

**CITY OF ORANGEBURG,
SOUTH CAROLINA**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council
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** (the "City"), as of and for the year ended September 30, 2018, 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 of Orangeburg, South Carolina, as of September 30, 2018, 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.

Emphasis of Matter

As discussed in Notes 10 and 12, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changes the accounting for the City's other postemployment benefits and related disclosures. Our opinion is not modified with respect to this matter.

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 through 13), the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (on page 68), the Schedule of Changes in the City's Total OPEB Liability and Related Ratios (on page 69), the Schedule of City's Proportionate Share of the Net Pension Liability (on page 70), and the Schedule of City Contributions (on page 71) 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.

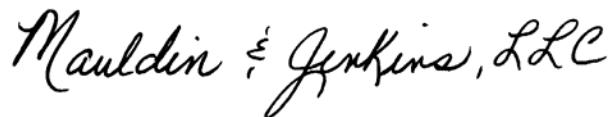
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orangeburg, South Carolina's basic financial statements. The Schedules of Revenues and Expenditures – General Fund – Budget (GAAP Basis) and Actual (on pages 72 through 77), the Statement of Revenues, Expenditures and Changes in Net Position – Budget (GAAP Basis) and Actual – Public Utilities Fund, and the combining and individual nonmajor fund financial statements and schedules (on pages 78 through 88) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) (on pages 89 and 90) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

The Schedules of Revenues and Expenditures – General Fund – Budget (GAAP Basis) and Actual, the Statement of Revenues, Expenditures and Changes in Net Position – Budget and Actual – Public Utilities Fund, the combining and individual nonmajor fund financial statements and schedules and the Uniform Schedule of Court Fine, Assessments and Surcharges (per ACT 96) 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 Schedules of Revenues and Expenditures – General Fund – Budget (GAAP Basis) and Actual, the Statement of Revenues, Expenditures and Changes in Net Position – Budget and Actual – Public Utilities Fund, the combining and individual nonmajor fund financial statements and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) 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 March 31, 2019, on our consideration of the City of Orangeburg, South Carolina’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s 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 of Orangeburg, South Carolina’s internal control over financial reporting and compliance.



Columbia, South Carolina
March 31, 2019

CITY OF ORANGEBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Annual Financial Statements of the City of Orangeburg, South Carolina (the "City") provides an overall narrative and analysis of the City's financial statements for the fiscal year ended September 30, 2018. This discussion and analysis is designed to look at the City's financial performance as a whole. Readers should also review the financial statements with notes, which follow this narrative, to enhance their understanding of the City's financial performance.

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.

Financial Highlights

Key financial highlights for the year ended September 30, 2018, are as follows:

- The Government's combined net position totaled \$286.1 million.
- The Government's total net position increased by \$10.6 million, primarily due to continued positive operating trends as it related to the Department of Public Utilities.
- The City added major capital items including six new police vehicles, a pickup truck, SUV, mowers, and tasers.
- The required contribution rates for the South Carolina Retirement System (SCRS) and South Carolina Police Officers Retirement System (PORS) increased effective July 1, 2018.
- A 2% cost of living increase was given to all applicable full-time employees effective October 1, 2017
- State mandated body cameras and new radios continue to add over \$45,000 to the maintenance costs of the Department of Public Safety as an annual, recurring cost.
- CJIS compliance with SLED continues to add an average over \$70,000 per year to the Department of Public Safety's annual budget.
- There was no property tax increase or business license increase in fiscal year in 2018. The City also had no change to the stormwater management fees or the franchise fees in fiscal year 2018.
- The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a restatement to its Governmental and Business-type net position as of October 1, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplementary information** is provided to show details about the City's, pension and OPEB plans, additional budgetary comparison schedules, non-major governmental funds and proprietary funds (all of which are added together in one column on the appropriate basic financial statements), and information required by South Carolina State law.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the economic condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means the statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include the following two statements:

The **Statement of Net Position** presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expense and program revenues for each function of the City.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as general administration, judicial services, public safety, public works, culture and recreation, housing and development, tourism, and non-departmental. Property taxes, charges for services, and state and federal grant funds finance most of these activities. The business-type activities are those services that the City charges a fee to customers in order to provide. These include Public Utilities (water, sewer, electricity, and natural gas), Municipal Airport, Pro Shop, and Hillcrest Golf Course.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the City reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into three categories: 1) governmental funds, 2) proprietary funds and 3) fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide statements, these funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which focuses on current financial resources. Such information may be useful in evaluating the City's short-term financing requirements. These statements provide a detailed short-term view of the City's finances that assists in determining whether there will be adequate financial resources available to meet the Government's current needs. The relationship between governmental activities in the government-wide financial statements and the governmental funds financial statements is described in a reconciliation that is a part of the fund financial statements.

The Government has three governmental fund types: 1) the General Fund, 2) Special Revenue Funds, and 3) the Capital Projects Funds. The Government reported two major governmental fund: the General Fund, and the County Capital One Percent Fund.

Proprietary Funds

The City has one type of proprietary fund used to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers including other local governments are known as Enterprise Funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds use the accrual basis of accounting, thus there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The City has four enterprise funds: Department of Public Utilities, Municipal Airport, Pro Shop, and Hillcrest Golf Course. The Department of Public Utilities Fund is the only fund being considered a major fund for presentation purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary Funds

The Fiduciary Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and other departments. The City is responsible for ensuring that the assets reported in this fund is used only for their intended purposes and only by those to whom the assets belong. This fund is not reflected in the government-wide financial statements because the resources are not available to support the City's operations or programs.

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 immediately after the City's basic financial statements.

Government-Wide Financial Analysis

	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
	2018	2018		2017	2017	
Current and other assets	\$ 20,751,681	\$ 74,915,593	\$ 95,667,274	\$ 18,637,116	\$ 75,816,467	\$ 94,453,583
Capital assets	32,420,178	256,932,475	289,352,653	24,741,378	252,855,980	277,597,358
Total assets	<u>53,171,859</u>	<u>331,848,068</u>	<u>385,019,927</u>	<u>43,378,494</u>	<u>328,672,447</u>	<u>372,050,941</u>
Deferred outflow s of resources	2,245,825	2,671,278	4,917,103	2,316,959	2,637,119	4,954,078
Long-term liabilities	26,665,190	57,519,402	84,184,592	20,023,799	52,798,687	72,822,486
Other liabilities	3,373,915	15,052,422	18,426,337	2,779,468	20,647,286	23,426,754
Total liabilities	<u>30,039,105</u>	<u>72,571,824</u>	<u>102,610,929</u>	<u>22,803,267</u>	<u>73,445,973</u>	<u>96,249,240</u>
Deferred inflow s of resources	605,232	597,611	1,202,843	376,367	256,374	632,741
Net position:						
Net investment in capital assets	26,945,154	231,100,418	258,045,572	22,605,862	225,756,662	248,362,524
Restricted	8,713,812	2,044,220	10,758,032	8,106,539	2,058,479	10,165,018
Unrestricted	<u>(10,885,619)</u>	<u>28,205,273</u>	<u>17,319,654</u>	<u>(8,196,582)</u>	<u>29,792,078</u>	<u>21,595,496</u>
Total net position	<u>\$ 24,773,347</u>	<u>\$ 261,349,911</u>	<u>\$ 286,123,258</u>	<u>\$ 22,515,819</u>	<u>\$ 257,607,219</u>	<u>\$ 280,123,038</u>

Net Position

Net position may serve over time as one useful indicator of a City's financial condition. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$286,123,258 as of September 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest portion of the City's net position, \$258 million, or 90%, reflects its net investment in capital assets such as land, buildings, equipment and infrastructure (road, bridges, sidewalks, water lines and sewer lines) less any related debt used to acquire those assets that is still outstanding. This portion of net position includes both the City's governmental activities and its business-type activities (including the Department of Public Utilities).

The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$10.7 million or 3.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$17.3 million or 6% may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Position

Governmental activities. Governmental activities increased the City's net position by \$4.3 million. Key elements of this increase are as follows:

Governmental Revenues Charges for services (24%), property tax (20%), capital grants and contributions (30%), and other taxes (20%) continue as the main source of revenue of the City amounting to 94% in 2018, compared to 84% in 2017.

Governmental Functional Expenses: As reflected in the summary of Changes in Net Position, the Government expended 50.5% of the appropriations for judicial and public safety expenditures. The Government continues to commit substantial financial resources for the safety of its citizens. Other expenditures accounted for the remaining 49.5%.

Business-type activities: Business-type activities increased the Government's net position by approximately \$6.2 million. A significant portion of the increase was the result of the revenues received in the Department of Public Utilities Fund, which rose in 2018 to approximately \$102.7 million from \$98.6 million in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Changes in Net Position

	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
	2018	2018	2018	2017	2017	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,467,097	\$ 103,826,168	\$ 108,293,265	\$ 3,841,871	\$ 97,986,268	\$ 101,828,139
Operating grants and contributions	899,432	-	899,432	699,989	-	699,989
Capital grants and contributions	5,539,020	366,017	5,905,037	1,307,594	1,040,025	2,347,619
General revenues:						
Property taxes	3,494,150	-	3,494,150	3,466,982	-	3,466,982
Other taxes	3,726,350	-	3,726,350	3,537,639	-	3,537,639
Unrestricted investment earnings	228,246	82,412	310,658	131,959	135,389	267,348
Miscellaneous	-	583,596	583,596	-	400,388	400,388
Total revenues	18,354,295	104,858,193	123,212,488	12,986,034	99,562,070	112,548,104
Expenses:						
General government	1,761,942	-	1,761,942	2,323,690	-	2,323,690
Judicial	323,546	-	323,546	305,636	-	305,636
Public safety	9,345,393	-	9,345,393	8,817,815	-	8,817,815
Public works	3,037,751	-	3,037,751	2,981,233	-	2,981,233
Culture and recreation	3,003,124	-	3,003,124	3,039,459	-	3,039,459
Housing and development	1,400	-	1,400	38,775	-	38,775
Tourism	41,259	-	41,259	21,635	-	21,635
Non-departmental	1,492,270	-	1,492,270	1,614,611	-	1,614,611
Interest on long-term debt	123,260	-	123,260	70,014	-	70,014
Public utilities	-	91,192,190	91,192,190	-	85,338,901	85,338,901
Municipal airport	-	1,756,082	1,756,082	-	1,187,574	1,187,574
Pro shop	-	60,994	60,994	-	89,682	89,682
Golf course	-	484,218	484,218	-	566,499	566,499
Total expenses	19,129,945	93,493,484	112,623,429	19,212,868	87,182,656	106,395,524
Increase (decrease) in net position before transfers	(775,650)	11,364,709	10,589,059	(6,226,834)	12,379,414	6,152,580
Transfers	5,079,285	(5,079,285)	-	2,692,123	(2,692,123)	-
Change in net position	4,303,635	6,285,424	10,589,059	(3,534,711)	9,687,291	6,152,580
Net position, as previously reported	22,515,819	257,607,219	280,123,038	26,050,530	247,919,928	273,970,458
Restatement for change in accounting principle	(2,046,107)	(2,542,732)	(4,588,839)	-	-	-
Net position, beginning, as restated	20,469,712	255,064,487	275,534,199	26,050,530	247,919,928	273,970,458
Net position, ending	\$ 24,773,347	\$ 261,349,911	\$ 286,123,258	\$ 22,515,819	\$ 257,607,219	\$ 280,123,038

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Individual Funds

The City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the City's financial requirements. In particular, the unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. The combined fund balance of all the governmental funds is \$17.3 million, of which \$8.0 million, or 47.8%, is unassigned.

General Fund

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$8.6 million, of which \$8.0 million or 96.3% was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. As of September 30, 2018, total unassigned fund balance, represents 45.6% of total general fund expenditures.

The fund balance of the General Fund decreased by \$946,000, or 9%. Key factors to this result include transfers out to the Golf Course fund of \$320,715 to offset current operating deficits. Additionally, increases in expenditures from 2018 to 2017 relative to debt service of approximately \$30,000, and general government of approximately \$228,000 attributed to the decrease in the fund balance of the General Fund during fiscal year 2018.

During the year, the City revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and state grants; 3) increases in appropriations that become necessary to maintain services; and 4) amendments to transfer appropriations between departments. The fifth category has no effect on the final budget and, therefore, is not addressed in this narrative.

General Fund Budgetary Highlights

The actual operating revenues for the General Fund were lower than the budgeted amount by approximately \$1,040,000 or (8.45%). The individual sources within the revenues fluctuated both positively and negatively.

The actual operating expenditures for the General Fund were greater than the budgeted amount by approximately \$742,000 or 4.26%. The individual departments within the General Fund show both positive and negative fluctuations, with the positive fluctuations outweighing the negative. Net other financing sources for the General Fund were greater than the budgeted amounts by approximately \$836,000 which are the result of more than anticipated transfers to other funds from the General Fund during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds

The activities of the City that render services to the general public on a user charge basis, or that require periodic determination of revenues for public policy are accounted for as Enterprise Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the end of the year were as follows: Department of Public Utilities Fund, \$29 million. Nonmajor Enterprise funds, (\$1,167,000) deficit as follows: Municipal Airport, (\$526,000) deficit; Pro Shop Fund \$49,500; and Hillcrest Golf Course Fund (\$690,500) deficit. The total growth in net position for previously mentioned funds were \$7.2 million for the Department of Public Utilities and a decrease of \$948,000 for total nonmajor enterprise funds enumerated as follows: (\$1,180,000), \$0, and \$232,000, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Government's business-type activities.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$289 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, utility systems and other similar items.

Major capital asset transactions during the year included construction of infrastructure, buildings, acquisition of public safety vehicles, recreation facilities, and construction of utility systems.

