

City of Orangeburg
Orangeburg, South Carolina

Audited Financial Statements

Year Ended September 30, 2008

City of Orangeburg
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September 30, 2008

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INDEPENDENT AUDITOR'S 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, 2008, 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, 2008, 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 10, 2009, 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 reporting or on compliance and not to provide an opinion on the internal controls 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.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 43 through 44 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 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 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 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.

A handwritten signature in black ink, appearing to read "Murdaugh & Associates, CPA, LLC". The signature is written in a cursive, flowing style.

Murdaugh & Associates, CPA, LLC
Orangeburg, South Carolina 29115
February 10, 2009

City of Orangeburg
Orangeburg, South Carolina
Management's Discussion and Analysis (Unaudited)
September 30, 2008

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, 2008. This overview is to be read in conjunction with the financial statements that follow and the audit should be viewed for more detail information.

The City is comprised of many Departments of 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.

Financial Highlights from FY 2007-08

As of September 30, 2008, end of the Fiscal Year, the Government Wide assets of the City of Orangeburg exceeded its liabilities by \$246,114,069. Of this amount \$25,696,751 may be used to meet the government's ongoing needs.

Also, as of September 30, 2008, the total fund balance is \$10,190,110; the unreserved fund balance for the General Fund was \$9,289,107. Of this total, \$9,289,107 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. It was noted I financial planning sessions with City Council for FY 2007-08 that it may be necessary to expend limited fund balance for at least 2 to 3 years to weather recent economic times.

The City governmental activities had a total of \$6,789,480 debt beginning October 1, 2007 and issued \$1,495,882 debt for FY 2007-2008. Debt was reduced by the amount of \$1,306,966 leaving a total debt of \$6,978,396. The amount of \$3,200,687 of the capital lease debt is secured by sales tax revenue and not backed by ad valorem property taxes. Accrued annual leave is the other major form of debt in the amount of \$1,255,416. The City is preparing for GASB 45 for financial reporting for Post Employment benefits (OPEB) other than pensions which includes retiree health, dental and vision insurance, prescription, long-term care insurance, life insurance and other benefits. The City along with DPU is currently reviewing the many options that exist. Orangeburg, like many other cities in South Carolina, have not yet decided to fund this GASB prescribed liability as we have successfully formulated and funded an annual retiree medical plan for thirty years.

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

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

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

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

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

Fiduciary Fund Statements: Delinquent taxes.

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

Government Wide Statement

Condensed Statement of Net Assets:
September 30, 2007 and September 30, 2008

	2007 Gov't Activities	2007 Business Type Activities	2008 Gov't Activities	2008 Business Type Activities
Current and Other assets	13,777,208	23,030,549	13,179,933	22,572,217
Capital Assets (net)	<u>18,907,539</u>	<u>204,722,058</u>	<u>20,873,242</u>	<u>213,788,824</u>
Total Assets	<u>32,684,747</u>	<u>227,752,607</u>	<u>34,053,175</u>	<u>236,361,041</u>
Long Term Debt Outstanding	5,836,844	6,407,561	5,750,758	5,492,224
Other Liabilities	<u>1,716,783</u>	<u>12,232,371</u>	<u>1,743,260</u>	<u>11,313,905</u>
Total Liabilities	<u>7,553,627</u>	<u>18,639,932</u>	<u>7,494,018</u>	<u>16,806,129</u>
Net Assets:				
Invested in Capital Assets, net of debt	13,259,366	194,700,958	15,099,080	204,574,786
Restricted	176,978	560,478	182,974	560,478
Unrestricted (deficit)	<u>11,694,776</u>	<u>13,851,239</u>	<u>11,277,103</u>	<u>14,419,648</u>
Total Net Assets	<u>25,131,120</u>	<u>209,112,675</u>	<u>26,559,157</u>	<u>219,554,912</u>

Condensed Statement of Activities
September 30, 2007 and September 30, 2008

Revenue:	2007	2007	2008	2008
	Gov't	Business	Gov't	Business
	Activities	Type Activities	Activities	Type Activities
Program Revenues:				
Charges for Services	5,625,802	91,004,088	5,635,577	98,597,121
Operating Grants	1,075,437	-0-	1,293,193	-0-
Capital Grants	87,791	550,740	49,053	2,988,873
General Revenues:				
Property Taxes	2,909,389	-0-	2,995,904	-0-
Other Taxes	2,645,142	-0-	2,600,624	-0-
Franchise Fees	134,259	-0-	136,987	-0-
Other Revenues	<u>897,647</u>	<u>567,961</u>	<u>418,790</u>	<u>395,387</u>
Total Revenues	13,375,467	92,122,789	13,130,128	101,981,381
Expenses:	2007	2007	2008	2008
	Gov't	Business	Gov't	Business
	Activities	Type Activities	Activities	Type Activities
General Government	2,125,863	-0-	2,717,441	-0-
Public Safety	7,323,625	-0-	7,429,124	-0-
Public Works	2,216,069	-0-	2,375,274	-0-
Culture/Recreation	2,400,178	-0-	2,427,937	-0-
Service	546,992	-0-	585,947	-0-
Interest/Lg Term Debt	230,454	-0-	236,343	-0-
Public Utilities	-0-	78,063,026	-0-	85,333,257
Airport	-0-	1,138,220	-0-	1,324,291
Golf Course	<u>-0-</u>	<u>811,582</u>	<u>-0-</u>	<u>811,614</u>
Total Expenses	14,843,181	80,012,828	15,772,066	87,469,162
Excess or (Deficiency) Before special items or Transfers	(1,467,714)	12,109,961	(2,641,938)	14,512,219
Transfers	3,774,592	(3,774,592)	4,069,975	(4,069,975)
Increase or (Decrease) In Net Assets	<u>2,306,878</u>	<u>8,335,369</u>	<u>1,428,037</u>	<u>10,442,244</u>

Fiscal Year 2007-2008 had several fee increases on services and a tax millage increase. The millage rate increased from 83 mills to 85 mills in this fiscal year. Fire contracts increased 10% across the board, and commercial sanitation fees increased. There was one new part-time position funded at Hillcrest Golf Course for a Clerk and a 3% Cost of Living for employees in this fiscal year. It is important to note that with increased fuel costs and other budget cuts that Expenses exceeded Revenues this fiscal year in the amount of \$378,579 mainly due to health insurance and industrial tax re-assessment. It should also be noted, however, that \$380,000 was budgeted (during the budget

cycle) in cash reserves as revenue to balance the budget and the majority of these reserves was used, which has been the first time in many years that we have had to do this. It is obvious that City Council must address additional revenue sources in the next budget year or continue to use fund balance monies to balance the budget annually. Additionally, current program costs must be held at current budget amounts and possibly some services eliminated.

The City's Utility Fund plays a large role in the funding of governmental services. The General Fund reported a \$4,835,878 deficit before the transfer of \$4,557,528 from the Department of Public Utilities. After the transfer, sale of assets and lease proceeds, the General Fund had a net change of (\$378,579) to Fund Balance. The City traditionally transfers from the net income of utilities as a return on investment and this amount has remained steady with only moderate increases which are approved in the budget process by City Council. The overall stability of the business activities are always of utmost consideration when transfers are set. In fact, the City's Department of Public Utilities continues to have some of the lowest electric rates in the state and has very competitive rates on sewer, water, and natural gas. As the City annexes many customers are receiving a reduced water and sewer rate. Electric and natural gas rates are not affected.

The Municipal Airport had an operating loss of (\$719,638) which includes depreciation of \$649,890 and a change in net assets of \$624,708. The Hillcrest Golf Course and Pro Shop had a combined operating loss of (\$149,778) including depreciation of \$139,294 and a change in net assets of (\$170,324).

The Municipal Airport's depreciation expense increased dramatically over the past few years due to the new runway. The City has no debt in the runway due to the Federal and State governments funding these projects. The City just completed a new hangar project completed in FY 2007-08; part of this project is funded through Federal and State governments and the 1% capital projects sales tax. There is no debt on the new hangar project as it will generate new revenue to the City.

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

Budget Analysis

Moderate revenue increases are normal from one budget year to the next, but we are currently in a cycle that defies that normalcy. 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 aren't always reflected in tax revenues. Business licenses generally increase 3-5% annually. Again, due to national economic woes, we are watching this very closely 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 is only a few months left remaining in the current fiscal year. It is at this point that we have a much clearer picture of projected year-end revenues and expenditures. These projections are reviewed with the Department Heads of the City and the expenditures are adjusted to bring in expenditures under conservative new projected revenues and to don't necessarily expend budgeted funds. These are then adopted by City Council

as an amended budget. City Council should be credited with allowing staff to manage finances, while yet providing responsible oversight and sound policy decisions.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. They are not reflected in the government wide statement. The City acts as a fiduciary for funds from delinquent property tax sales. Currently, as of September 30th, 2008 the amount of \$7136 is due trust fund holders as shown in Statement of Net Assets, Fiduciary Funds.

The General Fund of the City had a net increase of \$125,989 in outstanding debt during the last fiscal year. Debt is mainly in the form of capital equipment lease purchase items such as police cars, fire trucks, tractors and equipment and the Hospitality & Accommodations Tax Fund.

The Debt related to Hospitality & Accommodations Tax Fund as of September 30, 2008, is \$3,200,687. This is funded by 2% tax levied against prepared meals and accommodation's rentals. The original issue was \$4,300,000. As of September 30, the debt service was \$1,600,000. This tax is used to fund tourist related programs and capital projects. It should be noted that the City's hospitality & accommodations tax fund revenues are exceeding the state threshold of approximately \$900,000 so that we can use a portion of this sales tax (20%) to fund maintenance on some of our projects originally funded by this tax.

The Business type activities including DPU had a decrease in debt of \$682,965. Ending balance as of September 30, 2008 is \$5,796,538. 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 change of \$23,827. The beginning balance for the year was \$2,203,310 and the ending balance was \$2,227,137. The change is attributed in the funds being reserved for capital projects. As Capital projects are being planned and designed, funds or reserves accumulate; once they are bid or constructed the reserves diminish. This is according to plan and should not be regarded negatively or as the City having a large undesignated balance in this fund.

Closing

In closing, I would like to stress that with the national economic outlook, it is obvious that the City look into increasing revenues such as continued annexation and promoting city growth, user fees, etc; otherwise, with state mandates and increased cuts in local government funding, it will be extremely difficult for the City not to diminish fund balance yearly in order to balance the budget annually. This analysis is intended to provide the reader a brief overview of the City's financial position. The audit should be viewed for more detailed information and full explanation. Each annual budget is reviewed by staff and in City Council planning sessions and workshops to ensure good financial planning is ongoing and continues each year even during our mid-year projections. If you have any questions or need additional information, please contact me at 803-539-3713 at 979 Middleton Street, Orangeburg SC 29115 or email at Cjohnson@orangeburg.sc.us.

Thank you,

Carrie Johnson, City Finance Director

City of Orangeburg
Orangeburg, South Carolina
Government-Wide Statement of Net Assets
September 30, 2008

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and equivalents (Note 2)	\$ 2,469,562	\$ 535,852	\$ 3,005,414
Investments (Note 2)	8,677,814	7,852,277	16,530,091
Receivables:			
Current taxes	69,990	-0-	69,990
Delinquent taxes	72,629	-0-	72,629
State of South Carolina	362,116	-0-	362,116
Federal Grants Receivable	-0-	-0-	-0-
Other	431,372	10,752,036	11,183,408
Internal Balances	946,786	(946,786)	-0-
Other prepaid expenses	-0-	79,527	79,527
Prepaid Expenses	-0-	-0-	-0-
Inventory	149,664	4,299,311	4,448,975
Total current assets	<u>13,179,933</u>	<u>22,572,217</u>	<u>35,752,150</u>
Noncurrent assets:			
Restricted assets			
Cash and investments			
Customer deposits (Note 2)	-0-	2,798,645	2,798,645
Bond repayment	-0-	543,847	543,847
Capital investment	-0-	-0-	-0-
Self insurance fund (Note 2)	-0-	75,008	75,008
Capital assets (net) (Note 6)	20,873,242	210,371,324	231,244,566
Total noncurrent assets	<u>20,873,242</u>	<u>213,788,824</u>	<u>234,662,066</u>
Total Assets	<u>34,053,175</u>	<u>236,361,041</u>	<u>270,414,216</u>
LIABILITIES			
Current liabilities:			
Accounts payable	478,257	6,662,822	7,141,079
Withholdings and accrued expenses	37,366	292,708	330,074
Deferred revenue	-0-	-0-	-0-
Accrued annual leave, current (Note 7)	327,514	581,151	908,665
Lease payable, current (Note 7)	750,123	28,579	778,702
Bond payable, current (Note 7)	150,000	406,153	556,153
Total current liabilities	<u>1,743,260</u>	<u>7,971,413</u>	<u>9,714,673</u>
Liabilities payable from restricted assets:			
Customer deposits	-0-	2,798,645	2,798,645
Current portion of revenue bonds payable	-0-	543,847	543,847
Total liabilities payable from restricted assets	<u>-0-</u>	<u>3,342,492</u>	<u>3,342,492</u>
Noncurrent liabilities:			
Capital leases (Note 7)	3,974,162	67,959	4,042,121
Accrued annual leave (Note 7)	876,719	674,265	1,550,984
Bond payable (Note 7)	899,877	4,750,000	5,649,877
Total noncurrent liabilities	<u>5,750,758</u>	<u>5,492,224</u>	<u>11,242,982</u>
Total Liabilities	<u>7,494,018</u>	<u>16,806,129</u>	<u>24,300,147</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,099,080	204,574,786	219,673,866
Restricted for:			
Self insurance fund	182,974	75,008	257,982
Capital lease asset acquisition, net of related debt	-0-	-0-	-0-
Bond payable	-0-	485,470	485,470
Unrestricted	<u>11,277,103</u>	<u>14,419,648</u>	<u>25,696,751</u>
Total net assets	<u>\$ 26,559,157</u>	<u>\$ 219,554,912</u>	<u>\$ 246,114,069</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Government-Wide Statement of Activities
For the year ended September 30, 2008

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	\$ 374,443	\$ -0-	\$ -0-	\$ -0-	\$ (374,443)	\$ -0-	\$ (374,443)
Finance	623,958	-0-	-0-	-0-	(623,958)	-0-	(623,958)
Administrative	504,776	-0-	-0-	-0-	(504,776)	-0-	(504,776)
Public works	2,375,274	3,784,377	45,458	49,053	1,503,614	-0-	1,503,614
Public safety	7,429,124	1,658,547	516,786	-0-	(5,253,791)	-0-	(5,253,791)
Parks and recreation	2,427,937	188,625	311,413	-0-	(1,927,899)	-0-	(1,927,899)
Service	585,947	-0-	-0-	-0-	(585,947)	-0-	(585,947)
Non-departmental	1,214,264	4,028	419,536	-0-	(790,700)	-0-	(790,700)
Interest on long-term debt	236,343	-0-	-0-	-0-	(236,343)	-0-	(236,343)
Total governmental activities	15,772,066	5,635,577	1,293,193	49,053	(8,794,243)	-0-	(8,794,243)
Business-type activities:							
Public Utilities	85,333,257	97,307,250	-0-	1,898,416	-0-	13,872,409	13,872,409
Municipal airport	1,324,291	629,442	-0-	1,090,457	-0-	395,608	395,608
Pro shop	91,016	161,175	-0-	-0-	-0-	70,159	70,159
Golf	720,598	499,254	-0-	-0-	-0-	(221,344)	(221,344)
Total business-type activities	87,469,162	98,597,121	-0-	2,988,873	-0-	14,116,832	14,116,832
Total government	\$ 103,241,228	\$ 104,232,698	\$ 1,293,193	\$ 3,037,926	(8,794,243)	14,116,832	5,322,589
General revenues:							
Taxes:							
					2,995,904	-0-	2,995,904
					2,600,624	-0-	2,600,624
					136,987	-0-	136,987
					366,594	400,975	767,569
					52,196	(5,588)	46,608
					4,069,975	(4,069,975)	-0-
					1,428,037	10,442,244	11,870,281
					25,131,120	209,112,668	234,243,788
					\$ 26,559,157	\$ 219,554,912	\$ 246,114,069

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Balance Sheet – Governmental Funds
September 30, 2008

ASSETS	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and equivalents (Note 2)	\$ 12,985	\$ 2,456,581	\$ 2,469,566
Investments (Note 2)	8,677,811	-0-	8,677,811
Receivables:			
Current taxes	69,990	-0-	69,990
Delinquent taxes	4,798	-0-	4,798
State of South Carolina	149,649	-0-	149,649
Federal Grants Receivable	-0-	-0-	-0-
Other	498,809	212,862	711,671
Due from other funds (Note 5)	947,410	75,573	1,022,983
Prepaid Expenses	-0-	-0-	-0-
Inventory	<u>149,667</u>	<u>-0-</u>	<u>149,667</u>
TOTAL ASSETS	\$ <u>10,511,119</u>	\$ <u>2,745,016</u>	\$ <u>13,256,135</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 161,006	\$ 317,256	\$ 478,262
Withholdings and accrued expenses	37,366	-0-	37,366
Due to other funds (Note 5)	75,573	623	76,196
Deferred revenue	<u>47,064</u>	<u>200,000</u>	<u>247,064</u>
Total Liabilities	<u>321,009</u>	<u>517,879</u>	<u>838,888</u>
 Fund Balances:			
Reserved for:			
Self insurance	182,974	-0-	182,974
Inventory	149,667	-0-	149,667
Encumbrances	13,645	-0-	13,645
Fire equipment	100,817	-0-	100,817
Prepays	-0-	-0-	-0-
Amount due from Municipal Airport	467,545	-0-	467,545
Unreserved, reported in:			
General Fund	9,275,462	-0-	9,275,462
Special revenue funds	-0-	1,645,195	1,645,195
Capital projects funds	-0-	581,942	581,942
Total Fund Balances	<u>10,190,110</u>	<u>2,227,137</u>	<u>12,417,247</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>10,511,119</u>	\$ <u>2,745,016</u>	\$ <u>13,256,135</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets
September 30, 2008

