

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

Annual Financial Statements
and Supplementary Information
with Single Audit Section
Year Ended September 30, 2016
and Independent Auditor's Reports



CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

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J. W. Hunt and Company

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To City Council
City of Orangeburg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orangeburg, South Carolina (City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-18, budgetary comparison information on pages 62-65 and schedule of funding progress for the pension plan and other postemployment benefit plans on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

J. W. Hunt and Company, LLP

September 22, 2017

City of Orangeburg
Orangeburg, South Carolina
Management's Discussion and Analysis (Unaudited)
September 30, 2016

The City of Orangeburg (City) is presenting this analytical overview of its financial activities for the fiscal year ended September 30, 2016. This overview should be read in conjunction with the financial statements that follow and the audit should be reviewed for more detailed information.

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

Priorities and Projects

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

- \$438,898 federal airport grant
- Improvements to a new fuel station at the garage, including surveillance cameras
- Mirmow Field renovations including signage, benches, and concession stand upgrades
- Improvements and repairs to the information technology server room
- Improvements and installation of a new core switch for the City
- The City Gym Project on Broughton Street, a \$5 million facility was completed
- Implemented a City Health Clinic in conjunction with the Department of Public Utilities (DPU) and the Regional Medical Center
- Continued code enforcement with removal of blight properties
- Established a health savings account for employees on the high-deductible health plan
- One of the first municipalities in South Carolina to fully equip our officers with body cameras
- A new PAL radio system for Public Safety was purchased and is fully operational
- Continued Façade Grant Improvements Downtown
- Recovery from ice storm including FEMA reimbursement and cleaning of Edisto River

Rates and Changes

The City maintains its revenues to support the citizens and its activities. The principal revenue streams are tax collections and business licenses as well as the transfer from DPU. All charges and fees are related to the costs of providing its services to the City. The City reviews its rates annually during the budget process. An aggressive process of seeking the collection of delinquent accounts is maintained through various means.

The mill rate is currently 94 mills for FY 2015-16. It has been 94 mills since 2015.

Residential sanitation fees are currently \$12 per month. Services include the pick-up of garbage and yard debris. Commercial sanitation varies depending on the size of container and the number of times per week it is picked up. Commercial sanitation fees increased 5% in this fiscal year. There are numerous other commercial sanitation companies that also supply dumpsters in the City. The City may need to look at discontinuing this service in the future.

There was a 2.5% cost of living increase for eligible employees during this fiscal year and only one new position was funded, a Forensic Analyst. Department of Public Safety personnel are researching funding sources for the Forensics Lab.

Employee insurance continues to be an issue as the City anticipates increases each year. There was not an increase for FY 2015-16. The City implemented a wellness clinic in conjunction with the Regional Medical Center for its employees to use and handle public safety physicals and our annual health risk assessments.

There were several retirement and terminated payouts in this fiscal year. The City paid a total of approximately \$60,000 in annual leave to former employees.

South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) rates increased for the employee and employer as of July 1, 2016. The rates increased for SCRS from 11.06% to 11.56% and PORS increased from 13.74% to 14.24%.

To purchase capital equipment, the City borrowed \$1,284,023 to buy vehicles and equipment through a lease purchase agreement.

Areas of Growth

The hospitality and accommodations tax fund continues to grow. This area of revenue has steadily increased due to audits and increased collections as well as several new restaurants in the area. Approximately \$342,000 was transferred from requests in our general fund budget to the hospitality fund for maintenance of the Edisto Memorial Gardens as well as other recreational and tourism related expenses.

Property taxes increase generally on assessed values. Annexations increase our tax base and collections; but this also increases costs in other areas such as police and fire protection, street maintenance and sanitation services. There were no annexations in FY 2015-16. We do anticipate annexations in the upcoming fiscal years to include property on North Road.

Financial Highlights from FY 2015-2016

As of September 30, 2016, the end of the fiscal year, the City's assets of governmental activities exceeded its liabilities by \$26,050,530. Of this amount, \$1,049,235 may be used to meet the City's ongoing needs.

As of September 30, 2016, the total general fund balance was \$13,365,494; the unassigned fund balance for the general fund was \$10,418,278. The unreserved fund balance is also undesignated and represents a traditional fund balance reserve that may be utilized for operating deficits, emergencies, liquidity, unforeseen needs and overall financial strength. City Council has indicated that expenditures of even a portion of this fund's balance for operational costs should be on a limited basis. Reserves may be used in the future to supplement capital projects. It may be necessary to expend a limited amount of fund balance in the upcoming years.

The City's governmental activities had a total of \$17,779,668 in long-term obligations at October 1, 2015 and issued \$1,284,023 in debt for FY 2015-2016. Long-term obligations increased by \$2,375,298 during the year leaving a total of \$20,154,966 at September 30, 2016. Capital lease debt financed by South State Bank of \$1,284,023 is secured by the equipment acquired. The net pension liability, accrued annual leave, and other postemployment benefits are also major forms of long-term obligations in the amounts of \$15,653,835, \$787,714, and \$2,186,093, respectively. The City does try to lower this debt by allowing

employees to sell a portion of their annual leave at half price. Retired employees returning to work are not allowed to accrue annual leave for sale. It should be noted that the City allocated \$1 million to South Carolina State University in this fiscal year for road and street infrastructure improvements in order to continue its accreditation status that is under review for deferred maintenance of its roads and streets.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting for Other Post-Employment Benefits*, for financial reporting other postemployment benefits (OPEB), which includes retiree health, dental and vision insurance, prescription, long-term care insurance, life insurance and other benefits. The City has decided not to fund this GASB prescribed liability as it has successfully formulated and funded, on a pay-as-you-go basis, an annual retiree medical plan for 30 years. Employees hired after December 31, 2009, will not have any health insurance postemployment benefits funded by the City, which has greatly reduced the OPEB liability. A health savings account (HSA) is being offered. We continue to offer exceptional benefits to our employees and have established an off-site clinic at the Regional Medical Center beginning in 2016 for employees that have insurance with the City.

Overview of the Financial Statements

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

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

The government-wide financial statements can be found on pages 20-22 of this report.

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-62 of this report.

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

Revenues by Category (Fiscal Year-to-Year Comparisons)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund			
Property taxes	\$ 3,595,699	\$ 3,479,722	\$ 3,300,417
Franchise fees	149,773	147,068	145,380
Business licenses	2,902,255	2,877,633	2,828,224
Permits	39,742	80,666	93,706
Intergovernmental	712,443	445,496	789,478
Fire service	886,392	838,750	827,949
Sanitation Fees	1,094,567	1,080,422	1,093,887
Recreation	123,193	127,581	145,625
Fines and forfeitures	550,614	633,887	623,122
Interest	72,424	30,046	15,151
Rentals	29,000	24,000	24,000
Miscellaneous	88,510	132,690	83,692
Other financing sources	1,284,004	601,533	646,300
Interfund transfers	5,479,221	5,203,649	5,139,855
Sale of capital assets	75,919	24,342	1,250,330
Enterprise Funds			
Airport	765,908	425,013	558,949
Pro Shop	117,297	90,038	91,961
Hillcrest Golf Course	343,457	346,644	367,031

Government-Wide Statements
Condensed Statement of Net Position:
As of September 30, 2016 and 2015

	2016 Governmental Activities	2016 Business Type Activities	2015 Governmental Activities	2015 Business Type Activities
Current and other assets	\$ 21,906,670	\$ 69,761,119	\$ 22,414,798	\$ 73,451,201
Capital assets (net)	<u>24,261,559</u>	<u>253,432,584</u>	<u>22,330,948</u>	<u>240,047,098</u>
Total assets	<u>46,168,229</u>	<u>323,193,703</u>	<u>44,745,746</u>	<u>313,498,299</u>
Deferred outflow of resources	<u>2,778,640</u>	<u>3,638,191</u>	<u>1,494,591</u>	<u>1,905,402</u>
Total assets and deferred outflow of resources	<u>48,946,869</u>	<u>326,831,894</u>	<u>46,240,337</u>	<u>315,403,701</u>
Other liabilities	2,066,102	22,124,717	1,895,276	20,719,618
Long-term debt	<u>20,154,966</u>	<u>55,668,182</u>	<u>17,779,668</u>	<u>54,481,385</u>
Total liabilities	<u>22,221,068</u>	<u>77,792,899</u>	<u>19,674,944</u>	<u>75,201,003</u>
Deferred inflow of resources	<u>675,271</u>	<u>1,119,067</u>	<u>979,856</u>	<u>1,562,109</u>
Total liabilities and deferred inflow of resources	<u>22,896,339</u>	<u>78,911,966</u>	<u>20,654,800</u>	<u>76,763,112</u>
Net position:				
Invested in capital assets, net of debt	21,954,039	214,865,657	20,209,244	208,917,359
Restricted	3,047,256	6,155,508	2,588,703	5,927,753
Unrestricted (deficit)	<u>1,049,235</u>	<u>26,898,763</u>	<u>2,787,590</u>	<u>23,795,477</u>
Total net position	<u>\$ 26,050,530</u>	<u>\$ 247,919,928</u>	<u>\$ 25,585,537</u>	<u>\$ 238,640,589</u>

Condensed Statement of Activities:

For the years ended September 30, 2016 and September 30, 2015

Revenues:	2016 Governmental Activities	2016 Business Type Activities	2015 Governmental Activities	2015 Business Type Activities
Program revenues:				
Charges for services	\$ 5,796,052	\$ 96,268,882	\$ 5,851,675	\$ 99,507,061
Operating grants	736,973	-	548,006	-
Capital grants	234,226	1,077,364	555,572	83,862
General revenues:				
Property taxes	3,589,850	-	3,460,378	-
Other taxes	2,659,096	-	4,397,244	-
Franchise fees	149,773	-	147,068	-
Other revenues	165,490	263,068	74,200	-
Total revenues	<u>13,331,460</u>	<u>97,609,314</u>	<u>15,034,143</u>	<u>99,590,923</u>
Expenses:				
General government	3,071,989	-	2,718,712	-
Public works	3,014,608	-	2,977,497	-
Public safety	8,537,897	-	8,689,252	-
Culture/recreation	2,553,526	-	2,307,934	-
Service	724,374	-	650,851	-
Interest/long-term debt	72,683	-	81,742	-
Public Utilities	-	81,388,145	-	90,247,709
Airport	-	1,115,944	-	1,158,275
Pro Shop	-	86,394	-	48,387
Golf Course	-	630,882	-	586,938
Total expenses	<u>17,975,077</u>	<u>83,221,365</u>	<u>17,425,988</u>	<u>92,041,309</u>
Increase (decrease) in net position before transfers	(4,643,617)	14,387,949	(2,391,845)	7,549,614
Transfers	<u>5,108,610</u>	<u>(5,108,610)</u>	<u>4,834,363</u>	<u>(4,834,363)</u>
Increase in net position	464,993	9,279,339	2,442,518	2,715,251
Beginning net position	<u>25,585,537</u>	<u>238,640,589</u>	<u>23,143,019</u>	<u>235,925,338</u>
Ending net position	<u>\$ 26,050,530</u>	<u>\$ 247,919,928</u>	<u>\$ 25,585,537</u>	<u>\$ 238,640,589</u>

Due to the City's mid-year budget cuts and watching our resources, expenditures exceeded revenues this fiscal year by an immaterial \$695. Overall, the City's governmental fund balance reserves were decreased by \$414,169. It is important to note that the City had originally anticipated using \$935,000 that was originally budgeted and then was reduced and amended to \$0 in the general fund.

The City's utility fund plays a large role in the funding of governmental services. The general fund reported a \$6,839,839 deficit before the transfer of \$5,108,610 from DPU. After the transfer, sale of assets, and lease proceeds of \$1,730,535, the general fund had a net decrease of \$695 in its fund balance. DPU traditionally initiates a significant transfer to the City, which is approved in the budget

process by City Council. The overall stability of the business activities is of utmost consideration when transfers are set. In fact, the DPU has some of the lowest electric rates in the state of South Carolina (State) and has very competitive rates on sewer, water, and natural gas. As the City continues to annex property, many customers are receiving a reduced water and sewer rate, while the electric and natural gas rates are not affected.

The Municipal Airport had an operating loss of \$788,914, which included depreciation of \$696,005 and a decrease in net position of \$350,036. The Hillcrest Golf Course and Pro Shop had a combined operating loss of \$287,425, which included depreciation of \$61,510.

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

Budget Analysis

Revenue increases are normal from one budget year to the next with consistent growth. Property taxes increase mainly due to reassessments; however, real growth in property value are not always reflected in tax revenues. Business licenses generally increase due to new businesses and new construction, and increased gross sales of existing businesses. With the shortfall in local government funding, we have not been fully funded for many years. The State wants to streamline business license processes and fees, which may have a negative effect on our license revenue. The City is having to fund for indigent defense instead of the State funding it in the unified court system due to a Budget Proviso of the State Legislature.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. They are not reflected in the government-wide financial statements. The City acts as a fiduciary for funds from delinquent property tax sales. As of September 30, 2016, \$54,813 is due trust fund holders as shown in the statement of fiduciary net position on page 32.

The governmental activities of the City had an increase of \$181,570 in outstanding debt during the last fiscal year. Debt is mainly in the form of capital equipment lease purchase items such as police cars, fire trucks, tractor and other equipment and capital projects from the hospitality and accommodations tax fund.

Other governmental funds decreased \$413,474 during the year, going from a beginning balance for the year of \$8,039,480 to an ending balance of \$7,626,006.

Departmental Expenses (Fiscal Year-to-Year Comparisons)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund			
Executive	\$ 456,042	\$ 401,281	\$ 373,676
Finance	778,778	773,658	668,772
Administration	662,594	548,499	545,084
Public works	2,290,138	2,554,529	2,281,655
Public safety	7,969,159	7,249,411	6,688,023
Parks and recreation	2,066,066	1,837,745	1,794,917
Non-operating admin	2,002,760	1,427,512	2,435,153
Service	858,914	599,342	586,882
Enterprise Funds			
Airport	1,115,944	1,158,275	1,232,279
Pro Shop	117,297	90,038	91,961
Hillcrest Golf Course	630,882	597,923	554,473

Closing

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

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

Thank you,

Carrie Johnson
Finance Director

**City of Orangeburg
Orangeburg, South Carolina
Department of Public Utilities
Management's Discussion and Analysis (Unaudited)
September 30, 2016**

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, 2016.