The City's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,312,454	\$ 3,792,707	\$ 6,105,161
Land and site improvements	1,034,377	3,535,260	4,569,637
Buildings	8,613,038	5,212,045	13,825,083
Building improvements	1,737,229	-	1,737,229
Utility systems	-	215,748,088	215,748,088
Infrastructure	5,301,059	-	5,301,059
Vehicles, machinery and equipment	2,844,139	6,864,883	9,709,022
Construction in progress	10,577,882	21,779,492	32,357,374
	\$ 32,420,178	\$ 256,932,475	\$ 289,352,653

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

As of September 30, 2018, the City had a total of \$84.2 million in outstanding long-term debt including the City's portion of the SCRS and PORS net pension liabilities as well as the City's total OPEB liability. Of this amount, \$25.8 million consists of notes payable backed by the revenues of the Department of Public Utilities, \$51 million represents the City's liabilities for pensions and OPEB benefits, \$5 million represents the City's Hospitality and Accommodations Tax Revenue Bond, and \$475,000 consists of capital lease financing outstanding for the acquisition of capital assets. A table of the City's outstanding debt can be found below.

The City's Outstanding Debt

	Governmental		Businesss-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Notes payable	\$ -	\$ -	\$ 25,832,057	\$ 27,099,318	\$ 25,832,057	\$ 27,099,318
Capital leases	475,024	2,135,516	-	-	475,024	2,135,516
Bonds payable	5,000,000	-	-	-	5,000,000	-
Other long-term obligations	21,190,166	19,518,324	31,687,345	27,853,520	52,877,511	47,371,844
Total debt	\$ 26,665,190	\$ 21,653,840	\$ 57,519,402	\$ 54,952,838	\$ 84,184,592	\$ 76,606,678

Of the total debt outstanding as September 30, 2018, no portion constitutes general obligation debt or is attributable to the City's legal debt limit as set forth in the South Carolina State Code of Laws.

Additional information regarding the City's long-term debt can be found in Note 6 of the notes to the financial statements of this report.

Economic Factors and Next Year's Budget and Rates

The SC retirement and Police Officers retirement rates for employer portions will increase again on July 1, 2019, 1% each. This causes the City to come up with additional resources to continue this required benefit.

Continuous cuts to our State Local Government funding add an additional burden to our budget as well as we continue to maintain right-of-ways on state maintained roads in the City.

With the addition in 2018-19 of our new Recreational Complex, we will be adding additional positions in order to operate this facility as well as additional maintenance and supply costs that will add to the budget of the Parks & Recreation Department. These will be annual costs in order to maintain and stock this facility for the citizens.

With the addition of several anticipated building projects in the City, added revenues to the City's tax base as well as business license increases are anticipated to help alleviate certain budgetary constraints. Generally, the City's historical tax revenues have remained relatively unchanged from year to year and the City has realized moderate increases in general business licenses and hospitality taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget (Continued)

There were over \$100,000 in payouts budgeted for annual leave for those retiring in FY 2017-18. With the increasing age of some of the City's employees, City management anticipates this to continue, and in FY 2018-19 there is over \$27,000 budgeted. The City does offer a buyback at half price each year for those who have annual leave over their maximum in order to relieve the City of part of this liability.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Orangeburg, South Carolina, 979 Middleton Street, Orangeburg, South Carolina 29115.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,927,708	\$ 20,518,003	\$ 37,445,711
Investments	3,000,837	29,756,292	32,757,129
Taxes receivable, net of allowances	178,708	-	178,708
Accounts receivable, net of allowances	197,972	11,633,470	11,831,442
Notes receivable	-	1,161,759	1,161,759
Due from other governments	174,638	-	174,638
Internal balances	183,592	(183,592)	-
Inventories	88,226	5,185,539	5,273,765
Prepaid expenses	-	465,399	465,399
Restricted assets, cash and cash equivalents	-	6,378,723	6,378,723
Capital assets			
Nondepreciable	12,890,336	25,572,199	38,462,535
Depreciable, net of accumulated depreciation	19,529,842	231,360,276	250,890,118
Total assets	<u>53,171,859</u>	<u>331,848,068</u>	<u>385,019,927</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	2,108,485	2,463,951	4,572,436
Other postemployment benefits	137,340	207,327	344,667
Total deferred outflows of resources	<u>2,245,825</u>	<u>2,671,278</u>	<u>4,917,103</u>
LIABILITIES			
Accounts payable	1,978,990	7,162,883	9,141,873
Retainage payable	794,834	-	794,834
Accrued liabilities	600,091	1,221,026	1,821,117
Unearned revenue	-	2,309,010	2,309,010
Payable from restricted assets - customer deposits	-	4,359,503	4,359,503
Total other postemployment benefit liability	3,487,955	6,091,960	9,579,915
Note payable due within one year	-	1,350,881	1,350,881
Note payable due in more than one year	-	24,481,176	24,481,176
Capital leases due within one year	475,024	-	475,024
Bonds payable due within one year	268,491	-	268,491
Bonds payable due in more than one year	4,731,509	-	4,731,509
Compensated absences due within one year	444,040	756,305	1,200,345
Compensated absences due in more than one year	444,039	315,001	759,040
Net pension liability	16,814,132	24,524,079	41,338,211
Total liabilities	<u>30,039,105</u>	<u>72,571,824</u>	<u>102,610,929</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	395,500	231,298	626,798
Other postemployment benefits	209,732	366,313	576,045
Total deferred inflows of resources	<u>605,232</u>	<u>597,611</u>	<u>1,202,843</u>
NET POSITION			
Net investment in capital assets	26,945,154	231,100,418	258,045,572
Restricted for:			
Public safety	273,264	-	273,264
Public works	96,168	-	96,168
Culture and recreation	1,763,605	-	1,763,605
Housing and development	14,890	-	14,890
Tourism	59,198	-	59,198
Capital outlay	6,506,687	-	6,506,687
Self insurance	-	25,000	25,000
Debt service	-	2,019,220	2,019,220
Unrestricted	(10,885,619)	28,205,273	17,319,654
Total net position	<u>\$ 24,773,347</u>	<u>\$ 261,349,911</u>	<u>\$ 286,123,258</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,761,942	\$ 638,997	\$ 625,460	\$ -	\$ (497,485)	\$ -	\$ (497,485)
Judicial	323,546	-	-	-	(323,546)	-	(323,546)
Public safety	9,345,393	1,233,477	28,106	251,091	(7,832,719)	-	(7,832,719)
Public works	3,037,751	2,406,026	20,922	2,047	(608,756)	-	(608,756)
Culture and recreation	3,003,124	188,597	77,352	5,285,882	2,548,707	-	2,548,707
Housing and development	1,400	-	-	-	(1,400)	-	(1,400)
Tourism	41,259	-	147,592	-	106,333	-	106,333
Non-departmental	1,492,270	-	-	-	(1,492,270)	-	(1,492,270)
Interest on long-term debt	123,260	-	-	-	(123,260)	-	(123,260)
Total governmental activities	<u>19,129,945</u>	<u>4,467,097</u>	<u>899,432</u>	<u>5,539,020</u>	<u>(8,224,396)</u>	<u>-</u>	<u>(8,224,396)</u>
Business-type activities:							
Public utilities	91,192,190	102,794,184	-	366,017	-	11,968,011	11,968,011
Municipal airport	1,756,082	575,769	-	-	-	(1,180,313)	(1,180,313)
Pro shop	60,994	114,939	-	-	-	53,945	53,945
Golf course	484,218	341,276	-	-	-	(142,942)	(142,942)
Total business-type activities	<u>93,493,484</u>	<u>103,826,168</u>	<u>-</u>	<u>366,017</u>	<u>-</u>	<u>10,698,701</u>	<u>10,698,701</u>
Total primary government	<u>\$ 112,623,429</u>	<u>\$ 108,293,265</u>	<u>\$ 899,432</u>	<u>\$ 5,905,037</u>	<u>\$ (8,224,396)</u>	<u>\$ 10,698,701</u>	<u>\$ 2,474,305</u>
General revenues:							
Property taxes					3,494,150	-	3,494,150
Franchise taxes					148,148	-	148,148
Other taxes					3,578,202	-	3,578,202
Unrestricted investment earnings					228,246	82,412	310,658
Miscellaneous					-	583,596	583,596
Transfers					5,079,285	(5,079,285)	-
Total general revenues and transfers					<u>12,528,031</u>	<u>(4,413,277)</u>	<u>8,114,754</u>
Change in net position					4,303,635	6,285,424	10,589,059
Net position, beginning of year, as restated					20,469,712	255,064,487	275,534,199
Net position, end of year					<u>\$ 24,773,347</u>	<u>\$ 261,349,911</u>	<u>\$ 286,123,258</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>County Capital One Percent</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,920,059	\$ 8,042,899	\$ 2,964,750	\$ 16,927,708
Investments	3,000,837	-	-	3,000,837
Taxes receivable, net of allowance	178,708	-	-	178,708
Accounts receivable	197,972	-	-	197,972
Due from other governments	149,638	-	25,000	174,638
Due from other funds	97,147	20,606	121,742	239,495
Inventory	88,226	-	-	88,226
Advance to other funds	48,839	-	-	48,839
Total assets	<u>\$ 9,681,426</u>	<u>\$ 8,063,505</u>	<u>\$ 3,111,492</u>	<u>\$ 20,856,423</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 313,919	\$ 1,607,017	\$ 58,054	\$ 1,978,990
Retainage payable	-	794,834	-	794,834
Accrued liabilities	547,478	-	30	547,508
Due to other funds	103,492	-	1,250	104,742
Total liabilities	<u>964,889</u>	<u>2,401,851</u>	<u>59,334</u>	<u>3,426,074</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	119,621	-	-	119,621
Total deferred inflows of resources	<u>119,621</u>	<u>-</u>	<u>-</u>	<u>119,621</u>
FUND BALANCES				
Nonspendable:				
Inventory	88,226	-	-	88,226
Advances to other funds	48,839	-	-	48,839
Restricted for:				
Housing and development	-	-	14,890	14,890
Public safety	-	-	273,264	273,264
Public works	-	-	96,168	96,168
Culture and recreation	-	-	1,763,605	1,763,605
Tourism	-	-	59,198	59,198
Capital outlay	-	5,661,654	845,033	6,506,687
Committed to:				
Capital outlay	212	-	-	212
Assigned to:				
Self insurance reserve	184,674	-	-	184,674
Unassigned	8,274,965	-	-	8,274,965
Total fund balances	<u>8,596,916</u>	<u>5,661,654</u>	<u>3,052,158</u>	<u>17,310,728</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,681,426</u>	<u>\$ 8,063,505</u>	<u>\$ 3,111,492</u>	<u>\$ 20,856,423</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2018

Total fund balances - governmental funds	\$	17,310,728
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Cost of assets	\$	60,423,835	
Accumulated depreciation		<u>(28,003,657)</u>	
			32,420,178

Revenues in the Statement of Activities that do not provide current financial resources are reported as unavailable revenues in the funds:		119,621
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Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:

Capital leases payable	\$	(475,024)	
Net pension liability, net of deferred outflows of resources and deferred inflows of resources		(15,101,147)	
Total other postemployment benefits liability		(3,560,347)	
Bonds payable		(5,000,000)	
Accrued interest payable		(52,583)	
Compensated absences payable		<u>(888,079)</u>	
			<u>(25,077,180)</u>

Net position of governmental activities	\$	<u><u>24,773,347</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>County Capital One Percent</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 3,454,850	\$ -	\$ -	\$ 3,454,850
Franchise taxes	148,148	-	-	148,148
Other taxes	2,360,987	-	1,217,215	3,578,202
Licenses and permits	1,173,629	-	-	1,173,629
Intergovernmental	737,587	5,285,882	398,683	6,422,152
Charges for services	2,143,797	-	26,920	2,170,717
Fines and forfeitures	384,351	-	27,777	412,128
Interest revenue	157,574	40,450	30,222	228,246
Other revenues	710,623	-	16,300	726,923
Total revenues	<u>11,271,546</u>	<u>5,326,332</u>	<u>1,717,117</u>	<u>18,314,995</u>
Expenditures				
Current:				
General government	2,480,303	-	-	2,480,303
Judicial	311,961	-	-	311,961
Public safety	8,408,421	-	189,139	8,597,560
Public works	2,244,811	-	-	2,244,811
Housing and development	-	-	1,400	1,400
Culture and recreation	2,134,318	-	251,826	2,386,144
Tourism	-	-	41,259	41,259
Non-departmental	1,492,270	-	-	1,492,270
Capital outlay	-	9,252,005	-	9,252,005
Debt service:				
Principal	1,074,582	-	951,120	2,025,702
Interest	17,603	-	53,074	70,677
Total expenditures	<u>18,164,269</u>	<u>9,252,005</u>	<u>1,487,818</u>	<u>28,904,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,892,723)</u>	<u>(3,925,673)</u>	<u>229,299</u>	<u>(10,589,097)</u>
Other financing sources (uses):				
Proceeds from issuance of capital lease	365,210	-	-	365,210
Proceeds from issuance of debt	-	5,000,000	-	5,000,000
Proceeds from sale of assets	47,962	-	-	47,962
Transfers in	5,854,024	1,000,000	661,267	7,515,291
Transfers out	<u>(320,715)</u>	<u>(661,267)</u>	<u>(1,454,024)</u>	<u>(2,436,006)</u>
Total other financing sources (uses)	<u>5,946,481</u>	<u>5,338,733</u>	<u>(792,757)</u>	<u>10,492,457</u>
Net change in fund balances	(946,242)	1,413,060	(563,458)	(96,640)
Fund balance, beginning of year	<u>9,543,158</u>	<u>4,248,594</u>	<u>3,615,616</u>	<u>17,407,368</u>
Fund balance, end of year	<u>\$ 8,596,916</u>	<u>\$ 5,661,654</u>	<u>\$ 3,052,158</u>	<u>\$ 17,310,728</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds.	\$	(96,640)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	9,789,807	
Depreciation expense		<u>(2,111,007)</u>	7,678,800

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		39,300
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Capital lease financing	\$	(365,210)	
Bond financing		(5,000,000)	
Principal repayments		<u>2,025,702</u>	(3,339,508)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The net changes are as follows:

Compensated absences	\$	18,496	
Accrued interest		(52,583)	
Net pension liability		(691,641)	
Total other postemployment benefits liability		<u>747,411</u>	<u>21,683</u>

