

**CITY OF NEWBERRY, SOUTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2018**



CITY OF NEWBERRY, SOUTH CAROLINA

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# **INTRODUCTORY SECTION**

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# CITY OF NEWBERRY

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

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November 26, 2018

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

State law requires Newberry City Council (“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, 2018.

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 generally accepted accounting principles (“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 Greene Finney, LLP, 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, 2018, 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 unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

In accordance with *Government Auditing Standards*, the independent auditor issued his report after consideration of the City’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’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City is located in and is the county seat of Newberry County. The City’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 2010 Census is 10,277, and the population of the County as registered by the 2010 Census is 37,508.

Within the limitations established by the State of South Carolina, the City 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 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, 2018, the City Manager was assisted by nine staff departments, including Economic and Community Development overseen by the City Manager's office; Finance; Fire; Human Resources; Parks, Recreation, and Tourism; Planning and Development Services; Police; Public Works; and Utilities.

The City 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 and tourism-related activities.

The annual budget serves as the foundation for the City's financial planning and control. For 2017-2018 budget preparation, all departments of the City were required to submit requests for appropriations to the City Manager by mid-February of 2017. The City Manager and Finance Director use these requests as the starting point for developing a proposed budget. The City Manager then presented this proposed budget to the Council for review during June. 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 fund. Transfers between funds require the approval of City Council. Any revisions that increase 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 68 as part of the basic financial statements for the governmental funds.

### **Local Economy and Major Initiatives**

The City is located in the central piedmont region of South Carolina. Historically, Newberry was a textile center and the hub of a thriving agricultural region. The decline of the textile industry in the 1970's and 1980's took its toll on the community, and Newberry suffered economically and physically. This decline continued into the mid-1990's at which point an aggressive community revitalization effort was successfully undertaken. Through sustained efforts the community and county as a whole have witnessed tremendous economic growth. Today, Newberry's economic base is widely diversified and comprised of textiles, manufacturing, agriculture, timber products & wood processing, and food processing. This diversity has enabled the region to weather swings or changes in the global economy.

Much of the current economic momentum in Newberry has its basis in the renovation of the Newberry Opera House, which was completed in the spring of 1998 and the renovated Newberry Firehouse Conference Center ("NFCC"). The Newberry Opera House, a performing arts and entertainment center is owned by the City but leased to and under the management of the Newberry Opera House Foundation. The Newberry Opera House project is accomplishing what it was intended to do – namely, to serve as a catalyst for economic development.

The addition of countless new businesses, white table cloth restaurants, development of second-floor apartments, a 73-room hotel, and the stimulation of numerous public-private partnerships are evidence of the catalytic impact of the project. The NFCC is adjacent to the Newberry Opera House on McKibben Street, and it is a planned reuse as a state-of-the-art meeting and special event facility. The City received a Community Development Block Grant (“CDBG”) from the S.C. Department of Commerce in September 2004 to assist with project funding. Since its opening in September of 2007, the Newberry Firehouse Conference Center has hosted numerous events ranging from conferences and business meetings to wedding receptions and community gatherings.

In 1999, three manufacturing facilities opened in the Newberry County Industrial Park located adjacent to Interstate 26 at the S.C. Highway 219 interchange. Today the Park hosts international companies such as Samsung, Komatsu, Kiswire, and Doncasters. These companies have created hundreds of jobs and a diversified the industrial base for the county. In the summer of 2001, Millennium Teleservices invested \$1 million in a state-of-the-art call center on the U. S. Highway 76 bypass within the City of Newberry, and created approximately 200 jobs. 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 and invested approximately \$32 million in plant renovations and production systems, and created 145 new jobs. 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.

In 2007, Kraft Foods, the County’s largest employer and City’s largest electric customer, announced that over a three-year period, the company would invest approximately \$30 million to build a 75,000 square foot addition to the Louis Rich facility, construct additional production lines and make mechanical and electronic improvements to existing processing lines. This expansion resulted in the creation of approximately 1,279 new jobs and made its Newberry operation one of the largest Kraft Foods-owned facilities in the world.

During fiscal year 2008-2009, an exciting opportunity materialized for the City of Newberry and the residents of Oakland Mill Village neighborhood. American Fiber & Finishing (“AF&F”) ceased operations within the Oakland Mill on Fair Avenue and sold the property to West Development of Newberry. Beginning in January of 2010, West Development, upon securing Federal funding for the preservation of the historic mill, rehabilitated and adapted it for mixed occupancy. The uses include Newberry College dormitories, market rate apartment units and amenities, classrooms and complimentary light commercial activities (Coffee Shop currently). The first group of Newberry College students occupied the mill during the summer of 2011. The City of Newberry has assisted the developer by pursuing improvements within the Oakland neighborhood that are designed to create an environment that is conducive to the long-term success of the mill project and the sustained revitalization of the neighborhood. These improvements include \$1.2 million of water and wastewater upgrades, \$1.3 million of functional and aesthetic streetscape enhancements, and \$290,000 of distressed residential property acquisitions and clearances. This initiative was underwritten by state and federal grants totaling \$2.2 million from the S.C. Department of Commerce and the S.C. State Housing Finance and Development Authority. Additionally, the City has facilitated over \$24,000 of housing rehabilitation activity, which was funded by the S.C. State Housing Finance and Development Authority for qualifying owner-occupants, and has secured a \$500,000 CDBG to complete the final phase of water and wastewater system upgrades in Oakland neighborhood. These upgrades were implemented in fiscal year 2013-2014. In fiscal year 2014 the City also began pursuing streetscape enhancements on College Street adjacent the Oakland Mill Village. This project was over a \$900,000 investment funded through \$400,000 from SCDOT TEP and almost an additional \$600k from our local County Transportation Committee. This project runs .6 miles on College Street and was an effort to link the mill village improvements discussed earlier into the City’s Central Business District. In 2017 a new tennis facility was added into the Oakland Mill Village Community. This \$2.4 million dollar project will also be the home of Newberry College tennis and is another fine example of community revitalization efforts and Public-Private partnerships.

**Long-term financial planning.** A continued emphasis on long range financial planning is a cornerstone of the City's success. Options and strategies continued in fiscal year 2018 included:

- Continued promotion, revitalization and renewal in the City's downtown.
- Continued monitoring of housing conditions, particularly in the area of rental housing, and housing needs in the City.
- 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 through enhanced technology efforts.
- Continued to monitor electric industry trends as an important factor in our strategic plan.
- Continued to improve the City's technology and fiber infrastructure.
- Continued to promote projects that enhance the quality of life for Newberry citizens.
- Monitored existing services to ensure that the service goals of City Council are met.

### **Relevant Financial Policies**

City Council formally adopted the City's Statement of Financial Policies on June 14, 2011. The Statement of Financial Policies covers budget policies, revenue policies, expenditure policies, capital improvement program policies, capital reserve fund policies, debt policies, interfund transfers/borrowings policies, fund balance policies for the General Fund, and accounting, auditing, and financial reporting policies. On April 21, 2015 these policies were amended and restated so they would include the Utility Fund. Two of the most important changes contained in the Statement of Financial Policies are in the areas of budget policies and fund balance policies.

In fiscal year 2010-2011 the City Manager was provided with expanded authority whereby he may authorize the transfer of appropriations within any fund to achieve the goals of the budget provided that no such transfers increase the total appropriation of any fund. Previously, the City Manager's authority was limited to approval of line item transfers within any department only. The expanded authority will allow the City Manager to respond to events and opportunities which present themselves during the course of the fiscal year while still working to achieve the goals of the budget provided by City Council.

In the area of fund balance policies, the City heretofore had no stated policy. Under the Statement of Financial Policies dated June 14, 2011, the City will strive to maintain the fund balance of the General Fund such that the unassigned portion of fund balance is between 33.0 percent and 67.0 percent of the total audited General Fund expenditures for the most recently audited fiscal year. If, at the end of a fiscal year, the minimum fund balance policy is not met, the City Manager will submit a plan of corrective action to City Council within six months of notification of the shortfall. Unless directed otherwise by City Council, any amount in excess of the maximum will be transferred to the General Capital Reserve Fund, which is used to fund or finance the acquisition of new or replacement capital items. As of receipt of audited fiscal year 2018 information, the unassigned portion of the fund balance of the General Fund stood at 80.9% percent of the total audited General Fund expenditures.

Under the amended and restated Statement of Financial Policies, the City will strive to maintain a minimum liquidity of 300 days' cash on hand in the Utility Fund (exclusive of Purchased Power Costs and Depreciation). Additionally, the City maintains a liquidity target for operational purposes of 365 days' cash on hand (exclusive of Purchased Power Costs and Depreciation). Such liquidity shall be exclusive of all reserves not anticipated to be readily available for use in emergencies. Should liquidity fall below 300 days' cash on hand, the City Manager shall prepare and submit a plan for expenditure reductions and/or revenue increases in the City's Utility Fund to the City Council and shall rebuild the balance within 18 months. In the event liquidity for operational purposes exceeds 365 days' cash on hand, the difference may be used to fund the following activities: the Utility's Capital Improvement Program, one time expenditures related to the utility, ongoing or new utility programs, or the Rate Stabilization Fund.

## Awards and Acknowledgements

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, 2017. This was the twenty fifth 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 to the GFOA to determine its eligibility for another certificate.

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,



Matt T. DeWitt  
City Manager



Shannon D. Smith  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

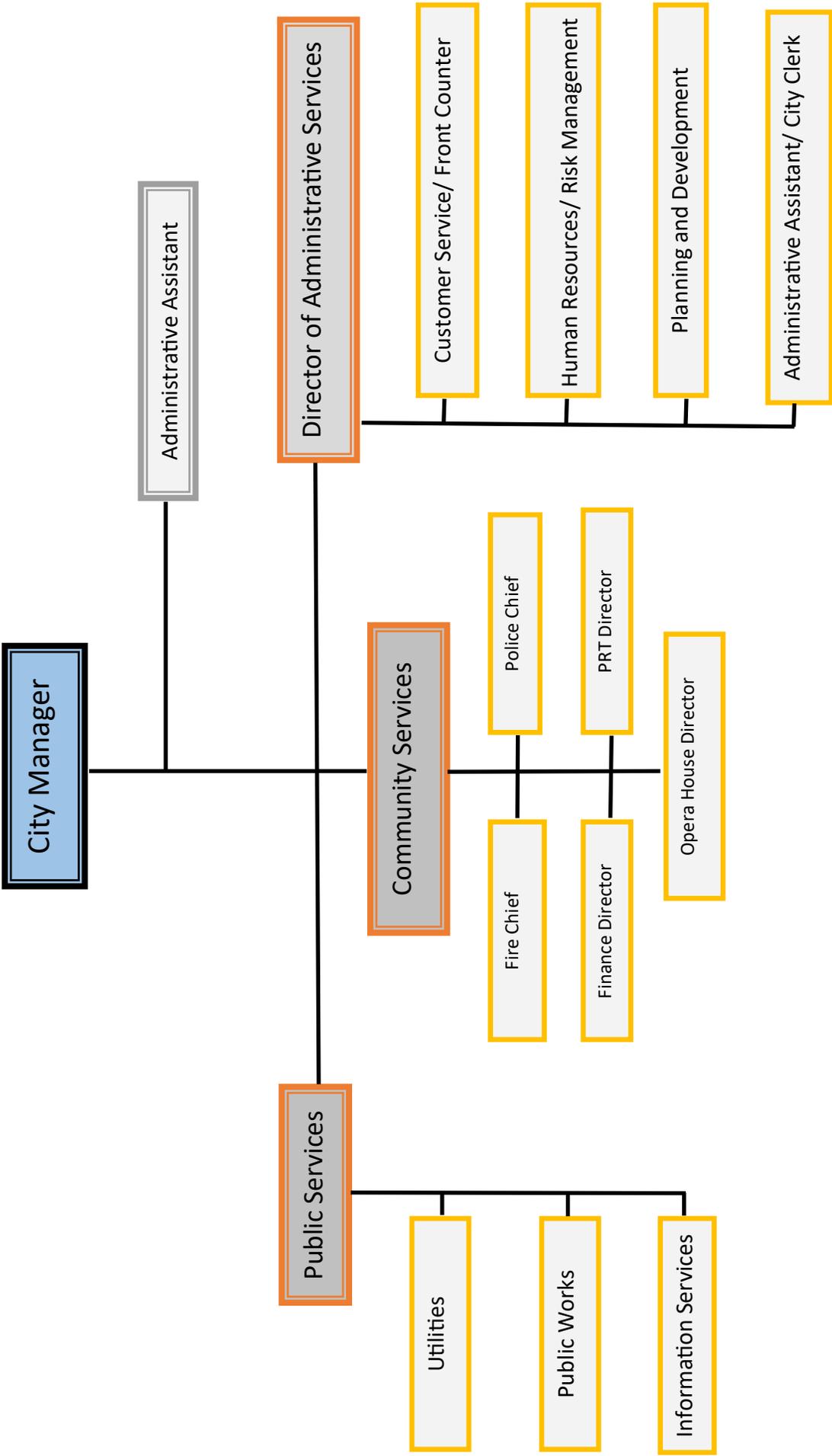
**City of Newberry  
South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

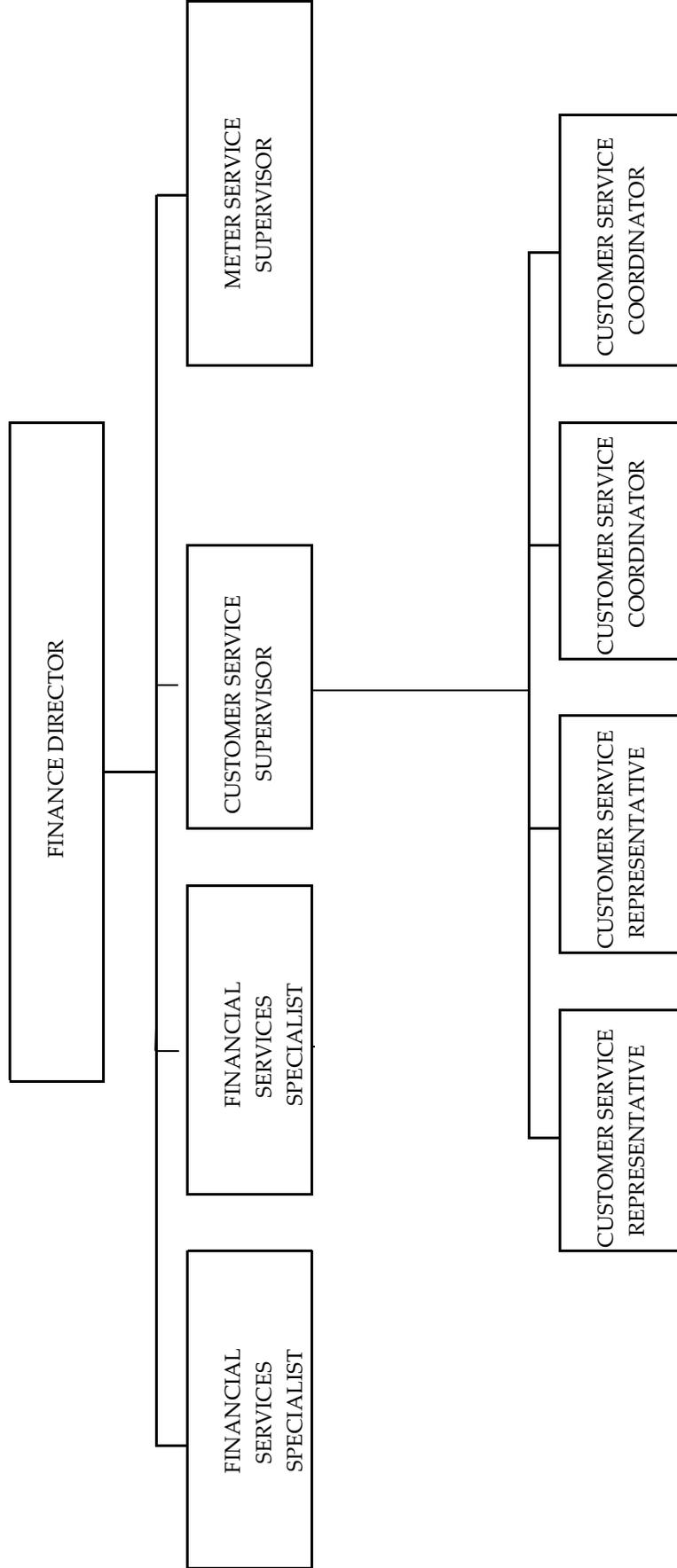
*Christopher P. Morill*

Executive Director/CEO



**City of Newberry  
Finance Department  
Organizational Chart**

JUNE 30, 2018



**CITY OF NEWBERRY, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICERS  
JUNE 30, 2018**

**MAYOR**  
G. Foster Senn, Jr.

**COUNCIL MEMBER, DISTRICT 1**  
R. Lemont Glasgow

**COUNCIL MEMBER, DISTRICT 2**  
Edwin E. Wicker

**COUNCIL MEMBER, DISTRICT 3,  
MAYOR PRO TEM**  
Zebbie D. Goudelock

**COUNCIL MEMBER, DISTRICT 4**  
David T. Force

**COUNCIL MEMBER, DISTRICT 5**  
Thomas Louis Boyd

**COUNCIL MEMBER, DISTRICT 6**  
David E. Dubose

**CITY MANAGER**  
Matthew T. DeWitt

**CITY ATTORNEY**  
Robert C. Lake, III

**CITY RECORDER**  
William F. Partridge

**DIVISION DIRECTOR OF ADMIN  
SERVICES**  
Tamra F. Tootle

**PLANNING AND DEVELOPMENT  
SERVICES DIRECTOR**  
C. Ward Braswell

**FINANCE DIRECTOR**  
Shannon D. Smith

**FIRE CHIEF**  
Keith K. Minick

**UTILITIES DIRECTOR**  
Timothy W. Baker

**INTERIM POLICE CHIEF**  
Roy H. McClurkin

**PUBLIC WORKS DIRECTOR**  
Norris M. Bartley

**PARKS, RECREATION, AND TOURISM  
DIRECTOR**  
Scott S. Sawyer

**CITY CLERK**  
M. Jennifer O'Shields

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# **FINANCIAL SECTION**

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# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberry, South Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberry, South Carolina, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC  
864.451.7381

MAULDIN, SC  
864.232.5204

MOUNT PLEASANT, SC  
843.735.5805

SPARTANBURG, SC  
864.232.5204

ASHEVILLE, NC  
828.771.0847

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## ***Other Matters***

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
November 26, 2018

## CITY OF NEWBERRY, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2018

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As management of the City of Newberry ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2018 ("2018") compared to the year ended June 30, 2017 ("2017"). The intent of this discussion and analysis is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding the City's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, at the close of the current year, the City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$66,461,000. Unrestricted net position was approximately \$14,349,000. Unrestricted net position does not include assets with externally imposed restrictions or restrictions imposed by law. Unrestricted net position of the City's governmental activities was approximately \$1,135,000, which was a decrease of approximately \$438,000 from the prior year. Unrestricted net position of the City's business-type activities was approximately \$13,215,000, which was a decrease of approximately \$1,492,000 from the prior year.
- The City's unrestricted net position at June 30, 2018 includes the impact of approximately \$11,659,000 for the City's share of the State of South Carolina's underfunded pension plans, as required by Governmental Accounting Standards Board Statements No. 68 and 71.
- The City's total net position increased by approximately \$6,452,000, or approximately 11% compared to the prior year's ending net position, as revenues of approximately \$50,385,000 exceeded expenses of approximately \$43,933,000. This was an increase of approximately \$1,861,000 over the prior year increase of approximately \$4,591,000.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$14,019,000, an increase of approximately \$3,816,000, or 37.4%, compared to the prior year's ending fund balances.
- At the end of the current year, unassigned fund balance for the General Fund was approximately \$6,873,000, which was an increase of approximately \$608,000 from the prior year. Unassigned fund balance at the end of the current year was approximately 81% of total General Fund expenditures for the year ended June 30, 2018.
- The City's maximum/minimum fund balance policy as described in the notes to the financial statements allows the transfer of a portion of the unassigned general fund balance to a general capital reserve account. In fiscal year 2019, the City will transfer approximately \$1,181,000 to the General Capital Reserve Fund in accordance with this policy.

#### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section*, *Financial Section* (which includes management's discussion and analysis, the financial statements, the required supplementary information, and the supplementary information), the *Statistical Section*, and the *Compliance Section*.

#### Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of the City.

**Government-Wide Financial Statements** – The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

# CITY OF NEWBERRY, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, business licenses and permits, and state and federal grant funds (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 include general government, public safety, public works, parks, recreation and tourism, and community development. The business-type activity of the City is the Combined Public Utility System (electric, water, and sewer). The government-wide financial statements can be found as listed in the table of contents.

**Fund Financial Statements** – The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into the following categories: governmental and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains 15 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 and the Recreation Complex Special Revenue Fund, as these are considered to be major funds. Information for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as supplementary information as listed in the table of contents. 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, for the seizure fund, and for the federal equitable sharing fund.

**Proprietary Funds** – The City maintains one type of proprietary fund, an enterprise fund. The City 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City has one enterprise fund. The financial statements of the City's Utility Fund can be found as listed in the table of contents.

**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 as listed in the table of contents.

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. The City adopts an annual budget for its General Fund, as required by General Statutes, and the Recreation Complex Special Revenue Fund. Required budgetary comparison schedules have been provided for these two funds to demonstrate compliance with budgets. The City has also provided the required schedules for its participation in the State retirement plans as required by GAAP. Required supplementary information can be found as listed in the table of contents. Other supplementary information, including combined and individual fund statements and schedules, is presented immediately following the required supplementary information. This information can be found as listed in the table of contents.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

| Figure A-1   |  |   |  |
|--|--|---|--|
| Major Features of the City’s Government-Wide and Fund Financial Statements |  |   |  |
|  | Government-Wide<br>Financial Statements  | Fund Financial Statements   |  |
|  |  | Governmental Funds  | Proprietary<br>Funds   |
| Scope  | Entire City government.  | The activities of the City that are not proprietary.  | Activities the City operates similar to private businesses.  |
| Required<br>Financial<br>Statements  | <ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues,<br/>Expenditures, and Changes in<br/>Fund Balances.</li> </ul>                                    | <ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Revenues,<br/>Expenses, and Changes in<br/>Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul> |
| Accounting<br>Basis and<br>Measurement<br>Focus                            | Accrual accounting and economic resources focus.   | Modified accrual accounting and current financial resources focus.  | Accrual accounting and economic resources focus.   |
| Type of<br>Balance Sheet<br>Information                                    | All balance sheet elements, both financial and capital, and short-term and long-term.                              | Only balance sheet elements that come due during the year or shortly thereafter. No capital assets or long-term obligations are included.   | All balance sheet elements, short-term and long-term.  |
| Type of<br>Inflow/Outflow<br>Information                                   | All revenues and expenses during year, regardless of when cash is received or paid.                                | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid.  |

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of June 30, 2018 compared to June 30, 2017.

|                                       | Governmental Activities |                   | Business-Type Activities |                    | Total              |                      |
|---------------------------------------|-------------------------|-------------------|--------------------------|--------------------|--------------------|----------------------|
|                                       | 2018                    | 2017              | 2018                     | 2017               | 2018               | 2017                 |
| <b>Assets:</b>                        |                         |                   |                          |                    |                    |                      |
| Current and Other Assets              | \$ 14,943,868           | 11,143,245        | 27,985,350               | 33,891,429         | 42,929,218         | \$ 45,034,674        |
| Capital Assets, Net                   | 11,173,957              | 10,377,657        | 78,105,137               | 72,743,350         | 89,279,094         | 83,121,007           |
| <b>Total Assets</b>                   | <b>26,117,825</b>       | <b>21,520,902</b> | <b>106,090,487</b>       | <b>106,634,779</b> | <b>132,208,312</b> | <b>128,155,681</b>   |
| <b>Deferred Outflows of Resources</b> |                         |                   |                          |                    |                    |                      |
| Deferred Pension Charges              | 1,917,239               | 1,613,745         | 929,180                  | 691,605            | 2,846,419          | 2,305,350            |
| <b>Liabilities</b>                    |                         |                   |                          |                    |                    |                      |
| Other Liabilities                     | 470,364                 | 519,419           | 2,491,985                | 3,209,183          | 2,962,349          | 3,728,602            |
| Net Pension Liabilities               | 9,997,075               | 9,207,876         | 4,396,566                | 3,946,232          | 14,393,641         | 13,154,108           |
| Long-Term Liabilities                 | 1,266,239               | 1,370,581         | 49,859,388               | 52,023,483         | 51,125,627         | 53,394,064           |
| <b>Total Liabilities</b>              | <b>11,733,678</b>       | <b>11,097,876</b> | <b>56,747,939</b>        | <b>59,178,898</b>  | <b>68,481,617</b>  | <b>70,276,774</b>    |
| <b>Deferred Inflows of Resources</b>  |                         |                   |                          |                    |                    |                      |
| Deferred Pension Credits              | 78,472                  | 159,756           | 33,681                   | 15,668             | 112,153            | 175,424              |
| <b>Net Position</b>                   |                         |                   |                          |                    |                    |                      |
| Net Investment in Capital Assets      | 10,263,672              | 9,369,795         | 36,484,723               | 32,518,374         | 46,748,395         | 41,888,169           |
| Restricted                            | 4,824,694               | 934,878           | 538,473                  | 906,988            | 5,363,167          | 1,841,866            |
| Unrestricted                          | 1,134,548               | 1,572,342         | 13,214,851               | 14,706,456         | 14,349,399         | 16,278,798           |
| <b>Total Net Position</b>             | <b>\$ 16,222,914</b>    | <b>11,877,015</b> | <b>50,238,047</b>        | <b>48,131,818</b>  | <b>66,460,961</b>  | <b>\$ 60,008,833</b> |

The City's total assets increased approximately \$4,053,000 from the prior year, primarily due to an increase in cash due to revenues exceeding expenses. Current and other assets decreased approximately \$2,105,000 primarily due to a decrease in the utility fund cash of approximately \$5,570,000, as unspent bond proceeds were spent on improvements to the utility system. This was partially offset by an increase in cash for governmental activities due to the receipt of approximately \$3,665,000 from Newberry County from its capital projects sales tax program; the City plans on using these funds for a planned new recreation complex. Capital assets increased approximately \$6,158,000 from the prior year primarily due to net capital asset additions of approximately \$10,377,000 exceeding depreciation expense of approximately \$4,219,000. Total liabilities decreased approximately \$1,795,000 from the prior year primarily due to regularly scheduled principal payments on the City's debt and lease purchase obligations of approximately \$2,493,000, partially offset by an increase in the net pension liabilities of approximately \$1,240,000. The changes in deferred outflows and deferred inflows of resources were primarily due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the City's share of the net pension liabilities in the State retirement plans.

The City's net investment in capital assets (i.e., land, buildings, machinery, equipment, infrastructure, vehicles, etc.) less any related outstanding debt used to acquire those assets was approximately \$46,748,000 at June 30, 2018. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$5,363,000 represents resources that are subject to external restrictions on how they may be used. This portion is restricted primarily for debt service or functions which are restricted by the revenue source (i.e. hospitality fee, accommodations tax), including approximately \$4,387,000 for the new recreation complex.

CITY OF NEWBERRY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The remaining portion of the City's net position approximately \$14,349,000 is unrestricted and is available to be used at the City's discretion, including using resources to meet the obligations of the City's combined public utility system.