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

Overview of Basic Financial Statements

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

Condensed Statements of Net Position

	<u>FY 2016</u>	<u>FY 2015</u>
Current assets	\$ 72,226,985	\$ 68,240,924
Non-current assets	6,155,508	5,877,745
Non-current assets (other)	1,286,735	1,411,711
Capital assets (net)	<u>238,126,713</u>	<u>231,981,474</u>
Total assets	317,795,941	307,511,854
Deferred outflows of resources	<u>3,506,719</u>	<u>1,842,275</u>
Total assets and deferred outflows of resources	<u><u>\$ 321,302,660</u></u>	<u><u>\$ 309,354,129</u></u>

Condensed Statements of Net Position (continued)

Current liabilities	\$ 22,125,069	\$ 20,757,960
Non-current liabilities	54,735,310	53,649,262
Total liabilities	<u>76,860,379</u>	<u>74,407,222</u>
Deferred inflows of resources	<u>1,094,727</u>	<u>1,516,153</u>
Total liabilities and deferred inflows of resources	<u>77,955,106</u>	<u>75,923,375</u>
Invested in capital assets, net of related debt	207,002,029	200,851,735
Restricted	6,155,508	5,877,745
Unrestricted	<u>30,190,017</u>	<u>26,701,274</u>
Total net position	<u>243,347,554</u>	<u>233,430,754</u>
Total net position and liabilities	<u>\$ 321,302,660</u>	<u>\$ 309,354,129</u>

Income before contributions and transfers totaled \$14,386,924. This represents a 6% return on equity to the citizens of Orangeburg. Total net position grew by \$9,916,800 during fiscal year 2016. The Department continues the safe and reliable delivery of utilities at the lowest reasonable price.

The Department has begun the process of consolidating and rebuilding certain of the Electric Division substations. Electrical substations are a vital component to the Department's electrical transmission and distribution systems. These investments in the Departments' electrical infrastructure are aimed to provide more robust and reliable electric service to rate payers in the DPU service territory. These projects will take multiple years to complete and will significantly increase the ability to more efficiently and effectively serve the rate payers.

The Department has completed the rehabilitation of the wastewater treatment plant. The completed plant is able to handle a higher BOD level than the prior plant equipment more efficiently. The Wastewater Division continues to oversee the installation of Orangeburg County penny projects which expand wastewater service to the citizens of Orangeburg County. The Water Division continues the implementation of its AMI meter installation throughout the DPU service territory. This is a multiple year project aimed at reducing the amount of travel to read outlying water meters. These projects are aimed at maintaining a high quality of service for both water and wastewater customers.

The Department is beginning construction of a six inch plastic natural gas line which will extend natural gas service from the intersection of US Hwy 301 and State Road 47 to the Town of Ellore. The Town of Ellore has a current customer base that has shown significant interest in purchasing natural gas for residential and agricultural use. The Department feels this investment in infrastructure will bolster sales growth for future periods.

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

Electric Division

	<u>FY 2016</u>	<u>FY2015</u>
Operating revenues	\$ 72,821,968	\$ 76,184,017
Non-operating revenues (expenses)	117,854	(800,180)
Contributed Capital	49,015	-
Total revenues	<u>72,988,837</u>	<u>75,383,837</u>
Electricity purchased	48,582,777	56,887,558
Depreciation expense	4,487,886	3,988,755
Other operating expense	8,084,350	7,625,747
Total expenses	<u>61,155,013</u>	<u>68,502,060</u>
Income before transfers	11,833,824	6,881,777
Transfers to City	<u>3,913,865</u>	<u>3,749,244</u>
Change in net position	<u>\$ 7,919,959</u>	<u>\$ 3,132,533</u>

Electric Division sales decreased 3 percent in volume between fiscal year 2015 and 2016. Electric Division operating revenues were also down approximately 4 percent year over year due to this decrease in consumption. Total customers for the electric division remained approximately the same over the course of the year in almost all rate classes. This trend is a worrisome economic indicator for the Department as the Electric Division generates the vast majority of the Department's free cash flow. Non-operating expenses increased during the year due mainly to charges associated with disposals and abandonments of certain obsolete assets.

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

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

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

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

Gas Division

	<u>FY 2016</u>	<u>FY2015</u>
Operating revenues	\$ 8,054,490	\$ 8,858,900
Non-operating revenues (expenses)	<u>37,698</u>	<u>14,718</u>
Total revenues	<u>8,092,188</u>	<u>8,873,618</u>
Natural gas purchased	3,503,589	4,944,647
Depreciation expense	831,183	682,496
Other operating expense	<u>2,277,016</u>	<u>2,084,934</u>
Total expenses	<u>6,611,788</u>	<u>7,712,077</u>
Income before transfers	1,480,400	1,161,541
Transfers to City	<u>429,300</u>	<u>435,973</u>
Change in net position	<u>\$ 1,051,100</u>	<u>\$ 725,568</u>

Gas Division sales decreased approximately 5% in volume and revenues decreased nearly 9% between fiscal years 2015 and 2016. The primary cause of the decrease in revenues even with increased sales volume was due to the decrease in the commodity cost of natural gas during fiscal year 2015-2016. Operating revenues are modified over a period of time to levelize bills to customers, which contributed to part of the current year increase in revenues. Natural gas volumetric sales increases are a welcome bright spot in the overall picture for the Department. Historically low natural gas prices have driven the demand for natural gas deliveries and are currently the only area of meaningful growth for the Department.

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

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

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

Water Division

	<u>FY 2016</u>	<u>FY2015</u>
Operating revenues	\$ 8,229,998	\$ 7,882,154
Non-operating revenues (expenses)	387,173	186,192
Contributed Capital	<u>292,844</u>	<u>22,490</u>
Total revenues	<u>8,910,015</u>	<u>8,090,836</u>
Depreciation expense	2,496,674	2,348,150
Other operating expense	<u>5,769,577</u>	<u>5,555,048</u>
Total expenses	<u>8,266,251</u>	<u>7,903,198</u>
Income before transfers	643,764	187,638
Transfers to City	<u>440,882</u>	<u>387,904</u>
Change in net position	<u>\$ 202,882</u>	<u>\$ (200,266)</u>

Water Division sales increased nearly 5% by volume. Operating revenues increased by approximately 4%. The Water Division had very little contributed capital during the prior year, mainly as a result of the lack of construction projects in the area during fiscal 2014-2015. The current year saw a return to more normalized construction and development in the Orangeburg area and an increase in contributed capital. The Water Division has seen very little total customer growth since the mid-2000's due to slower than average economic conditions. The current fiscal year seems to mark a bottom in the decline in volumetric water sales which is a good sign for growth in the Orangeburg area.

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

Additions and improvements to the Water Plant in 2004 provide the Division with adequate water producing capacity for the foreseeable future. The Water Division will begin construction of a new emergency standby generator for one of its main booster pump stations in the upcoming year. This project and others are necessary to maintain a high quality of service to water customers. As with most cities, the Division recognizes that it has considerable exposure from its aged distribution system and is addressing the challenges. With the increasing costs of maintaining aging infrastructure and lower sales volumes, future rate increases are necessary to maintain the quality of drinking water for the Orangeburg area.

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

Wastewater Division

	<u>FY 2016</u>	<u>FY2015</u>
Operating revenues	\$ 6,021,105	\$ 5,394,675
Non-operating revenues (expenses)	(34,465)	102,781
Contributed Capital	296,626	39,104
Total revenues	<u>6,283,266</u>	<u>5,536,560</u>
Depreciation expense	1,798,144	1,733,202
Other operating expense	3,417,701	3,506,898
Total expenses	<u>5,215,845</u>	<u>5,240,100</u>
Income before transfers	1,067,421	296,460
Transfers to City	<u>324,562</u>	<u>265,488</u>
Change in net position	<u>\$ 742,859</u>	<u>\$ 30,972</u>

Wastewater Division volumetric sales decreased by approximately 2% due to lower consumption of water by wastewater customers. Operating revenues increased by approximately 11% due to increased consumption and rate increases enacted by City Council in April 2014. Contributed capital increased due to the increase in construction projects in the area. Depreciation expense and other operating expense continue to increase year over year. This trend is due primarily to the increasing cost of labor, consumables such as chemicals, utilities and miscellaneous products coupled with increasing repair expenditures as a result of the Division's aging infrastructure.

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

Condensed Statement of Cash Flows

	<u>FY 2016</u>	<u>FY 2015</u>
Cash flow from operating activities	\$ 23,516,502	\$ 18,110,015
Transfer to the City and other entities	(5,108,609)	(4,838,609)
Cash flow for capital assets	(16,122,357)	(28,244,704)
Cash flow from financing and grants	8,499,739	14,360,544
Cash flow from investing activities	<u>(9,070,547)</u>	<u>7,654,552</u>
Net increase in cash and cash equivalents	1,714,728	7,041,798
Beginning cash and cash investments	<u>27,925,349</u>	<u>20,883,551</u>
Ending Cash and Cash Investments	<u>\$ 29,640,077</u>	<u>\$ 27,925,349</u>

Budgeted spending on multi-year capital projects for fiscal year 2016 was anticipated to be approximately \$15,320,000, which is slightly less than budgeted capital spending in fiscal year 2015. Of these anticipated capital expenditures, approximately \$7,600,000 involving the rehabilitation of the wastewater treatment plant which was reimbursed by the SC State Revolving Fund through a drawdown bond which was issued in April 2014 to finance the project. Budgeted capital projects included the Administrative Division software replacement, the Electric Division rebuild of substation #10 and a 115 KV transmission line serving this substation, the Natural Gas Division gas line extensions in south eastern Orangeburg County, the Water Division AMI or advanced metering infrastructure and painting of certain elevated water storage tanks, and the Wastewater Division rehabilitation of the wastewater treatment plant.

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

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

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 4,975,253	\$ 23,510,069	\$ 28,485,322
Investments	13,599,995	30,469,585	44,069,580
Receivables:			
Bond proceeds	-	3,850,364	3,850,364
Current taxes	183,787	-	183,787
Delinquent taxes	7,074	-	7,074
State of South Carolina	219,285	-	219,285
Unbilled customer accounts	-	5,544,191	5,544,191
Other	271,152	4,488,103	4,759,255
Internal balances	2,554,027	(2,554,027)	-
Inventory	96,097	4,100,218	4,196,315
Other current assets	-	352,616	352,616
Total current assets	<u>21,906,670</u>	<u>69,761,119</u>	<u>91,667,789</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments:			
Customer deposits	-	4,116,955	4,116,955
Bond repayment	-	2,013,553	2,013,553
Self-insurance fund	-	25,000	25,000
Capital assets, net	24,261,559	245,990,341	270,251,900
Other assets	-	1,286,735	1,286,735
Total noncurrent assets	<u>24,261,559</u>	<u>253,432,584</u>	<u>277,694,143</u>
Total assets	46,168,229	323,193,703	369,361,932
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	<u>2,778,640</u>	<u>3,638,191</u>	<u>6,416,831</u>
Total assets and deferred outflows of resources	<u>48,946,869</u>	<u>326,831,894</u>	<u>375,778,763</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
STATEMENT OF NET POSITION

