, Fire, etc. which is a typical breakdown for a municipal government. This is an idea of where the general fund is spending the majority of its money. The next slide shows the historical change in fund balance over time. 2017 – 2021, the General Fund has experienced a decrease in its fund balance in every year except 2019. The next slide is the same concept, the General Fund balance and how it has changed over time. In 2017 on the left \$9.5 million in fund balance. Move to 2021 on the right, you are at \$8 million in fund balance. B-T Funds are what we call business type funds which includes DPU, Airport, Golf Course, and Pro Shop. They are broken up into two sections, DPU as the largest and Other B-T Funds grouped together. DPU reports assets of \$377 million, \$48 million in cash and \$32 million in investments. \$95 million in liabilities, \$28 million of that is current and \$63 million is long-term. \$282 million in next position which is up \$8.3 million from 2020. The other funds including the Airport, Golf Course and Pro Shop have \$5 million in assets, no cash, and mostly capital assets. \$2.1 million in liabilities and \$2.8 million in net position which is down \$900,000 from 2020. DPU had revenues of \$103 million which is up \$3 million or 3% from last year largely due to a result of fluctuations in the market price of natural gas in the past year. \$88 million in operating expenses. That is basically flat compared to 2020 and again that is \$8.3 million increase in equity. The other funds had \$733,000 in operating revenues versus \$1.7 million in operating expenses. Spending is outpacing revenues in those funds which is a decline of \$907,000 from the prior year. It is always helpful to look at cash flows. In the DPU fund, \$30 million in operating cash. We had a \$5.5 million used in non-capital financing activities which includes a transfer to the City's General Fund of \$5.7 million and then it used \$32.8 million on capital things. This is reinvesting in infrastructure especially the water and sewer type infrastructure and electricity, debt service payments of \$3 million which is paying principal and interest on bonds outstanding and then received some proceeds from capital grants of about \$1.3 million. Overall, the DPU experienced a decrease in cash of about \$9.3 million from the prior year. The golf course for the most part has been a perpetual money loser for a long time. Most municipal golf courses, unless they are in a significant tourist location, lose money. You will ultimately have to decide, how much does the general fund need to pay to keep the golf course going? The golf course is not self-sustaining with cart rentals, green fees, etc. The expenses are significantly more than what its revenues are. The Airport operates at a break-even basis. Periodically, the airport gets FAA Grants for things like airstrip or apron expansion. The airport is probably safe and relatively healthy. I think a look at the golf course in terms of can the golf course be more profitable to sustain itself or to what extent do we want the General Fund to subsidize it and maybe even bring it under the umbrella of the General Fund itself. Mr. Evering, Mr. Singh, and I talked about what that would look like and how it would impact the General Fund."

Councilmember Haire asked, "You stated a comparison between the revenues and expenses for the golf course and the airport. If there were not federal and state funds, we would be running in a deficit at the airport?"

Mr. Davis stated, "Yes, without question. Generally, state, and federal government for the most part, do not care if the Orangeburg golf course goes out of business but they do care if the Orangeburg airport goes out of business. They subsidize the airport expansion and to some extent its operation with grants on a periodic basis. The assets that the airport has are capital assets like the apron and hangars are a large part funded by those federal grants. Of course, the City has historically matched the grants to some extent. This is true for most municipal airports; they are sustained through these periodic FAA expansion grants that basically keep them afloat. So, it is not a drain on the resources of the City which is where it differs from the golf course."

Mr. Davis continued, "We issued two reports, the first one is the independent auditor's report which we had a clean opinion on and the second one is the compliance report which we call a yellow book report. It is a report on the City's internal control and compliance with the laws, regulations, contracts, and grant agreements. It is not intended to provide an opinion on internal controls and compliance but is to provide what we call negative insurance. If we had noted any internal control deficiency in the form of material weaknesses or significant deficiencies, we would have noted them in this report. We had none, so this is another clean report of the City's audit."

We have general recommendations of IT and cybersecurity just to highlight that IT and cybersecurity is an everchanging environment and keep that top of mind.”

Councilmember Haire asked, “Based on previous recommendations made, what position is the City now as it relates to those recommendations?”

Assistant City Administrator Singh stated, “The audit provides mainly recommendations and different cybersecurity protocols. For instance, we have filter systems that filter spam emails, etc. We have video training of learning how to look for phishing emails, etc. We are constantly upgrading and basically parallel and we now carry cyber insurance.”

Mr. Grant stated, “A city in Florida water treatment plant had a system attack and was taken over for a short period of time so they could not change the chemical composition. The City of Atlanta had a huge attack several years ago. I have another client in the upstate that had someone come in and use their public computer and basically stole approximately \$100,000 in ten minutes by getting on the public internet system on the computer. It is something that we feel we must highlight in general. We have a detailed questionnaire that goes through what types of equipment, to what are policies and procedures for implementing patches, to software to try to develop recommendations. This continues to be evolving. Most of our clients have a recommendation relative to that based on our analysis.”

Mr. Grant continued, “The last couple things here, other required communications. These are the things we are required to present to you as a part of conducting the audit. The financial statements and our reports ultimately address the fact that the financial statements include judgements and estimates. There were various audit adjustments made during the process and we are independent of the City and DPU. We have issued a clean opinion. We did not have any difficulties dealing with management or any disagreements with management. We do not have any uncorrected misstatements and we are independent of City as required by Government Auditing Standards.”

A motion was made by Councilmember Keitt, seconded by Councilmember Stroman to go into Executive Session concerning Personnel Matter a. Department of Public Safety Personnel Matter S. C. Code Sec. 30-4-70 (a) (1). The motion was unanimously approved.

A motion was made by Councilmember Stroman, seconded by Councilmember Keitt to Return to Open Session. The motion was unanimously approved.

A motion was made by Councilmember Keitt, seconded by Councilmember Stroman to adjourn. The motion was unanimously approved.

Respectfully submitted,

*Linda McDaniel*

Linda McDaniel  
City Clerk

