

CITY OF NEWBERRY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2007

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FISCAL YEAR ENDED JUNE 30, 2007
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INTRODUCTORY SECTION

CITY OF NEWBERRY

S O U T H C A R O L I N A

Post Office Drawer 538 • Newberry, South Carolina 29108

October 19, 2007

The Honorable Mayor, Members of City Council and Citizens of the City of Newberry, South Carolina:

State law requires Newberry City Council to provide for an independent annual audit of all financial records and transactions of the City of Newberry. State law further requires that such audits be made by a certified public accountant or public accountant or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the City or any of its officers. The report of the audit must be made available for public inspection. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of Newberry (City) for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by McKinley, Cooper and Company, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. Also, in accordance with Government Auditing Standards, the independent auditor issued his report after consideration of the City of Newberry's internal control over financial reporting and on the auditor's test of the City's compliance with certain provisions of laws, regulations, contracts, and grants. That report concerning

compliance and internal control is located at the end of the comprehensive annual financial report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Newberry's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Newberry is located in and is the county seat of Newberry County. The City of Newberry's municipal charter was issued in 1832. The City encompasses an area of approximately seven and a half square miles, while Newberry County encompasses an area of six hundred thirty square miles. The population of the City as registered by the 2000 Census was 10,580, and the population of the County as registered by the 2000 Census was 36,108. The City of Newberry is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City of Newberry has operated under the council-manager form of government since 1948. The mayor is elected at-large for a term of four years. Policy-making and legislative authority are vested in City Council consisting of the mayor and six other members. Under the City's current single-member district plan, the City has been divided into six districts, each to be represented by a council member. City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City Manager is responsible for implementing the policies of City Council, directing day-to-day business and administrative procedures and appointing departmental officials and other City employees. As of June 30, 2007, the City Manager was assisted by nine staff departments, including Building and Zoning, Economic Development, Finance, Fire, Personnel, Police, Public Works, Recreation and Utilities.

The City of Newberry provides a full range of services. These services include police and fire protection; sanitation services; the repair and maintenance of City streets and infrastructure; building regulation; planning; economic development and administration; zoning and code enforcement; water, sewer and electric utility services; and recreational activities.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Newberry are required to submit requests for appropriations to the City Manager by mid-April of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review during May. City Council is required to hold public hearings on the proposed budget and to adopt a final budget before July 1, the beginning of the City's fiscal year. The line-item appropriated budget is prepared by fund and department (e.g., General Fund, Finance Department). Expenditures may not exceed budgeted appropriations for each fund except as authorized by City Council. The

City Manager is authorized to transfer amounts between line items within any department. Transfers between departments require the approval of City Council. Any revisions that alter the total expenditures of any fund also must be approved by City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 34 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City of Newberry is located in the central piedmont region of South Carolina. The economic base is diversified and comprised of textiles, agriculture, forest products and wood processing, and food processing. This diversity has enabled the region to weather recent downturns in the economy. In 1994, Louis Rich, the county's largest employer and the City's largest consumer of electricity, announced an aggressive two-year expansion that ultimately resulted in the creation of 400 new jobs. In 1999, three manufacturing facilities opened in the Newberry County Industrial Park located adjacent to the Highway 219-Interstate 26 interchange. F. G. Wilson, a division of Caterpillar Incorporated, invested \$17 million in a 450,000 square foot building. The facility remained vacant until 2005, when F. G. Wilson announced plans to occupy the building and create approximately 100 jobs in 2006. Confalonieri, an Italian printing operation, and Kiswire, a Korean wire manufacturer, both invested \$10 million in separate facilities. While Kiswire is presently in full production, Confalonieri is no longer in operation. However, in June 2007, Schweitzer-Mauduit purchased the old Confalonieri facility and announced its plans to create 40-50 jobs and invest \$4 million in capital improvements to manufacture coating paper for lower ignition propensity (LIP) cigarettes.

In the summer of 2001, Millennium Teleservices invested \$1 million in a state of the art call center within the Newberry city limits on the U. S. Highway 76 bypass, and created approximately 200 jobs. Beginning in the fall of 2001, Komatsu, a diversified provider of construction and mining equipment, invested \$20 million in their Newberry County facility, located adjacent to the Newberry County Industrial Park. In May of 2002, C. H. Guenther & Son, Inc., a San Antonio, Texas based manufacturer and marketer of branded and custom food products, acquired the former Kaiser Roth textile plant on U.S. Highway 76. The 227,000 square foot facility, which operates as Pioneer Frozen Foods, serves as a manufacturing plant for the company's line of frozen dough and baked products. C. H. Guenther & Son, Inc. has invested approximately \$32 million in plant renovations and production systems, and created 145 new jobs. In April 2003, Komatsu added 18 employees when the company's Chicago-based sales and marketing group expanded into the Newberry facility to consolidate sales, marketing and manufacturing operations under the same roof. Furthermore, fiscal year 2005 saw retail expansion inside the city limits with the opening of an 111,000 square foot Lowe's Home Center in October 2004.

In 2005, the City of Newberry completed a series of annexations which resulted in the incorporation of approximately 1,000 acres of property. This property is in a high growth-

potential corridor located east of the previous city limits and bound by S. C. Highway 34 on the north, S. C. Highway 219 on the south, and Interstate 26 on the east. Included in this area is 17 acres which is being actively marketed for interstate commercial development. Cracker Barrel Old Country Stores, Incorporated, has purchased one of the available lots, and an investor has closed on another lot with plans to construct an 80-plus room national-franchised hotel. Construction on both projects is anticipated to begin in calendar year 2008.

Much of Newberry's economic momentum has its basis in the renovation of the Newberry Opera House, which was completed in the spring of 1998. The Newberry Opera House, a performing arts center, is owned by the City but leased to and under the control, operation and management of the Newberry Opera House Foundation. Indications from the Newberry Opera House Foundation are that the 2006-2007 Newberry Opera House season was a success. This marks six consecutive seasons that the facility has performed at a high level. The addition of a 73-room Hampton Inn Hotel located adjacent the Newberry Opera House in March 2002 served not only to bolster restaurant and retail sales, but also to stimulate growth in Newberry Opera House ticket sales the past five seasons. On-going cooperative approaches to promoting the Newberry community have shifted from an emphasis on day-trips to a focus on Newberry as an overnight and weekend tourism destination.

Clearly, the Newberry Opera House project is accomplishing what it was intended to accomplish – namely, serving as a catalyst for economic development. The addition of over thirty new businesses, seven restaurants, seventeen second-floor apartments, a 73-room hotel, and the stimulation of numerous public-private partnerships evidence the catalytic impact of the Newberry Opera House project. During fiscal year 2007, Newberry Realty, LLC. progressed with its plans to rehabilitate and adaptively reuse two key properties within the downtown – namely, the Old Mower Building located at 1530 Main Street and the Old Newberry Hotel located at the intersection of Caldwell and Main Streets. With a combined floor area exceeding 65,000 square feet, the rehabilitation and adaptive reuse of these two anchor properties represents a level of private sector investment in the downtown that has not occurred since the period immediately following completion of the Newberry Opera House project.

To sustain the momentum of the Newberry Opera House project, the City of Newberry began pursuing four important downtown revitalization projects in 2005. The first was completion of a comprehensive retail market assessment and marketing plan for downtown Newberry during fiscal year 2005. The project was lead by Arnett Muldrow & Associates of Greenville, S.C. and was largely funded through the South Carolina Department of Commerce's Community Development Block Grant program. The intent of the project was to assess the current retail mix within the Central Business District, establish the retail trade areas for downtown, evaluate the consumer spending patterns within the established trade areas, profile each discernable consumer group within the trade areas, and develop a retail recruitment plan for downtown with current supply and demand expressed in square feet of additional retail space. Moreover, the plan developed a brand, or unified design concept, for marketing the community to potential new residents and tourists. In 2006, city staff began implementing many of the recommendations contained in the report including brochure development, tourism promotion and advertising, and the planning of major public improvements within the downtown.

The second was the renovation of the old fire station, located adjacent to the Newberry Opera House on McKibben Street, and its reuse as a state-of-the-art meeting and special event facility. The renovation of this 11,500 square foot facility featured a warming kitchen, offices for staff, a main assembly space, a decorative lobby, four breakout meeting rooms, and an executive-styled boardroom. The facility is being actively marketed for rental by professional associations, continuing education seminars, business meeting groups, symposiums, service organizations, and local events and receptions, of which many are likely to span multiple days and nights. This enterprise should continue to create spin-off economic activity at local hotels, restaurants, and retail shops. The City of Newberry received a Community Development Block Grant (CDBG) from the S.C. Department of Commerce in September 2004, construction bids in September 2005 and reached substantial completion in April 2007. The total cost of the project was approximately \$2.2 million, of which \$312,500 was funded through CDBG, \$400,000 through the proceeds of a Local Capital Projects Sales Tax authorized by the voters of Newberry County in November 2004, and the remaining balance through lease/purchase proceeds and revenue generated by the City's local hospitality and accommodations fee.

The third project was the implementation of streetscape and parking facility improvements in the Central Business District. In December 2005, the city was notified by the S.C. Department of Commerce of its successful application for \$500,000 of Community Development Block Group (CDBG) funding to improve the seven city-owned surface parking lots in the downtown and the side streets linking those parking facilities to Main Street. Additionally, in January 2006 the city was notified by the S.C. Department of Transportation that its request for transportation enhancement program funds in the amount of \$163,292 had been approved. The intent of these grant funds is to improve the Friend, Harrington, McKibben and Nance Street corridors in support of the city's Newberry Firehouse Conference Center project, Newberry County's planned construction of a 23,000 square foot library on Friend Street at its intersection with McKibben Street, and to stimulate economic investment and redevelopment activity within the 900 block of Main Street. City staff completed the environmental review process required by the grantors and secured the services of a registered landscape architect to design the project in April 2006. The project was bid in May 2007 and the construction commenced in September 2007, with completion expected by the end of the calendar year.

The fourth project is the development of an in-fill residential project on roughly 2.3 acres of vacant property located on Harrington and Martin Streets. The property was the former site of a primary school, which was razed decades ago and remained in a vacant state since that time. The Newberry County School Board declared the property surplus to its needs in early 2005 and conveyed the property to the City of Newberry during fiscal year 2005 with the understanding that a traditional neighborhood would be constructed on the property. City Council approved a development master plan for the property in October 2005, as required by S.C. state planning law. A development agreement has been prepared between the City and a private party that has agreed to develop the site, and on-site water, wastewater, electric, and storm water infrastructure has been installed. The developer is proposing the construction of eight townhouses and ten single-family, detached cottages, which will assist in the city's effort to promote downtown living and will create significant additional tax base within the Tax Increment Finance District. As of June 2007, the developer had secured financing for the project and contacted City of Newberry's Planning and Development Services Department concerning construction of the first detached units.

Long-term financial planning. A continued emphasis on long range financial planning is a cornerstone of the City's success. Options and strategies introduced and continued in fiscal year 2007 include:

- Continued to promote revitalization and renewal in the City's downtown.
- Continued attention to long-range stabilization of the City's financial condition.
- Continued to promote sound economic development strategies and expansion of the City's utility system.
- Continued to monitor electric industry trends as an important factor in our strategic plan.
- Continued to improve the City's technology infrastructure.
- Monitored existing services to ensure that the service goals of City Council are met.

Cash management policies and practices. Cash available for investment during fiscal year 2007 was invested in demand deposits, certificates of deposit, and the State of South Carolina Local Government Investment Pool. The South Carolina Local Government Investment Pool is a pool of funds belonging to participating local governments which is managed by the State Treasurer. These funds are invested by the State Treasurer in obligations of the United States and its agencies and repurchase agreements collateralized by securities of the U. S. Government or its agencies. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal deposit insurance or collateralized. All collateral on deposits was held by the City, its agent or a financial institution's trust department in the City's name. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10.

Interest earnings from the investment of all City funds during fiscal year 2007 totaled \$473,511. Interest rates on checking account balances during fiscal year 2007 ranged from a low of 4.77% in June 2007 to a high of 5.17% in September 2006.

Risk Management and Insurance. The City's general insurance carrier, as of March 1, 1994, is the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRFF), a self-insured pool of participating municipalities throughout South Carolina. Currently the City is insured through SCMIRFF for the following coverage lines: automobile, boiler and machinery, crime, property, and general liability.

Since March 1, 1999, the City has been enrolled in the insurance benefits program of the State of South Carolina. This program is administered by the Employee Insurance Program, a division of the South Carolina Budget and Control Board. The major components of the insurance benefits included under the State's program are as follows:

- Group Health Insurance
- Group Dental Insurance
- Dental Plus
- Basic Life Insurance

Optional Life and Accidental Death and Dismemberment Insurance
Dependent Life Insurance
Money Plus (Section 125 Plan)
Long Term Care Insurance
Basic Long Term Disability Insurance
Supplemental Long Term Disability Insurance
Vision Care Program

In order to maintain a level of physical fitness appropriate for performing the job functions required of fire personnel, all fire department employees, full-time and volunteer, are provided physical examinations as prescribed by a standard established by the National Fire Prevention Association. In addition, City employees who are enrolled in the insurance program are annually given the opportunity to participate in a worksite-screening program.