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 349,013	\$ 6,560,305	\$ 6,909,318
Bank overdraft			
Over billings	-	8,385,409	8,385,409
Withholdings and accrued expenses	462,780	233,269	696,049
Accrued salaries payable	-	196,107	196,107
Compensated absences, current	474,113	832,458	1,306,571
Other accrued expenses	-	378,919	378,919
Leases payable, current	780,196	-	780,196
Revenue bond payable, current	-	1,421,295	1,421,295
Total current liabilities	<u>2,066,102</u>	<u>18,007,762</u>	<u>20,073,864</u>
Current liabilities (payable from restricted assets):			
Customer deposits	-	4,116,955	4,116,955
Total current liabilities (payable from restricted net assets)	<u>-</u>	<u>4,116,955</u>	<u>4,116,955</u>
Noncurrent liabilities:			
Compensated absences	787,714	510,648	1,298,362
Leases payable	1,527,324	-	1,527,324
Revenue bond payable	-	29,703,389	29,703,389
Other postemployment benefits payable	2,186,093	2,815,565	5,001,658
Net pension liability	15,653,835	22,638,580	38,292,415
Total noncurrent liabilities	<u>20,154,966</u>	<u>55,668,182</u>	<u>75,823,148</u>
Total liabilities	22,221,068	77,792,899	100,013,967
DEFERRED INFLOWS OF RESOURCES			
Pension items	675,271	1,119,067	1,794,338
Total liabilities and deferred inflows of resources	<u>22,896,339</u>	<u>78,911,966</u>	<u>101,808,305</u>
NET POSITION			
Net investment in capital assets	21,954,039	214,865,657	236,819,696
Restricted for:			
Self-insurance fund	182,812	25,000	207,812
Customer deposits	-	4,116,955	4,116,955
Bond repayment	-	2,013,553	2,013,553
Inventory	96,097	-	96,097
Fire equipment	176,212	-	176,212
Firemen's Fund	100,040	-	100,040
Amount due from Hillcrest	1,387,421	-	1,387,421
Amount due from Municipal Airport	1,104,674	-	1,104,674
Unrestricted	<u>1,049,235</u>	<u>26,898,763</u>	<u>27,947,998</u>
Total net position	<u>\$ 26,050,530</u>	<u>\$ 247,919,928</u>	<u>\$ 273,970,458</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 3,071,989	\$ 12,080	\$ 519,007	\$ -	\$ (2,540,902)	\$ -	\$ (2,540,902)
Public works	3,014,608	4,062,006	88,467	168,936	1,304,801	-	1,304,801
Public safety	8,537,897	1,603,025	88,119	65,290	(6,781,463)	-	(6,781,463)
Parks and recreation	2,553,526	118,941	41,380	-	(2,393,205)	-	(2,393,205)
Service	724,374	-	-	-	(724,374)	-	(724,374)
Interest on long-term debt	72,683	-	-	-	(72,683)	-	(72,683)
Total governmental activities	<u>17,975,077</u>	<u>5,796,052</u>	<u>736,973</u>	<u>234,226</u>	<u>(11,207,826)</u>	<u>-</u>	<u>(11,207,826)</u>
Business-type activities:							
Public utilities	81,388,145	95,512,001	-	638,486	-	14,762,342	14,762,342
Municipal airport	1,115,944	327,030	-	438,878	-	(350,036)	(350,036)
Pro shop	86,394	117,297	-	-	-	30,903	30,903
Golf	630,882	312,554	-	-	-	(318,328)	(318,328)
Total business-type activities	<u>83,221,365</u>	<u>96,268,882</u>	<u>-</u>	<u>1,077,364</u>	<u>-</u>	<u>14,124,881</u>	<u>14,124,881</u>
Total government	<u>\$101,196,442</u>	<u>\$102,064,934</u>	<u>\$ 736,973</u>	<u>\$ 1,311,590</u>	<u>(11,207,826)</u>	<u>14,124,881</u>	<u>2,917,055</u>
General revenues:							
Property taxes					3,589,850	-	3,589,850
Sales taxes					2,659,096	-	2,659,096
Franchise taxes					149,773	-	149,773
Interest income					93,308	246,566	339,874
Sale of fixed assets					72,182	16,502	88,684
Transfers					5,108,610	(5,108,610)	-
Change in net position					464,993	9,279,339	9,744,332
Net position - beginning					25,585,537	238,640,589	264,226,126
Net position - ending					<u>\$ 26,050,530</u>	<u>\$ 247,919,928</u>	<u>\$ 273,970,458</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 574,766	\$ 4,400,487	\$ 4,975,253
Investments	10,478,789	3,121,206	13,599,995
Receivables (net of allowance for uncollectibles)	648,656	32,642	681,298
Due from other funds	119,229	100,655	219,884
Advances to other funds	2,462,077	-	2,462,077
Inventory	96,097	-	96,097
Total assets	<u>\$ 14,379,614</u>	<u>\$ 7,654,990</u>	<u>\$ 22,034,604</u>
LIABILITIES			
Accounts payable	\$ 347,308	\$ 1,705	\$ 349,013
Bank overdraft			
Withholdings and accrued expenses	462,780	-	462,780
Due to other funds	100,655	27,279	127,934
Total liabilities	<u>910,743</u>	<u>28,984</u>	<u>939,727</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	103,377	-	103,377
Total deferred inflows of resources	<u>103,377</u>	<u>-</u>	<u>103,377</u>
FUND BALANCES			
Nonspendable	2,588,192	-	2,588,192
Restricted	182,812	7,333,733	7,516,545
Committed	176,212	292,273	468,485
Unassigned	10,418,278	-	10,418,278
Total fund balances	<u>13,365,494</u>	<u>7,626,006</u>	<u>20,991,500</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,379,614</u>	<u>\$ 7,654,990</u>	<u>\$ 22,034,604</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 20,991,500
Amounts reported for governmental activities in the statement of net position are different because:	
Delinquent taxes receivable will be collected after year-end, but are not available soon enough to pay for current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds	103,377
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	24,261,559
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital leases	(2,307,520)
Compensated absences	(1,261,827)
Other postemployment benefit payable	(2,186,093)
Net pension liability	(15,653,835)
Differences between expected and actual experience, assumption changes and net differences between projected and actual earnings are recognized as deferred outflows and inflows or resources in the statement of net position	<u>2,103,369</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 26,050,530</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Other Governmental Funds	Total
REVENUES			
Property taxes	\$ 3,595,699	\$ -	\$ 3,595,699
Sales taxes	-	2,659,096	2,659,096
Franchise taxes	149,773	-	149,773
Licenses and permits	2,941,997	-	2,941,997
Fines and forfeitures	550,614	17,597	568,211
Charges for services	2,104,152	9,310	2,113,462
Interest income	72,424	20,884	93,308
Miscellaneous	117,510	6,675	124,185
Contributions	-	32,900	32,900
Intergovernmental	712,443	274,053	986,496
Total revenues	<u>10,244,612</u>	<u>3,020,515</u>	<u>13,265,127</u>
EXPENDITURES			
Current:			
General government	2,966,317	-	2,966,317
Public works	2,155,468	-	2,155,468
Public safety	6,981,337	445,243	7,426,580
Parks and recreation	1,919,767	54,291	1,974,058
Service	611,343	34,093	645,436
Debt service:			
Principal	821,971	280,462	1,102,433
Interest	10,218	62,465	72,683
Capital outlay:			
General government	101,668	-	101,668
Public works	134,670	-	134,670
Public safety	987,822	2,186,824	3,174,646
Parks and recreation	146,299	-	146,299
Service	247,571	-	247,571
Total expenditures	<u>17,084,451</u>	<u>3,063,378</u>	<u>20,147,829</u>
Excess (deficiency) of revenues over expenditures	<u>(6,839,839)</u>	<u>(42,863)</u>	<u>(6,882,702)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,479,221	22,400	5,501,621
Operating transfers out	-	(393,011)	(393,011)
Lease proceeds	1,284,004	-	1,284,004
Sale of general capital assets	75,919	-	75,919
Total other financing sources (uses)	<u>6,839,144</u>	<u>(370,611)</u>	<u>6,468,533</u>
Net change in fund balances	(695)	(413,474)	(414,169)
FUND BALANCES, BEGINNING OF YEAR	<u>13,366,189</u>	<u>8,039,480</u>	<u>21,405,669</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,365,494</u>	<u>\$ 7,626,006</u>	<u>\$ 20,991,500</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (414,169)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities		3,809,100
Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of assets that were sold. The statement of activities reports gains or losses based on the proceeds and the net book value		(3,737)
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		
Capital lease proceeds	\$ (1,284,004)	
Capital lease obligation principal payments	<u>1,102,433</u>	(181,571)
The change in net pension liability is reported only in the statement of activities		(2,219,899)
The change in other postemployment benefit payable is reported only in the statement of activities		(140,819)
The change in deferred inflows and outflows of resources is reported only in the statement of activities		1,588,634
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Depreciation expense	(1,874,751)	
Compensated absences	<u>(91,946)</u>	(1,966,697)
Some property taxes will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenue in the governmental funds:		<u>(5,849)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 464,993</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds		
	Public <u>Utilities</u>	Other Enterprise <u>Funds</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and equivalents	\$ 23,509,569	\$ 500	\$ 23,510,069
Investments	30,469,585	-	30,469,585
Accounts receivable, net	4,108,815	16,388	4,125,203
Unbilled customer accounts receivable	5,544,191	-	5,544,191
Bond proceeds receivable	3,850,364	-	3,850,364
Other receivables	362,819	81	362,900
Inventories	4,029,026	71,192	4,100,218
Due from other funds	-	30,018	30,018
Other current assets	352,616	-	352,616
Total current assets	72,226,985	118,179	72,345,164
Noncurrent assets:			
Restricted assets:			
Cash:			
Customer deposits	4,116,955	-	4,116,955
Bond repayment	2,013,553	-	2,013,553
Investments:			
Self insurance fund	25,000	-	25,000
Capital assets:			
Property, plant and equipment net of accumulated depreciation	200,256,187	5,475,287	205,731,474
Property, plant, and equipment not being depreciated	37,870,526	2,388,341	40,258,867
Other noncurrent assets	1,286,735	-	1,286,735
Total noncurrent assets	245,568,956	7,863,628	253,432,584
Total assets	317,795,941	7,981,807	325,777,748
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	3,506,719	131,472	3,638,191
Total assets and deferred outflows of resources	321,302,660	8,113,279	329,415,939

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

	Business-Type Activities - Enterprise Funds		
	Public	Other	Total
	Utilities	Funds	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,500,936	\$ 59,369	\$ 6,560,305
Over billings	8,385,409	-	8,385,409
Due to other funds	91,950	-	91,950
Withholdings and accrued expenses	233,269	-	233,269
Accrued salaries payable	196,107	-	196,107
Accrued compensated absences	800,229	32,229	832,458
Other accrued expenses	378,919	-	378,919
Current portion of revenue bonds payable	1,421,295	-	1,421,295
Total current liabilities	18,008,114	91,598	18,099,712
Current liabilities (payable from restricted assets):			
Customer deposits	4,116,955	-	4,116,955
Total current liabilities (payable from restricted net assets)	4,116,955	-	4,116,955
Noncurrent liabilities:			
Advances from other funds	-	2,492,095	2,492,095
Accrued compensated absences	471,992	38,656	510,648
Bonds payable	29,703,389	-	29,703,389
Other postemployment benefit obligation	2,694,702	120,863	2,815,565
Net pension liability	21,865,227	773,353	22,638,580
Total noncurrent liabilities	54,735,310	3,424,967	58,160,277
Total liabilities	76,860,379	3,516,565	80,376,944
DEFERRED INFLOWS OF RESOURCES			
Pension items	1,094,727	24,340	1,119,067
Total liabilities and deferred inflows of resources	77,955,106	3,540,905	81,496,011
NET POSITION			
Invested in capital assets, net of related debt	207,002,029	7,863,628	214,865,657
Restricted for self insurance	25,000	-	25,000
Restricted for customer deposits	4,116,955	-	4,116,955
Restricted for bond repayment	2,013,553	-	2,013,553
Unrestricted	30,190,017	(3,291,254)	26,898,763
Total net position	\$ 243,347,554	\$ 4,572,374	\$ 247,919,928

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds		
	Public Utilities	Other Enterprise Funds	Total
OPERATING REVENUES:			
Utility sales and wastewater service	\$ 95,127,561	\$ -	\$ 95,127,561
Pro shop sales	-	88,500	88,500
Food sales	-	28,194	28,194
Oil and fuel sales	-	249,605	249,605
Rentals and other	-	82,959	82,959
Green fees, cart rentals and memberships	-	294,637	294,637
Capital projects revenue	-	12,986	12,986
	<hr/>		
Total operating revenues	95,127,561	756,881	95,884,442
OPERATING EXPENSES:			
Cost of goods sold	52,086,366	247,652	52,334,018
Operating and maintenance	9,733,570	274,366	10,007,936
Administrative	9,815,074	553,687	10,368,761
Depreciation and amortization	9,613,887	757,515	10,371,402
	<hr/>		
Total operating expenses	81,248,897	1,833,220	83,082,117
	<hr/>		
OPERATING INCOME (LOSS)	13,878,664	(1,076,339)	12,802,325
NON-OPERATING REVENUES (EXPENSES):			
Gain (loss) on disposal of property	16,502	-	16,502
Impact and tap fees	384,440	-	384,440
Interest income	246,566	-	246,566
Interest expense	(139,248)	-	(139,248)
	<hr/>		
Total non-operating revenues (expenses)	508,260	-	508,260
	<hr/>		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	14,386,924	(1,076,339)	13,310,585
Capital contributions - grants	638,486	438,878	1,077,364
Transfers in	-	30,903	30,903
Transfers out	(5,108,610)	(30,903)	(5,139,513)
	<hr/>		
CHANGE IN NET POSITION	9,916,800	(637,461)	9,279,339
	<hr/>		
NET POSITION - BEGINNING OF YEAR	233,430,754	5,209,835	238,640,589
	<hr/>		
NET POSITION - END OF YEAR	\$ 243,347,554	\$ 4,572,374	\$ 247,919,928

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds		
	Public <u>Utilities</u>	Other Enterprise <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 95,875,518	\$ 759,814	\$ 96,635,332
Cash payments to suppliers for goods and services	(62,411,343)	(488,834)	(62,900,177)
Cash payments to employees	(9,947,673)	(523,287)	(10,470,960)
Net cash provided (used) by operating activities	<u>23,516,502</u>	<u>(252,307)</u>	<u>23,264,195</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to others	-	366,716	366,716
Transfers out	(5,108,609)	-	(5,108,609)
Net cash provided (used) by noncapital financing activities	<u>(5,108,609)</u>	<u>366,716</u>	<u>(4,741,893)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(16,122,357)	(555,519)	(16,677,876)
Proceeds from bonds	8,104,040		8,104,040
Principal paid on capital debt	(426,454)	-	(426,454)
Interest paid on capital debt	(139,248)	-	(139,248)
Impact and tap fees	384,440	-	384,440
Proceeds from capital grants	638,485	441,110	1,079,595
Losses from disposal of capital assets	(61,524)	-	(61,524)
Net cash used by capital and related financing activities	<u>(7,622,618)</u>	<u>(114,409)</u>	<u>(7,737,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment interest	246,566	-	246,566
Purchases of investments	(14,317,113)	-	(14,317,113)
Proceeds from maturity of investments	5,000,000	-	5,000,000
Net cash provided by investing activities	<u>(9,070,547)</u>	<u>-</u>	<u>(9,070,547)</u>
NET INCREASE IN CASH AND EQUIVALENTS	1,714,728	-	1,714,728
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	27,925,349	500	27,925,849
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 29,640,077</u>	<u>\$ 500</u>	<u>\$ 29,640,577</u>

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

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Public</u> <u>Utilities</u>	<u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ 13,878,664	\$ (1,076,339)	\$ 12,802,325
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	10,055,144	757,515	10,812,659
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer accounts receivable	(131,011)	-	(131,011)
Unbilled receivables	294,932	-	294,932
Other receivables - operating	(166,948)	2,933	(164,015)
Inventories	(674,587)	12,302	(662,285)
Other prepaid expenses	(163,242)	-	(163,242)
Other noncurrent assets	124,976	-	124,976
Unrealized (gain)	(73,768)		
Deferred outflows	(1,664,444)	(68,345)	(1,732,789)
Increase (decrease) in:			
Accounts payable	(305,894)	20,882	(285,012)
Over billing	489,308	-	489,308
Sales tax payable	57,350	-	57,350
Withholdings and accrued expenses	(164,686)	-	(164,686)
Accrued compensated absences	77,550	(13,168)	64,382
Accrued salaries	(403,009)	-	(403,009)
Other post employment benefits obligation	100,687	12,517	113,204
Due to City of Orangeburg - General Fund	2,501	-	2,501
Customer deposits payable	261,676	-	261,676
Net pension liability	2,342,729	121,012	2,463,741
Deferred inflows	(421,426)	(21,616)	(443,042)
Net cash provided (used) by operating activities	<u>\$ 23,516,502</u>	<u>\$ (252,307)</u>	<u>\$ 23,337,963</u>
RECONCILIATION OF TOTAL CASH			
AND CASH INVESTMENTS:			
Cash on hand and in bank	\$ 23,509,569	\$ 500	\$ 23,510,069
Restricted cash - customer deposits	4,116,955	-	4,116,955
Restricted cash - bond repayment	2,013,553	-	2,013,553
Total cash and cash equivalents	<u>\$ 29,640,077</u>	<u>\$ 500</u>	<u>\$ 29,640,577</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Delinquent Tax Collector <u>Agency Fund</u>
ASSETS	
Cash	\$ 54,813
Total assets	<u>54,813</u>
LIABILITIES	
Due to trust fund holders	<u>54,813</u>
Total liabilities	<u>54,813</u>
NET POSITION	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Orangeburg, South Carolina (City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity:

The City was incorporated under an Act of the General Assembly of the State of South Carolina (State) on December 24, 1883, and operates under the Council form of government. As required by GAAP, these financial statements present the City (the primary government) and its component units. Based on the criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, there are no component units for which the City is considered to be financially accountable.