The following table shows the changes in the City's net position for 2018 compared to 2017.

|   | Governmental Activities |                   | Business-Type Activities |                   | Totals            |                      |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|----------------------|
|   | 2018                    | 2017              | 2018                     | 2017              | 2018              | 2017                 |
| Revenues:                               |                         |                   |                          |                   |                   |                      |
| Program Revenues:                       |                         |                   |                          |                   |                   |                      |
| Charges for Services                    | \$ 3,531,597            | 3,055,797         | 37,850,492               | 36,956,770        | 41,382,089        | \$ 40,012,567        |
| Operating Grants and Contributions      | 326,406                 | 2,292,761         | -                        | 1,726,585         | 326,406           | 4,019,346            |
| Capital Grants and Contributions        | 4,145,105               | 18,300            | -                        | 884,223           | 4,145,105         | 902,523              |
| General Revenues:                       |                         |                   |                          |                   |                   |                      |
| Taxes                                   | 3,345,628               | 3,207,200         | -                        | -                 | 3,345,628         | 3,207,200            |
| Other                                   | 1,048,772               | 663,017           | 137,093                  | 138,688           | 1,185,865         | 801,705              |
| Total Revenues                          | <u>12,397,508</u>       | <u>9,237,075</u>  | <u>37,987,585</u>        | <u>39,706,266</u> | <u>50,385,093</u> | <u>48,943,341</u>    |
| Expenses:                               |                         |                   |                          |                   |                   |                      |
| General Government                      | 1,124,666               | 1,367,851         | -                        | -                 | 1,124,666         | 1,367,851            |
| Public Safety                           | 4,247,398               | 4,693,817         | -                        | -                 | 4,247,398         | 4,693,817            |
| Public Works                            | 2,439,920               | 2,341,691         | -                        | -                 | 2,439,920         | 2,341,691            |
| Parks, Recreation, & Tourism            | 940,300                 | 951,086           | -                        | -                 | 940,300           | 951,086              |
| Community Development                   | 1,137,311               | 1,006,715         | -                        | -                 | 1,137,311         | 1,006,715            |
| Interest and Other Charges              | 27,923                  | 33,159            | -                        | -                 | 27,923            | 33,159               |
| Utility System                          | -                       | -                 | 34,015,447               | 33,957,901        | 34,015,447        | 33,957,901           |
| Total Expenses                          | <u>9,917,518</u>        | <u>10,394,319</u> | <u>34,015,447</u>        | <u>33,957,901</u> | <u>43,932,965</u> | <u>44,352,220</u>    |
| Change in Net Position Before Transfers | 2,479,990               | (1,157,244)       | 3,972,138                | 5,748,365         | 6,452,128         | 4,591,121            |
| Transfers In (Out)                      | 1,865,909               | 1,865,909         | (1,865,909)              | (1,865,909)       | -                 | -                    |
| Change in Net Position                  | <u>4,345,899</u>        | <u>708,665</u>    | <u>2,106,229</u>         | <u>3,882,456</u>  | <u>6,452,128</u>  | <u>4,591,121</u>     |
| Net Position, Beginning of Year         | <u>11,877,015</u>       | <u>11,168,350</u> | <u>48,131,818</u>        | <u>44,249,362</u> | <u>60,008,833</u> | <u>55,417,712</u>    |
| Net Position, End of Year               | <u>\$ 16,222,914</u>    | <u>11,877,015</u> | <u>50,238,047</u>        | <u>48,131,818</u> | <u>66,460,961</u> | <u>\$ 60,008,833</u> |

**Governmental Activities.** Governmental activities increased the City's net position by approximately \$4,346,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues increased approximately \$3,160,000 from the prior year primarily due to the approximately \$3,665,000 in funding received from Newberry County which will be used for a new recreation complex.
- Total governmental activities expenses decreased by approximately \$ 477,000 from the prior year (4.6%) due to lower salaries and other expenses in public safety.

**Business-Type Activities.** Net position for business-type activities increased by approximately \$2,106,000 in the current year, as revenues of approximately \$37,988,000 exceeded expenses and transfers of approximately \$35,882,000. See the discussion for the Proprietary Fund in the following section for details.

## CITY OF NEWBERRY, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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#### FINANCIAL ANALYSIS OF THE CITY'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balance of approximately \$14,019,000, an increase of approximately \$3,816,000 over the prior year fund balance.

Approximately \$6,873,000 (49%) of the total governmental fund balance of approximately \$14,019,000 constitutes unassigned fund balance, all of which is for the General Fund. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been set aside or constrained.

The General Fund is the chief operating fund of the City. At the end of the current year, the total fund balance was approximately \$8,072,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$6,873,000) represents 81% of total General Fund expenditures for the current year.

The fund balance for the General Fund increased by approximately \$652,000, as revenues of approximately \$6,858,000, transfers from other funds of approximately \$2,030,000 and proceeds from a capital lease of approximately \$259,000 exceeded expenditures of approximately \$8,495,000. The increase in fund balance of approximately \$652,000 for 2018 was approximately \$579,000 more than last year's increase of approximately \$73,000, due primarily to lower expenditures for public safety and public works totaling approximately \$456,000, combined with decreases in other functions, while revenues were relatively unchanged from the prior year. The decrease in public safety and public works was primarily due to approximately \$34,000 in building upgrades at the Police department in fiscal year 2017 that did not reoccur in fiscal year 2018, approximately \$65,000 in the purchase of machinery and equipment at the Fire department in fiscal year 2017 that did not occur in fiscal year 2018, and the City spending approximately \$412,000 less in street paving/resurfacing in fiscal year 2018 versus 2017, partially offset by increases in other operating expenditures.

In addition, the fund balances of the other governmental funds increased by approximately \$3,165,000 from the prior year fund balances. This increase was primarily due to revenues exceeding expenditures in the Recreation Complex Fund as the City received funds from Newberry County's capital sales tax program, which the City is planning on using for a new recreation complex, which was just getting started at the end of 2018.

**Proprietary Fund.** The City's proprietary fund statements provides the same type of information found in the government-wide statements but in more detail. Net position of the Utility Fund (the combined public utility system consisting of electric, water, and sewer operations) at the end of the year totaled approximately \$50,238,000, which was an increase of approximately \$2,106,000 from the prior year's net position. Details on changes in the Utility Fund were as follows:

- Total operating revenues increased approximately \$894,000 (2.4%) from the prior year to approximately \$37,850,000, primarily due to water and sewer rates increases. Water revenue generated approximately \$487,000 more and sewer rates generated approximately \$356,000 more in fiscal year 2018 versus fiscal year 2017. Operating expenses increased approximately \$122,000 (0.4%) from the prior year to approximately \$32,315,000. Net position increased approximately \$2,106,000 as a result of revenues exceeding expenses. Operating income was approximately \$5,535,000, an increase of approximately \$772,000 from the prior year's operating income of approximately \$4,763,000, due primarily to the increase in electrical and water sales.

CITY OF NEWBERRY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

- Debt service payments totaled approximately \$3,887,000, consisting of principal of approximately \$2,137,000 and interest and other fees of approximately \$1,750,000, were down approximately \$6,000 from last year's total debt service of approximately \$3,893,000. The City did not issue any revenue bonds during 2018.
- The City received approximately \$2,611,000 in federal and state grants for infrastructure construction projects in the prior year; the City did not receive any such grants in the current year.
- Total net position was approximately \$50,238,000 at June 30, 2018, consisting of approximately \$36,485,000 representing the net investment in capital assets, approximately \$538,000 that was restricted (primarily for future debt service), with the balance of approximately \$13,215,000 that was unrestricted. Unrestricted net position decreased approximately \$1,492,000 from the prior year, as the City used a portion of its unrestricted cash for ongoing capital projects.

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City did not have any budget amendments during the year ended June 30, 2018.

Actual revenues totaling approximately \$6,858,000 were approximately \$412,000 (5.7%) lower than budgeted revenues of approximately \$7,270,000, as taxes, fines and forfeitures, and intergovernmental revenues were approximately \$141,000, \$223,000 and \$345,000 less than budget, respectively, due to prior year tax refunds given by the County, fines being lower than anticipated, and the City received less in County Transportation Committee funds than expected. These funds are used for street paving/resurfacing. The City did not spend as much on street paving/resurfacing due to the award from the County Transportation Committee being lower than expected. These decreases were partially offset by higher licenses, charges for services, and miscellaneous revenues of approximately \$194,000, \$84,000, and \$19,000, respectively, due to the City focusing on making sure every business in the City is properly licensed, an increase in revenue in the Arts Program, and rising interest rates.

Actual expenditures totaling approximately \$8,495,000 were approximately \$1,455,000 (14.6%) lower than budgeted expenditures of approximately \$9,950,000. This was due primarily to much lower employee benefits (approximately \$305,000 or 14.6%) due to the City's share of employee insurance being lower than expected, and worker's compensation claims were lower than anticipated. In addition, Parks, Recreation and Tourism was approximately \$512,000 (24.6%) lower than budget due to the Sidewalk to Middle School project not being financially viable once the Department of Transportation got involved. This project will not be done. Also, Public Works and Public Safety expenditures were approximately \$343,000 (17.8%) and \$282,000 (8.0%) lower than budgeted, respectively, due to lower than budgeted employee costs in both departments.

Also, transfers in from other funds of approximately \$2,030,000 were approximately \$262,000 (11%) lower than budgeted transfers in of approximately \$2,292,000.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City’s capital assets as of June 30, 2018 and June 30, 2017, amounted to approximately \$89,279,000 and \$83,121,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, machinery and equipment, and vehicles. See the table below:

|                            | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                   | <b>Total</b>      |                      |
|----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|----------------------|
|                            | <b>2018</b>                    | <b>2017</b>       | <b>2018</b>                     | <b>2017</b>       | <b>2018</b>       | <b>2017</b>          |
| Land                       | \$ 1,536,519                   | 1,536,519         | 320,344                         | 379,863           | 1,856,863         | \$ 1,916,382         |
| Construction in Progress   | 55,500                         | -                 | 21,261,977                      | 18,510,739        | 21,317,477        | 18,510,739           |
| Buildings and Improvements | 7,496,893                      | 6,863,501         | 12,121,703                      | 12,648,140        | 19,618,596        | 19,511,641           |
| Infrastructure             | 549,311                        | 537,007           | -                               | -                 | 549,311           | 537,007              |
| Utility Systems            | -                              | -                 | 42,863,780                      | 39,526,093        | 42,863,780        | 39,526,093           |
| Furniture and Fixtures     | 428,631                        | 161,051           | 1,102,451                       | 1,084,598         | 1,531,082         | 1,245,649            |
| Vehicles and Equipment     | 1,107,103                      | 1,279,579         | 434,882                         | 593,917           | 1,541,985         | 1,873,496            |
| <b>Total</b>               | <b>\$ 11,173,957</b>           | <b>10,377,657</b> | <b>78,105,137</b>               | <b>72,743,350</b> | <b>89,279,094</b> | <b>\$ 83,121,007</b> |

The total increase in the City’s capital assets for the current year was approximately \$6,158,000. Major capital asset events during the current year included the following:

- Capital asset additions of approximately \$1,694,000 for governmental activities:
  - Approximately \$56,000 for architecture and engineering on the new recreation complex.
  - Purchases of various machinery and equipment totaling approximately \$319,000.
  - Purchases of various vehicles totaling approximately \$368,000.
  - Building and improvement additions of approximately \$876,000, primarily for the Oakland Tennis Center.
  - Infrastructure additions of approximately \$75,000.
- Capital asset additions of approximately \$8,668,000 for business-type activities:
  - Approximately \$5,847,000 related to the electric substation and water system upgrades.
  - Additions to the utility system of approximately \$2,382,000 composed of upgrades to the electric, water, and sewer systems.
  - Purchase of various vehicles and other equipment totaling approximately \$341,000.
  - Additions to buildings and improvements of approximately \$98,000.
- Net disposals of capital assets of approximately \$15,000 for governmental activities.
- Depreciation expense of approximately \$913,000 and \$3,306,000 for governmental activities and business-type activities, respectively.

Additional information about the City’s capital assets is included in Note III.D in the notes to the financial statements.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

***Debt Administration***

As of June 30, 2018 and June 30, 2017, the City had total outstanding debt (consisting of revenue bonds, state revolving loans and lease purchases) of approximately \$50,610,000 and \$52,884,000, respectively. See the table below:

|   | <b>Governmental Activities</b> |                  | <b>Business-Type Activities</b> |                   | <b>Total</b>      |                      |
|---|--------------------------------|------------------|---------------------------------|-------------------|-------------------|----------------------|
|   | <b>2018</b>                    | <b>2017</b>      | <b>2018</b>                     | <b>2017</b>       | <b>2018</b>       | <b>2017</b>          |
| Debt:                                       |                                |                  |                                 |                   |                   |                      |
| Revenue Bonds, Loan (including premiums) \$ | -                              | -                | 49,699,978                      | 51,875,774        | 49,699,978        | \$ 51,875,774        |
| Lease Purchases                             | 910,285                        | 1,007,862        | -                               | -                 | 910,285           | 1,007,862            |
| Total Debt                                  | <u>\$ 910,285</u>              | <u>1,007,862</u> | <u>49,699,978</u>               | <u>51,875,774</u> | <u>50,610,263</u> | <u>\$ 52,883,636</u> |

The total decrease in the City's debt and lease purchase obligations for the current year was approximately \$2,273,000. Major 2018 events for the City's governmental and business-type activities were as follows:

- The City's governmental activities total debt decreased by approximately \$98,000 due to regularly scheduled principal payments of \$356,000, partially offset by a new capital lease of approximately \$258,000.
- The City's business type total debt decreased by approximately \$2,176,000 due to regularly scheduled principal payments and amortization of premiums.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. As of June 30, 2018, the City had no debt subject to the 8% debt limit of approximately \$2,145,000.

Other long-term obligations include the City's accrued compensated absences. Additional information about the City's long-term obligations is included in Note III.E in the notes to the financial statements.

**ECONOMIC FACTORS AND 2019 BUDGET FOR THE CITY**

At June 30, 2018, unemployment for Newberry County stood at 3.4% compared to 3.8% at June 30, 2017. In comparison, the state's unemployment rate at June 30, 2018 was 3.8% and the national rate was 4.0%. Fiscal year 2018 data from the City's Local Hospitality and Accommodations Fee Fund showed improvement when compared to fiscal year 2017 data. Hospitality and Accommodations gross sales increased 1.5%, from \$43.226 million for the year ended June 30, 2017 to \$43.853 million for the year ended June 30, 2018.

The City began the budgetary process in January 2018, at which time the uncertain economic conditions forecast for fiscal year 2019 were considered. A general operating tax of 82.7 mills was approved by City Council.

Additionally, a general capital reserve tax rate of 1.1 mills was levied to be used to fund or finance the acquisition of new or replacement capital items as approved by City Council.

At June 30, 2018, the unassigned fund balance of the General Fund was approximately \$6,873,000. The City has budgeted a use of fund balance for fiscal year 2019 of approximately \$388,000. The use of fund balance is being carefully monitored by City administration during the annual budgetary process to prevent dependency on one-time revenues to financially support recurring expenditures.

In the City's utility enterprise fund, City Council increased water rates 2% on minimum charges and sewer rates 2% on minimum charges, primarily to achieve the City's goal of having each service type (electric, water, and sewer) function in a self-supporting manner.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

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**ECONOMIC FACTORS AND 2019 BUDGET FOR THE CITY (CONTINUED)**

The City's elected officials and staff considered many factors when setting the budget for the year ended June 30, 2019 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs, and the best interests of the City's residents were all taken into account. Economic factors and key budget highlights that were considered in preparing the 2019 budget were as follows:

- The City continues to benefit from a strong local economy relative to other areas of the country and state. Following a decline with the recession, building permits have steadily increased. In turn, tax receipts and other revenues are expected to continue to grow as well. Commercial occupancy rates also appear to be steadily improving.
- City Council approved total General Fund expenditures for FY 2019 of approximately \$9,838,000, which is a decrease of approximately \$112,000 from its FY 2018 budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Newberry, 1330 College Street, Newberry, South Carolina, 29108 or visit our website at [www.cityofnewberry.com](http://www.cityofnewberry.com).

# Basic Financial Statements

CITY OF NEWBERRY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2018

|   | PRIMARY GOVERNMENT         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                                     |                            |                             |                      |
| Cash and Investments                              | \$ 9,355,709               | 12,575,186                  | \$ 21,930,895        |
| Cash and Cash Investments, Restricted             | 4,882,320                  | 9,093,032                   | 13,975,352           |
| Receivables, Net:                                 |                            |                             |                      |
| Taxes   | 114,646                    | -                           | 114,646              |
| Accounts  | -                          | 4,325,391                   | 4,325,391            |
| Intergovernmental                                 | 112,841                    | 7,525                       | 120,366              |
| Other   | 172,843                    | 17,045                      | 189,888              |
| Internal Balances                                 | (87,518)                   | 87,518                      | -                    |
| Inventories                                       | 38,027                     | 1,879,653                   | 1,917,680            |
| Notes Receivable                                  | 355,000                    | -                           | 355,000              |
| Capital Assets, Net:                              |                            |                             |                      |
| Non-Depreciable                                   | 1,592,019                  | 21,582,321                  | 23,174,340           |
| Depreciable, Net                                  | 9,581,938                  | 56,522,816                  | 66,104,754           |
| <b>TOTAL ASSETS</b>                               | <b>26,117,825</b>          | <b>106,090,487</b>          | <b>132,208,312</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |                      |
| Deferred Pension Charges                          | 1,917,239                  | 929,180                     | 2,846,419            |
| <b>LIABILITIES</b>                                |                            |                             |                      |
| Accounts Payable                                  | 93,273                     | 1,940,900                   | 2,034,173            |
| Intergovernmental Payables                        | 24,002                     | -                           | 24,002               |
| Accrued Salaries and Payroll Liabilities          | 353,089                    | 64,006                      | 417,095              |
| Other Accrued Liabilities                         | -                          | 12,084                      | 12,084               |
| Retainage Payable                                 | -                          | 98,077                      | 98,077               |
| Accrued Interest Payable                          | -                          | 376,918                     | 376,918              |
| Non-Current Liabilities:                          |                            |                             |                      |
| Net Pension Liability                             | 9,997,075                  | 4,396,566                   | 14,393,641           |
| Long-Term Obligations - Due Within One Year       | 539,176                    | 2,289,024                   | 2,828,200            |
| Long-Term Obligations - Due in More Than One Year | 727,063                    | 47,570,364                  | 48,297,427           |
| <b>TOTAL LIABILITIES</b>                          | <b>11,733,678</b>          | <b>56,747,939</b>           | <b>68,481,617</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                            |                             |                      |
| Deferred Pension Credits                          | 78,472                     | 33,681                      | 112,153              |
| <b>NET POSITION</b>                               |                            |                             |                      |
| Net Investment in Capital Assets                  | 10,263,672                 | 36,484,723                  | 46,748,395           |
| Restricted For:                                   |                            |                             |                      |
| Tourism Related Costs                             | 314,119                    | -                           | 314,119              |
| Streetscape                                       | 95,947                     | -                           | 95,947               |
| Public Safety                                     | 17,206                     | -                           | 17,206               |
| Parks and Recreation Improvements                 | 4,387,422                  | -                           | 4,387,422            |
| Nonexpendable - Permanent Fund                    | 10,000                     | -                           | 10,000               |
| Debt Service                                      | -                          | 410,583                     | 410,583              |
| Renewal and Replacement                           | -                          | 127,890                     | 127,890              |
| Unrestricted                                      | 1,134,548                  | 13,214,851                  | 14,349,399           |
| <b>TOTAL NET POSITION</b>                         | <b>\$ 16,222,914</b>       | <b>50,238,047</b>           | <b>\$ 66,460,961</b> |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

## CITY OF NEWBERRY, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS                         | PROGRAM REVENUES     |                         |  |  | NET (EXPENSE) REVENUE AND<br>CHANGE IN NET POSITION |   |                      |
|--|----------------------|-------------------------|--|--|---|---|----------------------|
|  | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                          | Primary Government<br>Business-Type<br>Activities | Totals               |
| <b>PRIMARY GOVERNMENT:</b>                 |                      |                         |  |  |   |   |                      |
| Governmental Activities:                   |                      |                         |  |  |   |   |                      |
| General Government                         | \$ 1,124,666         | 1,895,761               | -  | -                                      | 771,095   | -   | \$ 771,095           |
| Public Safety                              | 4,247,398            | 410,249                 | 241,631                                  | -                                      | (3,595,518)   | -   | (3,595,518)          |
| Public Works                               | 2,439,920            | 944,662                 | -  | -                                      | (1,495,258)   | -   | (1,495,258)          |
| Parks, Recreation, and Tourism             | 940,300              | 233,348                 | 84,775                                   | 3,802,600                              | 3,180,423   | -   | 3,180,423            |
| Community Development                      | 1,137,311            | 47,577                  | -  | 342,505                                | (747,229)   | -   | (747,229)            |
| Interest on Long-Term Debt                 | 27,923               | -                       | -  | -                                      | (27,923)  | -   | (27,923)             |
| Total Governmental Activities              | 9,917,518            | 3,531,597               | 326,406                                  | 4,145,105                              | (1,914,410)   | -   | (1,914,410)          |
| Business-Type Activities:                  |                      |                         |  |  |   |   |                      |
| Utility System                             | 34,015,447           | 37,850,492              | -  | -                                      | -   | 3,835,045   | 3,835,045            |
| Total Business-Type Activities             | 34,015,447           | 37,850,492              | -  | -                                      | -   | 3,835,045   | 3,835,045            |
| <b>TOTAL - PRIMARY GOVERNMENT</b>          | <b>\$ 43,932,965</b> | <b>41,382,089</b>       | <b>326,406</b>                           | <b>4,145,105</b>                       | <b>(1,914,410)</b>                                  | <b>3,835,045</b>                                  | <b>1,920,635</b>     |
| General Revenues:                          |                      |                         |  |  |   |   |                      |
| Taxes:                                     |                      |                         |  |  |   |   |                      |
| Property Taxes Levied for General Purposes |                      |                         |  |  | 2,276,051   | -   | 2,276,051            |
| Hospitality and Accommodations Taxes       |                      |                         |  |  | 1,069,577   | -   | 1,069,577            |
| Unrestricted Intergovernmental Revenue     |                      |                         |  |  | 967,743   | -   | 967,743              |
| Interest Revenue                           |                      |                         |  |  | 22,878  | 137,093   | 159,971              |
| Gain on Sale of Capital Assets             |                      |                         |  |  | 39,018  | -   | 39,018               |
| Miscellaneous                              |                      |                         |  |  | 19,133  | -   | 19,133               |
| Transfers                                  |                      |                         |  |  | 1,865,909   | (1,865,909)                                       | -                    |
| Total General Revenues and Transfers       |                      |                         |  |  | 6,260,309   | (1,728,816)                                       | 4,531,493            |
| <b>CHANGE IN NET POSITION</b>              |                      |                         |  |  | <b>4,345,899</b>                                    | <b>2,106,229</b>                                  | <b>6,452,128</b>     |
| NET POSITION, Beginning of Year            |                      |                         |  |  | 11,877,015  | 48,131,818  | 60,008,833           |
| <b>NET POSITION, End of Year</b>           |                      |                         |  |  | <b>16,222,914</b>                                   | <b>50,238,047</b>                                 | <b>\$ 66,460,961</b> |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF NEWBERRY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

|  | GENERAL<br>FUND     | RECREATION<br>COMPLEX<br>FUND | NON MAJOR<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-------------------------------|--------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                               |                    |                                |
| Cash and Investments   | \$ 8,364,260        | -                             | 991,449            | \$ 9,355,709                   |
| Cash and Investments, Restricted   | -                   | 4,412,312                     | 470,008            | 4,882,320                      |
| Receivables, Net:  |                     |                               |                    |                                |
| Taxes  | 114,646             | -                             | -                  | 114,646                        |
| Intergovernmental  | 58,878              | -                             | 53,963             | 112,841                        |
| Other  | 88,937              | 110                           | 83,796             | 172,843                        |
| Notes receivables  | -                   | -                             | 355,000            | 355,000                        |
| Due From Other Funds   | 5,441               | -                             | 172,030            | 177,471                        |
| Inventories  | 38,027              | -                             | -                  | 38,027                         |
| <b>TOTAL ASSETS</b>  | <b>\$ 8,670,189</b> | <b>4,412,422</b>              | <b>2,126,246</b>   | <b>\$ 15,208,857</b>           |
| <b>LIABILITIES</b>   |                     |                               |                    |                                |
| Accounts Payable   | \$ 45,945           | 25,000                        | 22,328             | \$ 93,273                      |
| Intergovernmental Payables   | 24,002              | -                             | -                  | 24,002                         |
| Accrued Salaries and Payroll Liabilities                                   | 345,834             | -                             | 7,255              | 353,089                        |
| Due to Other Funds   | 90,719              | -                             | 174,270            | 264,989                        |
| <b>TOTAL LIABILITIES</b>   | <b>506,500</b>      | <b>25,000</b>                 | <b>203,853</b>     | <b>735,353</b>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                     |                               |                    |                                |
| Unavailable Revenues   | 92,140              | -                             | 361,918            | 454,058                        |
| <b>FUND BALANCES</b>   |                     |                               |                    |                                |
| Nonspendable   |                     |                               |                    |                                |
| Inventories  | 38,027              | -                             | -                  | 38,027                         |
| Restricted   |                     |                               |                    |                                |
| Tourism Related Expenditures   | -                   | -                             | 314,119            | 314,119                        |
| Streetscape  | -                   | -                             | 95,947             | 95,947                         |
| Public Safety  | -                   | -                             | 17,206             | 17,206                         |
| Parks and Recreation Improvements  | -                   | 4,387,422                     | -                  | 4,387,422                      |
| Other  | -                   | -                             | 10,000             | 10,000                         |
| Committed  |                     |                               |                    |                                |
| Tourism Related Expenditures   | -                   | -                             | 282,457            | 282,457                        |
| Parks and Recreation   | -                   | -                             | 212,117            | 212,117                        |
| Public Safety  | -                   | -                             | 26,279             | 26,279                         |
| Cultural Arts  | -                   | -                             | 65,341             | 65,341                         |
| Special Events   | -                   | -                             | 84,183             | 84,183                         |
| Assigned   |                     |                               |                    |                                |
| Community Development  | -                   | -                             | 441,761            | 441,761                        |
| Depreciation   | 1,160,717           | -                             | -                  | 1,160,717                      |
| Other  | -                   | -                             | 11,065             | 11,065                         |
| Unassigned   | 6,872,805           | -                             | -                  | 6,872,805                      |
| <b>TOTAL FUND BALANCES</b>   | <b>8,071,549</b>    | <b>4,387,422</b>              | <b>1,560,475</b>   | <b>14,019,446</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 8,670,189</b> | <b>4,412,422</b>              | <b>2,126,246</b>   | <b>\$ 15,208,857</b>           |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF NEWBERRY, SOUTH CAROLINA**