In response to rising workers' compensation insurance premiums and a need for improved loss control management, the City joined the South Carolina Municipal Insurance Trust Fund, a statewide municipal insurance pool, in 1983. The City restructured its Safety Committee, appointed a Safety Coordinator, and organized Safety Teams within each of its departments. Safety training and accident investigation continue to be incorporated into the work environment. Beginning on January 1, 2003, the City chose to accept a \$15,000 per occurrence deductible to mitigate a large increase in insurance premium primarily due to several large losses. For fiscal year 2007, the City paid \$8,333 in deductible.

Pension and other postemployment benefits. All permanent employees of the City are eligible to participate in one of two defined benefit pension plans administered by the State of South Carolina, the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws. Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings.

Retired employees and survivors are allowed to participate in the health, dental, and life insurance programs. The monthly cost of this participation as billed to the City by the State of South Carolina Employee Insurance Program is paid entirely by the retiree or survivor.

Additional information on the City's post employment benefits and pension arrangements can be found in Notes 11 and 12 in the financial statements.

Awards

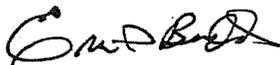
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Newberry for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it the GFOA to determine its eligibility for another certificate.

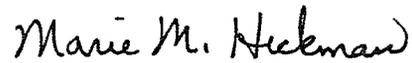
Acknowledgements

The preparation of this document, our comprehensive annual financial report, was made possible by the dedicated work of many individuals. Our sincere appreciation is extended to all those who have contributed to this endeavor and to the City's Mayor and Council who have continuously encouraged excellence in financial reporting.

Sincerely,



Eric G. Budds
City Manager



Marie M. Hickman
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newberry
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

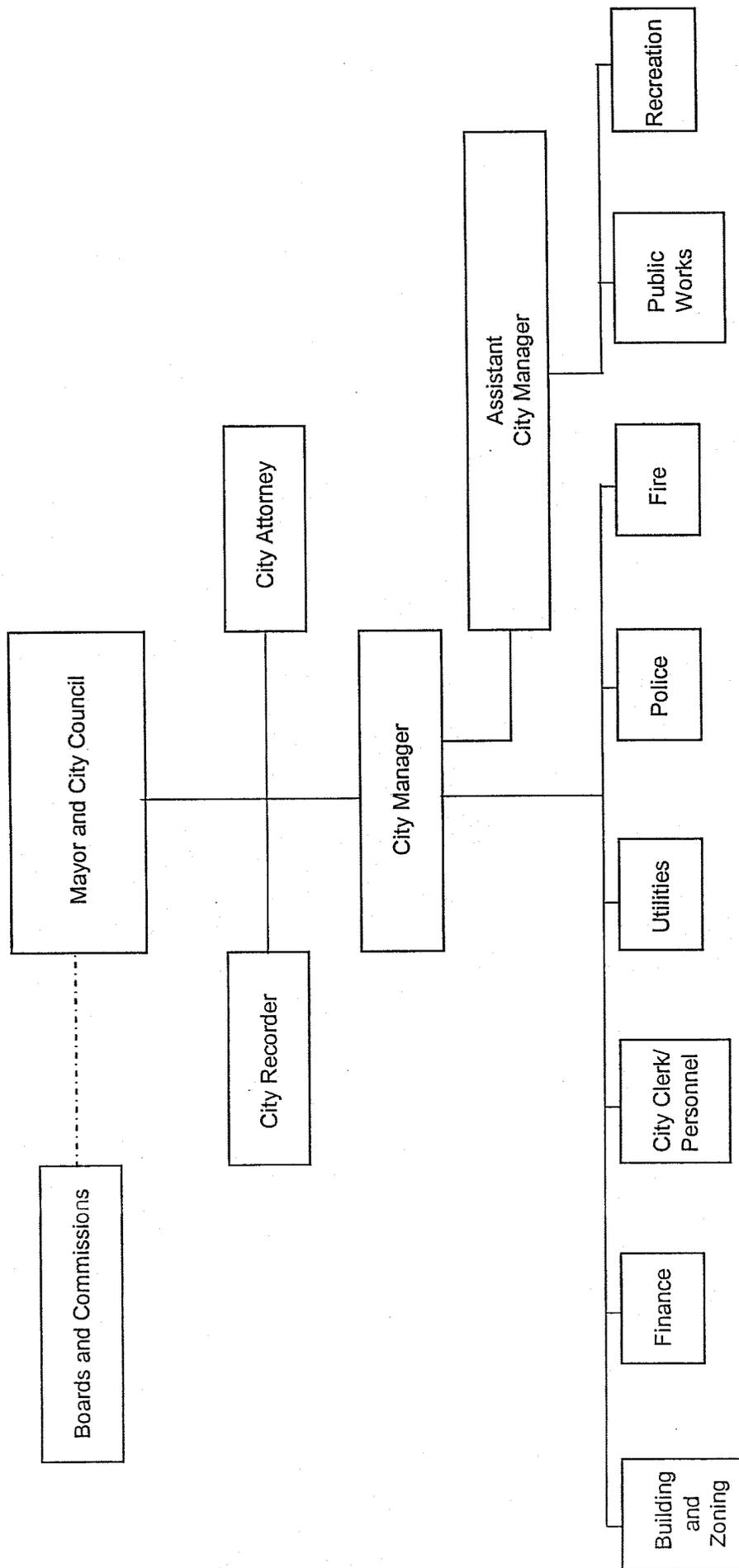


President

Executive Director

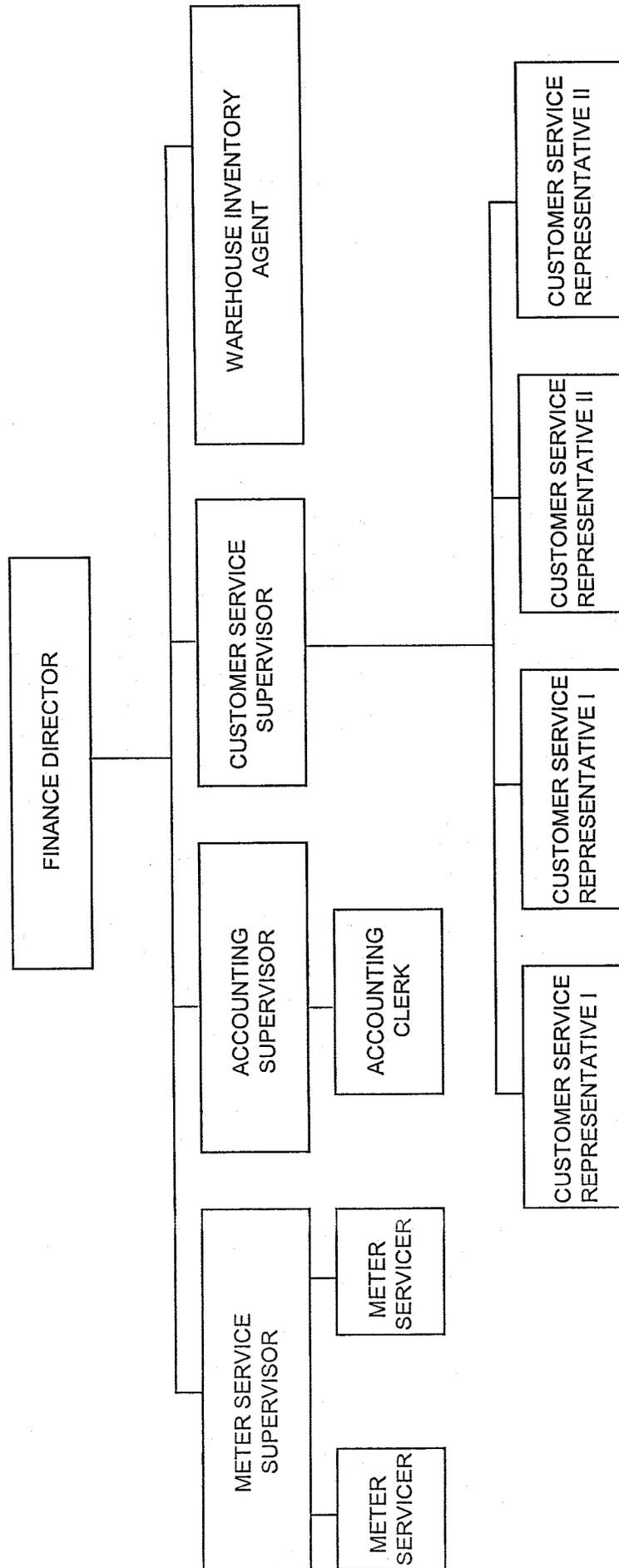
City of Newberry Organizational Chart

June 30, 2007



**City of Newberry
Finance Department
Organizational Chart**

June 30, 2007



CITY OF NEWBERRY, SOUTH CAROLINA
List of Principal Officers
June 30, 2007

<u>Title</u>	<u>Name</u>
Mayor	T. Edward Kyzer
Council Member, District 1	R. Lemont Glasgow
Council Member, District 2	G. Foster Senn, Jr.
Council Member, District 3	Zebbie D. Goudelock
Council Member, District 4	Gregg W. Summer
Council Member, District 5	Thomas Louis Boyd
Council Member, District 6	David E. Dubose
City Manager	Eric G. Budds
City Attorney	Eugene C. Griffith, Jr.
City Recorder	William F. Partridge
Assistant City Manager	Jeffrey S. Shacker
City Clerk/Personnel Director	Tina P. Wicker
Building and Zoning Official	C. Ward Braswell
Finance Director	Marie M. Hickman
Fire Chief	Joseph H. Palmer
Police Chief	L. J. Swindler, Jr.
Public Works Director	Arnold D. Hiller
Recreation Director	Scott S. Sawyer
Utility Director	Fred L. Yandle, Jr.

FINANCIAL SECTION



McKINLEY, COOPER & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Toni R. McKinley
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Newberry, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberry, South Carolina as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newberry, South Carolina's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberry, South Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, on our consideration of the City of Newberry, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Mayor and City Council
City of Newberry, South Carolina
Page Two

The management's discussion and analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newberry, South Carolina's basic financial statements. The introductory section, enterprise fund budgetary comparisons, combining and individual nonmajor fund financial statements and budgetary comparisons, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparisons have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The Kinley, Cooper & Co., LLP

August 27, 2007

Management's Discussion and Analysis

As management of the City of Newberry, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 8 of this report, and the City of Newberry's financial statements and other information, which begin on page 28 of this report.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- The assets of the City of Newberry exceeded its liabilities at the close of the most recent fiscal year by \$37,741,871 (net assets), an increase in comparison to the previous fiscal year of \$1,993,792 or 5.6%. Of this amount, \$12,433,145 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of fiscal year 2007, unreserved and undesignated fund balance for the general fund, the City's principal operating fund, was \$3,205,639, an increase of \$492,565 in comparison to the previous fiscal year.
- The nonmajor governmental funds showed expenditures and other financing uses (\$2,096,701) exceeding revenues and other financing sources (\$1,050,762) by \$1,045,939, primarily due to expenditures related to the completion of the Firehouse Conference Center in the Tourism Fund in fiscal year 2007, while most revenues and other financing sources related to the Center occurred in fiscal year 2006. As of the close of fiscal year 2007, the City's nonmajor governmental funds reported combined ending fund balance of \$788,571. Approximately 98.7 percent of the total amount, \$778,571, is available for spending at the government's discretion (unreserved fund balance).
- The City of Newberry's business-type activities reported net assets at year-end of \$27,502,011, an increase of 5.2 percent (\$1,352,745).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Please note that the City of Newberry implemented Governmental Accounting Standards Board Statement 34 (GASB 34) for the fiscal year ended June 30, 2003.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Newberry's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Newberry's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in the net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Newberry include general government, public safety, public works, recreation, community development, non-departmental and interest on long-term debt. The business-type activity of the City of Newberry is the combined public utility system (electric, water, and sewer).

The government-wide financial statements include only the City itself (known as the primary government) because the City of Newberry has no component units. The government-wide financial statements can be found on pages 28 - 29 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newberry, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Newberry can be divided into these categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements familiar. However, under GASB 34, the focus is on major funds, rather than fund types as in pre-GASB 34 reports.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund only since no other governmental funds is considered to be a major fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided on pages 75 - 91 of this report. The City adopts an annual appropriated budget for most of its funds, including its general fund. Annual budgets are not adopted for the volunteer fire fund which can be used only as specified in South Carolina law and, in fiscal year 2007, for the federal equitable sharing fund which only saw interest earnings activity during the period and for the community housing/development fund which saw no activity in fiscal year 2007.

The basic governmental fund financial statements can be found on pages 30 - 33 of this report.

Proprietary funds. The City of Newberry maintains one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The City of Newberry uses an enterprise fund to account for its combined public utility system, comprised of electric, water, and sewer operations which were legally combined into one combined public utility system in 1948. Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 35 - 38 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Newberry currently has no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 - 57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information in the form of a general fund budgetary comparison. This comparison may be found on page 34 of this report.

Other information, including combining and individual fund statements and schedules, begin on page 75 of this report. Statistical tables that provide multi-year historical data begin on page 108, and they were redesigned in fiscal year 2005 to early implement GASB Statement 44.