Fund Accounting:

The City uses funds to report on its financial position, changes in its financial position, and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. A minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted, or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds committed, restricted, or assigned for the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. Agency funds are used to account for funds that the City holds on behalf of others as their agent.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of material interfund activity (except for activities reported in internal service funds) has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Additionally, the City reports the following other governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

The Public Utilities Fund accounts for the user charges, fees, and other resources and all costs associated with the operation of the City's water, sewer, electricity, and gas systems.

Additionally, the City reports the following proprietary funds:

The Municipal Airport Fund accounts for the fuel sales, hangar rents, and grant income and all costs associated with the operations of the City's municipal airport.

The Pro Shop Fund accounts for merchandise and food sales and rentals related to the City's golf course, along with all costs associated with the operation of the pro shop.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 City considers revenues to be available if they are collected within 60 days of year end. Expenditures are generally recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to earned vacation pay, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

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

Cash, Cash Equivalents, and Investments:

State statutes authorize the City to invest in (1) obligations of the United States (U.S.) and its agencies, (2) general obligations of the State and its subdivisions, (3) savings and loan associations to the extent of federal insurance, (4) certificates of deposit collaterally secured,

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

(5) repurchase agreements secured by the foregoing obligations, (6) certain no load open-end or closed-end management type investment companies or trusts registered under the Investment Company Act of 1940 or operating in a manner consistent with that Act, and (7) a political subdivision receiving Medicaid funds appropriated by the State General Assembly may utilize appropriated funds to participate in principal protected investments in the form of notes, bonds, guaranteed investment contracts, debentures or other contracts issued by a bank chartered in the U.S. or agency of a bank if chartered in the U.S. No more than forty percent of the appropriated funds may be invested in the manner provided in this item.

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

The City considers cash and cash equivalents to include cash on hand, amounts in demand deposits with banks, and short-term liquid investments with original maturities of three months or less.

South Carolina Local Government Investment Pool (SCLGIP) investments are invested with the South Carolina State Treasurer's Office, which established the SCLGIP pursuant to State legislation. The SCLGIP is an investment trust fund whereby public monies in excess of current needs that are under the custody of any city treasurer or any governing body of a political subdivision of the State may be deposited. Investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by SCLGIP participants at any time and may be withdrawn upon one day's notice.

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.

The recorded allowance for uncollectible accounts is approximately 3.77% of accounts receivable at September 30, 2016, which management feels is a reasonable estimate. The provision for bad debts is reported as a reduction in operating revenues, not as an expense.

Interfund Receivables, Payables and Transfers:

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

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

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

Interfund transfers represent permanent reallocation of resources between funds. Interfund transfers are eliminated in the statement of activities.

Inventory:

Inventory is valued at either lower of cost or market or average cost using the first-in, first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Amounts reported as inventory in the General Fund are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of assets. Inventory in the Municipal Airport and Pro Shop funds consists of supplies and items held for resale. Inventory in the Public Utilities Fund consists of fuel for sale and materials for operation, maintenance, and improvements to property and plant.

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 City as assets with an initial, individual cost in excess of \$3,000 and an estimated useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over their estimated useful lives. 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.

Depreciation of governmental funds capital assets is computed using the straight-line method over the following estimated useful lives:

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

Amortization of capital leases is included in depreciation expense.

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

Depreciation of proprietary fund capital assets is computed using the straight-line method over the following estimated useful lives:

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

Compensated Absences:

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

Long-term Obligations:

In the government-wide financial statements and proprietary funds 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 financial statements.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so

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

will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflow of resources, which relates to its net pension liability. This deferred outflow of resources results from retirement contributions made to the South Carolina Retirement System subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the subsequent year, and differences between expected and actual experience, which will be amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources. The first item, unavailable revenue, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes, which are deferred and recognized as an inflow of resources in the period they become available. The second item is deferred inflows relating to pension obligations and is the net difference between the projected and actual earnings on pension plan investments and is amortized over a closed five-year period, and differences between expected and actual experience, which will be amortized into pension expense over a closed period equal to the average remaining service lines of all participants.

Fund Balance:

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

The City classifies governmental fund balances as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent either because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventory and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted – Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts or (d) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that are constrained for specific purposes that are internally imposed by the City through formal action taken by the City Council, which is the highest level of decision-making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes

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the specified use by taking the same type of action it employed to previously commit those amounts.

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

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

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

Net Position:

Net position is composed of net assets invested in capital assets, net of related debt, and consists of capital assets reduced by accumulated depreciation and the outstanding balances of any borrowings, including accrued interest, used for the acquisition, construction or improvement of those assets. Outstanding debt that has not been spent is included in the same net assets component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of unbilled customer accounts receivable, the calculation of postemployment benefits other than pension, and the calculation of net pension liability.

Subsequent Events:

The City has considered subsequent events through September 22, 2017, the date the financial statements were available to be issued.

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Recent Accounting Pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015 and addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB Statement No. 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015. The City has adopted GASB Statement No. 72 for the year ended September 30, 2016. See Note 2 for disclosures related to GASB Statement No. 72.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was issued in June 2015 and establishes new accounting and financial reporting requirements for other postemployment benefit (OPEB) plans. The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for OPEB and details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria for employers whose employees are provided with defined contribution OPEB. GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The City is currently evaluating the impact that GASB Statement No. 75 will have on its financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued in June 2015 and identifies, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. GASB Statement No. 76 addresses the use of authoritative and nonauthoritative sources of information in the event the accounting treatment for a transaction is not specific in a GASB pronouncement. The City adopted GASB Statement No. 76 for the year ended September 30, 2016 resulting in no impact on its financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77), was issued in August 2015 and requires new disclosures about tax abatement agreements with entities and individuals. GASB Statement No. 77 defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forego tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. GASB Statement No. 77 is effective for reporting periods beginning after December 15, 2015. The City is currently evaluating the impact that GASB Statement No. 77 will have on its financial statements.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was issued in March 2016 to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of

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assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of GASB Statement No. 82 are effective for reporting periods beginning after June 15, 2016. The City has elected to early implement GASB Statement No. 82, effective for the year ended September 30, 2016.

NOTE 2 - DEPOSITS AND INVESTMENTS:

At September 30, 2016, the City had the following investments:

	Credit Rating	Percent of Portfolio	Fair Value	Investment Maturities (in Years)	
				Less than 1	1-5
Money Market Funds	N/A	1.3%	\$ 586,282	\$ -	\$ -
U.S. Treasuries Bills	N/A	2.3%	1,000,000	1,000,000	-
U.S. Treasuries Bonds and Notes	N/A	36.7%	16,183,281	5,008,281	11,175,000
U.S. Agency Securities	Aaa/AA+	28.9%	12,725,022	3,004,637	9,720,385
South Carolina Local Government Investment Pool (SCLGIP)	N/A	30.8%	13,599,995	13,599,995	-
Total investments		100.0%	\$ 44,094,580	\$ 22,612,913	\$ 20,895,385

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

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

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

Custodial Credit Risk for Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's custodial credit risk policy is to use only high quality financial institutions for its deposits. In addition, its policy is to comply with the State's collateralization statutes. At September 30, 2016, City deposits totaled \$32,794,858 and the bank balance was \$33,548,089. Of the bank balance, \$750,000 was covered by Federal depository insurance. The balance is collateralized by obligations of the United States of America and its agencies (as required by state law) and is held at the Federal Reserve under the City's control via book entry or by the pledging banks in the City's name.

Fair Value Measurements. The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy based on the valuation inputs used to measure the fair value of

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the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The following table provides the hierarchy information about the City's financial assets measured at fair value on a recurring basis at September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ 586,282	\$ -	\$ -	\$ 586,282
U.S. Treasuries Bills	1,000,000	-	-	1,000,000
U.S. Treasuries Bonds and Notes	16,183,281	-	-	16,183,281
U.S. Agency Securities	12,725,022	-	-	12,725,022
Total investments at fair value	<u>\$ 30,494,585</u>	<u>\$ -</u>	<u>\$ -</u>	30,494,585
Investments not subject to level disclosure:				
South Carolina Local Government Investment Pool (SCLGIP)				<u>13,599,995</u>
Total investments				<u>\$ 44,094,580</u>

The City's investments in U.S. government and agency securities are classified in Level 1 of the fair value hierarchy using prices quoted in active markets for those investments. The City has no investments classified in Level 2 or Level 3 of the fair value hierarchy.

The SCLGIP is an investment pool that does not meet the criteria of GASB Statement No. 79, and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose its investment in the SCLGIP within the fair value hierarchy.

NOTE 3 - RECEIVABLES:

Property taxes are levied on real and personal properties owned on the preceding December 31 of the City's fiscal year ended September 30. Liens attach to the property at the time the taxes are levied, which is usually in November of each year. These taxes are due without penalty through January 15. After January 15, penalties are added and taxes become delinquent. After March 16, the taxes go into execution. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Delinquent taxes uncollected at September 30, 2016 are \$7,074 and are not considered available to liquidate current period liabilities. Accordingly, the City has provided deferred revenue equal to that amount in the fund financial statements.

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

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NOTE 4 - INTERFUND BALANCES:

Interfund receivable and payable balances at September 30, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due from/to other funds:		
General Fund	\$ 89,211	\$ 100,655
Special Revenue Funds:		
Accomodations Tax Fund	-	27,279
Hospitality and Accomodations Tax Fund	100,655	-
Enterprise funds:		
Pro Shop	30,018	-
Department of Public Utilities	-	91,950
Total due from/to other funds	<u>219,884</u>	<u>219,884</u>
Advances to/from other funds:		
General Fund	2,492,095	-
Enterprise funds:		
Municipal Airport	-	1,104,674
Hillcrest	-	1,387,421
Total advances to/from other funds	<u>2,492,095</u>	<u>2,492,095</u>
Total interfund receivables and payables	<u>\$ 2,711,979</u>	<u>\$ 2,711,979</u>

Individual fund operating transfers for the year ended September 30, 2016 were as follows:

	<u>Transfers out</u>	<u>Transfers in</u>
General fund	\$ -	\$ 5,479,221
Nonmajor funds:		
Accomodations Tax Fund	29,679	-
Hospitality and Accomodations Tax Fund	320,000	-
Victims' Advocate Fund	43,294	-
JAG Grant	38	
Stevenson Auditorium	-	20,000
S.C. Festival of Roses		2,400
Enterprise funds:		
Municipal Airport	-	-
Pro Shop	30,903	-
Hillcrest	-	30,903
Department of Public Utilities	<u>5,108,610</u>	<u>-</u>
Total	<u>\$ 5,532,524</u>	<u>\$ 5,532,524</u>

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NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Additions	Transfers/ Adjustments	Deletions	Balance 9/30/2016
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 2,118,304	\$ -	\$ -	\$ -	\$ 2,118,304
Construction in progress	4,104,189	1,320,790	(4,858,790)	-	566,189
Total	<u>6,222,493</u>	<u>1,320,790</u>	<u>(4,858,790)</u>	<u>-</u>	<u>2,684,493</u>
Capital assets being depreciated:					
Buildings	9,851,995	422,447	4,572,607	-	14,847,049
Building improvements	2,893,710	102,094	52,245	(620)	3,047,429
Land improvements	4,615,010	46,260	2,556	-	4,663,826
Infrastructure	8,549,325	228,568	231,382	-	9,009,275
Vehicles	6,921,667	119,869	366,973	(313,805)	7,094,704
Furniture and fixtures	1,697,396	30,186	-	(35,604)	1,691,978
Machinery and equipment	1,215,882	58,513	197,094	(125,820)	1,345,669
Computer equipment	1,454,321	140,648	(524)	(125,971)	1,468,474
Assets under capital lease	1,185,843	1,314,194	(595,887)	-	1,904,150
Tools and other	1,332,999	25,532	-	(17,656)	1,340,875
Total	<u>39,718,148</u>	<u>2,488,311</u>	<u>4,826,446</u>	<u>(619,476)</u>	<u>46,413,429</u>
Less, accumulated depreciation:					
Buildings	5,383,089	278,391	-	-	5,661,480
Building improvements	1,037,058	97,047	-	(334)	1,133,771
Land improvements	3,039,341	216,857	-	-	3,256,198
Infrastructure	2,644,494	365,937	-	-	3,010,431
Vehicles	6,211,221	396,740	96,896	(311,487)	6,393,370
Furniture and fixtures	1,549,440	53,388	-	(35,193)	1,567,635
Machinery and equipment	1,042,618	117,214	34,171	(125,820)	1,068,183
Computer equipment	1,226,668	102,030	(526)	(125,248)	1,202,924
Assets under capital lease	227,694	218,092	(162,885)	-	282,901
Tools and other	1,248,070	29,055	-	(17,655)	1,259,470
Total accumulated depreciation	<u>23,609,693</u>	<u>1,874,751</u>	<u>(32,344)</u>	<u>(615,737)</u>	<u>24,836,363</u>
Total capital assets being depreciated, net	<u>16,108,455</u>	<u>613,560</u>	<u>4,858,790</u>	<u>(3,739)</u>	<u>21,577,066</u>
Governmental activities capital assets, net	<u>\$ 22,330,948</u>	<u>\$ 1,934,350</u>	<u>\$ -</u>	<u>\$ (3,739)</u>	<u>\$ 24,261,559</u>

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	Balance <u>9/30/2015</u>	<u>Additions</u>	Transfers/ <u>Adjustments</u>	<u>Deletions</u>	Balance <u>9/30/2016</u>
BUSINESS-TYPE ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 3,660,354	\$ 132,353	\$ -	\$ -	3,792,707
Construction in progress	29,316,530	20,293,112	-	(13,143,483)	36,466,159
Total	<u>32,976,884</u>	<u>20,425,465</u>	-	<u>(13,143,483)</u>	<u>40,258,866</u>
Capital assets being depreciated:					
Buildings and improvements	9,592,648	22,682	-	-	9,615,330
Electric Division	131,298,632	2,477,950	-	(1,046,464)	132,730,118
Gas Division	27,917,740	802,283	-	(74,026)	28,645,997
Water Division	102,545,433	1,034,199	-	(77,907)	103,501,725
Wastewater Division	73,767,418	117,782	-	(334)	73,884,866
Land improvements	12,735,786	-	-	-	12,735,786
Tools and equipment	6,717,852	5,001,659	32,341	(65,267)	11,686,585
Furniture and fixtures	898,253	15,021	-	(270)	913,004
Assets under capital lease	197,962	-	-	-	197,962
Total	<u>365,671,724</u>	<u>9,471,576</u>	<u>32,341</u>	<u>(1,264,268)</u>	<u>373,911,373</u>
Less, accumulated depreciation	<u>158,601,510</u>	<u>10,812,659</u>	<u>32,341</u>	<u>(1,266,612)</u>	<u>168,179,898</u>
Total capital assets being depreciated, net	<u>207,070,214</u>	<u>(1,341,083)</u>	-	<u>2,344</u>	<u>205,731,475</u>
Business-type activities capital assets, net	<u>\$240,047,098</u>	<u>\$ 19,084,382</u>	<u>\$ -</u>	<u>\$ (13,141,139)</u>	<u>\$245,990,341</u>