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

**JUNE 30, 2018**

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|  |                      |
|--|----------------------|
| <b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>  | <b>\$ 14,019,446</b> |
| Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:  |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$23,332,737 and the accumulated depreciation was \$12,158,780.   | 11,173,957           |
| Property taxes receivable and other long-term receivables will ultimately be collected, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.  | 454,058              |
| The City's proportionate shares of the net pension liabilities, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. | (8,158,308)          |
| Long-term liabilities, including bonds payable, lease purchases, and capital leases, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:                                |                      |
| Compensated Absences   | (355,954)            |
| Capital Lease Obligations  | (910,285)            |
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>  | <b>\$ 16,222,914</b> |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF NEWBERRY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

|  | GENERAL<br>FUND     | RECREATION<br>COMPLEX<br>FUND | NON MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-------------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                               |                                    |                                |
| Taxes  | \$ 2,267,341        | -                             | 1,069,577                          | \$ 3,336,918                   |
| Licenses, Permits, and Fees                                  | 1,895,760           | -                             | -                                  | 1,895,760                      |
| Fines, Forfeitures and Penalties                             | 380,014             | -                             | 36,309                             | 416,323                        |
| Charges for Services   | 1,059,456           | -                             | -                                  | 1,059,456                      |
| Intergovernmental  | 1,199,351           | 3,665,375                     | 364,326                            | 5,229,052                      |
| Miscellaneous  | 55,805              | 157                           | 380,299                            | 436,261                        |
| <b>TOTAL REVENUES</b>  | <b>6,857,727</b>    | <b>3,665,532</b>              | <b>1,850,511</b>                   | <b>12,373,770</b>              |
| <b>EXPENDITURES</b>  |                     |                               |                                    |                                |
| Current:   |                     |                               |                                    |                                |
| General Government   | 697,594             | -                             | -                                  | 697,594                        |
| Public Safety  | 3,262,585           | -                             | 33,088                             | 3,295,673                      |
| Public Works   | 1,583,281           | -                             | -                                  | 1,583,281                      |
| Parks, Recreation, and Tourism                               | 645,474             | 350                           | -                                  | 645,824                        |
| Community Development  | -                   | -                             | 1,137,311                          | 1,137,311                      |
| Non-Departmental   | 2,036,927           | -                             | 845,655                            | 2,882,582                      |
| Capital Outlay   | -                   | 55,500                        | -                                  | 55,500                         |
| Debt Service:  |                     |                               |                                    |                                |
| Principal  | 253,991             | -                             | 102,187                            | 356,178                        |
| Interest   | 15,421              | -                             | 12,502                             | 27,923                         |
| <b>TOTAL EXPENDITURES</b>                                    | <b>8,495,273</b>    | <b>55,850</b>                 | <b>2,130,743</b>                   | <b>10,681,866</b>              |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(1,637,546)</b>  | <b>3,609,682</b>              | <b>(280,232)</b>                   | <b>1,691,904</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                               |                                    |                                |
| Transfers In   | 2,030,454           | 777,740                       | 1,354,302                          | 4,162,496                      |
| Transfers Out  | -                   | -                             | (2,296,587)                        | (2,296,587)                    |
| Proceeds from Capital Leases                                 | 258,601             | -                             | -                                  | 258,601                        |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>2,289,055</b>    | <b>777,740</b>                | <b>(942,285)</b>                   | <b>2,124,510</b>               |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <b>651,509</b>      | <b>4,387,422</b>              | <b>(1,222,517)</b>                 | <b>3,816,414</b>               |
| FUND BALANCES, Beginning of Year                             | 7,420,040           | -                             | 2,782,992                          | 10,203,032                     |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ 8,071,549</b> | <b>4,387,422</b>              | <b>1,560,475</b>                   | <b>\$ 14,019,446</b>           |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF NEWBERRY, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

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TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,816,414

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

|  |                |
|--|----------------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. In addition, revenues in the funds that provide current financial resources are reported as revenues in the funds. They are considered revenues in the Statement of Activities. | 8,710          |
| Changes in the City's proportionate share of the net pension liabilities, deferred outflows of resources, and deferred inflows of resources related to the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities  | (404,421)      |
| Repayment of debt, lease purchase, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.  | 356,178        |
| Bond and lease purchase/capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases/capital leases increases long-term liabilities in the Statement of Net Position.   | (258,601)      |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.  | 31,319         |
| In the Statement of Activities the loss on disposal of capital assets is reported, whereas in the governmental funds, proceeds from disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.  | 15,028         |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$1,694,356 exceeded depreciation expense of \$913,084 in the current period.     | <u>781,272</u> |

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,345,899

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF NEWBERRY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2018

|  | <u>UTILITY FUND</u>  |
|--|----------------------|
| <b>ASSETS</b>                              |                      |
| Current Assets:                            |                      |
| Cash and Cash Investments                  | \$ 12,575,186        |
| Cash and Cash Investments, Restricted      | 9,093,032            |
| Receivables, Net                           |                      |
| Accounts                                   | 4,325,391            |
| Intergovernmental                          | 7,525                |
| Other                                      | 17,045               |
| Due From Other Funds                       | 87,529               |
| Inventories                                | 1,879,653            |
| Total Current Assets                       | <u>27,985,361</u>    |
| Noncurrent Assets:                         |                      |
| Capital Assets, Net:                       |                      |
| Non-Depreciable                            | 21,582,321           |
| Depreciable, Net                           | 56,522,816           |
| Total Noncurrent Assets                    | <u>78,105,137</u>    |
| <b>TOTAL ASSETS</b>                        | <u>106,090,498</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>      |                      |
| Deferred Pension Charges                   | <u>929,180</u>       |
| <b>LIABILITIES</b>                         |                      |
| Current Liabilities:                       |                      |
| Accounts Payable                           | 1,940,900            |
| Accrued Salaries Payable                   | 64,006               |
| Other Accrued Liabilities                  | 12,084               |
| Retainage Payable                          | 98,077               |
| Due to Other Funds                         | 11                   |
| Accrued Interest Payable                   | 376,918              |
| Current Portion of Compensated Absences    | 98,283               |
| Current Portion of Revenue Bond            | 1,305,000            |
| Current Portion of Loans Payable           | 885,741              |
| Total Current Liabilities                  | <u>4,781,020</u>     |
| Noncurrent Liabilities:                    |                      |
| Compensated Absences, Less Current Portion | 61,127               |
| Net Pension Liability                      | 4,396,566            |
| Revenue Bond, Less Current Portion         | 34,902,075           |
| Loans Payable, Less Current Portion        | 12,607,162           |
| Total Noncurrent Liabilities               | <u>51,966,930</u>    |
| <b>TOTAL LIABILITIES</b>                   | <u>56,747,950</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                      |
| Deferred Pension Credits                   | <u>33,681</u>        |
| <b>NET POSITION</b>                        |                      |
| Net Investment in Capital Assets:          |                      |
| Restricted                                 |                      |
| Debt Service                               | 410,583              |
| Renewal and Replacement                    | 127,890              |
| Unrestricted                               | 13,214,851           |
| <b>TOTAL NET POSITION</b>                  | <u>\$ 50,238,047</u> |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2018**

|  | <u><b>UTILITY FUND</b></u>  |
|--|-----------------------------|
| <b>OPERATING REVENUES</b>                      |                             |
| Charges for Sales and Services                 | \$ 37,798,663               |
| Miscellaneous                                  | 51,829                      |
| <b>TOTAL OPERATING REVENUES</b>                | <u><b>37,850,492</b></u>    |
| <b>OPERATING EXPENSES</b>                      |                             |
| Costs of Sales and Services                    | 28,042,483                  |
| Administration                                 | 966,201                     |
| Depreciation                                   | 3,306,465                   |
| <b>TOTAL OPERATING EXPENSES</b>                | <u><b>32,315,149</b></u>    |
| <b>OPERATING INCOME</b>                        | <u>5,535,343</u>            |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>       |                             |
| Interest Revenue                               | 137,093                     |
| Interest Expense, Bank Fees, and Other         | (1,700,298)                 |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b> | <u>(1,563,205)</u>          |
| <b>INCOME BEFORE TRANSFERS</b>                 | <b>3,972,138</b>            |
| Transfers Out                                  | <u>(1,865,909)</u>          |
| <b>CHANGE IN NET POSITION</b>                  | <b>2,106,229</b>            |
| NET POSITION, BEGINNING OF YEAR                | <u>48,131,818</u>           |
| <b>NET POSITION, END OF YEAR</b>               | <u><b>\$ 50,238,047</b></u> |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF NEWBERRY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2018

|  | <b>UTILITY<br/>FUND</b> |
|--|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                         |
| Receipts from Charges for Sales and Services                                     | \$ 37,482,851           |
| Receipts from Other Revenues   | 51,829                  |
| Payments for Goods and Services  | (25,118,537)            |
| Payments for Personnel Services  | (3,144,739)             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                 | <b>9,271,404</b>        |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                          |                         |
| Subsidy from Other Governments   | (1,868)                 |
| Transfer To Other Funds  | (1,866,055)             |
| <b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>                         | <b>(1,867,923)</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                  |                         |
| Purchase of Capital Assets   | (9,353,217)             |
| Capital Grants and Contributions   | 130,218                 |
| Principal Paid on Revenue Bond and Notes Payable                                 | (2,136,850)             |
| Interest and Other Fees Paid   | (1,750,327)             |
| <b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>                 | <b>(13,110,176)</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                         |
| Interest Received  | 137,093                 |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                 | <b>137,093</b>          |
| <b>NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>     | <b>(5,569,602)</b>      |
| <b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b>27,237,820</b>       |
| <b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>        | <b>\$ 21,668,218</b>    |
| <b>Reconciliation of Operating Income to Net Cash from Operating Activities:</b> |                         |
| Operating Income   | \$ 5,535,343            |
| Adjustments to Reconcile Operating Income to Net Cash from Operating Activities  |                         |
| Depreciation   | 3,306,465               |
| Change in Accounts Representing Operating Activities:                            |                         |
| Receivables, Net   | 217,927                 |
| Inventory  | (9,654)                 |
| Accounts Payable   | (38,007)                |
| Accrued Salaries   | 16,857                  |
| Accrued Compensated Absences   | 11,701                  |
| Deferred Pension Charges   | (237,575)               |
| Net Pension Liability  | 450,334                 |
| Deferred Pension Credits   | 18,013                  |
| <b>Net Cash Provided by Operating Activities</b>                                 | <b>\$ 9,271,404</b>     |
| <b>Non-Cash Investing, Capital and Financing Activities:</b>                     |                         |
| Acquisition of Capital Assets Not Yet Paid For                                   | \$ 98,077               |

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

# CITY OF NEWBERRY, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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The City of Newberry ("City") was established in 1832. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City 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 ten staff departments: Economic Development; Public Works; Planning and Development; Parks, Recreation, and Tourism under the direction of the Assistant City Manager; Fire; Police; Utilities; Finance; Human Resources; and Information Services.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

As required by GAAP, the financial statements must present the City's financial information with any of its component units (if significant). The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has no significant component units.

#### *Related Organizations*

The Clinton-Newberry Natural Gas Authority (the "Authority") is controlled by a seven-member Board, which has oversight responsibility over all of the activities of the Authority, which is to provide natural gas to the municipalities of Clinton and Newberry. This seven-member Board is appointed by the City of Clinton (two members) and the City of Newberry (two members). Also, the mayor of each City is an ex-officio member of the Board. A seventh member is also appointed by the other six. The Authority is not included in any other governmental "reporting entity" as defined in GASB Sec. 2100.108 since a majority of its Board members are not controlled by another governmental entity and the Authority's Board has decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. For these reasons, the Authority is recognized as a primary government in accordance with GAAP and is not a component unit of the City. The City received approximately \$859,000 from the Authority for the year ended June 30, 2018 for economic development and other contributions.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

*Related Organizations (Continued)*

The Newberry Opera House (“NOH”) is a not-for-profit organization located in Newberry, South Carolina. City Council is responsible for appointing the members of the board of directors (“Board”) for the NOH (both the Mayor and the City Manager serve as members of the Board), but it cannot remove Board members at will. The City is not financially accountable for NOH and thus it is not considered to be a component unit of the City. The City owns and maintains the building in which the NOH is using. The City expended approximately \$370,000 towards the operations of the NOH during the year ended June 30, 2018, primarily for utilities and salaries and benefits for several employees.

*Major Operations*

The City’s major governmental operations include: general government, public safety (police and fire), public works, parks, recreation, and tourism, community development, and non-departmental (which includes general insurance, employee benefits, and community promotions and projects). In addition, the City provides electric, water, and sewer operations through its enterprise fund.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial 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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the financial statements of the Proprietary Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

For this purpose, the government considers its revenues to be available if they are generally collected within sixty days of the end of the current fiscal period with the exception of property taxes, for which the City uses a fifteen day availability period, and certain reimbursement expenditure grants, for which a twelve month availability period is generally used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, lease purchase expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following fund types and major funds are used by the City.

**Governmental Fund Types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related balance sheet items (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has one major special revenue fund, the Recreation Complex Fund. The City has the following non-major special revenue funds:

|  |   |
|--|---|
| Newberry Allied Narcotics Unit Fund ("NANU") | Streetscape Fund                          |
| Federal Equitable Sharing Fund               | Local Hospitality/Accommodations Fee Fund |
| Tourism Fund                                 | Volunteer Firemen Fund                    |
| Special Events Fund                          | Victim's Rights Fund                      |
| State Accommodations Tax Fund                | Seizure Fund                              |
| Cultural Arts Fund                           | Oakland Tennis Fund                       |
| Community Housing/Development Fund           |   |

**Permanent Funds** are used to account for and report specific revenue sources that are restricted to the extent that only earnings, and not principal, may be used to support government programs with benefit the government or its citizens. The City has one non-major permanent fund, the Japanese Gardens Fund.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

*Proprietary Fund Types* are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City has one enterprise fund and does not have any internal service funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services/fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City has one enterprise fund, the **Utility Fund, a major fund** and a budgeted fund, which is used to account for assets and activities of the City's electric, water, and sewer operations. All costs are financed through charges to utility customers.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. *Cash, Cash Equivalents, and Investments*

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types, and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**1. Cash, Cash Equivalents, and Investments (Continued)**

- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments in its operating activities:

- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.
- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

**2. Receivables and Payables**

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

2. *Receivables and Payables (Continued)*

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including utility billings, franchise fees, hospitality fees, and other fees and charges.

3. *Inventories and Prepaid Items*

Inventories are for supplies and are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation.

Public domain (“infrastructure”) general capital assets, consist of the road network (i.e. roads, curbs, gutters, sidewalks, etc.) and sewer system assets that were acquired or that received substantial improvements. These assets are reported at estimated historical cost. The City uses a \$10,000 threshold for capitalizing infrastructure assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Interest costs related to Proprietary Fund construction are capitalized as part of the capitalized value of the asset constructed, if material. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

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

|                                       |               |
|---------------------------------------|---------------|
| Buildings and Improvements            | 10 - 50 years |
| Infrastructure                        | 30 - 50 years |
| Utility Systems                       | 30 - 40 years |
| Vehicles                              | 5 - 20 years  |
| Equipment, Furniture, and Furnishings | 5 - 15 years  |

5. *Compensated Absences*

The City’s policy allows employees to accumulate vacation leave up to six work weeks and unused sick leave up to a maximum of eighteen work weeks. Upon termination, any accumulated vacation leave will be paid to the employee. Sick leave must be used for a valid illness and will not be paid upon termination. The City reports compensated absences in accordance with the provisions of GASB Statement No. 16 “*Accounting for Compensated Absences*”. The entire compensated absence liability and expense is reported in the government-wide financial statements. The portion applicable to the City’s enterprise activities is also recorded in the Enterprise Fund financial statements, if material. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or retirements.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable premiums and discounts. Issuance costs are expensed when incurred.

In the governmental fund financial statements, debt premiums, discounts and issuance costs are recognized immediately. The face amount of debt, lease purchases, and capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, and capital leases, compensated absences, net pension obligations, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources: The City also reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue* for property taxes and notes receivable only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax and other revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the City classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action (ordinance/resolution) made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made by an approved motion by City Council before the report issuance date.

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

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

The City's Council has set a General Fund minimum unassigned fund balance target at 33% of total audited General Fund expenditures for the previous fiscal year and a maximum of 67% of the most recently audited fiscal year's General Fund expenditures. Unless directed otherwise by City Council, any amount in excess of the maximum as defined above will be transferred to the General Capital Reserve account, also known as the General Government Depreciation Reserve Fund, which is assigned for the major repair, replacement, and acquisition of general government capital items.

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for its participation in the Plans, which represents the City's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the City's preceding fiscal year-end.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**10. Pensions (Continued)**

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**11. Fair Value**

The fair value (“FV”) measurement and disclosure framework provides for a three-tier FV hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the FV hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- FV is often based on developed models in which there are few, if any, observable inputs.

The asset’s or liability’s FV measurement level within the FV hierarchy is based on the lowest level of any input that is significant to the FV measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a FV calculation that may not be indicative of future net realizable values or reflective of future FVs. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the FV of certain financial instruments could result in a different FV measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure FV.

**12. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

*13. Comparative Data*

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing its annual budgets:

1. By mid-February of each year, all departments/agencies of the government submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In May of each year, the proposed budget is presented to the City Council for review. The City Council adopts an annual budget for the General Fund, most Special Revenue Funds, Enterprise Fund, and Japanese Gardens Fund prior to the beginning of the next fiscal year. Annual budgets are not adopted for the Federal Equitable Sharing, Volunteer Fire, and Seizure Special Revenue Funds. For budget administration purposes, the Utility Gross Revenue Fund and any Utility Debt Service or Utility Capital Funds shall be considered a single enterprise fund.
3. The City Manager is authorized to transfer budgeted amounts within any fund as necessary to achieve the goals of the budget provided, however, that no such transfers shall be used to increase the total appropriation of any fund. Changes that alter total expenditures of any fund must be changed by an affirmative vote of a majority of City Council. Budgeted expenditure appropriations lapse at year-end.
4. The budgets for the budgeted funds are legally adopted on a basis consistent with GAAP, with the exception of the Enterprise Fund, which follows the City's budgetary basis. The budgets at the end of the year for these funds represent the budgets adopted and amended by the City Council.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2018, none of the City's bank balances of approximately \$27,880,000 (with a carrying value of approximately \$27,021,000) were exposed to custodial credit risk.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

*Investments*

As of June 30, 2018, the City had the following investments:

| Investment Type                                 | Fair Value<br>Level (1) | Credit<br>Rating ^ | Fair<br>Value       | Weighted<br>Average<br>Maturity |
|---|-------------------------|--------------------|---------------------|---------------------------------|
| South Carolina Local Government Investment Pool | N/A                     | Unrated            | \$ 2,298,438        | < 1 Year                        |
| U.S. Treasury Money Market Mutual Funds         | Level 1                 | AAAm, Aaa-mf       | 6,587,092           | < 1 Year                        |
| Total   |                         |                    | <u>\$ 8,885,530</u> |                                 |

(1) See Note I.C.11 for details of the City's fair value hierarchy.

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

N/A - Not Applicable

**Interest Rate Risk:** The City's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. The policy does not place a limit on its investment maturities to help manage the City's exposure to fair value losses from increasing interest rates. Investments in securities and agencies related to the U.S. Government earn interest at a stated fixed rate and are normally held until maturity when the full principal and interest amount is paid to the City.

**Credit Risk for Investments:** The City's investment policy requires that the portfolio consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio may be placed in the South Carolina Local Government Investment Fund. This fund is unrated.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As of June 30, 2018, the City did not have any security investments.

**Concentration of Credit Risk for Investments:** The City's investment policy places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. No other investments exceeded 5% of the total as of June 30, 2018.

*Reconciliation to the Financial Statements*

A reconciliation of cash and investments as shown in the Statements of Net Position for all activities is as follows:

| Description                      | Amount               |
|----------------------------------|----------------------|
| Carrying Amount of Deposits      | \$ 27,020,717        |
| Fair Value of Investments        | 8,885,530            |
| Total Deposits and Investments   | <u>\$ 35,906,247</u> |
| Statement of Net Position:       |                      |
| Cash and Investments             | \$ 21,930,895        |
| Cash and Investments, Restricted | 13,975,352           |
| Total Cash and Cash Equivalents  | <u>\$ 35,906,247</u> |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable/Unearned Revenues

*Property Taxes*

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year end, except those collected within 15 days, are recorded as unavailable tax revenue and thus not recognized as revenue until collected in the governmental funds (if material).

Property taxes are assessed and collected by Newberry County. The County levies its real property taxes each September based upon current assessed valuation. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value.

Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates:

|                               |   |                                 |
|-------------------------------|---|---------------------------------|
| January 16 through February 1 | - | 3% of tax                       |
| February 2 through March 17   | - | 10% of tax                      |
| After March 17                | - | 15% of tax plus collection cost |

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The City's fiscal year 2018 real and business personal property taxes (which was for tax year 2017) were levied in October 2017 based on a millage rate of 83.8 mills; there was no change from the prior year. The City's assessed value of real and personal property (including vehicles) was approximately \$26.8 million for tax year 2017. Any amounts received by Newberry County but not yet remitted to the City at year end are included in Taxes Receivable in the Balance Sheet and Statement of Net Position.

*Other Receivables*

Accounts receivable and other receivables represent amounts due to the City for grants, derived tax revenues, charges for services, etc. All receivables are shown net of an allowance for uncollectibles.

The City's receivables at June 30, 2018 consisted of the following:

| Description                        | Governmental<br>Activities | Business-Type<br>Activities | Totals       |
|------------------------------------|----------------------------|-----------------------------|--------------|
| Property Taxes                     | \$ 168,039                 | -                           | \$ 168,039   |
| Accounts                           | -                          | 3,548,674                   | 3,548,674    |
| Unbilled Accounts                  | -                          | 1,987,689                   | 1,987,689    |
| Intergovernmental                  | 112,841                    | 7,525                       | 120,366      |
| Interest and Other                 | 172,843                    | 17,045                      | 189,888      |
| Gross Receivables                  | 453,723                    | 5,560,933                   | 6,014,656    |
| Less: Allowance for Uncollectibles | (53,393)                   | (1,210,972)                 | (1,264,365)  |
| Net Receivables                    | \$ 400,330                 | 4,349,961                   | \$ 4,750,291 |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable/Unearned Revenues (Continued)

*Notes Receivable*

The City issued a loan of \$330,000 to Newberry Hospital, LLC, a North Carolina limited liability company in 2004. 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 in 2004. 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. These notes are reflected as unavailable revenues on the governmental funds' balance sheet, as they were not collected within the City's availability period.

*Unavailable and Unearned Revenues*

Governmental funds report as a component of deferred inflows of resources revenues that are not considered to be available to liquidate liabilities (unavailable revenue) of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue).

As of June 30, 2018, the City's governmental funds did not report any unearned revenues; the City reported the following unavailable revenues:

| <u>Description</u> | <u>Fund</u>                   | <u>Unavailable</u> |
|--------------------|-------------------------------|--------------------|
| Property Taxes     | General                       | \$ 92,140          |
| Notes Receivable   | Community Housing/Development | 355,000            |
| Other              | Tourism                       | 6,918              |
| Total              |                               | <u>\$ 454,058</u>  |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

| Fund   | Receivables       | Payables          |
|--|-------------------|-------------------|
| <b><u>Major Governmental Fund</u></b>            |                   |                   |
| General Fund                                     | \$ 5,441          | \$ 90,719         |
| <b><u>Major Proprietary Fund</u></b>             |                   |                   |
| Utility Fund                                     | 87,529            | 11                |
| <b><u>Other Non Major Governmental Funds</u></b> |                   |                   |
| Other Governmental Funds                         | 169,390           | 174,270           |
| Japanese Gardens                                 | 2,640             | -                 |
| Totals   | <u>\$ 265,000</u> | <u>\$ 265,000</u> |

Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2018 consisted of the following:

| Fund   | Transfers In        | Transfers Out       |
|--|---------------------|---------------------|
| <b><u>Major Governmental Funds</u></b>           |                     |                     |
| General Fund                                     | \$ 2,030,454        | \$ -                |
| Recreation Complex                               | 777,740             | -                   |
| <b><u>Major Proprietary Fund</u></b>             |                     |                     |
| Utility Fund                                     | -                   | 1,865,909           |
| <b><u>Other Non Major Governmental Funds</u></b> |                     |                     |
| Other Governmental Funds                         | 1,351,302           | 2,296,587           |
| Japanese Gardens                                 | 3,000               | -                   |
|  | <u>\$ 4,162,496</u> | <u>\$ 4,162,496</u> |

Transfers are used to (1) move unrestricted general fund revenues to finance various programs that the government accounts for in other funds, (2) move revenues from the utility system to the general government to finance various programs benefiting the utility system that the government accounts for in other funds, (3) move tourism related revenues from the collecting fund to the expending fund due to legal constraints, or to (4) move other unrestricted revenues to the general fund. The City has established an operating transfer policy whereby the City makes an operating transfer from the Proprietary Fund to the General Fund that approximates business license fees, municipal ad valorem taxes, and return on investment that a privately-owned utility would have incurred. The rate of return targeted by the City is 5% of the gross operating revenues of the City. However, the City's policy caps the operating transfer at \$1,866,000. The City made an operating transfer of approximately \$1,866,000 to the General Fund in the year ended June 30, 2018 in accordance with its transfer policy.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2018, was as follows:

|   | Beginning<br>Balance | Increases        | Decreases       | Transfers | Ending<br>Balance    |
|---|----------------------|------------------|-----------------|-----------|----------------------|
| <b>Governmental Activities:</b>             |                      |                  |                 |           |                      |
| Capital Assets, Non-Depreciable:            |                      |                  |                 |           |                      |
| Land  | \$ 1,536,519         | -                | -               | -         | \$ 1,536,519         |
| Construction In Progress                    | -                    | 55,500           | -               | -         | 55,500               |
| Total Capital Assets, Non-Depreciable       | <u>1,536,519</u>     | <u>55,500</u>    | <u>-</u>        | <u>-</u>  | <u>1,592,019</u>     |
| Capital Assets, Depreciable:                |                      |                  |                 |           |                      |
| Buildings and Improvements                  | 10,635,516           | 876,173          | -               | -         | 11,511,689           |
| Equipment and Fixtures                      | 1,582,177            | 319,772          | -               | -         | 1,901,949            |
| Infrastructure                              | 1,874,948            | 74,987           | -               | -         | 1,949,935            |
| Vehicles                                    | 6,051,424            | 367,924          | 42,203          | -         | 6,377,145            |
| Total Capital Assets, Depreciable           | <u>20,144,065</u>    | <u>1,638,856</u> | <u>42,203</u>   | <u>-</u>  | <u>21,740,718</u>    |
| Less: Accumulated Depreciation for:         |                      |                  |                 |           |                      |
| Buildings and Improvements                  | 3,772,015            | 257,809          | 15,028          | -         | 4,014,796            |
| Equipment and Fixtures                      | 1,421,126            | 52,192           | -               | -         | 1,473,318            |
| Infrastructure                              | 1,337,941            | 62,683           | -               | -         | 1,400,624            |
| Vehicles                                    | 4,771,845            | 540,400          | 42,203          | -         | 5,270,042            |
| Total Accumulated Depreciation              | <u>11,302,927</u>    | <u>913,084</u>   | <u>57,231</u>   | <u>-</u>  | <u>12,158,780</u>    |
| Total Capital Assets, Depreciable, Net      | <u>8,841,138</u>     | <u>725,772</u>   | <u>(15,028)</u> | <u>-</u>  | <u>9,581,938</u>     |
| Governmental Activities Capital Assets, Net | <u>\$ 10,377,657</u> | <u>781,272</u>   | <u>(15,028)</u> | <u>-</u>  | <u>\$ 11,173,957</u> |

Capital asset additions and depreciation expense for governmental activities were charged to functions as follows:

| Functions/Programs              | Capital Asset<br>Additions | Depreciation<br>Expense |
|---------------------------------|----------------------------|-------------------------|
| General Government              | \$ -                       | \$ 197,035              |
| Public Safety                   | 712,439                    | 239,375                 |
| Public Works                    | 35,601                     | 405,368                 |
| Parks, Recreation, and Tourism  | 946,316                    | 71,306                  |
| Total - Governmental Activities | <u>\$ 1,694,356</u>        | <u>\$ 913,084</u>       |

At June 30, 2018, the City had outstanding governmental activity construction/purchase commitments for approximately \$3,231,000, primarily related to construction on a new City Recreational Complex.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset activity for the City’s business-type activities for the year ended June 30, 2018, was as follows:

| Business-Type Activities                     | Beginning Balance | Increases | Decreases | Transfers   | Ending Balance |
|--|-------------------|-----------|-----------|-------------|----------------|
| Capital Assets, Non-Depreciable:             |                   |           |           |             |                |
| Land   | \$ 320,344        | -         | -         | -           | \$ 320,344     |
| Construction In Progress                     | 18,510,739        | 5,847,293 | -         | (3,096,055) | 21,261,977     |
| Total Capital Assets, Non-Depreciable        | 18,831,083        | 5,847,293 | -         | (3,096,055) | 21,582,321     |
| Capital Assets, Depreciable:                 |                   |           |           |             |                |
| Buildings and Improvements                   | 18,308,960        | 97,935    | -         | -           | 18,406,895     |
| Utility System                               | 83,356,697        | 2,381,579 | -         | 3,096,055   | 88,834,331     |
| Equipment, Furniture, and Fixtures           | 2,638,335         | 229,451   | -         | -           | 2,867,786      |
| Vehicles                                     | 3,028,687         | 111,994   | -         | -           | 3,140,681      |
| Total Capital Assets, Depreciable            | 107,332,679       | 2,820,959 | -         | 3,096,055   | 113,249,693    |
| Less: Accumulated Depreciation for:          |                   |           |           |             |                |
| Buildings and Improvements                   | 5,601,301         | 2,139,947 | -         | -           | 7,741,248      |
| Utility System                               | 43,830,604        | 211,598   | -         | -           | 44,042,202     |
| Equipment, Furniture, and Fixtures           | 1,553,737         | 271,029   | -         | -           | 1,824,766      |
| Vehicles                                     | 2,434,770         | 683,891   | -         | -           | 3,118,661      |
| Total Accumulated Depreciation               | 53,420,412        | 3,306,465 | -         | -           | 56,726,877     |
| Total Capital Assets, Depreciable, Net       | 53,912,267        | (485,506) | -         | 3,096,055   | 56,522,816     |
| Business-Type Activities Capital Assets, Net | \$ 72,743,350     | 5,361,787 | -         | -           | \$ 78,105,137  |

At June 30, 2018, the City had no significant outstanding business-type activity construction/purchase commitments.