Change in net position of governmental activities	\$	<u><u>4,303,635</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	Department of Public Utilities	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 20,517,503	\$ 500	\$ 20,518,003
Investments	29,756,292	-	29,756,292
Accounts receivable, net of allowance	11,600,044	33,426	11,633,470
Due from other funds	-	16,836	16,836
Prepaid expenses	465,399	-	465,399
Inventory	5,100,490	85,049	5,185,539
Restricted cash	6,378,723	-	6,378,723
Total current assets	<u>73,818,451</u>	<u>135,811</u>	<u>73,954,262</u>
NONCURRENT ASSETS			
Note receivable	1,161,759	-	1,161,759
Capital assets:			
Nondepreciable	24,153,142	1,419,057	25,572,199
Depreciable, net of accumulated depreciation	226,316,555	5,043,721	231,360,276
Total noncurrent assets	<u>251,631,456</u>	<u>6,462,778</u>	<u>258,094,234</u>
Total assets	<u>325,449,907</u>	<u>6,598,589</u>	<u>332,048,496</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	2,407,730	56,221	2,463,951
Other postemployment benefits	195,398	11,929	207,327
Total deferred outflows of resources	<u>2,603,128</u>	<u>68,150</u>	<u>2,671,278</u>
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets:			
Accounts payable	6,986,570	176,313	7,162,883
Unearned revenue	2,295,967	13,043	2,309,010
Accrued expenses	1,203,613	17,413	1,221,026
Due to other funds	95,897	104,531	200,428
Compensated absences - current portion	717,067	39,238	756,305
	<u>11,299,114</u>	<u>350,538</u>	<u>11,649,652</u>
Payable from restricted assets:			
Customer deposits	4,359,503	-	4,359,503
Notes payable - current portion	1,350,881	-	1,350,881
	<u>5,710,384</u>	<u>-</u>	<u>5,710,384</u>
Total current liabilities	<u>17,009,498</u>	<u>350,538</u>	<u>17,360,036</u>
NONCURRENT LIABILITIES			
Notes payable - long term portion	24,481,176	-	24,481,176
Net pension liability	23,852,324	671,755	24,524,079
Total other postemployment benefit liability	5,789,022	302,938	6,091,960
Compensated absences - long term portion	315,001	-	315,001
Total noncurrent liabilities	<u>54,437,523</u>	<u>974,693</u>	<u>55,412,216</u>
Total liabilities	<u>71,447,021</u>	<u>1,325,231</u>	<u>72,772,252</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	203,561	27,737	231,298
Other postemployment benefits	348,097	18,216	366,313
Total deferred outflows of resources	<u>551,658</u>	<u>45,953</u>	<u>597,611</u>
NET POSITION			
Net investment in capital assets	224,637,640	6,462,778	231,100,418
Restricted for self insurance	25,000	-	25,000
Restricted for debt service	2,019,220	-	2,019,220
Unrestricted	29,372,496	(1,167,223)	28,205,273
Total net position	<u>\$ 256,054,356</u>	<u>\$ 5,295,555</u>	<u>\$ 261,349,911</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Department of Public Utilities	Nonmajor Enterprise Funds	Total
OPERATING REVENUES			
Charges for services	\$ 102,794,184	\$ 1,015,292	\$ 103,809,476
Miscellaneous	-	16,692	16,692
Total operating revenues	<u>102,794,184</u>	<u>1,031,984</u>	<u>103,826,168</u>
OPERATING EXPENSES			
Cost of sales and service	54,641,104	480,683	55,121,787
Operations and maintenance	11,451,686	25,964	11,477,650
Administration	12,534,579	796,115	13,330,694
Depreciation expense	10,950,880	998,532	11,949,412
Total operating expenses	<u>89,578,249</u>	<u>2,301,294</u>	<u>91,879,543</u>
Operating income (loss)	<u>13,215,935</u>	<u>(1,269,310)</u>	<u>11,946,625</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposal of assets	(1,122,631)	-	(1,122,631)
Interest expense	(491,310)	-	(491,310)
Interest income	82,412	-	82,412
Other nonoperating income	583,596	-	583,596
Total nonoperating expenses, net	<u>(947,933)</u>	<u>-</u>	<u>(947,933)</u>
Income (loss) before contributions and transfers	<u>12,268,002</u>	<u>(1,269,310)</u>	<u>10,998,692</u>
CAPITAL CONTRIBUTIONS	<u>366,017</u>	<u>-</u>	<u>366,017</u>
TRANSFERS			
Transfers in	-	374,660	374,660
Transfers out	(5,400,000)	(53,945)	(5,453,945)
Total transfers	<u>(5,400,000)</u>	<u>320,715</u>	<u>(5,079,285)</u>
Change in net position	7,234,019	(948,595)	6,285,424
NET POSITION, beginning of year, as restated	<u>248,820,337</u>	<u>6,244,150</u>	<u>255,064,487</u>
NET POSITION, end of year	<u>\$ 256,054,356</u>	<u>\$ 5,295,555</u>	<u>\$ 261,349,911</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Department of Public Utilities	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 99,005,746	\$ 1,014,418	\$ 100,020,164
Payments to suppliers	(69,138,150)	(470,152)	(69,608,302)
Payments to employees	(10,377,590)	(664,361)	(11,041,951)
Other receipts	583,596	-	583,596
Internal activity-payments from (to) other funds	(261,814)	66,839	(194,975)
Net cash provided by (used in) operating activities	<u>19,811,788</u>	<u>(53,256)</u>	<u>19,758,532</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	374,660	374,660
Transfers out	(5,400,000)	(53,945)	(5,453,945)
Net cash provided by (used in) noncapital and related financing activities	<u>(5,400,000)</u>	<u>320,715</u>	<u>(5,079,285)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions of capital assets	(17,109,502)	(267,459)	(17,376,961)
Proceeds from sale of capital assets	228,423	-	228,423
Principal payments on notes payable	(1,267,261)	-	(1,267,261)
Capital grants received	366,017	-	366,017
Interest paid	(491,310)	-	(491,310)
Net cash (used in) capital and related financing activities	<u>(18,273,633)</u>	<u>(267,459)</u>	<u>(18,541,092)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(8,385,053)	-	(8,385,053)
Proceeds from sale of investments	8,443,849	-	8,443,849
Interest received	82,412	-	82,412
Net cash provided by investing activities	<u>141,208</u>	<u>-</u>	<u>141,208</u>
Change in cash and cash equivalents	(3,720,637)	-	(3,720,637)
Cash and cash equivalents:			
Beginning of year	<u>30,616,863</u>	<u>500</u>	<u>30,617,363</u>
End of year	<u>\$ 26,896,226</u>	<u>\$ 500</u>	<u>\$ 26,896,726</u>
Classified as:			
Cash and cash equivalents	\$ 20,517,503	\$ 500	\$ 20,518,003
Restricted cash	6,378,723	-	6,378,723
	<u>\$ 26,896,226</u>	<u>\$ 500</u>	<u>\$ 26,896,726</u>

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Department of Public Utilities	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 13,215,935	\$ (1,269,310)	\$ 11,946,625
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	10,950,880	998,532	11,949,412
Other revenues	583,596	-	583,596
Change in assets and liabilities:			
Increase in accounts receivable	(1,761,260)	(15,781)	(1,777,041)
Decrease in due from other funds	-	11,836	11,836
Increase in prepaid expenses	(69,111)	-	(69,111)
Increase in inventory	(812,628)	(24,804)	(837,432)
Decrease in deferred outflows of resources-pension	143,727	29,441	173,168
(Increase) decrease in deferred outflows of resources other postemployment benefits	28,818	(5,436)	23,382
Increase (decrease) in accounts payable	(2,266,254)	145,148	(2,121,106)
Increase (decrease) in accrued expenses	606,898	(175)	606,723
Increase in customer deposits	102,633	-	102,633
Decrease in unearned revenue	(2,027,178)	(1,785)	(2,028,963)
Increase (decrease) in due to other funds	(261,814)	55,003	(206,811)
Increase (decrease) in deferred inflows of resources-pension	(27,736)	2,660	(25,076)
Increase in deferred inflows of resources other postemployment benefits	348,097	18,216	366,313
Increase (decrease) in net pension liability	719,621	(15,378)	704,243
Increase in other postemployment benefit liability	361,039	58,280	419,319
Decrease in compensated absences	(23,475)	(39,703)	(63,178)
Net cash provided by (used in) operating activities	<u>\$ 19,811,788</u>	<u>\$ (53,256)</u>	<u>\$ 19,758,532</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2018**

	Agency Fund
ASSETS	
Cash	\$ 1,494
Total assets	<u>\$ 1,494</u>
LIABILITIES	
Due to others	\$ 1,494
Total liabilities	<u>\$ 1,494</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Orangeburg, South Carolina operates under a charter originally granted by the State of South Carolina on December 24, 1883. The government is a municipal corporation governed by an elected Mayor and six-member council. The City provides the following services: general government (administrative services, elections, community planning and development), judicial (municipal court), public safety (police, fire, and communications), public works (building inspection, parking and municipal buildings, sanitation, and streets), and culture and recreation (parks, gardens, cemeteries, and recreation).

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Orangeburg (the primary government) which includes all fund types of the City. Component units may be presented by two different methods. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The City reports no component units.

B. 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 non-fiduciary activities of the City. The effect of material interfund activity 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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 the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales, accommodations, and hospitality taxes are recorded when the underlying transaction is made. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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 another fund.

The **County Capital One Percent Fund** is used to account for the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following nonmajor fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

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 **Enterprise Funds** are used to account for those operations that are financed and operated in a manner similar to a private business or where Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. All of the City's proprietary funds are enterprise funds.

The **Fiduciary Fund** is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The **Agency Fund** is custodial in nature and does not involve the measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund, Local Accommodations and Hospitality Tax Fund, Victims Advocate Fund, and Public Utilities Fund. All annual appropriations lapse at fiscal year-end. The City Administrator submits to City Council a balanced, proposed annual budget prior to September 30 for the fiscal year commencing October 1. City Council must approve and adopt a final budget through the passage of an ordinance. The appropriated budget is prepared by fund, function, and department. The City Administrator may make transfers of appropriations within and between departments. Transfers of appropriations between funds require the approval of Council. The legal level of budgetary control is the fund level.

The legally adopted budget for the General Fund is presented as required supplementary information while the legally adopted budgets of the Local Accommodations and Hospitality Tax Fund, the Victims Advocate Fund and the Department of Public Utilities Fund are presented as other supplementary information. Additionally, the budgets of the General Fund, Local Accommodations and Hospitality Tax Fund, and the Victims Advocate Fund are prepared on a basis consistent with accounting principles generally accepted in the United States and are presented on the modified accrual basis of accounting, while the budget of the Department of Public Utilities Fund is prepared on a basis consistent with accounting principles generally accepted in the United States and is presented on the accrual basis of accounting.

E. Cash and Investments

For purposes of financial statement presentation, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash. Cash includes certain amounts in certificates of deposit and money market funds and are stated at cost which approximates fair value.

With the exception of non-participating investment contracts and debt securities, all investments, including the City's investment in the South Carolina Local Government Investment Pool (the Pool), are carried at fair value. The total fair value of the Pool 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. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Debt securities are reported at cost or amortized cost.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Taxes receivable are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts. The current property tax receivable allowance is equal to 1% of the current property tax levy.

Accounts receivable in the General Fund are comprised of franchise taxes, and reimbursements. Receivables in the Special Revenue Funds are comprised of accommodations taxes. Accounts receivable in the City's enterprise funds are comprised of charges for services and an estimate of unbilled receivables associated with the City's Public Utilities Fund. 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 City computes the allowance for uncollectible accounts relative to the Public Utilities Fund based on an estimate of collections within each aging category or receivables.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year, as well as all other outstanding balances between funds, are reported 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.

H. Inventories

Inventories in governmental funds, which are accounted for using the consumption method, consist of consumable supplies and fuel and are stated at cost, using the first-in/first-out (FIFO) method. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of current assets.

Inventories in enterprise funds are also accounted for using the consumption method. These inventories consist of merchandise for resale, fuel for sale, supplies and materials for operation, maintenance, and improvements to property and plant and are stated at the lower of cost or market, using the first-in/first-out (FIFO) method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2018, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used to account for prepaid items in the City's funds.

J. Restricted Assets

The City's restricted accounts are established to account for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain debt agreements require the establishment of an account to hold 1) maximum annual principal and interest payments, and 2) the next succeeding principal and accrued interest payment.

K. Notes Receivable

Amounts loaned to others, which were funded with the City's unrestricted funds, are recorded as notes receivable. The City periodically evaluates the collectability of its outstanding note receivable, and has determined no provision for uncollectible amounts to be necessary. The note receivable is stated at the amount of unpaid principal as of September 30, 2018.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer delivery systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of an item, or add to the value of the asset or materially extend the assets' lives beyond original estimates, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities and business-type activities is not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Asset	Useful Life (Years)
Buildings	30 - 45
Infrastructure:	
Streets, bridges, and sidewalks	25
Electric system	25 - 50
Gas system	35 - 50
Water system	30 - 100
Wastewater system	40 - 60
Fiber optics and SCADA system	12 - 30
Runways	20
Major improvements	20
Furniture and fixtures	3 - 20
Vehicles, machinery and equipment	3 - 20

M. 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). Upon termination, accumulated leave will be paid to the employee. All leave and compensatory pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources and represent matured liabilities, for example, as a result of employee resignations and retirements. 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.

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has five items that qualify for reporting in this category, all of which relate to the City's Retirement Plans and OPEB Plan and are combined in the Statement of Net Position under the heading "Pension" and "Other postemployment benefits", respectively. The first item, experience losses, results from periodic studies by the actuaries of the Retirement Plans and OPEB Plan, which adjust the net pension liability and total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense and OPEB expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a four-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability over a four-year period. The fourth item, changes in the actuarial assumptions, adjust the net pension liability and is amortized into pension expense over the expected remaining service lives of plan members. The fifth item, pension and OPEB contributions made subsequent to the plan measurement date, includes any contributions made by the City to the pension and OPEB plan before year-end but subsequent to the measurement date of the City's net pension and total OPEB liabilities are reported as deferred outflows of resources and will be recognized as a reduction of the net pension and total OPEB liabilities during the year ended September 30, 2019.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. 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 and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, experience gains relating to the City's Retirement Plans and OPEB Plan, is recorded in the Statement of Net Position under the heading "Pension" and "Other postemployment benefits." Experience gains result from periodic studies by the actuaries of the Retirement Plans and OPEB Plan, which adjust the net pension and total OPEB liabilities for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense and OPEB expense over the expected remaining lives of the plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources (Continued)

The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. The fourth item, changes in the actuarial assumptions, adjust the net pension and total OPEB liabilities and are amortized into pension and OPEB expense over the expected remaining service lives of plan members.

P. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution or passage of an ordinance. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The City Council has delegated this authority to the City Administrator.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Officer's Retirement System (PORS) and additions to/deductions from SCRS and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LEGAL COMPLIANCE – BUDGETS

Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2018, expenses exceeded appropriations as follows:

	Excess
General Fund	\$ (742,660)
Department of Public Utilities Fund	(525,664)
Local Hospitality Tax Fund	(466,389)

The over expenditures in the Department of Public Utilities Fund was funded by greater than anticipated operating and nonoperating revenues. The over-expenditures for the General Fund and Local Hospitality Tax Fund were funded by transfers from other funds.

Deficit Fund Net Position

The Hillcrest Golf Course Fund had a deficit net position of \$312,406 as of September 30, 2018. The deficit in the Hillcrest Golf Course Fund will be eliminated through future revenues and transfers from other funds.

NOTE 3. CASH AND INVESTMENTS

Total cash and investments as of September 30, 2018, are summarized as follows:

Amounts as presented on the entity-wide statement of net position:	
Cash and cash equivalents	\$ 37,445,711
Investments	32,757,129
Restricted cash and cash equivalents	6,378,723
Amounts as presented on the fiduciary statement of net position:	
Cash and cash equivalents - Agency Fund	1,494
Total	\$ 76,583,057
Cash and investments deposited with financial institutions	\$ 62,825,647
South Carolina Local Government Investment Pool	13,757,410
Total	\$ 76,583,057

At September 30, 2018, the City's cash and investments included demand deposits with financial institutions, local government pools, mutual funds, and United States Government debt securities. The local government pool is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Under State law, the City is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

Custodial Credit Risk – Deposits and Investments: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2018, all of the City's deposits were covered by federal depository insurance or by collateral held in the pledging financial institutions' trust department in the City's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk.

Investments: As of September 30, 2018, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Credit Rating</u>
U.S. Treasuries	\$ 14,475,252	44.2%	AAA/AA+
U.S. Agencies	17,941,911	54.8%	AAA/AA+
Mutual funds	339,966	1.0%	N/A
	<u>\$ 32,757,129</u>		

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued): The City has the following recurring fair value measurements as of September 30, 2018:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury securities	\$ 14,475,252	\$ -	\$ -	\$ 14,475,252
U.S. Agency securities	17,941,911	-	-	17,941,911
Mutual funds	339,966	-	-	339,966
Total investments measured at fair value	<u>\$ 32,757,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,757,129</u>
Total investments				<u>\$ 32,757,129</u>

The City's investment in U.S. Agencies and U.S. Treasuries classified in Level 1 of the fair value hierarchy are valued 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 South Carolina Local Government Investment Pool (LGIP) is an investment pool, which 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 investment in the LGIP within the fair value hierarchy.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The City's investment policy allows for investments in the South Carolina Local Government Investment Pool ("LGIP"). As of September 30, 2018, the underlying security ratings of the City's investment in the LGIP may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211. Additionally, the City may invest in obligations of the United States, obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, Bank of Cooperatives, Federal Intermediate Credit Bank, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Housing Administration, and Farmer's Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise issued by at least two nationally recognized credit organizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Treasury Securities	\$ 14,475,252	\$ 6,001,777	\$ 8,473,475	\$ -
U.S. Agency Securities	17,941,911	3,721,580	14,220,331	-
Mutual Funds	339,966	339,966	-	-
Total fair value	<u>\$ 32,757,129</u>	<u>\$ 10,063,323</u>	<u>\$ 22,693,806</u>	<u>\$ -</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount that can be invested with any one issuer.

NOTE 4. 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. Penalty dates and rates are the same as that established by the Orangeburg County Council (January 16 – 3%, February 2 - an additional 7%, and March 16 - an additional 5%). If taxes are not paid by March 15, they are turned over to the delinquent tax office for collection. The City bills and collects current and delinquent property taxes with the exception of motor vehicle taxes, which are billed and collected by Orangeburg County. City tax revenues are recognized in the period for which they are levied; therefore, revenue recognition is deferred. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license is up for renewal and are, therefore, recognized when cash is received by the City. The taxpayer must provide proof of payment to the Highway Department before the vehicle license will be renewed.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES (CONTINUED)

Receivables at September 30, 2018, for the City's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental Funds	Department of Public Utilities	Nonmajor Enterprise Funds	Total
Receivables:					
Taxes	\$ 201,066	\$ -	\$ -	\$ -	\$ 201,066
Accounts	197,972	-	11,660,800	33,426	11,892,198
Notes	-	-	1,161,759	-	1,161,759
Due from other governments	149,638	25,000	-	-	174,638
Gross receivables	<u>548,676</u>	<u>25,000</u>	<u>12,822,559</u>	<u>33,426</u>	<u>13,429,661</u>
Less allowance for uncollectibles	(22,358)	-	(60,756)	-	(83,114)
Net total receivable	<u>\$ 526,318</u>	<u>\$ 25,000</u>	<u>\$ 12,761,803</u>	<u>\$ 33,426</u>	<u>\$ 13,346,547</u>

In 2011, the City entered into an agreement with the Orangeburg County/City Industrial Park Commission (the "Commission") whereby the City's Public Utilities Fund would provide up to \$1,600,000 to supplement additional funding from the State of South Carolina and Orangeburg County to assist the Commission in the acquisition of a building in the County's industrial park in exchange for a percentage of the fee in lieu revenues generated on the building until the note from the City to the Commission is repaid in full. The note receivable is collateralized by a proportionate interest in the building in the event of default. Payments on the note are due annually based on the annual fee in lieu assessment less a Special Source Revenue Credit in varying amounts through the City's fiscal year ended 2020. At September 30, 2018, the unpaid balance of the note receivable was \$1,161,759.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,131,614	\$ 180,840	\$ -	\$ -	\$ 2,312,454
Construction in progress	1,731,187	9,088,889	-	(242,194)	10,577,882
Total capital assets, not being depreciated	<u>3,862,801</u>	<u>9,269,729</u>	<u>-</u>	<u>(242,194)</u>	<u>12,890,336</u>
Capital assets, being depreciated:					
Land and site improvements	4,728,493	-	(1,040)	-	4,727,453
Buildings	14,986,220	-	-	-	14,986,220
Building improvements	3,051,929	20,250	-	-	3,072,179
Vehicles	7,676,634	273,127	(462,130)	-	7,487,631
Machinery and equipment	3,450,258	112,985	(36,658)	242,194	3,768,779
Infrastructure	9,009,275	-	-	-	9,009,275
Furniture and fixtures	1,728,270	2,512	(17,673)	-	1,713,109
Computer equipment	1,525,653	94,601	(104,798)	-	1,515,456
Tools and other	1,369,580	16,603	(132,786)	-	1,253,397
Total capital assets, being depreciated	<u>47,526,312</u>	<u>520,078</u>	<u>(755,085)</u>	<u>242,194</u>	<u>47,533,499</u>
Less accumulated depreciation for:					
Land and site improvements	(3,462,430)	(231,686)	1,040	-	(3,693,076)
Buildings	(6,017,365)	(355,817)	-	-	(6,373,182)
Building improvements	(1,229,510)	(105,440)	-	-	(1,334,950)
Vehicles	(6,751,382)	(412,680)	462,130	-	(6,701,932)
Machinery and equipment	(1,665,752)	(464,473)	36,658	-	(2,093,567)
Infrastructure	(3,349,230)	(358,986)	-	-	(3,708,216)
Furniture and fixtures	(1,591,925)	(31,530)	17,673	-	(1,605,782)
Computer equipment	(1,299,035)	(117,450)	104,798	-	(1,311,687)
Tools and other	(1,281,106)	(32,945)	132,786	-	(1,181,265)
Total accumulated depreciation	<u>(26,647,735)</u>	<u>(2,111,007)</u>	<u>755,085</u>	<u>-</u>	<u>(28,003,657)</u>
Total capital assets, being depreciated, net	<u>20,878,577</u>	<u>(1,590,929)</u>	<u>-</u>	<u>242,194</u>	<u>19,529,842</u>
Governmental activities capital assets, net	<u>\$ 24,741,378</u>	<u>\$ 7,678,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,420,178</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,792,707	\$ -	\$ -	\$ -	\$ 3,792,707
Construction in progress	19,968,779	16,340,026	-	(14,529,313)	21,779,492
Total capital assets, not being depreciated	<u>23,761,486</u>	<u>16,340,026</u>	<u>-</u>	<u>(14,529,313)</u>	<u>25,572,199</u>
Capital assets, being depreciated:					
Buildings and improvements	10,876,118	487,671	(6,800)	(1,062,826)	10,294,163
Electric division	137,370,329	-	(2,258,164)	3,811,585	138,923,750
Gas division	29,923,627	-	(46,391)	4,584,417	34,461,653
Water division	103,891,999	-	(60,461)	4,785,607	108,617,145
Wastewater division	100,043,632	-	-	1,347,704	101,391,336
Land improvements	12,735,786	-	-	1,062,826	13,798,612
Tools and equipment	12,027,205	528,043	(158,863)	-	12,396,385
Furniture and fixtures	962,968	21,221	(60,055)	-	924,134
Total capital assets, being depreciated	<u>407,831,664</u>	<u>1,036,935</u>	<u>(2,590,734)</u>	<u>14,529,313</u>	<u>420,807,178</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,751,682)	(337,236)	6,800	-	(5,082,118)
Electric division	(77,951,951)	(4,592,337)	970,631	-	(81,573,657)
Gas division	(13,381,038)	(768,093)	22,781	-	(14,126,350)
Water division	(35,740,358)	(2,308,051)	20,549	-	(38,027,860)
Wastewater division	(31,652,496)	(2,265,433)	-	-	(33,917,929)
Land improvements	(9,379,446)	(883,906)	-	-	(10,263,352)
Tools and equipment	(4,983,575)	(769,491)	158,863	-	(5,594,203)
Furniture and fixtures	(896,624)	(24,865)	60,056	-	(861,433)
Total accumulated depreciation	<u>(178,737,170)</u>	<u>(11,949,412)</u>	<u>1,239,680</u>	<u>-</u>	<u>(189,446,902)</u>
Total capital assets, being depreciated, net	<u>229,094,494</u>	<u>(10,912,477)</u>	<u>(1,351,054)</u>	<u>14,529,313</u>	<u>231,360,276</u>
Business-type activities capital assets, net	<u>\$ 252,855,980</u>	<u>\$ 5,427,549</u>	<u>\$ (1,351,054)</u>	<u>\$ -</u>	<u>\$ 256,932,475</u>

Depreciation was charged to the following functions for governmental activities for the City as follows:

Governmental activities:	
General government	\$ 165,261
Public safety	724,492
Public works	648,902
Culture and recreation	572,352
Total depreciation expense - governmental activities	<u>\$ 2,111,007</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs for business-type activities for the City as follows:

Business-type activities:	
Public Utilities	\$ 10,950,880
Municipal airport	931,929
Golf course	66,603
Total depreciation expense - business-type activities	<u>\$ 11,949,412</u>

NOTE 6. LONG-TERM DEBT

The City has the following forms of long-term indebtedness:

Notes Payable – The City issues notes payable to provide funds for the acquisition and construction of major capital facilities for use in the Department of Public Utilities Fund. The primary source of revenue for repayment of bonds is the Department of Public Utilities Fund. The notes payable were issued by the South Carolina State Revolving Fund Program and are secured by revenues of the Public Utilities system.

Bonds Payable – The City issues bonds payable to fund the acquisition and construction of tourism related recreational facilities and buildings. The primary source of revenue repayment of the bonds is the Local Hospitality and Accommodations Fund.

Net Pension Liability – This obligation represents the City's allocated portion of their long-term obligation for pension benefits. These obligations are primarily funded by the General Fund and the Public Utilities Fund.

Other Postemployment Benefits Liability – This obligation represents the City's long-term obligation for postemployment benefits other than pensions. These obligations are primarily funded by the General Fund and the Public Utilities Fund.

Capital Lease Obligations – The City uses leases to finance the purchase of various equipment. Leases are paid from the General Fund and Local Hospitality and Accommodations Tax Fund.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits, which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund and the Public Utilities Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 2,135,516	\$ 365,210	\$ (2,025,702)	\$ 475,024	\$ 475,024
Bonds payable	-	5,000,000	-	5,000,000	268,491
Compensated absences	906,575	375,948	(394,444)	888,079	444,040
Net pension liability	16,350,098	2,243,769	(1,779,735)	16,814,132	-
Total other postemployment benefit liability	4,425,198	193,811	(1,131,054)	3,487,955	-
Governmental activities long-term liabilities	<u>\$ 23,817,387</u>	<u>\$ 8,178,738</u>	<u>\$ (5,330,935)</u>	<u>\$ 26,665,190</u>	<u>\$ 1,187,555</u>
Business-type activities:					
Notes payable	\$ 27,099,318	-	\$ (1,267,261)	\$ 25,832,057	\$ 1,350,881
Compensated absences	1,134,484	733,457	(796,635)	1,071,306	756,305
Net pension liability	23,819,836	3,261,841	(2,557,598)	24,524,079	-
Total other postemployment benefit liability	5,672,642	1,091,473	(672,155)	6,091,960	-
Business-type activities long-term liabilities	<u>\$ 57,726,280</u>	<u>\$ 5,086,771</u>	<u>\$ (5,293,649)</u>	<u>\$ 57,519,402</u>	<u>\$ 2,107,186</u>

Notes Payable

The City entered into a financing agreement with the South Carolina State Revolving Fund Program in the amount of \$4,280,163 titled Series 2009A. Principal and interest payments on the note are due in quarterly installments through 2030. The note bears interest of 1.84%. Additionally, the City entered into a financing agreement with the South Carolina State Revolving Fund Program in the amount of \$982,514 titled Series 2009B. Principal and interest payments on the note are due in quarterly installments through 2030. The note bears interest of 1.68%. Further, the City entered into a financing agreement with the South Carolina State Revolving Fund Program in the amount of \$27,454,700 titled Series 2014. Principal and interest payments on the note are due in quarterly installments through 2036. The note bears interest of 1.68%.