The following is a summary of business-type activities capital assets at September 30, 2016:

	Municipal <u>Airport</u>	Golf <u>Pro Shop</u>	Golf <u>Course</u>	Public <u>Utilities</u>	<u>Total</u>
Land	\$ 1,315,952	\$ -	\$ -	\$ 2,476,755	\$ 3,792,707
Construction in progress	1,072,389	-	-	35,393,770	36,466,159
Buildings and improvements	1,553,968	-	464,558	7,596,804	9,615,330
Electric Division	-	-	-	132,730,118	132,730,118
Gas Division	-	-	-	28,645,997	28,645,997
Water Division	-	-	-	103,501,725	103,501,725
Wastewater Division	-	-	-	73,884,866	73,884,866
Land improvements	12,151,671	-	584,115	-	12,735,786
Tools and equipment	674,309	1,295	529,102	10,481,879	11,686,585
Furniture and fixtures	39,839	-	26,970	846,195	913,004
Assets under capital lease	197,962	-	-	-	197,962
Total	<u>17,006,090</u>	<u>1,295</u>	<u>1,604,745</u>	<u>395,558,109</u>	<u>414,170,239</u>
Less: accumulated depreciation	<u>9,456,695</u>	<u>1,295</u>	<u>1,290,512</u>	<u>157,431,396</u>	<u>168,179,898</u>
Net capital assets - proprietary funds	<u>\$ 7,549,395</u>	<u>\$ -</u>	<u>\$ 314,233</u>	<u>\$ 238,126,713</u>	<u>\$ 245,990,341</u>

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Depreciation expense was charged to function/programs as follows:

Governmental Activities:

Executive	\$ 2,415
Finance	29,598
Administrative	24,780
Public works	701,318
Public safety	651,214
Parks and recreation	422,045
Services	<u>43,381</u>
Total - governmental activities	<u>\$ 1,874,751</u>

Business-Type Activities:

Public Utilities:

Electric Division	\$ 4,929,143
Gas Division	831,183
Water Division	2,496,674
Wastewater Division	<u>1,798,144</u>
Total - public utilities	10,055,144

Municipal Airport	696,005
Golf Course	<u>61,510</u>
Total - business-type activities	<u>\$ 10,812,659</u>

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NOTE 6 - LONG-TERM OBLIGATIONS:

Long-term obligations as of September 30, 2016 were as follows:

	<u>9/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/16</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Capital leases payable	\$ 2,125,950	\$ 1,284,023	\$ (1,102,453)	\$ 2,307,520	\$ 780,196
Compensated absences	1,169,881	497,297	(405,351)	1,261,827	474,113
Net pension liability	13,433,936	2,219,899	-	15,653,835	-
Other postemployment benefits	2,045,274	140,819	-	2,186,093	-
Total governmental activities	\$ 18,775,041	\$ 4,142,038	\$ (1,507,804)	\$ 21,409,275	\$ 1,254,309
BUSINESS-TYPE ACTIVITIES:					
Revenue bond payable	\$ 31,129,739	\$ 421,399	\$ (426,454)	\$ 31,124,684	\$ 1,421,295
Compensated absences	1,278,724	850,913	(786,531)	1,343,106	832,458
Net pension liability	20,174,839	2,463,741	-	22,638,580	-
Other postemployment benefits	2,702,361	113,204	-	2,815,565	-
Total business-type activities	\$ 24,155,924	\$ 3,427,858	\$ (786,531)	\$ 26,797,251	\$ 832,458

Following is a summary of capital lease activity for the year ended September 30, 2016:

	<u>Outstanding 9/30/15</u>	<u>Issued</u>	<u>Repaid</u>	<u>Outstanding 9/30/16</u>
GOVERNMENTAL ACTIVITIES:				
Capital projects financed through lease purchase by BB&T in the amount of \$3,787,058; 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. Payments of \$342,927 including principal and interest at 4.1% are being made through September 20, 2019. The lease is secured by the pledge of certain sales tax revenue	\$ 1,523,543	\$ -	\$ (280,462)	\$ 1,243,081
three annual payments of as much as \$218,398, including interest at a rate of .99% through September 1, 2017. The lease is secured by equipment acquired	386,970	-	(214,567)	172,403
Vehicles and equipment financed by BB&T; due in three annual payments of \$215,433 principal plus interest at a rate of 0.93% and maturing September 1, 2016. The lease is secured by equipment acquired	215,437	-	(215,437)	-
Vehicles and equipment financed by South State Bank; due in three annual principal payments of \$324,574 plus interest at a rate of .976% and maturing August 1, 2019. The lease is secured by equipment acquired	-	1,284,023	(391,987)	892,036
Total	\$ 2,125,950	\$ 1,284,023	\$ (1,102,453)	\$ 2,307,520

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Following is a summary of bonds payable activity for the year ended September 30, 2016:

	Outstanding <u>9/30/15</u>	<u>Issued</u>	<u>Repaid</u>	Outstanding <u>9/30/16</u>
BUSINESS-TYPE ACTIVITIES:				
Bonds payable - Public Utilities:				
\$982,514 Series of 2009, payable May 21, 2010 through 2030; interest at 1.68% payable quarterly	\$ 670,689	\$ -	\$ (42,806)	\$ 627,883
 \$4,280,163 Series of 2009, payable May 1, 2010 through 2030; interest at 1.84% payable quarterly	 3,004,350	 -	 (187,502)	 2,816,848
 \$27,454,700 Series of 2014, payable November 1, 2016 through 2036; interest at 1.68% payable quarterly	 27,454,700	 421,399	 (196,146)	 27,679,953
Total	<u>\$ 31,129,739</u>	<u>\$ 421,399</u>	<u>\$ (426,454)</u>	<u>\$ 31,124,684</u>

Annual debt service requirements to maturity are as follows:

Year Ending <u>September 30.</u>	<u>Capital Leases</u>			<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 780,196	\$ 61,416	\$ 841,612	\$ 1,421,295	\$ 514,357	\$ 1,935,652
2018	622,857	44,643	667,500	1,444,756	490,896	1,935,652
2019	573,672	29,057	602,729	1,468,697	466,956	1,935,653
2020	330,795	12,131	342,926	1,493,127	442,525	1,935,652
2021	-	-	-	1,518,059	417,594	1,935,653
2022	-	-	-	1,543,503	392,149	1,935,652
2023	-	-	-	1,569,472	366,180	1,935,652
2024	-	-	-	1,595,978	339,674	1,935,652
2025	-	-	-	1,623,034	312,619	1,935,653
2026	-	-	-	1,650,651	285,001	1,935,652
2027	-	-	-	1,678,844	256,809	1,935,653
2028	-	-	-	1,707,625	228,027	1,935,652
2029	-	-	-	1,737,008	198,644	1,935,652
2030	-	-	-	1,558,100	169,631	1,727,731
2031	-	-	-	1,499,749	144,192	1,643,941
2032	-	-	-	1,525,139	118,802	1,643,941
2033	-	-	-	1,550,982	92,959	1,643,941
2034	-	-	-	1,577,286	66,655	1,643,941
2035	-	-	-	1,604,059	39,881	1,643,940
2036	-	-	-	1,357,320	12,630	1,369,950
Total	<u>\$ 2,307,520</u>	<u>\$ 147,247</u>	<u>\$ 2,454,767</u>	<u>\$ 31,124,684</u>	<u>\$ 5,356,181</u>	<u>\$ 36,480,865</u>

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

The bond ordinances require the City to maintain various funds as long as the bonds are outstanding. The gross revenue fund, operating and maintenance fund, debt service fund, depreciation fund, and 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, 2016, balances in all funds meet bond requirements.

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

The 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, 2016, the City's bonded indebtedness was below the Constitutional limits as follows:

Real property assessed value	\$ 29,188,110
Other personal property assessed value	1,034,017
Vehicles assessed value	<u>4,041,431</u>
 Total taxable assessed value	 <u><u>\$ 34,263,558</u></u>
 Debt limit - eight percent (8%) of total taxable assessed value	 \$ 2,741,085
Amount of debt applicable to limit	<u>-</u>
 Legal debt margin	 <u><u>\$ 2,741,085</u></u>

NOTE 7 - LEASES:

The City has a five-year contract to lease space on top of a water tank to a company for a telecommunication tower with an annual payment totaling \$16,730. Lease income was \$14,548 for the year ended September 30, 2016.

NOTE 8 - RETIREMENT PLAN:

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

Plan Description:

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

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

Membership:

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

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

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

Benefits:

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of 1% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; and, this increase is not limited to one-half of 1% per year.

Required employee contribution rates for the year ended September 30, 2016 are as follows:

SCRS	8.16% of earnable compensation from October 1 st through June 30 th 8.66% of earnable compensation from July 1 st through September 30 th
PORS	8.74% of earnable compensation from October 1 st through June 30 th 9.24% of earnable compensation from July 1 st through September 30 th

Required employer contributions rates for the year ended September 30, 2016 are as follows:

SCRS	10.91% of earnable compensation from October 1 st through June 30 th 11.41% of earnable compensation from July 1 st through September 30 th Employer incidental death benefit: 0.15% of earnable compensation
PORS	13.34% of earnable compensation from October 1 st through June 30 th 13.84% of earnable compensation from July 1 st through September 30 th Employer incidental death benefit: 0.20% of earnable compensation Employer accidental death program: 0.20% of earnable compensation

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Actuarial Assumptions and Methods:

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each 5-year period. An experience report was most recently issued as of July 1, 2015. The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and SFAA, which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the systems' fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by the GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations of SCRS and PORS:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates, which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for SCRS and PORS are as follows:

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

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Net Pension Liability:

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. The City's proportionate share of the NPL totals as of September 30, 2016, based on the measurement period ended June 30, 2016, for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 67,192,965	\$ 35,549,411	\$ 31,643,554	52.9%
PORS	16,809,114	10,160,252	6,648,861	60.4%

The total pension liability is calculated by the systems' actuary, and each plan's fiduciary net position is reported in the systems' financial statements. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the plans relative to the projected contributions of all participating entities, actuarially determined. For the measurement period ended June 30, 2016, the City's percentage of the SCRS and PORS net pension liability was 0.148145% and 0.262130%, respectively.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30-year capital markets outlook at the end of the third quarter 2015. The long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation, which is summarized in the table below. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

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Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total expected real return	100.0%		5.10%
Inflation for actuarial purposes			2.75%
Total expected nominal return			7.85%

Discount Rate:

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis:

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 39,474,466	\$ 31,643,554	\$ 25,124,613
PORS	8,713,902	6,648,861	4,793,035

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Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflows (Inflows) of Resources:

For the year ended September 30, 2016, the City recognized pension expense of \$1,359,891. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 318,285	\$ (21,592)
Net difference between projected and actual earnings on plan investments	4,890,039	(1,624,920)
Changes in proportion and differences between the City's contributions and proportionate share of contributions	293,495	(147,826)
Pension contributions subsequent to the measurement date	915,012	-
	<u>\$ 6,416,831</u>	<u>\$ (1,794,338)</u>

The City's contributions subsequent to the measurement date of \$915,012 and changes in proportion and differences between the City's contributions and proportionate share of contributions of \$145,669 are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. The City's proportionate share of the net balance of remaining deferred outflows (inflows) of resources as of September 30, 2016 will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>SCRS</u>	<u>PORS</u>
2017	\$ 1,757,382	\$ 229,061
2018	562,340	186,961
2019	1,061,108	301,641
2020	351,985	172,015
	<u>\$ 3,732,815</u>	<u>\$ 889,678</u>
Net balance of deferred outflows/(inflows) of resources	<u>\$ 3,732,815</u>	<u>\$ 889,678</u>

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description:

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

As of October 1, 2015, the actuarial measurement date, there were 314 covered participants; 92 members are retirees or their spouses receiving benefits and 222 are active participants.

Funding Policy:

The City pays the cost of the postemployment health care benefits for the retirees between the ages of 60 and 65. Upon reaching Medicare eligibility, the City will pay up to \$100 per month toward the cost of a Medicare supplement. The City will also reimburse out-of-pocket prescription costs exceeding \$2,000 per year up to a total annual benefit of \$840. Surviving spouses of retirees may elect to continue health care benefits at their own expense. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The City currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

Actuarial Methods and Assumptions:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation dated October 1, 2015, the projected unit cost method was used. The amortization method is the level dollar open method and the remaining amortization period is 30 years. The actuarial assumptions include a 4.00% return on investments, which includes inflation at 2.75%, and an annual healthcare cost trend rate of 8.50% initially reduced by decrements to an ultimate rate of 5.00% after 5 years.

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Annual OPEB Cost and Net OPEB Obligation:

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

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 481,907	\$ 251,173	52.12%	\$ 4,515,818
2015	473,036	241,219	50.99%	4,747,635
2016	469,249	215,226	45.87%	5,001,658

The net OPEB obligation as of September 30, 2016 was calculated as follows:

Annual required contribution	\$ 543,340
Interest on net OPEB obligation	189,906
Adjustment to annual required contribution	<u>(263,997)</u>
Annual OPEB cost	469,249
Contributions made	<u>215,226</u>
Increase in OPEB obligation	254,023
Net OPEB obligation, beginning of year	<u>4,747,635</u>
Net OPEB obligation, end of year	<u><u>\$ 5,001,658</u></u>

Funded Status and Funding Progress:

Funded status of the plan as of October 1, 2015 (most recent data available) was as follows:

Actuarial accrued liability (AAL)	\$ 6,950,418
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	6,950,418
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	10,398,586
UAAL as a percentage of covered payroll	66.84%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to

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continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 10 – FUND BALANCES:

Fund balances of governmental funds are categorized as follows:

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory	96,097	-	96,097
Amount due from Hillcrest Golf Course	1,387,421	-	1,387,421
Amount due from Municipal Airport	1,104,674	-	1,104,674
Restricted for:			
Capital projects	-	5,805,104	5,805,104
Tourism related expenditures	-	1,528,629	1,528,629
Law enforcement			
Self-insurance	182,812	-	182,812
Committed for:			
Fire equipment	176,212	-	176,212
Firemen's Fund		100,040	100,040
Law enforcement	-	62,062	62,062
Capital projects	-	40,202	40,202
Cemetery maintenance	-	80,918	80,918
Other purposes	-	9,051	9,051
Unassigned	10,418,278	-	10,418,278
	<u>10,418,278</u>	<u>-</u>	<u>10,418,278</u>
Total fund balances	<u>\$ 13,365,494</u>	<u>\$ 7,626,006</u>	<u>\$ 20,991,500</u>

NOTE 11 - RISK MANAGEMENT:

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

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

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

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

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

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

The City carries collision insurance on its motor vehicles. However, after the motor vehicles are 5 years old, the collision insurance is no longer carried. The City also has a self-insurance fund that pays for any vehicle repair or replacement not covered by insurance. Insurance coverage on the electric substations and on all utility system transmission and distribution lines is not available.