Government-wide Financial Analysis

The fiscal year 2007 comprehensive annual financial report is the fifth City of Newberry report issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34. Prior to the implementation of GASB 34 in fiscal year 2003, the City was required to report funds and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net assets of the City as a whole. Under the GASB 34 model for fiscal year 2007, the government-wide statements found on pages 28 - 29 are reported using the economic resources measurement focus and the accrual basis of accounting, the common method of reporting in today's business world. Following the notes to the financial statements, report users will still find individual fund statements and combining statements in the format found in the City's previous comprehensive annual financial reports. Because of the newness of the post-GASB 34 reporting model, comparative numbers for all facets of this report are not available in the fiscal year 2007 report, particularly in the statistical section. When comparative numbers are accessible, they have been included. Comprehensive annual financial reports in years to come will contain more comparative data that will enable users greater opportunity for comparative analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Newberry, assets exceeded liabilities by \$37,741,871 for fiscal year 2007, an increase of

\$1,993,792 in total net assets as compared to fiscal year 2006. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$23,769,806, restricted net assets of \$1,538,920, and unrestricted net assets of \$12,433,145.

By far the largest portion of the City's net assets (63.0 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newberry'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.

The category of restricted net assets represents resources that are either subject to restrictions that are externally imposed or to restrictions imposed by law through constitutional provisions or enabling legislation, including enabling legislation passed by the City of Newberry. At June 30, 2007, the City had \$10,000 restricted for the Japanese Gardens permanent fund, \$468,534 restricted for utility system debt service, and \$1,060,386 restricted for maintenance of the utility system.

The balance of unrestricted net assets (\$12,433,145) may be used to meet the government's ongoing obligations to citizens and creditors.

The following table presents a summary of the City's net assets as of June 30, 2007, with comparative data for fiscal year 2006.

City of Newberry's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 5,900,908	\$ 6,451,828	\$ 10,231,222	\$ 8,986,607	\$ 16,132,130	\$ 15,438,435
Capital assets	\$ 8,817,752	\$ 8,038,514	\$ 20,670,002	\$ 21,051,273	\$ 29,487,754	\$ 29,089,787
Total assets	\$ 14,718,660	\$ 14,490,342	\$ 30,901,224	\$ 30,037,880	\$ 45,619,884	\$ 44,528,222
Long-term liabilities outstanding	\$ 4,105,863	\$ 4,391,262	\$ 2,126,236	\$ 2,666,843	\$ 6,232,099	\$ 7,058,105
Other liabilities	\$ 372,937	\$ 500,267	\$ 1,272,977	\$ 1,221,771	\$ 1,645,914	\$ 1,722,038
Total liabilities	\$ 4,478,800	\$ 4,891,529	\$ 3,399,213	\$ 3,888,614	\$ 7,878,013	\$ 8,780,143
Net assets:						
Invested in capital assets, net of related debt	\$ 5,014,176	\$ 3,920,914	\$ 18,755,630	\$ 18,614,512	\$ 23,769,806	\$ 22,535,426
Restricted	\$ 10,000	\$ 10,000	\$ 1,528,920	\$ 1,051,168	\$ 1,538,920	\$ 1,061,168
Unrestricted	\$ 5,215,684	\$ 5,667,899	\$ 7,217,461	\$ 6,483,586	\$ 12,433,145	\$ 12,151,485
Total net assets	\$ 10,239,860	\$ 9,598,813	\$ 27,502,011	\$ 26,149,266	\$ 37,741,871	\$ 35,748,079

The following table shows a recap of revenues and expenses for fiscal year 2007, with comparative data for fiscal year 2006:

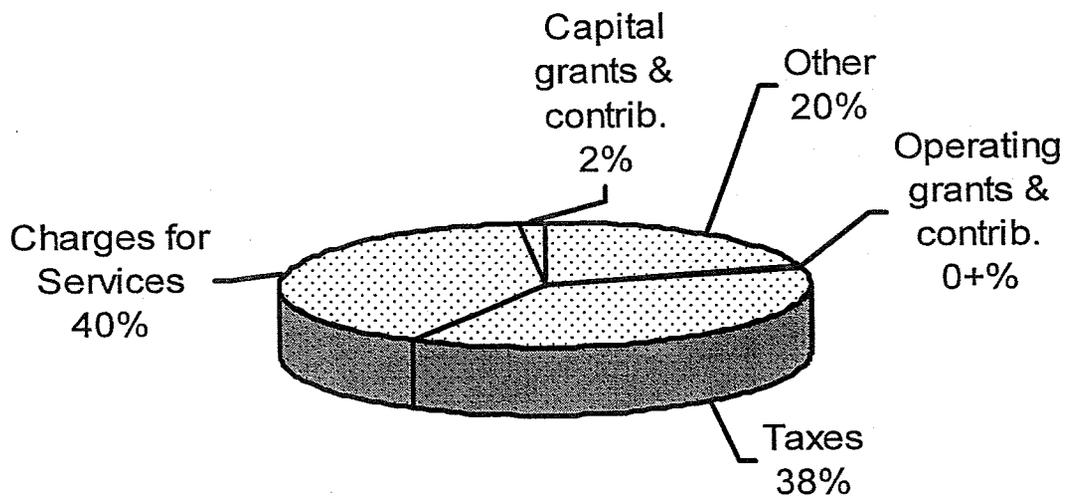
City of Newberry's Statement of Activities

	Governmental		Business-Type		Total 2007	Total 2006
	Activities	Activities	Activities	Activities		
	2007	2006	2007	2006		
Revenue:						
Program revenues:						
Charges for Services	\$ 2,921,072	\$ 2,470,744	\$ 20,767,125	\$ 19,995,736	\$ 23,688,197	\$ 22,466,480
Operating grants and contributions	\$ 18,000	\$ 148,329	\$ -	\$ -	\$ 18,000	\$ 148,329
Capital grants and contributions	\$ 114,212	\$ 329,874	\$ 189,835	\$ 146,006	\$ 304,047	\$ 475,880
General Revenues:						
Taxes	\$ 2,726,785	\$ 2,573,042	\$ -	\$ -	\$ 2,726,785	\$ 2,573,042
Grants and contributions not restricted to specific programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 1,487,371	\$ 1,996,911	\$ 523,261	\$ 183,842	\$ 2,010,632	\$ 2,180,753
Total revenues	\$ 7,267,440	\$ 7,518,900	\$ 21,480,221	\$ 20,325,584	\$ 28,747,661	\$ 27,844,484
Expenses:						
General government	\$ 1,445,489	\$ 1,030,011	\$ -	\$ -	\$ 1,445,489	\$ 1,030,011
Public safety	\$ 3,825,223	\$ 3,474,702	\$ -	\$ -	\$ 3,825,223	\$ 3,474,702
Public Works	\$ 1,382,291	\$ 1,377,159	\$ -	\$ -	\$ 1,382,291	\$ 1,377,159
Recreation	\$ 533,905	\$ 509,442	\$ -	\$ -	\$ 533,905	\$ 509,442
Community development	\$ 114,662	\$ 188,088	\$ -	\$ -	\$ 114,662	\$ 188,088
Community promotions and projects	\$ 234,583	\$ 249,642	\$ -	\$ -	\$ 234,583	\$ 249,642
Interest on long-term debt	\$ 170,940	\$ 129,897	\$ -	\$ -	\$ 170,940	\$ 129,897
Combined electric, water, and sewer utilities	\$ -	\$ -	\$ 19,046,776	\$ 18,420,267	\$ 19,046,776	\$ 18,420,267
Total expenses	\$ 7,707,093	\$ 6,958,941	\$ 19,046,776	\$ 18,420,267	\$ 26,753,869	\$ 25,379,208
Increase(decrease) in net assets before transfers	\$ (439,653)	\$ 559,959	\$ 2,433,445	\$ 1,905,317	\$ 1,993,792	\$ 2,465,276
Transfers	\$ 1,080,700	\$ 905,131	\$ (1,080,700)	\$ (905,131)	\$ -	\$ -
Increase in net assets	\$ 641,047	\$ 1,465,090	\$ 1,352,745	\$ 1,000,186	\$ 1,993,792	\$ 2,465,276
Net assets, July 1	\$ 9,598,813	\$ 8,133,723	\$ 26,149,266	\$ 25,149,080	\$ 35,748,079	\$ 33,282,803
Net assets, June 30	\$ 10,239,860	\$ 9,598,813	\$ 27,502,011	\$ 26,149,266	\$ 37,741,871	\$ 35,748,079

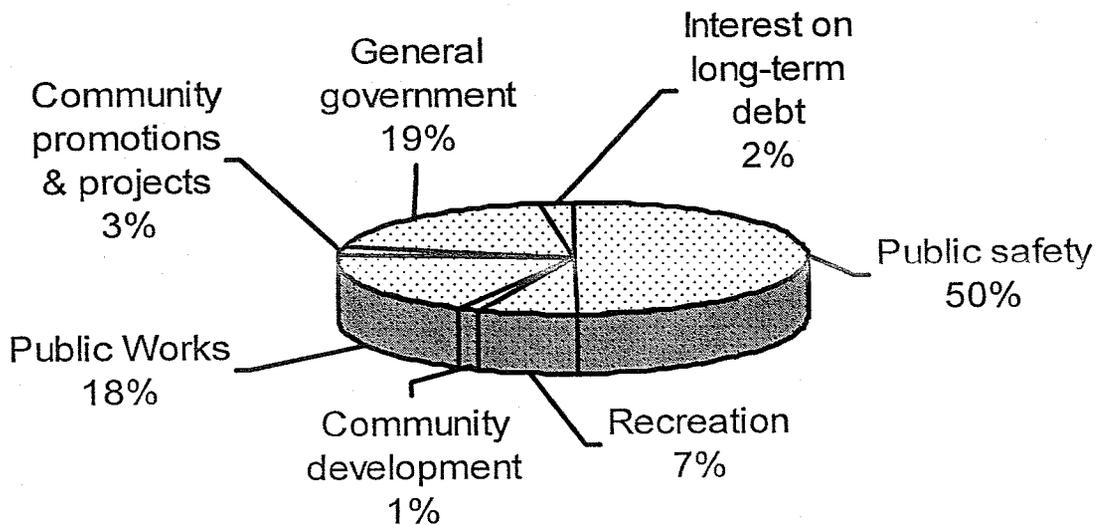
Governmental activities. Governmental activities increased the City's net assets by \$641,047. Compared to governmental activity expenses (\$7,707,093), tax-related revenues (\$2,726,785) covered approximately 35.4 percent, and program revenues (\$3,053,284) covered approximately 39.6 percent. Public Safety accounted for approximately 50.0 percent of all expenses in governmental activities.

The graphs on the following page show a breakdown by percentage of governmental revenues and expenses.

Governmental Revenues Fiscal Year 2007



Governmental Expenses Fiscal Year 2007



Business-type activities. The sole component of the City's business-type activities is the utility enterprise fund, a combined public utility consisting of electric, water, and sewer services. The total of charges for services, capital grants and contributions, and other general revenue sources at \$21,480,221 exceeded the total expenses and outgoing transfers of \$20,127,476, yielding a positive change in net assets of \$1,352,745 for fiscal year 2007. Of note is the purchase of electricity line item at \$12,442,852, which translates to 65.3 percent of all business-type expenses of \$19,046,776. The size of the purchase of electricity line item can be further appreciated by noting that this single line item is 46.5 percent of total primary government expenses.

- A major factor in the \$1,352,745 increase in net assets was the overall 1.8 percent electric rate increase, 3.3 percent water rate increase, and 4.5 percent sewer rate increase, all effective on the July 1, 2006 billing. The City's primary electric supplier, Piedmont Municipal Power Agency, had implemented a rate increase to the City of 1.81 percent, effective May 1, 2006.
- Investment earnings increased 48.8 percent, from \$183,842 to \$273,621, primarily due to a rising interest rate climate and increased cash available for investment.
- An increase in fiscal year 2007 units sold over fiscal year 2006 units sold was reflected in treated sewer cubic feet (up 2.42 percent). A decrease of water cubic feet sold of 1.45 percent was noted during the same time period, primarily due to weather conditions. Electric kilowatt-hours sold showed minimal change, decreasing .27 percent.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and 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 spendable resources. Such information is useful in assessing the City of Newberry's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$5,051,114. The City's general fund, with an ending fund balance of \$4,262,543, amounts to 84.4 percent of the total ending fund balance of all governmental funds.

The general fund is the chief operating fund of the City of Newberry. At the end of fiscal year 2007, the unreserved, undesignated fund balance of the general

fund was \$3,205,639, or 75.2 percent of the total fund balance in the general fund for the same fiscal year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 45.5 percent of total general fund expenditures, while total fund balance (\$4,262,543) represents 60.6 percent of total general fund expenditures (\$7,037,934).

The unreserved, undesignated fund balance of the City's general fund increased by \$492,565 during fiscal year 2007. The City had anticipated actual use of fund balance in the amount of \$251,384 during its mid-year budget review. However, general fund revenues and other financing sources came in at 4.6 percent over budget while general fund expenditures and other financing uses ended the fiscal year at 6.6 percent under budget. Major revenue sources exceeding budgetary projections were court fines and forfeitures (\$142,731 over budget), primarily due to increased court activity, and business licenses (\$127,007 over budget), primarily due to a 15 percent rate increase in fiscal year 2007. On the expenditure side, actual costs in the public works street department came in \$144,961 under budget, largely due to the delayed start of a stormwater management study. Also notable was the \$137,225 under budget condition in the fire department, primarily due to a delay in procuring equipment, the cost of which is 95 percent covered by a federal grant. State assessments related to court fines were the primary contributor to the \$10,246 over-budget condition in the justice and law department.

Proprietary fund. As previously stated, the City of Newberry's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the combined public utility system (electric, water, and sewer operations) at the end of the fiscal year amounted to \$7,217,461, or 26.2 percent of total proprietary fund net assets in the amount of \$27,502,011. The City's largest component of proprietary fund net assets is our investment in capital assets, net of related debt, at \$18,755,630, or 68.2 percent of total net assets. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Newberry's business-type activities.