Notes payable from business-type activities at September 30, 2018, are as follows:

	Interest Rate	Balance at September 30, 2018
State Revolving Fund, Series 2009A	1.84%	\$ 2,433,178
State Revolving Fund, Series 2009B	1.68%	540,340
State Revolving Fund, Series 2014	1.68%	22,858,539
		<u>\$ 25,832,057</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

The annual requirements for debt service on notes payable outstanding at September 30, 2018, are summarized as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,350,881	\$ 427,020	\$ 1,777,901
2020	1,373,339	404,561	1,777,900
2021	1,396,264	381,636	1,777,900
2022	1,419,667	358,233	1,777,900
2023	1,443,558	334,342	1,777,900
2024 - 2028	7,594,074	1,295,426	8,889,500
2029 - 2033	7,151,145	655,300	7,806,445
2034 - 2036	4,103,129	107,738	4,210,867
	<u>\$ 25,832,057</u>	<u>\$ 3,964,256</u>	<u>\$ 29,796,313</u>

Bonds Payable

The City entered into a financing agreement with South State Bank during 2018 in the amount of \$5,000,000 titled Accommodations and Hospitality Tax Revenue Bond on 2018. Principal and interest payments on the bond are due in semi-annual installments through 2033. The bond bears interest of 2.957%.

Bonds payable from governmental-type activities at September 30, 2018, are as follows:

	<u>Interest Rate</u>	<u>Balance at September 30, 2018</u>
Accommodations and Hospitality Tax Revenue Bond, 2018	2.96%	\$ 5,000,000
		<u>\$ 5,000,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

The annual requirements for debt service on bonds payable outstanding at September 30, 2018, are summarized as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 268,491	\$ 147,932	\$ 416,423
2020	276,224	140,199	416,423
2021	284,945	131,478	416,423
2022	293,552	122,871	416,423
2023	302,419	114,004	416,423
2024 - 2028	1,654,268	427,846	2,082,114
2029 - 2033	1,920,101	162,013	2,082,114
	<u>\$ 5,000,000</u>	<u>\$ 1,246,343</u>	<u>\$ 6,246,343</u>

Capital Lease Obligations

The City entered into an equipment lease with a regional bank during 2004 for various capital improvement projects in the amount of \$3,787,058. The lease was paid in full during fiscal year 2018.

The City entered into an equipment lease in the amount of \$1,284,023 with a regional bank during 2016 for equipment. Payments are to be made annually at 0.976% for a term of four years.

The City entered into an equipment lease in the amount of \$1,169,627 with a regional bank during 2017 for various equipment. Payments are to be made annually at 1.59% for a term of three years.

The City entered into an agreement lease with in the amount of \$365,210 with a regional bank during 2018 for various equipment. Payments are made annually at 2.69% for a term of three years.

The future minimum lease obligations as of September 30, 2018, were as follows:

	<u>Governmental Activities</u>
Fiscal year ending September 30, 2019	<u>\$ 490,518</u>
Total minimum lease payments	490,518
Less amount representing interest	(15,494)
Present value of future minimum lease payments	<u>\$ 475,024</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Capital Lease Obligations (Continued)

The carrying value of the assets acquired through capital leases as of September 30, 2018, were as follows:

	Governmental Activities
Equipment	\$ 3,396,347
Less: Accumulated depreciation	(1,243,051)
	\$ 2,153,296

The City reported depreciation expense for the year ended September 30, 2018, on assets acquired through capital leases in the amount of \$554,965.

NOTE 7. OPERATING LEASES

The City participates in certain leases accounted for as operating leases as lessor. The City has a forty-year agreement to lease space on top of a water tank to a company for a telecommunication tower with an annual payments varying between \$16,730 and \$29,260 yearly. Lease income for the year ended for the fiscal year ended September 30, 2018, is \$16,730.

Future minimum lease payments to be received by the City for the remaining term under the non-cancelable operating lease are as follows:

Fiscal year ending September 30,	Amount
2019	\$ 16,730
2020	16,730
2021	19,239
2022	19,239
2023	19,239
2024 - 2028	104,853
2029 - 2033	120,582
2034 - 2038	138,668
2039 and 2040	58,520
	\$ 513,800

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General	Public Utilities	\$ 95,897
General	Nonmajor Governmental Funds	1,250
County County Capital One Percent Fund	Nonmajor Enterprise Funds	20,606
Nonmajor Governmental Funds	General	103,492
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	16,836
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	18,250
		<u>\$ 256,331</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

The composition of interfund transfers for the year ended September 30, 2018, is as follows:

Transfer To	Transfer From					Total
	General	County Capital One Percent Fund	Department of Public Utilities	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
General	\$ -	\$ -	\$ 5,400,000	\$ 454,024	\$ -	\$ 5,854,024
County Capital One Percent Fund	-	-	-	1,000,000	-	1,000,000
Nonmajor Governmental Funds	-	661,267	-	-	-	661,267
Nonmajor Enterprise Funds	320,715	-	-	-	53,945	374,660
Total	<u>\$ 320,715</u>	<u>\$ 661,267</u>	<u>\$ 5,400,000</u>	<u>\$ 1,454,024</u>	<u>\$ 53,945</u>	<u>\$ 7,889,951</u>

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Risk Management

The City is exposed to various risks of losses related to torts including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is a member of the South Carolina Insurance Reserve Fund (SCRIF), which operates as a common risk management and insurance program for local governments. The City pays an annual premium to the SCRIF for its general insurance. The SCRIF is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The City did not have any significant reductions in insurance coverage from prior years, and there were no settlements which exceeded insurance coverage for any of the past three years.

Additionally, 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.

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. Health claims are handled by an administrator. 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.

Changes in the balance of the liability for health, dental and prescription claims during the fiscal year ended September 30, 2018, were as follows:

	<u>September 30, 2018</u>
Unpaid claims, beginning of fiscal year	\$ 281,231
Incurred claims and changes in estimates	3,717,678
Claim payments	<u>(3,695,318)</u>
Unpaid claims, end of fiscal year	<u>\$ 303,591</u>

Contingent Liabilities

Grants. Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Contingent Liabilities (Continued)

Litigation. The City is party to various legal proceedings which normally occur in governmental operations. In the opinion of the City management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the City's financial position.

Unemployment Compensation. The City makes payments to the South Carolina Department of Employment and Workforce on a reimbursement basis for costs incurred in the administration of the state unemployment compensation statutes. Claims incurred but not reported at September 30, 2018, are not significant.

Construction Commitments. At September 30, 2018, the City had construction commitments related to various capital projects for approximately \$23,813,815.

NOTE 10. EMPLOYEE BENEFITS

Retirement Plan

Overview:

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Overview (Continued):

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through 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, 202 Arbor Lake Drive, Columbia, SC 29223. 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, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

In addition to the SCRS pension plan, the City also contributes to the South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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 described below.

South Carolina Retirement System. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Membership (Continued):

South Carolina Police Officers Retirement System. 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 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.

South Carolina Retirement System. 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 8 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 one percent or five hundred dollars 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Benefits (Continued):

South Carolina Police Officers Retirement System. 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 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 one percent or five hundred dollars 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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period. For the year ended September 30, 2018, the City contributed \$2,151,673 to the SCRS plan and \$635,478 to the PORS plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Contributions (Continued):

Required employee contribution rates for the year ended September 30, 2018, are as follows:

South Carolina Retirement System

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

South Carolina Police Officers Retirement System

Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contribution rates for the year ended September 30, 2018, are as follows:

South Carolina Retirement System

Employee Class Two	13.41% of earnable compensation from October 1st through June 30th 14.41% of earnable compensation from July 1st through September 30th
Employee Class Three	13.41% of earnable compensation from October 1st through June 30th 14.41% of earnable compensation from July 1st through September 30th
Employer incidental death benefit	0.15% of earnable compensation

South Carolina Police Officers Retirement System

Employee Class Two	15.84% of earnable compensation from October 1st through June 30th 16.84% of earnable compensation from July 1st through September 30th
Employee Class Three	15.84% of earnable compensation from October 1st through June 30th 16.84% of earnable compensation from July 1st through September 30th
Employer incidental death benefit	0.20% of earnable compensation
Employer accidental death program	0.20% of earnable compensation

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Net Pension Liability:

The June 30, 2018 (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2017, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability 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. As of September 30, 2018, (measurement date of June 30, 2018), the net pension liability amounts for the City's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</u>	<u>City's Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$ 72,881,079	\$ 39,432,250	\$ 33,448,829	54.1%	0.149280%
PORS	\$ 20,614,733	\$ 12,725,351	\$ 7,889,382	61.7%	0.27843%

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 five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020, annual valuation is complete.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2017, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
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. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Males multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Males multiplied by 111%

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued):

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year of the Systems. For actuarial purposes, 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 the actuarial expected inflation, which is summarized in the table below.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
	<u>100%</u>		
		Total expected real return	5.03%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.28%</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Discount Rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the City'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. The following table presents the sensitivity of the net pension liabilities to changes in the discount rate.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's portion - SCRS	\$ 42,750,026	\$ 33,448,829	\$ 26,805,587
City's portion - PORS	\$ 10,635,864	\$ 7,889,382	\$ 5,639,771

Pension Expense:

For the year ended September 30, 2018, the City recognized its proportionate share of collective pension expense of \$3,256,191 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of (\$17,266) for a total of \$3,238,925 for the SCRS plan. Additionally, for the year ended September 30, 2018, the City recognized its proportionate share of collective pension expense of \$1,030,624 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$74,129 for a total of \$1,104,753 for the PORS plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 60,379	\$ 196,837
Changes of assumptions	1,327,063	-
Net difference between projected and actual earnings on pension plan investments	531,335	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	710,305	387,619
Employer contributions subsequent to the measurement date	<u>581,813</u>	<u>-</u>
Total	<u>\$ 3,210,895</u>	<u>\$ 584,456</u>
PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 243,085	\$ -
Changes of assumptions	520,185	-
Net difference between projected and actual earnings on pension plan investments	157,769	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	289,272	42,342
Employer contributions subsequent to the measurement date	<u>151,230</u>	<u>-</u>
Total	<u>\$ 1,361,541</u>	<u>\$ 42,342</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):

City contributions subsequent to the measurement date of \$581,813 and \$151,230 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	SCRS	PORS
2019	\$ 1,410,884	\$ 547,811
2020	910,465	423,500
2021	(233,035)	158,521
2022	(43,688)	38,137

Pension 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 on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

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. Eligibility requirements are set forth in the Plan's provisions and based on amount of service to the City. Employees hired prior to June 1, 1993, may receive benefits under the terms of the Plan if they meet one of the following requirements: (a) completes 15 years of service with the City and attains age 65; (b) completes 20 years of service with the City and attains age 60; (c) completes 25 years of service with the City; (d) completes 25 years of service with the City Department of Public Safety; (e) completes 28 years of service under the South Carolina Retirement System and completes 15 years of continuous service with the City; or (f) completes 25 years of service under the South Carolina Police Officers' Retirement System and completes 15 years of continuous service with the City. Employees hired on or after June 1, 1993, and prior to January 1, 2010, may continue coverage under the terms of the Plan if they meet one of the following requirements: (a) completes 25 years of service with the City; or (b) completes 25 years of service with the City Department of Public Safety. Employees hired on or after January 1, 2010, are not eligible for post-employment benefits under this Plan. Additionally, disabled retirees must meet the same eligibility requirements as non-disabled retirees. Eligible retirees will receive health benefits through the City's self-insured group plan at no cost between the ages of 60 and 65. Prior to age 60, retirees must pay the full premium for health coverage. Upon reaching Medicare eligibility, the retiree will be removed from the City's group health plan. At this time, the City will pay up to \$100 per month toward the cost of a Medicare supplement.

The City Council established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the Retiree Medical and Prescription Drug Plan.

Plan Membership

Membership of the Retiree Medical and Prescription Drug Plan consisted of the following at September 30, 2017, the date of the latest actuarial valuation:

Active participants	194
Retirees and beneficiaries currently receiving benefits	98
Total	<u>292</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Postemployment Benefits (Continued)

Contributions

The City Council has elected to fund the Retiree Medical and Prescription Drug plan on a “pay as you go” basis. The required contribution rate of the City varies depending on the applicable agreement. The costs of administering the Plan are paid by the City. Monthly premiums in effect during the City’s fiscal year ended September 30, 2018, were \$676 for retirees only and \$1,326 for retiree family coverage. For the year ended September 30, 2018, the City contributed \$344,667 for the pay as you go benefits for the Retiree Medical and Prescription Plan.

Total OPEB Liability

Effective October 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the City’s accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City’s total OPEB liability was measured as of September 30, 2017, and was determined by an actuarial valuation as of September 30, 2017.

Actuarial Assumptions

The total OPEB liability in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	3.57%
Healthcare cost trend rate:	7.50% - 5.00%, Ultimate Trend by 2023 (Pre-Medicare) 5.50% - 5.00%, Ultimate Trend by 2020 (Medicare)
Inflation rate:	2.25%
Salary increase:	0.75% to 3.00% for SCRS, including inflation 1.25% to 3.50% for PORS, including inflation
Participation rate:	100.00% 35.00% for spouse coverage

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect the anticipated experience and provide margin for future improvements.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Postemployment Benefits (Continued)

Actuarial Assumptions (Continued)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2017, valuation were based on the results of an actuarial experience adopted by the South Carolina Retirement System (SCRS) and South Carolina Police Officers' Retirement System (PORS). The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.57%. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 3.57% as determined by the Bond Buyer 20-Bond GO Index Rate as of September 30, 2017.

Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended September 30, 2018, were as follows:

	Total OPEB
Balance at September 30, 2017	\$ 10,097,840
Changes for the year:	
Service cost	241,515
Interest	290,803
Difference between actual and expected experience	(28,865)
Assumption changes	(673,229)
Benefit payments and implicit subsidy	(348,149)
Net changes	(517,925)
Balance at September 30, 2018	\$ 9,579,915

The required schedule of changes in the City's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.57%) or 1-percentage-point higher (4.57%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
2018	\$ 10,658,640	\$ 9,579,915	\$ 8,638,905

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4%) or 1-percentage-point higher (8.5% decreasing to 6%) than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate			
Fiscal Year	1% Decrease (6.50% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
2018	\$ 8,798,628	\$ 9,579,915	\$ 10,503,982

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017, and the current sharing pattern of costs between employer and inactive employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Postemployment Benefits (Continued)

OPEB Expense

For the year ended September 30, 2018, the City recognized OPEB expense of \$406,269. The components of OPEB expense are detailed in the table below.

Description	2018
Service cost (annual cost of current service)	\$ 241,515
Interest on the total OPEB liability	290,803
Recognition of current year amortization - difference between expected and actual experience & assumption changes	(126,049)
Total aggregate OPEB expense	\$ 406,269

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,683
Changes of assumptions	-	552,362
Employer contributions subsequent to the measurement date	344,667	-
Total	\$ 344,667	\$ 576,045

City contributions subsequent to the measurement date of \$344,667 for the Retiree Health plan are reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

As of September 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Retiree Health Insurance Plan</u>	
Year ended September 30:	
2019	\$ (126,049)
2020	(126,049)
2021	(126,049)
2022	(126,049)
2023	(71,849)

NOTE 11. TAX ABATEMENTS

As of September 30, 2018, the City's ad valorem property tax revenues were reduced by \$128,787 under tax abatement agreements entered into by Orangeburg County. The City is not reimbursed by the County for the foregone property tax revenues associated with the agreements.

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE

The City has determined that restatements to its October 1, 2017, net position of governmental activities, business-type activities, Department of Public Utilities Fund, Municipal Airport Fund, and Hillcrest Golf Course Fund were required to recognize the changes in accounting principles for implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, through which the accounting for OPEB plans and the related disclosure requirements were modified.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The City has determined the following restatements as of October 1, 2017:

<i>Governmental Activities</i> net position, as previously reported	\$ 22,515,819
Change in accounting principle due to the implementation of GASB Statement No. 75:	
Net OPEB obligation, as previously reported	2,261,651
Total OPEB liability	(4,425,198)
Deferred outflows of resources for contributions subsequent to the measurement date	117,440
<i>Governmental Activities</i> net position, as restated	<u>\$ 20,469,712</u>
<i>Business-type Activities</i> net position, as previously reported	\$ 257,607,219
Change in accounting principle due to the implementation of GASB Statement No. 75:	
Net OPEB obligation, as previously reported	2,899,200
Total OPEB liability	(5,672,641)
Deferred outflows of resources for contributions subsequent to the measurement date	230,709
<i>Business-type Activities</i> net position, as restated	<u>\$ 255,064,487</u>
<i>Department of Public Utilities</i> net position, as previously reported	\$ 251,249,945
Change in accounting principle due to the implementation of GASB Statement No. 75:	
Net OPEB obligation, as previously reported	2,774,159
Total OPEB liability	(5,427,983)
Deferred outflows of resources for contributions subsequent to the measurement date	224,216
<i>Department of Public Utilities</i> net position, as restated	<u>\$ 248,820,337</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

<i>Municipal Airport</i> net position,		
as previously reported	\$	6,753,286
Change in accounting principle due to the implementation of GASB Statement No. 75:		
Net OPEB obligation, as previously reported		16,144
Total OPEB liability		(31,588)
Deferred outflows of resources for contributions subsequent to the measurement date		838
<i>Municipal Airport</i> net position, as restated	\$	<u>6,738,680</u>
<i>Hillcrest Golf Course</i> net position,		
as previously reported	\$	(445,606)
Change in accounting principle due to the implementation of GASB Statement No. 75:		
Net OPEB obligation, as previously reported		108,897
Total OPEB liability		(213,070)
Deferred outflows of resources for contributions subsequent to the measurement date		5,655
<i>Hillcrest Golf Course</i> net position, as restated	\$	<u>(544,124)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ORANGEBURG, SOUTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 3,513,992	\$ 3,512,515	\$ 3,454,850	\$ (57,665)
Franchise taxes	149,000	148,000	148,148	148
Other taxes	3,343,516	3,471,016	2,360,987	(1,110,029)
Licenses and permits	1,120,795	1,181,762	1,173,629	(8,133)
Intergovernmental	527,000	697,628	737,587	39,959
Charges for services	2,618,000	2,014,492	2,143,797	129,305
Fines and forfeitures	594,400	410,300	384,351	(25,949)
Interest and penalties	82,000	145,000	157,574	12,574
Other revenues	98,200	731,207	710,623	(20,584)
Total revenues	<u>12,046,903</u>	<u>12,311,920</u>	<u>11,271,546</u>	<u>(1,040,374)</u>
Expenditures:				
Current:				
General government	2,713,427	2,643,757	2,480,303	163,454
Judicial	284,809	298,596	311,961	(13,365)
Public safety	8,492,203	8,344,044	8,408,421	(64,377)
Public works	2,497,664	2,219,271	2,244,811	(25,540)
Culture and recreation	2,092,051	2,092,599	2,134,318	(41,719)
Non-departmental	1,178,145	800,502	1,492,270	(691,768)
Debt Service:				
Principal	1,036,913	1,002,840	1,074,582	(71,742)
Interest	20,000	20,000	17,603	2,397
Total expenditures	<u>18,315,212</u>	<u>17,421,609</u>	<u>18,164,269</u>	<u>(742,660)</u>
Deficiency of revenues under expenditures	<u>(6,268,309)</u>	<u>(5,109,689)</u>	<u>(6,892,723)</u>	<u>(1,783,034)</u>
Other financing sources (uses):				
Proceeds from issuance of capital lease	670,700	576,600	365,210	(211,390)
Proceeds from the sale of capital assets	140,000	20,000	47,962	27,962
Transfers in	6,694,609	5,693,089	5,854,024	160,935
Transfers out	(1,237,000)	(1,180,000)	(320,715)	859,285
Total other financing sources, net	<u>6,268,309</u>	<u>5,109,689</u>	<u>5,946,481</u>	<u>836,792</u>
Net change in fund balances	-	-	(946,242)	(946,242)
Fund balance, beginning of year	<u>9,543,158</u>	<u>9,543,158</u>	<u>9,543,158</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,543,158</u>	<u>\$ 9,543,158</u>	<u>\$ 8,596,916</u>	<u>\$ (946,242)</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 241,515
Interest on total OPEB liability	290,803
Difference between actual and expected experience	(28,865)
Assumption changes	(673,229)
Benefit payments	(348,149)
Net change in total OPEB liability	<u>(517,925)</u>
Total OPEB liability - beginning	<u>10,097,840</u>
Total OPEB liability - ending	<u><u>\$ 9,579,915</u></u>
Covered-employee payroll	\$ 9,854,392
Total OPEB liability as a percentage of covered-employee payroll	97.21%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The discount rate changed from 2.93% at the September 30, 2016, measurement date to 3.57% at the September 30, 2017 measurement date.

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

CITY OF ORANGEBURG, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED SEPTEMBER 30,**

South Carolina Retirement System

Plan Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.149280%	\$ 33,448,829	\$ 12,827,458	260.8%	54.1%
2017	0.146364%	32,948,890	12,020,937	274.1%	53.3%
2016	0.148145%	31,643,554	11,504,330	275.1%	52.9%
2015	0.146676%	27,817,811	11,059,365	251.5%	57.0%
2014	0.149959%	25,817,968	11,149,182	231.6%	59.9%

South Carolina Police Officers Retirement System

Plan Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.27843%	\$ 7,889,382	\$ 3,517,419	224.3%	61.7%
2017	0.26358%	7,221,044	3,129,209	230.8%	60.9%
2016	0.26213%	6,648,861	2,989,380	222.4%	60.4%
2015	0.26653%	5,790,921	2,870,220	201.8%	64.6%
2014	0.26843%	5,072,658	2,773,388	182.9%	67.5%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

CITY OF ORANGEBURG, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

South Carolina Retirement System							
Fiscal Year Ended September 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll		
2018	\$ 2,151,673	\$ 2,151,673	\$ -	\$ 15,573,109	13.82%		
2017	1,805,147	1,805,147	-	14,938,944	12.08%		
2016	1,586,649	1,586,649	-	14,701,855	10.79%		
2015	1,499,035	1,499,035	-	13,899,391	10.78%		
2014	1,443,115	1,443,115	-	13,649,729	10.57%		

South Carolina Police Officers Retirement System							
Fiscal Year Ended September 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll		
2018	\$ 635,478	\$ 635,478	\$ -	\$ 3,859,030	16.47%		
2017	542,493	542,493	-	3,686,997	14.71%		
2016	459,163	459,163	-	3,152,742	14.56%		
2015	442,795	442,795	-	3,376,453	13.11%		
2014	414,534	414,534	-	3,091,849	13.41%		

The above schedules will present 10 years of information once it is accumulated.

System	SCRS	PORS
Calculation date	July 1, 2016	July 1, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year Smoothed	5-year Smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	30 years variable, but not to exceed 30 years	30 years variable, but not to exceed 30 years
Investment return	7.50%	7.50%
Inflation	2.25%	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service	3.50% plus step-rate increases for members with less than 15 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and females rates are multiplied by 111%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF REVENUES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes:				
Current taxes	\$ 3,291,592	\$ 3,260,514	\$ 3,236,959	\$ (23,555)
Delinquent taxes	173,400	175,530	174,081	(1,449)
Other	49,000	76,471	43,810	(32,661)
Franchise taxes	149,000	148,000	148,148	148
Sales taxes	1,237,000	1,180,000	-	(1,180,000)
Business taxes:				
Insurance	2,020,000	2,205,000	2,253,607	48,607
Other taxes	86,516	86,016	107,380	21,364
Licenses and permits:				
Business licenses	1,080,336	1,091,300	1,083,721	(7,579)
Permits	40,459	90,462	89,908	(554)
Intergovernmental:				
Local	46,500	20,500	24,191	3,691
State	335,500	346,485	339,638	(6,847)
Federal	145,000	330,643	373,758	43,115
Charges for services:				
Sanitation - commercial	440,000	380,000	416,930	36,930
Sanitation - residential	727,000	649,500	743,216	93,716
Fire service contracts	1,265,000	832,000	816,014	(15,986)
Recreation programs	173,000	139,992	155,303	15,311
Recreation department	13,000	13,000	12,334	(666)
Fines and forfeitures:				
Criminal fines	178,000	120,000	100,737	(19,263)
Traffic fines	380,000	250,000	243,853	(6,147)
Other	36,400	40,300	39,761	(539)
Interest and penalties	82,000	145,000	157,574	12,574
Other revenues:				
Rentals	32,000	28,000	25,937	(2,063)
Other	66,200	703,207	684,686	(18,521)
Total revenues	\$ 12,046,903	\$ 12,311,920	\$ 11,271,546	\$ (1,040,374)

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
General government:				
Executive department:				
Administrative division:				
Personnel	\$ 102,939	\$ 112,962	\$ 105,146	\$ 7,816
Utilities	3,200	232	3,305	(3,073)
Property and tort insurance	32	32	32	-
Operating	65,500	67,129	93,482	(26,353)
Total administrative division	171,671	180,355	201,965	(21,610)
Election division:				
Property and tort insurance	75	-	-	-
Total election division	75	-	-	-
Total executive department	171,746	180,355	201,965	(21,610)
Finance department:				
Finance and records division:				
Personnel	415,128	403,359	402,787	572
Utilities	4,000	4,854	4,344	510
Property and tort insurance	3,701	3,771	3,771	-
Operating	117,150	176,755	99,471	77,284
Total finance and records division	539,979	588,739	510,373	78,366
Information technology division:				
Personnel	164,913	204,428	147,249	57,179
Utilities	3,000	2,591	3,138	(547)
Property and tort insurance	1,960	1,791	1,791	-
Operating	178,400	53,812	153,186	(99,374)
Capital	289,000	289,000	86,801	202,199
Total information technology division	637,273	551,622	392,165	159,457
Total finance department	1,177,252	1,140,361	902,538	237,823
Administration department:				
Administrative division:				
Personnel	370,813	375,810	380,142	(4,332)
Utilities	600	5,200	4,799	401
Property and tort insurance	2,223	(271)	3,166	(3,437)
Operating	33,000	22,622	26,052	(3,430)
Total administrative division	406,636	403,361	414,159	(10,798)
Community planning and development division:				
Personnel	175,322	162,566	186,698	(24,132)
Utilities	1,700	2,127	1,273	854
Property and tort insurance	2,100	1,977	1,977	-
Operating	61,500	84,093	81,566	2,527
Total community planning and development division	240,622	250,763	271,514	(20,751)
Total administration department	\$ 647,258	\$ 654,124	\$ 685,673	\$ (31,549)