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

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

\$75,008 is set aside and reserved in the Public Utilities Fund to cover excess cost to clean up contamination surrounding 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 City is not required to purchase outside insurance for this coverage as long as it has these funds reserved as such.

All claims are expected to be covered up to the deductibles. These risks of loss (the deductibles) have not been transferred to a commercial insurer. In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the City.

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

NOTE 12 - 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 City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Projected costs to complete current budgeted projects in progress are expected to be approximately \$27,647,240. These costs are associated with multi-year projects and approved annually by Ordinance of the City Council

NOTE 13 - SUBSEQUENT EVENTS:

In October 2016, City's Department of Public Utilities (DPU) sustained distribution system damages from Hurricane Matthew. As a result of Hurricane Matthew, many counties, including Orangeburg County, were declared federal disaster areas and disaster assistance was enacted. DPU incurred \$1.7 million in capital and maintenance costs and anticipates federal reimbursement of some portion of the costs. The application for reimbursement has been filed.

The supply contract between DPU and South Carolina Electric and Gas (SCE&G) contains provisions, which allow for demand charge increases upon completion of construction of the nuclear units Summer 2 and 3. There is uncertainty as to completion of the units. Westinghouse Electric Co., the US nuclear unit of Toshiba, filed for bankruptcy in March 2017. SCE&G, the major purchased power supplier to DPU, could be affected if the units are not completed and this in turn could affect DPU.

In March 2017, the City entered into a capital lease to acquire a fire truck, garbage truck, software, and other equipment totaling \$1,465,500. The lease provides for 3 annual payments of \$498,285 including interest at 1.45% with final payment due in August 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016 (UNAUDITED)

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Ad valorem	\$ 3,563,666	\$ 3,545,135	\$ 3,595,699	\$ 50,564
Sales	1,233,200	1,183,800	-	(1,183,800)
Franchise	149,100	154,400	149,773	(4,627)
Licenses and permits	2,810,956	2,903,433	2,941,997	38,564
Fines and forfeitures	661,500	607,000	550,614	(56,386)
Charges for services	2,148,000	2,110,299	2,104,152	(6,147)
Interest income	20,000	50,000	72,424	22,424
Miscellaneous	121,355	141,479	117,510	(23,969)
Intergovernmental	445,000	615,770	712,443	96,673
Total revenues	<u>11,152,777</u>	<u>11,311,316</u>	<u>10,244,612</u>	<u>(1,066,704)</u>
EXPENDITURES				
Current:				
General government:				
Executive	415,928	445,904	456,042	10,138
Finance	1,080,805	779,248	778,778	(470)
Administrative	616,168	659,781	662,594	2,813
Non-departmental	1,150,469	1,148,202	1,170,571	22,369
Total general government	<u>3,263,370</u>	<u>3,033,135</u>	<u>3,067,985</u>	<u>34,850</u>
Public works	2,292,878	2,219,254	2,290,138	70,884
Public safety	8,659,315	7,560,116	7,969,159	409,043
Parks and recreation	2,097,270	1,972,922	2,066,066	93,144
Service	816,693	812,468	858,914	46,446
Debt service:				
Principal	825,984	769,022	821,971	52,949
Interest	10,268	9,442	10,218	776
Total debt service	<u>836,252</u>	<u>778,464</u>	<u>832,189</u>	<u>53,725</u>
Total expenditures	<u>17,965,778</u>	<u>16,376,359</u>	<u>17,084,451</u>	<u>796,667</u>
Deficiency of revenues over expenditures	<u>(6,813,001)</u>	<u>(5,065,043)</u>	<u>(6,839,839)</u>	<u>(1,863,371)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	6,409,609	5,474,609	5,479,221	4,612
Lease proceeds	1,556,592	1,306,592	1,284,004	(22,588)
Sale of general capital assets	80,000	35,000	75,919	40,919
Total other financing sources	<u>8,046,201</u>	<u>6,816,201</u>	<u>6,839,144</u>	<u>22,943</u>
Net change in fund balance	<u>\$ 1,233,200</u>	<u>\$ 1,751,158</u>	(695)	<u>\$ (1,751,853)</u>
Fund balance - beginning			<u>13,366,189</u>	
Fund balance - ending			<u>\$ 13,365,494</u>	

SEE ACCOMPANYING NOTE TO BUDGETARY COMPARISON SCHEDULE

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)

NOTE 1 - BUDGET PROCESS:

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

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

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – DEPARTMENT OF PUBLIC UTILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016 (UNAUDITED)

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services and fees	\$ 103,807,713	\$ 103,807,713	\$ 95,127,561	\$ (8,680,152)
OPERATING EXPENSES:				
Electricity purchased	56,078,700	56,078,700	47,630,991	(8,447,709)
Natural gas purchased	5,245,517	5,245,517	3,503,589	(1,741,928)
Operating and maintenance	9,094,871	9,094,871	9,733,570	638,699
Administrative	8,878,005	8,878,005	10,766,860	1,888,855
Depreciation and amortization	8,408,449	8,408,449	9,613,887	1,205,438
	<u>87,705,542</u>	<u>87,705,542</u>	<u>81,248,897</u>	<u>(6,456,645)</u>
Total operating expenses				
Operating income	<u>16,102,171</u>	<u>16,102,171</u>	<u>13,878,664</u>	<u>(2,223,507)</u>
NON-OPERATING REVENUES (EXPENSES):				
Gain on disposal of property	-	-	16,502	16,502
Water impact and tap fees	216,592	216,592	326,186	109,594
Wastewater impact and tap fees	146,033	146,033	58,254	(87,779)
Interest income	456,350	456,350	246,566	(209,784)
Interest expense	(61,314)	(61,314)	(139,248)	(77,934)
	<u>757,661</u>	<u>757,661</u>	<u>508,260</u>	<u>(249,401)</u>
Total non-operating revenues (expenses)				
Income before contributions and transfers	16,859,832	16,859,832	14,386,924	(2,472,908)
Contributions	-	-	638,485	638,485
Transfers	(5,108,609)	(5,108,609)	(5,108,609)	-
Changes in net assets	<u>\$ 11,751,223</u>	<u>\$ 11,751,223</u>	<u>\$ 9,916,800</u>	<u>\$ (1,834,423)</u>

SEE ACCOMPANYING NOTE TO BUDGETARY COMPARISON SCHEDULE

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

NOTE TO THE BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND (UNAUDITED)

NOTE 1 - BUDGET PROCESS:

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

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

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SCHEDULE OF FUNDING PROGRESS:

	(1)	(2)	(3)	(4)	(5)	(6)
						UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	(4) / (5)
10/1/11	\$ -	\$ 7,359,068	\$ 7,359,068	0.0%	\$ 13,029,053	56.5%
10/1/13	-	6,403,785	6,403,785	0.0%	11,428,278	56.0%
10/1/15	-	6,950,418	6,950,418	0.0%	10,398,586	66.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 2,708,244	\$ 612,063	22.6%	\$ 2,095,363
2010	940,441	257,681	27.4%	2,777,809
2011	942,001	260,934	27.7%	3,459,133
2012	673,797	229,765	34.1%	3,903,159
2013	633,098	251,150	39.7%	4,285,084
2014	481,907	251,173	52.1%	4,515,818
2015	473,036	241,219	51.0%	4,747,635
2016	469,249	215,226	45.9%	5,001,658

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Plan Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS):			
City's proportion of the net pension liability	0.148145%	0.146676%	0.149959%
City's proportionate share of the net pension liability	\$ 31,643,554	\$ 27,817,811	\$ 25,817,968
City's covered payroll	\$ 4,301,872	\$ 13,899,391	\$ 13,649,729
City's proportionate share of the net pension liability as a percentage of its covered payroll	735.6%	200.1%	189.1%
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%
POLICE OFFICERS RETIREMENT SYSTEM (PORS):			
City's proportion of the net pension liability	0.26213%	0.26653%	0.26843%
City's proportionate share of the net pension liability	\$ 6,648,861	\$ 5,790,921	\$ 5,072,658
City's covered payroll	\$ 3,152,742	\$ 3,376,453	\$ 3,091,849
City's proportionate share of the net pension liability as a percentage of its covered payroll	210.9%	171.5%	164.1%
Plan fiduciary net position as a percentage of the total pension liability	60.4%	64.6%	67.5%

The City implemented GASB Statement No. 68 during the year ended September 30, 2015. Thus, data is only available for the last 3 years. The above schedules will present 10 years of information once it is accumulated.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Plan Year Ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS):			
Contractually required contribution	\$ 1,586,649	\$ 1,499,035	\$ 1,443,115
Contributions in relation to the contractually required contribution	<u>1,586,649</u>	<u>1,499,035</u>	<u>1,443,115</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 4,301,872	\$ 13,899,391	\$ 13,649,729
Contributions as a percentage of covered payroll	36.9%	10.8%	10.6%
POLICE OFFICERS RETIREMENT SYSTEM (PORS):			
Contractually required contribution	\$ 459,163	\$ 442,795	\$ 414,534
Contributions in relation to the contractually required contribution	<u>459,163</u>	<u>442,795</u>	<u>414,534</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,152,742	\$ 3,376,453	\$ 3,091,849
Contributions as a percentage of covered payroll	14.6%	13.1%	13.4%

The City implemented GASB Statement No. 68 during the year ended September 30, 2015. Thus, data is only available for the last 3 years. The above schedules will present 10 years of information once it is accumulated.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem:				
Current	\$ 2,962,500	\$ 2,970,000	\$ 2,986,434	\$ 16,434
Delinquent	228,250	185,895	202,179	16,284
Other	372,916	389,240	407,086	17,846
Total ad valorem tax	<u>3,563,666</u>	<u>3,545,135</u>	<u>3,595,699</u>	<u>50,564</u>
Sales:				
Hospitality and accommodations	1,233,200	1,183,800	-	(1,183,800)
Total sales tax	<u>1,233,200</u>	<u>1,183,800</u>	<u>-</u>	<u>(1,183,800)</u>
Franchise taxes	149,100	154,400	149,773	(4,627)
Licenses and permits:				
Business licenses	1,055,350	995,350	994,081	(1,269)
Insurance	1,715,000	1,874,000	1,908,174	34,174
Building permits	40,606	34,083	39,742	5,659
Total licenses and permits	<u>2,810,956</u>	<u>2,903,433</u>	<u>2,941,997</u>	<u>38,564</u>
Fines and forfeitures	661,500	607,000	550,614	(56,386)
Charges for services:				
Sanitation - commercial	420,000	440,824	439,063	(1,761)
Sanitation - residential	696,000	660,000	655,504	(4,496)
Fire service contracts	865,000	870,500	886,392	15,892
Recreation programs	142,000	127,475	112,551	(14,924)
Recreation department fees	25,000	11,500	10,642	(858)
Total charges for services	<u>2,148,000</u>	<u>2,110,299</u>	<u>2,104,152</u>	<u>(6,147)</u>
Interest income	20,000	50,000	72,424	22,424
Miscellaneous:				
Rentals	29,000	30,000	25,729	(4,271)
Miscellaneous	92,355	111,479	91,781	(19,698)
Total miscellaneous	<u>121,355</u>	<u>141,479</u>	<u>117,510</u>	<u>(23,969)</u>

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

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Local:				
SRO reimbursement	\$ 32,000	\$ 34,000	\$ 34,456	\$ 456
Total local	<u>32,000</u>	<u>34,000</u>	<u>34,456</u>	<u>456</u>
State:				
Local government fund	<u>300,000</u>	<u>286,000</u>	<u>307,403</u>	<u>21,403</u>
Total state	<u>300,000</u>	<u>286,000</u>	<u>307,403</u>	<u>21,403</u>
Federal:				
Federal grants	<u>113,000</u>	<u>295,770</u>	<u>370,584</u>	<u>74,814</u>
Total federal	<u>113,000</u>	<u>295,770</u>	<u>370,584</u>	<u>74,814</u>
Total intergovernmental	<u>445,000</u>	<u>615,770</u>	<u>712,443</u>	<u>96,673</u>
Total revenues	<u>\$ 11,152,777</u>	<u>\$ 11,311,316</u>	<u>\$ 10,244,612</u>	<u>\$ (1,066,704)</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Executive Department:				
Administrative Division:				
Personnel	\$ 93,328	\$ 93,509	\$ 96,912	\$ 3,403
Utility expense	3,500	3,000	2,708	(292)
Property and tort	14	21	21	-
Operating expenses	69,000	83,358	78,913	(4,445)
Total Administrative Division	<u>165,842</u>	<u>179,888</u>	<u>178,554</u>	<u>(1,334)</u>
Election Division:				
Property and tort	75	75	75	-
Operating expenses	-	2,688	2,688	-
Total Election Division	<u>75</u>	<u>2,763</u>	<u>2,763</u>	<u>-</u>
Municipal Court Division:				
Personnel	224,388	219,111	234,128	15,017
Property and tort	473	481	480	(1)
Operating expenses	25,150	43,661	40,117	(3,544)
Total Municipal Court Division	<u>250,011</u>	<u>263,253</u>	<u>274,725</u>	<u>11,472</u>
Total Executive Department	<u>415,928</u>	<u>445,904</u>	<u>456,042</u>	<u>10,138</u>
Finance Department:				
Finance and Records Division:				
Personnel	374,281	375,546	386,941	11,395
Utility expense	4,400	4,200	3,966	(234)
Property and tort	2,314	2,321	2,321	-
Operating expenses	61,585	74,634	66,468	(8,166)
Total Finance and Records Division	<u>442,580</u>	<u>456,701</u>	<u>459,696</u>	<u>2,995</u>
Information Technology Division:				
Personnel	223,368	158,635	168,412	9,777
Utility expense	2,500	3,131	3,132	1
Property and tort	1,379	1,371	1,371	-
Operating expenses	93,978	128,980	115,737	(13,243)
Capital outlay	317,000	30,430	30,430	-
Total Data Processing Division	<u>638,225</u>	<u>322,547</u>	<u>319,082</u>	<u>(3,465)</u>
Total Finance Department	<u>1,080,805</u>	<u>779,248</u>	<u>778,778</u>	<u>(470)</u>
Administrative Department:				
Administration Division:				
Personnel	353,459	353,506	361,166	7,660
Utility expense	6,500	6,500	5,489	(1,011)
Property and tort	1,278	1,366	1,366	-
Operating expenses	19,086	20,952	23,837	2,885
Capital outlay	-	45,000	43,967	(1,033)
Total Administration Division	<u>380,323</u>	<u>427,324</u>	<u>435,825</u>	<u>8,501</u>