E. Long-Term Obligations

The City will issue bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds or General Obligation Refunding Bonds are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. The City had no outstanding general obligation bonds at June 30, 2018. Utility System Revenue Bonds (“RB”) and State Revolving Fund Loans (“SRFL”) are obligations of the City that are secured by revenue from the utility system operations of the City. Lease Purchase (“LP”) obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are not pledged for the payment of RB, SRFL, and LP obligations nor the interest thereon.

Details on the City’s outstanding debt and lease purchase obligations as of June 30, 2018 are as follows:

| Revenue Bonds  | Balance at June 30, 2018 |
|--|--------------------------|
| \$39,005,000 Series 2015 Revenue Bonds were issued in May of 2015 (“Series 2015 Revenue Bonds”), which is due in annual principal installments of \$960,000 – \$3,745,000 beginning on April 1, 2016 through April 1, 2035. Interest is payable semi-annually on April 1 <sup>st</sup> and October 1 <sup>st</sup> with interest ranging from 2.0% to 5.0%. The proceeds from this bond were used to pay off the 2014 Bond Anticipation Note and to finance improvements to the City’s Utility System. | \$ 35,545,000            |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

|   | <u>Balance at<br/>June 30, 2018</u> |
|---|-------------------------------------|
| <b><i>State Revolving Fund Loan</i></b>   |                                     |
| \$19,002,796 Series 2009 State Revolving Fund Loan was issued in June of 2009 (“Series 2009 SRFL”), which is due in quarterly principal installments of \$185,283 – \$293,922 beginning on December 1, 2011 through September 1, 2031. Interest is payable quarterly on September 1st, December 1st, March 1st and June 1st with interest ranging from 2.25% to 2.84%. The proceeds from these bonds will be used for the rehabilitation and expansion of the Wastewater Treatment Plant. | \$ 13,492,903                       |
| <b><i>Lease Purchase Obligations</i></b>  |                                     |
| \$1,300,000 lease purchase agreement was entered into in November 2005 (“LP – 11/05”), with 180 monthly payments (including interest) of \$9,557 beginning December 17, 2005 through November 17, 2020 which includes interest at 3.91%. The proceeds from this lease purchase obligation were used to purchase a firehouse conference center.  | 264,063                             |
| \$135,561 lease purchase agreement was entered into in September 2014 (“LP – 09/14”), with 16 quarterly payments (including interest) of \$8,796 beginning February 1, 2015 through November 1, 2018, which includes interest of 1.68%. The proceeds from this lease purchase obligation were used to purchase a commercial trash loader.   | 17,481                              |
| \$199,380 lease purchase agreement was entered into in November 2014 (“LP – 11/14”), with 16 quarterly payments (including interest) of \$12,912 beginning February 1, 2015 through November 1, 2018 which includes interest of 1.73%. The proceeds from this lease purchase obligation were used to purchase a street sweeper.   | 25,657                              |
| \$443,119 lease purchase agreement was entered into in December 2014 (“LP – 12/14”), with 40 quarterly payments (including interest) of \$12,839 beginning February 1, 2015 through November 1, 2024 which includes interest of 3.03%. The proceeds from this lease purchase obligation were used to purchase a pumper fire truck.  | 301,974                             |
| \$168,000 lease purchase agreement was entered into in November 2016 (“LP – 11/16”) with 12 quarterly payments (including interest) of 14,312 beginning February 2, 2017 through November 1, 2019 which includes interest of 1.41%. The proceeds from this lease purchase obligation were used to purchase a freightliner with an automated vacuum leaf machine.  | 84,821                              |
| \$258,601 lease purchase agreement was entered in in November 2017 (“LP – 11/17”), with 12 quarterly payments (including interest) of 22,153 beginning February 1, 2018 through November 1, 2020 which includes interest of 1.75%. The proceeds from this lease purchase obligation were used to purchase a commercial garbage truck.   | \$ 216,289                          |

Interest paid on the debt issued by the City is generally exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not believe it has an arbitrage liability at June 30, 2018.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2018:

| Long-Term Obligations           | Beginning<br>Balance | Additions      | Reductions     | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------|----------------------|----------------|----------------|-------------------|------------------------|
| <b>Governmental Activities:</b> |                      |                |                |                   |                        |
| Lease Purchases:                |                      |                |                |                   |                        |
| LP - 11/05                      | \$ 366,250           | -              | 102,187        | 264,063           | \$ 106,255             |
| LP - 09/14                      | 52,007               | -              | 34,526         | 17,481            | 17,481                 |
| LP - 11/13                      | 29,517               | -              | 29,517         | -                 | -                      |
| LP - 11/14                      | 76,312               | -              | 50,655         | 25,657            | 25,657                 |
| LP - 12/14                      | 343,395              | -              | 41,421         | 301,974           | 42,690                 |
| LP - 11/16                      | 140,381              | -              | 55,560         | 84,821            | 56,348                 |
| LP - 11/17                      | -                    | 258,601        | 42,312         | 216,289           | 85,384                 |
| Total Lease Purchases           | <u>1,007,862</u>     | <u>258,601</u> | <u>356,178</u> | <u>910,285</u>    | <u>333,815</u>         |
| Compensated Absences            | 362,719              | 245,221        | 251,986        | 355,954           | 205,361                |
| Total Governmental Activities   | <u>\$ 1,370,581</u>  | <u>503,822</u> | <u>608,164</u> | <u>1,266,239</u>  | <u>\$ 539,176</u>      |

Resources from the General Fund have generally been utilized to liquidate the governmental activities long-term obligations.

Presented below is a summary of changes in long-term obligations for the City’s business-type activities for the year ended June 30, 2018:

| Long-Term Obligations            | Beginning<br>Balance | Additions      | Reductions       | Ending<br>Balance | Due Within<br>One Year |
|----------------------------------|----------------------|----------------|------------------|-------------------|------------------------|
| <b>Business-Type Activities:</b> |                      |                |                  |                   |                        |
| Debt:                            |                      |                |                  |                   |                        |
| Series 2015 RB                   | \$ 36,815,000        | -              | 1,270,000        | 35,545,000        | \$ 1,305,000           |
| Series 2009 SRFL                 | 14,359,753           | -              | 866,850          | 13,492,903        | 885,741                |
| Premium on Series 2015 RB        | 701,021              | -              | 38,946           | 662,075           | -                      |
| Total Net Debt                   | <u>51,875,774</u>    | <u>-</u>       | <u>2,175,796</u> | <u>49,699,978</u> | <u>2,190,741</u>       |
| Compensated Absences             | 147,709              | 120,786        | 109,085          | 159,410           | 98,283                 |
| Total Business-Type Activities   | <u>\$ 52,023,483</u> | <u>120,786</u> | <u>2,284,881</u> | <u>49,859,388</u> | <u>\$ 2,289,024</u>    |

Resources from the Utility Fund have generally been utilized to liquidate the business-type activities long-term obligations.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2018, the City had no general obligation bonded debt. The City’s 8% legal debt limit (on assessed values of approximately \$26,814,000) was approximately \$2,145,000 which was the unused legal debt margin at June 30, 2018.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Both the principal and interest on the bonds are payable solely from the gross revenues of the Utility System, and are secured by a valid pledge of the gross revenues of the system, subject to the application thereof, for the purposes and on the conditions permitted by the 2015 Bond Ordinance. Additionally, the bonds are secured by a statutory lien upon the Utility System. The bond covenants require, among other things, that the City prescribe and maintain, and thereafter, collect rates and charges for the services and facilities furnished by the system which, together with other income, are reasonably expected to yield annual net earnings in the current fiscal year equal to at least the sum of one hundred twenty-five percent (125%) of the annual principal and interest requirements in such fiscal year for all bonds outstanding. The commitment extends until the maturity of the bonds. The City is in compliance with its pledged revenue coverage and other financial covenants and restrictions at June 30, 2018.

Presented below is a summary of debt service requirements to maturity by year for the City’s governmental and business-type activities as of June 30, 2018:

| Year Ended June 30,                    | Debt      |          | Lease Purchases |          | Total      |
|--|-----------|----------|-----------------|----------|------------|
|  | Principal | Interest | Principal       | Interest |            |
| <b><u>Governmental Activities:</u></b> |           |          |                 |          |            |
| 2019                                   | \$ -      | -        | 333,815         | 21,505   | \$ 355,320 |
| 2020                                   | -         | -        | 269,844         | 13,438   | 283,282    |
| 2021                                   | -         | -        | 136,686         | 6,764    | 143,450    |
| 2022                                   | -         | -        | 46,736          | 4,621    | 51,357     |
| 2023                                   | -         | -        | 48,169          | 3,189    | 51,358     |
| 2024-2025                              | -         | -        | 75,035          | 2,002    | 77,037     |
| Totals                                 | \$ -      | -        | 910,285         | 51,519   | \$ 961,804 |

| Year Ended June 30,                    | Revenue Bonds |            | State Revolving Fund Loan |           | Total         |
|--|---------------|------------|---------------------------|-----------|---------------|
|  | Principal     | Interest   | Principal                 | Interest  |               |
| <b><u>Business-Type Activities</u></b> |               |            |                           |           |               |
| 2019                                   | \$ 1,305,000  | 1,406,356  | 885,741                   | 296,785   | \$ 3,893,882  |
| 2020                                   | 1,360,000     | 1,354,156  | 905,167                   | 277,359   | 3,896,682     |
| 2021                                   | 1,415,000     | 1,299,756  | 925,143                   | 257,383   | 3,897,282     |
| 2022                                   | 1,455,000     | 1,259,156  | 945,685                   | 236,841   | 3,896,682     |
| 2023                                   | 1,510,000     | 1,200,956  | 966,809                   | 215,717   | 3,893,482     |
| 2024-2028                              | 8,665,000     | 4,899,124  | 5,172,456                 | 740,176   | 19,476,756    |
| 2029-2033                              | 12,490,000    | 3,143,600  | 3,691,902                 | 151,308   | 19,476,810    |
| 2034-2035                              | 7,345,000     | 443,600    | -                         | -         | 7,788,600     |
| Totals                                 | \$ 35,545,000 | 15,006,704 | 13,492,903                | 2,175,569 | \$ 66,220,176 |

IV. OTHER INFORMATION

A. Risk Management

*Participation in Public Entity Risk Pools for Property and Casualty Insurance*

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”) and the South Carolina Municipal Insurance Trust (“SCMIT”), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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IV. OTHER INFORMATION

A. Risk Management (Continued)

*Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)*

The City pays an annual premium to SCMIRF for its general risk insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$12,207,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$55,464,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

B. Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission ("RSIC") as co-trustees of the Retirement Trust Funds.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

*Plan Description*

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

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

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Membership*

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

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

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

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

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Benefits (Continued)*

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Plan Contributions*

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act of 2017 increases employer contribution rates to 13.56 percent for the SCRS and 16.24 percent for the PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Contributions (Continued)*

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

|  | SCRS Rates    |               |               | PORS Rates    |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2016          | 2017          | 2018          | 2016          | 2017          | 2018          |
| Employer Contribution Rate: <sup>^</sup> |               |               |               |               |               |               |
| Retirement                               | 10.91%        | 11.41%        | 13.41%        | 13.34%        | 13.84%        | 15.84%        |
| Incidental Death Benefit                 | 0.15%         | 0.15%         | 0.15%         | 0.20%         | 0.20%         | 0.20%         |
| Accidental Death Contributions           | 0.00%         | 0.00%         | 0.00%         | 0.20%         | 0.20%         | 0.20%         |
|  | <u>11.06%</u> | <u>11.56%</u> | <u>13.56%</u> | <u>13.74%</u> | <u>14.24%</u> | <u>16.24%</u> |
| Employee Contribution Rate               | <u>8.16%</u>  | <u>8.66%</u>  | <u>9.00%</u>  | <u>8.74%</u>  | <u>9.24%</u>  | <u>9.75%</u>  |

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed by the City to the Plans for the past three years were as follows:

| Year Ended<br>June 30, | SCRS Contributions |               | PORS Contributions |               |
|------------------------|--------------------|---------------|--------------------|---------------|
|                        | Required           | % Contributed | Required           | % Contributed |
| 2018                   | \$ 610,533         | 100%          | \$ 360,530         | 100%          |
| 2017                   | 505,169            | 100%          | 325,050            | 100%          |
| 2016                   | \$ 447,967         | 100%          | \$ 291,439         | 100%          |

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

| Year Ended<br>June 30, | SCRS Payroll | PORS Payroll | Total<br>Payroll |
|------------------------|--------------|--------------|------------------|
| 2018                   | \$ 4,502,459 | 2,220,013    | \$ 6,722,472     |
| 2017                   | 4,369,974    | 2,282,656    | 6,652,630        |
| 2016                   | \$ 4,050,395 | 2,121,035    | \$ 6,171,430     |

*Actuarial Assumptions and Methods*

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Actuarial Assumptions and Methods (Continued)*

The June 30, 2017, total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for the SCRS and PORS.

|                             | SCRS                              | PORS                             |
|-----------------------------|-----------------------------------|----------------------------------|
| Actuarial Cost Method       | Entry Age Normal                  | Entry Age Normal                 |
| Actuarial Assumptions:      |                                   |                                  |
| Investment Rate of Return*  | 7.25%                             | 7.25%                            |
| Projected Salary Increases* | 3.0% to 12.5% (varies by service) | 3.5% to 9.5% (varies by service) |
| Benefit Adjustments         | Lesser of 1% or \$500 annually    | Lesser of 1% or \$500 annually   |

\* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

| Former Job Class   | Males                                 | Females                                 |
|--|---------------------------------------|---|
| Educators  | 2016 PRSC Males<br>multiplied by 92%  | 2016 PRSC Females<br>multiplied by 98%  |
| General Employees and Members<br>of the General Assembly | 2016 PRSC Males<br>multiplied by 100% | 2016 PRSC Females<br>multiplied by 111% |
| Public Safety and Firefighters                           | 2016 PRSC Males<br>multiplied by 125% | 2016 PRSC Females<br>multiplied by 111% |

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Long-Term Expected Rate of Return (Continued)*

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

| Asset Class                      | Target Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|----------------------------------|-------------------|---|--|
| <b>Global Equity</b>             | <b>45.0%</b>      |   |  |
| Global Public Equity             | 31.0%             | 6.72%                                   | 2.07%  |
| Private Equity                   | 9.0%              | 9.60%                                   | 0.86%  |
| Equity Options Strategies        | 5.0%              | 5.91%                                   | 0.30%  |
| <b>Real Assets</b>               | <b>8.0%</b>       |   |  |
| Real Estate (Private)            | 5.0%              | 4.32%                                   | 0.22%  |
| Real Estate (REITs)              | 2.0%              | 6.33%                                   | 0.13%  |
| Commodities                      | 1.0%              | 6.26%                                   | 0.06%  |
| <b>Opportunistic</b>             | <b>17.0%</b>      |   |  |
| GTAA/Risk Parity                 | 10.0%             | 4.16%                                   | 0.42%  |
| Hedge Funds (non-PA)             | 4.0%              | 3.82%                                   | 0.15%  |
| Other Opportunistic Strategies   | 3.0%              | 4.16%                                   | 0.12%  |
| <b>Diversified Credit</b>        | <b>18.0%</b>      |   |  |
| Mixed Credit                     | 6.0%              | 3.92%                                   | 0.24%  |
| Emerging Markets Debt            | 5.0%              | 5.01%                                   | 0.25%  |
| Private Debt                     | 7.0%              | 4.37%                                   | 0.31%  |
| <b>Conservative Fixed Income</b> | <b>12.0%</b>      |   |  |
| Core Fixed Income                | 10.0%             | 1.60%                                   | 0.16%  |
| Cash and Short Duration (Net)    | 2.0%              | 0.92%                                   | 0.02%  |
| Total Expected Real Return       | 100.0%            |   | 5.31%  |
| Inflation for Actuarial Purposes |                   |   | 2.25%  |
| Total Expected Nominal Return    |                   |   | 7.56%  |

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2017, for the SCRS and PORS, are presented in the following table:

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Pension Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------|-------------------------|-----------------------------|--|--|
| SCRS   | \$ 48,244,437,494       | 25,732,829,268              | \$ 22,511,608,226                        | 53.3%  |
| PORS   | \$ 7,013,684,001        | 4,274,123,178               | \$ 2,739,560,823                         | 60.9%  |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

The total pension liability is calculated by the Systems' actuary, and each Plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2018, the City reported liabilities of approximately \$9,750,000 and \$4,644,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2016 that was projected forward to the measurement date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2017 measurement date, the City's SCRS proportion was 0.04331 percent, which was an increase of 0.00148 percent from its proportion measured as of June 30, 2016. At the June 30, 2017 measurement date, the City's PORS proportion was 0.16950 percent, which was an increase of 0.00312 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of approximately \$1,073,000 and \$549,000 for the SCRS and PORS, respectively. At June 30, 2018, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

| Description  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| <b>SCRS</b>  |                                      |                                     |
| Differences Between Expected and Actual Experience   | \$ 43,465                            | \$ 5,404                            |
| Change in Assumptions  | 570,758                              | -                                   |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                                       | 272,175                              | -                                   |
| Changes in Proportion and Differences Between the Employer's<br>Contributions and Proportionate Share of Contributions | 287,746                              | 22,874                              |
| Employer Contributions Subsequent to the Measurement Date  | 610,533                              | -                                   |
| Total SCRS   | <u>1,784,677</u>                     | <u>28,278</u>                       |
| <b>PORS</b>  |                                      |                                     |
| Differences Between Expected and Actual Experience   | 41,408                               | -                                   |
| Change in Assumptions  | 440,724                              | -                                   |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                                       | 165,472                              | -                                   |
| Changes in Proportion and Differences Between the Employer's<br>Contributions and Proportionate Share of Contributions | 53,608                               | 83,875                              |
| Employer Contributions Subsequent to the Measurement Date  | 360,530                              | -                                   |
| Total PORS   | <u>1,061,742</u>                     | <u>83,875</u>                       |
| Total SCRS and PORS  | <u>\$ 2,846,419</u>                  | <u>\$ 112,153</u>                   |

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$611,000 and \$361,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

| Year Ended<br>June 30, | SCRS                | PORS           | Total               |
|------------------------|---------------------|----------------|---------------------|
| 2019                   | \$ 351,152          | 165,839        | \$ 516,991          |
| 2020                   | 513,398             | 244,906        | 758,304             |
| 2021                   | 351,509             | 185,357        | 536,866             |
| 2022                   | (70,193)            | 21,235         | (48,958)            |
| Total                  | <u>\$ 1,145,866</u> | <u>617,337</u> | <u>\$ 1,763,203</u> |

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following table presents the sensitivity of the City's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

| System  | 1% Decrease<br>(6.25%) | Current Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|----------------------------------|------------------------|
| The City's proportionate share of the net pension liability of the SCRS | \$ 12,566,414          | 9,750,003                        | \$ 8,041,103           |
| The City's proportionate share of the net pension liability of the PORS | 6,269,794              | 4,643,638                        | 3,362,736              |
| Total   | <u>\$ 18,836,208</u>   | <u>14,393,641</u>                | <u>\$ 11,403,839</u>   |

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Payable to Plans*

The City reported a payable of approximately \$193,000 to the PEBA as of June 30, 2018, representing required employer and employee contributions for the month of June 2018 for the SCRS and PORS. This amount is included in Accrued Salaries and Payroll Liabilities on the financial statements and was paid in July 2018.

**C. Health Insurance and Other Postemployment Benefits**

The City provides a health insurance program through the State for its eligible employees. The City pays a monthly premium to the State for its health coverage (insured plan) with the insurer being responsible for claims.

In 2015, the GASB issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“GASB #75”). GASB #75 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (“OPEB”) expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City adopted GASB #75 in the current year and its implementation had no impact, as the City currently does not provide any significant OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

**D. Contingent Liabilities and Commitments**

*Litigation*

The City is periodically the subject of litigation by a variety of plaintiffs. The City’s management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

*Grants*

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2018.

*Electricity Purchase Commitment*

The City has entered into a long-term agreement to purchase electrical power from the Piedmont Municipal Power Agency (“PMPA”), which is 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 the fiscal year ended June 30, 2018, the cost of power the City purchased from PMPA amounted to approximately \$20,449,000. Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

**E. Concentration of Utility Revenue Risk**

The City received approximately 28% of its total utility revenues during the year ended June 30, 2018 from one source, Louis Rich.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

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**IV. OTHER INFORMATION (CONTINUED)**

**F. Subsequent Events**

In September 2018, the City entered into a lease purchase agreement for a new residential side loader for the public works department for approximately \$275,000. Quarterly payments through August 2021 range from approximately \$23,000 to approximately \$26,000, including interest at 2.99%.

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## Required Supplementary Information

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

|  | ORIGINAL<br>BUDGET  | REVISED<br>BUDGET  | ACTUAL             | VARIANCE          |
|--|---------------------|--------------------|--------------------|-------------------|
| <b>REVENUES</b>  |                     |                    |                    |                   |
| Taxes  | \$ 2,408,167        | 2,408,167          | 2,267,341          | \$ (140,826)      |
| Licenses, Permits, and Franchise Fees                        | 1,702,070           | 1,702,070          | 1,895,760          | 193,690           |
| Fines and Forfeitures  | 603,000             | 603,000            | 380,014            | (222,986)         |
| Charges for Services   | 975,750             | 975,750            | 1,059,456          | 83,706            |
| Intergovernmental  | 1,544,487           | 1,544,487          | 1,199,351          | (345,136)         |
| Miscellaneous  | 36,414              | 36,414             | 55,805             | 19,391            |
| <b>TOTAL REVENUES</b>  | <b>7,269,888</b>    | <b>7,269,888</b>   | <b>6,857,727</b>   | <b>(412,161)</b>  |
| <b>EXPENDITURES</b>  |                     |                    |                    |                   |
| General Government   |                     |                    |                    |                   |
| City Council   | 113,350             | 113,350            | 107,760            | 5,590             |
| City Manager   | 99,267              | 99,267             | 95,020             | 4,247             |
| Human Resources  | 87,973              | 87,973             | 97,908             | (9,935)           |
| Finance  | 152,009             | 152,009            | 137,562            | 14,447            |
| City Hall  | 31,263              | 31,263             | 36,759             | (5,496)           |
| Planning and Development                                     | 246,021             | 246,021            | 222,585            | 23,436            |
| Public Safety  |                     |                    |                    |                   |
| Police Department  | 1,914,605           | 1,914,605          | 1,814,209          | 100,396           |
| Justice and Law  | 487,848             | 487,848            | 373,943            | 113,905           |
| Fire Department  | 1,141,914           | 1,141,914          | 1,074,433          | 67,481            |
| Public Works   |                     |                    |                    |                   |
| Public Works Administration                                  | 168,508             | 168,508            | 158,592            | 9,916             |
| Streets  | 694,955             | 694,955            | 629,824            | 65,131            |
| Sanitation   | 644,350             | 644,350            | 566,213            | 78,137            |
| Building Maintenance   | 244,928             | 244,928            | 101,509            | 143,419           |
| Garage   | 173,260             | 173,260            | 127,143            | 46,117            |
| Parks, Recreation, and Tourism                               | 1,156,856           | 1,156,856          | 645,474            | 511,382           |
| Non-Departmental   |                     |                    |                    |                   |
| General Insurance  | 123,330             | 123,330            | 157,559            | (34,229)          |
| Employee Benefits  | 2,082,463           | 2,082,463          | 1,777,620          | 304,843           |
| Community Promotions and Projects                            | 116,875             | 116,875            | 101,748            | 15,127            |
| Lease Purchase Payments                                      | 270,052             | 270,052            | 269,412            | 640               |
| <b>TOTAL EXPENDITURES</b>                                    | <b>9,949,827</b>    | <b>9,949,827</b>   | <b>8,495,273</b>   | <b>1,454,554</b>  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(2,679,939)</b>  | <b>(2,679,939)</b> | <b>(1,637,546)</b> | <b>1,042,393</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                    |                    |                   |
| Transfers In   | 2,292,130           | 2,292,130          | 2,030,454          | (261,676)         |
| Proceeds from Capital Leases                                 | 275,000             | 275,000            | 258,601            | (16,399)          |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>2,567,130</b>    | <b>2,567,130</b>   | <b>2,289,055</b>   | <b>(278,075)</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(112,809)</b>    | <b>(112,809)</b>   | <b>651,509</b>     | <b>764,318</b>    |
| FUND BALANCES, Beginning of Year                             | 7,420,040           | 7,420,040          | 7,420,040          | -                 |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ 7,307,231</b> | <b>7,307,231</b>   | <b>8,071,549</b>   | <b>\$ 764,318</b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$113,000.