General Fund Budgetary Highlights

The City's original expenditure budget increased by \$10,852 during fiscal year 2007 to reach the final expenditure budget of \$7,535,621. On the expenditure side, the largest increase by department of \$130,131 was recorded in the justice and law department. The largest addition within this department was to the state assessments line item due to increased court activity. The largest budgetary expenditure decrease (\$60,089) was in the public works street department, primarily due to the delayed start of a stormwater management study and

personnel vacancies that occurred during the fiscal year. On the revenue side, the largest line item budgetary change was an increase of \$146,606 in court fines and forfeitures, due to increased court activity. Another large budgetary change was the decrease of \$114,872 in the vehicle property tax revenue line item, primarily due to an inventory location change made by a vehicle leasing company. During the fiscal year, revenues and other financing sources exceeded budgetary estimates and expenditures and other financing uses were less than budgetary estimates, thus adding \$581,624 to fund balance instead of using \$251,384 from existing fund balance as had been budgeted.

Capital Assets and Debt Administration

Capital assets. Prior to implementation of GASB 34 in fiscal year 2003, the City's non-utility capital assets (including infrastructure assets such as streets, sidewalks and bridges) had not been reported nor depreciated in governmental financial statements. Under GASB 34, the City is required to value and report on all non-utility capital assets within the governmental column of the government-wide statements. In compliance with GASB 34, the City of Newberry elected to depreciate capital assets over their estimated useful life. Utility enterprise capital assets continue to be depreciated over their estimated useful life as was done under pre-GASB 34 reports. During FY 2002, the City of Newberry increased its Capital Asset Capitalization Threshold. The new definition increased the monetary threshold on non-infrastructure capital assets from \$1,000 to \$5,000 and the useful life required from 1 to 2 years. The new definition also recognized infrastructure capital assets with a higher monetary threshold of \$10,000.

At the end of fiscal year 2007, the City had a combined total of capital assets of \$29,487,754 (net of accumulated depreciation), an increase of \$397,967 when compared to the previous fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, utility (electric, water and sewer) facilities, streets, sidewalks and bridges.

Major capital asset events during the current year include the following:

Governmental Activities

\$979,265 for completion of the Firehouse Conference Center

\$171,900 for a new front-loading packer truck in the public works sanitation department

Business-type Activities

\$234,806 for construction in progress on the screw pumps at the City's wastewater treatment plant

\$166,063 for an 8 inch sewer line on Kinard Street at Harper Street

\$132,490 for transformer upgrading at Louis Rich, the City's largest utility customer

The following table shows a recap of the City's capital assets, net of accumulated depreciation, for fiscal year 2007, with comparative data for fiscal year 2006.

City of Newberry's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land and improvements	\$ 1,381,983	\$ 992,419	\$ 317,055	\$ 320,296	\$ 1,699,038	\$ 1,312,715
Buildings, improvements and fixtures	\$ 5,640,451	\$ 4,038,741	\$ 1,736,434	\$ 1,833,740	\$ 7,376,885	\$ 5,872,481
Streets, sidewalks and bridges	\$ 369,049	\$ 367,252	\$ -	\$ -	\$ 369,049	\$ 367,252
Motor vehicles and equipment	\$ 1,132,319	\$ 1,292,106	\$ 270,072	\$ 380,838	\$ 1,402,391	\$ 1,672,944
Office furniture and equipment	\$ 2,913	\$ 5,881	\$ 96,453	\$ 100,567	\$ 99,366	\$ 106,448
Other equipment	\$ 243,604	\$ 173,517	\$ 10,412	\$ 8,636	\$ 254,016	\$ 182,153
Traffic controls and fire alarm system	\$ -	\$ -	\$ 37,562	\$ 46,952	\$ 37,562	\$ 46,952
Street Lighting	\$ -	\$ -	\$ 7,811	\$ 3,298	\$ 7,811	\$ 3,298
Electric distribution system	\$ -	\$ -	\$ 3,433,743	\$ 3,297,936	\$ 3,433,743	\$ 3,297,936
Water distribution system	\$ -	\$ -	\$ 7,509,529	\$ 7,724,154	\$ 7,509,529	\$ 7,724,154
Sewer collection system	\$ -	\$ -	\$ 7,001,043	\$ 7,283,753	\$ 7,001,043	\$ 7,283,753
Construction in progress	\$ 47,433	\$ 1,168,598	\$ 249,888	\$ 51,103	\$ 297,321	\$ 1,219,701
Total	\$ 8,817,752	\$ 8,038,514	\$ 20,670,002	\$ 21,051,273	\$ 29,487,754	\$ 29,089,787

Additional information on the City's capital assets can be found in note 5 beginning on page 46 of this report.

Debt Administration. At the end of fiscal year 2007, the City of Newberry had total debt outstanding (bonds, notes, capital leases) of \$5,835,212. No part of this amount comprises debt backed by the full faith and credit of the government. All of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds and tax increment bonds).

The following table shows a recap of the City's outstanding debt for fiscal year 2007, with comparative data for fiscal year 2006:

City of Newberry's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Tax increment financing bonds	\$ 1,810,000	\$ 2,020,000	\$ -	\$ -	\$ 1,810,000	\$ 2,020,000
Revenue bonds	\$ -	\$ -	\$ 2,016,356	\$ 2,562,741	\$ 2,016,356	\$ 2,562,741
Capital leases	\$ 2,008,856	\$ 2,114,019	\$ -	\$ -	\$ 2,008,856	\$ 2,114,019
Total	\$ 3,818,856	\$ 4,134,019	\$ 2,016,356	\$ 2,562,741	\$ 5,835,212	\$ 6,696,760

The City's total debt decreased by \$861,548 (12.9 percent) during fiscal year 2007. Newly issued was a capital lease in the amount of \$171,900 for the purchase of a front-loading packer truck in the public works department.

The City of Newberry was last rated by the rating agencies on its uninsured revenue debt in May 1988 and received a "Baa1" rating from Moody's Investor's Service and an "A-" from Standard and Poor's Corporation. The 2003 Combined Public Utility System Refunding Revenue Bond was issued in August 2003 and immediately paid off the 1995 State Revolving Fund Loan and, in October 2003, called and paid off the 1993 Utility Revenue Bond. The pledge for the Tax Increment Revenue (TIF) Bonds is the incremental increase in tax revenue from the tax increment district, available revenues from the Newberry Opera House Foundation, a separate non-profit corporation, and a mortgage on the Newberry Opera House building owned by the City and leased to the Newberry Opera House Foundation.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. For fiscal year 2007, the debt limitation for the City is \$1,860,383, of which none is presently obligated.

Additional information on the City of Newberry's long-term debt as reported for fiscal year 2007 can be found in note 7 beginning on page 48 of this report.

Economic Factors and Next Year's Budgets and Rates

At June 30, 2007, unemployment for Newberry County stood at 6.1 percent versus 7.3 percent at June 30, 2006. In comparison, the state's unemployment rate at June 30, 2007 was 5.5 percent and the national rate was 4.5 percent.

Using data from the City of Newberry hospitality and accommodations fund, hospitality gross sales increased from \$21.6 million for the year ended June 30, 2006, to \$23.4 million for the year ended June 30, 2007. Accommodations gross sales increased from \$2.3 million for the year ended June 30, 2006, to \$2.5 million for the year ended June 30, 2007. All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

At June 30, 2007, unreserved and undesignated fund balance in the general fund was \$3,205,639. The City of Newberry has appropriated \$199,918 of this fund balance for spending in the FY 2008 original budget. This use of fund balance is being carefully monitored by city administration to prevent dependency on one-time revenues to financially support recurring expenditures.

In the City's utility enterprise fund, City Council increased overall electric rates by 2.09% and overall sewer rates by 4.99%, effective on the July 1, 2007 billing. The electric rate change was necessary primarily to offset a projected 2.48%

wholesale electric cost increase to the City. The sewer rate change was necessary to offset general cost increases and to begin preparations for the future expansion of the City's wastewater treatment plant. The rate increases also continued the City's goal of having each service type (electric, water, and sewer) function in a self-supporting manner. No water rate change was made.

Requests for Information

This financial report is designed to provide a general overview of the City of Newberry's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Newberry, P.O. Box 538, Newberry, South Carolina 29108.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NEWBERRY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,006,349	\$ 4,941,296	\$ 9,947,645
Receivables (net of allowances for uncollectibles)			
Taxes	157,620	-	157,620
Accounts	-	2,433,178	2,433,178
Intergovernmental	210,037	86,103	296,140
Other	77,936	19,996	97,932
Internal receivables (payable)	37,651	(37,651)	-
Inventories	41,035	1,059,609	1,100,644
Notes receivable	355,000	-	355,000
Restricted assets			
Cash and cash equivalents	-	1,526,155	1,526,155
Interest receivable	-	2,765	2,765
Note receivable - Newberry Opera House Foundation	-	97,787	97,787
Capital assets			
Land and construction in progress	733,053	480,232	1,213,285
Other capital assets, net of accumulated depreciation	8,084,699	20,189,770	28,274,469
Bond issuance cost (net of accumulated amortization)	-	101,984	101,984
Loan cost (net of accumulated amortization)	15,280	-	15,280
Total Assets	<u>14,718,660</u>	<u>30,901,224</u>	<u>45,619,884</u>
Liabilities			
Accounts payable	41,470	1,215,222	1,256,692
Retainage payable	27,874	-	27,874
Due to other government agencies	60,795	-	60,795
Accrued salaries and payroll liabilities	213,235	45,000	258,235
Accrued interest payable	29,563	12,755	42,318
Long-term liabilities			
Due within one year	689,580	653,765	1,343,345
Due in more than one year	3,416,283	1,472,471	4,888,754
Total Liabilities	<u>4,478,800</u>	<u>3,399,213</u>	<u>7,878,013</u>
Net Assets			
Investment in capital assets, net of related debt	5,014,176	18,755,630	23,769,806
Restricted for			
Expendable			
Debt service	-	468,534	468,534
Maintenance	-	1,060,386	1,060,386
Nonexpendable			
Permanent Fund	10,000	-	10,000
Unrestricted	5,215,684	7,217,461	12,433,145
Total Net Assets	<u>\$ 10,239,860</u>	<u>\$ 27,502,011</u>	<u>\$ 37,741,871</u>

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

CITY OF NEWBERRY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for	Operating	Governmental	Business-Type	Total
		Services	Grants and Contributions			
Governmental Activities						
General Government	\$ 1,445,489	\$ 1,437,771	\$ -	\$ (7,718)	\$ -	\$ (7,718)
Public safety	3,825,223	862,315	20,558	(2,942,350)	-	(2,942,350)
Public works	1,382,291	579,809	86,302	(716,180)	-	(716,180)
Recreation	533,905	41,177	7,352	(485,376)	-	(485,376)
Community development	114,662	-	-	(96,662)	-	(96,662)
Community promotion and projects	234,583	-	18,000	(234,583)	-	(234,583)
Interest on long-term debt	170,940	-	-	(170,940)	-	(170,940)
Total Governmental Activities	7,707,093	2,921,072	114,212	(4,653,809)	-	(4,653,809)
Business-Type Activities						
Utility system	19,046,776	20,767,125	189,835	-	1,910,184	1,910,184
Total Primary Government	\$ 26,753,869	\$ 23,688,197	\$ 18,000	(4,653,809)	1,910,184	(2,743,625)
General Revenues						
Taxes						
Property taxes, levied for general purposes				1,940,834	-	1,940,834
Property taxes, levied for debt service				240,744	-	240,744
Local hospitality and accommodations fee				545,207	-	545,207
Intergovernmental revenue				1,098,074	234,805	1,332,879
Interest revenue				199,890	273,621	473,511
Miscellaneous				189,407	14,835	204,242
Transfers				1,080,700	(1,080,700)	-
Total General Revenues and Transfers				5,294,856	(557,439)	4,737,417
Change in Net Assets				641,047	1,352,745	1,993,792
Net Assets, beginning				9,598,813	26,149,266	35,748,079
Net Assets, ending				\$ 10,239,860	\$ 27,502,011	\$ 37,741,871

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

**CITY OF NEWBERRY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Other Governmental	Totals June 30, 2007
Assets			
Cash and cash equivalents	\$ 4,256,614	\$ 749,735	\$ 5,006,349
Receivables (net of allowance for uncollectibles)			
Taxes	132,717	24,903	157,620
Intergovernmental	177,239	32,798	210,037
Interest and other	27,326	50,610	77,936
Notes receivable	-	355,000	355,000
Due from other funds	39,291	20,451	59,742
Inventories	41,035	-	41,035
Total Assets	\$ 4,674,222	\$ 1,233,497	\$ 5,907,719
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 18,094	\$ 23,376	\$ 41,470
Retainage payable	-	27,874	27,874
Intergovernmental	60,795	-	60,795
Accrued salaries and payroll liabilities	213,235	-	213,235
Due to other funds	10,612	11,479	22,091
Deferred revenue	108,943	382,197	491,140
Total Liabilities	411,679	444,926	856,605
Fund Balances			
Reserved for Japanese Gardens maintenance	-	10,000	10,000
Unreserved, reported in			
General fund	4,262,543	-	4,262,543
Special revenue funds - designated for future expenditures	-	675,608	675,608
Debt service fund	-	98,419	98,419
Permanent fund	-	4,544	4,544
Total Fund Balances	4,262,543	788,571	5,051,114
Total Liabilities and Fund Balances	\$ 4,674,222	\$ 1,233,497	5,907,719