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government (continued):				
Service department:				
Administrative division:				
Personnel	\$ 554,715	\$ 502,249	\$ 516,436	\$ (14,187)
Utilities	7,500	15,201	6,533	8,668
Property and tort insurance	19,806	22,147	22,147	-
Operating	69,150	67,039	82,730	(15,691)
Capital	66,000	62,281	62,281	-
Total administrative division	<u>717,171</u>	<u>668,917</u>	<u>690,127</u>	<u>(21,210)</u>
Total service department	<u>717,171</u>	<u>668,917</u>	<u>690,127</u>	<u>(21,210)</u>
Total general government	<u>2,713,427</u>	<u>2,643,757</u>	<u>2,480,303</u>	<u>163,454</u>
Judicial:				
Municipal court division:				
Personnel	238,070	204,542	214,588	(10,046)
Property and tort insurance	566	566	566	-
Operating	46,173	93,488	96,807	(3,319)
Total municipal court division	<u>284,809</u>	<u>298,596</u>	<u>311,961</u>	<u>(13,365)</u>
Total judicial	<u>284,809</u>	<u>298,596</u>	<u>311,961</u>	<u>(13,365)</u>
Public safety:				
Public safety department:				
Administrative division:				
Personnel	207,696	207,704	215,976	(8,272)
Utilities	113,000	106,175	126,420	(20,245)
Property and tort insurance	23,359	20,964	20,965	(1)
Operating	612,000	472,177	498,711	(26,534)
Total administrative division	<u>956,055</u>	<u>807,020</u>	<u>862,072</u>	<u>(55,052)</u>
Patrol division:				
Personnel	2,918,391	2,920,345	2,849,121	71,224
Property and tort insurance	76,644	65,640	63,506	2,134
Operating	307,535	297,671	323,128	(25,457)
Capital	76,000	73,690	79,037	(5,347)
Total patrol division	<u>3,378,570</u>	<u>3,357,346</u>	<u>3,314,792</u>	<u>42,554</u>
Special operations division:				
Personnel	1,918,992	1,930,243	1,934,256	(4,013)
Property and tort insurance	49,847	50,406	39,033	11,373
Operating	252,400	247,360	281,441	(34,081)
Capital	161,680	152,058	157,516	(5,458)
Total special operations division	<u>2,382,919</u>	<u>2,380,067</u>	<u>2,412,246</u>	<u>(32,179)</u>
Investigation division:				
Personnel	1,044,541	1,159,645	1,156,580	3,065
Property and tort insurance	28,330	28,465	27,130	1,335
Operating	61,400	75,700	85,593	(9,893)
Capital	101,805	88,347	90,399	(2,052)
Total investigation division	<u>\$ 1,236,076</u>	<u>\$ 1,352,157</u>	<u>\$ 1,359,702</u>	<u>\$ (7,545)</u>

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety (continued):				
Public safety department (continued):				
Highway safety DUI special enforcement division:				
Operating	\$ -	\$ 9,351	\$ 6,078	\$ 3,273
Total highway safety DUI enforcement division	-	9,351	6,078	3,273
Forensic Services division:				
Personnel	387,856	278,899	339,607	(60,708)
Property and tort insurance	5,727	2,802	2,802	-
Operating	135,000	148,752	103,518	45,234
Capital	10,000	7,650	7,604	46
Total forensic services division	538,583	438,103	453,531	(15,428)
Total public safety department	8,492,203	8,344,044	8,408,421	(64,377)
Total public safety	8,492,203	8,344,044	8,408,421	(64,377)
Public works:				
Public works department:				
Administrative division:				
Personnel	261,965	186,878	181,107	5,771
Utilities	5,000	16,247	4,148	12,099
Property and tort insurance	2,637	2,039	2,039	-
Operating	17,600	(5,630)	11,860	(17,490)
Capital	-	5,635	3,195	2,440
Total administrative division	287,202	205,169	202,349	2,820
Building inspection division:				
Personnel	171,011	205,156	178,648	26,508
Utilities	3,500	6,222	2,540	3,682
Property and tort insurance	2,075	2,635	2,634	1
Operating	21,400	(26,676)	22,146	(48,822)
Total building inspection division	197,986	187,337	205,968	(18,631)
Garage division:				
Personnel	354,911	504,937	344,306	160,631
Utilities	20,000	22,531	18,063	4,468
Property and tort insurance	4,905	4,745	4,744	1
Operating	40,900	32,147	47,728	(15,581)
Capital	10,300	-	-	-
Total garage division	431,016	564,360	414,841	149,519
Municipal buildings division:				
Personnel	60,580	81,593	64,313	17,280
Utilities	33,500	10,967	40,447	(29,480)
Property and tort insurance	6,585	4,976	4,975	1
Operating	41,900	22,385	35,395	(13,010)
Total municipal buildings division	\$ 142,565	\$ 119,921	\$ 145,130	\$ (25,209)

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public works (continued):				
Public works department (continued):				
Parking facilities division:				
Property and tort insurance	\$ 78	\$ 79	\$ 78	\$ 1
Operating	5,980	4,284	4,039	245
Total parking facilities division	<u>6,058</u>	<u>4,363</u>	<u>4,117</u>	<u>246</u>
Sanitation division:				
Personnel	868,065	756,474	940,108	(183,634)
Utilities	6,000	5,626	6,054	(428)
Property and tort insurance	46,129	25,844	25,843	1
Operating	288,800	285,276	243,890	41,386
Capital	164,200	3,186	3,186	-
Total sanitation division	<u>1,373,194</u>	<u>1,076,406</u>	<u>1,219,081</u>	<u>(142,675)</u>
Street and maintenance division:				
Property and tort insurance	2,143	2,328	2,326	2
Operating	57,500	59,387	50,999	8,388
Total street and maintenance division	<u>59,643</u>	<u>61,715</u>	<u>53,325</u>	<u>8,390</u>
Total public works department	<u>2,497,664</u>	<u>2,219,271</u>	<u>2,244,811</u>	<u>(25,540)</u>
Total public works	<u>2,497,664</u>	<u>2,219,271</u>	<u>2,244,811</u>	<u>(25,540)</u>
Culture and recreation:				
Parks and recreation department:				
Administrative division:				
Personnel	224,270	186,866	238,525	(51,659)
Utilities	12,000	10,467	11,463	(996)
Property and tort insurance	9,484	9,390	9,390	-
Operating	10,600	6,585	7,131	(546)
Total administrative division	<u>256,354</u>	<u>213,308</u>	<u>266,509</u>	<u>(53,201)</u>
Recreation division:				
Personnel	284,780	270,417	286,559	(16,142)
Utilities	50,000	54,979	74,355	(19,376)
Property and tort insurance	4,869	5,682	5,681	1
Operating	214,100	352,734	167,777	184,957
Total recreation division	<u>553,749</u>	<u>683,812</u>	<u>534,372</u>	<u>149,440</u>
Gardens division:				
Personnel	528,909	463,918	534,082	(70,164)
Utilities	46,000	40,154	63,185	(23,031)
Property and tort insurance	27,552	21,731	21,731	-
Operating	89,100	131,222	95,403	35,819
Total gardens division	<u>\$ 691,561</u>	<u>\$ 657,025</u>	<u>\$ 714,401</u>	<u>\$ (57,376)</u>

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES - GENERAL FUND
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Culture and recreation (continued):				
Parks and recreation department (continued):				
Parks and cemetery division:				
Personnel	\$ 468,651	\$ 424,528	\$ 493,268	\$ (68,740)
Utilities	18,000	16,007	22,229	(6,222)
Property and tort insurance	21,936	16,624	16,624	-
Operating	81,800	81,295	86,915	(5,620)
Total parks and cemetery division	<u>590,387</u>	<u>538,454</u>	<u>619,036</u>	<u>(80,582)</u>
Total parks and recreation department	<u>2,092,051</u>	<u>2,092,599</u>	<u>2,134,318</u>	<u>(41,719)</u>
Total culture and recreation	<u>2,092,051</u>	<u>2,092,599</u>	<u>2,134,318</u>	<u>(41,719)</u>
Non-departmental:				
Flood recovery	-	616	5,292	(4,676)
Employee Christmas	20,000	23,193	23,193	-
Building code enforcement	100,000	16,000	7,410	8,590
Annexation covenants	20,000	10,000	10,652	(652)
Operating/insurance coverage	320,000	60,419	645,504	(585,085)
Municipal Association	52,000	50,000	56,699	(6,699)
Commercial sanitation fees	250,000	213,000	258,438	(45,438)
Unemployment insurance	1,000	581	374	207
Special projects	50,000	30,000	26,095	3,905
Downtown revitalization	25,000	25,000	25,000	-
Retirees group insurance	40,000	36,171	46,121	(9,950)
Setoff debt	1,500	1,169	1,979	(810)
CDL drug and alcohol testing	500	-	-	-
Employee shots	2,000	-	-	-
Street lights	270,000	305,700	356,360	(50,660)
Christmas lights	15,000	6,853	6,853	-
Chamber dues	1,545	1,700	1,700	-
Fiver rental expense	9,600	20,100	20,600	(500)
Total non-departmental	<u>1,178,145</u>	<u>800,502</u>	<u>1,492,270</u>	<u>(691,768)</u>
Debt Service:				
Principal	1,036,913	1,002,840	1,074,582	(71,742)
Interest	20,000	20,000	17,603	2,397
Total debt service	<u>1,056,913</u>	<u>1,022,840</u>	<u>1,092,185</u>	<u>(69,345)</u>
Total expenditures	\$ 18,315,212	\$ 17,421,609	\$ 18,164,269	\$ (742,660)

CITY OF ORANGEBURG, SOUTH CAROLINA
DEPARTMENT OF PUBLIC UTILITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues:				
Charges for services and fees	\$ 96,327,800	\$ 100,952,600	\$ 102,794,184	\$ 1,841,584
Total operating revenues	<u>96,327,800</u>	<u>100,952,600</u>	<u>102,794,184</u>	<u>1,841,584</u>
Operating Expenses:				
Electricity purchased	46,215,000	51,347,405	50,560,893	786,512
Natural gas purchased	4,370,000	4,370,000	4,080,211	289,789
Operating and maintenance	9,665,000	11,498,240	11,451,686	46,554
Administrative	9,475,000	11,711,180	12,534,579	(823,399)
Depreciation and amortization	10,111,000	10,111,000	10,950,880	(839,880)
Total operating expenses	<u>79,836,000</u>	<u>89,037,825</u>	<u>89,578,249</u>	<u>(540,424)</u>
Operating income	<u>16,491,800</u>	<u>11,914,775</u>	<u>13,215,935</u>	<u>1,301,160</u>
Nonoperating Revenues (Expenses)				
Water and wastewater taps	225,000	225,000	296,400	71,400
Water and wastewater impact fees	175,000	185,000	287,196	102,196
Gain (loss) on disposal of capital assets	-	-	(1,122,631)	(1,122,631)
Interest income	455,000	455,000	82,412	(372,588)
Interest expense	(506,070)	(506,070)	(491,310)	14,760
Total nonoperating income (expense), net	<u>348,930</u>	<u>358,930</u>	<u>(947,933)</u>	<u>(1,306,863)</u>
Net income before capital contributions and transfers	<u>16,840,730</u>	<u>12,273,705</u>	<u>12,268,002</u>	<u>(5,703)</u>
Capital contributions	1,500,000	1,500,000	366,017	(1,133,983)
Transfers to other funds	(11,900,000)	(5,400,000)	(5,400,000)	-
Total capital contributions and transfers, net	<u>(10,400,000)</u>	<u>(3,900,000)</u>	<u>(5,033,983)</u>	<u>(1,133,983)</u>
Change in net position	6,440,730	8,373,705	7,234,019	(1,139,686)
NET POSITION, beginning of year, as restated	<u>248,820,337</u>	<u>248,820,337</u>	<u>248,820,337</u>	<u>-</u>
NET POSITION, end of year	<u>\$ 255,261,067</u>	<u>\$ 257,194,042</u>	<u>\$ 256,054,356</u>	<u>\$ (1,139,686)</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue Funds					
	Sunnyside Cemetery Fund	Orangeburg Cemetery Fund	SC Festival of Roses Fund	State Accommodations Tax Fund	Local Hospitality and Accommodations Fund	Victims Advocate Fund
ASSETS						
Cash and cash equivalents	\$ 77,214	\$ 15,954	\$ 24,359	\$ 37,123	\$ 2,426,926	\$ 2,457
Due from other governments	-	-	-	25,000	-	-
Due from other funds	3,000	-	-	-	118,492	-
Total assets	<u>\$ 80,214</u>	<u>\$ 15,954</u>	<u>\$ 24,359</u>	<u>\$ 62,123</u>	<u>\$ 2,545,418</u>	<u>\$ 2,457</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	-	-	1,675	-	-
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	1,250	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,925</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Housing and development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	2,457
Public works	80,214	15,954	-	-	-	-
Culture and recreation	-	-	24,359	-	1,719,405	-
Tourism	-	-	-	59,198	-	-
Capital outlay	-	-	-	-	826,013	-
Total fund balances	<u>80,214</u>	<u>15,954</u>	<u>24,359</u>	<u>59,198</u>	<u>2,545,418</u>	<u>2,457</u>
Total liabilities and fund balances	<u>\$ 80,214</u>	<u>\$ 15,954</u>	<u>\$ 24,359</u>	<u>\$ 62,123</u>	<u>\$ 2,545,418</u>	<u>\$ 2,457</u>

(Continued)