Note: The notes to the budgetary comparison schedules are an integral part of this schedule.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
RECREATION COMPLEX FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE</u>     |
|--|----------------------------|---------------------------|------------------|---------------------|
| <b>REVENUES</b>  |                            |                           |                  |                     |
| Intergovernmental  | \$ -                       | -                         | 3,665,375        | \$ 3,665,375        |
| Interest Income  | -                          | -                         | 157              | 157                 |
| <b>TOTAL REVENUES</b>  | <b>-</b>                   | <b>-</b>                  | <b>3,665,532</b> | <b>3,665,532</b>    |
| <b>EXPENDITURES</b>  |                            |                           |                  |                     |
| Other:   |                            |                           |                  |                     |
| Operating Expenditures                                       | 5,000                      | 5,000                     | 350              | (4,650)             |
| Capital Expenditures   | 772,740                    | 772,740                   | 55,500           | (717,240)           |
| <b>TOTAL EXPENDITURES</b>                                    | <b>777,740</b>             | <b>777,740</b>            | <b>55,850</b>    | <b>(721,890)</b>    |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(777,740)</b>           | <b>(777,740)</b>          | <b>3,609,682</b> | <b>4,387,422</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                  |                     |
| Transfers In   | 777,740                    | 777,740                   | 777,740          | -                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>777,740</b>             | <b>777,740</b>            | <b>777,740</b>   | <b>-</b>            |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>-</b>                   | <b>-</b>                  | <b>4,387,422</b> | <b>4,387,422</b>    |
| FUND BALANCES, Beginning of Year                             | -                          | -                         | -                | -                   |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ -</b>                | <b>-</b>                  | <b>4,387,422</b> | <b>\$ 4,387,422</b> |

Note: The notes to the budgetary comparison schedules are an integral part of this schedule.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**

**YEAR ENDED JUNE 30, 2018**

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**A. BASIS OF ACCOUNTING**

The budgetary comparison schedules have been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**B. BUDGETARY INFORMATION**

The City follows the following procedures in establishing its annual budgets:

1. By mid-February of each year, all departments/agencies of the government submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In May of each year, the proposed budget is presented to the City Council for review. The City Council adopts an annual budget for the General Fund, most Special Revenue Funds, Enterprise Fund, and Japanese Gardens Fund prior to the beginning of the next fiscal year. Annual budgets are not adopted for the Federal Equitable Sharing, Volunteer Fire, and Seizure Special Revenue Funds. For budget administration purposes, the Utility Gross Revenue Fund and any Utility Debt Service or Utility Capital Funds shall be considered a single enterprise fund.
3. The City Manager is authorized to transfer budgeted amounts within any fund as necessary to achieve the goals of the budget provided, however, that no such transfers shall be used to increase the total appropriation of any fund. Changes that alter total expenditures of any fund must be changed by an affirmative vote of a majority of City Council. Budgeted expenditure appropriations lapse at year-end.
4. The budgets for the budgeted funds are legally adopted on a basis consistent with GAAP, with the exception of the Enterprise Fund, which follows the City's budgetary basis. The budgets at the end of the year for these funds represent the budgets adopted and amended by the City Council.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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|   | <b>Year Ended June 30,</b> |             |             |              |
|---|----------------------------|-------------|-------------|--------------|
|   | <b>2018</b>                | <b>2017</b> | <b>2016</b> | <b>2015</b>  |
| City's Proportion of the Net Pension Liability (Asset)  | 0.04331%                   | 0.04183%    | 0.04107%    | 0.04152%     |
| City's Proportionate Share of the Net Pension Liability   | \$ 9,750,003               | 8,933,972   | 7,789,313   | \$ 7,148,368 |
| City's Covered Payroll  | \$ 4,369,974               | 4,050,395   | 3,850,922   | \$ 3,769,744 |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered Payroll | 223.11%                    | 220.57%     | 202.27%     | 189.62%      |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                     | 53.34%                     | 52.91%      | 56.99%      | 59.92%       |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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|  | <b>Year Ended June 30,</b> |             |             |              |
|--|----------------------------|-------------|-------------|--------------|
|  | <b>2018</b>                | <b>2017</b> | <b>2016</b> | <b>2015</b>  |
| Contractually Required Contribution                                      | \$ 610,533                 | 505,169     | 447,967     | \$ 419,751   |
| Contributions in Relation to the Contractually<br>Required Contribution: | 610,533                    | 505,169     | 447,967     | 419,751      |
| Contribution Deficiency (Excess)   | <u>\$ -</u>                | <u>-</u>    | <u>-</u>    | <u>\$ -</u>  |
| City's Covered Payroll   | \$ 4,502,459               | 4,369,974   | 4,050,395   | \$ 3,850,922 |
| Contributions as a Percentage of Covered Payroll                         | 13.56%                     | 11.56%      | 11.06%      | 10.90%       |

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The contractually required contribution rate was increased from 11.56% to 13.56% of eligible payroll for the year ended June 30, 2018.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

---

|   | <b>Year Ended June 30,</b> |             |             |              |
|---|----------------------------|-------------|-------------|--------------|
|   | <b>2018</b>                | <b>2017</b> | <b>2016</b> | <b>2015</b>  |
| City's Proportion of the Net Pension Liability (Asset)  | 0.16950%                   | 0.16638%    | 0.16974%    | 0.17525%     |
| City's Proportionate Share of the Net Pension Liability   | \$ 4,643,638               | 4,220,136   | 3,699,499   | \$ 3,355,092 |
| City's Covered Payroll  | \$ 2,282,656               | 2,121,035   | 2,102,812   | \$ 2,107,620 |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered Payroll | 203.43%                    | 198.97%     | 175.93%     | 159.19%      |
| Plan Fiduciary Net Position as a Percentage of the Total<br>Pension Liability                     | 60.94%                     | 60.44%      | 64.57%      | 67.55%       |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

---

|  | <b>Year Ended June 30,</b> |             |             |              |
|--|----------------------------|-------------|-------------|--------------|
|  | <b>2018</b>                | <b>2017</b> | <b>2016</b> | <b>2015</b>  |
| Contractually Required Contribution                                      | \$ 360,530                 | 325,050     | 291,439     | \$ 281,987   |
| Contributions in Relation to the Contractually<br>Required Contribution: | 360,530                    | 325,050     | 291,439     | 281,987      |
| Contribution Deficiency (Excess)   | <u>\$ -</u>                | <u>-</u>    | <u>-</u>    | <u>\$ -</u>  |
| City's Covered Payroll   | \$ 2,220,013               | 2,282,656   | 2,121,035   | \$ 2,102,812 |
| Contributions as a Percentage of Covered Payroll                         | 16.24%                     | 14.24%      | 13.74%      | 13.41%       |

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The contractually required contribution rate was increased from 14.24% to 16.24% of eligible payroll for the year ended June 30, 2018.

## Supplementary Information

CITY OF NEWBERRY, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

|  | Non Major<br>Special<br>Revenue<br>Funds | Non Major<br>Permanent<br>Fund | Total<br>Non Major<br>Governmental<br>Funds |
|--|--|--------------------------------|---|
| <b>Assets</b>  |  |                                |   |
| Cash and Cash Equivalents  | \$ 983,050                               | 8,399                          | \$ 991,449                                  |
| Cash and Cash Equivalents, Restricted  | 460,008                                  | 10,000                         | 470,008                                     |
| Receivables, Net:  |  |                                |   |
| Accounts   | 83,770                                   | -                              | 83,770                                      |
| Notes  | 355,000                                  | -                              | 355,000                                     |
| Interest and Other   | -  | 26                             | 26  |
| Due from Other Governments   | 53,963                                   | -                              | 53,963                                      |
| Due from Other Funds   | 169,390                                  | 2,640                          | 172,030                                     |
| <b>Total Assets</b>  | <b>\$ 2,105,181</b>                      | <b>21,065</b>                  | <b>\$ 2,126,246</b>                         |
| <b>Liabilities, Deferred Inflows, and Fund Balances</b>                        |  |                                |   |
| <b>Liabilities</b>   |  |                                |   |
| Accounts Payable and Accrued Expenses  | \$ 29,583                                |                                | \$ 29,583                                   |
| Interfund Payables   | 174,270                                  | -                              | 174,270                                     |
| <b>Total Liabilities</b>   | <b>203,853</b>                           | <b>-</b>                       | <b>203,853</b>                              |
| <b>Deferred Inflows of Resources</b>   |  |                                |   |
| Unavailable Revenues   | 361,918                                  | -                              | 361,918                                     |
| <b>Fund Balances:</b>  |  |                                |   |
| <b>Restricted</b>  |  |                                |   |
| Tourism Related Expenditures   | 314,119                                  | -                              | 314,119                                     |
| Streetscape  | 95,947                                   | -                              | 95,947                                      |
| Public Safety  | 17,206                                   | -                              | 17,206                                      |
| Other  | -  | 10,000                         | 10,000                                      |
| <b>Committed</b>   |  |                                |   |
| Tourism Related Expenditures   | 282,457                                  | -                              | 282,457                                     |
| Parks and Recreation   | 212,117                                  | -                              | 212,117                                     |
| Public Safety  | 26,279                                   | -                              | 26,279                                      |
| Cultural Arts  | 65,341                                   | -                              | 65,341                                      |
| Special Events   | 84,183                                   | -                              | 84,183                                      |
| <b>Assigned</b>  |  |                                |   |
| Community Development  | 441,761                                  | -                              | 441,761                                     |
| Other  | -  | 11,065                         | 11,065                                      |
| <b>Total Fund Balances</b>   | <b>1,539,410</b>                         | <b>21,065</b>                  | <b>1,560,475</b>                            |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> | <b>\$ 2,105,181</b>                      | <b>21,065</b>                  | <b>\$ 2,126,246</b>                         |

CITY OF NEWBERRY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

|  | Non Major<br>Special<br>Revenue<br>Funds | Non Major<br>Permanent<br>Fund | Total<br>Non Major<br>Governmental<br>Funds |
|--|--|--------------------------------|---|
| <b>REVENUES</b>  |  |                                |   |
| Taxes  | \$ 1,069,577                             | -                              | \$ 1,069,577                                |
| Intergovernmental  | 364,326                                  | -                              | 364,326                                     |
| Fines, Forfeitures, and Penalties                            | 36,309                                   | -                              | 36,309                                      |
| Donations  | 165,980                                  | 7,360                          | 173,340                                     |
| Other  | 167,715                                  | -                              | 167,715                                     |
| Miscellaneous  | 38,913                                   | -                              | 38,913                                      |
| Interest   | 251                                      | 80                             | 331   |
| <b>TOTAL REVENUES</b>  | <b>1,843,071</b>                         | <b>7,440</b>                   | <b>1,850,511</b>                            |
| <b>EXPENDITURES</b>  |  |                                |   |
| Current:   |  |                                |   |
| Public Safety  | 33,088                                   | -                              | 33,088                                      |
| Community Development  | 1,124,853                                | 12,458                         | 1,137,311                                   |
| Non-Departmental   | 845,655                                  | -                              | 845,655                                     |
| Debt Service:  |  |                                |   |
| Principal  | 102,187                                  | -                              | 102,187                                     |
| Interest   | 12,502                                   | -                              | 12,502                                      |
| <b>TOTAL EXPENDITURES</b>                                    | <b>2,118,285</b>                         | <b>12,458</b>                  | <b>2,130,743</b>                            |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(275,214)</b>                         | <b>(5,018)</b>                 | <b>(280,232)</b>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                                |   |
| Transfers In   | 1,351,302                                | 3,000                          | 1,354,302                                   |
| Transfers Out  | (2,296,587)                              | -                              | (2,296,587)                                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>(945,285)</b>                         | <b>3,000</b>                   | <b>(942,285)</b>                            |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <b>(1,220,499)</b>                       | <b>(2,018)</b>                 | <b>(1,222,517)</b>                          |
| FUND BALANCES, Beginning of Year                             | 2,759,909                                | 23,083                         | 2,782,992                                   |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ 1,539,410</b>                      | <b>21,065</b>                  | <b>\$ 1,560,475</b>                         |

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## **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, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY DEPARTMENT - REVISED BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

|                                | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE</u>   |
|--------------------------------|---------------------------|------------------|-------------------|
| <b>General Government</b>      |                           |                  |                   |
| City Council                   |                           |                  |                   |
| Salaries                       | \$ 64,763                 | 63,974           | \$ 789            |
| Operating                      | 48,587                    | 43,786           | 4,801             |
| Total City Council             | <u>113,350</u>            | <u>107,760</u>   | <u>5,590</u>      |
| City Manager                   |                           |                  |                   |
| Salaries                       | 68,431                    | 69,745           | (1,314)           |
| Operating                      | 30,836                    | 25,275           | 5,561             |
| Total City Manager             | <u>99,267</u>             | <u>95,020</u>    | <u>4,247</u>      |
| Human Resources                |                           |                  |                   |
| Salaries                       | 77,429                    | 89,080           | (11,651)          |
| Operating                      | 10,544                    | 8,828            | 1,716             |
| Total Human Resources          | <u>87,973</u>             | <u>97,908</u>    | <u>(9,935)</u>    |
| Finance                        |                           |                  |                   |
| Salaries                       | 72,655                    | 71,463           | 1,192             |
| Operating                      | 79,354                    | 66,099           | 13,255            |
| Total Finance                  | <u>152,009</u>            | <u>137,562</u>   | <u>14,447</u>     |
| City Hall                      |                           |                  |                   |
| Operating                      | 31,263                    | 36,759           | (5,496)           |
| Total City Hall                | <u>31,263</u>             | <u>36,759</u>    | <u>(5,496)</u>    |
| Planning and Development       |                           |                  |                   |
| Salaries                       | 122,400                   | 118,707          | 3,693             |
| Operating                      | 123,621                   | 103,878          | 19,743            |
| Total Planning and Development | <u>246,021</u>            | <u>222,585</u>   | <u>23,436</u>     |
| Total General Government       | <u>729,883</u>            | <u>697,594</u>   | <u>32,289</u>     |
| <b>Public Safety</b>           |                           |                  |                   |
| Police Department              |                           |                  |                   |
| Salaries                       | 1,526,579                 | 1,477,150        | 49,429            |
| Operating                      | 263,026                   | 216,574          | 46,452            |
| Capital Outlay                 | 125,000                   | 120,485          | 4,515             |
| Total Police Department        | <u>1,914,605</u>          | <u>1,814,209</u> | <u>100,396</u>    |
| Justice and Law                |                           |                  |                   |
| Salaries                       | 122,879                   | 136,505          | (13,626)          |
| Operating                      | 364,969                   | 237,438          | 127,531           |
| Total Justice and Law          | <u>487,848</u>            | <u>373,943</u>   | <u>113,905</u>    |
| Fire Department                |                           |                  |                   |
| Salaries                       | 909,057                   | 853,180          | 55,877            |
| Operating                      | 232,857                   | 221,253          | 11,604            |
| Total Fire Department          | <u>1,141,914</u>          | <u>1,074,433</u> | <u>67,481</u>     |
| Total Public Safety            | <u>\$ 3,544,367</u>       | <u>3,262,585</u> | <u>\$ 281,782</u> |

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY DEPARTMENT - REVISED BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

|                                       | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE</u>    |
|---------------------------------------|---------------------------|-------------------|--------------------|
| <b>Public Works</b>                   |                           |                   |                    |
| Public Works Administration           |                           |                   |                    |
| Salaries                              | \$ 112,054                | 111,739           | \$ 315             |
| Operating                             | 56,454                    | 46,853            | 9,601              |
| Total Public Works Administration     | <u>168,508</u>            | <u>158,592</u>    | <u>9,916</u>       |
| Streets                               |                           |                   |                    |
| Salaries                              | 327,221                   | 358,584           | (31,363)           |
| Operating                             | 367,734                   | 271,240           | 96,494             |
| Total Streets                         | <u>694,955</u>            | <u>629,824</u>    | <u>65,131</u>      |
| Sanitation                            |                           |                   |                    |
| Salaries                              | 187,843                   | 102,809           | 85,034             |
| Operating                             | 181,507                   | 204,803           | (23,296)           |
| Capital Outlay                        | 275,000                   | 258,601           | 16,399             |
| Total Sanitation                      | <u>644,350</u>            | <u>566,213</u>    | <u>78,137</u>      |
| Building Maintenance                  |                           |                   |                    |
| Salaries                              | 216,902                   | 70,033            | 146,869            |
| Operating                             | 28,026                    | 31,476            | (3,450)            |
| Total Building Maintenance            | <u>244,928</u>            | <u>101,509</u>    | <u>143,419</u>     |
| Garage                                |                           |                   |                    |
| Salaries                              | 121,415                   | 82,986            | 38,429             |
| Operating                             | 51,845                    | 44,157            | 7,688              |
| Total Garage                          | <u>173,260</u>            | <u>127,143</u>    | <u>46,117</u>      |
| Total Public Works                    | <u>1,926,001</u>          | <u>1,583,281</u>  | <u>342,720</u>     |
| <b>Parks, Recreation, and Tourism</b> |                           |                   |                    |
| Salaries                              | 435,656                   | 418,074           | 17,582             |
| Operating                             | 221,200                   | 220,983           | 217                |
| Capital Outlay                        | 500,000                   | 6,417             | 493,583            |
| Total Parks, Recreation, and Tourism  | <u>1,156,856</u>          | <u>645,474</u>    | <u>511,382</u>     |
| <b>Non-Departmental</b>               |                           |                   |                    |
| General Insurance                     |                           |                   |                    |
| Operating                             | 123,330                   | 157,559           | (34,229)           |
| Total General Insurance               | <u>\$ 123,330</u>         | <u>\$ 157,559</u> | <u>\$ (34,229)</u> |

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY DEPARTMENT - REVISED BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

|  | <b>REVISED<br/>BUDGET</b>  | <b>ACTUAL</b>           | <b>VARIANCE</b>            |
|--|----------------------------|-------------------------|----------------------------|
| <b>Non-Departmental (Continued)</b>            |                            |                         |                            |
| Employee Benefits                              |                            |                         |                            |
| SC Retirement                                  | \$ 261,660                 | 241,482                 | \$ 20,178                  |
| SC Police Retirement                           | 395,547                    | 339,172                 | 56,375                     |
| Social Security                                | 333,944                    | 308,164                 | 25,780                     |
| City's Share of Employee Insurance             | 812,000                    | 699,748                 | 112,252                    |
| Workers' Compensation                          | 175,939                    | 120,160                 | 55,779                     |
| Workers' Compensation Deductibles              | 60,000                     | 32,980                  | 27,020                     |
| Unemployment                                   | 2,000                      | -                       | 2,000                      |
| Employer/Employee Relations                    | 25,000                     | 26,321                  | (1,321)                    |
| Physical Exams                                 | 3,413                      | 2,433                   | 980                        |
| Wellness Program                               | 12,960                     | 7,160                   | 5,800                      |
| Total Employee Benefits                        | <u>2,082,463</u>           | <u>1,777,620</u>        | <u>304,843</u>             |
| Community Promotions and Projects              |                            |                         |                            |
| Operating                                      | 116,875                    | 101,748                 | 15,127                     |
| Total Community Promotions and Projects        | <u>116,875</u>             | <u>101,748</u>          | <u>15,127</u>              |
| Debt Service                                   |                            |                         |                            |
| Lease Purchase Principal and Interest Payments | 270,052                    | 269,412                 | 640                        |
| Total Debt Service                             | <u>270,052</u>             | <u>269,412</u>          | <u>640</u>                 |
| Total Non-Departmental, Including Debt Service | <u>2,592,720</u>           | <u>2,306,339</u>        | <u>286,381</u>             |
| <b>TOTAL GENERAL FUND EXPENDITURES</b>         | <b><u>\$ 9,949,827</u></b> | <b><u>8,495,273</u></b> | <b><u>\$ 1,454,554</u></b> |

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds account for the accumulation and disbursement of restricted resources. The City has the following Special Revenue Funds.

**NANU** – This fund is used to account for the revenues and expenditures of the Newberry Allied Narcotics Unit (NANU), the City’s drug task force.

**Federal Equitable Sharing** – This fund is used to account for the City’s share of federal drug seizure revenues and expenditures.

**Tourism Fund** – This fund is used to account for the renovations and operations of the conference center and for tourism promotion.

**Special Events Fund** – This fund is used to account for transactions of the special events of the City such as city festivals.

**State Accommodations Tax Fund** – This fund is used to account for transactions related to the City’s share of money received from the statewide accommodations tax.

**Cultural Arts Fund** – This fund is used to account for transactions related to certain employees provided to the Newberry Opera House Foundation by contract. The City provides certain employees to operate solely under the direction of the Newberry Opera House Foundation Board of Directors.

**Community Housing/Development Fund** – This fund is used to account for the transactions related to certain funding sources made available for the purpose of housing rehabilitation and community development.

**Streetscape Fund** – This fund is used to account for the revenues and expenditures of the street and sidewalk improvement program.

**Local Hospitality/Accommodations Fee Fund** – This fund is used to account for the money received from the additional 2% fee charged for meals and 3% fee charged for lodging by the City of Newberry.

**Volunteer Firemen** – This fund is used to account for collection of shared insurance premium rebates from the State of South Carolina and expenditures on behalf of the City’s firemen.

**Victim’s Rights Fund** – This fund is used to account for the transactions of the State mandated Victim’s Rights program.

**Seizure Fund** - This fund is used to account for the revenues and expenditures of the Newberry Allied Narcotics Unit (NANU) before the cases go to trial. Once the case has been adjudicated, the funds are moved to the NANU fund.

**Oakland Tennis Fund** - This fund is used to account for the revenues and expenditures of the Oakland Tennis Facility.

CITY OF NEWBERRY, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NON MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

|   | NANU<br>Fund    | Federal<br>Equitable<br>Sharing<br>Fund | Tourism<br>Fund | Special<br>Events<br>Fund | State<br>Accommodations<br>Tax<br>Fund | Cultural<br>Arts<br>Fund |
|---|-----------------|---|-----------------|---------------------------|--|--------------------------|
| <b>Assets</b>   |                 |   |                 |                           |  |                          |
| Cash and Investments  | \$ 5,655        | 8,150                                   | 277,461         | 57,183                    | -                                      | 91,823                   |
| Cash and Investments, Restricted  | -               | -                                       | -               | -                         | 45,335                                 | -                        |
| Receivables, Net:   |                 |   |                 |                           |  |                          |
| Accounts  | -               | -                                       | -               | 2,000                     | -                                      | 89                       |
| Notes   | -               | -                                       | -               | -                         | -                                      | -                        |
| Intergovernmental   | -               | -                                       | -               | -                         | 53,963                                 | -                        |
| Due From Other Funds  | -               | -                                       | 16,200          | 25,000                    | -                                      | -                        |
| <b>Total Assets</b>   | <b>\$ 5,655</b> | <b>8,150</b>                            | <b>293,661</b>  | <b>84,183</b>             | <b>99,298</b>                          | <b>91,912</b>            |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b>        |                 |   |                 |                           |  |                          |
| <b>Liabilities</b>  |                 |   |                 |                           |  |                          |
| Accounts Payable  | \$ 36           | -                                       | 4,004           | -                         | -                                      | 24,110                   |
| Due To Other Funds  | -               | -                                       | 282             | -                         | 18,887                                 | 2,461                    |
| <b>Total Liabilities</b>  | <b>36</b>       | <b>-</b>                                | <b>4,286</b>    | <b>-</b>                  | <b>18,887</b>                          | <b>26,571</b>            |
| <b>Deferred Inflows of Resources</b>  |                 |   |                 |                           |  |                          |
| Unavailable Revenues  | -               | -                                       | 6,918           | -                         | -                                      | -                        |
| <b>Fund Balances:</b>   |                 |   |                 |                           |  |                          |
| <b>Restricted</b>   |                 |   |                 |                           |  |                          |
| Tourism Related Expenditures  | -               | -                                       | -               | -                         | 80,411                                 | -                        |
| Streetscape   | -               | -                                       | -               | -                         | -                                      | -                        |
| Public Safety   | -               | -                                       | -               | -                         | -                                      | -                        |
| <b>Committed</b>  |                 |   |                 |                           |  |                          |
| Tourism Related Expenditures  | -               | -                                       | 282,457         | -                         | -                                      | -                        |
| Parks and Recreation  | -               | -                                       | -               | -                         | -                                      | -                        |
| Public Safety   | 5,619           | 8,150                                   | -               | -                         | -                                      | -                        |
| Cultural Arts   | -               | -                                       | -               | -                         | -                                      | 65,341                   |
| Special Events  | -               | -                                       | -               | 84,183                    | -                                      | -                        |
| <b>Assigned</b>   |                 |   |                 |                           |  |                          |
| Community Development   | -               | -                                       | -               | -                         | -                                      | -                        |
| <b>Total Fund Balances</b>  | <b>5,619</b>    | <b>8,150</b>                            | <b>282,457</b>  | <b>84,183</b>             | <b>80,411</b>                          | <b>65,341</b>            |
| <b>Total, Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <b>\$ 5,655</b> | <b>8,150</b>                            | <b>293,661</b>  | <b>84,183</b>             | <b>99,298</b>                          | <b>91,912</b>            |

| <b>Community Housing/ Development Fund</b> | <b>Streetscape Fund</b> | <b>Local Hospitality/ Accommodations Fee Fund</b> | <b>Volunteer Firemen Fund</b> | <b>Victim's Rights Fund</b> | <b>Seizure Fund</b> | <b>Oakland Tennis Fund</b> | <b>Total Special Revenue Funds</b> |
|--|-------------------------|---|-------------------------------|-----------------------------|---------------------|----------------------------|------------------------------------|
| 317,028                                    | -                       | -   | 12,510                        | -                           | -                   | 213,240                    | \$ 983,050                         |
| -  | 95,947                  | 304,675   | -                             | 457                         | 13,594              | -                          | 460,008                            |
| 8  | -                       | 81,673  | -                             | -                           | -                   | -                          | 83,770                             |
| 355,000                                    | -                       | -   | -                             | -                           | -                   | -                          | 355,000                            |
| -  | -                       | -   | -                             | -                           | -                   | -                          | 53,963                             |
| 125,000                                    | -                       | -   | -                             | 3,190                       | -                   | -                          | 169,390                            |
| <b>797,036</b>                             | <b>95,947</b>           | <b>386,348</b>                                    | <b>12,510</b>                 | <b>3,647</b>                | <b>13,594</b>       | <b>213,240</b>             | <b>\$ 2,105,181</b>                |
| 275  | -                       | -   | -                             | 35                          | -                   | 1,123                      | \$ 29,583                          |
| -  | -                       | 152,640   | -                             | -                           | -                   | -                          | 174,270                            |
| 275  | -                       | 152,640   | -                             | 35                          | -                   | 1,123                      | 203,853                            |
| 355,000                                    | -                       | -   | -                             | -                           | -                   | -                          | 361,918                            |
| -  | -                       | 233,708   | -                             | -                           | -                   | -                          | 314,119                            |
| -  | 95,947                  | -   | -                             | -                           | -                   | -                          | 95,947                             |
| -  | -                       | -   | -                             | 3,612                       | 13,594              | -                          | 17,206                             |
| -  | -                       | -   | -                             | -                           | -                   | -                          | 282,457                            |
| -  | -                       | -   | -                             | -                           | -                   | 212,117                    | 212,117                            |
| -  | -                       | -   | 12,510                        | -                           | -                   | -                          | 26,279                             |
| -  | -                       | -   | -                             | -                           | -                   | -                          | 65,341                             |
| -  | -                       | -   | -                             | -                           | -                   | -                          | 84,183                             |
| 441,761                                    | -                       | -   | -                             | -                           | -                   | -                          | 441,761                            |
| 441,761                                    | 95,947                  | 233,708   | 12,510                        | 3,612                       | 13,594              | 212,117                    | 1,539,410                          |
| <b>797,036</b>                             | <b>95,947</b>           | <b>386,348</b>                                    | <b>12,510</b>                 | <b>3,647</b>                | <b>13,594</b>       | <b>213,240</b>             | <b>\$ 2,105,181</b>                |