Amounts reported for governmental activities in the statement of net assets (page 10) are different because	\$ 12,417,247
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	247,061
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	20,873,242
Long-term liabilities are not due and payable in the current period, and are not reported in the funds:	
Due within a year	(1,227,637)
Due in more than one year	<u>(5,750,758)</u>
Net Assets of Governmental activities (page 8)	\$ <u><u>26,559,155</u></u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds
For the year ended September 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Ad valorem	\$ 2,995,897	\$ -0-	\$ 2,995,897
Sales	918,070	-0-	918,070
Licenses and permits	2,792,783	-0-	2,792,783
Franchise fee	136,987	-0-	136,987
Fines and forfeitures	770,053	6,203	776,256
Charges for Services	1,844,948	24,251	1,869,199
Interest income	310,297	56,299	366,596
Miscellaneous	227,783	212,060	439,843
Contributions	-0-	105,208	105,208
Intergovernmental	530,367	2,203,575	2,733,942
Total Revenues	<u>10,527,185</u>	<u>2,607,596</u>	<u>13,134,781</u>
Expenditures:			
Executive	368,161	-0-	368,161
Finance	587,957	-0-	587,957
Administrative	487,054	-0-	487,054
Public works	1,842,282	-0-	1,842,282
Public safety	6,588,918	158,869	6,747,787
Parks and recreation	1,762,134	384,628	2,146,762
Service	513,099	2,423	515,522
Non-departmental	1,088,616	-0-	1,088,616
Small Capital Outlay	-0-	-0-	-0-
Debt Service	897,927	342,927	1,240,854
Capital Outlay	1,226,915	2,438,103	3,665,018
Total Expenditures	<u>15,363,063</u>	<u>3,326,950</u>	<u>18,690,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,835,878)</u>	<u>(719,354)</u>	<u>(5,555,232)</u>
Other Financing Sources (Uses):			
Operating transfers in	4,419,869	1,286,706	5,706,575
Operating transfers out	(1,093,070)	(543,525)	(1,636,595)
Lease proceeds	1,130,500	-0-	1,130,500
Total Other Financing Sources (Uses)	<u>4,457,299</u>	<u>743,181</u>	<u>5,200,480</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(378,579)	23,827	(354,752)
Fund Balances, Beginning of Year	<u>10,568,689</u>	<u>2,203,310</u>	<u>12,771,999</u>
Fund Balances, End of Year	<u>\$ 10,190,110</u>	<u>\$ 2,227,137</u>	<u>\$ 12,417,247</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the year ended September 30, 2008

Net changes in fund balances - total governmental funds (page 12) \$ (354,752)

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	3,648,007
Depreciation expense	<u>(1,676,304)</u>
	<u>1,971,702</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	(1,130,500)
Capital lease obligation principal payments	904,511
Note payable principal payments	<u>100,000</u>
	<u>(125,989)</u>

Some expenses reported in 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	(62,930)
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Some grants recorded as receivables this year in the statement of activities are recorded as deferred revenue in the funds.

-0-

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.

7

Changes in net assets of governmental activities (page 9)	\$ <u><u>1,428,038</u></u>
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The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Net Assets – Proprietary Funds
September 30, 2008

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Public Utilities</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Equivalents	\$ 535,352	\$ 501	\$ 535,853
Investments	7,852,277	-0-	7,852,277
Accounts receivable - net	4,091,720	35,022	4,126,742
Unbilled customer accounts receivable	6,258,605	-0-	6,258,605
Other Receivables	90,526	276,162	366,688
Inventories	4,200,281	99,029	4,299,310
Due from other funds	-0-	20,814	20,814
Other prepaid expenses	79,527	-0-	79,527
Total Current Assets	<u>23,108,288</u>	<u>431,528</u>	<u>23,539,816</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and investments (Note 2)			
Customer deposits	2,798,645	-0-	2,798,645
Bond repayment	543,847	-0-	543,847
Capital investment	-0-	-0-	-0-
Self insurance fund	75,008	-0-	75,008
Total Restricted Assets	<u>3,417,500</u>	<u>-0-</u>	<u>3,417,500</u>
Capital Assets:			
Property, plant and equipment net of accumulated depreciation	198,452,688	11,918,636	210,371,324
Total Noncurrent Assets	<u>201,870,188</u>	<u>11,918,636</u>	<u>213,788,824</u>
TOTAL ASSETS	<u>\$ 224,978,476</u>	<u>\$ 12,350,164</u>	<u>\$ 237,328,640</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Net Assets – Proprietary Funds
September 30, 2008

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Public Utilities</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 6,418,309	\$ 244,516	\$ 6,662,825
Withholding and accrued expenses	135,968	-0-	135,968
Current portion of capital lease obligation	-0-	28,579	28,579
Current portion of revenue bonds payable	406,153	-0-	406,153
Accrued compensated absences	566,753	14,398	581,151
Accrued salaries	156,740	-0-	156,740
Due to other funds	89,222	878,379	967,601
Total Current Liabilities	<u>7,773,145</u>	<u>1,165,872</u>	<u>8,939,017</u>
Current Liabilities (Payable from Restricted Assets):			
Current portion of revenue bonds payable	543,847	-0-	543,847
Customer deposits	2,798,645	-0-	2,798,645
Total Current Liabilities (Payable from Restricted Assets)	<u>3,342,492</u>	<u>-0-</u>	<u>3,342,492</u>
Noncurrent Liabilities:			
Capital lease obligation	-0-	67,960	67,960
Bonds payable	4,750,000	-0-	4,750,000
Accrued compensated absences	631,810	42,455	674,265
Total Noncurrent Liabilities	<u>5,381,810</u>	<u>110,415</u>	<u>5,492,225</u>
TOTAL LIABILITIES	<u>16,497,447</u>	<u>1,276,287</u>	<u>17,773,734</u>
NET ASSETS:			
Invested in capital assets, net of related debt	192,752,686	-0-	192,752,686
Restricted for self insurance	75,008	-0-	75,008
Restricted for bond repayment	543,847	-0-	543,847
Unrestricted	15,109,488	11,073,877	26,183,365
TOTAL NET ASSETS	<u>\$ 208,481,029</u>	<u>\$ 11,073,877</u>	<u>\$ 219,554,906</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
For the year ended September 30, 2008

	Business Type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
OPERATING REVENUES:			
Utility sales and wastewater service	\$ 96,697,104	\$ -0-	\$ 96,697,104
Pro shop sales	-0-	113,589	113,589
Food sales	-0-	46,755	46,755
Oil and Fuel Sales	-0-	542,037	542,037
Rentals and other	-0-	60,308	60,308
Green fees, cart rentals and memberships	-0-	479,182	479,182
Capital projects revenue	-0-	20,072	20,072
TOTAL OPERATING REVENUES	96,697,104	1,261,943	97,959,047
OPERATING EXPENSES:			
Cost of goods sold	63,274,594	529,611	63,804,205
Operating and maintenance	7,608,500	315,211	7,923,711
Administrative	7,629,548	497,353	8,126,901
Depreciation and amortization	6,645,599	789,184	7,434,783
TOTAL OPERATING EXPENSES	85,158,241	2,131,359	87,289,600
OPERATING INCOME	11,538,863	(869,416)	10,669,447
NON-OPERATING REVENUES (EXPENSES)			
Gain/(loss) on disposal of property	16,611	5,729	22,340
Water impact and tap fees	455,280	-0-	455,280
Wastewater impact and tap fees	154,866	-0-	154,866
Interest, investments	400,975	-0-	400,975
Interest expense	(175,016)	(4,547)	(179,563)
TOTAL NON-OPERATING REVENUES (EXPENSES)	852,716	1,182	853,898
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	12,391,579	(868,234)	11,523,345
Capital contributions - grants	1,898,416	1,090,457	2,988,873
Transfers in	-0-	320,968	320,968
Transfers out	(4,302,141)	(88,807)	(4,390,948)
CHANGES IN NET ASSETS	9,987,854	454,384	10,442,238
NET ASSETS - BEGINNING OF YEAR	198,493,175	10,619,493	209,112,668
NET ASSETS - END OF YEAR	\$ 208,481,029	\$ 11,073,877	\$ 219,554,906

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Cash Flows – Proprietary Funds
September 30, 2008

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Public</u>	<u>Other</u>	
	<u>Utilities</u>	<u>Enterprise</u>	<u>Total</u>
	<u>Funds</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 95,226,736	\$ 978,075	\$ 96,204,811
Cash payments to suppliers for goods and services	(70,587,546)	(652,644)	(71,240,190)
Cash payments for employees	(8,597,163)	(496,297)	(9,093,460)
	<u>16,042,027</u>	<u>(170,866)</u>	<u>15,871,161</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	(4,302,141)	488,072	(3,814,069)
	<u>(4,302,141)</u>	<u>488,072</u>	<u>(3,814,069)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(14,375,897)	(1,377,954)	(15,753,851)
Proceeds from sale of capital assets	16,611	(21,709)	(5,098)
Proceeds from capital leases	-0-	24,649	24,649
Principal payment of capital leases	-0-	(28,102)	(28,102)
Principal payment on bonds	(950,000)	-0-	(950,000)
Interest payments on lease	-0-	(4,547)	(4,547)
Water impact and tap fees	455,280	-0-	455,280
Wastewater impact and tap fees	154,866	-0-	154,866
Proceeds from capital grants	1,898,416	1,090,457	2,988,873
Proceeds from direct financing lease	-0-	-0-	-0-
	<u>(12,800,724)</u>	<u>(317,206)</u>	<u>(13,117,930)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment interest	225,959	-0-	225,959
Net (purchase) sale of investments	1,516,134	-0-	1,516,134
	<u>1,742,093</u>	<u>-0-</u>	<u>1,742,093</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
NET DECREASE IN CASH AND EQUIVALENTS	681,255	-0-	681,255
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>3,196,589</u>	<u>500</u>	<u>3,197,089</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 3,877,844</u>	<u>\$ 500</u>	<u>\$ 3,878,344</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Cash Flows – Proprietary Funds
September 30, 2008

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED(USED) BY
OPERATING ACTIVITIES:**

Operating income (loss)	\$ 11,538,863	\$ (869,416)	\$ 10,669,447
Adjustments to reconcile operating income (loss) to net cash provided			
Depreciation	6,645,599	789,185	7,434,784
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	95,804	(283,869)	(188,065)
(Increase) decrease in unbilled receivables	(280,031)	-0-	(280,031)
(Increase) decrease in other receivables - operating	79,888	-0-	79,888
(Increase) decrease in inventories	(388,996)	(14,287)	(403,283)
(Increase) decrease in other prepaid expenses	(3,665)	-0-	(3,665)
Increase (decrease) in accounts payable	(554,209)	206,465	(347,744)
Increase (decrease) in under (over) billing	(1,499,581)	-0-	(1,499,581)
Increase (decrease) in customer refunds payable	-0-	-0-	-0-
Increase (decrease) in withholdings and accrued expenses	62,206	-0-	62,206
Increase (decrease) in accrued compensated absences	114,817	1,056	115,873
Increase (decrease) in accrued salaries	79,313	-0-	79,313
Increase (decrease) in due to City of Orangeburg - General Fund	18,467	-0-	18,467
Increase (decrease) in customer deposits payable	133,552	-0-	133,552
	<u>16,042,027</u>	<u>(170,866)</u>	<u>15,871,161</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>16,042,027</u>	\$ <u>(170,866)</u>	\$ <u>15,871,161</u>

**RECONCILIATION OF TOTAL CASH AND CASH
INVESTMENTS:**

Cash on hand and in bank	\$ 535,352	\$ 500	\$ 535,852
Restricted cash - customer deposits	2,798,645	-0-	2,798,645
Restricted cash - capital investment	-0-	-0-	-0-
Restricted cash - bond repayment	543,847	-0-	543,847
	<u>3,877,844</u>	<u>500</u>	<u>3,878,344</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ <u>3,877,844</u>	\$ <u>500</u>	\$ <u>3,878,344</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Statement of Fiduciary Assets and Liabilities
September 30, 2008

	<u>Delinquent Tax Collector Agency Fund</u>
ASSETS	
Cash	\$ <u>7,136</u>
Total Assets	<u>7,136</u>
LIABILITIES	
Due to trust fund holders	<u>7,136</u>
Total Liabilities	\$ <u><u>7,136</u></u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. 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 government 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 including GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, which the City was required to implement effective fiscal year ended September 30, 2004. As part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). This requirement permits an optional four-year delay for implementation of the infrastructure related portion to the fiscal year ending 2007.

The City has been defined as the primary government under the criteria established by GASB Statement No. 14, "The Financial Reporting Entity."

The criteria includes 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.

B. 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

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 funds are aggregated and reported as non major funds.

C. Measurement focus, basis of accounting, and financial 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 funds:

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:

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The government reports the following non major enterprise funds:

Municipal airport – The municipal airport fund accounts for the fuel sales, hanger 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
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

The City invests in obligations of the United States Government as authorized by the State of South Carolina. The City reports investments which mature one year or less from the date of their acquisition at cost. Such investments at amortized cost reasonably approximate fair value. Other investments of the City include investments in the SC Local Government Investment Pool. These investments are presented at cost which reasonably approximates fair value.

2. 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.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Reserve for Bad Debts:

Historically, bad debts in the Department of Public Utilities (proprietary fund) have occurred on an average of .37% of utility billings. The recorded reserve is approximately 1.43% of accounts receivable at September 30, 2007 and 2.16% of accounts receivable at September 30, 2006, 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.

4. Inventory:

Inventories are valued at cost (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

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Inventory: (continued)

though they are a component of net current assets. Inventories in the Department of Public Utilities proprietary fund consist of supplies 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.

5. 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 \$500 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 donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

5. Capital Assets: (continued)

Other Proprietary Funds:

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>
<u>Airport</u>	
Building	30-39
Runways	20
Vehicles	5
Equipment	3-20
<u>Pro Shop</u>	
Buildings	30-39
Vehicles	5
Equipment	3-20
<u>Public Utilities</u>	
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
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

6. 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 1080 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.

7. 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.

8. 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.

9. 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.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS

Unrestricted cash and equivalents and investments consist of the following:

	2008	2007
Petty cash and change drawers	\$ 11,150	\$ 11,150
Cash deposited with banking institutions including overnight repurchase agreements	5,429,886	5,877,082
Less: restricted for customer deposits	(2,798,645)	(2,665,093)
Less: restricted for asset acquisition	-0-	-0-
Less: restricted for capital investment	-0-	(1,676)
Less: restricted for bond repayment	(543,847)	(529,820)
Less: fiduciary cash	<u>(7,136)</u>	<u>(40,072)</u>
 Total Unrestricted Cash and Equivalents	 <u>\$ 2,091,408</u>	 <u>\$ 2,651,571</u>

Investments consist of short-term United States Treasury Bills, and investments in State Treasurer's investment pool, and six months certificate of deposit	\$ 16,530,091	\$ 18,805,422
Less: Investments restricted for capital investment	<u>(75,008)</u>	<u>(75,008)</u>
 Total Unrestricted Investments	 <u>\$ 16,455,083</u>	 <u>\$ 18,730,414</u>

Restricted cash and Investments Consist of the following:

Cash deposited with banking institutions:		
Cash restricted for customer deposits	\$ 2,798,645	\$ 2,665,093
Cash restricted for asset acquisition	-0-	-0-
Cash restricted for capital investment	-0-	1,676
Cash restricted for bond repayment	543,847	529,820
Investment restricted for capital investment	-0-	-0-
Short-term United States Treasury Bills and Notes and Repurchase Agreements	<u>75,008</u>	<u>75,008</u>
 Total Restricted Assets	 <u>\$ 3,417,500</u>	 <u>\$ 3,271,597</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk is that all deposits should be collateralized. The City has an agreement with the bank that the bank is to ensure the deposits are insured. The deposits are periodically checked by the finance director to ensure collateralization. As of September 30, 2008, the government's bank balance of \$8,312,190 (excluding repurchase agreements of \$2,363,622) was exposed to custodial credit risk as follows:

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Amount insured by FDIC	\$ 478,680
Amount insured or registered held by the City's agent in the City's name	2,354,763
Amount Collateralized with securities held by the pledging financial institution's agent in the City's name	5,478,747
Uncollateralized	-
	\$ 8,312,190

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

	Carrying Amount	Fair Value
US Government Securities	\$ 7,927,285	\$ 7,939,488
State Treasurer's Investment Pool	8,612,202	8,612,202
Repurchase Agreements	2,363,622	2,363,622
Total Investments	\$ 18,903,109	\$ 18,915,312

The investments in US Treasury Bills and Notes are reported at amortized cost.

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 16th, 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.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 3- PROPERTY TAXES (continued)

\$14,027 of delinquent taxes uncollected at September 30, 2008, are not considered available to liquidate current period liabilities and, accordingly, the City has provided deferred revenue equal to the \$47,064 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.