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Administrative Department (continued):				
Community Planning and Development Division				
Personnel	\$ 166,851	\$ 168,327	\$ 177,738	\$ 9,411
Utility expense	1,700	1,700	1,028	(672)
Property and tort	1,194	1,201	1,201	-
Operating expenses	41,100	33,958	19,531	(14,427)
Capital Outlay	25,000	27,271	27,271	-
Total Community Planning and Development Division	235,845	232,457	226,769	(5,688)
Total Administrative Department	616,168	659,781	662,594	2,813
Public Works Department:				
Administrative Division:				
Personnel	249,460	250,798	261,691	10,893
Utility expense	4,500	4,641	4,641	-
Property and tort	1,119	1,126	1,126	-
Operating expenses	15,035	13,648	11,261	(2,387)
Total Administrative Division	270,114	270,213	278,719	8,506
Building Inspection Division:				
Personnel	157,929	159,337	167,155	7,818
Utility expense	3,500	2,687	2,687	-
Property and tort	1,016	789	789	-
Operating expenses	22,427	16,208	14,385	(1,823)
Total Building Inspection Division	184,872	179,021	185,016	5,995
Garage Division:				
Personnel	297,941	301,292	315,910	14,618
Utility expense	20,000	15,539	15,539	-
Property and tort	2,500	2,599	2,600	1
Operating expenses	42,250	54,032	42,428	(11,604)
Capital outlay	60,000	73,330	83,710	10,380
Total Garage Division	422,691	446,792	460,187	13,395
Municipal Buildings Division:				
Personnel	60,150	58,270	58,430	160
Utility expense	33,000	35,232	35,232	-
Property and tort	6,415	6,422	6,422	-
Operating expenses	37,035	33,573	46,538	12,965
Total Municipal Buildings Division	136,600	133,497	146,622	13,125
Parking Facilities Division:				
Property and tort	78	78	78	-
Operating expenses	5,980	4,980	4,980	-
Total Parking Facilities Division	6,058	5,058	5,058	-

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Works Department (continued):				
Sanitation Division:				
Personnel	\$ 908,642	\$ 849,372	\$ 902,867	\$ 53,495
Utility expense	5,800	6,104	6,104	-
Property and tort	5,822	6,061	6,062	1
Operating expenses	266,975	240,683	221,116	(19,567)
Capital outlay	49,200	50,960	50,960	-
Total Sanitation Division	<u>1,236,439</u>	<u>1,153,180</u>	<u>1,187,109</u>	<u>33,929</u>
Street and Maintenance Division:				
Property and tort	2,104	2,156	2,156	-
Operating expenses	34,000	29,337	25,271	(4,066)
Total Street and Maintenance Division	<u>36,104</u>	<u>31,493</u>	<u>27,427</u>	<u>(4,066)</u>
Total Public Works Division	<u>2,292,878</u>	<u>2,219,254</u>	<u>2,290,138</u>	<u>70,884</u>
Public Safety Department:				
Administrative Division:				
Personnel	199,555	196,811	206,461	9,650
Utility expense	130,000	110,000	110,275	275
Property and tort	15,493	18,774	18,780	6
Operating expenses	627,034	608,244	615,797	7,553
Total Administrative Division	<u>972,082</u>	<u>933,829</u>	<u>951,313</u>	<u>17,484</u>
Patrol Division:				
Personnel	2,779,065	2,176,207	2,342,621	166,414
Property and tort	46,887	48,003	48,009	6
Operating expenses	284,645	272,135	246,917	(25,218)
Capital outlay	114,000	103,173	136,274	33,101
Total Patrol Division	<u>3,224,597</u>	<u>2,599,518</u>	<u>2,773,821</u>	<u>174,303</u>
Special Operations Division:				
Personnel	1,795,997	1,589,371	1,706,821	117,450
Property and tort	16,962	15,144	15,150	6
Operating expenses	281,700	248,585	235,289	(13,296)
Capital outlay	795,286	786,873	806,450	19,577
Total Special Operations Division	<u>2,889,945</u>	<u>2,639,973</u>	<u>2,763,710</u>	<u>123,737</u>
Investigation Division:				
Personnel	990,109	1,024,991	1,075,885	50,894
Property and tort	15,714	13,497	13,503	6
Operating expenses	75,846	64,178	93,898	29,720
Capital outlay	38,000	37,480	37,480	-
Total Investigation Division	<u>1,119,669</u>	<u>1,140,146</u>	<u>1,220,766</u>	<u>80,620</u>

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety Department (continued):				
Highway Safety DUI Special Enforcement:				
Operating expenses	\$ 28,000	\$ 28,000	\$ 24,560	\$ (3,440)
Total Highway Safety DUI Special Enforcement Division	28,000	28,000	24,560	(3,440)
Forensic Services Unit				
Personnel	319,225	153,237	166,231	12,994
Property and tort	2,715	1,584	1,590	6
Operating expenses	95,082	56,211	59,550	3,339
Capital outlay	8,000	7,618	7,618	-
Total Forensic Services Unit	425,022	218,650	234,989	16,339
Total Public Safety Department	8,659,315	7,560,116	7,969,159	409,043
Parks and Recreation Department:				
Administrative Division:				
Personnel	211,315	213,478	224,768	11,290
Utility expense	12,000	12,000	11,603	(397)
Property and tort	3,474	3,494	3,481	(13)
Operating expenses	13,063	11,803	12,048	245
Capital outlay	-	10,400	10,373	(27)
Total Administrative Division	239,852	251,175	262,273	11,125
Recreation Division:				
Personnel	276,930	212,297	226,661	14,364
Utility expense	50,000	51,500	51,443	(57)
Property and tort	11,295	6,200	5,867	(333)
Operating expenses	184,553	164,591	168,717	4,126
Total Recreation Division	522,778	434,588	452,688	18,100
Gardens Division:				
Personnel	431,835	396,256	432,442	36,186
Utility expense	46,000	60,000	59,932	(68)
Property and tort	23,000	21,235	21,233	(2)
Operating expenses	97,597	93,508	92,035	(1,473)
Capital outlay	41,000	45,863	45,769	(94)
Total Gardens Division	639,432	616,862	651,411	34,549

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Parks and Recreation Department (continued):				
Parks and Cemetery Division:				
Personnel	\$ 463,227	\$ 453,834	\$ 488,136	\$ 34,302
Utility expense	15,000	17,550	17,543	(7)
Property and tort	15,384	15,375	15,371	(4)
Operating expenses	99,505	91,538	88,487	(3,051)
Capital outlay	102,092	92,000	90,157	(1,843)
Total Parks and Cemetery Division	695,208	670,297	699,694	29,397
Total Parks and Recreation Department	2,097,270	1,972,922	2,066,066	93,171
Service Department:				
Administrative Division:				
Personnel	481,218	482,240	521,631	39,391
Utility expense	7,000	6,997	7,450	453
Property and tort	12,000	7,208	7,208	-
Operating expenses	82,975	68,452	75,054	6,602
Capital outlay	233,500	247,571	247,571	-
Total Administrative Division	816,693	812,468	858,914	46,446
Total Service Department	816,693	812,468	858,914	46,446
Non-Departmental:				
Flood Recovery	-	85,000	95,709	10,709
Employee Christmas	17,000	16,883	16,883	-
Building code enforcement	200,000	195,000	153,486	(41,514)
Annexation covenants	25,000	15,000	10,113	(4,887)
Operating/insurance overage	173,724	82,000	71,941	(10,059)
Municipal Association	50,000	54,691	54,683	(8)
Commercial sanitation fees	238,000	254,148	254,148	-
Unemployment insurance	3,000	1,500	370	(1,130)
Special projects	50,000	60,346	55,552	(4,794)
Downtown revitalization	25,000	25,000	25,000	-
Retirees - group insurance	55,000	56,712	56,713	1
Setoff debt	2,100	1,584	1,584	-
CDL drug and alcohol testing	500	500	192	(308)
Employee shots	5,000	3,500	2,026	(1,474)
Street lights	275,000	280,000	346,391	66,391
Christmas lights	20,000	14,635	14,635	-
Chamber dues	1,545	1,545	1,545	-
Fiber rental expense	9,600	9,600	9,600	-
Debt service	836,252	769,022	832,189	63,167
Total Non-Departmental	1,986,721	1,926,666	2,002,760	76,094
Total Expenditures	\$ 17,965,778	\$ 16,376,359	\$ 17,084,451	\$ 708,119

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue							
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accommodations Tax	Hospitality and Accommodations Tax	Victims' Advocate Fund	Drug Fund
ASSETS								
Cash	\$ 100,040	\$ 64,964	\$ 15,954	\$ 2,654	\$ 21,023	\$ 1,517,196	\$ 1,403	\$ 62,062
Investments	-	-	-	-	-	1,523,698	-	-
Revenue receivable	-	-	-	-	12,862	-	-	-
Due from other funds	-	-	-	-	-	100,655	-	-
Total assets	\$ 100,040	\$ 64,964	\$ 15,954	\$ 2,654	\$ 33,885	\$ 3,141,549	\$ 1,403	\$ 62,062
LIABILITIES								
Accrued expenditures and payables	\$ -	\$ -	\$ -	\$ -	\$ 1,675	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	27,279	-	-	-
Total liabilities	-	-	-	-	28,954	-	-	-
FUND BALANCES								
Restricted for:								
Capital projects	-	-	-	-	-	1,617,851	-	-
Tourism related expenditures	-	-	-	-	4,931	1,523,698	-	-
Committed for:								
Firemen's equipment	100,040	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	62,062
Capital projects	-	-	-	-	-	-	-	-
Cemetery maintenance	-	64,964	15,954	-	-	-	-	-
Other purposes	-	-	-	2,654	-	-	1,403	-
Total fund balances	100,040	64,964	15,954	2,654	4,931	3,141,549	1,403	62,062
Total liabilities and fund balances	\$ 100,040	\$ 64,964	\$ 15,954	\$ 2,654	\$ 33,885	\$ 3,141,549	\$ 1,403	\$ 62,062

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

	Special Revenue				Capital Projects		
	Stevenson Auditorium	Edisto Senior Games	JAG Grant	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	Total
ASSETS							
Cash	\$ 40,232	\$ 4,994	\$ -	\$ 56,191	\$ 19,020	2,494,754	\$ 4,400,487
Investments	-	-	-	-	-	1,597,508	3,121,206
Revenue receivable	-	-	-	-	-	19,780	32,642
Due from other funds	-	-	-	-	-	-	100,655
Total assets	<u>\$ 40,232</u>	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ 56,191</u>	<u>\$ 19,020</u>	<u>\$ 4,112,042</u>	<u>\$ 7,654,990</u>
LIABILITIES							
Accrued expenditures and payables	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,705
Due to other funds	-	-	-	-	-	-	27,279
Total liabilities	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,984</u>
FUND BALANCES							
Restricted for:							
Capital projects	-	-	-	56,191	19,020	4,112,042	5,805,104
Tourism related expenditures	-	-	-	-	-	-	1,528,629
Committed for:							
Firemen's equipment	-	-	-	-	-	-	100,040
Law enforcement	-	-	-	-	-	-	62,062
Capital projects	40,202	-	-	-	-	-	40,202
Cemetery maintenance	-	-	-	-	-	-	80,918
Other purposes	-	4,994	-	-	-	-	9,051
Total fund balances	<u>40,202</u>	<u>4,994</u>	<u>-</u>	<u>56,191</u>	<u>19,020</u>	<u>4,112,042</u>	<u>7,626,006</u>
Total liabilities and fund balances	<u>\$ 40,232</u>	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ 56,191</u>	<u>\$ 19,020</u>	<u>\$ 4,112,042</u>	<u>\$ 7,654,990</u>

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, 2016

	Special Revenue							
	Firemen's Fund	Sunnyside Cemetery	Orangeburg Cemetery	S.C. Festival of Roses	Accommodations Tax	Hospitality and Accommodation: Tax	Victims' Advocate Fund	Drug Fund
REVENUES								
Sales taxes	\$ -	\$ -	\$ -	\$ 500	\$ 30,582	\$ 1,164,210	\$ -	\$ -
Confiscated drug funds	-	-	-	-	-	-	-	17,597
Charges for services	-	2,000	-	5,740	-	-	-	-
Interest	-	-	-	-	-	10,191	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	32,100	-	-
Intergovernmental	85,130	-	-	-	-	4,492	38,073	25,217
Total revenues	<u>85,130</u>	<u>2,000</u>	<u>-</u>	<u>6,240</u>	<u>30,582</u>	<u>1,210,993</u>	<u>38,073</u>	<u>42,814</u>
EXPENDITURES								
Public safety	87,476	-	-	-	-	309,979	-	41,543
Cultural and recreational	-	-	-	6,408	8,951	27,500	-	-
Developmental services	-	5,867	5,706	-	-	-	-	-
Debt service	-	-	-	-	-	342,927	-	-
Small capital outlay	-	-	-	-	-	6,245	-	-
Capital outlay	-	-	-	-	-	118,409	-	-
Total expenditures	<u>87,476</u>	<u>5,867</u>	<u>5,706</u>	<u>6,408</u>	<u>8,951</u>	<u>805,060</u>	<u>-</u>	<u>41,543</u>
Excess of revenues over (under) expenditures	(2,346)	(3,867)	(5,706)	(168)	21,631	405,933	38,073	1,271
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	2,400	-	-	-	-
Operating transfers out	-	-	-	-	(29,679)	(320,000)	(43,294)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>(29,679)</u>	<u>(320,000)</u>	<u>(43,294)</u>	<u>-</u>
Net change in fund balances	(2,346)	(3,867)	(5,706)	2,232	(8,048)	85,933	(5,221)	1,271
Fund balance, beginning of year	<u>102,386</u>	<u>68,831</u>	<u>21,660</u>	<u>422</u>	<u>12,979</u>	<u>3,055,616</u>	<u>6,624</u>	<u>60,791</u>
Fund balance, end of year	<u>\$ 100,040</u>	<u>\$ 64,964</u>	<u>\$ 15,954</u>	<u>\$ 2,654</u>	<u>\$ 4,931</u>	<u>\$ 3,141,549</u>	<u>\$ 1,403</u>	<u>\$ 62,062</u>