## CITY OF NEWBERRY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2018

|  | NANU<br>Fund    | Federal<br>Equitable<br>Sharing<br>Fund | Tourism<br>Fund  | Special<br>Events<br>Fund | State<br>Accomodations<br>Tax<br>Fund | Cultural<br>Arts<br>Fund |
|--|-----------------|---|------------------|---------------------------|---------------------------------------|--------------------------|
| <b>REVENUES</b>  |                 |   |                  |                           |                                       |                          |
| Taxes:   |                 |   |                  |                           |                                       |                          |
| Hospitality  | \$ -            | -                                       | -                | -                         | -                                     | -                        |
| Accomodations  | -               | -                                       | -                | -                         | 145,896                               | -                        |
| Penalties  | -               | -                                       | -                | -                         | -                                     | -                        |
| Intergovernmental:   |                 |   |                  |                           |                                       |                          |
| Public Safety  | -               | -                                       | -                | -                         | -                                     | -                        |
| Community Development  | -               | -                                       | -                | -                         | -                                     | -                        |
| Local - Other  | -               | -                                       | -                | 33,588                    | -                                     | -                        |
| Drug Seizure   | 3,903           | -                                       | -                | -                         | -                                     | -                        |
| Donations  | -               | -                                       | -                | 43,378                    | -                                     | -                        |
| Other  | -               | -                                       | 120,138          | -                         | -                                     | 47,577                   |
| Interest Income  | -               | -                                       | -                | -                         | -                                     | -                        |
| <b>TOTAL REVENUES</b>  | <b>3,903</b>    | <b>-</b>                                | <b>120,138</b>   | <b>76,966</b>             | <b>145,896</b>                        | <b>47,577</b>            |
| <b>EXPENDITURES</b>  |                 |   |                  |                           |                                       |                          |
| Public Safety  | 2,634           | -                                       | -                | -                         | -                                     | -                        |
| Community Development  | -               | -                                       | -                | -                         | -                                     | -                        |
| Non-Departmental   | -               | -                                       | 297,326          | 86,670                    | 70,284                                | 369,950                  |
| Debt Service:  |                 |   |                  |                           |                                       |                          |
| Principal  | -               | -                                       | 102,187          | -                         | -                                     | -                        |
| Interest   | -               | -                                       | 12,502           | -                         | -                                     | -                        |
| <b>TOTAL EXPENDITURES</b>                                    | <b>2,634</b>    | <b>-</b>                                | <b>412,015</b>   | <b>86,670</b>             | <b>70,284</b>                         | <b>369,950</b>           |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>1,269</b>    | <b>-</b>                                | <b>(291,877)</b> | <b>(9,704)</b>            | <b>75,612</b>                         | <b>(322,373)</b>         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |   |                  |                           |                                       |                          |
| Transfers In   | -               | -                                       | 354,958          | 25,000                    | -                                     | 326,344                  |
| Transfers Out  | -               | -                                       | -                | -                         | (67,314)                              | -                        |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>-</b>        | <b>-</b>                                | <b>354,958</b>   | <b>25,000</b>             | <b>(67,314)</b>                       | <b>326,344</b>           |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <b>1,269</b>    | <b>-</b>                                | <b>63,081</b>    | <b>15,296</b>             | <b>8,298</b>                          | <b>3,971</b>             |
| FUND BALANCES, Beginning of Year                             | 4,350           | 8,150                                   | 219,376          | 68,887                    | 72,113                                | 61,370                   |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ 5,619</b> | <b>8,150</b>                            | <b>282,457</b>   | <b>84,183</b>             | <b>80,411</b>                         | <b>65,341</b>            |

| <b>Community Housing/ Development Fund</b> | <b>Streetscape Fund</b> | <b>Local Hospitality/ Accommodations Fee Fund</b> | <b>Volunteer Firemen Fund</b> | <b>Victim's Rights Fund</b> | <b>Seizure Fee Fund</b> | <b>Oakland Tennis Fund</b> | <b>Total Special Revenue Funds</b> |
|--|-------------------------|---|-------------------------------|-----------------------------|-------------------------|----------------------------|------------------------------------|
| -  | -                       | 755,506   | -                             | -                           | -                       | -                          | \$ 755,506                         |
| -  | -                       | 164,995   | -                             | -                           | -                       | -                          | 310,891                            |
| -  | -                       | 3,180   | -                             | -                           | -                       | -                          | 3,180                              |
| -  | -                       | -   | 21,821                        | -                           | -                       | -                          | 21,821                             |
| 342,505                                    | -                       | -   | -                             | -                           | -                       | -                          | 342,505                            |
| -  | -                       | -   | -                             | 26,332                      | -                       | 5,325                      | 65,245                             |
| -  | -                       | -   | -                             | -                           | 6,074                   | -                          | 9,977                              |
| -  | -                       | -   | -                             | -                           | -                       | 122,602                    | 165,980                            |
| -  | -                       | -   | -                             | -                           | -                       | -                          | 167,715                            |
| 137  | -                       | 43  | -                             | -                           | -                       | 71                         | 251                                |
| <b>342,642</b>                             | <b>-</b>                | <b>923,724</b>                                    | <b>21,821</b>                 | <b>26,332</b>               | <b>6,074</b>            | <b>127,998</b>             | <b>1,843,071</b>                   |
| -  | -                       | -   | -                             | 26,552                      | 3,902                   | -                          | 33,088                             |
| 116,519                                    | 47,162                  | 7,500   | -                             | -                           | -                       | 953,672                    | 1,124,853                          |
| -  | -                       | -   | 21,425                        | -                           | -                       | -                          | 845,655                            |
| -  | -                       | -   | -                             | -                           | -                       | -                          | 102,187                            |
| -  | -                       | -   | -                             | -                           | -                       | -                          | 12,502                             |
| <b>116,519</b>                             | <b>47,162</b>           | <b>7,500</b>                                      | <b>21,425</b>                 | <b>26,552</b>               | <b>3,902</b>            | <b>953,672</b>             | <b>2,118,285</b>                   |
| <b>226,123</b>                             | <b>(47,162)</b>         | <b>916,224</b>                                    | <b>396</b>                    | <b>(220)</b>                | <b>2,172</b>            | <b>(825,674)</b>           | <b>(275,214)</b>                   |
| -  | -                       | -   | -                             | -                           | -                       | 645,000                    | 1,351,302                          |
| (850,000)                                  | -                       | (1,379,273)                                       | -                             | -                           | -                       | -                          | (2,296,587)                        |
| <b>(850,000)</b>                           | <b>-</b>                | <b>(1,379,273)</b>                                | <b>-</b>                      | <b>-</b>                    | <b>-</b>                | <b>645,000</b>             | <b>(945,285)</b>                   |
| <b>(623,877)</b>                           | <b>(47,162)</b>         | <b>(463,049)</b>                                  | <b>396</b>                    | <b>(220)</b>                | <b>2,172</b>            | <b>(180,674)</b>           | <b>(1,220,499)</b>                 |
| 1,065,638                                  | 143,109                 | 696,757   | 12,114                        | 3,832                       | 11,422                  | 392,791                    | 2,759,909                          |
| <b>441,761</b>                             | <b>95,947</b>           | <b>233,708</b>                                    | <b>12,510</b>                 | <b>3,612</b>                | <b>13,594</b>           | <b>212,117</b>             | <b>\$ 1,539,410</b>                |

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
 NEWBERRY ALLIED NARCOTICS UNIT ("NANU") FUND

YEAR ENDED JUNE 30, 2018

|                                   | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
|-----------------------------------|----------------------------|---------------------------|---------------|-----------------|
| <b>REVENUES</b>                   |                            |                           |               |                 |
| Drug Seizure                      | \$ 5,000                   | 5,000                     | 3,903         | \$ (1,097)      |
| <b>TOTAL REVENUES</b>             | <u>5,000</u>               | <u>5,000</u>              | <u>3,903</u>  | <u>(1,097)</u>  |
| <b>EXPENDITURES</b>               |                            |                           |               |                 |
| Other:                            |                            |                           |               |                 |
| Operating Expenditures            | 4,800                      | 4,800                     | 2,634         | (2,166)         |
| <b>TOTAL EXPENDITURES</b>         | <u>4,800</u>               | <u>4,800</u>              | <u>2,634</u>  | <u>(2,166)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b> | <b>200</b>                 | <b>200</b>                | <b>1,269</b>  | <b>1,069</b>    |
| FUND BALANCES, Beginning of Year  | 4,350                      | 4,350                     | 4,350         | -               |
| <b>FUND BALANCES, End of Year</b> | <u>\$ 4,550</u>            | <u>4,550</u>              | <u>5,619</u>  | <u>\$ 1,069</u> |

Note: The City's original and revised budget reflected an expected surplus of fund balance of approximately \$200.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
TOURISM FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>         | <u>VARIANCE</u>         |
|--|----------------------------|---------------------------|-----------------------|-------------------------|
| <b>REVENUES</b>  |                            |                           |                       |                         |
| Rental and other   | \$ 96,600                  | 96,600                    | 120,138               | \$ 23,538               |
| <b>TOTAL REVENUES</b>  | <b><u>96,600</u></b>       | <b><u>96,600</u></b>      | <b><u>120,138</u></b> | <b><u>23,538</u></b>    |
| <b>EXPENDITURES</b>  |                            |                           |                       |                         |
| Other:   |                            |                           |                       |                         |
| Operating Expenditures                                       | 313,752                    | 313,752                   | 297,326               | (16,426)                |
| Debt Service:  |                            |                           |                       |                         |
| Principal  | 102,187                    | 102,187                   | 102,187               | -                       |
| Interest   | 12,502                     | 12,502                    | 12,502                | -                       |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>428,441</u></b>      | <b><u>428,441</u></b>     | <b><u>412,015</u></b> | <b><u>(16,426)</u></b>  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(331,841)</b>           | <b>(331,841)</b>          | <b>(291,877)</b>      | <b>39,964</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                       |                         |
| Transfers In   |                            |                           |                       |                         |
| Other Special Revenue Funds                                  | 341,789                    | 341,789                   | 354,958               | 13,169                  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>341,789</u></b>      | <b><u>341,789</u></b>     | <b><u>354,958</u></b> | <b><u>13,169</u></b>    |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>9,948</b>               | <b>9,948</b>              | <b>63,081</b>         | <b>53,133</b>           |
| FUND BALANCES, Beginning of Year                             | <u>219,376</u>             | <u>219,376</u>            | <u>219,376</u>        | <u>-</u>                |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 229,324</u></b>   | <b><u>229,324</u></b>     | <b><u>282,457</u></b> | <b><u>\$ 53,133</u></b> |

Note: The City's original and revised budget reflected an expected surplus of fund balance of approximately \$10,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
SPECIAL EVENTS FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>        | <u>VARIANCE</u>         |
|--|----------------------------|---------------------------|----------------------|-------------------------|
| <b>REVENUES</b>  |                            |                           |                      |                         |
| Local - Other  | \$ 27,000                  | 27,000                    | 33,588               | \$ 6,588                |
| Donations  | 26,000                     | 26,000                    | 43,378               | 17,378                  |
| <b>TOTAL REVENUES</b>  | <b><u>53,000</u></b>       | <b><u>53,000</u></b>      | <b><u>76,966</u></b> | <b><u>23,966</u></b>    |
| <b>EXPENDITURES</b>  |                            |                           |                      |                         |
| Other:   |                            |                           |                      |                         |
| Operating Expenditures                                       | 95,350                     | 95,350                    | 86,670               | (8,680)                 |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>95,350</u></b>       | <b><u>95,350</u></b>      | <b><u>86,670</u></b> | <b><u>(8,680)</u></b>   |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(42,350)</b>            | <b>(42,350)</b>           | <b>(9,704)</b>       | <b>32,646</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                      |                         |
| Transfers In   |                            |                           |                      |                         |
| Other Special Revenue Funds                                  | 25,000                     | 25,000                    | 25,000               | -                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>25,000</u></b>       | <b><u>25,000</u></b>      | <b><u>25,000</u></b> | <b><u>-</u></b>         |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(17,350)</b>            | <b>(17,350)</b>           | <b>15,296</b>        | <b>32,646</b>           |
| FUND BALANCES, Beginning of Year                             | 68,887                     | 68,887                    | 68,887               | -                       |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 51,537</u></b>    | <b><u>51,537</u></b>      | <b><u>84,183</u></b> | <b><u>\$ 32,646</u></b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$17,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
STATE ACCOMMODATIONS TAX FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>          | <u>VARIANCE</u>        |
|--|----------------------------|---------------------------|------------------------|------------------------|
| <b>REVENUES</b>  |                            |                           |                        |                        |
| Intergovernmental  |                            |                           |                        |                        |
| Accommodations Tax   | \$ 102,000                 | 102,000                   | 145,896                | \$ 43,896              |
| <b>TOTAL REVENUES</b>  | <b><u>102,000</u></b>      | <b><u>102,000</u></b>     | <b><u>145,896</u></b>  | <b><u>43,896</u></b>   |
| <b>EXPENDITURES</b>  |                            |                           |                        |                        |
| Operating Expenditures                                       | 50,050                     | 50,050                    | 70,284                 | 20,234                 |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>50,050</u></b>       | <b><u>50,050</u></b>      | <b><u>70,284</u></b>   | <b><u>20,234</u></b>   |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>51,950</b>              | <b>51,950</b>             | <b>75,612</b>          | <b>23,662</b>          |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                        |                        |
| Transfers Out  |                            |                           |                        |                        |
| General Fund   | (28,850)                   | (28,850)                  | (31,045)               | (2,195)                |
| Other Special Revenue Funds                                  | (23,100)                   | (23,100)                  | (36,269)               | (13,169)               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>(51,950)</u></b>     | <b><u>(51,950)</u></b>    | <b><u>(67,314)</u></b> | <b><u>(15,364)</u></b> |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>-</b>                   | <b>-</b>                  | <b>8,298</b>           | <b>8,298</b>           |
| FUND BALANCES, Beginning of Year                             | 72,113                     | 72,113                    | 72,113                 | -                      |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 72,113</u></b>    | <b><u>72,113</u></b>      | <b><u>80,411</u></b>   | <b><u>\$ 8,298</u></b> |

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
CULTURAL ARTS FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>         | <u>VARIANCE</u>         |
|--|----------------------------|---------------------------|-----------------------|-------------------------|
| <b>REVENUES</b>  |                            |                           |                       |                         |
| Newberry Opera House Reimbursement & Facility Fees           | \$ 55,000                  | 55,000                    | 47,577                | \$ (7,423)              |
| <b>TOTAL REVENUES</b>  | <u><b>55,000</b></u>       | <u><b>55,000</b></u>      | <u><b>47,577</b></u>  | <u><b>(7,423)</b></u>   |
| <b>EXPENDITURES</b>  |                            |                           |                       |                         |
| Other:   |                            |                           |                       |                         |
| Operating Expenditures                                       | 415,122                    | 415,122                   | 369,950               | (45,172)                |
| <b>TOTAL EXPENDITURES</b>                                    | <u><b>415,122</b></u>      | <u><b>415,122</b></u>     | <u><b>369,950</b></u> | <u><b>(45,172)</b></u>  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(360,122)</b>           | <b>(360,122)</b>          | <b>(322,373)</b>      | <b>37,749</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                       |                         |
| Transfers In   |                            |                           |                       |                         |
| Other Special Revenue Funds                                  | 326,344                    | 326,344                   | 326,344               | -                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <u><b>326,344</b></u>      | <u><b>326,344</b></u>     | <u><b>326,344</b></u> | <u><b>-</b></u>         |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(33,778)</b>            | <b>(33,778)</b>           | <b>3,971</b>          | <b>37,749</b>           |
| FUND BALANCES, Beginning of Year                             | 61,370                     | 61,370                    | 61,370                | -                       |
| <b>FUND BALANCES, End of Year</b>                            | <u><b>\$ 27,592</b></u>    | <u><b>27,592</b></u>      | <u><b>65,341</b></u>  | <u><b>\$ 37,749</b></u> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$34,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
COMMUNITY HOUSING/DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>           | <u>VARIANCE</u>           |
|--|----------------------------|---------------------------|-------------------------|---------------------------|
| <b>REVENUES</b>  |                            |                           |                         |                           |
| Intergovernmental  |                            |                           |                         |                           |
| Community Development  | \$ 501,000                 | 501,000                   | 342,505                 | \$ (158,495)              |
| Interest Income  | 20                         | 20                        | 137                     | 117                       |
| <b>TOTAL REVENUES</b>  | <b><u>501,020</u></b>      | <b><u>501,020</u></b>     | <b><u>342,642</u></b>   | <b><u>(158,378)</u></b>   |
| <b>EXPENDITURES</b>  |                            |                           |                         |                           |
| Other:   |                            |                           |                         |                           |
| Operating Expenditures                                       | 454                        | 454                       | 454                     | -                         |
| Capital Expenditures   | 208,000                    | 208,000                   | 116,065                 | (91,935)                  |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>208,454</u></b>      | <b><u>208,454</u></b>     | <b><u>116,519</u></b>   | <b><u>(91,935)</u></b>    |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>292,566</b>             | <b>292,566</b>            | <b>226,123</b>          | <b>(66,443)</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                         |                           |
| Transfers Out  |                            |                           |                         |                           |
| Other Special Revenue Funds                                  | (850,000)                  | (850,000)                 | (850,000)               | -                         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>(850,000)</u></b>    | <b><u>(850,000)</u></b>   | <b><u>(850,000)</u></b> | <b><u>-</u></b>           |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(557,434)</b>           | <b>(557,434)</b>          | <b>(623,877)</b>        | <b>(66,443)</b>           |
| FUND BALANCES, Beginning of Year                             | 1,065,638                  | 1,065,638                 | 1,065,638               | -                         |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 508,204</u></b>   | <b><u>508,204</u></b>     | <b><u>441,761</u></b>   | <b><u>\$ (66,443)</u></b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$557,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
STREETSCAPE FUND

YEAR ENDED JUNE 30, 2018

|                                   | ORIGINAL<br>BUDGET | REVISED<br>BUDGET | ACTUAL          | VARIANCE         |
|-----------------------------------|--------------------|-------------------|-----------------|------------------|
| <b>REVENUES</b>                   |                    |                   |                 |                  |
| <b>TOTAL REVENUES</b>             | <b>\$ -</b>        | <b>-</b>          | <b>-</b>        | <b>\$ -</b>      |
| <b>EXPENDITURES</b>               |                    |                   |                 |                  |
| Grants to Others                  | 36,000             | 36,000            | 36,000          | -                |
| Other:                            |                    |                   |                 |                  |
| Operating Expenditures            | 30,000             | 30,000            | 11,162          | (18,838)         |
| <b>TOTAL EXPENDITURES</b>         | <b>66,000</b>      | <b>66,000</b>     | <b>47,162</b>   | <b>(18,838)</b>  |
| <b>NET CHANGE IN FUND BALANCE</b> | <b>(66,000)</b>    | <b>(66,000)</b>   | <b>(47,162)</b> | <b>18,838</b>    |
| FUND BALANCES, Beginning of Year  | 143,109            | 143,109           | 143,109         | -                |
| <b>FUND BALANCES, End of Year</b> | <b>\$ 77,109</b>   | <b>77,109</b>     | <b>95,947</b>   | <b>\$ 18,838</b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$66,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
 LOCAL HOSPITALITY/ACCOMMODATIONS FEE FUND

YEAR ENDED JUNE 30, 2018

|  | ORIGINAL<br>BUDGET | REVISED<br>BUDGET  | ACTUAL             | VARIANCE         |
|--|--------------------|--------------------|--------------------|------------------|
| <b>REVENUES</b>  |                    |                    |                    |                  |
| Fees   |                    |                    |                    |                  |
| Hospitality  | \$ 746,000         | 746,000            | 755,506            | \$ 9,506         |
| Accommodations   | 140,000            | 140,000            | 164,995            | 24,995           |
| Penalties  | 2,100              | 2,100              | 3,180              | 1,080            |
| Interest Income  | 15                 | 15                 | 43                 | 28               |
| <b>TOTAL REVENUES</b>  | <b>888,115</b>     | <b>888,115</b>     | <b>923,724</b>     | <b>35,609</b>    |
| <b>EXPENDITURES</b>  |                    |                    |                    |                  |
| Tourism  | 7,500              | 7,500              | 7,500              | -                |
| <b>TOTAL EXPENDITURES</b>                                    | <b>7,500</b>       | <b>7,500</b>       | <b>7,500</b>       | <b>-</b>         |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>880,615</b>     | <b>880,615</b>     | <b>916,224</b>     | <b>35,609</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                    |                    |                  |
| Transfers Out  |                    |                    |                    |                  |
| Permanent Fund   | (3,000)            | (3,000)            | (3,000)            | -                |
| General Fund   | (133,500)          | (133,500)          | (133,500)          | -                |
| Other Special Revenue Funds                                  | (1,242,773)        | (1,242,773)        | (1,242,773)        | -                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>(1,379,273)</b> | <b>(1,379,273)</b> | <b>(1,379,273)</b> | <b>-</b>         |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(498,658)</b>   | <b>(498,658)</b>   | <b>(463,049)</b>   | <b>35,609</b>    |
| FUND BALANCES, Beginning of Year                             | 696,757            | 696,757            | 696,757            | -                |
| <b>FUND BALANCES, End of Year</b>                            | <b>\$ 198,099</b>  | <b>198,099</b>     | <b>233,708</b>     | <b>\$ 35,609</b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$499,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
VICTIM'S RIGHTS FUND

YEAR ENDED JUNE 30, 2018

|                                   | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>        | <u>VARIANCE</u>         |
|-----------------------------------|----------------------------|---------------------------|----------------------|-------------------------|
| <b>REVENUES</b>                   |                            |                           |                      |                         |
| Court Fines and Assessments       | \$ 33,000                  | 33,000                    | 26,332               | \$ (6,668)              |
| <b>TOTAL REVENUES</b>             | <u><b>33,000</b></u>       | <u><b>33,000</b></u>      | <u><b>26,332</b></u> | <u><b>(6,668)</b></u>   |
| <b>EXPENDITURES</b>               |                            |                           |                      |                         |
| Other:                            |                            |                           |                      |                         |
| Operating Expenditures            | 62,301                     | 62,301                    | 26,552               | (35,749)                |
| <b>TOTAL EXPENDITURES</b>         | <u><b>62,301</b></u>       | <u><b>62,301</b></u>      | <u><b>26,552</b></u> | <u><b>(35,749)</b></u>  |
| <b>NET CHANGE IN FUND BALANCE</b> | <b>(29,301)</b>            | <b>(29,301)</b>           | <b>(220)</b>         | <b>29,081</b>           |
| FUND BALANCES, Beginning of Year  | <u>3,832</u>               | <u>3,832</u>              | <u>3,832</u>         | <u>-</u>                |
| <b>FUND BALANCES, End of Year</b> | <u><b>\$ (25,469)</b></u>  | <u><b>(25,469)</b></u>    | <u><b>3,612</b></u>  | <u><b>\$ 29,081</b></u> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$29,000.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
OAKLAND TENNIS FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>         | <u>VARIANCE</u>           |
|--|----------------------------|---------------------------|-----------------------|---------------------------|
| <b>REVENUES</b>  |                            |                           |                       |                           |
| Local - Other  | \$ 27,240                  | 27,240                    | 5,325                 | \$ (21,915)               |
| Donations  | 26,000                     | 26,000                    | 122,602               | 96,602                    |
| Interest Income  | -                          | -                         | 71                    | 71                        |
| <b>TOTAL REVENUES</b>  | <b><u>53,240</u></b>       | <b><u>53,240</u></b>      | <b><u>127,998</u></b> | <b><u>74,758</u></b>      |
| <b>EXPENDITURES</b>  |                            |                           |                       |                           |
| Other:   |                            |                           |                       |                           |
| Operating Expenditures                                       | 94,464                     | 94,464                    | 77,499                | (16,965)                  |
| Capital Expenditures   | 700,000                    | 700,000                   | 876,173               | 176,173                   |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>794,464</u></b>      | <b><u>794,464</u></b>     | <b><u>953,672</u></b> | <b><u>159,208</u></b>     |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(741,224)</b>           | <b>(741,224)</b>          | <b>(825,674)</b>      | <b>(84,450)</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                       |                           |
| Transfers In   |                            |                           |                       |                           |
| Other Special Revenue Funds                                  | 645,000                    | 645,000                   | 645,000               | -                         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>645,000</u></b>      | <b><u>645,000</u></b>     | <b><u>645,000</u></b> | <b><u>-</u></b>           |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(96,224)</b>            | <b>(96,224)</b>           | <b>(180,674)</b>      | <b>(84,450)</b>           |
| FUND BALANCES, Beginning of Year                             | <u>392,791</u>             | <u>392,791</u>            | <u>392,791</u>        | <u>-</u>                  |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 296,567</u></b>   | <b><u>296,567</u></b>     | <b><u>212,117</u></b> | <b><u>\$ (84,450)</u></b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$96,000.

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## **PERMANENT FUND**

**Japanese Gardens** - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used to support government programs which benefit the government or its citizens. The interest portion of the permanent fund can be used to maintain the Japanese Gardens.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**BALANCE SHEET  
JAPANESE GARDENS PERMANENT FUND**

**YEAR ENDED JUNE 30, 2018**

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|  | <u>ACTUAL</u>           |
|--|-------------------------|
| <b>ASSETS</b>                              |                         |
| Cash and Investments                       | \$ 8,399                |
| Cash and Investments, Restricted           | 10,000                  |
| Interest Receivable                        | 26                      |
| Due From Other Funds                       | 2,640                   |
| <b>TOTAL ASSETS</b>                        | <u><u>21,065</u></u>    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |
| <b>TOTAL LIABILITIES</b>                   | <u><u>-</u></u>         |
| <b>FUND BALANCES</b>                       |                         |
| Restricted for Japanese Gardens            | 10,000                  |
| Assigned for Japanese Gardens              | 11,065                  |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 21,065</u></u> |

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL  
 JAPANESE GARDENS PERMANENT FUND

YEAR ENDED JUNE 30, 2018

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>        | <u>VARIANCE</u>        |
|--|----------------------------|---------------------------|----------------------|------------------------|
| <b>REVENUES</b>  |                            |                           |                      |                        |
| Donations  | \$ 8,000                   | 8,000                     | 7,360                | \$ (640)               |
| Interest Revenue   | 20                         | 20                        | 80                   | 60                     |
| <b>TOTAL REVENUES</b>  | <b><u>8,020</u></b>        | <b><u>8,020</u></b>       | <b><u>7,440</u></b>  | <b><u>(580)</u></b>    |
| <b>EXPENDITURES</b>  |                            |                           |                      |                        |
| Maintenance of Japanese Gardens                              | 12,775                     | 12,775                    | 12,458               | (317)                  |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>12,775</u></b>       | <b><u>12,775</u></b>      | <b><u>12,458</u></b> | <b><u>(317)</u></b>    |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>(4,755)</b>             | <b>(4,755)</b>            | <b>(5,018)</b>       | <b>(263)</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                           |                      |                        |
| Transfers In   |                            |                           |                      |                        |
| Other Special Revenue Funds                                  | 3,000                      | 3,000                     | 3,000                | -                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b><u>3,000</u></b>        | <b><u>3,000</u></b>       | <b><u>3,000</u></b>  | <b><u>-</u></b>        |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(1,755)</b>             | <b>(1,755)</b>            | <b>(2,018)</b>       | <b>(263)</b>           |
| FUND BALANCES, Beginning of Year                             | <u>23,083</u>              | <u>23,083</u>             | <u>23,083</u>        | <u>-</u>               |
| <b>FUND BALANCES, End of Year</b>                            | <b><u>\$ 21,328</u></b>    | <b><u>21,328</u></b>      | <b><u>21,065</u></b> | <b><u>\$ (263)</u></b> |

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$2,000.

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## **ENTERPRISE FUND**

The Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprise. The intent of the City is that costs of providing goods or services to the general public on a continuing basis will be financed or recovered through user charges.