NOTE 5- INTERFUND BALANCES

Individual fund interfund receivable and payable balances at September 30, 2008 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 947,410	\$ 75,573
Special Revenue Funds		
Accomodations Tax Fund	-0-	623
Hospitality & Accom Tax Fund	75,573	-0-
Victim's Advocate Fund	-0-	-0-
Proprietary Funds		
Airport	-0-	467,545
Pro Shop	90,973	-0-
Hillcrest	-0-	480,993
Department of Public Utilities	-0-	89,222
	<u>\$ 1,113,956</u>	<u>\$ 1,113,956</u>

Individual fund operating transfers for the year ended September 30, 2008 were as follows:

	Transfers out	Transfers in
General Fund	\$ 1,093,070	\$ 4,419,869
Nonmajor Funds		
Accomodations Tax Fund	26,195	-0-
Hospitality & Accom Tax Fund	325,709	759,267
County Capital 1% Fund	-0-	-0-
DPS Complex	-0-	-0-
2006 County Capital 1% Fund	145,100	508,790
Victim's Advocate Fund	46,520	-0-
Hillcrest Golf Course Capital	-0-	18,648
Stevenson Auditorium Renovation	-0-	-0-
Local Law Enf Block Grant	-0-	-0-
Downtown Fascade	-0-	-0-
Community Development Corp	-0-	-0-
Enterprise Funds		
Airport	-0-	229,100
Pro Shop	-0-	-0-
Hillcrest	18,648	21,709
Department of Public Utilities	4,302,141	-0-
	<u>\$ 5,957,383</u>	<u>\$ 5,957,383</u>

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 6- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

<u>Governmental Activities</u>	<u>Balance 09/30/07</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance 09/30/08</u>
Capital assets, not being depreciated:					
Land	\$ 2,036,515	\$ 50,400	\$ -0-	\$ -0-	\$ 2,086,915
Construction in Progress	<u>1,299,688</u>	<u>2,177,497</u>	<u>(1,324,118)</u>	<u>(200)</u>	<u>2,152,867</u>
Total Capital Assets, not being depreciated:	<u>3,336,203</u>	<u>2,227,897</u>	<u>(1,324,118)</u>	<u>(200)</u>	<u>4,239,782</u>
Capital assets, being depreciated:					
Buildings	9,287,645	111,459	-0-	-0-	9,399,104
Buildings Improvements	1,677,651	37,047	968,680	(6,495)	2,676,883
Land Improvements	2,881,102	19,327	355,438	-0-	3,255,867
Infrastructure	4,892,299	3,450	-0-	-0-	4,895,749
Vehicles	4,816,884	12,500	356,546	(300,338)	4,885,592
Furniture & Fixtures	1,422,351	26,992	-0-	(54,231)	1,395,112
Machinery & Equipment	844,213	5,904	21,730	(47,990)	823,857
Computer Equipment	943,098	117,925	-0-	(28,283)	1,032,740
Assets under Capital Lease	955,878	1,069,806	(396,229)	(62,230)	1,567,225
Tools & Other	<u>1,230,241</u>	<u>91,372</u>	<u>-0-</u>	<u>(51,642)</u>	<u>1,269,971</u>
Total Capital Assets, being depreciated:	<u>28,951,362</u>	<u>1,495,782</u>	<u>1,306,165</u>	<u>(551,209)</u>	<u>31,202,100</u>
Less Accumulated Depreciation:					
Buildings	3,446,396	231,773	-0-	-0-	3,678,169
Buildings Improvements	398,732	97,427	-0-	(2,169)	493,990
Land Improvements	1,167,708	203,512	-0-	-0-	1,371,220
Infrastructure	520,242	170,206	-0-	-0-	690,448
Vehicles	4,304,525	378,830	-0-	(290,948)	4,392,407
Furniture & Fixtures	1,031,546	109,940	-0-	(54,231)	1,087,255
Machinery & Equipment	659,395	55,460	-0-	(47,810)	667,045
Computer Equipment	777,331	86,567	-0-	(27,107)	836,791
Assets under Capital Lease	486,264	207,050	-0-	(46,920)	646,394
Tools & Other	<u>616,254</u>	<u>135,539</u>	<u>-0-</u>	<u>(46,872)</u>	<u>704,921</u>
Total Accumulated Depreciation:	<u>13,408,393</u>	<u>1,676,304</u>	<u>-0-</u>	<u>(516,057)</u>	<u>14,568,640</u>
Total Capital Assets being depreciated, net:	<u>15,542,969</u>	<u>(180,522)</u>	<u>1,306,165</u>	<u>(35,152)</u>	<u>16,633,460</u>
Governmental activities Capital Assets, net:	<u>\$ 18,879,172</u>	<u>\$ 2,047,375</u>	<u>\$ (17,953)</u>	<u>\$ (35,352)</u>	<u>\$ 20,873,242</u>

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 6- CAPITAL ASSETS (continued)

<u>Business-Type Activities</u>	<u>Balance 09/30/07</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance 09/30/08</u>
Capital assets, not being depreciated:					
Land	\$ 3,394,704	\$ -0-	\$ -0-	\$ -0-	\$ 3,394,704
Construction in Progress	<u>34,267,838</u>	<u>1,996,164</u>	<u>(20,701,637)</u>	<u>-0-</u>	<u>15,562,365</u>
Total Capital Assets, not being depreciated:	<u>37,662,542</u>	<u>1,996,164</u>	<u>(20,701,637)</u>	<u>-0-</u>	<u>18,957,069</u>
Capital assets, being depreciated:					
Buildings & Improvements	7,659,807	40,275	-0-	-0-	7,700,082
Electric Division	98,968,717	6,109,581	(574,631)	-0-	104,503,667
Gas Division	20,665,710	1,767,743	(36,738)	-0-	22,396,715
Water Division	63,192,196	24,008,986	(1,299,084)	-0-	85,902,098
Wastewater Division	56,947,632	3,583,543	(16,970)	-0-	60,514,205
Land Improvements	11,390,279	-0-	-0-	-0-	11,390,279
Tools & Equipment	1,157,217	82,575	(10,044)	-0-	1,229,748
Furniture & Fixtures	3,300,498	88,913	(19,192)	-0-	3,370,219
Vehicles	3,500	-0-	14,955	-0-	18,455
Machinery & Equipment	1,037,781	-0-	(11,261)	-0-	1,026,520
Computer/Supplies/Upgrades	10,448	-0-	(1,279)	-0-	9,169
Assets under Capital Lease	<u>258,026</u>	<u>25,137</u>	<u>-0-</u>	<u>-0-</u>	<u>283,163</u>
Total Capital Assets, being depreciated:	<u>264,591,811</u>	<u>35,706,753</u>	<u>(1,954,244)</u>	<u>-0-</u>	<u>298,344,320</u>
Less Accumulated Depreciation:	<u>(100,803,891)</u>	<u>(8,170,995)</u>	<u>2,044,821</u>	<u>-0-</u>	<u>(106,930,065)</u>
Total Capital Assets being depreciated, net:	<u>163,787,920</u>	<u>27,535,758</u>	<u>90,577</u>	<u>-0-</u>	<u>191,414,255</u>
Net Property, Plant & Equipment	<u>\$ 201,450,462</u>	<u>\$ 29,531,922</u>	<u>\$ (20,611,060)</u>	<u>\$ -0-</u>	<u>\$ 210,371,324</u>

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

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 6- CAPITAL ASSETS (continued)

The following is a summary of the proprietary fund type fixed assets at September 30, 2008:

	<u>Municipal Airport</u>	<u>Golf Pro-Shop</u>	<u>Golf Course</u>
Construction in Progress	\$ 1,553,407	\$ -0-	\$ -0-
Land & Land Improvements	12,179,676	-0-	526,555
Buildings & Improvements	498,335	-0-	464,558
Machinery, Equipment & Vehicles	716,539	1,295	486,728
Assets under Capital Lease	197,962	-0-	85,201
Less, Accumulated Depreciation:	<u>(3,891,944)</u>	<u>(956)</u>	<u>(898,719)</u>
Net Property, Plant & Equipment	<u>\$ 11,253,975</u>	<u>\$ 339</u>	<u>\$ 664,323</u>

The depreciation expense totals for the Airport, Pro-Shop & Golf Course were \$789,184 for the year ended September 30, 2008.

Department of Public Utilities

Land	\$ 2,078,752
Electric Division	104,503,667
Gas Division	22,396,715
Water Division	85,902,098
Wastewater Division	60,514,205
Buildings & Improvements	6,737,189
Tools & Equipment	1,138,162
Furniture, Fixtures & Computers	3,311,387
Construction in Progress	<u>14,008,958</u>
Total	<u>300,591,133</u>
Less: Accumulated Depreciation	(102,138,446)
Net Property, Plant & Equipment - DPU	<u>198,452,687</u>
Total Net Value - All Proprietary Funds	<u>\$ 210,371,324</u>

Included in these amounts is depreciation on electric and turbine generators. This depreciation (\$493,595 for the year ended September 30, 2008 and \$476,146 for the year ended September 30, 2007) 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 \$242,616 for 2008 and \$254,201 for 2007.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 6- CAPITAL ASSETS (continued)

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

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

Executive	\$	2,426
Finance		24,652
Administrative		5,825
Public Works		503,988
Public Safety		695,587
Parks and Recreation		379,291
Services		<u>64,535</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>1,676,304</u></u>

NOTE 7- LONG-TERM DEBT

Long-term liability for the year ended September 30, 2008 was as follows:

	<u>09/30/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/08</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Leases payable	\$ 3,898,175	\$ 1,130,500	\$ (904,511)	\$ 4,124,164	\$ 750,119
Notes payable	-	-	-	-	-
Accrued Annual leave	1,141,306	365,382	(302,455)	1,204,233	327,514
General Obligation Bond	<u>1,750,000</u>	<u>-0-</u>	<u>(100,000)</u>	<u>1,650,000</u>	<u>150,000</u>
Total Governmental Activities	<u>\$ 6,789,481</u>	<u>\$ 1,495,882</u>	<u>\$ (1,306,966)</u>	<u>\$ 6,978,397</u>	<u>\$ 1,227,633</u>
Business-type activities:					
Capital Leases Payable	\$ 99,503	\$ 26,000	\$ (28,965)	\$ 96,538	\$ 28,579
Accrued Annual Leave	1,139,544	695,002	(579,130)	1,255,416	577,689
Combined Public Utilities System Revenue Bond	<u>6,650,000</u>	<u>-0-</u>	<u>(950,000)</u>	<u>5,700,000</u>	<u>950,000</u>
Total Business-type activities	<u>\$ 7,889,047</u>	<u>\$ 721,002</u>	<u>\$ (1,558,095)</u>	<u>\$ 7,051,954</u>	<u>\$ 1,556,268</u>

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 7- LONG-TERM DEBT (continued)

Governmental activities:

	<u>Outstanding 09/30/07</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 09/30/08</u>
Governmental Activities:				
Capital Leases:				
Vehicles and equipment financed by South Carolina Bank & Trust, Three annual payments of \$160,821 principal with interest at a rate of 2.95% through April 1, 2008	156,113	-0-	(156,113)	-0-
Various equipment, financed by South Carolina Bank and Trust, three annual payments of \$179,310 principal and interest at a rate of 3.9% through March 1, 2009	338,014	-0-	(171,808)	166,206
Capital projects for the City financed by BB&T in the amount of \$3,787,058. The City financed several capital projects through a lease purchase. These projects included construction of several parking lots, cart paths at the golf course, Stevenson Auditorium renovation, improvements of two buildings, a spray fountain and a downtown streetscape. This lease was refinanced October, 2004. Payments of \$342,927 including principal and interest at 4.1% for 15 years. The addition includes the prepayment penalty in the refinance in the amount of \$40,341. 1st payment due October, 2005	3,404,048	-0-	(203,361)	3,200,687
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	-0-	1,130,500	(373,229)	757,271
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 on May and November through 2013	1,750,000	-0-	(100,000)	1,650,000
Total	\$ <u>5,648,175</u>	\$ <u>1,130,500</u>	\$ <u>(1,004,511)</u>	\$ <u>5,774,164</u>

The following is a schedule of debt repayments under bonds and capital leases for the governmental activities at September 30, 2008.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 7- LONG-TERM DEBT (continued)

<u>September</u>	<u>Bonds & Notes</u>			<u>Capital Leases</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Sub Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Sub Total</u>	
2009	150,000	57,750	207,750	750,119	170,423	920,542	1,128,292
2010	200,000	52,500	252,500	605,435	135,833	741,267	993,767
2011	250,000	45,500	295,500	229,414	113,513	342,927	638,427
2012	300,000	36,750	336,750	238,820	104,107	342,927	679,677
2013	350,000	26,250	376,250	248,612	94,315	342,927	719,177
2014 - 2018	400,000	14,000	414,000	1,404,575	310,061	1,714,636	2,128,636
2019 - 2023	-0-	-0-	-0-	647,189	38,666	685,854	685,854
Total	<u>1,650,000</u>	<u>232,750</u>	<u>1,882,750</u>	<u>4,124,164</u>	<u>966,918</u>	<u>5,091,082</u>	<u>6,973,832</u>

The South Carolina Constitution limits local unit borrowing power to 8 percent of its assessed property value. The limitation excludes bonded indebtedness existing on December 1, 1977, (date of the Constitutional amendment), certain special levies assessed on properties located in an area receiving special benefits and other prescribed indebtedness approved by the voters. Lease purchases are also excluded from this limitation. As of September 30, 2008, the City's bonded indebtedness was below the Constitutional limits as follows:

Real property assessed value	\$ 30,435,565
Other personal property assessed value	140,221
Vehicles assessed value	<u>2,587,020</u>
Total taxable assessed value	<u>\$ 33,162,806</u>
Debt limit - eight percent (8%) of total taxable assessed value	\$ 2,653,024
Amount of debt applicable to limit	<u>1,650,000</u>
Legal debt margin	<u>\$ 1,003,024</u>

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 7- LONG-TERM DEBT (continued)

Business-type Activities:

	Outstanding 09/30/07	Issued	Repaid	Outstanding 09/30/08
Business Type Activities:				
Capital Leases:				
Municipal Airport:				
Facilities lease for the construction and equipping of a hanger 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.	78,310	-0-	(9,971)	68,339
Hillcrest Golf Course:				
Mower & vehicle financed by South Carolina Bank and Trust, three annual payments of \$11,288 principal and interest at 3.9% through March 1, 2009	21,193	-0-	(10,410)	10,783
Equipment financed by South Carolina Bank & Trust. Three annual payments of \$9,161 principal and interest at 3.45% through July 1, 2010	-0-	26,000	(8,584)	17,416
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	6,650,000	-0-	(950,000)	5,700,000
Total	\$ 6,749,503	\$ 26,000	\$ (978,965)	\$ 5,796,538

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
September 30, 2008

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, 2008, 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 outstanding and 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, 2008.

<u>September</u>	<u>Bonds & Notes</u>			<u>Capital Leases</u>			<u>Total</u>
	<u>Notes</u>	<u>Interest</u>	<u>Sub Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Sub Total</u>	
2009	950,000	156,750	1,106,750	28,579	5,323	33,902	1,140,652
2010	950,000	128,250	1,078,250	18,443	4,218	22,661	1,100,911
2011	950,000	99,750	1,049,750	9,953	3,547	13,500	1,063,250
2012	950,000	71,250	1,021,250	10,333	3,167	13,500	1,034,750
2013	950,000	42,750	992,750	10,727	2,773	13,500	1,006,250
2014 - 2018	950,000	14,250	964,250	18,504	8,496	27,000	991,250
2019 - 2023	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total	<u>5,700,000</u>	<u>513,000</u>	<u>6,213,000</u>	<u>96,538</u>	<u>27,525</u>	<u>124,063</u>	<u>6,337,063</u>

No bond interest expenses or earnings have been reflected in income during 2008.

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.

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 is covered by the South Carolina Police Officer's Retirement System. The South Carolina Retirement System (SCRS) and the Police Officer's 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

City of Orangeburg
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Notes to the Financial Statements
September 30, 2008

NOTE 9- RETIREMENT PLAN (continued)

employee was 6.25% of their salary under SCRS until July 1, 2007 when it became 6.5%. Cost to the employee is 6.5% under PORS. Employers are required to contribute 9.06% for the SCRS until July 1, 2008. Employers were required to contribute 10.3% for the PORS until July 1, 2008. 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 an 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, P.O. Box 11960, Columbia, South Carolina 29211-1960.

Information as to employer and employee contributions to plan is as follows:

2006		2007		2008	
SCRS	PORS	SCRS	PORS	SCRS	PORS
\$ 683,024	202,971	\$ 685,564	202,971	\$ 731,775	209,822
\$ 861,161	323,601	\$ 964,398	323,601	\$ 1,097,983	332,290

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

NOTE 10- POST-RETIREMENT BENEFITS

The City makes available continued health insurance benefits to eligible retired employees and their dependents. These benefits are available based on the following criteria:

If hired prior to June 1, 1993, you may receive medical insurance coverage with the City upon retirement at age 60 with 20 years service or at age 65 with 15 years of service.

Present employees hired prior to June 1, 1993 may receive medical insurance coverage upon retirement at any age after 30 years service in the SC Retirement System or upon retirement at any age after 25 years in the SC Police Retirement System. They may also receive medical insurance coverage with 30 years of service with the City of Orangeburg or 25 years with the Department of Public Safety. The employee will be allowed to retain coverage until the age of 60 at their own cost. The City will then begin paying for the retiree.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 10- POST-RETIREMENT BENEFITS (continued)

Employees hired after June 1, 1993 may receive medical insurance coverage with the City upon retirement at any age with at least 30 years of service with the City or 25 years of service with the Department of Public Safety. The employee will be allowed to retain coverage until the age of 60 at their own cost. The City will then begin paying for the retiree.