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

**CITY OF NEWBERRY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Fund Balance - Governmental Funds \$ 5,051,114

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

The cost of capital assets is	14,782,088	
Accumulated depreciation is	<u>(5,964,336)</u>	8,817,752

Loan costs incurred in governmental activities are not current financial resources and are therefore not reported in the governmental funds.		15,280
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Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at year end consist of:

Accrued interest payable	(29,563)	
Compensated absences payable	(287,007)	
Capital lease obligations	(2,008,856)	
Revenue bonds payable	<u>(1,810,000)</u>	(4,135,426)

Deferred revenue is not a liability in governmental activities		<u>491,140</u>
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Total Net Assets - Governmental Activities		<u><u>\$ 10,239,860</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERRY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds June 30, 2007</u>
Revenues			
Taxes	\$ 1,902,399	\$ 240,744	\$ 2,143,143
Licenses, permits and franchise fees	1,437,771	-	1,437,771
Fines, forfeitures and penalties	839,337	83,863	923,200
Charges for services	620,986	551,351	1,172,337
Intergovernmental	1,146,272	98,092	1,244,364
Miscellaneous	231,478	76,712	308,190
Total Revenues	<u>6,178,243</u>	<u>1,050,762</u>	<u>7,229,005</u>
Expenditures			
General government	828,763	-	828,763
Public safety	2,859,921	73,980	2,933,901
Public works	1,192,851	-	1,192,851
Recreation	409,275	-	409,275
Community development	-	1,182,894	1,182,894
Non-departmental	1,747,124	232,588	1,979,712
Debt service			
Principal	-	276,513	276,513
Interest	-	142,011	142,011
Total Expenditures	<u>7,037,934</u>	<u>1,907,986</u>	<u>8,945,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(859,691)</u>	<u>(857,224)</u>	<u>(1,716,915)</u>
Other Financing Sources (Uses)			
Issuance of debt	171,900	-	171,900
Transfers in (out)			
Permanent fund	(1,550)	1,550	-
Special revenue funds	190,265	(316,950)	(126,685)
Utility system fund	1,080,700	-	1,080,700
Debt service fund	-	126,685	126,685
Total Other Financing Sources (Uses)	<u>1,441,315</u>	<u>(188,715)</u>	<u>1,252,600</u>
Net Change in Fund Balances	581,624	(1,045,939)	(464,315)
Fund Balances, beginning	<u>3,680,919</u>	<u>1,834,510</u>	<u>5,515,429</u>
Fund Balances, ending	<u>\$ 4,262,543</u>	<u>\$ 788,571</u>	<u>\$ 5,051,114</u>

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

CITY OF NEWBERRY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(464,315)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because (see Note 1, also)</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Depreciation expense	\$ (648,226)	
Capital outlay	<u>1,427,464</u>	779,238
<p>Principal payments on capital leases are expenditures in the governmental funds, but they reduce long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities.</p>		
		277,063
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used.</p>		
		(29,764)
<p>Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.</p>		
		210,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when due. Interest on bonds decreased by:</p>		
		3,429
<p>Issuance of capital lease debt is reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt	(171,900)	
Loan cost amortization	<u>(1,139)</u>	(173,039)
<p>Deferred revenue is recorded in governmental funds as a reduction in revenue. Deferred revenue is not recorded in the Statement of Activities, therefore, revenue is different by:</p>		
		<u>38,435</u>
Change in Net Assets of Governmental Activities	\$	<u>641,047</u>

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

**CITY OF NEWBERRY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,913,444	\$ 1,863,168	\$ 1,902,399	\$ 39,231
Licenses, permits and franchise fees	1,281,250	1,277,300	1,437,771	160,471
Fines and forfeitures	550,000	696,606	839,337	142,731
Charges for services	619,925	611,200	620,986	9,786
Intergovernmental	1,271,240	1,258,067	1,146,272	(111,795)
Miscellaneous	95,000	116,596	231,478	114,882
Total Revenues	<u>5,730,859</u>	<u>5,822,937</u>	<u>6,178,243</u>	<u>355,306</u>
Expenditures				
General government				
City council	72,956	71,294	67,429	3,865
City manager	198,987	203,991	201,950	2,041
Personnel	83,507	96,212	93,224	2,988
Finance	223,737	228,196	220,927	7,269
City hall	30,025	37,915	32,606	5,309
Building	197,374	218,161	212,627	5,534
Public safety				
Police department	1,518,822	1,501,509	1,473,646	27,863
Justice and Law	374,836	504,967	515,213	(10,246)
Fire department	1,006,610	1,008,287	871,062	137,225
Public works				
Public works administration	122,052	123,313	115,757	7,556
Streets	611,063	550,974	406,013	144,961
Sanitation	509,524	489,957	480,511	9,446
Building maintenance	62,276	52,238	50,397	1,841
Garage	138,030	140,386	140,173	213
Recreation				
Recreation	439,634	440,882	409,275	31,607
Non-departmental				
General insurance	107,853	95,777	90,927	4,850
Employee benefits	1,313,810	1,265,869	1,178,706	87,163
Community promotions and projects	267,264	262,785	234,583	28,202
Capitalized lease payments	246,409	242,908	242,908	-
Total Expenditures	<u>7,524,769</u>	<u>7,535,621</u>	<u>7,037,934</u>	<u>497,687</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,793,910)</u>	<u>(1,712,684)</u>	<u>(859,691)</u>	<u>852,993</u>
Other Financing Sources (Uses)				
Issuance of debt	190,000	171,900	171,900	-
Transfers in (out)				
Japanese Gardens fund	(1,550)	(1,550)	(1,550)	-
State accommodations tax fund	32,750	32,750	27,051	(5,699)
Local hospitality/accommodations fund	177,500	177,500	163,214	(14,286)
Utility system	1,080,700	1,080,700	1,080,700	-
Total Other Financing Sources (Uses)	<u>1,479,400</u>	<u>1,461,300</u>	<u>1,441,315</u>	<u>(19,985)</u>
Net Change in Fund Balances	<u>(314,510)</u>	<u>(251,384)</u>	<u>581,624</u>	<u>833,008</u>
Fund Balances, beginning	<u>3,680,919</u>	<u>3,680,919</u>	<u>3,680,919</u>	<u>-</u>
Fund Balances, ending	<u>\$ 3,366,409</u>	<u>\$ 3,429,535</u>	<u>\$ 4,262,543</u>	<u>\$ 833,008</u>

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

**CITY OF NEWBERRY
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 JUNE 30, 2007**

Assets

Current Assets

Cash and cash investments	\$	4,941,296
Receivables (net of allowances for uncollectibles)		
Accounts		2,433,178
Intergovernmental		86,103
Interest receivable		18,532
Other		1,464
Inventory		1,059,609
Restricted assets		
Cash and cash investments		571,884
Interest receivable		2,765

Total Current Assets 9,114,831

Noncurrent Assets

Capital Assets		
Land and land improvements		341,228
Buildings and fixtures		3,263,272
Office furniture and equipment		201,571
Traffic controls and fire alarm system		185,112
Street Lighting		272,682
Other equipment		231,236
Motor vehicles and equipment		1,827,941
Electric distribution system		9,552,614
Water distribution system		15,217,023
Sewer collection system		18,848,906
Construction in progress		249,888

Totals		50,191,473
Less accumulated depreciation		(29,521,471)

Total Capital Assets 20,670,002

Bond Issuance Cost 101,984

Restricted Assets		
Cash and cash investments		954,271
Note receivable - Newberry Opera House Foundation		97,787

Total Noncurrent Assets 21,824,044

Total Assets 30,938,875

(Continued)

**CITY OF NEWBERRY
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS (CONTINUED)
 JUNE 30, 2007**

Liabilities

Current Liabilities

Accounts payable	\$	1,215,222
Accrued salaries payable		45,000
Compensated absences payable		91,871
Due to other funds		37,651
Accrued interest payable		12,755
Revenue bonds payable		561,894
		1,964,393

Total Current Liabilities

1,964,393

Noncurrent Liabilities

Revenue bonds payable	1,454,462
Compensated absences payable	18,009
	1,472,471

Total Noncurrent Liabilities

1,472,471

Total Liabilities

3,436,864

Net Assets

Invested in Capital Assets, Net of Related Debt 18,755,630

Restricted for

Debt service	468,534
Maintenance	1,060,386

Unrestricted

7,217,461

Total Net Assets

\$ 27,502,011

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

**CITY OF NEWBERRY
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET ASSETS
 YEAR ENDED JUNE 30, 2007**

	Business - Type Activities
	Electric, Water, and Sewer
Operating Revenues	
Charges for sales and services	\$ 20,724,350
Miscellaneous	42,775
	<u>20,767,125</u>
Total Operating Revenues	
Operating Expenses	
Costs of sales and services	16,763,585
Administration	467,567
Depreciation	1,728,388
	<u>18,959,540</u>
Total Operating Expenses	
Operating Income	<u>1,807,585</u>
Nonoperating Revenues (Expenses)	
Interest revenue	273,621
Interest expense, bank management fees and amortization	(87,236)
Gain on disposition of assets	14,835
County sales tax	234,805
Other state receipts	94,750
	<u>530,775</u>
Total Nonoperating Revenues (Expenses)	
Income Before Capital Contributions and Transfers	2,338,360
Capital Contributions	95,085
Transfers In (Out)	
General fund	(1,080,700)
	<u>1,352,745</u>
Change in Net Assets	
Net Assets, beginning	<u>26,149,266</u>
Net Assets, ending	<u>\$ 27,502,011</u>

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

**CITY OF NEWBERRY
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2007**

Cash Flows from Operating Activities	
Receipts from customers	\$ 20,854,820
Purchase of electricity	(12,442,852)
Payments to suppliers	(3,120,152)
Payments to employees	(1,591,900)
	<hr/>
Net Cash Provided by Operating Activities	<u>3,699,916</u>
Cash Flows from Noncapital Financing Activities	
Transfers in (out)	(1,080,700)
	<hr/>
Net Cash Used in Noncapital Financing Activities	<u>(1,080,700)</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenses	(1,287,085)
Capital contributions	27,785
Proceeds from sale of capital assets	22,103
County sales tax	234,805
Other state receipts	94,750
Principal payments on bonds and notes payable	(546,385)
Interest paid	(67,313)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	<u>(1,521,340)</u>
Cash Flows from Investing Activities	
Interest on investments	270,280
Principal payments received on notes receivable	40,000
	<hr/>
Net Cash Provided by Investing Activities	<u>310,280</u>
Net Increase in Cash	1,408,156
Cash and Cash Investments, Beginning	<u>5,059,295</u>
Cash and Cash Investments, Ending	<u>\$ 6,467,451</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,807,585
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	1,728,388
Changes in assets and liabilities	
Receivables, net	87,695
Inventories	(33,173)
Accounts payable	45,175
Accrued expenses	64,246
	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 3,699,916</u>
NONCASH CAPITAL ACTIVITIES:	
Contributions of capital assets	<u>\$ 67,300</u>

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

CITY OF NEWBERRY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1 – Summary of Significant Accounting Policies

The City of Newberry adopted the Council-Manager form of government in 1948. The Mayor is elected for a term of four years, and the six Council members serve four year staggered terms. City Council appoints the City Manager to serve as the City's chief administrative officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures and appointing departmental officials and certain other City employees. At present, the City Manager is assisted by nine staff departments: Fire, Police, Public Works, Utilities, Building and Zoning, Finance, Recreation, Personnel and Economic Development.

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

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Proprietary Fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity are set forth in Government Accounting Standards Board Statement No. 14. The criteria include whether: the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City. Based in these criteria, the City of Newberry has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are 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, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and standard revenues 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 fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The proprietary fund accounts for the activities of the Electric, Water and Sewer System.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues, except for property taxes, reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes are considered available if collected within fifteen days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the

extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary Control

The City Council adopts an annual budget for the General Fund, certain Special Revenue Funds, Debt Service Fund, Proprietary Fund and Japanese Gardens Fund prior to the beginning of each fiscal year. Annual budgets are not adopted for the Federal Equitable Sharing, Community Housing/Development and Volunteer Fire Special Revenue Funds. The City Manager is authorized to transfer budgeted amounts between line items within any department; however, any transfers between departments require the approval of City Council. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are reported as originally adopted and as amended by the City Council.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results of operations. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with an original maturity of three months or less when purchased.

State statutes authorize the City to invest in obligations of the U.S. Treasury and its agencies, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent secured by the FDIC, certificates of deposit and repurchase agreements where the certificates or agreements are collateralized by obligations of the United States or its agencies or by obligations of the State of South Carolina or any of its political units and no load open-end or closed-end management type registered investment companies or investment trusts whose sole investments are in obligations of the U.S. Treasury and its agencies, or in obligations of the State of South Carolina or any of its political units, or in collateralized repurchase agreements.

Deposits (cash and certificates of deposit) are carried at cost, which approximates fair value.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Management's intent is to hold all investments to maturity.

Inventories

Inventories in the General Fund consist of expendable supplies held for consumption and are carried on an average cost basis. They are recorded as an expenditure at the time of

consumption. The inventories in the Proprietary Fund consist of supplies and are recorded on an average cost basis.