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

	Special Revenue				Capital Projects		
	Stevenson Auditorium	Edisto Senior Games	JAG Grant	Community Development Corporation	Hillcrest Golf Course	County Capital One Percent Fund	Total
REVENUES							
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	1,463,804	\$ 2,659,096
Confiscated drug funds	-	-	-	-	-	-	17,597
Charges for services	650	920	-	-	-	-	9,310
Interest	-	-	-	8	-	10,685	20,884
Miscellaneous	-	-	-	-	-	6,675	6,675
Contributions	-	-	-	-	-	800	32,900
Intergovernmental	-	-	-	-	-	121,141	274,053
Total revenues	650	920	-	8	-	1,603,105	3,020,515
EXPENDITURES							
Public safety	-	-	-	-	-	-	438,998
Cultural and recreational	9,459	1,973	-	-	-	-	54,291
Developmental services	-	-	-	22,520	-	-	34,093
Debt service	-	-	-	-	-	-	342,927
Small capital outlay	-	-	-	-	-	-	6,245
Capital outlay	-	-	-	-	-	2,068,415	2,186,824
Total expenditures	9,459	1,973	-	22,520	-	2,068,415	3,063,378
Excess of revenues over (under) expenses	(8,809)	(1,053)	-	(22,512)	-	(465,310)	(42,863)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	20,000	-	-	-	-	-	22,400
Operating transfers out	-	-	(38)	-	-	-	(393,011)
Total other financing sources (uses)	20,000	-	(38)	-	-	-	(370,611)
Net change in fund balances	11,191	(1,053)	(38)	(22,512)	-	(465,310)	(413,474)
Fund balance, beginning of year	29,011	6,047	38	78,703	19,020	4,577,352	8,039,480
Fund balance, end of year	\$ 40,202	\$ 4,994	\$ -	\$ 56,191	\$ 19,020	\$ 4,112,042	\$ 7,626,006

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF NET POSITION - NON-MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Non-major Enterprise Funds			
	Municipal	Golf		Total
	<u>Airport</u>	<u>Pro Shop</u>	<u>Course</u>	
ASSETS				
Current assets:				
Cash and equivalents	\$ 200	\$ -	\$ 300	\$ 500
Accounts receivable - net	14,597	-	1,791	16,388
Other receivables	81	-	-	81
Inventories	48,118	23,074	-	71,192
Due from other funds	-	30,018	-	30,018
Total current assets	<u>62,996</u>	<u>53,092</u>	<u>2,091</u>	<u>118,179</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment - net of accumulated depreciation	7,549,395	-	314,233	7,863,628
Total noncurrent assets	<u>7,549,395</u>	<u>-</u>	<u>314,233</u>	<u>7,863,628</u>
Total assets	<u>7,612,391</u>	<u>53,092</u>	<u>316,324</u>	<u>7,981,807</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,831</u>	<u>-</u>	<u>95,641</u>	<u>131,472</u>
LIABILITIES				
Current liabilities:				
Accounts payable	9,568	3,498	46,303	59,369
Accrued compensated absences	6,516	-	25,713	32,229
Total current liabilities	<u>16,084</u>	<u>3,498</u>	<u>72,016</u>	<u>91,598</u>
Noncurrent liabilities:				
Advances from other funds	1,104,674	-	1,387,421	2,492,095
Accrued compensated absences	-	-	38,656	38,656
Other post employment benefits obligation	15,602	-	105,261	120,863
Net pension liability due after one year	212,079	-	561,274	773,353
Total noncurrent liabilities	<u>1,332,355</u>	<u>-</u>	<u>2,092,612</u>	<u>3,424,967</u>
Total liabilities	<u>1,348,439</u>	<u>3,498</u>	<u>2,164,628</u>	<u>3,516,565</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,748</u>	<u>-</u>	<u>17,592</u>	<u>24,340</u>
NET POSITION				
Invested in capital assets, net of related debt	7,549,395	-	314,233	7,863,628
Unrestricted	<u>(1,256,360)</u>	<u>49,594</u>	<u>(2,084,488)</u>	<u>(3,291,254)</u>
Total net position	<u>\$ 6,293,035</u>	<u>\$ 49,594</u>	<u>\$ (1,770,255)</u>	<u>\$ 4,572,374</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Non-major Enterprise Funds			
	Municipal	Golf		Total
	Airport	Pro Shop	Course	
OPERATING REVENUES:				
Pro shop sales	\$ -	\$ 88,500	\$ -	\$ 88,500
Food sales	-	28,194	-	28,194
Oil and fuel sales	249,605	-	-	249,605
Rentals and other	77,425	603	4,931	82,959
Green fees, cart rentals and memberships	-	-	294,637	294,637
Capital projects revenue	-	-	12,986	12,986
	<hr/>			
Total operating revenues	327,030	117,297	312,554	756,881
	<hr/>			
OPERATING EXPENSES:				
Cost of goods sold	174,186	73,466	-	247,652
Operating and maintenance	105,365	12,928	156,073	274,366
Administrative	140,388	-	413,299	553,687
Depreciation and amortization	696,005	-	61,510	757,515
	<hr/>			
Total operating expenses	1,115,944	86,394	630,882	1,833,220
	<hr/>			
OPERATING INCOME (LOSS)	(788,914)	30,903	(318,328)	(1,076,339)
Capital contributions - grants	438,878	-	-	438,878
Transfers in	-	-	30,903	30,903
Transfers out	-	(30,903)	-	(30,903)
	<hr/>			
CHANGES IN NET POSITION	(350,036)	-	(287,425)	(637,461)
NET POSITION - BEGINNING OF YEAR	6,643,071	49,594	(1,482,830)	5,209,835
	<hr/>			
NET POSITION - END OF YEAR	\$ 6,293,035	\$ 49,594	\$ (1,770,255)	\$ 4,572,374
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CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Non-major Enterprise Funds			
	Municipal	Golf		Total
	<u>Airport</u>	<u>Pro Shop</u>	<u>Course</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 328,241	\$ 117,297	\$ 314,276	\$ 759,814
Cash payments to suppliers for goods and services	(278,309)	(74,671)	(135,854)	(488,834)
Cash payments for employees	(131,465)	-	(391,822)	(523,287)
Net cash provided (used) by operating activities	<u>(81,533)</u>	<u>42,626</u>	<u>(213,400)</u>	<u>(252,307)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to others	178,544	(11,723)	199,895	366,716
Transfers in (out)	-	(30,903)	30,903	-
Net cash provided (used) by noncapital financing activities	<u>178,544</u>	<u>(42,626)</u>	<u>230,798</u>	<u>366,716</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(538,121)	-	(17,398)	(555,519)
Capital contributed - grants	441,110	-	-	441,110
Net cash used by capital and related financing activities	<u>(97,011)</u>	<u>-</u>	<u>(17,398)</u>	<u>(114,409)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	-	-	-	-
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>200</u>	<u>-</u>	<u>300</u>	<u>500</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 500</u>

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

	Business-type Activities - Non-major Enterprise Funds			
	Municipal <u>Airport</u>	Pro Shop	Golf <u>Course</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (788,914)	\$ 30,903	\$ (318,328)	\$ (1,076,339)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	696,005	-	61,510	757,515
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	1,211	-	1,722	2,933
Inventories	2,583	9,719	-	12,302
Deferred outflows	(18,480)	-	(49,865)	(68,345)
Increase (decrease) in:				
Accounts payable	(1,341)	2,004	20,219	20,882
Accrued compensated absences	(1,834)	-	(11,334)	(13,168)
OPEB obligation	2,347	-	10,170	12,517
Net pension liability	32,774	-	88,238	121,012
Deferred inflows	(5,884)	-	(15,732)	(21,616)
Net cash provided (used) by operating activities	<u>\$ (81,533)</u>	<u>\$ 42,626</u>	<u>\$ (213,400)</u>	<u>\$ (252,307)</u>
RECONCILIATION OF TOTAL CASH AND CASH INVESTMENTS:				
Cash on hand and in bank	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 500</u>
Total cash and cash equivalents	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 500</u>

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FINES AND ASSESSMENTS AND SURCHARGES REVENUES
FOR VICTIMS' SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

COURT FINES

Court fines collected	\$ 144,998
Court fines retained by City	<u>106,924</u>

Court fines remitted to State Treasurer	<u>\$ 38,074</u>
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COURT ASSESSMENTS

Court assessments collected	\$ 224,447
Court assessments retained by City	<u>25,555</u>

Court assessments remitted to State Treasurer	<u>\$ 198,892</u>
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COURT SURCHARGES

Court surcharges collected	\$ 111,072
Court surcharges retained by the City	<u>12,519</u>

Court surcharges remitted to State Treasurer	<u>\$ 98,553</u>
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VICTIMS' SERVICES

Court assessments allocated to Victims' Services	\$ 25,554
Court surcharges allocated to Victims' Services	<u>12,519</u>

Funds allocated to Victims' Services	38,073
Victims' Services expenditures	<u>43,294</u>

Funds available for carryforward	<u>\$ (5,221)</u>
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Beginning balance, October 1, 2015	\$ 6,624
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Funds available for carryforward	<u>(5,221)</u>
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Ending balance, September 30, 2016	<u>\$ 1,403</u>
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SINGLE AUDIT SECTION



J. W. Hunt and Company

Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orangeburg, South Carolina (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Finding 2016-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Finding 2016-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. W. Hunt and Company, LLP

September 22, 2017



J. W. Hunt and Company

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Orangeburg, South Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

J. W. Hunt and Company, LLP

September 22, 2017

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>Environmental Protection Agency</u>		
Through South Carolina Budget and Control Board		
State Revolving Fund:		
Capitalization Grants for Clean Water State Revolving Fund	66.458	\$ 5,683,200
 <u>U.S. Department of Homeland Security</u>		
Through South Carolina Emergency Management Division:		
Federal Emergency Management Agency Disaster Grant	97.036	95,709
Federal Emergency Management Agency Disaster Grant	97.036	<u>51,667</u>
Total U.S. Department of Homeland Security		<u>147,376</u>
 <u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Community Development Block Grant for Entitlement Communities	14.228	<u>121,142</u>
 <u>U.S. Department of Justice</u>		
Direct Programs:		
Victim of Crimes	16.575	27,522
JAG Grant	16.738	<u>44,308</u>
Total U.S. Department of Justice		<u>71,830</u>
 <u>U.S. Department of Transportation</u>		
Through South Carolina Department of Transportation:		
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	39,877
State and Community Highway Safety Grant	20.600	25,413
 Through Federal Aviation Administration:		
Airport Improvement Program	20.106	<u>438,959</u>
Total U.S. Department of Transportation		<u>504,249</u>
Total expenditures of federal awards		<u>\$ 6,527,797</u>

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of City of Orangeburg, South Carolina (City), under programs of the federal government for the year ended September 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or changes in net position of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified that are not considered
to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

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

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

Any audit findings disclosed that are required to be reported in accordance
with 2 CFR Section 200.516(a)? No

Identification of major programs:

CFDA Numbers

Name of Federal Program

66.458	Capitalization Grants for Clean Water State Revolving Funds
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS:

Finding 2016-001 Bank Reconciliation

Condition: The City's general fund operating bank account was not reconciled during the last six months of the fiscal year.

Criteria: Internal controls should be in place that provide reasonable assurance that all transactions that clear the bank statement proper and recorded correctly in the accounting records.

Cause: Finance staff turnover, limited personnel remaining to perform the reconciliation, along with outdated and inefficient reconciliation process.

Effect: Upon reconciling the remaining months of the fiscal year, an adjustment of approximately \$149,000 was made to correct the general fund bank account balance.

Recommendation: Use the spreadsheet template developed during the completion of the current year reconciliations in order to prepare timely reconciliations so that differences do not accumulate, but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Views of Responsible Officials and Planned Corrective Actions: We agree with this finding for the period in question; however, a corrective action plan was developed and has been implemented prior to the completion of this audit's activities to address and resolve this issue. The plan included the hiring of an additional Finance team member who has over 25 years of experience in complex bank reconciliations. This associate came on board in July 2017 and has since completed monthly bank reconciliations for both the general fund and accounts payable cash accounts for the October 2016-August 2017 time periods. These reconciliations were also able to tie into the audit balances and adjustments made through the September 2016 activity, and all outstanding reconciling items from this period will be addressed by the end of the 2016-2017 fiscal year. In addition, new automated processes and controls have been added for cash and reconciliation processing that exceed the need identified, to include but not

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

limited to, deposit batch sheets, associate review of deposit processing and logging to general ledger, supervisory review of the completed monthly reconciliation, footnotes of all reconciling items, and monitoring of the time frame and activities to address and correct reconciling items.

SIGNIFICANT DEFICIENCY:

Finding 2016-002 Depreciation Schedule

Condition: Several issues were noted regarding the depreciation schedules, including (1) for assets transferred between depreciation schedules, cost and accumulated depreciation amounts were not always the same between the two schedules, (2) for some transferred assets, the schedule contained an amount for current depreciation when the assets were already fully depreciated at the beginning of the year, (3) accumulated depreciation at the beginning of the year in several asset categories did not agree with prior year accumulated depreciation per the accounting records, (4) the current year depreciation expense calculation was incorrect based on the cost and useful life of the related asset, and (5) for one current year addition, the asset was reflected in the depreciation schedule at double the actual cost.

Criteria: Internal controls should be in place that provide reasonable assurance that all subsidiary records are properly maintained and reconcile to their respective general ledger control accounts.

Cause: Finance staff turnover and insufficient cross training.

Effect: Upon audit, the book value of capital assets was reduced by approximately \$69,000.

Recommendation: City finance personnel should receive additional training in the use of the depreciation module and begin reconciling capital assets between the general ledger and depreciation schedules on at least a quarterly basis.

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

fact coupled with the small variance amount does not rise to a significant deficiency in our opinion.

However as our goal is to process 100% of all transactions accurately, we have developed a corrective action plan to address that expands and strengthens the controls in this area. This plan, implemented in September 2017, includes the correction of the handful of exceptions noted during the audit, additional training of the depreciation module as recommended, the establishment of a monthly entry and reconciliation process of all asset activity that includes the same type of supervisory review and monitoring activities as mentioned with the bank reconciliations. Also, these new processes will be utilized for the October 2016 timeframe going forward so that the current fiscal year audit period will benefit from the improvements.

SECTION III - FINDINGS RELATED TO FEDERAL AWARDS

There were no findings related to federal awards.

CITY OF ORANGEBURG
ORANGEBURG, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS,
YEAR ENDED SEPTEMBER 30, 2016

No matters were reported for the year ended September 30, 2015.