The City's and the Department's cost for health insurance benefits to eligible retired employees for the year ended September 30, 2008 was \$146,769. There are approximately 81 retirees participating in this program at September 30, 2008. The City does not accrue a liability for future retirement benefits in its governmental funds. Additionally, as permitted under GASB #20, the City's proprietary funds have elected not to account for post-retirement benefits under the guidance of the Financial Accounting Standards Board (FASB) #106.

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, 2008, to indicate assets legally segregated for specific future uses and to indicate resources which are not appropriable.

Legally segregated for future uses:	
Self insurance	\$ 182,974
Encumbrances	13,645
Fire equipment	<u>100,817</u>
Total	<u>\$ 297,436</u>
Resources not appropriable:	
Inventory	\$ 149,667
Amount due from Municipal Airport	<u>467,545</u>
Total	<u>\$ 617,212</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>543,847</u>
Total	<u>\$ 618,855</u>

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

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-life 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.

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

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

The 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.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 12- RISK MANAGEMENT (continued)

The City also participates in the South Carolina Local Government Assurance Group whereby health insurance premiums are paid to cover claims in excess of \$80,000. The City is subject to additional assessments in the event of deficiencies. To cover claims of \$80,000 or less, the City funds a reserve, which if the reserve were to be depleted, the City would be liable for additional claims. For the year ending September 30, 2008, the City paid \$1,923,584 in insurance premiums under this plan. The reserve balance is (\$9,071) as of September 30, 2008. The SC Local Government Assurance Group holds the reserve funds. The balances include both the City and the Department of Public Utilities but are not included as an asset and liability in the balance sheet.

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

The Department of Public Utilities has set aside and reserved \$75,008 to cover the excess cost to clean-up contamination surrounding its three underground storage tanks that may not be covered under the Super Fund provisions in the Clean Water Act legislation. The 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 distributions lines is not available. Additionally, the Department of Public Utilities (proprietary fund) does not carry collision coverage on its motor vehicles.

NOTE 13- COMMITMENTS AND CONTINGENCIES

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

The City has improvement projects in progress. As of September 30, 2008, the City had incurred \$853,179 in costs of uncompleted projects. Projected additional costs to complete the current projects are expected to be approximately \$1,157,251.

City of Orangeburg
Orangeburg, South Carolina
Notes to the Financial Statements
September 30, 2008

NOTE 13- COMMITMENTS AND CONTINGENCIES (continued)

Projected costs to complete current projects in progress for the Department of Public Utilities are expected to be approximately \$7,158,250. Total expected costs for all projects approved by Council for fiscal year 2009 are approximately \$9,726,000.

NOTE 14- RELATED PARTY TRANSACTIONS

There was an amount due to the City of Orangeburg General fund of \$89,222 at September 30, 2008 and \$70,755 at September 30, 2007 for unremitted garbage fees, street light transfers, and mowing services.

Included in the Department's operating income is \$534,577 in 2008 and \$513,121 in 2007 representing utilities purchased by the City of Orangeburg for the City's utility usage.

The Department transferred \$4,302,141 in 2008 and \$3,787,071 in 2007 to the City of Orangeburg General Fund.

NOTE 15- CHANGES IN ACCOUNTING PRINCIPLE

The GASB issued GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in June of 2004. The statement is effective for the City year ending June 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 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. The effects of implementation on GASB 45 on net assets have not been determined. The beginning net assets will be restated for the June 30, 2009 period.

City of Orangeburg
Orangeburg, South Carolina
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
September 30, 2008

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Over
						(Under)
Revenues:						
Taxes:						
Ad valorem	\$ 2,985,681	\$ 2,971,841	\$ 2,995,897	\$ -0-	\$ 2,995,897	\$ 24,056
Sales	975,000	907,000	918,070	-0-	918,070	11,070
Licenses and permits	2,811,605	2,887,630	2,792,783	-0-	2,792,783	(94,847)
Franchise fee	135,000	137,000	136,987	-0-	136,987	(13)
Fines and forfeitures	737,800	742,800	770,053	-0-	770,053	27,253
Charges for Services	1,799,317	1,826,711	1,844,948	-0-	1,844,948	18,237
Interest income	495,000	301,600	310,297	-0-	310,297	8,697
Miscellaneous	579,725	455,155	227,783	-0-	227,783	(227,372)
Intergovernmental	722,371	521,956	530,367	-0-	530,367	8,411
Total Revenues	11,241,499	10,751,693	10,527,185	-0-	10,527,185	(224,508)
Expenditures:						
Executive	361,630	381,660	368,161	350	368,511	(13,149)
Finance	608,542	590,901	587,957	-0-	587,957	(2,944)
Administrative	487,597	499,280	487,054	-0-	487,054	(12,226)
Public works	1,862,995	1,832,569	1,842,282	-0-	1,842,282	9,713
Public safety	7,162,853	6,891,566	6,588,918	-0-	6,588,918	(302,648)
Parks and recreation	1,817,033	1,769,720	1,762,134	-0-	1,762,134	(7,586)
Service	553,435	513,931	513,099	-0-	513,099	(832)
Non-departmental	938,391	1,106,482	1,088,616	-0-	1,088,616	(17,866)
Debt Service	900,961	897,926	897,927	-0-	897,927	1
Capital Outlay	1,047,600	873,686	1,226,915	-0-	1,226,915	353,229
Total Expenditures	15,741,037	15,357,721	15,363,063	350	15,363,413	5,692
Excess (Deficiency) of Revenues Over Expenditures	(4,499,538)	(4,606,028)	(4,835,878)	(350)	(4,836,228)	(230,200)
Other Financing Sources (Uses):						
Operating transfers in	4,379,038	4,557,528	4,419,869	-0-	4,419,869	(137,659)
Operating transfers out	(1,010,000)	(1,082,000)	(1,093,070)	-0-	(1,093,070)	(11,070)
Lease proceeds	1,130,500	1,130,500	1,130,500	-0-	1,130,500	-0-
Total Other Financing Sources (Uses)	4,499,538	4,606,028	4,457,299	-0-	4,457,299	(148,729)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-0-	-0-	(378,579)	(350)	(378,929)	(378,929)
Fund Balances, Beginning of Year	10,568,689	10,568,689	10,568,689	(13,295)	10,555,394	(13,295)
Fund Balances, End of Year	\$ 10,568,689	\$ 10,568,689	\$ 10,190,110	\$ (13,645)	\$ 10,176,465	\$ (392,224)

The Accompanying Notes to Budgetary Comparison Schedule are an Integral Part of This Statement.

City of Orangeburg
Orangeburg, South Carolina
Notes to Budgetary Comparison Schedule
September 30, 2008

A. 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 unexpected appropriations lapse at year-end unless they are encumbered. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies 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. Encumbrances existed at September 30, 2008 of the following: \$13,295 for auditing fees.

City of Orangeburg
Orangeburg, South Carolina
Combining Balance Sheet – Non-major Governmental Funds
September 30, 2008

	Special Revenue										
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accommodation s Tax	Hospitality and Accommodation's Tax	Victim's Advocate Fund	Drug Fund	S.C. Queen of Roses	Stevenson Auditorium	Edisto Senior Games
ASSETS											
Cash & Investments	\$ 61,454	\$ 68,434	\$ 15,833	\$ 19,573	\$ 3,310	\$ 1,209,668	\$ 89	\$ 38,808	\$ -0-	\$ 60,833	\$ 559
Revenue receivable	-0-	-0-	-0-	425	12,467	200,000	-0-	-0-	-0-	(30)	-0-
Due from other funds	-0-	-0-	-0-	-0-	-0-	75,573	-0-	-0-	-0-	-0-	-0-
TOTAL ASSETS	<u>61,454</u>	<u>68,434</u>	<u>15,833</u>	<u>19,998</u>	<u>15,777</u>	<u>1,485,241</u>	<u>89</u>	<u>38,808</u>	<u>-0-</u>	<u>60,803</u>	<u>559</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accrued expenditures and payables	-0-	-0-	-0-	-0-	-0-	17,256	-0-	-0-	-0-	-0-	-0-
Deferred revenue	-0-	-0-	-0-	-0-	-0-	200,000	-0-	-0-	-0-	-0-	-0-
Due to other funds	-0-	-0-	-0-	-0-	623	-0-	-0-	-0-	-0-	-0-	-0-
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>623</u>	<u>217,256</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:											
Designated for future capital projects	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Reserved for Encumbrances	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unreserved	61,454	68,434	15,833	19,998	15,154	1,267,985	89	38,808	-0-	60,803	559
Total Fund Balances	<u>61,454</u>	<u>68,434</u>	<u>15,833</u>	<u>19,998</u>	<u>15,154</u>	<u>1,267,985</u>	<u>89</u>	<u>38,808</u>	<u>-0-</u>	<u>60,803</u>	<u>559</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,454</u>	<u>\$ 68,434</u>	<u>\$ 15,833</u>	<u>\$ 19,998</u>	<u>\$ 15,777</u>	<u>\$ 1,485,241</u>	<u>\$ 89</u>	<u>\$ 38,808</u>	<u>\$ -0-</u>	<u>\$ 60,803</u>	<u>\$ 559</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Balance Sheet – Non-major Governmental Funds (Continued)
September 30, 2008

	Special Revenue					Capital Projects					County Capital One Percent Fund	Total
	Local Law Enforcement	JAG Grant	Community Development Block Grant	Downtown Fascade	Community Development Corporation	Magic Johnson Fund	Hospitality and Accommodation	DPS Complex	Hillcrest Golf Course	Total		
ASSETS												
Cash & Investments	\$ -0-	\$ 2,806	\$ -0-	\$ 14,592	\$ 78,680	\$ -0-	\$ -0-	\$ -0-	\$ 18,898	\$ 863,044	\$ 2,456,581	
Revenue receivable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	212,862	
Due from other funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	75,573	
TOTAL ASSETS	<u>-0-</u>	<u>2,806</u>	<u>-0-</u>	<u>14,592</u>	<u>78,680</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>18,898</u>	<u>863,044</u>	<u>2,745,016</u>	
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accrued expenditures and payables	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	300,000	317,256	
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	200,000	
Due to other funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	623	
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>300,000</u>	<u>517,879</u>	
Fund Balances:												
Designated for future capital projects	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	18,898	563,044	581,942	
Reserved for Encumbrances	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Unreserved	-0-	2,806	-0-	14,592	78,680	-0-	-0-	-0-	-0-	-0-	1,645,195	
Total Fund Balances	<u>-0-</u>	<u>2,806</u>	<u>-0-</u>	<u>14,592</u>	<u>78,680</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>18,898</u>	<u>563,044</u>	<u>2,227,137</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 2,806</u>	<u>\$ -0-</u>	<u>\$ 14,592</u>	<u>\$ 78,680</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 18,898</u>	<u>\$ 863,044</u>	<u>\$ 2,745,016</u>	

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

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, 2008

	Special Revenue										
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accommodation s Tax	Hospitality and Accommodation's Tax	Victim's Advocate Fund	Drug Fund	S.C. Queen of Roses	Stevenson Auditorium	Edisto Senior Games
REVENUES											
Confiscated drugs fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,203	\$ -0-	\$ -0-	\$ -0-
Charges for services	-0-	1,251	1,500	18,872	-0-	-0-	-0-	-0-	-0-	1,350	1,278
Interest	1,081	1,847	395	584	154	28,321	348	964	-0-	32	53
Miscellaneous	-0-	-0-	-0-	-0-	-0-	200,000	-0-	12,060	-0-	-0-	-0-
Contributions	-0-	-0-	-0-	10,208	-0-	95,000	-0-	-0-	-0-	-0-	-0-
Intergovernmental	59,595	-0-	-0-	4,100	48,951	82,875	41,467	5,748	-0-	-0-	-0-
Total Revenues	60,676	3,098	1,895	33,764	49,105	406,196	41,815	24,975	-0-	1,382	1,331
EXPENDITURES											
Public safety	66,026	-0-	-0-	-0-	-0-	75,322	1,155	15,668	-0-	-0-	-0-
Cultural and recreational	-0-	-0-	-0-	31,636	25,578	-0-	-0-	-0-	-0-	4,488	2,627
Developmental services	-0-	2,423	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Small Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Debt Service	-0-	-0-	-0-	-0-	-0-	342,927	-0-	-0-	-0-	-0-	-0-
Capital outlay	-0-	-0-	-0-	-0-	-0-	414,005	-0-	1,229	-0-	-0-	-0-
Total Expenditures	66,026	2,423	-0-	31,636	25,578	832,254	1,155	16,897	-0-	4,488	2,627
Excess of Revenues Over (Under) Expenditures	(5,350)	675	1,895	2,128	23,527	(426,058)	40,660	8,078	-0-	(3,106)	(1,296)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	-0-	-0-	-0-	-0-	-0-	759,267	-0-	-0-	-0-	-0-	-0-
Operating transfers out	-0-	-0-	-0-	-0-	(26,196)	(325,709)	(46,520)	-0-	-0-	-0-	-0-
Lease Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-	(26,196)	433,558	(46,520)	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	(5,350)	675	1,895	2,128	(2,669)	7,500	(5,860)	8,078	-0-	(3,106)	(1,296)
Fund Balance, Beginning of Year	66,804	67,759	13,938	17,870	17,823	1,260,485	5,949	30,730	-0-	63,909	1,855
Fund Balance, End of Year	\$ 61,454	\$ 68,434	\$ 15,833	\$ 19,998	\$ 15,154	\$ 1,267,985	\$ 89	\$ 38,808	\$ -0-	\$ 60,803	\$ 559

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds (Continued)
For the year ended September 30, 2008

	Special Revenue						Capital Projects				Total
	Local Law Enforcement	JAG Grant	Community Development Block Grant	Downtow n Fascade	Community Development Corporation	Magic Johnson Fund	Hospitality and Accommodation	DPS Complex	Hillcrest Golf Course	County Capital One Percent Fund	
REVENUES											
Confiscated drugs fund	-0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,203
Charges for services	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	24,251
Interest	-0-	38	-0-	-0-	143	-0-	-0-	-0-	175	22,164	56,299
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	212,060
Contributions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	105,208
Intergovernmental	-0-	10,431	-0-	126,255	-0-	194,650	-0-	-0-	-0-	1,629,503	2,203,575
Total Revenues	-0-	10,469	-0-	126,255	143	194,650	-0-	-0-	175	1,651,667	2,607,596
EXPENDITURES											
Public safety	-0-	698	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	158,869
Cultural and recreational	-0-	-0-	-0-	125,649	-0-	194,650	-0-	-0-	-0-	-0-	384,628
Developmental services	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,423
Small Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Debt Service	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	342,927
Capital outlay	-0-	7,470	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,015,399	2,438,103
Total Expenditures	-0-	8,168	-0-	125,649	-0-	194,650	-0-	-0-	-0-	2,015,399	3,326,950
Excess of Revenues Over (Under) Expenditures	-0-	2,301	-0-	606	143	-0-	-0-	-0-	175	(363,732)	(719,354)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	-0-	-0-	(12)	-0-	-0-	-0-	-0-	-0-	18,648	508,803	1,286,706
Operating transfers out	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(145,100)	(543,525)
Lease Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total other financing sources (uses)	-0-	-0-	(12)	-0-	-0-	-0-	-0-	-0-	18,648	363,703	743,181
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	-0-	2,301	(12)	606	143	-0-	-0-	-0-	18,823	(29)	23,827
Fund Balance, Beginning of Year	-0-	505	12	13,986	78,537	-0-	-0-	-0-	75	563,073	2,203,310
Fund Balance, End of Year	-0-	\$ 2,806	\$ -0-	\$ 14,592	\$ 78,680	\$ -0-	\$ -0-	\$ -0-	\$ 18,898	\$ 563,044	\$ 2,227,137

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Comparative Balance Sheets – General Fund
September 30, 2008