Utility System - This fund is used to account for the activities of the Electric, Water and Sewer System (a department of the City of Newberry). Activities of the fund include administration, operation and maintenance of the electric, water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGETS AND ACTUAL  
 PROPRIETARY FUND - UTILITY FUND

YEAR ENDED JUNE 30, 2018

|   | ORIGINAL<br>BUDGET | REVISED<br>BUDGET | ACTUAL             | VARIANCE              |
|---|--------------------|-------------------|--------------------|-----------------------|
| <b>OPERATING REVENUES</b>                     |                    |                   |                    |                       |
| Connection and Reconnection Fees              | \$ 106,000         | 106,000           | 127,839            | \$ 21,839             |
| Water Receipts                                | 5,247,140          | 5,247,140         | 5,624,427          | 377,287               |
| Electric Receipts                             | 27,067,886         | 27,067,886        | 25,929,776         | (1,138,110)           |
| Sewer Receipts                                | 4,919,830          | 4,919,830         | 5,151,668          | 231,838               |
| Sales and Use Tax                             | 525,000            | 525,000           | 548,408            | 23,408                |
| Utility Penalty                               | 200,000            | 200,000           | 352,431            | 152,431               |
| Water Taps                                    | 10,000             | 10,000            | 22,360             | 12,360                |
| Sewer Taps                                    | 2,000              | 2,000             | 12,020             | 10,020                |
| Temporary Electric Services                   | 7,200              | 7,200             | 6,080              | (1,120)               |
| Newberry Housing Authority                    | 1,086              | 1,086             | 1,086              | -                     |
| Fire Flow Access Fees                         | 23,000             | 23,000            | 22,569             | (431)                 |
| Fiber Optic Revenue                           | 30,000             | 30,000            | -                  | (30,000)              |
| Other Revenue                                 | 13,000             | 13,000            | 7,019              | (5,981)               |
| CATV - Pole Rental                            | 89,100             | 89,100            | 44,809             | (44,291)              |
| <b>TOTAL OPERATING REVENUES</b>               | <b>38,241,242</b>  | <b>38,241,242</b> | <b>37,850,492</b>  | <b>(390,750)</b>      |
| <b>OPERATING EXPENSES</b>                     |                    |                   |                    |                       |
| City Hall                                     | 51,030             | 51,030            | 42,657             | 8,373                 |
| Finance                                       | 581,114            | 581,114           | 405,260            | 175,854               |
| Utility Administration                        | 496,288            | 496,288           | 518,284            | (21,996)              |
| Warehouse                                     | 76,507             | 76,507            | 180,666            | (104,159)             |
| Information Services                          | 132,952            | 132,952           | 112,659            | 20,293                |
| Electric Distribution                         | 1,044,005          | 1,044,005         | 1,174,246          | (130,241)             |
| Water and Sewer Maintenance                   | 992,672            | 992,672           | 1,283,330          | (290,658)             |
| Water Production                              | 1,315,184          | 1,315,184         | 1,297,726          | 17,458                |
| Waste Treatment                               | 1,002,969          | 1,002,969         | 1,169,344          | (166,375)             |
| General Insurance                             | 142,913            | 142,913           | 84,316             | 58,597                |
| Employee Benefits                             | 1,002,156          | 1,002,156         | 1,134,901          | (132,745)             |
| Nondepartmental                               | 22,722,508         | 22,722,508        | 21,605,295         | 1,117,213             |
| Depreciation                                  | 3,306,465          | 3,306,465         | 3,306,465          | -                     |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>32,866,763</b>  | <b>32,866,763</b> | <b>32,315,149</b>  | <b>551,614</b>        |
| <b>OPERATING INCOME</b>                       | <b>5,374,479</b>   | <b>5,374,479</b>  | <b>5,535,343</b>   | <b>160,864</b>        |
| <b>NON-OPERATING REVENUE (EXPENSES)</b>       |                    |                   |                    |                       |
| Interest Revenue                              | 6,000              | 6,000             | 137,093            | 131,093               |
| Interest Expense, Bank Fees, and Other        | (13,000)           | (13,000)          | (1,700,298)        | (1,687,298)           |
| <b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b> | <b>\$ (7,000)</b>  | <b>(7,000)</b>    | <b>(1,563,205)</b> | <b>\$ (1,556,205)</b> |

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGETS AND ACTUAL  
PROPRIETARY FUND - UTILITY FUND

YEAR ENDED JUNE 30, 2018

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|                                  | <u>ORIGINAL<br/>BUDGET</u>  | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>            | <u>VARIANCE</u>              |
|----------------------------------|-----------------------------|---------------------------|--------------------------|------------------------------|
| <b>INCOME BEFORE TRANSFERS</b>   | <u>\$ 5,367,479</u>         | <u>5,367,479</u>          | <u>3,972,138</u>         | <u>\$ (1,395,341)</u>        |
| Transfers Out                    | <u>(1,865,909)</u>          | <u>(1,865,909)</u>        | <u>(1,865,909)</u>       | <u>-</u>                     |
| <b>CHANGE IN NET POSITION</b>    | <u>3,501,570</u>            | <u>3,501,570</u>          | <u>2,106,229</u>         | <u>(1,395,341)</u>           |
| NET POSITION, Beginning of Year  | <u>48,131,818</u>           | <u>48,131,818</u>         | <u>48,131,818</u>        | <u>-</u>                     |
| <b>NET POSITION, End of Year</b> | <u><u>\$ 51,633,388</u></u> | <u><u>51,633,388</u></u>  | <u><u>50,238,047</u></u> | <u><u>\$ (1,395,341)</u></u> |

Note: The City budgets the enterprise fund on the modified accrual basis of accounting but has elected to present the enterprise fund budget to actual schedule in the financial statements on the GAAP basis.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF EXPENSES BY DEPARTMENT - REVISED BUDGET AND ACTUAL  
 PROPRIETARY FUND - UTILITY FUND

YEAR ENDED JUNE 30, 2018

|                                   | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE</u>  |
|-----------------------------------|---------------------------|------------------|------------------|
| City Hall                         |                           |                  |                  |
| Operating                         | \$ 51,030                 | 42,657           | \$ 8,373         |
| Total City Hall                   | <u>51,030</u>             | <u>42,657</u>    | <u>8,373</u>     |
| Finance                           |                           |                  |                  |
| Salaries                          | 314,050                   | 292,257          | 21,793           |
| Operating                         | 267,064                   | 113,003          | 154,061          |
| Total Finance                     | <u>581,114</u>            | <u>405,260</u>   | <u>175,854</u>   |
| Utility Administration            |                           |                  |                  |
| Salaries                          | 450,588                   | 408,902          | 41,686           |
| Operating                         | 45,700                    | 109,382          | (63,682)         |
| Total Utility Administration      | <u>496,288</u>            | <u>518,284</u>   | <u>(21,996)</u>  |
| Warehouse                         |                           |                  |                  |
| Salaries                          | 54,167                    | 56,437           | (2,270)          |
| Operating                         | 22,340                    | 124,229          | (101,889)        |
| Total Warehouse                   | <u>76,507</u>             | <u>180,666</u>   | <u>(104,159)</u> |
| Information Services              |                           |                  |                  |
| Salaries                          | 53,002                    | 48,699           | 4,303            |
| Operating                         | 79,950                    | 63,960           | 15,990           |
| Total Information Services        | <u>132,952</u>            | <u>112,659</u>   | <u>20,293</u>    |
| Electric Distribution             |                           |                  |                  |
| Salaries                          | 499,226                   | 457,970          | 41,256           |
| Operating                         | 544,779                   | 716,276          | (171,497)        |
| Total Electric Distribution       | <u>1,044,005</u>          | <u>1,174,246</u> | <u>(130,241)</u> |
| Water and Sewer Maintenance       |                           |                  |                  |
| Salaries                          | 384,352                   | 437,969          | (53,617)         |
| Operating                         | 608,320                   | 845,361          | (237,041)        |
| Total Water and Sewer Maintenance | <u>992,672</u>            | <u>1,283,330</u> | <u>(290,658)</u> |
| Water Production                  |                           |                  |                  |
| Salaries                          | 369,917                   | 342,084          | 27,833           |
| Operating                         | 945,267                   | 955,642          | (10,375)         |
| Total Water Production            | <u>1,315,184</u>          | <u>1,297,726</u> | <u>17,458</u>    |
| Waste Treatment                   |                           |                  |                  |
| Salaries                          | 219,390                   | 224,850          | (5,460)          |
| Operating                         | 783,579                   | 944,494          | (160,915)        |
| Total Waste Treatment             | <u>1,002,969</u>          | <u>1,169,344</u> | <u>(166,375)</u> |
| General Insurance                 |                           |                  |                  |
| Operating                         | 142,913                   | 84,316           | 58,597           |
| Total General Insurance           | <u>\$ 142,913</u>         | <u>\$ 84,316</u> | <u>\$ 58,597</u> |

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF EXPENSES BY DEPARTMENT - REVISED BUDGET AND ACTUAL  
 PROPRIETARY FUND - UTILITY FUND

YEAR ENDED JUNE 30, 2018

|                                       | <b>REVISED<br/>BUDGET</b>   | <b>ACTUAL</b>            | <b>VARIANCE</b>          |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|
| Employee Benefits                     |                             |                          |                          |
| SC Retirement                         | \$ 317,940                  | 290,243                  | \$ 27,697                |
| Social Security                       | 179,369                     | 167,735                  | 11,634                   |
| City's Share of Employee Insurance    | 360,000                     | 339,972                  | 20,028                   |
| GASB 45 OPEB Adjustment               | 5,000                       | -                        | 5,000                    |
| GASB 68 Pension Adjustment            | -                           | 230,772                  | (230,772)                |
| Workers' Compensation                 | 86,657                      | 65,572                   | 21,085                   |
| Workers' Compensation Deductibles     | 15,000                      | 7,871                    | 7,129                    |
| Unemployment                          | 4,000                       | -                        | 4,000                    |
| Employer/Employee Relations           | 20,000                      | 14,672                   | 5,328                    |
| Physical Exams                        | 2,850                       | 1,278                    | 1,572                    |
| Wellness Program                      | 11,340                      | 5,085                    | 6,255                    |
| Compensated Absences Adjustment       | -                           | 11,701                   | (11,701)                 |
| Total Employee Benefits               | <u>1,002,156</u>            | <u>1,134,901</u>         | <u>(132,745)</u>         |
| Non-Departmental                      |                             |                          |                          |
| Sales and Use Tax                     | 550,000                     | 577,398                  | (27,398)                 |
| Purchase of Electricity               | 21,908,367                  | 20,449,107               | 1,459,260                |
| SCE&G Water Contract                  | 24,000                      | 17,874                   | 6,126                    |
| Streetlight Charges                   | 10,141                      | 8,704                    | 1,437                    |
| Refunds                               | 10,000                      | 1,045                    | 8,955                    |
| Bad Debt Expense                      | 180,000                     | 533,739                  | (353,739)                |
| Community Enhancement                 | 30,000                      | 6,795                    | 23,205                   |
| Web Site Maintenance                  | 10,000                      | 10,633                   | (633)                    |
| Total Non-Departmental                | <u>22,722,508</u>           | <u>21,605,295</u>        | <u>1,117,213</u>         |
| Depreciation                          | <u>3,306,465</u>            | <u>3,306,465</u>         | <u>-</u>                 |
| <b>TOTAL ENTERPRISE FUND EXPENSES</b> | <b><u>\$ 32,866,763</u></b> | <b><u>32,315,149</u></b> | <b><u>\$ 551,614</u></b> |

CITY OF NEWBERRY, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2018

FOR THE STATE TREASURER'S OFFICE:

| COUNTY / MUNICIPAL FUNDS COLLECTED<br>BY CLERK OF COURT              | General<br>Sessions | Magistrate<br>Court | Municipal<br>Court | Total            |
|--|---------------------|---------------------|--------------------|------------------|
| <b>Court Fines and Assessments:</b>                                  |                     |                     |                    |                  |
| Court fines and assessments collected                                |                     |                     | \$ 379,872         | \$ 379,872       |
| Court fines and assessments remitted to State Treasurer              |                     |                     | (212,888)          | (212,888)        |
| <b>Total Court Fines and Assessments retained</b>                    |                     |                     | <b>166,984</b>     | <b>166,984</b>   |
| <b>Surcharges and Assessments retained for victim services:</b>      |                     |                     |                    |                  |
| Surcharges collected and retained                                    |                     |                     | 8,845              | 8,845            |
| Assessments retained   |                     |                     | 17,487             | 17,487           |
| <b>Total Surcharges and Assessments retained for victim services</b> |                     |                     | <b>\$ 26,332</b>   | <b>\$ 26,332</b> |

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

| VICTIM SERVICE FUNDS COLLECTED  | Municipal        | County        | Total           |
|---|------------------|---------------|-----------------|
| <b>Carryforward from Previous Year – Beginning Balance</b>                  | \$ 3,832         |               | \$ 3,832        |
| <b>Victim Service Revenue:</b>  |                  |               |                 |
| Victim Service Fines Retained by City/County Treasurer                      |                  |               |                 |
| Victim Service Assessments Retained by City/County Treasurer                | 17,487           |               | 17,487          |
| Victim Service Surcharges Retained by City/County Treasurer                 | 8,845            |               | 8,845           |
| Interest Earned   |                  |               |                 |
| Grant Funds Received  |                  |               |                 |
| Grant from:   |                  |               |                 |
| General Funds Transferred to Victim Service Fund                            |                  |               |                 |
| <b>Contribution Received from Victim Service Contracts:</b>                 |                  |               |                 |
| (1) Town of   |                  |               |                 |
| (2) Town of   |                  |               |                 |
| (3) City of   |                  |               |                 |
| <b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b> | <b>30,164</b>    |               | <b>30,164</b>   |
| <b>Expenditures for Victim Service Program:</b>                             | <b>Municipal</b> | <b>County</b> | <b>Total</b>    |
| Salaries and Benefits   | 23,982           |               | 23,982          |
| Operating Expenditures  | 2,570            |               | 2,570           |
| <b>Victim Service Contract(s):</b>  |                  |               |                 |
| (1) Entity's Name   |                  |               |                 |
| (2) Entity's Name   |                  |               |                 |
| <b>Victim Service Donation(s):</b>  |                  |               |                 |
| (1) Domestic Violence Shelter:  |                  |               |                 |
| (2) Rape Crisis Center:   |                  |               |                 |
| (3) Other local direct crime victims service agency:                        |                  |               |                 |
| Transferred to General Fund   |                  |               |                 |
| <b>Total Expenditures from Victim Service Fund/Program (B)</b>              | <b>26,552</b>    |               | <b>26,552</b>   |
| Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)     |                  |               |                 |
| Less: Prior Year Fund Deficit Repayment                                     |                  |               |                 |
| <b>Carryforward Funds – End of Year</b>                                     | <b>\$ 3,612</b>  |               | <b>\$ 3,612</b> |

# STATISTICAL SECTION

This part of the City of Newberry's ("City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends Information<br><i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>   | 110         |
| Revenue Capacity Information<br><i>These schedules contain information to help the reader assess the City's most significant local revenue source.</i>   | 128         |
| Debt Capacity Information<br><i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>                | 132         |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>                                    | 140         |
| Operating Information<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | 142         |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF NEWBERRY, SOUTH CAROLINA

Table 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

|  | Fiscal Year   |            |            |            |            |            |            |            |            |               |
|--|---------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|
|  | 2009          | 2010       | 2011       | 2012       | 2013       | 2014       | 2015 *     | 2016       | 2017       | 2018          |
| Governmental activities                            |               |            |            |            |            |            |            |            |            |               |
| Invested in capital assets,<br>net of related debt | \$ 6,447,586  | 6,934,137  | 7,016,972  | 6,905,766  | 7,465,441  | 7,920,688  | 7,787,439  | 8,034,933  | 9,369,795  | \$ 10,263,672 |
| Restricted   | 10,000        | 10,000     | 10,000     | 10,000     | 10,000     | 10,000     | 10,000     | 10,000     | 10,000     | 4,824,694     |
| Unrestricted                                       | 6,777,040     | 7,299,789  | 7,810,796  | 8,523,753  | 8,862,948  | 8,711,468  | 2,713,939  | 3,123,417  | 2,497,220  | 1,134,548     |
| Total governmental activities net position         | 13,234,626    | 14,243,926 | 14,837,768 | 15,439,519 | 16,338,389 | 16,642,156 | 10,511,378 | 11,168,350 | 11,877,015 | 16,222,914    |
| Business-type activities                           |               |            |            |            |            |            |            |            |            |               |
| Invested in capital assets,<br>net of related debt | 21,938,753    | 21,001,548 | 21,973,791 | 25,406,140 | 26,164,248 | 24,384,749 | 25,789,683 | 30,352,537 | 32,518,374 | 36,484,723    |
| Restricted   | 2,758,201     | 2,473,010  | 2,352,964  | 2,210,843  | 2,013,851  | 1,417,922  | 1,406,590  | 1,001,647  | 906,988    | 538,473       |
| Unrestricted                                       | 7,067,335     | 10,123,565 | 12,779,649 | 13,421,117 | 12,458,839 | 16,948,721 | 15,020,836 | 12,895,178 | 14,706,456 | 13,214,851    |
| Total business-type activities net position        | 31,764,289    | 33,598,123 | 37,106,404 | 41,038,100 | 40,636,938 | 42,751,392 | 42,217,109 | 44,249,362 | 48,131,818 | 50,238,047    |
| Primary government                                 |               |            |            |            |            |            |            |            |            |               |
| Invested in capital assets,<br>net of related debt | 28,386,339    | 27,935,685 | 28,990,763 | 32,311,906 | 33,629,689 | 32,305,437 | 33,577,122 | 38,387,470 | 41,888,169 | 46,748,395    |
| Restricted   | 2,768,201     | 2,483,010  | 2,362,964  | 2,220,843  | 2,023,851  | 1,427,922  | 1,416,590  | 1,011,647  | 916,988    | 5,363,167     |
| Unrestricted                                       | 13,844,375    | 17,423,354 | 20,590,445 | 21,944,870 | 21,321,787 | 25,660,189 | 17,734,775 | 16,018,595 | 17,203,676 | 14,349,399    |
| Total primary government net position              | \$ 44,998,915 | 47,842,049 | 51,944,172 | 56,477,619 | 56,975,327 | 59,393,548 | 52,728,487 | 55,417,712 | 60,008,833 | \$ 66,460,961 |

\* Implementation of GASB No. 68/71 in 2015 resulted in a significant reduction in unrestricted net position.

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

|   | Fiscal Year    |             |             |             |             |             |             |             |             |                |
|---|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
|   | 2009           | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018           |
| <b>Expenses</b>                                 |                |             |             |             |             |             |             |             |             |                |
| Governmental activities:                        |                |             |             |             |             |             |             |             |             |                |
| General government                              | \$ 1,189,122   | 1,483,407   | 1,659,638   | 1,670,245   | 1,642,800   | 910,194     | 1,337,007   | 1,398,601   | 1,367,851   | \$ 1,124,666   |
| Public safety                                   | 4,071,407      | 4,373,431   | 4,222,019   | 4,281,619   | 4,228,150   | 4,289,783   | 4,334,446   | 4,668,707   | 4,693,817   | 4,247,398      |
| Public works                                    | 1,538,902      | 1,090,333   | 1,336,605   | 1,443,578   | 1,611,683   | 1,662,670   | 1,567,672   | 1,718,116   | 2,341,691   | 2,439,920      |
| Recreation                                      | 581,708        | 552,199     | 564,042     | 575,679     | 723,463     | 616,972     | 753,929     | 848,809     | 951,086     | 940,300        |
| Community development                           | 785,508        | 732,863     | 1,507,326   | 677,786     | 516,702     | 1,146,252   | 442,955     | 746,775     | 426,670     | 1,137,311      |
| Community promotions                            | 148,955        | 101,810     | 126,390     | 87,180      | 101,851     | 486,636     | 597,233     | 487,751     | 580,045     | -              |
| Interest on long-term debt                      | 130,055        | 109,088     | 91,869      | 74,523      | 56,824      | 38,812      | 37,427      | 39,291      | 33,159      | 27,923         |
| Total governmental activities expenses          | 8,445,657      | 8,443,131   | 9,507,889   | 8,810,610   | 8,881,473   | 9,151,319   | 9,070,669   | 9,908,050   | 10,394,319  | 9,917,518      |
| Business-type activities: Utility system        | 21,029,294     | 21,434,088  | 22,714,292  | 24,910,631  | 27,053,021  | 27,287,433  | 30,508,087  | 33,263,055  | 33,957,901  | 34,015,447     |
| Total primary government expenses               | \$ 29,474,951  | 29,877,219  | 32,222,181  | 33,721,241  | 35,934,494  | 36,438,752  | 39,578,756  | 43,171,105  | 44,352,220  | \$ 43,932,965  |
| <b>Program Revenues</b>                         |                |             |             |             |             |             |             |             |             |                |
| Governmental activities:                        |                |             |             |             |             |             |             |             |             |                |
| Charges for services:                           |                |             |             |             |             |             |             |             |             |                |
| General government                              | \$ 1,401,080   | 1,379,518   | 1,377,432   | 1,479,788   | 1,575,674   | 1,514,666   | 1,574,727   | 1,660,200   | 1,701,086   | \$ 1,895,761   |
| Public safety                                   | 791,774        | 768,505     | 711,268     | 720,042     | 610,677     | 681,044     | 537,168     | 553,945     | 451,471     | 410,249        |
| Public works                                    | 609,412        | 611,839     | 615,684     | 613,789     | 617,555     | 623,084     | 767,747     | 791,651     | 803,964     | 944,662        |
| Parks, Recreation, & Tourism                    | 38,420         | 40,873      | 47,851      | 40,132      | 39,149      | 40,860      | 70,178      | 101,145     | 99,276      | 233,348        |
| Community promotion and projects                | 5,395          | 6,815       | 6,965       | 9,000       | 16,804      | 16,030      | 22,204      | 18,118      | -           | 47,577         |
| Operating grants and contributions              | 180,233        | 100,667     | 1,439,932   | 543,951     | 400,786     | 309,957     | 655,922     | 837,886     | 2,292,761   | 326,406        |
| Capital grants and contributions                | 520,272        | 35,278      | 150,918     | 116,421     | 1,964       | 66,697      | 91,217      | 227,443     | 18,300      | 4,145,105      |
| Total governmental activities program revenues  | 3,546,586      | 2,943,495   | 4,350,050   | 3,523,123   | 3,262,609   | 3,252,338   | 3,719,163   | 4,190,388   | 5,366,858   | 8,003,108      |
| Business-type activities: Utility system        |                |             |             |             |             |             |             |             |             |                |
| Charges for services                            | 23,023,588     | 24,134,113  | 25,817,383  | 27,130,430  | 28,066,615  | 30,733,794  | 34,651,670  | 36,180,215  | 36,956,770  | 37,850,492     |
| Operating grants and contributions              | -              | -           | -           | -           | -           | -           | -           | 103,106     | 1,726,585   | -              |
| Capital grants and contributions                | -              | 433,533     | 1,665,279   | 401,050     | 180,163     | 388,119     | 308,411     | 409,593     | 884,223     | -              |
| Total business-type activities program revenues | 23,023,588     | 24,567,646  | 27,482,662  | 27,531,480  | 28,246,778  | 31,121,913  | 34,960,081  | 36,692,914  | 39,567,578  | 37,850,492     |
| Total primary government program revenues       | \$ 26,570,174  | 27,511,141  | 31,832,712  | 31,054,603  | 31,509,387  | 34,374,251  | 38,679,244  | 40,883,302  | 44,934,436  | \$ 45,853,600  |
| Net (expense)/revenue                           | \$ (4,899,071) | (5,499,636) | (5,157,839) | (5,287,487) | (5,618,864) | (5,898,981) | (5,351,506) | (5,717,662) | (5,027,461) | \$ (1,914,410) |
| Governmental activities                         | 1,994,294      | 3,133,558   | 4,768,370   | 2,620,849   | 1,193,757   | 3,834,480   | 4,451,994   | 3,429,859   | 5,609,677   | 3,835,045      |
| Business-type activities                        | \$ (2,904,777) | (2,366,078) | (389,469)   | (2,666,638) | (4,425,107) | (2,064,501) | (899,512)   | (2,287,803) | 582,216     | \$ 1,920,635   |

(Continued)

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

|   | Fiscal Year  |             |             |             |             |             |             |             |             |              |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|   | 2009         | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018         |
| <b>General Revenues and Other Changes in Net Position</b> |              |             |             |             |             |             |             |             |             |              |
| Governmental activities:                                  |              |             |             |             |             |             |             |             |             |              |
| Property taxes  | \$ 2,481,874 | 2,470,075   | 2,475,538   | 2,554,096   | 2,680,811   | 2,387,834   | 2,724,278   | 2,470,966   | 2,304,664   | \$ 2,276,051 |
| Local hospitality and accommodation fee                   | 553,178      | 592,269     | 639,843     | 647,615     | 680,581     | 728,087     | 815,540     | 865,734     | 902,536     | 1,069,577    |
| Intergovernmental revenue                                 | 1,741,740    | 1,957,652   | 905,362     | 870,913     | 1,112,994   | 1,037,343   | 907,857     | 910,716     | 426,883     | 967,743      |
| Interest revenue  | 36,020       | 19,172      | 10,978      | 6,368       | 5,363       | 3,455       | 5,167       | 11,674      | 16,222      | 22,878       |
| Gain on Sale of Capital Assets                            | -            | -           | -           | -           | -           | -           | -           | 41,446      | 22,157      | 39,018       |
| Miscellaneous   | 114,830      | 152,988     | 231,043     | 127,504     | 220,623     | 180,120     | 188,934     | 208,189     | 197,755     | 19,133       |
| Transfers   | 1,264,102    | 1,316,780   | 1,488,917   | 1,682,742   | 1,817,362   | 1,865,909   | 1,865,909   | 1,865,909   | 1,865,909   | 1,865,909    |
| Total governmental activities                             | 6,191,744    | 6,508,936   | 5,751,681   | 5,889,238   | 6,517,734   | 6,202,748   | 6,507,685   | 6,374,634   | 5,736,126   | 6,260,309    |
| Business-type activities:                                 |              |             |             |             |             |             |             |             |             |              |
| Intergovernmental revenue                                 | 491,261      | -           | 217,650     | 2,989,331   | 219,299     | 143,720     | -           | -           | -           | -            |
| Interest revenue  | 58,586       | 17,056      | 11,178      | 4,258       | 3,144       | 2,163       | 2,613       | 468,303     | 138,688     | 137,093      |
| Miscellaneous   | -            | -           | -           | -           | -           | -           | -           | -           | -           | -            |
| Transfers   | (1,264,102)  | (1,316,780) | (1,488,917) | (1,682,742) | (1,817,362) | (1,865,909) | (1,865,909) | (1,865,909) | (1,865,909) | (1,865,909)  |
| Total business-type activities                            | (714,255)    | (1,299,724) | (1,260,089) | 1,310,847   | (1,594,919) | (1,720,026) | (1,863,296) | (1,397,606) | (1,727,221) | (1,728,816)  |
| Total primary government                                  | 5,477,489    | 5,209,212   | 4,491,592   | 7,200,085   | 4,922,815   | 4,482,722   | 4,644,389   | 4,977,028   | 4,008,905   | 4,531,493    |
| <b>Change in Net Position</b>                             |              |             |             |             |             |             |             |             |             |              |
| Government activities                                     | 1,292,673    | 1,009,300   | 593,842     | 601,751     | 898,870     | 303,767     | 1,156,179   | 656,972     | 708,665     | 4,345,899    |
| Business-type activities                                  | 1,280,039    | 1,833,834   | 3,508,281   | 3,931,696   | (401,162)   | 2,114,454   | 2,588,698   | 2,032,253   | 3,882,456   | 2,106,229    |
| Total primary government                                  | \$ 2,572,712 | 2,843,134   | 4,102,123   | 4,533,447   | 497,708     | 2,418,221   | 3,744,877   | 2,689,225   | 4,591,121   | \$ 6,452,128 |

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

---

| <b>Fiscal Year Ended<br/>June 30</b> |    | <b>Property<br/>Tax</b> |
|--------------------------------------|----|-------------------------|
| 2009                                 | \$ | 2,481,874               |
| 2010                                 |    | 2,470,075               |
| 2011                                 |    | 2,475,538               |
| 2012                                 |    | 2,554,096               |
| 2013                                 |    | 2,680,811               |
| 2014                                 |    | 2,387,834               |
| 2015                                 |    | 2,724,278               |
| 2016                                 |    | 2,470,966               |
| 2017                                 |    | 2,304,664               |
| 2018                                 | \$ | 2,276,051               |

CITY OF NEWBERRY, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS (1)  
LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

|                                    | Fiscal Year  |           |           |           |           |           |            |            |            |               |
|------------------------------------|--------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|---------------|
|                                    | 2009         | 2010      | 2011      | 2012      | 2013      | 2014      | 2015       | 2016       | 2017       | 2018          |
| General fund                       |              |           |           |           |           |           |            |            |            |               |
| Nonspendable                       | \$ -         | -         | 52,070    | 48,400    | 48,087    | 51,013    | 38,392     | 32,731     | 27,874     | \$ 38,027     |
| Reserved                           | -            | -         | -         | -         | -         | -         | -          | -          | -          | -             |
| Restricted                         | -            | -         | -         | -         | -         | -         | -          | -          | -          | -             |
| Unreserved                         | 4,963,913    | 5,115,849 | -         | -         | -         | -         | -          | -          | -          | -             |
| Unrestricted:                      |              |           |           |           |           |           |            |            |            |               |
| Committed                          | -            | -         | -         | -         | -         | -         | -          | -          | -          | -             |
| Assigned                           | -            | -         | 1,007,002 | 928,310   | 905,292   | 789,534   | 1,625,510  | 1,488,869  | 1,127,368  | 1,160,717     |
| Unassigned                         | -            | -         | 4,327,273 | 4,931,838 | 5,161,918 | 6,150,934 | 6,230,024  | 5,825,811  | 6,264,798  | 6,872,805     |
| Total general fund                 | 4,963,913    | 5,115,849 | 5,386,345 | 5,908,548 | 6,115,297 | 6,991,481 | 7,893,926  | 7,347,411  | 7,420,040  | 8,071,549     |
| Recreation Complex                 |              |           |           |           |           |           |            |            |            |               |
| Restricted                         | -            | -         | -         | -         | -         | -         | -          | -          | -          | 4,387,422     |
| Total Recreation Complex           | -            | -         | -         | -         | -         | -         | -          | -          | -          | 4,387,422     |
| All other governmental funds       |              |           |           |           |           |           |            |            |            |               |
| Nonspendable                       | -            | -         | 355,000   | 355,000   | 355,000   | 355,000   | 355,000    | 355,000    | -          | -             |
| Reserved                           | 10,000       | 10,000    | -         | -         | -         | -         | -          | -          | -          | -             |
| Restricted                         | -            | -         | 984,603   | 1,138,747 | 1,767,069 | 1,139,044 | 1,098,123  | 946,494    | 934,878    | 437,272       |
| Unreserved, reported in:           |              |           |           |           |           |           |            |            |            |               |
| Special revenue funds              | 1,430,335    | 1,714,026 | -         | -         | -         | -         | -          | -          | -          | -             |
| Debt service fund                  | 242,505      | 305,775   | -         | -         | -         | -         | -          | -          | -          | -             |
| Permanent fund                     | 6,713        | 6,899     | -         | -         | -         | -         | -          | -          | -          | -             |
| Unrestricted:                      |              |           |           |           |           |           |            |            |            |               |
| Committed                          | -            | -         | 941,269   | 1,015,386 | 484,917   | 183,929   | 206,377    | 1,108,052  | 769,393    | 670,377       |
| Assigned                           | -            | -         | 6,384     | 5,815     | 5,370     | 5,809     | 11,380     | 739,396    | 1,078,721  | 452,826       |
| Unassigned                         | -            | -         | -         | -         | -         | (16,593)  | 448,977    | -          | -          | -             |
| Total all other governmental funds | 1,689,553    | 2,036,700 | 2,287,256 | 2,514,948 | 2,612,356 | 1,667,189 | 2,119,857  | 3,148,942  | 2,782,992  | 1,560,475     |
| Total all governmental funds       | \$ 6,653,466 | 7,152,549 | 7,673,601 | 8,423,496 | 8,727,653 | 8,658,670 | 10,013,783 | 10,496,353 | 10,203,032 | \$ 14,019,446 |

(1) Reporting coincides with GASB #54 implementation in 2011. GASB #54 eliminated the reserved and unreserved classifications and replaced them with Nonspendable, Restricted, and Unrestricted. Within the Unrestricted category three classifications of fund balance were created: Committed, Assigned, and Unassigned.