					Capital Projects Fund	
Drug Fund	Stevenson Auditorium Fund	Orangeburg Senior Games Fund	Community Development Corporation Fund	Firemen's Fund	Hillcrest Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 214,801	\$ 15,407	\$ 4,321	\$ 14,890	\$ 112,278	\$ 19,020	\$ 2,964,750
-	-	-	-	-	-	25,000
-	143	-	-	107	-	121,742
<u>\$ 214,801</u>	<u>\$ 15,550</u>	<u>\$ 4,321</u>	<u>\$ 14,890</u>	<u>\$ 112,385</u>	<u>\$ 19,020</u>	<u>\$ 3,111,492</u>
56,379	-	-	-	-	-	58,054
-	30	-	-	-	-	30
-	-	-	-	-	-	1,250
<u>56,379</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,334</u>
\$ -	\$ -	\$ -	\$ 14,890	\$ -	\$ -	\$ 14,890
158,422	-	-	-	112,385	-	273,264
-	-	-	-	-	-	96,168
-	15,520	4,321	-	-	-	1,763,605
-	-	-	-	-	-	59,198
-	-	-	-	-	19,020	845,033
<u>158,422</u>	<u>15,520</u>	<u>4,321</u>	<u>14,890</u>	<u>112,385</u>	<u>19,020</u>	<u>3,052,158</u>
<u>\$ 214,801</u>	<u>\$ 15,550</u>	<u>\$ 4,321</u>	<u>\$ 14,890</u>	<u>\$ 112,385</u>	<u>\$ 19,020</u>	<u>\$ 3,111,492</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue Funds					
	Sunnyside Cemetery Fund	Orangeburg Cemetery Fund	SC Festival of Roses Fund	State Accommodations Tax Fund	Local Hospitality and Accommodations Fund	Victims Advocate Fund
Revenues:						
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,217,215	\$ -
Intergovernmental	-	-	-	92,696	54,896	-
Charges for services	11,250	-	14,090	-	-	-
Fines and forfeitures	-	-	-	-	-	25,174
Interest revenue	-	-	-	-	30,191	-
Other revenues	-	-	-	-	16,300	-
Total revenues	<u>11,250</u>	<u>-</u>	<u>14,090</u>	<u>92,696</u>	<u>1,318,602</u>	<u>25,174</u>
Expenditures:						
Current						
Public safety	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Culture and recreation	-	-	5,215	-	224,006	-
Tourism	-	-	-	41,259	-	-
Debt service						
Principal	-	-	-	-	951,120	-
Interest	-	-	-	-	53,074	-
Total expenditures	<u>-</u>	<u>-</u>	<u>5,215</u>	<u>41,259</u>	<u>1,228,200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,250</u>	<u>-</u>	<u>8,875</u>	<u>51,437</u>	<u>90,402</u>	<u>25,174</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	661,267	-
Transfers out	-	-	-	(28,385)	(1,400,000)	(25,639)
Total other financing uses, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,385)</u>	<u>(738,733)</u>	<u>(25,639)</u>
Net change in fund balances	11,250	-	8,875	23,052	(648,331)	(465)
Fund balances, beginning of year	<u>68,964</u>	<u>15,954</u>	<u>15,484</u>	<u>36,146</u>	<u>3,193,749</u>	<u>2,922</u>
Fund balances, end of year	<u>\$ 80,214</u>	<u>\$ 15,954</u>	<u>\$ 24,359</u>	<u>\$ 59,198</u>	<u>\$ 2,545,418</u>	<u>\$ 2,457</u>

(Continued)

					Capital Projects Fund	
Drug Fund	Stevenson Auditorium Fund	Orangeburg Senior Games Fund	Community Development Corporation Fund	Firemen's Fund	Hillcrest Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,215
170,346	-	-	-	80,745	-	398,683
-	1,350	230	-	-	-	26,920
2,603	-	-	-	-	-	27,777
-	-	-	31	-	-	30,222
-	-	-	-	-	-	16,300
<u>172,949</u>	<u>1,350</u>	<u>230</u>	<u>31</u>	<u>80,745</u>	<u>-</u>	<u>1,717,117</u>
114,222	-	-	-	74,917	-	189,139
-	-	-	1,400	-	-	1,400
-	21,397	1,208	-	-	-	251,826
-	-	-	-	-	-	41,259
-	-	-	-	-	-	951,120
-	-	-	-	-	-	53,074
<u>114,222</u>	<u>21,397</u>	<u>1,208</u>	<u>1,400</u>	<u>74,917</u>	<u>-</u>	<u>1,487,818</u>
58,727	(20,047)	(978)	(1,369)	5,828	-	229,299
-	-	-	-	-	-	661,267
-	-	-	-	-	-	(1,454,024)
-	-	-	-	-	-	(792,757)
58,727	(20,047)	(978)	(1,369)	5,828	-	(563,458)
99,695	35,567	5,299	16,259	106,557	19,020	3,615,616
<u>\$ 158,422</u>	<u>\$ 15,520</u>	<u>\$ 4,321</u>	<u>\$ 14,890</u>	<u>\$ 112,385</u>	<u>\$ 19,020</u>	<u>\$ 3,052,158</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE- LOCAL HOSPITALITY AND
ACCOMODATION TAX FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Other taxes	\$ 1,237,000	\$ 1,180,000	\$ 1,217,215	\$ 37,215
Intergovernmental	-	54,896	54,896	-
Interest income	15,000	30,000	30,191	191
Other revenues	17,000	16,000	16,300	300
Total revenues	<u>1,269,000</u>	<u>1,280,896</u>	<u>1,318,602</u>	<u>37,706</u>
Expenditures:				
Current				
Culture and recreation	471,500	418,883	224,006	194,877
Debt service				
Principal	361,926	289,854	951,120	(661,266)
Interest	53,074	53,074	53,074	-
Total expenditures	<u>886,500</u>	<u>761,811</u>	<u>1,228,200</u>	<u>(466,389)</u>
Excess of revenues over expenditures	<u>382,500</u>	<u>519,085</u>	<u>90,402</u>	<u>(428,683)</u>
Other financing sources (uses)				
Transfers in	-	-	661,267	661,267
Transfers out	(1,520,000)	(1,520,000)	(1,400,000)	120,000
Total other financing uses, net	<u>(1,520,000)</u>	<u>(1,520,000)</u>	<u>(738,733)</u>	<u>781,267</u>
Net change in fund balance	(1,137,500)	(1,000,915)	(648,331)	352,584
Fund balance, beginning of year	<u>3,193,749</u>	<u>3,193,749</u>	<u>3,193,749</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,056,249</u>	<u>\$ 2,192,834</u>	<u>\$ 2,545,418</u>	<u>\$ 352,584</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE- VICTIMS ADVOCATE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 28,000	\$ 25,000	\$ 25,174	\$ 174
Total revenues	<u>28,000</u>	<u>25,000</u>	<u>25,174</u>	<u>174</u>
Other financing uses				
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(25,639)</u>	<u>6,361</u>
Total other financing uses	<u>(32,000)</u>	<u>(32,000)</u>	<u>(25,639)</u>	<u>6,361</u>
Net change in fund balance	(4,000)	(7,000)	(465)	6,535
Fund balance, beginning of year	<u>2,922</u>	<u>2,922</u>	<u>2,922</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,078)</u>	<u>\$ (4,078)</u>	<u>\$ 2,457</u>	<u>\$ 6,535</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	<u>Municipal Airport</u>	<u>Pro Shop</u>	<u>Hillcrest Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 200	\$ -	\$ 300	\$ 500
Accounts receivable	20,455	-	12,971	33,426
Due from other funds	-	16,836	-	16,836
Inventory	46,653	38,396	-	85,049
Total current assets	<u>67,308</u>	<u>55,232</u>	<u>13,271</u>	<u>135,811</u>
NONCURRENT ASSETS				
Nondepreciable	1,419,057	-	-	1,419,057
Depreciable, net of accumulated depreciation	4,665,701	-	378,020	5,043,721
Total noncurrent assets	<u>6,084,758</u>	<u>-</u>	<u>378,020</u>	<u>6,462,778</u>
Total assets	<u>6,152,066</u>	<u>55,232</u>	<u>391,291</u>	<u>6,598,589</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	16,063	-	40,158	56,221
Other postemployment benefits	8,081	-	3,848	11,929
Total deferred outflows of resources	<u>24,144</u>	<u>-</u>	<u>44,006</u>	<u>68,150</u>
LIABILITIES				
CURRENT LIABILITIES				
Payable from current assets:				
Accounts payable	135,415	5,638	35,260	176,313
Unearned revenue	-	-	13,043	13,043
Accrued expenses	4,831	-	12,582	17,413
Due to other funds	55,003	-	49,528	104,531
Compensated absences - current portion	5,165	-	34,073	39,238
Total current liabilities	<u>200,414</u>	<u>5,638</u>	<u>144,486</u>	<u>350,538</u>
NONCURRENT LIABILITIES				
Net pension liability	191,930	-	479,825	671,755
Total other postemployment benefit liability	205,233	-	97,705	302,938
Total noncurrent liabilities	<u>397,163</u>	<u>-</u>	<u>577,530</u>	<u>974,693</u>
Total liabilities	<u>597,577</u>	<u>5,638</u>	<u>722,016</u>	<u>1,325,231</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	7,925	-	19,812	27,737
Other postemployment benefits	12,341	-	5,875	18,216
Total deferred inflows of resources	<u>20,266</u>	<u>-</u>	<u>25,687</u>	<u>45,953</u>
NET POSITION				
Net investment in capital assets	6,084,758	-	378,020	6,462,778
Unrestricted	(526,391)	49,594	(690,426)	(1,167,223)
Total net position (deficit)	<u>\$ 5,558,367</u>	<u>\$ 49,594</u>	<u>\$ (312,406)</u>	<u>\$ 5,295,555</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Municipal Airport</u>	<u>Pro Shop</u>	<u>Hillcrest Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES				
Charges for services	\$ 569,436	\$ 114,939	\$ 330,917	\$ 1,015,292
Miscellaneous	6,333	-	10,359	16,692
Total operating revenues	<u>575,769</u>	<u>114,939</u>	<u>341,276</u>	<u>1,031,984</u>
OPERATING EXPENSES				
Personnel costs	325,841	-	281,445	607,286
Cost of sales and service	385,750	56,641	38,292	480,683
Supplies	7,924	-	18,040	25,964
Administration	104,638	4,353	79,838	188,829
Depreciation expense	931,929	-	66,603	998,532
Total operating expenses	<u>1,756,082</u>	<u>60,994</u>	<u>484,218</u>	<u>2,301,294</u>
Operating Income (loss) before transfers	<u>(1,180,313)</u>	<u>53,945</u>	<u>(142,942)</u>	<u>(1,269,310)</u>
TRANSFERS				
Transfers in	-	-	374,660	374,660
Transfers out	-	(53,945)	-	(53,945)
Total transfers	<u>-</u>	<u>(53,945)</u>	<u>374,660</u>	<u>320,715</u>
Change in net position	(1,180,313)	-	231,718	(948,595)
NET POSITION, beginning of year, as restated	<u>6,738,680</u>	<u>49,594</u>	<u>(544,124)</u>	<u>6,244,150</u>
NET POSITION, end of year	<u>\$ 5,558,367</u>	<u>\$ 49,594</u>	<u>\$ (312,406)</u>	<u>\$ 5,295,555</u>

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Municipal Airport</u>	<u>Pro Shop</u>	<u>Hillcrest Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 568,862	\$ 114,939	\$ 330,617	\$ 1,014,418
Payments to suppliers	(282,747)	(72,830)	(114,575)	(470,152)
Payments to employees	(248,013)	-	(416,348)	(664,361)
Internal activity-payments to other funds	55,003	11,836	-	66,839
Net cash provided by (used in) operating activities	<u>93,105</u>	<u>53,945</u>	<u>(200,306)</u>	<u>(53,256)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in	-	-	374,660	374,660
Transfers out	-	(53,945)	-	(53,945)
Net cash provided by (used in) noncapital and related financing activities	<u>-</u>	<u>(53,945)</u>	<u>374,660</u>	<u>320,715</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(93,105)	-	(174,354)	(267,459)
Net cash used in capital and related financing activities	<u>(93,105)</u>	<u>-</u>	<u>(174,354)</u>	<u>(267,459)</u>
Change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents:				
Beginning of year	<u>200</u>	<u>-</u>	<u>300</u>	<u>500</u>
End of year	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 500</u>
Classified as:				
Cash and cash equivalents	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 500</u>

(Continued)

CITY OF ORANGEBURG, SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Municipal Airport</u>	<u>Pro Shop</u>	<u>Hillcrest Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,180,313)	\$ 53,945	\$ (142,942)	\$ (1,269,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	931,929	-	66,603	998,532
Change in assets and liabilities:				
Increase in accounts receivable	(6,907)	-	(8,874)	(15,781)
Increase in inventory	(11,425)	(13,379)	-	(24,804)
Decrease in due from other funds	-	11,836	-	11,836
Decrease in deferred outflows of resources-pension	8,412	-	21,029	29,441
(Increase) decrease in deferred outflows of resources - other postemployment benefit	(7,243)	-	1,807	(5,436)
Increase in accounts payable	122,352	1,543	21,253	145,148
Increase (decrease) in accrued expenses	(517)	-	342	(175)
Decrease in unearned revenue	-	-	(1,785)	(1,785)
Increase in due to other funds	55,003	-	-	55,003
Increase in deferred inflows of resources-pension	760	-	1,900	2,660
Increase in deferred inflows of resources - other postemployment benefit	12,341	-	5,875	18,216
Increase (decrease) in total other postemployment benefits liability	173,645	-	(115,365)	58,280
(Decrease) in net pension liability	(4,394)	-	(10,984)	(15,378)
Decrease in compensated absences	(538)	-	(39,165)	(39,703)
Net cash provided by (used in) operating activities	<u>\$ 93,105</u>	<u>\$ 53,945</u>	<u>\$ (200,306)</u>	<u>\$ (53,256)</u>

CITY OF ORANGEBURG, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)
For The Year Ended September 30, 2018

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 300,380	\$ 300,380
Court fines and assessments remitted to State Treasurer	N/A	N/A	215,490	215,490
Total Court Fines and Assessments retained	N/A	N/A	\$ 84,890	\$ 84,890
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	\$ 16,411	\$ 16,411
Assessments retained	N/A	N/A	8,763	8,763
Total Surcharges and Assessments retained for victim services	N/A	N/A	\$ 25,174	\$ 25,174

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ 2,922	N/A	\$ 2,922
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	8,763	N/A	8,763
Victim Service Surcharges Retained by City/County Treasurer	16,411	N/A	16,411
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 28,096	N/A	\$ 28,096

CITY OF ORANGEBURG, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)
For The Year Ended September 30, 2018

<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	-	N/A	-
Operating Expenditures	-	N/A	-
Victim Service Contract(s):			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	25,639	N/A	25,639
Total Expenditures from Victim Service Fund/Program (B)	25,639	N/A	25,639
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	2,457	N/A	2,457
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ 2,457	N/A	2,457

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COMPLIANCE SECTION



**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**

**The Honorable Mayor and Members
of the City Council
Orangeburg, South Carolina**

We have audited, in accordance with the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2019.

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.

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 a 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. 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.

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

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*.

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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
March 31, 2019

CITY OF ORANGEBURG, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

There was not an audit of major federal award programs as of September 30, 2018, due to the total amount expended being less than \$750,000.

SECTION I
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION II
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION III
PRIOR YEAR FINDINGS AND RESPONSES

None reported.

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