ASSETS	<u>2008</u>	<u>2007</u>
Cash and equivalents (Note 2)	\$ 12,986	\$ 19,171
Investments (Note 2)	8,677,813	9,438,686
Receivables:		
Current taxes	69,990	75,442
Delinquent taxes	4,798	3,151
State of South Carolina	149,649	134,864
Federal Grants Receivable	-0-	200,000
Other	498,808	651,654
Due from other funds (Note 5)	947,410	673,057
Lease purchase receivable	-0-	-0-
Prepaid expenses	-0-	38,165
Inventory	<u>149,664</u>	<u>147,148</u>
TOTAL ASSETS	\$ <u>10,511,118</u>	\$ <u>11,381,338</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 161,007	\$ 428,294
Withholdings and accrued expenses	37,366	69,478
Due to other funds (Note 5)	75,573	73,812
Deferred revenue	<u>47,064</u>	<u>241,065</u>
Total Liabilities	<u>321,010</u>	<u>812,649</u>
 Fund Balances:		
Reserved for:		
Self insurance	182,974	176,978
Inventory	149,664	147,148
Encumbrances	13,645	13,295
Fire equipment	100,817	223,685
Prepays	-0-	38,165
Amount due from Municipal Airport	467,545	283,596
Unreserved, reported in:		
General Fund	9,275,463	9,685,822
Special revenue funds	-0-	-0-
Capital projects funds	<u>-0-</u>	<u>-0-</u>
Total Fund Balances	<u>10,190,108</u>	<u>10,568,689</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>10,511,118</u>	\$ <u>11,381,338</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
General Fund – Schedule of Revenues – Budget and Actual
For Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Adjustments</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Over</u>
						<u>(Under)</u>
Taxes:						
Ad valorem:						
Current	\$ 2,657,000	\$ 2,592,383	\$ 2,626,104	\$ -0-	\$ 2,626,104	\$ 33,721
Delinquent	49,500	79,350	55,437	-0-	55,437	(23,913)
Other Taxes	279,181	300,108	314,357	-0-	314,357	14,249
Total ad valorem tax	<u>2,985,681</u>	<u>2,971,841</u>	<u>2,995,898</u>	<u>-0-</u>	<u>2,995,898</u>	<u>24,057</u>
Sales:						
Hospitality and Accommodations tax	975,000	907,000	918,070	-0-	918,070	11,070
Total Sales tax	<u>975,000</u>	<u>907,000</u>	<u>918,070</u>	<u>-0-</u>	<u>918,070</u>	<u>11,070</u>
Licenses and permits:						
Business Licenses	1,066,605	1,105,630	1,126,228	-0-	1,126,228	20,598
Insurance	1,640,000	1,714,000	1,603,018	-0-	1,603,018	(110,982)
Building Permits	105,000	68,000	63,537	-0-	63,537	(4,463)
Total licenses and permits	<u>2,811,605</u>	<u>2,887,630</u>	<u>2,792,783</u>	<u>-0-</u>	<u>2,792,783</u>	<u>(94,847)</u>
Franchise Fees	135,000	137,000	136,987	-0-	136,987	(13)
Fines and forfeitures	737,800	742,800	770,053	-0-	770,053	27,253
Charges for services:						
Sanitation - commercial	360,000	360,000	362,813	-0-	362,813	2,813
Sanitation - residential	492,547	500,000	509,259	-0-	509,259	9,259
Fire service contracts	750,000	765,000	775,481	-0-	775,481	10,481
Recreation programs	167,770	174,556	168,401	-0-	168,401	(6,155)
Recreation department fees	29,000	27,155	28,995	-0-	28,995	1,840
Total charges for services	<u>1,799,317</u>	<u>1,826,711</u>	<u>1,844,949</u>	<u>-0-</u>	<u>1,844,949</u>	<u>18,238</u>
Interest Income	495,000	301,600	310,297	-0-	310,297	8,697
Miscellaneous:						
Rentals	25,000	25,000	22,941	-0-	22,941	(2,059)
Community development	-0-	-0-	-0-	-0-	-0-	-0-
Private donation	85,000	-0-	-0-	-0-	-0-	-0-
Fire truck reimbursement	-0-	-0-	-0-	-0-	-0-	-0-
Litigation Revenues	-0-	-0-	-0-	-0-	-0-	-0-
Cash Reserves	380,000	241,156	-0-	-0-	-0-	(241,156)
Miscellaneous	89,725	188,999	204,841	-0-	204,841	15,842
Total miscellaneous	<u>579,725</u>	<u>455,155</u>	<u>227,782</u>	<u>-0-</u>	<u>227,782</u>	<u>(227,373)</u>
Intergovernmental:						
Local:						
SRO Reimbursement	24,500	33,500	32,279	-0-	32,279	(1,221)
Total local	<u>24,500</u>	<u>33,500</u>	<u>32,279</u>	<u>-0-</u>	<u>32,279</u>	<u>(1,221)</u>
State:						
Local government fund	364,500	409,696	419,536	-0-	419,536	9,840
State Grants	16,600	19,235	18,127	-0-	18,127	(1,108)
Ice storm contract	-0-	-0-	-0-	-0-	-0-	-0-
FEMA Grant	-0-	-0-	-0-	-0-	-0-	-0-
Total state	<u>381,100</u>	<u>428,931</u>	<u>437,663</u>	<u>-0-</u>	<u>437,663</u>	<u>8,732</u>
Federal:						
SCDJJ Grant	-0-	-0-	-0-	-0-	-0-	-0-
FEMA Grant	80,336	-0-	-0-	-0-	-0-	-0-
Forensic Drug Lab grant	-0-	-0-	-0-	-0-	-0-	-0-
Federal Grants	189,656	20,970	21,870	-0-	21,870	900
Domestic violence	46,779	38,555	38,555	-0-	38,555	-0-
Total federal	<u>316,771</u>	<u>59,525</u>	<u>60,425</u>	<u>-0-</u>	<u>60,425</u>	<u>900</u>
Total intergovernmental	<u>722,371</u>	<u>521,956</u>	<u>530,367</u>	<u>-0-</u>	<u>530,367</u>	<u>8,411</u>
Total revenues	\$ <u>11,241,499</u>	\$ <u>10,751,693</u>	\$ <u>10,527,186</u>	\$ <u>-0-</u>	\$ <u>10,527,186</u>	\$ <u>(224,507)</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
General Fund – Schedule of Expenditures – Budget and Actual
For Year Ended September 30, 2008

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under)
	Original	Final				
Executive Department						
Administrative Division						
Personnel	\$ 82,415	\$ 84,536	\$ 84,534	\$ -0-	\$ 84,534	\$ (2)
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	17	17	17	-0-	17	-0-
Operating Expenses	50,150	53,321	51,085	350	51,435	(1,886)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>132,582</u>	<u>137,874</u>	<u>135,636</u>	<u>350</u>	<u>135,986</u>	<u>(1,888)</u>
Election Division						
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	88	88	88	-0-	88	-0-
Operating Expenses	-0-	-0-	-0-	-0-	-0-	-0-
	<u>88</u>	<u>88</u>	<u>88</u>	<u>-0-</u>	<u>88</u>	<u>-0-</u>
Municipal Court Division						
Personnel	202,504	205,414	201,864	-0-	201,864	(3,550)
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	556	556	556	-0-	556	-0-
Operating Expenses	25,900	37,728	30,016	-0-	30,016	(7,712)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>228,960</u>	<u>243,698</u>	<u>232,436</u>	<u>-0-</u>	<u>232,436</u>	<u>(11,262)</u>
Total Executive Department	<u>361,630</u>	<u>381,660</u>	<u>368,160</u>	<u>350</u>	<u>368,510</u>	<u>(13,150)</u>
Finance Department						
Finance and Records Division						
Personnel	298,395	294,641	294,641	-0-	294,641	-0-
Utility expense	900	2,575	2,553	-0-	2,553	(22)
Property & Tort	2,415	2,239	2,239	-0-	2,239	-0-
Operating Expenses	62,500	59,122	57,038	-0-	57,038	(2,084)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>364,210</u>	<u>358,577</u>	<u>356,471</u>	<u>-0-</u>	<u>356,471</u>	<u>(2,106)</u>
Data Processing Division						
Personnel	184,304	175,995	175,894	-0-	175,894	(101)
Utility expense	1,500	3,200	3,196	-0-	3,196	(4)
Property & Tort	993	844	844	-0-	844	-0-
Operating Expenses	57,535	52,285	51,552	-0-	51,552	(733)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>244,332</u>	<u>232,324</u>	<u>231,486</u>	<u>-0-</u>	<u>231,486</u>	<u>(838)</u>
Total Finance Department	<u>608,542</u>	<u>590,901</u>	<u>587,957</u>	<u>-0-</u>	<u>587,957</u>	<u>(2,944)</u>
Administrative Department						
Administration Division						
Personnel	306,907	310,528	307,711	-0-	307,711	(2,817)
Utility expense	5,000	6,383	6,277	-0-	6,277	(106)
Property & Tort	1,425	1,502	1,502	-0-	1,502	-0-
Operating Expenses	19,550	19,378	19,113	-0-	19,113	(265)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>332,882</u>	<u>337,791</u>	<u>334,603</u>	<u>-0-</u>	<u>334,603</u>	<u>(3,188)</u>
Community Planning and Development Division:						
Personnel	135,754	140,949	136,921	-0-	136,921	(4,028)
Utility expense	850	1,100	1,200	-0-	1,200	100
Property & Tort	1,404	1,404	1,403	-0-	1,403	(1)
Operating Expenses	16,707	18,036	12,928	-0-	12,928	(5,108)
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>154,715</u>	<u>161,489</u>	<u>152,452</u>	<u>-0-</u>	<u>152,452</u>	<u>(9,037)</u>
Total Administrative Department	<u>487,597</u>	<u>499,280</u>	<u>487,055</u>	<u>-0-</u>	<u>487,055</u>	<u>(12,225)</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
General Fund – Schedule of Expenditures – Budget and Actual (Continued)
For Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Public Works Department						
Administrative Division						
Personnel	207,146	208,175	207,709	-0-	207,709	(466)
Utility expense	2,500	2,304	2,364	-0-	2,364	60
Property & Tort	1,316	1,315	1,315	-0-	1,315	-0-
Operating Expenses	21,135	17,819	17,446	-0-	17,446	(373)
Capital outlay	24,000	22,369	22,369	-0-	22,369	-0-
	<u>256,097</u>	<u>251,982</u>	<u>251,203</u>	<u>-0-</u>	<u>251,203</u>	<u>(779)</u>
Building Inspection Division						
Personnel	117,645	119,345	119,309	-0-	119,309	(36)
Utility expense	2,000	2,200	2,354	-0-	2,354	154
Property & Tort	920	919	919	-0-	919	-0-
Operating Expenses	34,705	33,059	32,725	-0-	32,725	(334)
Capital outlay	15,600	-0-	-0-	-0-	-0-	-0-
	<u>170,870</u>	<u>155,523</u>	<u>155,307</u>	<u>-0-</u>	<u>155,307</u>	<u>(216)</u>
Inert Disposal Site Division						
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	-0-	-0-	-0-	-0-	-0-	-0-
Operating Expenses	-0-	-0-	-0-	-0-	-0-	-0-
Capital outlay	5,000	5,000	-0-	-0-	-0-	(5,000)
	<u>5,000</u>	<u>5,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,000)</u>
Garage Division						
Personnel	260,225	253,915	253,902	-0-	253,902	(13)
Utility expense	22,000	17,376	17,367	-0-	17,367	(9)
Property & Tort	2,111	2,228	2,228	-0-	2,228	-0-
Operating Expenses	35,680	39,603	39,711	-0-	39,711	108
Capital outlay	57,900	42,304	42,304	-0-	42,304	-0-
	<u>377,916</u>	<u>355,426</u>	<u>355,512</u>	<u>-0-</u>	<u>355,512</u>	<u>86</u>
Municipal Buildings Division						
Personnel	57,723	60,970	60,403	-0-	60,403	(567)
Utility expense	28,000	30,755	30,753	-0-	30,753	(2)
Property & Tort	4,629	3,503	3,502	-0-	3,502	(1)
Operating Expenses	43,935	40,800	41,597	-0-	41,597	797
Capital outlay	1,000	-0-	-0-	-0-	-0-	-0-
	<u>135,287</u>	<u>136,028</u>	<u>136,255</u>	<u>-0-</u>	<u>136,255</u>	<u>227</u>
Parking Facilities Division						
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	79	78	78	-0-	78	-0-
Operating Expenses	6,480	5,920	5,920	-0-	5,920	-0-
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>6,559</u>	<u>5,998</u>	<u>5,998</u>	<u>-0-</u>	<u>5,998</u>	<u>-0-</u>
Sanitation Division						
Personnel	770,588	721,649	721,630	-0-	721,630	(19)
Utility expense	4,500	5,000	4,994	-0-	4,994	(6)
Property & Tort	5,032	4,947	4,947	-0-	4,947	-0-
Operating Expenses	215,318	238,307	248,624	-0-	248,624	10,317
Capital outlay	428,000	372,772	372,772	-0-	372,772	-0-
	<u>1,423,438</u>	<u>1,342,675</u>	<u>1,352,967</u>	<u>-0-</u>	<u>1,352,967</u>	<u>10,292</u>
Street and Maintenance Division						
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	328	410	410	-0-	410	-0-
Operating Expenses	19,000	21,972	22,076	-0-	22,076	104
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>19,328</u>	<u>22,382</u>	<u>22,486</u>	<u>-0-</u>	<u>22,486</u>	<u>104</u>
Total Public Works Department	<u>2,394,495</u>	<u>2,275,014</u>	<u>2,279,728</u>	<u>-0-</u>	<u>2,279,728</u>	<u>4,714</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
General Fund – Schedule of Expenditures – Budget and Actual (Continued)
For Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Public Safety Department						
Administrative Division						
Personnel	200,364	198,475	198,449	-0-	198,449	(26)
Utility expense	110,000	122,481	124,263	-0-	124,263	1,782
Property & Tort	4,500	4,632	4,632	-0-	4,632	-0-
Operating Expenses	576,708	567,062	553,568	-0-	553,568	(13,494)
Capital outlay	62,000	51,856	51,856	-0-	51,856	-0-
	<u>953,572</u>	<u>944,506</u>	<u>932,768</u>	<u>-0-</u>	<u>932,768</u>	<u>(11,738)</u>
Patrol Division						
Personnel	2,547,046	2,636,399	2,636,398	-0-	2,636,398	(1)
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	64,257	64,257	64,256	-0-	64,256	(1)
Operating Expenses	307,223	319,200	355,106	-0-	355,106	35,906
Capital outlay	116,000	115,000	114,301	-0-	114,301	(699)
	<u>3,034,526</u>	<u>3,134,856</u>	<u>3,170,061</u>	<u>-0-</u>	<u>3,170,061</u>	<u>35,205</u>
Special Operations Division						
Personnel	1,393,703	1,219,350	1,219,348	-0-	1,219,348	(2)
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	16,635	18,845	18,845	-0-	18,845	-0-
Operating Expenses	712,265	537,052	206,998	-0-	206,998	(330,054)
Capital outlay	74,300	24,300	383,233	-0-	383,233	358,933
	<u>2,196,903</u>	<u>1,799,547</u>	<u>1,828,424</u>	<u>-0-</u>	<u>1,828,424</u>	<u>28,877</u>
Investigation Division						
Personnel	1,071,850	1,028,956	1,028,952	-0-	1,028,952	(4)
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	20,046	20,045	20,045	-0-	20,045	-0-
Operating Expenses	73,229	90,407	93,618	-0-	93,618	3,211
Capital outlay	59,000	54,958	54,958	-0-	54,958	-0-
	<u>1,224,125</u>	<u>1,194,366</u>	<u>1,197,573</u>	<u>-0-</u>	<u>1,197,573</u>	<u>3,207</u>
CDV Program						
Personnel	57,798	57,282	57,278	-0-	57,278	(4)
Utility expense	900	471	512	-0-	512	41
Property & Tort	1,329	1,329	1,328	-0-	1,328	(1)
Operating Expenses	4,500	3,662	3,661	-0-	3,661	(1)
Capital outlay	3,500	1,806	1,805	-0-	1,805	(1)
	<u>68,027</u>	<u>64,550</u>	<u>64,584</u>	<u>-0-</u>	<u>64,584</u>	<u>34</u>
Forensic Drug Lab						
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Utility expense	-0-	-0-	-0-	-0-	-0-	-0-
Property & Tort	-0-	-0-	-0-	-0-	-0-	-0-
Operating Expenses	-0-	-0-	-0-	-0-	-0-	-0-
Capital outlay	-0-	-0-	-0-	-0-	-0-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Public Safety Department	<u>7,477,153</u>	<u>7,137,825</u>	<u>7,193,410</u>	<u>-0-</u>	<u>7,193,410</u>	<u>55,585</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
General Fund – Schedule of Expenditures – Budget and Actual (Continued)
For Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Parks and Recreation Department						
Administrative Division						
Personnel	196,477	197,034	196,706	-0-	196,706	(328)
Utility expense	12,000	9,400	9,403	-0-	9,403	3
Property & Tort	5,500	5,122	5,122	-0-	5,122	-0-
Operating Expenses	20,100	16,227	15,809	-0-	15,809	(418)
Capital outlay	35,000	16,211	16,211	-0-	16,211	-0-
	<u>269,077</u>	<u>243,994</u>	<u>243,251</u>	<u>-0-</u>	<u>243,251</u>	<u>(743)</u>
Recreation Division						
Personnel	217,187	217,943	216,409	-0-	216,409	(1,534)
Utility expense	32,000	30,900	30,416	-0-	30,416	(484)
Property & Tort	6,500	5,962	5,961	-0-	5,961	(1)
Operating Expenses	182,300	169,430	173,592	-0-	173,592	4,162
Capital outlay	4,000	-0-	-0-	-0-	-0-	-0-
	<u>441,987</u>	<u>424,235</u>	<u>426,378</u>	<u>-0-</u>	<u>426,378</u>	<u>2,143</u>
Gardens Division						
Personnel	405,845	383,566	377,621	-0-	377,621	(5,945)
Utility expense	35,000	46,800	46,557	-0-	46,557	(243)
Property & Tort	23,000	20,920	20,919	-0-	20,919	(1)
Operating Expenses	77,300	100,961	102,583	-0-	102,583	1,622
Capital outlay	35,400	33,341	33,340	-0-	33,340	(1)
	<u>576,545</u>	<u>585,588</u>	<u>581,020</u>	<u>-0-</u>	<u>581,020</u>	<u>(4,568)</u>
Parks and Cemetery Division						
Personnel	476,524	418,155	409,671	-0-	409,671	(8,484)
Utility expense	15,000	22,180	21,884	-0-	21,884	(296)
Property & Tort	18,000	19,150	19,150	-0-	19,150	-0-
Operating Expenses	94,300	105,970	110,331	-0-	110,331	4,361
Capital outlay	36,500	39,267	39,266	-0-	39,266	(1)
	<u>640,324</u>	<u>604,722</u>	<u>600,302</u>	<u>-0-</u>	<u>600,302</u>	<u>(4,420)</u>
Total Parks and Recreation Department	<u>1,927,933</u>	<u>1,858,539</u>	<u>1,850,951</u>	<u>-0-</u>	<u>1,850,951</u>	<u>(7,588)</u>
Service Department						
Administrative Division						
Personnel	449,435	404,865	402,095	-0-	402,095	(2,770)
Utility expense	4,000	5,305	5,340	-0-	5,340	35
Property & Tort	13,000	12,064	12,064	-0-	12,064	-0-
Operating Expenses	87,000	91,697	93,599	-0-	93,599	1,902
Capital outlay	90,900	96,163	96,162	-0-	96,162	(1)
	<u>644,335</u>	<u>610,094</u>	<u>609,260</u>	<u>-0-</u>	<u>609,260</u>	<u>(834)</u>
Total Service Department	<u>644,335</u>	<u>610,094</u>	<u>609,260</u>	<u>-0-</u>	<u>609,260</u>	<u>(834)</u>
Non-Departmental						
Employee Christmas	15,000	23,187	23,188	-0-	23,188	1
Bld Code Enforcement	15,000	15,000	5,414	-0-	5,414	(9,586)
Annexation Covenants	10,000	15,000	18,993	-0-	18,993	3,993
Grant Expense	1,900	1,141	1,141	-0-	1,141	-0-
Trf To 2006 1% 099 Fund	-0-	-0-	-0-	-0-	-0-	-0-
Municipal Association	55,000	55,660	51,470	-0-	51,470	(4,190)
Commercial Sanitation Fees	261,191	244,043	236,403	-0-	236,403	(7,640)
Unemployment Insurance	5,700	14,745	24,134	-0-	24,134	9,389
Special Projects	35,000	34,000	22,625	-0-	22,625	(11,375)
Downtown Revitalization	25,000	25,000	25,000	-0-	25,000	-0-
Retirees-Group Insurance	137,500	146,400	146,770	-0-	146,770	370
Setoff Debt	1,000	126	126	-0-	126	-0-
Cdl Drug & Alcohol Testin	1,200	930	848	-0-	848	(82)
Employee Shots	3,000	4,860	4,860	-0-	4,860	-0-
Street Lights	215,000	232,000	233,254	-0-	233,254	1,254
Hydrant Rentals	20,000	20,000	20,000	-0-	20,000	-0-
Christmas Lights	25,000	27,090	27,090	-0-	27,090	-0-
Insurance Reserve	104,400	237,400	237,400	-0-	237,400	-0-
Chamber Dues	1,500	1,500	1,500	-0-	1,500	-0-
Fiber Rental Expense	6,000	8,400	8,400	-0-	8,400	-0-
Debt Service	741,461	738,426	738,427	-0-	738,427	1
Debt Service City Facilit	159,500	159,500	159,502	-0-	159,502	2
Total Non-Departmental	<u>1,839,352</u>	<u>2,004,408</u>	<u>1,986,545</u>	<u>-0-</u>	<u>1,986,545</u>	<u>(17,863)</u>
Total Expenditures	<u>\$ 15,741,037</u>	<u>\$ 15,357,721</u>	<u>\$ 15,363,066</u>	<u>\$ 350</u>	<u>\$ 15,363,416</u>	<u>\$ 5,695</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Statement of Net Assets – Non-Major Enterprise Funds
September 30, 2008