Interfund Receivables/Payables

Short-term amounts owed between funds are classified as "Due to/from Other Funds."

Restricted Assets

Certain proceeds of governmental and business-type activities revenue bonds, as well as certain resources set aside for their repayment and maintenance of capital assets, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets are recorded at estimated fair value on the date received.

The City maintains infrastructure asset records consistent with all other capital assets. Infrastructure assets consist of streets, sidewalks and bridges recorded at historical cost estimated by consulting engineers for infrastructure acquired prior to implementation of Statement 34. The City uses a \$10,000 threshold for capitalizing infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Fixtures	50 Years
Equipment	10 Years
Motor Vehicles	5 Years
Electric Distribution System	30 Years
Water Distribution System	40 Years
Sewer Collection System	40 Years
Streets, Sidewalks and Bridges	25 to 45 Years

Compensated Absences

The City's policy allows employees to accumulate unused sick leave to a maximum of eighteen work weeks and vacation leave up to a maximum of six work weeks. Upon

termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the City's governmental (general fund) and business-type activities (proprietary fund) is recorded as an expense and liability in the respective funds. The estimated liabilities include required salary-related payments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for Maintenance – portion of fund balance legally segregated for future maintenance expenditures of the Permanent Fund.

Unreserved

Designated for specific purposes – portions of fund balance designated for future expenditures of the Special Revenue Funds.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at yearend.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information

City Council prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America for General Fund revenues and expenditures prior to the beginning of each fiscal year. The adopted budget specifies expenditure limits appropriated to each City department. Departmental expenditures may not exceed amounts appropriated without the approval of the City Council and unexpended appropriations lapse at fiscal yearend. Budget amounts reflected in the accompanying financial statements represent the adopted budget and any revisions approved by Council during the fiscal year.

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2007, the following General Fund departments had expenditures which exceeded appropriations at the level of legal control by the following amounts:

General Fund Justice and Law	<u>\$ 10,246</u>
---------------------------------	------------------

The City's management prepares the City's budgets using conservative estimates relative to anticipated expenditures. The overage in the above fund was due to an increase in assessments remitted to the State which was due to higher than expected fines and forfeitures.

Note 3 – Deposits and Investments

The State of South Carolina General Statutes permit the City to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where the fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

As of June 30, 2007, the City had deposits and investments as follows:

Deposits with financial institutions	\$ 10,512,784
Investments with S.C. Local Government Investment Pool	<u>1,371,030</u>
	<u>\$ 11,883,814</u>

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to the State's investment pools which do not normally have maturity dates and can be withdrawn on demand.

Credit risk. As of June 30, 2007, in accordance with its investment policy, the City is invested with the S.C. Local Government Investment Pool as overseen by the State, which invests in instruments allowed under state laws. The Investment Pool is not rated. It's a money market type pool, which is fully collateralized, and the underlying securities are held by a third party bank for the pool.

Concentration of credit risk. The City's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. As of June 30, 2007, all deposits are either insured or fully collateralized.

Custodial credit risk – investments. For an investment, this 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. In accordance with its investment policy, the City invests in the state investment pool which is not subject to custodial risk.

Note 4 – Receivables

Current receivables at June 30, 2007, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Property taxes	\$ 201,772	\$ -
Accounts	-	1,262,566
Unbilled accounts	-	1,460,969
Intergovernmental	210,037	86,103
Interest and other	<u>77,936</u>	<u>22,761</u>
Gross		
Receivables	489,745	2,832,399
Less		
Allowance for uncollectibles	<u>(44,152)</u>	<u>(290,357)</u>
Net Receivables	<u><u>\$ 445,593</u></u>	<u><u>\$ 2,542,042</u></u>

Property tax is levied on the assessed value listed for all real and personal property owned on December 31 of each year. Liens attach to the property at that time. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

- January 16 through February 1 – 3% of the property taxes
- February 2 through March 16 – additional 7% of the property taxes
- March 17 and thereafter – additional 5% of the property taxes

Current year real property taxes become delinquent on January 16. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. Properties are listed with the Newberry County Auditor. These liens are for taxes assessed or to be assessed by the City for the year of assessment. A reserve is established for property taxes which have not been collected in four years.

Only a portion of the taxes uncollected at June 30, 2007, are considered available to liquidate current liabilities. The amounts collected within fifteen days after June 30 are considered to be available to liquidate current liabilities. Therefore, a deferred revenue account has been provided equal to the delinquent accounts in excess of the fifteen day period on the balance sheet of the governmental funds.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 685,620	\$ -	\$ -	\$ 685,620
Construction in progress	1,168,598	47,433	(1,168,598)	47,433
Total Capital Assets Not Being Depreciated	1,854,218	47,433	(1,168,598)	733,053
Capital assets being depreciated:				
Land improvements	627,900	413,723	-	1,041,623
Buildings	5,205,430	1,743,897	-	6,949,327
Motor vehicles and equipment	3,873,254	263,534	(214,701)	3,922,087
Office furniture and equipment	171,157	-	-	171,157
Other equipment	514,111	107,500	-	621,611
Streets, sidewalks and bridges	1,323,255	19,975	-	1,343,230
Total Capital Assets Being Depreciated	11,715,107	2,548,629	(214,701)	14,049,035
Less accumulated depreciation				
Land improvements	321,101	24,159	-	345,260
Buildings	1,166,689	142,187	-	1,308,876
Motor vehicles and equipment	2,581,148	423,321	(214,701)	2,789,768
Office furniture and equipment	165,276	2,968	-	168,244
Other equipment	340,594	37,413	-	378,007
Streets, sidewalks and bridges	956,003	18,178	-	974,181
Total Accumulated Depreciation	5,530,811	648,226	(214,701)	5,964,336
Total Capital Assets Being Depreciated, Net	6,184,296	1,900,403	-	8,084,699
Governmental Activity Capital Assets, Net	\$ 8,038,514	\$ 1,947,836	\$ (1,168,598)	\$ 8,817,752

Note 5 – Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business - Type Activities				
Utility Proprietary Fund				
Capital assets not being depreciated				
Land	\$ 230,344	\$ -	\$ -	\$ 230,344
Construction in progress	51,103	234,806	(36,021)	249,888
Total Capital Assets Not Being Depreciated	<u>281,447</u>	<u>234,806</u>	<u>(36,021)</u>	<u>480,232</u>
Capital assets being depreciated				
Land improvements	110,884	-	-	110,884
Buildings	3,263,272	-	-	3,263,272
Motor vehicles and equipment	1,802,319	25,622	-	1,827,941
Office furniture and equipment	201,571	-	-	201,571
Traffic Controls	185,112	-	-	185,112
Street Lighting	268,169	4,513	-	272,682
Other equipment	228,555	4,896	(2,215)	231,236
Electric distribution system	9,094,212	458,402	-	9,552,614
Water distribution system	15,003,551	213,472	-	15,217,023
Sewer collection system	18,419,896	441,427	(12,417)	18,848,906
Total Capital Assets Being Depreciated	<u>48,577,541</u>	<u>1,148,332</u>	<u>(14,632)</u>	<u>49,711,241</u>
Less accumulated depreciation				
Land improvements	20,932	3,241	-	24,173
Buildings	1,429,532	97,306	-	1,526,838
Motor vehicles and equipment	1,421,481	136,388	-	1,557,869
Office furniture and equipment	101,004	4,114	-	105,118
Traffic Controls	138,160	9,390	-	147,550
Street Lighting	264,871	-	-	264,871
Other equipment	219,919	3,120	(2,215)	220,824
Electric distribution system	5,796,276	322,595	-	6,118,871
Water distribution system	7,279,397	428,097	-	7,707,494
Sewer collection system	11,136,143	724,137	(12,417)	11,847,863
Total Accumulated Depreciation	<u>27,807,715</u>	<u>1,728,388</u>	<u>(14,632)</u>	<u>29,521,471</u>
Total Capital Assets Being Depreciated, Net	<u>20,769,826</u>	<u>(580,056)</u>	<u>-</u>	<u>20,189,770</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,051,273</u>	<u>\$ (345,250)</u>	<u>\$ (36,021)</u>	<u>\$ 20,670,002</u>

Depreciation expense was charged to functions as follows:

General Government	\$	158,228
Public Safety		251,601
Public Works		194,701
Recreation		43,696
Total	\$	<u>648,226</u>

Depreciation of general infrastructure assets (streets, sidewalks and bridges) in the amount of \$89,710 was included in the public works function.

At June 30, 2007, the City had outstanding construction commitments. The business-type activity commitment was \$1,135,080 for utility construction. The general government activity commitment was \$27,874 for construction of the Firehouse Conference Center.

Note 6 – Notes Receivable

Governmental Activities

The City issued a loan of \$330,000 to Newberry Hospital, LLC, a North Carolina limited liability company. The note is non-interest bearing and is to be repaid in annual payments commencing on the December 31 following the thirty-first anniversary of the completion date of the Newberry Senior Housing Apartments, and continuing on each December 31, thereafter. Annual payments will be determined based on certain cash flow factors at the payment date.

The City also issued a loan of \$25,000 to Newberry Hospital, LLC. The note is non-interest bearing and is to be repaid in full on the December 31 following the fifty-first anniversary of the completion date of the Newberry Senior Housing Apartments.

Business-Type Activities

The City issued a loan to the Newberry Opera House Foundation during the year ended June 30, 2000. The loan is at 0% interest and payable on demand. At June 30, 2007, the balance of the note receivable is \$97,787.

Note 7 – Long-Term Debt

General Obligation Bonds

The City may issue general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City had no outstanding general obligation bonds at June 30, 2007.

Compensated Absences

The City reports a liability for compensated absences representing paid time off made

available to employees in connection with vacation leave, sick leave and similar benefits. The general fund is used to liquidate compensated absences incurred in governmental activities.

Revenue Bonds

The City also issues bonds and notes where the City pledges income derived from the acquired or constructed assets to pay debt service.

There are a number of limitations and restrictions contained in the various revenue bond ordinances. The City is in compliance with all significant limitations and restrictions.

On August 11, 2003, the City issued \$3,585,100 in refunding revenue bonds at a 2.94% interest rate. Proceeds of these bonds plus excess amounts held by the City in debt service accounts were used to payoff the 1996 SRF Notes and were used to call the 1993A bonds on October 1, 2003. As a result of advance refunding, the City reduced its total debt service requirements by \$606,985 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$261,957.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. As of June 30, 2007, the City did not have any excess arbitrage earning to be included in accounts payable of the Proprietary Fund.

Capital Lease Obligations

The City leases street maintenance equipment and a fire truck through capital leasing arrangements. The assets are recorded as capital assets and as long-term liabilities of governmental activities.

The following is an analysis of leased assets included in capital assets:

Motor Vehicles and Equipment	\$ 1,389,943
Less Accumulated Depreciation	<u>(569,455)</u>
	<u>\$ 820,488</u>

The future minimum lease obligations for equipment as of June 30, 2007, were as follows:

Year Ending June 30,	
2008	\$ 225,306
2009	155,503
2010	146,584
2011	96,535
2012	73,244
Thereafter	<u>212,536</u>
Total Minimum Lease Obligation	909,708
Less Amount Representing Interest	<u>(96,723)</u>
Present Value of Minimum Lease Payments	<u>\$ 812,985</u>

The City has entered into a lease/purchase financing agreement with a financial institution for the financing of construction renovation to the fire station that formerly served the downtown area of the City in order to convert this facility into a conference center. The lease/purchase agreement stipulates that debt service is designated to be paid from the City's Local Hospitality and Accommodations Tax. The obligation is secured by the conference center facility. Terms of the agreement require annual payments of \$114,689 for 15 years at 3.91% interest beginning December 17, 2005. The following is a schedule of future minimum lease payments and the present value of the net minimum lease payments:

Year ending June 30,	Governmental Activities
2008	\$ 114,689
2009	114,689
2010	114,689
2011	114,689
2012	114,689
Thereafter	955,742
Total minimum lease payments	1,529,187
Less amount representing interest	(333,316)
Present value of future minimum lease payments	<u>\$ 1,195,871</u>

Special Assessment Debt

The City entered into a 25 year lease agreement with the Newberry Opera House Foundation in 1996, which authorized the Foundation to renovate the City's historic Opera House property and to mortgage the City's Opera House in order to borrow money for the renovations. During fiscal year 1999, the City issued \$3,250,000 in Tax Increment Revenue Bonds (TIF), Series 1998 at 4.9%, repayable over 15 years to pay off the construction loan, to pay for the costs of the bond issuance and to make certain utility improvements. The Tax Increment Revenue Bonds, Series 1998 are repaid from revenues generated by operation of the Newberry Opera House Foundation and by tax revenues generated by a special Newberry Downtown Redevelopment Area.

At June 30, 2007, the City had available \$-0- to defray the special assessment debt obligation. The full faith, credit, and taxing powers of the City were not pledged for the repayment of these bonds.

During the year ended June 30, 2001, the City began assessing an additional 2% fee on meals and lodging within the City in order to help repay the TIF bonds issued in 1998. For the year ended June 30, 2007, \$545,207 in fees were collected.

At June 30, 2007, the City has recorded the outstanding TIF bond in the governmental activities long-term liabilities and the comparable renovations to the Opera House in capital assets since the City retains legal ownership of the property.

Changes in long-term liabilities for the year ended June 30, 2007, are as follows:

	July 1, 2006	Increases	Decreases	June 30, 2007	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 257,243	\$ 235,463	\$ (205,699)	\$ 287,007	\$ 198,656
Capital Lease Obligations	2,114,019	171,900	(277,063)	2,008,856	265,924
Special Assessment Debt	2,020,000	-	(210,000)	1,810,000	225,000
Total	\$ 4,391,262	\$ 407,363	\$ (692,762)	\$ 4,105,863	\$ 689,580
Business-Type Activities					
Compensated Absences	\$ 104,102	\$ 102,702	\$ (96,924)	\$ 109,880	\$ 91,871
Refunding Revenue Bonds, Series 2003	2,562,741	-	(546,385)	2,016,356	561,894
Total	\$ 2,666,843	\$ 102,702	\$ (643,309)	\$ 2,126,236	\$ 653,765

The following schedules reflect future principal and interest requirements of the City's outstanding bonds at June 30, 2007.

CITY OF NEWBERRY
Total Principal and Interest Requirement
of All Outstanding Special Assessment Bonds

Fiscal Year	Tax Increment Revenue Bonds, Series 1998		
	Fiscal Year Principal Due	Fiscal Year Interest Due	Total Principal and Interest Due
2008	\$ 225,000	\$ 83,177	\$ 308,177
2009	236,000	71,907	306,907
2010	245,000	60,148	305,148
2011	255,000	47,898	302,898
2012	270,000	35,035	305,035
2013	285,000	21,437	306,437
2014	295,000	7,227	302,227
Total	\$ 1,810,000	\$ 326,829	\$ 2,136,829

Note 1: All principal payments are due September 1 of each year, with the aggregate interest payments stated above divided between September 1 and March 1 payment date.
Original Principal: \$3,250,000 (Dated 9-1-98)

CITY OF NEWBERRY
Total Principal and Interest Requirement
of All Outstanding Revenue Bonds

Fiscal Year	Refunding Revenue Bond, Series 2003 (1)		
	Fiscal Year Principal Due	Fiscal Year Interest Due	Total Principal and Interest Due
2008	\$ 561,894	\$ 51,021	\$ 612,915
2009	581,659	34,211	615,870
2010	600,561	16,832	617,393
2011	217,969	4,800	222,769
2012	54,273	798	55,071
Total	\$ 2,016,356	\$ 107,662	\$ 2,124,018

Note 1: These bonds are the responsibility of the Utility Enterprise Fund.
All principal payments are due October 1, of each year, with the aggregate interest payments stated above divided between October 1 and April 1 payment date.
Original Principal: \$3,585,100 (Dated 8-11-03)

Note 8 – Interfund Receivables, Payables, and Transfers

At June 30, 2007, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 39,291	\$ 10,612
Special Revenue Funds		
Victim's Rights	10,612	-
Accommodations Tax	-	11,479
Tourism	9,839	-
Proprietary Fund - Unrestricted	-	37,651
Total	<u>\$ 59,742</u>	<u>\$ 59,742</u>

The outstanding balances between funds result mainly 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.

Interfund transfers for the year ended June 30, 2007 were as follows:

Transfer Out:	Transfer In			Total
	General Fund	Debt Service Fund	Permanent Fund	
General Fund	\$ -	\$ -	\$ 1,550	\$ 1,550
Proprietary Funds	1,080,700	-	-	1,080,700
Special Revenue Funds	190,265	126,685	-	316,950
	<u>\$ 1,270,965</u>	<u>\$ 126,685</u>	<u>\$ 1,550</u>	<u>\$ 1,399,200</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move unrestricted general fund revenues to finance various programs that the government accounts for in other funds, (3) move revenues from the utility system to the general government to forestall need for tax increases, (4) move tourism related revenues from collecting fund to the expending fund due to legal constraints, or to (5) move other unrestricted revenues to the general fund.

Note 9 – Contingent Liabilities and Commitments

The City has participated in a number of federally assisted grant programs, principally Community Development Block Grant programs. Grantor agencies reserve the right to perform certain audit work in addition to the work performed by the City's independent auditors. Disallowed costs, if any, resulting from such additional work, would have to be incurred by the City. Management does not believe that any significant costs will be incurred by the City if such additional work should occur.

The City, on behalf of the Proprietary Fund, has entered into a long-term agreement to purchase electrical power from the Piedmont Municipal Power Agency (PMPA), a governmental corporation organized under an act of the State of South Carolina. The agreement expires in 2035 depending on certain contingencies. PMPA's generating capacity is committed to a group of municipalities, who have their own electrical utility operations, of which the City is a participant. Any excess energy is sold on the open market. The City is committed to purchase all electric power from PMPA, with the exception of the City's Southeastern Power Administration's allotment, and has pledged its electric system revenues as security for this commitment to PMPA over the term of the agreement. In fiscal year 2007, the cost of power purchased amounted to \$12,442,852. Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

Note 10 – Deferred Compensation Plan

Two optional deferred compensation plans are available to City employees. The plans were created under Internal Revenue Code Sections 457 and 401(k). Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State of South Carolina's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements.

The requirements differ among the two plans. Compensation deferred under the plans is placed in trust with the State for the contributing employees. The City and State have no liability for losses under the plans.

Note 11 – Post-Employment Health Care Benefits

Retired employees and survivors are allowed to participate in the health, dental and life insurance programs. The monthly cost of this participation as billed to the City by the State of South Carolina Employee Insurance Program is paid entirely by the retiree or survivor.

Note 12 – Employee Retirement Systems

The City provides pension benefits for all full-time employees through the South Carolina Retirement Systems, a cost-sharing multiple-employer defined benefit pension plan. The City participates in the following plans:

South Carolina Retirement System (SCRS) membership is composed of full-time general employees who do not belong to the other retirement plans.

Police Officer Retirement System (PORS) membership is composed of full-time employees whose principal duties are the preservation of public order, protection or prevention and control of property destruction by fire.

The employees of the City of Newberry are members of either the SCRS or the PORS.

The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are cost sharing, multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems, a Division of the State Budget and Control Board. The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The SCRS assumes no liability for State ORP benefits, as they are the liability of the investment providers and are governed by the terms of contracts issued by them.

Both the SCRS and PORS offer retirement and disability benefits, group life insurance benefits and survivor benefits. Group life benefits are also available to active State ORP participants. A guaranteed 1% cost of living adjustment is funded under SCRS, and all other cost of living adjustments are granted on an ad hoc basis, subject to approval by the State Budget and Control Board. The Plans' provisions are established under Title 9 of the SC Code of Laws which requires both employees and employers to contribute to the Plans.

The SCRS plan members are required to contribute 6.5% of their earnable compensation to the plan. The City is required to contribute 8.05% of participant salary to provide retirement benefits and .15% of participant salary to provide group life benefits. The PORS plan members are required to contribute 6.5% of their earnable compensation to the plan. The City is required to contribute 10.3% of participant salary to provide retirement benefits, .2% to provide accidental death benefits and .2% to provide group life benefits.

The required contributions and percentages of amounts contributed for the three latest available years were as follows:

Fiscal Period	SCRS		PORS	
	Required	Percent Contributed	Required	Percent Contributed
2007	\$ 271,898	100%	\$ 192,209	100%
2006	249,132	100%	180,006	100%
2005	210,102	100%	170,391	100%

A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and PORS is publicly available on the South Carolina Retirement System's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Note 13 – Risk Management and Retention

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through participation in an insurance purchasing public entity risk pool sponsored by the South Carolina Municipal Association. The City pays an annual premium to the pool and may be subject to supplemental premium assessment should pool claims exceed certain levels. Pool claims have not exceeded those levels in any of the past four years.

The City participates in the health insurance plan provided by the State of South Carolina to its employees. The City is responsible for collecting/paying premiums set by the State to the State for this insurance coverage. There is no other potential financial liability for the City.

There have been no significant reductions in insurance coverage during the fiscal year ended June 30, 2007.

Note 14 – Payment of Court Order

During 2003, the City was a defendant in a matter in the Court of Common Pleas for Newberry County, Styled Newberry Electric Cooperative, Inc. v. City of Newberry, in which the plaintiff was seeking the compulsory acquisition of electrical facilities and properties under S.C. law, Section 58-27-1360. A panel of arbiters rendered a decision and award dated September 16, 2003, which required the City to acquire certain electric facilities and properties from the Newberry Electric Cooperative, Inc. (the Cooperative) and pay the Cooperative "just compensation" in the amount of \$3,853,639. The City paid the award during the fiscal year ended June 30, 2004, under protest. The City filed an appeal with the South Carolina Court of Appeals which was unsuccessful. On February 21, 2006, the City petitioned the South Carolina Supreme Court for a writ of certiorari to review the decision of the Court of Appeals. The Court of Appeals subsequently denied the City's request. No further appeal has been filed.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF NEWBERRY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Special Revenue	Debt Service	Permanent	Total June 30, 2007	Total June 30, 2006
Assets					
Cash and investments	\$ 637,034	\$ 98,233	\$ 14,468	\$ 749,735	\$ 1,753,945
Property taxes receivable, net	-	24,903	-	24,903	6,943
Fees receivable	47,710	-	-	47,710	42,090
Notes receivable	355,000	-	-	355,000	355,000
Due from other governments	32,798	-	-	32,798	271,466
Interest and other	2,824	-	76	2,900	3,434
Due from other funds	20,451	-	-	20,451	5,138
Total Assets	\$ 1,095,817	\$ 123,136	\$ 14,544	\$ 1,233,497	\$ 2,438,016
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 23,376	\$ -	\$ -	\$ 23,376	\$ 139,909
Retainage payable	27,874	-	-	27,874	100,686
Deferred revenue	357,480	24,717	-	382,197	361,412
Due to other funds	11,479	-	-	11,479	1,499
Total Liabilities	420,209	24,717	-	444,926	603,506
Fund Balances					
Reserved for					
Japanese Gardens maintenance	-	-	10,000	10,000	10,000
Unreserved					
Undesignated	-	98,419	4,544	102,963	37,227
Designated for future expenditures	675,608	-	-	675,608	1,787,283
Total Fund Balances	675,608	98,419	14,544	788,571	1,834,510
Total Liabilities and Fund Balances	\$ 1,095,817	\$ 123,136	\$ 14,544	\$ 1,233,497	\$ 2,438,016

CITY OF NEWBERRY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Special Revenue	Debt Service	Permanent	Total June 30, 2007	Total June 30, 2006
Revenues					
Property taxes	\$ -	\$ 240,744	\$ -	\$ 240,744	\$ 251,978
Charges for services	551,351	-	-	551,351	483,704
Intergovernmental	94,342	-	3,750	98,092	1,031,754
Fines, forfeitures and penalties	83,863	-	-	83,863	54,571
Donations	8,025	-	-	8,025	11,150
Rental and other	14,371	-	-	14,371	-
Interest	53,433	381	502	54,316	54,887
Total Revenues	805,385	241,125	4,252	1,050,762	1,888,044
Expenditures					
Public safety	73,980	-	-	73,980	97,574
Community development	1,178,853	-	4,041	1,182,894	1,189,674
Non-departmental	232,588	-	-	232,588	183,431
Debt service					
Principal	66,513	210,000	-	276,513	237,616
Interest	48,176	93,835	-	142,011	133,165
Total Expenditures	1,600,110	303,835	4,041	1,907,986	1,841,460
Excess (Deficiency) of Revenues Over Expenditures	(794,725)	(62,710)	211	(857,224)	46,584
Other Financing Sources (Uses)					
Lease purchase proceeds	-	-	-	-	1,300,000
Transfers in (out)	(316,950)	126,685	1,550	(188,715)	(116,430)
Total Other Financing Sources (Uses)	(316,950)	126,685	1,550	(188,715)	1,183,570
Net Change in Fund Balances	(1,111,675)	63,975	1,761	(1,045,939)	1,230,154
Fund Balances, beginning	1,787,283	34,444	12,783	1,834,510	604,356
Fund Balances, ending	\$ 675,608	\$ 98,419	\$ 14,544	\$ 788,571	\$ 1,834,510

GENERAL FUND

The General Fund is the City's main operating fund and is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

**CITY OF NEWBERRY
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 4,256,614	\$ 3,725,291
Receivables (net of allowances for uncollectibles)		
Taxes	132,717	121,143
Intergovernmental	177,239	102,318
Interest receivable	9,629	8,614
Other	17,697	17,040
Due from other funds	39,291	34,307
Inventories	<u>41,035</u>	<u>38,838</u>
Total Assets	<u><u>\$ 4,674,222</u></u>	<u><u>\$ 4,047,551</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 18,094	\$ 15,052
Intergovernmental	60,795	26,673
Accrued salaries and payroll liabilities	213,235	184,955
Due to other funds	10,612	48,659
Deferred revenue	<u>108,943</u>	<u>91,293</u>
Total Liabilities	<u>411,679</u>	<u>366,632</u>
Fund Balances		
Unreserved		
Undesignated	3,205,639	2,713,074
Designated for general government		
Depreciation fund	1,006,361	954,348
Fire department capital	<u>50,543</u>	<u>13,497</u>
Total Fund Balances	<u>4,262,543</u>	<u>3,680,919</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,674,222</u></u>	<u><u>\$ 4,047,551</u></u>

**CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended
	Original	Final			June 30, 2006
					Actual
Revenues					
Taxes	\$ 1,913,444	\$ 1,863,168	\$ 1,902,399	\$ 39,231	\$ 1,879,017
Licenses, permits and franchise fees	1,281,250	1,277,300	1,437,771	160,471	1,301,779
Fines and forfeitures	550,000	696,606	839,337	142,731	542,968
Charges for services	619,925	611,200	620,986	9,786	611,902
Intergovernmental	1,271,240	1,258,067	1,146,272	(111,795)	1,152,448
Miscellaneous	95,000	116,596	231,478	114,882	230,105
Total Revenues	5,730,859	5,822,937	6,178,243	355,306	5,718,219
Expenditures					
General government					
City council	72,956	71,294	67,429	3,865	61,024
City manager	198,987	203,991	201,950	2,041	181,969
Personnel	83,507	96,212	93,224	2,988	79,340
Finance	223,737	228,196	220,927	7,269	189,555
City hall	30,025	37,915	32,606	5,309	23,641
Building	197,374	218,161	212,627	5,534	128,370
Public safety					
Police department	1,518,822	1,501,509	1,473,646	27,863	1,305,455
Justice and Law	374,836	504,967	515,213	(10,246)	368,880
Fire department	1,006,610	1,008,287	871,062	137,225	818,538
Public works					
Public works administration	122,052	123,313	115,757	7,556	116,003
Streets	611,063	550,974	406,013	144,961	564,098
Sanitation	509,524	489,957	480,511	9,446	306,137
Building maintenance	62,276	52,238	50,397	1,841	52,637
Garage	138,030	140,386	140,173	213	117,634
Recreation					
Recreation	439,634	440,882	409,275	31,607	392,754
Non-departmental					
General insurance	107,853	95,777	90,927	4,850	95,395
Employee benefits	1,313,810	1,265,869	1,178,706	87,163	1,126,395
Community promotions and projects	267,264	262,785	234,583	28,202	249,642
Capitalized lease payments	246,409	242,908	242,908	-	203,832
Total Expenditures	7,524,769	7,535,621	7,037,934	497,687	6,381,299
Excess (Deficiency) of Revenues Over Expenditures	(1,793,910)	(1,712,684)	(859,691)	852,993	(663,080)

(Continued)

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended
	Original	Final			June 30, 2006
					Actual
Other Financing Sources (Uses)					
Issuance of debt	\$ 190,000	\$ 171,900	\$ 171,900	\$ -	\$ 132,229
Transfers in (out)					
Japanese Gardens fund	(1,550)	(1,550)	(1,550)	-	(3,150)
State accomodations tax fund	32,750	32,750	27,051	(5,699)	26,785
Local hospitality/accomodations fund	177,500	177,500	163,214	(14,286)	155,000
Utility system	1,080,700	1,080,700	1,080,700	-	903,831
Tourism fund	-	-	-	-	(60,905)
Total Other Financing Sources (Uses)	1,479,400	1,461,300	1,441,315	(19,985)	1,153,790
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	(314,510)	(251,384)	581,624	833,008	490,710
Fund Balances, beginning	3,680,919	3,680,919	3,680,919	-	3,190,209
Fund Balances, ending	\$ 3,366,409	\$ 3,429,535	\$ 4,262,543	\$ 833,008	\$ 3,680,919

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Year Ended June 30, 2006
	Original	Final			
Taxes					
Vehicle property taxes	\$ 345,544	\$ 230,672	\$ 234,994	\$ 4,322	\$ 404,284
Other current property taxes	1,520,000	1,575,496	1,607,538	32,042	1,390,861
Delinquent property tax	32,500	44,600	42,403	(2,197)	67,851
Tax penalties	13,000	10,000	15,093	5,093	13,379
Fees in lieu of taxes	2,400	2,400	2,371	(29)	2,642
Totals	1,913,444	1,863,168	1,902,399	39,231	1,879,017
Licenses, Permits and Franchise Fees					
Business licenses	1,119,000	1,119,000	1,246,007	127,007	1,112,177
Business license penalties	5,000	5,000	8,089	3,089	4,505
Building/sign permits	60,000	54,000	69,348	15,348	78,975
Inspections, lot clearing, zoning	31,500	33,800	47,053	13,253	39,273
Cable TV	65,000	65,000	66,774	1,774	66,099
Newberry Electric Coop	750	500	500	-	750
Totals	1,281,250	1,277,300	1,437,771	160,471	1,301,779
Fines and Forfeitures					
Court fines and forfeitures	550,000	696,606	839,337	142,731	542,968
Totals	550,000	696,606	839,337	142,731	542,968
Charges for Services					
Recreation revenues	33,925	37,200	41,177	3,977	35,925
Public works charges	586,000	574,000	579,809	5,809	575,977
Totals	619,925	611,200	620,986	9,786	611,902
Intergovernmental					
Federal government					
Other federal receipts	115,700	115,700	20,558	(95,142)	8,689
State of South Carolina					
Merchants' inventory tax	58,392	58,392	58,392	-	58,392
Local government fund	310,729	310,729	312,578	1,849	289,986
Other receipts	138,200	136,200	93,654	(42,546)	146,468
Newberry County and county schools					
Recreation fee	20,000	20,000	19,973	(27)	22,140
County fire contribution	128,219	128,219	152,290	24,071	128,741
Clinton Newberry Natural Gas Authority	500,000	488,827	488,827	-	498,032
Totals	1,271,240	1,258,067	1,146,272	(111,795)	1,152,448
Miscellaneous Revenues					
Sale of unserviceable equipment	37,000	37,000	46,953	9,953	8,051
Other	10,000	19,596	38,951	19,355	116,528
Interest earned	48,000	60,000	145,574	85,574	105,526
Totals	95,000	116,596	231,478	114,882	230,105
Total Revenues	\$ 5,730,859	\$ 5,822,937	\$ 6,178,243	\$ 355,306	\$ 5,718,219

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended June 30, 2006
	Original	Final			
General Government					
City Council					
Salaries and wages	\$ 41,126	\$ 40,157	\$ 39,949	\$ 208	\$ 39,361
Overtime	100	100	-	100	-
Printing	2,000	2,000	1,069	931	1,315
Office supplies	1,850	1,850	916	934	957
Postage	500	500	228	272	307
Membership	317	317	247	70	335
Travel	14,390	14,890	15,150	(260)	10,442
Vehicle fuel	365	136	136	-	272
Vehicle repair	500	14	14	-	178
Tires and tubes	400	-	-	-	-
Telephone	1,714	1,506	1,072	434	1,106
Advertising	729	609	418	191	811
Rental/lease of equipment	1,400	1,400	1,320	80	1,342
Employee training	565	565	128	437	70
Municipal election	4,000	4,250	4,250	-	2,035
Codification	3,000	3,000	2,532	468	2,493
Totals	72,956	71,294	67,429	3,865	61,024
City Manager					
Salaries and wages	174,419	178,461	178,359	102	160,332
Overtime	100	100	-	100	-
Printing	300	300	64	236	266
Office supplies	800	800	535	265	829
Postage	500	400	159	241	203
Membership, dues and subscriptions	2,488	2,350	2,088	262	1,961
Travel	6,130	6,130	5,580	550	6,170
Car allowance	8,400	9,600	9,626	(26)	7,906
Telephone	2,250	2,250	2,165	85	1,402
Advertising	200	200	259	(59)	-
Rental/lease of equipment	2,800	2,800	2,710	90	2,610
Employee training	600	600	405	195	290
Totals	198,987	203,991	201,950	2,041	181,969

(Continued)

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended June 30, 2006
	Original	Final			
General Government (Continued)					
Personnel					
Salaries and wages	\$ 76,022	\$ 76,300	\$ 76,473	\$ (173)	\$ 73,064
Overtime	100	100	-	100	-
Printing	600	600	445	155	721
Office supplies	1,000	1,000	798	202	553
Postage	400	400	288	112	217
Membership, dues and subscriptions	420	420	460	(40)	420
Travel	2,210	2,210	2,071	139	2,074
Telephone	775	775	629	146	642
Safety training/hygiene	250	150	-	150	-
Advertising	100	150	-	150	-
Rental/lease of equipment	1,330	1,230	1,263	(33)	1,291
Employee training	300	300	221	79	-
Contracts	-	12,577	10,576	2,001	358
Totals	83,507	96,212	93,224	2,988	79,340
Finance					
Salaries and wages	171,794	170,490	170,219	271	150,712
Overtime	200	500	-	500	-
Printing	1,225	1,225	972	253	487
Office supplies	4,500	5,000	4,396	604	3,349
Postage	3,000	3,000	2,809	191	2,635
Membership, dues and subscriptions	770	770	506	264	630
Travel	1,890	500	130	370	320
Telephone	1,125	1,125	1,143	(18)	1,082
Maintenance contracts	10,482	16,302	15,469	833	8,213
Equipment repair	500	500	-	500	-
Small equipment purchases	1,100	2,650	2,433	217	558
Advertising	250	550	410	140	179
Rental/lease of equipment	5,106	5,056	5,224	(168)	4,250
Employee training	175	500	475	25	230
Auditor	10,000	9,958	9,958	-	9,958
Refunds	1,000	1,000	-	1,000	132
Preparation of taxes	7,350	7,350	6,783	567	6,762
Computer programming	3,270	1,720	-	1,720	58
Totals	223,737	228,196	220,927	7,269	189,555

(Continued)

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended June 30, 2006
	Original	Final			
General Government (Continued)					
City Hall					
Telephone	\$ 200	\$ 200	\$ 156	\$ 44	\$ 171
Service contracts	29,225	37,115	31,975	5,140	20,009
Small equipment purchases	600	600	475	125	3,461
Totals	30,025	37,915	32,606	5,309	23,641
Building and Zoning					
Salaries and wages	135,972	153,554	152,681	873	87,500
Overtime	750	750	64	686	-
Printing	400	400	472	(72)	308
Office supplies	1,400	1,400	1,426	(26)	906
Postage	2,100	1,600	1,499	101	1,597
Membership, dues and subscriptions	1,105	1,105	1,084	21	828
Travel	4,710	4,710	3,729	981	2,400
Vehicle fuel	2,843	2,200	2,245	(45)	1,616
Vehicle repair	500	500	704	(204)	655
Tires and tubes	240	240	209	31	153
Telephone	1,800	1,800	808	992	990
Small hand tools	250	250	106	144	183
Small equipment purchases	800	800	687	113	668
Uniforms	800	800	802	(2)	687
Safety supplies	100	100	77	23	-
Advertising	1,400	1,400	756	644	1,220
Rental/lease of equipment	2,104	2,452	2,788	(336)	1,218
Employee training	950	950	488	462	75
Boards and commissions	1,650	1,650	1,159	491	1,199
Refunds	500	500	425	75	30
Code enforcements	35,000	39,000	38,680	320	20,538
Computer programming	2,000	2,000	1,738	262	5,599
Totals	197,374	218,161	212,627	5,534	128,370
Public Safety					
Police Department					
Salaries and wages	1,206,538	1,183,583	1,140,566	43,017	996,890
Holiday pay	41,452	41,452	37,338	4,114	30,066
Training pay	5,500	5,500	6,364	(864)	2,880
Court pay	500	500	184	316	156
Overtime	3,500	3,500	4,470	(970)	2,417

(Continued)

CITY OF NEWBERRY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Year Ended June 30, 2006
	Original	Final			
Public Safety (Continued)					
Police Department (Continued)					
Callbacks	\$ 8,500	\$ 8,500	\$ 10,921	\$ (2,421)	\$ 8,583
Printing	3,000	3,000	2,388	612	1,549
Office supplies	2,800	2,800	2,999	(199)	2,706
Crime prevention	1,300	1,300	622	678	125
Postage	450	550	442	108	460
Membership, dues and subscriptions	2,194	2,194	1,897	297	2,012
Travel	2,925	2,925	1,870	1,055	1,635
Vehicle fuel	64,500	64,500	73,657	(9,157)	62,882
Vehicle repair	13,000	13,000	18,417	(5,417)	14,086
Tires and tubes	5,000	5,000	5,847	(847)	3,991
Utilities	12,000	12,000	10,731	1,269	11,047
Telephone	5,500	5,500	3,317	2,183	3,767
Maintenance contracts	7,000	7,000	7,332	(332)	7,261
Equipment repair	3,000	3,000	2,839	161	2,859
Building and fixture repairs	800	800	101	699	730
Small hand tools	600	600	515	85	544
Small equipment purchases	10,132	11,632	18,775	(7,143)	54,683
Uniforms	15,000	15,000	17,399	(2,399)	12,775
Safety training/hygiene	3,000	3,000	1,935	1,065	1,227
Dry cleaning and laundry	2,000	2,000	1,408	592	867
Janitorial services	2,000	2,000	1,216	784	2,085
Medical and lab services	550	550	-	550	372
Prisoner care	2,000	5,000	5,873	(873)	1,068
Advertising	700	700	659	41	716
Rental/lease of equipment	7,760	7,760	8,381	(621)	6,805
Employee training	1,500	1,500	1,422	78	1,995
Photo supplies	800	800	20	780	599
Special investigation	700	700	299	401	376
Automotive equipment	82,621	83,663	83,442	221	65,241
Totals	1,518,822	1,501,509	1,473,646	27,863	1,305,455
Justice and Law					
Salaries and wages	60,508	57,231	54,323	2,908	53,138
Overtime	300	300	-	300	-
State assessments	282,000	414,000	432,943	(18,943)	288,993
Printing	600	1,150	1,142	8	753
Office supplies	800	1,048	1,149	(101)	99
Postage	832	832	839	(7)	633
Memberships, dues and subscriptions	-	106	106	-	-
Refund of fines	12,000	12,000	12,544	(544)	14,283

(Continued)