	Business Type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
<u>ASSETS</u>				
Current Assets:				
Cash and Equivalents	\$ 201	\$ -0-	\$ 300	\$ 501
Accounts receivable - net	34,234	-0-	788	35,022
Other Receivables	276,162	-0-	-0-	276,162
Due from other funds	-0-	20,814	-0-	20,814
Inventories	68,199	30,830	-0-	99,029
Total Current Assets	378,796	51,644	1,088	431,528
Noncurrent Assets:				
Capital Assets:				
Property, plant and equipment net of accumulated depreciation	11,253,973	339	664,324	11,918,636
Total Noncurrent Assets	11,253,973	339	664,324	11,918,636
TOTAL ASSETS	11,632,769	51,983	665,412	12,350,164
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	234,433	2,389	7,694	244,516
Current portion of capital lease obligation	9,236	-0-	19,343	28,579
Accrued compensated absences	3,462	-0-	10,936	14,398
Due to other funds	467,545	-0-	410,834	878,379
Total Current Liabilities	714,676	2,389	448,807	1,165,872
Noncurrent Liabilities:				
Capital lease obligation	59,104	-0-	8,856	67,960
Accrued compensated absences	-0-	-0-	42,455	42,455
Total noncurrent liabilities	59,104	-0-	51,311	110,415
TOTAL LIABILITIES	773,780	2,389	500,118	1,276,287
NET ASSETS:				
Invested in capital assets, net of related debt	-0-	-0-	-0-	-0-
Unrestricted	10,858,989	49,594	165,294	11,073,877
TOTAL NET ASSETS	\$ 10,858,989	\$ 49,594	\$ 165,294	\$ 11,073,877

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Non-major
Enterprise Funds
For the year ended September 30, 2008

	Business Type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
OPERATING REVENUES:				
Pro shop sales	\$ -0-	\$ 113,589	\$ -0-	\$ 113,589
Food sales	-0-	46,755	-0-	46,755
Oil and Fuel Sales	542,037	-0-	-0-	542,037
Rentals and other	59,477	831	-0-	60,308
Green fees, cart rentals and memberships	-0-	-0-	479,182	479,182
Capital projects revenue	-0-	-0-	20,072	20,072
TOTAL OPERATING REVENUES	601,514	161,175	499,254	1,261,943
OPERATING EXPENSES:				
Cost of goods sold	449,864	79,747	-0-	529,611
Operating and maintenance	125,780	11,084	178,347	315,211
Administrative	95,618	-0-	401,735	497,353
Depreciation and amortization	649,890	185	139,109	789,184
TOTAL OPERATING EXPENSES	1,321,152	91,016	719,191	2,131,359
OPERATING INCOME (LOSS)	(719,638)	70,159	(219,937)	(869,416)
NON-OPERATING REVENUES (EXPENSES)				
Gain/(loss) on disposal of property	27,928	-0-	(22,199)	5,729
Interest expense	(3,139)	-0-	(1,408)	(4,547)
TOTAL NON-OPERATING REVENUES (EXPENSES)	24,789	-0-	(23,607)	1,182
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS				
	(694,849)	70,159	(243,544)	(868,234)
Capital contributions - grants	1,090,457	-0-	-0-	1,090,457
Transfers in	229,100	-0-	91,868	320,968
Transfers out	-0-	(70,159)	(18,648)	(88,807)
CHANGES IN NET ASSETS	624,708	-0-	(170,324)	454,384
NET ASSETS - BEGINNING OF YEAR	10,234,281	49,594	335,618	10,619,493
NET ASSETS - END OF YEAR	\$ 10,858,989	\$ 49,594	\$ 165,294	\$ 11,073,877

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Statement of Cash Flows – Non-major Enterprise Funds
For the year ended September 30, 2008

	Business Type Activities - Non-major Enterprise Funds			
	Municipal Airport	Pro Shop	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 315,225	\$ 161,176	\$ 501,674	\$ 978,075
Cash payments to suppliers for goods and services	(386,774)	(90,277)	(175,593)	(652,644)
Cash payments for employees	(94,644)	-0-	(401,653)	(496,297)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(166,193)	70,899	(75,572)	(170,866)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	413,049	(70,899)	145,922	488,072
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	413,049	(70,899)	145,922	488,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Lease proceeds	-0-	-0-	24,649	24,649
Net acquisition of capital assets	(1,324,203)	-0-	(53,751)	(1,377,954)
Sale of fixed assets	-0-	-0-	(21,709)	(21,709)
Capital contributed - Grants	1,090,457	-0-	-0-	1,090,457
Capital lease obligation	(9,971)	-0-	(18,131)	(28,102)
Interest paid	(3,139)	-0-	(1,408)	(4,547)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(246,856)	-0-	(70,350)	(317,206)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment interest	-0-	-0-	-0-	-0-
Net (purchase) sale of investments	-0-	-0-	-0-	-0-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-0-	-0-	-0-	-0-
NET DECREASE IN CASH AND EQUIVALENTS	-0-	-0-	-0-	-0-
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	200	-0-	300	500
CASH AND EQUIVALENTS AT END OF YEAR	\$ 200	\$ -0-	\$ 300	\$ 500

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Combining Statement of Cash Flows – Non-major Enterprise Funds
For the year ended September 30, 2008

	Business Type Activities - Non-major Enterprise Funds			
	Municipal		Golf	
	Airport	Pro Shop	Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (719,638)	\$ 70,159	\$ (219,937)	\$ (869,416)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	649,890	186	139,109	789,185
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(286,289)	-0-	2,420	(283,869)
(Increase) decrease in inventories	(14,830)	543	-0-	(14,287)
Increase (decrease) in accounts payable	203,700	11	2,754	206,465
Increase (decrease) in accrued leave	974	-0-	82	1,056
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ (166,193)	\$ 70,899	\$ (75,572)	\$ (170,866)
 RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:				
Cash on hand and in bank	\$ 200	\$ -0-	\$ 300	\$ 500
Restricted cash - customer deposits	-0-	-0-	-0-	-0-
Restricted cash - capital lease asset acquisition	-0-	-0-	-0-	-0-
Restricted cash - bond repayment	-0-	-0-	-0-	-0-
 TOTAL CASH AND CASH EQUIVALENTS	 \$ 200	\$ -0-	\$ 300	\$ 500

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Supplementary Schedules of Fines and Assessments and Surcharge Revenue for Victim Services
For the year ended September 30, 2008

	Total
Court Fines	
Court fines collected	\$ 294,632
Court fines retained by City	294,632
Court fines remitted to State Treasurer	<u><u>\$ -</u></u>
Court Assessments	
Court assessments collected	\$ 309,155
Court assessments retained by City	33,091
Court assessments remitted to State Treasurer	<u><u>\$ 276,064</u></u>
Court Surcharges	
Court surcharges collected	\$ 145,361
Court surcharges retained by City	8,376
Court surcharges remitted to State Treasurer	<u><u>\$ 136,985</u></u>
Victims' Services	
Court assessments allocated to Victims' Services	\$ 33,091
Court surcharges allocated to Victims' Services	<u>8,376</u>
Funds allocated to Victims' Services	41,467
Victims' Services expenditures	<u>47,675</u>
Funds available for carryforward	<u><u>\$ (6,208)</u></u>
Beginning balance - October 1, 2007	\$ 5,948
Funds available for carryforward	(6,208)
Interest Income	<u>348</u>
Ending balance - September 30, 2008	<u><u>\$ 88</u></u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

MURDAUGH & ASSOCIATES, CPA, LLC

Certified Public Accountant

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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 years ended September 30, 2008, which collectively comprise the City of Orangeburg's basic financial statements and have issued our report thereon dated February 10, 2009. 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 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.

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.

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

Compliance 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 specified parties.

A handwritten signature in black ink, appearing to read "Murdaugh & Associates, CPA, LLC". The signature is written in a cursive, flowing style.

Murdaugh & Associates, CPA, LLC
Orangeburg, South Carolina 29115
February 10, 2009

MURDAUGH & ASSOCIATES, CPA, LLC

Certified Public Accountant

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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, 2008. 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, 2008.

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 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.



Murdaugh & Associates, CPA, LLC
Orangeburg, South Carolina 29115
February 10, 2009

City of Orangeburg
Orangeburg, South Carolina
Schedule of Expenditures of Federal Awards
September 30, 2008

Grantor	<u>Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Total Awards Expended</u>
U.S. Department of Justice				
Through SC Department of Public Safety				
Gay-Lesbian Transgender Victim Advocacy	1W08216	16.588	1,600	1,600
Criminal Domestic Violence	1K07010	16.588	38,725	29,293
JAG Grant	DJBX0864 & DJBX1938	16.738	21,110	8,017
Gang Resistance Education and Training	JVFX0259	16.737	21,870	18,089
Rural Utility Service				
Water and Waste Disposal Systems for Rural Communities				
Waterline	1687	10.760	18,700	18,700
Federal Aviation Administration				
Airport Grant - Partial Construction	3-45-04-3 / 16	20.106	1,835,188	812,755
U.S. Department of Transportation				
Through SC Department of Transportation				
Youth Corp Program	88Q22DOT8001	20.205	17,000	16,527
Streetscape	ENH 67-05	20.205	200,000	<u>200,000</u>
Total Federal Assistance			\$	<u><u>1,104,981</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
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2008

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, Audit 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, 2008

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Orangeburg.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal program.
5. The auditor's report on compliance for the major federal award programs for the City of Orangeburg expresses an unqualified opinion.
6. There were no audit findings related to major programs.
7. The program tested as major programs included:
 - a. Airport Improvement Grant – Airport Grant 20.106
8. Type A programs are determined to be programs expending \$300,000 or more in federal awards.
9. The City of Orangeburg was not determined to be a low-risk AUDITEE.

B. Findings-Financial Statement Audit

There were no findings for the City of Orangeburg, South Carolina.

C. Findings-Major Federal

There were no findings for the City of Orangeburg, South Carolina.

No prior audit findings on which to report.

City of Orangeburg
Orangeburg, South Carolina
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Findings – Financial Statement Audit:

None

Findings and Questioned Costs: Major Federal Award Program Audit:

None

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities

Proprietary Fund Financial Statements
And Accompanying Information

Years Ended September 30, 2008 And 2007
And
Independent Auditor's Information

Department of Public Utilities

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September 30, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*27**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the of Department of Public Utilities, City of Orangeburg, South Carolina, as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Department of Public Utilities', 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.

As discussed in Note 1, the financial statements of the Department of Public Utilities, City of Orangeburg, South Carolina are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Orangeburg, South Carolina as of September 30, 2008 and 2007, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Department of Public Utilities, City of Orangeburg, South Carolina, as of September 30, 2008 and 2007, and the respective changes in financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 3 through 6, is 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2009, on our consideration of Department of Public Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Murdaugh & Associates, CPA, LLC". The signature is stylized and cursive.

Murdaugh & Associates, CPA, LLC
Orangeburg, South Carolina 29115
February 10, 2009

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Management's Discussion and Analysis
September 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008.

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 statements within the annual report for the Department report 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 Departments total sales.

Condensed Statement of Net Assets

	FY 2007	FY 2008
Current and other Assets	\$26,861,991	\$26,525,788
Capital Assets (Net)	<u>\$190,148,523</u>	<u>\$198,452,688</u>
Total Assets	\$217,010,514	\$224,978,476
Long-Term Liabilities	\$6,281,653	\$5,381,810
Other Liabilities	<u>\$12,235,687</u>	<u>\$11,115,635</u>
Total Liabilities	\$18,517,340	\$16,497,445
Invested in Capital Assets,		
Net of Related Debt	\$183,498,523	\$192,752,688
Restricted	\$604,828	\$618,855
Unrestricted	<u>\$14,389,823</u>	<u>\$15,109,488</u>
Total Net Assets	<u>\$198,493,174</u>	<u>\$208,481,031</u>

Total net assets grew by \$10 million. Significant changes in the net assets were due to several factors, foremost with the continued completion of construction in progress projects led by the Water Plant expansion project. The Gas Division assets increased from improvements to the Propane Air Plant and line extensions on Cook Road and Kennerly Road. The notable wastewater assets growth was in the completion of the Spring Valley Project, the Whitford Stage Pump Station and the Utica Pump Station Location.

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

Electric Division

	FY 2007	FY 2008
Operating Revenues	\$63,837,078	\$70,671,532
Non-Operating Revenues (Expenses)	\$176,039	\$100,005
Contributed Capital	\$0	\$0
Total Revenues	<u>\$64,013,117</u>	<u>\$70,771,537</u>
Electricity Purchased	\$46,895,578	\$51,554,423
Depreciation Expense	\$2,919,624	\$3,120,799
Other Operating Expense	\$5,278,918	\$5,893,157
Total Expenses	<u>\$55,094,120</u>	<u>\$60,568,379</u>
Income (Loss) Before Transfers	\$8,918,997	\$10,203,158
Transfers To City	<u>\$2,726,691</u>	<u>\$3,144,435</u>
Change in Net Assets	<u>\$6,192,306</u>	<u>\$7,058,723</u>

Although in volume sales decreased slightly over 1%, operating revenues increased 11% in dollars due to a rate increase dated May 2007 and a significant increase in cost of electricity. The cost of electricity purchased increased due to our suppliers' increased fuel cost. 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 a decrease in investment interest. In May 2009 the Department will end our contract with South Carolina Electric and Gas and begin receiving purchased electricity from Duke Energy. Electricity cost is expected to remain higher than normal during the 2009 fiscal year due to the Department having to pay demand charges to both suppliers during the January to April 2009 transition period. Other operating expenses increased due to legal and consulting fees for a new contract with Duke Energy and meeting new FERC regulations. Because of the Energy Act of 2005, the FERC has mandated that electric suppliers such as the Electric Division to become compliant to 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

	FY 2007	FY 2008
Operating Revenues	\$14,587,602	\$15,152,681
Non-Operating Revenues (Expenses)	\$60,538	\$42,936
Total Revenues	<u>\$14,648,140</u>	<u>\$15,195,617</u>
Natural Gas Purchased	\$11,114,118	\$11,720,171
Depreciation Expense	\$551,919	\$603,114
Other Operating Expense	\$1,579,347	\$1,616,009
Total Expenses	<u>\$13,245,384</u>	<u>\$13,939,294</u>
Income (Loss) Before Transfers	\$1,402,756	\$1,256,323
Transfers To City	<u>\$605,931</u>	<u>\$674,145</u>
Change in Net Assets	<u>\$796,825</u>	<u>\$582,178</u>

Sales increased by 4% in dollars due primarily to cost of product price increases while by volume 6% less gas was sold or transported to customers. Industrial customers increased 10% in volume in purchasing their own natural gas on the open market. The net effect is the Department collects sales and profits solely from transportation of natural gas for these customers. There continues to be a risk of losing some industrial gas customers due to the effect of the high price of natural gas, competition with 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. All other cost and revenues remained relatively stable. The Division participates in the underground storage of natural gas to mitigate extreme price or demand fluctuations. Presently, the Division stores approximately 150 to 167 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

	FY 2007	FY 2008
Operating Revenues	\$6,331,980	\$6,217,605
Non-Operating Revenues (Expenses)	\$561,203	\$506,713
Contributed Capital	\$191,332	\$26,723
Total Revenues	<u>\$7,084,515</u>	<u>\$6,751,041</u>
Depreciation Expense	\$1,241,372	\$1,502,468
Other Operating Expense	\$4,343,134	\$4,598,182
Total Expenses	<u>\$5,584,506</u>	<u>\$6,100,650</u>
Income (Loss) Before Transfers	\$1,500,009	\$650,391
Transfers To City	<u>\$265,095</u>	<u>\$276,628</u>
Change in Net Assets	<u><u>\$1,234,914</u></u>	<u><u>\$373,763</u></u>

Sales decreased 3% in dollars due to a corresponding decrease in water consumption by customers. The last rate increase was dated October 2006. A new 6% rate increase was implemented October 2008 which is expected to increase sales accordingly in 2009. Non-operating revenue decreased slightly due to a decrease of tap and impact fees. Contributed capital decreased due to the completion of current Orangeburg County Penny Projects. These projects vary year to year according to County Council's direction. Depreciation increased significantly due to capitalization of water plant improvements and a new elevated tank. The increase to other operating expenses is due general inflation of consumables such as chemicals, utilities and miscellaneous products coupled with increasing small repair expenditures due to the division's aging infrastructure. An unusual number of breaks in a thirty year old, 24,000 feet long, 10 inch line along Highway 400 serving small towns and communities is a major concern of the Division and will be replaced as quick as possible, beginning in 2009.

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

Wastewater Division

	FY 2007	FY 2008
Operating Revenues	\$4,560,197	\$4,655,287
Non-Operating Revenues (Expenses)	\$144,233	\$203,060
Contributed Capital	<u>\$330,867</u>	<u>\$1,871,693</u>
Total Revenues	\$5,035,297	\$6,730,040
Depreciation Expense	\$1,204,124	\$1,419,218
Other Operating Expense	<u>\$2,790,193</u>	<u>\$3,130,702</u>
Total Expenses	\$3,994,317	\$4,549,920
Income (Loss) Before Transfers	\$1,040,980	\$2,180,120
Transfers To City	<u>\$189,354</u>	<u>\$206,933</u>
Change in Net Assets	<u><u>\$851,626</u></u>	<u><u>\$1,973,187</u></u>

Sales remained steady with the last rate increase dated October 2006. A 40% increase in non-operating revenue is due to an increase of tap and impact fees from new customers on the system. Contributed capital increased significantly (\$1.5 million) due to Orangeburg County Penny Projects. These projects vary year to year according to County Council's direction. Operating expenses increased 12% due to general inflation of consumables such as chemicals, utilities and miscellaneous products coupled with increasing small repair expenditures due to the division's aging infrastructure. The Department recently became aware that a thirty year old concrete interceptor line is in a near collapse condition prompting a yet to be determined response and cost during the fiscal 2009 year.

Condensed Statement of Cash Flows

	FY 2007	FY 2008
Cash Flow from Operating Activities	\$15,939,830	\$16,042,027
Transfer to City and other entities	-\$3,787,071	-\$4,302,141
Cash Flow for Capital Assets	-\$10,800,363	-\$14,375,897
Cash Flow from Financing & Grants	-\$267,827	\$1,575,173
Cash Flow from Investing Activities	<u>-\$849,967</u>	<u>\$1,742,093</u>
	\$234,602	\$681,255
Starting Cash and Cash Investments	<u>\$2,961,987</u>	<u>\$3,196,589</u>
Ending Cash and Cash Investments	<u><u>\$3,196,589</u></u>	<u><u>\$3,877,844</u></u>

Spending on capital projects in year ending September 30, 2009 is anticipated to be \$5 million, slightly lower than spending in 2008 and significantly lower than the pace set in 2006 and 2007. Some notable capital projects include completion of the cross-town tie of the Electric Division, aquifer storage and recovery and Hwy 400 line replacement in the Water Division and a proposed wastewater pump station upgrade in the Wastewater Division. As of this date the Department has not been affected by the downturn of the national, state or local economies. All investments are insured government securities. However, management is concerned that major layoffs or plant closings could cause significant reduction of revenue and/or proper collections. If significant economic problems occur, management is poised to suspend any and all projects.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Statement of Net Assets
September 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and Equivalents - Note 2	\$ 535,352	\$ -0-
Investments - Note 2	7,852,277	9,366,735
Customer accounts receivable less reserve for bad debt - \$60,756 for 2008 and 2007	4,091,720	4,187,524
Unbilled customer accounts receivable	6,258,605	5,978,574
Other Receivables	90,526	170,414
Current portion direct financing lease receivable - Note 9	-0-	-0-
Inventories - Note 4	4,200,281	3,811,285
Other prepaid expenses	79,527	75,862
Total Current Assets	<u>23,108,288</u>	<u>23,590,394</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and investments - Note 2		
Customer deposits	2,798,645	2,665,093
Capital lease asset acquisition - Note 9	-0-	-0-
Bond repayment	543,847	529,820
Capital investment	-0-	1,676
Self insurance fund	75,008	75,008
Total restricted cash and investments	<u>3,417,500</u>	<u>3,271,597</u>
Grants receivable - capital investment	-0-	-0-
Total Restricted Assets	<u>3,417,500</u>	<u>3,271,597</u>
Capital Assets:		
Property, plant and equipment net of accumulated depreciation - Note 3	<u>198,452,688</u>	<u>190,148,523</u>
Other Assets:		
Noncurrent portion direct financing lease receivable - Note 9	<u>-0-</u>	<u>-0-</u>
Total Noncurrent Assets	<u>201,870,188</u>	<u>193,420,120</u>
TOTAL ASSETS	<u>\$ 224,978,476</u>	<u>\$ 217,010,514</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Statement of Net Assets
September 30, 2008 and 2007

<u>LIABILITIES</u>	<u>2008</u>	<u>2007</u>
Current Liabilities:		
Accounts Payable	\$ 6,418,309	\$ 7,896,557
Withholding and accrued expenses	135,968	73,762
Current portion of capital lease obligation	-0-	-0-
Current portion of revenue bonds payable - Note 10	406,153	420,180
Accrued compensated absences	566,753	502,093
Accrued salaries	156,740	77,427
Due to City of Orangeburg - General Fund - Note 7	89,222	70,755
Total Current Liabilities	<u>7,773,145</u>	<u>9,040,774</u>
Current Liabilities (Payable from restricted Assets):		
Current portion of revenue bonds payable - Note 10	543,847	529,820
Customer deposits	2,798,645	2,665,093
Total Current Liabilities (Payable from Restricted Assets)	<u>3,342,492</u>	<u>3,194,913</u>
Noncurrent Liabilities:		
Capital lease obligation	-0-	-0-
Bonds payable - Note 10	4,750,000	5,700,000
Accrued compensated absences	631,810	581,653
Total noncurrent liabilities	<u>5,381,810</u>	<u>6,281,653</u>
TOTAL LIABILITIES	16,497,447	18,517,340
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	192,752,688	183,498,523
Restricted for self insurance	75,008	75,008
Restricted for capital asset acquisition, net of related debt	-0-	-0-
Restricted for bond repayment	543,847	529,820
Unrestricted	15,109,486	14,389,823
TOTAL NET ASSETS	\$ <u>208,481,029</u>	\$ <u>198,493,174</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Statement of Revenue, Expenses, and Changes in Net Assets
Years Ended September 30, 2008 and 2007

OPERATING REVENUES:	<u>2008</u>	<u>2007</u>
Charges for Services:		
Electric	\$ 70,671,533	\$ 63,837,077
Gas	15,152,681	14,587,602
Water	6,217,604	6,331,980
Wastewater	<u>4,655,286</u>	<u>4,560,196</u>
TOTAL OPERATING REVENUES	<u>96,697,104</u>	<u>89,316,855</u>
OPERATING EXPENSES:		
Electricity Purchased	50,585,543	45,372,559
Electric generators and other costs	639,757	1,208,445
Solar turbines	329,123	314,574
Natural gas purchased	11,720,171	11,114,118
Operating and maintenance	7,608,500	6,920,206
Administrative	7,629,548	7,071,385
Depreciation and amortization	<u>6,645,599</u>	<u>5,917,038</u>
TOTAL OPERATING EXPENSES	<u>85,158,241</u>	<u>77,918,325</u>
OPERATING INCOME	<u>11,538,863</u>	<u>11,398,530</u>
NON-OPERATING REVENUES (EXPENSES)		
Gain/(loss) on disposal of property	16,611	-0-
Water impact and tap fees	455,280	451,586
Wastewater impact and tap fees	154,866	88,637
Interest, investments	400,975	546,490
Interest expense	<u>(175,016)</u>	<u>(144,701)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>852,716</u>	<u>942,012</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	12,391,579	12,340,542
Capital Contributions - Grants	1,898,416	522,200
Transfers to the City of Orangeburg - General Fund	<u>(4,302,141)</u>	<u>(3,787,071)</u>
CHANGES IN NET ASSETS	9,987,854	9,075,671
NET ASSETS - BEGINNING OF YEAR	<u>198,493,177</u>	<u>189,417,503</u>
NET ASSETS - END OF YEAR	\$ <u>208,481,031</u>	\$ <u>198,493,174</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Statement of Cash Flows
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 95,226,736	\$ 87,919,374
Cash payments to suppliers for goods and services	(70,587,546)	(63,407,831)
Cash payments for employees	(8,597,163)	(8,571,713)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	16,042,027	15,939,830
	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(4,302,141)	(3,787,071)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(4,302,141)	(3,787,071)
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(14,375,897)	(10,800,363)
Proceeds from sale of capital assets	16,611	-0-
Proceeds from bonds payable	-0-	-0-
Principal payment of capital leases	-0-	(380,249)
Principal payment on bonds	(950,000)	(950,000)
Water impact and tap fees	455,280	451,586
Wastewater impact and tap fees	154,866	88,637
Proceeds from grants	1,898,416	522,199
Proceeds from direct financing lease	-0-	-0-
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(12,800,724)	(11,068,190)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment interest	225,959	401,789
Net (purchase) sale of investments	1,516,134	(1,251,756)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,742,093	(849,967)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	681,255	234,602
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	3,196,589	2,961,987
	<hr/>	<hr/>
CASH AND EQUIVALENTS AT END OF YEAR	\$ 3,877,844	\$ 3,196,589
	<hr/> <hr/>	<hr/> <hr/>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Statement of Cash Flows
Years Ended September 30, 2008 and 2007

	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 11,538,863	\$ 11,398,530
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	6,645,599	5,917,038
Changes in assets and liabilities:		
(Increase) decrease in customer accounts receivable	95,804	(1,439,959)
(Increase) decrease in unbilled receivables	(280,031)	(364,770)
(Increase) decrease in other receivables - operating	79,888	107,760
(Increase) decrease in inventories	(388,996)	(1,347,489)
(Increase) decrease in other prepaid expenses	(3,665)	1,335
Increase (decrease) in accounts payable	(554,209)	1,352,687
Increase (decrease) in under (over) billing	(1,499,581)	88,097
Increase (decrease) in customer refunds payable	-0-	-0-
Increase (decrease) in withholdings and accrued expenses	62,206	(12,181)
Increase (decrease) in accrued compensated absences	114,817	53,178
Increase (decrease) in accrued salaries	79,313	(30,586)
Increase (decrease) in due to City of Orangeburg - General Fund	18,467	4,799
Increase (decrease) in customer deposits payable	133,552	211,391
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	 \$ 16,042,027	 \$ 15,939,830

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:

Cash on hand and in bank	\$ 535,352	\$ -0-
Restricted cash - customer deposits	2,798,645	2,665,093
Restricted cash - capital lease asset acquisition	-0-	-0-
Restricted cash - capital investment	-0-	1,676
Restricted cash - bond repayment	543,847	529,820
 TOTAL CASH AND CASH EQUIVALENTS	 \$ 3,877,844	 \$ 3,196,589

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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

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

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

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

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

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and services.

Non operating revenues and expenses include revenues considered to be non exchange and exchange-like items, financing and investment-related income and expenses.

For financial statement purposes, as shown on the included schedules, administrative income and expenses are allocated among the four remaining divisions on the basis of divisional revenue in relation to total revenue. The allocation rates for fiscal years 2008 and 2007 are: 43% electric; 15% gas; 28% water; and 14% wastewater.

Rates

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

Cash and Cash Equivalents

The Department considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Investments

The Department invests in obligations of the United States Government as authorized by the State of South Carolina. The Department reports investments which mature one year or less from the date of their acquisition at amortized cost. Such investments at amortized cost reasonably approximate their fair value.

Reserve for Bad Debts

Historically, bad debts occurred on an average of .37% of billings. The recorded reserve is approximately 1.46% of accounts receivables at September 30, 2008 and 1.43% of accounts receivable at September 30, 2007 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.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of supplies for operating and maintenance and improving property and plant, and are priced at average cost.

Receivables

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

Property, Plant and Equipment

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

	Useful Life (Years)
Electric System	25-50
Gas System	35-50
Water System	30-100
Wastewater System	40-60
Buildings	45
Warehouse	25
Fiber Optics and SCADA Systems (part of the electric system)	12-30
Tools	3-7
Furniture and fixtures	3-20

Deferred Costs

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

Income Taxes

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Compensated Absences

All regular full-time employees of the Department of Public Utilities accumulate vacation and sick leave depending upon length of service. The maximum leave which may be accrued is 1,080 hours for persons with twenty or more years of service. Accrued compensation is calculated as hours earned times hourly rate plus related payroll taxes and retirement.

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS

Unrestricted cash and equivalents and investments consist of the following:

	2008	2007
Petty cash and change drawers	\$ 9,300	\$ 9,300
Cash deposited with banking institutions including daily repurchase agreements	3,868,544	3,187,289
Less: restricted for customer deposits	(2,798,645)	(2,665,093)
Less: restricted for asset acquisition	-0-	-0-
Less: restricted for capital investment	-0-	(1,676)
Less: restricted for bond repayment	<u>(543,847)</u>	<u>(529,820)</u>
Total Unrestricted Cash and Equivalents	<u>535,352</u>	<u>-0-</u>
Investments consist of short-term United States Treasury Bills	7,927,285	9,441,743
Less: Investments restricted for capital investment	<u>(75,008)</u>	<u>(75,008)</u>
Total Unrestricted Investments	<u>\$ 7,852,277</u>	<u>\$ 9,366,735</u>

Restricted cash and Investments Consist of the following:

Cash deposited with banking institutions:		
Cash restricted for customer deposits	\$ 2,798,645	\$ 2,665,093
Cash restricted for asset acquisition	-0-	-0-
Cash restricted for capital investment	-0-	1,676
Cash restricted for bond repayment	543,847	529,820
Investment restricted for capital investment	-0-	-0-
Short-term United States Treasury Bills and Notes and Repurchase Agreements	<u>75,008</u>	<u>75,008</u>
Total Restricted Assets	<u>\$ 3,417,500</u>	<u>\$ 3,271,597</u>

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department's deposit policy for custodial credit risk is that all deposits should be collateralized. The Department has an agreement with the bank that the bank is to ensure the deposits are insured. The deposits are periodically checked by the finance director to ensure collateralization. As of September 30, 2008, the Department's bank balance of \$5,778,747 (excluding repurchase agreements of \$2,033,111) was not exposed to custodial credit risk.

Amount insured by FDIC	\$	300,000
Amount Collateralized with securities held by pledging financial institution's agent in the Department's name		5,478,747
Uncollateralized		-
		\$ 5,778,747

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

	<u>Carrying Amount Cost</u>	<u>Fair Value</u>
US Government Securitates	7,927,285	7,939,488
Repurchase Agreements	2,033,111	2,033,111
Total Investments	9,960,396	9,972,599

The U.S. Treasury Bills and Notes are reported at amortized cost. The decrease in fair value in the unrestricted investments is considered to be a temporary condition.

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 3- PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment consist of the following:

	2007	Additions	Retirements	Transfers	2008
Capital assets not being depreciated					
Land	\$ 2,078,752	\$ -	\$ -	\$ -	\$ 2,078,752
Construction in Progress	<u>34,041,112</u>	<u>669,483</u>	<u>(20,701,637)</u>	<u>-</u>	<u>14,008,958</u>
Total	<u>36,119,864</u>	<u>669,483</u>	<u>(20,701,637)</u>	<u>-</u>	<u>16,087,710</u>
Electric Division	98,968,717	6,109,581	(574,631)	-	104,503,667
Gas Division	20,665,710	1,767,743	(36,738)	-	22,396,715
Water Division	63,192,196	24,008,986	(1,299,084)	-	85,902,098
Wastewater Division	56,947,632	3,583,543	(16,970)	-	60,514,205
Non-Utility:	-	-	-	-	-
Buildings	6,723,289	13,900	-	-	6,737,189
Tools & equipment	1,073,128	75,078	(10,043)	-	1,138,163
Furniture, fixtures & computers	<u>3,243,144</u>	<u>86,186</u>	<u>(17,942)</u>	<u>-</u>	<u>3,311,388</u>
Total	<u>250,813,816</u>	<u>35,645,017</u>	<u>(1,955,408)</u>	<u>-</u>	<u>284,503,424</u>
Less:					
Accumulated depreciation	(96,785,156)	(7,381,811)	2,028,521	-	(102,138,446)
Total capital assets being Depreciated, net	<u>154,028,660</u>	<u>28,263,206</u>	<u>73,113</u>	<u>-</u>	<u>182,364,978</u>
Net Property, Plant & Equipment	<u>\$ 190,148,523</u>	<u>\$ 28,932,689</u>	<u>\$ (20,628,524)</u>	<u>\$ -</u>	<u>\$ 198,452,688</u>

Depreciation and amortization expense consist of the following:

Depreciation	2008	2007
Electric Division	3,714,430	3,468,687
Gas Division	632,454	581,414
Water Division	1,560,226	1,305,056
Wastewater Division	<u>1,474,701</u>	<u>1,263,181</u>
Total	<u>\$ 7,381,811</u>	<u>\$ 6,618,338</u>

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 3- PROPERTY, PLANT & EQUIPMENT (continued)

Included in these amounts is depreciation on electric and turbine generators. This depreciation (\$493,595 for the year ended September 30, 2008 and \$476,146 for the year ended September 30, 2007) 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 \$242,616 for 2008 and \$254,201 for 2007.

NOTE 4- INVENTORIES

Components of inventories are:

	2008	2007
Electrical division, materials inventory	\$ 1,419,646	\$ 1,525,780
Gas division, materials inventory	1,640,106	1,218,849
Water division, materials inventory	470,218	472,945
Wastewater division, materials inventory	40,712	39,170
Gasoline, oil and fuel	385,286	310,083
Propane	139,104	134,438
Administrative	39,119	41,983
Plant chemicals	<u>66,090</u>	<u>68,037</u>
 Total	 <u>\$ 4,200,281</u>	 <u>\$ 3,811,285</u>

NOTE 5- RETIREMENT PLAN

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

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

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 5- RETIREMENT PLAN (continued)

Of the Department's \$8,103,695 payroll, total payroll covered by the above retirement plan for the fiscal year was \$7,821,214. Beginning July 1, 2006 employees are required to contributing 6.5% of all compensation. Under Title 9 of the South Carolina Code of Laws, the Department's liability under the plan is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State of South Carolina Budget and Control Board. Accordingly, the Department recognizes no contingent liability for unfunded costs associated with participation in the plan. Beginning July 1, 2007, the employer contribution rate is 9.24%. The contribution requirement for the Department for the current year and each of the two preceding years are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Employee contribution	\$ 468,508	\$ 476,237	\$ 508,379
Employer contribution	\$ 591,646	\$ 669,664	\$ 757,265
Group life	\$ 11,624	\$ 12,097	\$ 12,486

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

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

Information concerning the authority under which benefit provisions and employee obligations to contribute are established, the significant actuarial assumptions for the plans, an explanation of the pension benefit obligations, the pension benefit obligations for the Systems, the total net assets available for benefits, and ten year historical trend information showing the Systems' progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2008, separately issued reports. Their Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina 29211-1960.

NOTE 6- POST-RETIREMENT BENEFITS

The Department's health insurance plan, as authorized by the City Council of Orangeburg, South Carolina, covers all retired employees with at least thirty years of credited service. Employees retiring at age 60 must have twenty years and those retiring at age 65 must have fifteen years of credited service respectively in order to be covered. Retirees pay the premium (including the portion to fund the reserve) until they reach age 60 and the Department pays the premium thereafter. As permitted under Governmental Accounting Standards Board Statement Number 20, the Department has elected not to account for post-retirement benefits under the guidance of Financial Accounting Standards Board Statement Number 106.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 6- POST-RETIREMENT BENEFITS (continued)

For the year ending September 30, 2008, the Department and Department employees paid approximately \$1,714,800 in insurance premiums under this plan. Of that amount, approximately \$189,450 was for the benefit of retirees. There are approximately 39 retirees participating in this program at September 30, 2008.

NOTE 7- RELATED PARTY TRANSACTIONS

There was an amount due to the City of Orangeburg General fund of \$89,222 at September 30, 2008 and \$70,755 at September 30, 2007 for unremitted garbage fees, street light transfers, and mowing services.

Included in the Department's operating income is \$534,577 in 2008 and \$513,121 in 2007 representing utilities purchased by the City of Orangeburg for the City's utility usage.

The Department transferred \$4,302,141 in 2008 and \$3,787,071 in 2007 to the City of Orangeburg General Fund.

Interdepartmental Sales

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

	<u>2008</u>	<u>2007</u>
Electric	\$ 782,017	\$ 481,356
Gas	240,859	269,523
Water	52,098	56,195
Wastewater	<u>157,877</u>	<u>58,209</u>
Total	<u>\$ 1,232,851</u>	<u>\$ 865,283</u>

NOTE 8- RISK MANAGEMENT

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 8- RISK MANAGEMENT (continued)

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

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

The Department assumes the risk for unemployment compensation benefits by paying directly to the Employment Security Commission actual claims filed against the Department.

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

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

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

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

The Department also participates in the South Carolina Local Government Assurance Group whereby health insurance premiums are paid to cover claims in excess of \$80,000. The Department is subject to additional assessments in the event of deficiencies. To cover claims of \$80,000 or less, the Department funds a reserve which is maintained with the assurance group. For the year ending September 30, 2008, the Department and Department employees paid approximately \$1,684,800 in insurance premiums under the plan. If the reserve was to be depleted, the Department would be liable for additional claims. The reserve balance is \$91,000 as of September 30, 2008. Reserve balance should be a minimum of \$250,000. Since Management considers this amount not to be sufficient to cover claims incurred but not reported as of September 30, 2008, premiums have been increased 14% to replenish reserve.

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

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

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Notes to the Financial Statements
September 30, 2008 and 2007

NOTE 8- RISK MANAGEMENT (continued)

The Department has recorded insurance premium payments by allocation into the appropriate division. All claims are expected to be covered up to the deductibles. These risks of loss (the deductibles) have not been transferred to a commercial insurer.

NOTE 9- LEASES

Lessee

During 2002, the Department signed a 60-month lease for six copiers. The monthly payment is \$1,204. Lease expense under the lease was \$14,448 in 2008 and \$14,448 in 2007.

Future minimum lease payments are as follows:

2009	<u>14,448</u>
Total	<u>\$ 14,448</u>

Lessor

The Department has a five-year contract to lease space on top of a water tank to a company for a telecommunication tower for \$12,650 per year-lease income was \$12,650 in 2008 and \$12,650 in 2007.

NOTE 10- LONG-TERM DEBT

Combined Public Utilities Revenue Bonds:

	2008
\$9,500,000 Series of 2004, payable April 1, 2004 through 2014 - interest at 3% payable each April 1 and October 1 through 2014	\$ <u>5,700,000</u>
Total	5,700,000
Less Current Portion	<u>950,000</u>
Long-Term Portion	<u><u>4,750,000</u></u>

The bond ordinances stipulate that all bonds issued are revenue bonds. The bonds are payable solely from the revenues of the operations of the system. All issuances of the bonds are parity bonds and have equal standing.

The bond is secured by all revenues which remain after paying the cost of the operation and maintenance of the system of the Department of Public Utilities.

City of Orangeburg
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Notes to the Financial Statements
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NOTE 10- 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, 2008, 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 outstanding and all bonds then proposed to be issued.

Annual revenue bond maturities of principal and interest follow:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	950,000	156,750	1,106,750
2010	950,000	128,250	1,078,250
2011	950,000	99,750	1,049,750
2012	950,000	71,250	1,021,250
2013	950,000	42,750	992,750
2014 - 2018	950,000	14,250	964,250
2019 - 2023	-0-	-0-	-0-
2024 - 2028	-0-	-0-	-0-
	<u>\$ 5,700,000</u>	<u>\$ 513,000</u>	<u>\$ 6,213,000</u>

NOTE 11- CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year-ended September 30, 2008:

	<u>Outstanding September 30, 2007</u>	<u>Accrued/ Issued</u>	<u>Used/ Repaid</u>	<u>Outstanding September 30, 2008</u>	<u>Due within one year</u>
\$9,500,000 Series of 2004, payable April 1, 2004 through 2014 - interest at 3% payable each April 1 and October 1 through 2014	\$ 6,650,000	\$ -0-	\$ (950,000)	\$ 5,700,000	\$ 950,000
Accrued compensated absences	<u>1,083,746</u>	<u>681,570</u>	<u>(566,753)</u>	<u>1,198,563</u>	<u>566,753</u>
Total	<u>\$ 7,733,746</u>	<u>\$ 681,570</u>	<u>\$ (1,516,753)</u>	<u>\$ 6,898,563</u>	<u>\$ 1,516,753</u>

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NOTE 12- COMMITMENTS AND CONTINGENCIES

Additional projected costs to complete current projects in progress are expected to be approximately \$4,864,750. Total expected costs for all projects approved by Council for fiscal year 2009 are approximately \$4,869,750.

NOTE 13- ELECTRICITY AND NATURAL GAS CONTRACTS

The Department has a contract with South Carolina Electric & Gas to purchase electricity, transmission, and ancillary services based upon the Department's customer usage. The rates charged as specified in the contract are subject to an annual contracted amount. The agreement shall be in effect until April 30, 2009 at which time the required capacity, based on our customer usage, will be purchased from Duke Energy.

The Department has a natural gas agreement to purchase a combination of firm natural gas purchases and firm natural gas transportation services equaling the firm gas requirements of the Department for its gas distribution in and around Orangeburg, South Carolina with South Carolina Pipeline Company (SCPC). The Department will pay a demand and commodity charge as specified in SCPC rate schedules. This contract will expire November 1, 2005 and will automatically renew unless notice given.

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

NOTE 14- CHANGES IN ACCOUNTING PRINCIPLE

The GASB issued GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in June of 2004. The statement is effective for the Organization 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 45 postemployment benefits will begin to accrue during the term of service of the employee and will remain until the benefits are paid. The Organization did not elect early implementation of GASB Statement No. 45. The effects of implementation on GASB 45 on net assets has not been determined.

City of Orangeburg
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Schedule of Divisional Income and Expenses
September 30, 2008 and 2007

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services					
Gross billings	69,559,263	14,947,208	6,081,662	4,558,582	95,146,715
Service fees	663,913	178,669	54,890	36,995	934,467
Interest on past due bills	194,378	26,863	24,486	13,462	259,189
Miscellaneous sales and services	243,679	5,460	27,264	8,193	284,596
Communication	42,398	-	12,650	-	55,048
Other	-	-	20,000	41,071	61,071
Provision for bad debts	(32,099)	(5,519)	(3,347)	(3,017)	(43,982)
Total	\$ 70,671,532	\$ 15,152,681	\$ 6,217,605	\$ 4,655,286	\$ 96,697,104
OPERATING EXPENSES					
Electricity purchased	50,585,543	-	-	-	50,585,543
Natural gas purchased	-	11,720,171	-	-	11,720,171
Electric generators and other costs	639,757	-	-	-	639,757
Solar turbines	329,123	-	-	-	329,123
Operating and Maintenance:					
Operating expenses & salaries	-	-	1,254,846	1,341,737	2,596,583
Employee benefits	-	-	13,223	7,990	21,213
Sludge removal	-	-	-	213,873	213,873
Equipment maintenance and repair	-	-	12,734	-	12,734
Transmission & distribution	-	-	30,061	-	30,061
Contracted services	-	-	79,795	12,940	92,735
Regulatory fees	-	-	-	76,089	76,089
Water pumping	-	-	148,080	-	148,080
Pumping stations and water tank maintenance	-	-	177,467	298,080	475,547
Hydrant and valve maintenance	-	-	16,324	-	16,324
General plant	-	-	52,556	-	52,556
Laboratory supplies and expenses	-	-	42,874	-	42,874
Street light maintenance	165,736	-	-	-	165,736
Water treatment	-	-	233,001	-	233,001
Materials and supplies	-	-	4,363	34,950	39,313
Chemicals	-	-	292,773	105,452	398,225
Manholes	-	-	-	13,979	13,979
Small tools and equipment	-	-	-	-	-
Vehicle maintenance	-	-	-	3,034	3,034
Janitorial and cleaning	-	-	3,870	-	3,870
Miscellaneous	-	-	100,467	93,374	193,841
Maintenance of overhead and underground lines	1,632,285	-	-	-	1,632,285
Maintenance of mains	-	253,576	-	-	253,576
Customer Installation	-	28,442	-	-	28,442
Maintenance of services	-	85,603	59,874	7,360	152,837
Substation maintenance	216,293	-	-	-	216,293
Maintenance of meters	204,417	128,991	-	-	333,408
Maintenance of other	138,940	23,054	-	-	161,994
Total	\$ 2,357,671	\$ 519,666	\$ 2,522,308	\$ 2,208,858	\$ 7,608,503

The Accompanying Notes to the Financial Statements are an Integral Part of this Schedule.

City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Schedule of Divisional Income and Expenses
September 30, 2008 and 2007

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Administrative:					
Administrative expenses & salaries	529,090	161,965	272,007	95,910	1,058,972
Employee benefits	248,509	115,129	199,477	113,545	676,659
Office Supplies	227,010	73,562	134,845	64,918	500,335
Demonstrating and selling expenses	19,674	6,711	12,527	6,263	45,175
Sales and use tax	4,050	1,413	2,637	1,319	9,419
Supervision	-0-	6,820	-0-	-0-	6,820
Information and instruction	839	293	547	273	1,952
Customer accounts	261,288	91,147	170,141	85,071	607,647
Inventory facility	9,654	3,368	6,286	3,143	22,450
Miscellaneous general expense	117,766	40,452	87,381	29,554	275,153
Office building maintenance	94,488	32,961	61,527	30,763	219,739
Customer account expense	-0-	-0-	-0-	-0-	-0-
Customer collections	353,116	123,180	229,936	114,968	821,201
Advertising	46,282	23,136	22,799	11,196	103,413
General and administrative expenses	257,899	89,965	167,934	83,967	599,766
Accounting	127,262	44,394	82,868	41,434	295,957
Data processing	195,833	68,314	127,519	63,760	455,425
Regulatory commission	44,922	3,851	-0-	-0-	48,773
Injuries and damages	1,006	351	2,770	328	4,455
Mayor and council salaries	55,293	19,288	36,005	18,002	128,589
Outside services employed	532,255	47,284	192,178	14,327	786,044
Customer billing & records	409,251	142,762	266,489	133,244	951,746
Maintenance of general plant	-0-	-0-	-0-	9,857	9,857
Total	\$ 3,535,486	\$ 1,096,343	\$ 2,075,874	\$ 921,843	\$ 7,629,547
DEPRECIATION	\$ 3,120,799	\$ 603,114	\$ 1,502,468	\$ 1,419,218	\$ 6,645,599
TOTAL OPERATING EXPENSES	\$ 60,568,379	\$ 13,939,294	\$ 6,100,650	\$ 4,549,920	\$ 85,158,243
NET OPERATING INCOME	\$ 10,103,153	\$ 1,213,387	\$ 116,955	\$ 105,366	\$ 11,538,861
NON-OPERATING REVENUES (EXPENSES)					
Gain on disposal of property	3,467	3,459	6,457	3,228	16,611
Water impact and tap fees	-0-	-0-	455,280	-0-	455,280
Wastewater impact and tap fees	-0-	-0-	-0-	154,866	154,866
Interest - Investment	182,445	57,020	108,941	52,569	400,974
Interest - Expense	(85,907)	(17,542)	(63,964)	(7,603)	(175,016)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 100,005	\$ 42,936	\$ 506,713	\$ 203,060	\$ 852,715
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 10,203,158	\$ 1,256,323	\$ 623,668	\$ 308,427	\$ 12,391,576
CAPITAL CONTRIBUTIONS - GRANTS	\$ -0-	\$ -0-	\$ 26,723	\$ 1,871,693	\$ 1,898,416
INCOME BEFORE TRANSFERS	\$ 10,203,158	\$ 1,256,323	\$ 650,391	\$ 2,180,120	\$ 14,289,992

The Accompanying Notes to the Financial Statements are an Integral Part of this Schedule.

MURDAUGH & ASSOCIATES, CPA, LLC

Certified Public Accountant

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

To City Council
Orangeburg, South Carolina

We have audited the accompanying financial statements of the Department of Public Utilities, as of and for the year ended September 30, 2008, and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department of Public Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department of Public Utilities' financial statements that is more than inconsequential will not be prevented or detected by the Department of Public Utilities' internal control.

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

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

Compliance

As part of obtaining reasonable assurance about whether the Department of Public Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink, appearing to read "Murdaugh & Associates, CPA, LLC". The signature is stylized and cursive.

Murdaugh & Associates, CPA, LLC
Orangeburg, South Carolina
February 10, 2009