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

(Modified Accrual Basis of Accounting)

**UNAUDITED**

|   | Fiscal Year  |             |             |             |             |             |             |             |             |              |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|   | 2009         | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018         |
| <b>Revenues</b>   |              |             |             |             |             |             |             |             |             |              |
| Taxes   | \$ 2,472,998 | 2,461,415   | 2,473,486   | 2,575,245   | 2,670,447   | 2,441,841   | 2,725,212   | 2,475,067   | 3,207,772   | \$ 3,336,918 |
| Licenses, permits and franchise fees                    | 1,401,080    | 1,379,518   | 1,377,432   | 1,479,788   | 1,575,674   | 1,514,666   | 1,574,727   | 1,660,200   | 1,701,086   | 1,895,760    |
| Fines and forfeitures                                   | 778,615      | 755,361     | 696,552     | 699,682     | 595,795     | 660,628     | 516,168     | 532,858     | 429,333     | 416,323      |
| Charges for service                                     | 1,206,405    | 1,251,796   | 1,310,343   | 1,310,536   | 1,354,089   | 1,408,061   | 1,675,669   | 1,776,648   | 903,240     | 1,059,456    |
| Intergovernmental                                       | 2,455,404    | 2,106,741   | 2,510,928   | 1,551,645   | 1,530,626   | 1,434,413   | 1,675,996   | 1,997,132   | 2,741,782   | 5,229,052    |
| Miscellaneous   | 150,850      | 172,160     | 242,021     | 133,872     | 225,986     | 183,575     | 194,101     | 304,168     | 258,288     | 436,261      |
| Total revenues  | 8,465,352    | 8,126,991   | 8,610,762   | 7,750,768   | 7,952,617   | 7,643,184   | 8,361,873   | 8,746,073   | 9,241,501   | 12,373,770   |
| <b>Expenditures</b>                                     |              |             |             |             |             |             |             |             |             |              |
| General government                                      | 940,889      | 883,930     | 857,462     | 719,729     | 682,621     | 660,535     | 743,851     | 778,396     | 733,820     | 697,594      |
| Public safety   | 3,117,160    | 3,405,480   | 3,270,866   | 3,294,835   | 3,291,882   | 3,367,887   | 3,789,881   | 3,637,765   | 3,473,593   | 3,295,673    |
| Public works  | 1,408,313    | 1,232,928   | 1,126,769   | 1,244,149   | 1,414,559   | 1,432,832   | 1,405,544   | 1,468,908   | 1,874,829   | 1,583,281    |
| Recreation  | 465,227      | 430,531     | 422,809     | 438,325     | 973,617     | 513,382     | 612,242     | 724,731     | 695,927     | 645,824      |
| Community development                                   | 785,508      | 732,863     | 1,507,326   | 677,786     | 640,010     | 1,146,252   | 477,955     | 914,556     | 1,937,706   | 1,137,311    |
| Nondepartmental   | 1,764,466    | 1,746,100   | 1,823,470   | 1,854,174   | 1,915,338   | 2,012,871   | 2,214,638   | 2,258,017   | 2,494,128   | 2,882,582    |
| Capital Outlay  | -            | -           | -           | -           | -           | -           | -           | -           | -           | 55,500       |
| Debt Service  |              |             |             |             |             |             |             |             |             |              |
| Principal   | 518,492      | 592,055     | 595,425     | 608,779     | 622,854     | 632,785     | 369,192     | 307,748     | 325,093     | 356,178      |
| Interest  | 139,615      | 112,237     | 95,077      | 77,788      | 60,147      | 42,196      | 37,427      | 39,291      | 33,159      | 27,923       |
| Total expenditures, including capital                   | 9,139,670    | 9,136,124   | 9,699,204   | 8,915,565   | 9,601,028   | 9,808,740   | 9,650,730   | 10,129,412  | 11,568,255  | 10,681,866   |
| Total capital expenditures only                         | 962,229      | 894,970     | 427,369     | 325,710     | 898,467     | 992,767     | 1,068,909   | 774,247     | 2,034,185   | 1,694,356    |
| Excess of revenues over expenditures                    | (674,318)    | (1,009,133) | (1,088,442) | (1,164,797) | (1,648,411) | (2,165,556) | (1,288,857) | (1,383,339) | (2,326,754) | 1,691,904    |
| <b>Other financing sources (uses)</b>                   |              |             |             |             |             |             |             |             |             |              |
| Transfers in  | 1,291,948    | 1,342,433   | 1,513,917   | 1,707,742   | 1,842,362   | 2,276,008   | 2,030,006   | 2,499,520   | 2,032,456   | 4,162,496    |
| Transfers out   | (27,846)     | (25,653)    | (25,000)    | (25,000)    | (25,000)    | (410,099)   | (164,097)   | (633,611)   | (166,547)   | (2,296,587)  |
| Issuance of debt/construction loan/costs                | 1,542,300    | 191,436     | 120,577     | 231,950     | 135,206     | 230,664     | 778,061     | -           | 167,524     | 258,601      |
| Repayment of debt/construction loan/costs               | (1,350,000)  | -           | -           | -           | -           | -           | -           | -           | -           | -            |
| Total other financing sources (uses)                    | 1,456,402    | 1,508,216   | 1,609,494   | 1,914,692   | 1,952,568   | 2,096,573   | 2,643,970   | 1,865,909   | 2,033,433   | 2,124,510    |
| Net change in fund balances                             | \$ 782,084   | 499,083     | 521,052     | 749,895     | 304,157     | (68,983)    | 1,355,113   | 482,570     | (293,321)   | \$ 3,816,414 |
| Debt service as a percentage of noncapital expenditures | 8.0%         | 8.5%        | 7.4%        | 8.0%        | 7.8%        | 7.7%        | 4.7%        | 3.7%        | 3.8%        | 4.3%         |

CITY OF NEWBERRY, SOUTH CAROLINA

Table 6

UTILITY ENTERPRISE SYSTEM (1) OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

UNAUDITED

| Fiscal Year | Electric Receipts | Percent of Total | Water Receipts | Percent of Total | Sewer Receipts | Percent of Total | Other Operating Revenue | Percent of Total | Total Combined Public Utility Operating Revenue |
|-------------|-------------------|------------------|----------------|------------------|----------------|------------------|-------------------------|------------------|---|
| 2009        | \$ 15,934,946     | 69.2%            | \$ 3,218,926   | 14.0%            | \$ 3,023,405   | 13.1%            | \$ 846,311              | 3.7%             | \$ 23,023,588                                   |
| 2010        | 17,070,818        | 70.7%            | 3,134,316      | 13.0%            | 3,164,150      | 13.1%            | 764,829                 | 3.2%             | 24,134,113                                      |
| 2011        | 18,460,059        | 71.5%            | 3,321,964      | 12.9%            | 3,219,202      | 12.5%            | 816,158                 | 3.2%             | 25,817,383                                      |
| 2012        | 19,545,156        | 72.0%            | 3,316,013      | 12.2%            | 3,403,206      | 12.5%            | 866,055                 | 3.2%             | 27,130,430                                      |
| 2013        | 20,506,598        | 73.1%            | 3,161,450      | 11.3%            | 3,301,286      | 11.8%            | 1,097,281               | 3.9%             | 28,066,615                                      |
| 2014        | 22,717,889        | 73.9%            | 3,418,488      | 11.1%            | 3,490,743      | 11.4%            | 1,106,674               | 3.6%             | 30,733,794                                      |
| 2015        | 25,016,672        | 72.2%            | 4,381,736      | 12.6%            | 4,097,619      | 11.8%            | 1,155,643               | 3.3%             | 34,651,670                                      |
| 2016        | 25,609,993        | 70.8%            | 4,956,538      | 13.7%            | 4,496,826      | 12.4%            | 1,116,858               | 3.1%             | 36,180,215                                      |
| 2017        | 25,868,884        | 70.0%            | 5,137,111      | 13.9%            | 4,783,059      | 12.9%            | 1,167,716               | 3.2%             | 36,956,770                                      |
| 2018        | \$ 25,929,776     | 68.5%            | \$ 5,624,427   | 14.9%            | \$ 5,151,668   | 13.6%            | \$ 1,144,621            | 3.0%             | \$ 37,850,492                                   |

(1) By Resolution adopted on August 27, 1948, Newberry City Council combined the existing Waterworks System, the existing Sewer System and the existing Electrical Distribution System into one system designated as the Combined Public Utility System of the City of Newberry. Since the systems are legally treated as one system, debt covenants are applied to the combined revenues.

**GENERAL GOVERNMENT PROPERTY TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

(Modified Accrual Basis of Accounting)

**UNAUDITED**

| <b>Fiscal<br/>Year</b> | <b>General<br/>Fund<br/>Property<br/>Tax</b> | <b>Debt Service<br/>Fund<br/>Property<br/>Tax (1)</b> | <b>Total<br/>Property<br/>Tax</b> |
|------------------------|--|---|-----------------------------------|
| 2009                   | \$ 2,113,261                                 | 359,737   | \$ 2,472,998                      |
| 2010                   | 2,093,574                                    | 367,841   | 2,461,415                         |
| 2011                   | 2,079,774                                    | 393,712   | 2,473,486                         |
| 2012                   | 2,120,324                                    | 433,772   | 2,554,096                         |
| 2013                   | 2,255,709                                    | 425,102   | 2,680,811                         |
| 2014                   | 2,387,834                                    | -   | 2,387,834                         |
| 2015                   | 2,724,278                                    | -   | 2,724,278                         |
| 2016                   | 2,470,966                                    | -   | 2,470,966                         |
| 2017                   | 2,304,664                                    | -   | 2,304,664                         |
| 2018                   | \$ 2,267,341                                 | -   | \$ 2,267,341                      |

(1) Composed of 1998 Tax Increment Financing Bond (fiscal years 2002-2008), which was refinanced as the 2008 Tax Increment Revenue Refunding Bond in August 2008 (fiscal year 2009-2013).

CITY OF NEWBERRY, SOUTH CAROLINA

UTILITY CUSTOMER TRENDS - BY SERVICE AND CATEGORY  
LAST TEN FISCAL YEARS

UNAUDITED

|                                       | Fiscal Year (2) |       |       |       |       |       |       |       |       |       |
|---------------------------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                       | 2009            | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  |
| Electric Customers:                   |                 |       |       |       |       |       |       |       |       |       |
| Residential                           | 4,102           | 4,054 | 4,030 | 4,050 | 4,066 | 4,091 | 4,080 | 4,087 | 4,079 | 4,010 |
| Commercial                            | 862             | 873   | 872   | 863   | 868   | 891   | 872   | 873   | 880   | 887   |
| Industrial                            | 13              | 13    | 13    | 12    | 12    | 12    | 13    | 13    | 13    | 14    |
| Total                                 | 4,977           | 4,940 | 4,915 | 4,925 | 4,946 | 4,994 | 4,965 | 4,973 | 4,972 | 4,911 |
| Water Customers:                      |                 |       |       |       |       |       |       |       |       |       |
| Residential                           | 4,147           | 4,108 | 4,087 | 4,096 | 4,113 | 4,148 | 4,126 | 4,143 | 4,133 | 4,124 |
| Commercial                            | 743             | 756   | 760   | 748   | 755   | 751   | 754   | 786   | 751   | 741   |
| Industrial                            | 26              | 26    | 26    | 27    | 28    | 28    | 27    | 26    | 26    | 29    |
| Total                                 | 4,916           | 4,890 | 4,873 | 4,871 | 4,896 | 4,927 | 4,907 | 4,955 | 4,910 | 4,894 |
| Sewer Customers:                      |                 |       |       |       |       |       |       |       |       |       |
| Residential                           | 3,602           | 3,576 | 3,559 | 3,561 | 3,575 | 3,607 | 3,591 | 3,597 | 3,587 | 3,573 |
| Commercial                            | 573             | 575   | 579   | 578   | 580   | 577   | 581   | 589   | 578   | 576   |
| Industrial                            | 22              | 21    | 21    | 21    | 21    | 21    | 22    | 21    | 21    | 22    |
| Total                                 | 4,197           | 4,172 | 4,159 | 4,160 | 4,176 | 4,205 | 4,194 | 4,207 | 4,186 | 4,171 |
| Total Number<br>Utility Customers (1) | 5,946           | 5,893 | 5,877 | 5,873 | 5,899 | 5,933 | 5,910 | 5,929 | 5,917 | 5,854 |

(1) The City serves some customers with only electric, only water or only sewer; therefore, total customers billed is based on number of utility bills produced and is not a mathematical computation.

(2) This table differs from the Presentation and Original Statement in the Series 2015, Combined Utility Revenue Bond. This table represents more information than was presented in the Original Statement.

**UTILITY ENTERPRISE SYSTEM UNITS SOLD BY SOURCE  
LAST TEN FISCAL YEARS**

**UNAUDITED**

| <b>Fiscal Year</b> | <b>Electric<br/>Kilowatt-hours</b> | <b>Percent<br/>Change</b> | <b>Water<br/>Cubic Feet</b> | <b>Percent<br/>Change</b> | <b>Treated Sewer<br/>Cubic Feet</b> | <b>Percent<br/>Change</b> |
|--------------------|------------------------------------|---------------------------|-----------------------------|---------------------------|-------------------------------------|---------------------------|
| 2009               | 191,986,260                        | -1.17%                    | 217,003,940                 | 2.82%                     | 101,462,795                         | -1.50%                    |
| 2010               | 200,113,268                        | 4.23%                     | 208,160,667                 | -4.08%                    | 100,458,848                         | -0.99%                    |
| 2011               | 202,835,368                        | 1.36%                     | 211,586,103                 | 1.65%                     | 100,905,062                         | 0.44%                     |
| 2012               | 198,169,681                        | -2.30%                    | 214,979,829                 | 1.60%                     | 103,618,422                         | 2.69%                     |
| 2013               | 201,221,934                        | 1.54%                     | 206,061,293                 | -4.15%                    | 102,109,788                         | -1.46%                    |
| 2014               | 208,077,428                        | 3.41%                     | 215,930,242                 | 4.79%                     | 103,502,712                         | 1.36%                     |
| 2015               | 211,831,140                        | 1.80%                     | 210,210,002                 | -2.65%                    | 109,898,702                         | 6.18%                     |
| 2016               | 211,675,426                        | -0.07%                    | 225,270,884                 | 7.16%                     | 113,433,901                         | 3.22%                     |
| 2017               | 213,161,698                        | 0.70%                     | 229,138,478                 | 1.72%                     | 113,665,618                         | 0.20%                     |
| 2018               | 206,782,301                        | -2.99%                    | 237,309,488                 | 3.57%                     | 113,463,665                         | -0.18%                    |

Note: Percent change is attributable to the combination of growth and weather conditions.

CITY OF NEWBERRY, SOUTH CAROLINA

AVERAGE HISTORIC UTILITY RATES (1)  
LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year | Electric  | Percent Increase | Water    | Percent Increase | Sewer    | Percent Increase | Total     | Percent Increase |
|-------------|-----------|------------------|----------|------------------|----------|------------------|-----------|------------------|
| 2009        | \$ 94.55  | 2.22             | \$ 18.47 | 0.00             | \$ 26.54 | 7.84             | \$ 139.56 | 2.94             |
| 2010        | 99.59     | 5.33             | 18.47    | 0.00             | 28.52    | 7.46             | 146.58    | 5.03             |
| 2011        | 104.89    | 5.32             | 19.29    | 4.44             | 28.52    | 0.00             | 152.70    | 4.18             |
| 2012        | 111.05    | 5.87             | 19.29    | 0.00             | 29.30    | 2.73             | 159.64    | 4.54             |
| 2013        | 116.30    | 4.73             | 19.29    | 0.00             | 29.30    | 0.00             | 164.89    | 3.29             |
| 2014        | 124.37    | 6.94             | 19.29    | 0.00             | 29.30    | 0.00             | 172.96    | 4.89             |
| 2015        | 138.56    | 11.41            | 23.59    | 22.29            | 38.00    | 29.69            | 200.15    | 15.72            |
| 2016        | 138.56    | 0.00             | 26.70    | 13.18            | 43.66    | 14.89            | 208.92    | 4.38             |
| 2017        | 138.56    | 0.00             | 29.08    | 8.91             | 48.47    | 11.02            | 216.11    | 3.44             |
| 2018 (2)    | \$ 138.56 | 0.00             | \$ 31.46 | 8.18             | \$ 53.29 | 9.94             | \$ 223.31 | 3.33             |

(1) This table shows the in-City residential electric, water and sewer charges, based upon the rates in effect at the end of the fiscal years shown, with charges calculated based upon usage of 988 kWh per month for electric (exclusive of wholesale power cost adjustments), 776 cubic feet for water and 776 cubic feet for sewer, and the percentage increase in charges in such fiscal years for such levels of usage.

(2) Rates reflected for June 30, 2018. An overall increase of 2% on water minimum charges and 2% on sewer minimum charges became effective on the July 1, 2017 billing (fiscal year 2018). Additionally, please note that an overall rate increase of 2% on water and 2% on sewer became effective on the July 1, 2018 billing (fiscal year 2019).

**PRINCIPAL UTILITY CUSTOMERS BY TOTALS BILLED (1)  
CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

| Customer                               | Fiscal Year 2018     |      |   | Fiscal Year 2009    |      |   |
|--|----------------------|------|---|---------------------|------|---|
|  | Total Billed         | Rank | Percentage of Total Operating Revenue (2) | Total Billed        | Rank | Percentage of Total Operating Revenue (3) |
| Louis Rich                             | \$ 10,650,473        | 1    | 28.14%                                    | \$ 5,754,805        | 1    | 25.00%                                    |
| Saluda Commission of Public Works      | 1,276,639            | 2    | 3.37%                                     | 820,282             | 2    | 3.56%                                     |
| Newberry College                       | 1,156,034            | 3    | 3.05%                                     | 696,390             | 3    | 3.02%                                     |
| Newberry County Memorial Hospital      | 832,415              | 4    | 2.20%                                     | 462,836             | 5    | 2.01%                                     |
| Valmont Composite Structures           | 677,850              | 5    | 1.79%                                     |                     |      |   |
| Newberry Housing Authority-Grant Homes | 631,958              | 6    | 1.67%                                     | 385,095             | 6    | 1.67%                                     |
| ISE                                    | 611,590              | 7    | 1.62%                                     | 467,102             | 4    | 2.03%                                     |
| Packaging Corp. of America, Inc.       | 551,590              | 8    | 1.46%                                     | 342,053             | 8    | 1.49%                                     |
| ST Partners, DBA Almark Foods          | 474,907              | 9    | 1.25%                                     |                     |      |   |
| Wal-Mart                               | 451,993              | 10   | 1.19%                                     |                     |      |   |
| Shakespeare                            |                      |      |   | 348,504             | 7    | 1.51%                                     |
| Newberry High School                   |                      |      |   | 199,839             | 10   | 0.87%                                     |
| Newberry County Water & Sewer          |                      |      |   | 234,038             | 9    | 1.02%                                     |
| <b>Total</b>                           | <b>\$ 17,315,449</b> |      | <b>45.75%</b>                             | <b>\$ 9,710,944</b> |      | <b>42.18%</b>                             |

(1) Source: City of Newberry utility records. Excludes utility billing records for City's own property.

(2) Total audited operating revenue for fiscal year 2018 is \$ 37,850,492

(3) Total audited operating revenue for fiscal year 2009 is \$ 23,023,588

**UTILITY ENTERPRISE SYSTEM UNITS SOLD BY SOURCE-WATER SYSTEM  
LAST FIVE FISCAL YEARS**

**UNAUDITED**

| <b>Fiscal Year</b> | <b>Total Annual Flow</b> | <b>Average Flow</b> | <b>Peak Daily Flow</b> | <b>Peak Monthly Flow</b> |
|--------------------|--------------------------|---------------------|------------------------|--------------------------|
| 2014               | 215,930,242              | 670,061             | 967,785                | 23,358,659               |
| 2015               | 210,210,002              | 708,667             | 945,609                | 24,144,346               |
| 2016               | 225,270,884              | 734,831             | 945,674                | 24,803,351               |
| 2017               | 264,965,412              | 725,933             | 983,003                | 25,208,600               |
| 2018               | 271,606,556              | 754,460             | 943,598                | 24,505,278               |

**UTILITY ENTERPRISE SYSTEM UNITS SOLD BY SOURCE-ELECTRIC SYSTEM  
LAST FIVE FISCAL YEARS**

**UNAUDITED**

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| <b>Fiscal<br/>Year</b> | <b>Total<br/>kWh</b> | <b>Peak<br/>Demand MW</b> |
|------------------------|----------------------|---------------------------|
| 2014                   | 208,077,428          | 43.1                      |
| 2015                   | 211,831,140          | 42.6                      |
| 2016                   | 211,675,426          | 44.7                      |
| 2017                   | 213,161,467          | 41.8                      |
| 2018                   | 206,782,301          | 43.2                      |

**UTILITY ENTERPRISE SYSTEM UNITS SOLD BY SOURCE-SEWER SYSTEM  
LAST FIVE FISCAL YEARS**

**UNAUDITED**

| <b>Fiscal Year</b> | <b>Total Annual Flow</b> | <b>Average Flow</b> | <b>Peak Daily Flow</b> | <b>Peak Monthly Flow</b> |
|--------------------|--------------------------|---------------------|------------------------|--------------------------|
| 2014               | 103,502,712              | 386,962             | 1,218,316              | 15,070,722               |
| 2015               | 109,898,702              | 385,367             | 1,009,759              | 14,930,615               |
| 2016               | 113,433,901              | 401,318             | 1,009,693              | 14,637,192               |
| 2017               | 122,760,326              | 336,853             | 1,042,641              | 11,704,318               |
| 2018               | 123,470,588              | 338,235             | 721,925                | 11,374,331               |

**PRINCIPAL WATER CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2018**

**UNAUDITED**

| <b>Ranking</b> | <b>Customer Name</b>                    | <b>Annual Consumption<br/>in Cubic Feet</b> | <b>Annual<br/>Billing</b> | <b>Percentage of<br/>Water Revenues</b> |
|----------------|---|---|---------------------------|---|
| 10             | Samsung                                 | 597,355                                     | \$ 19,662                 | 0.35%                                   |
| 9              | Newberry County Memorial Hospital       | 2,406,187                                   | 40,568                    | 0.72%                                   |
| 8              | ISE                                     | 2,546,022                                   | 57,012                    | 1.01%                                   |
| 7              | Newberry College                        | 3,207,243                                   | 127,474                   | 2.27%                                   |
| 6              | ST Partners, DBA Almark Foods           | 3,860,480                                   | 54,965                    | 0.98%                                   |
| 5              | Kiswire                                 | 4,809,417                                   | 79,256                    | 1.41%                                   |
| 4              | Newberry Housing Authority              | 5,960,206                                   | 104,459                   | 1.86%                                   |
| 3              | Newberry County Water & Sewer Authority | 12,311,946                                  | 189,551                   | 3.37%                                   |
| 2              | Louis Rich                              | 56,542,734                                  | 1,364,636                 | 24.26%                                  |
| 1              | Saluda Commission of Public Works       | 93,587,061                                  | 1,276,639                 | 22.70%                                  |
|                |   | <u>185,828,651</u>                          | <u>\$ 3,314,222</u>       | <u>58.93%</u>                           |

Note: Total water dollars sold from July 2017 to June 2018 is: \$ 5,624,427

**PRINCIPAL SEWER CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2018**

**UNAUDITED**

| <b>Ranking</b> | <b>Customer Name</b>              | <b>Annual Flows<br/>in Cubic Feet</b> | <b>Annual<br/>Billing</b> | <b>Percentage of<br/>Sewer Revenues</b> |
|----------------|-----------------------------------|---------------------------------------|---------------------------|---|
| 10             | Samsung                           | 556,494                               | \$ 36,063                 | 0.70%                                   |
| 9              | J.F. Hawkins Nursing Home         | 788,856                               | 33,803                    | 0.66%                                   |
| 8              | Newberry County Water and Sewer   | 1,417,437                             | 47,021                    | 0.91%                                   |
| 7              | Newberry College                  | 2,426,447                             | 131,486                   | 2.55%                                   |
| 6              | Newberry County Memorial Hospital | 2,435,149                             | 90,685                    | 1.76%                                   |
| 5              | ST Partners, DBA Almark Foods     | 3,860,480                             | 103,249                   | 2.00%                                   |
| 4              | Kiswire                           | 4,662,717                             | 156,241                   | 3.03%                                   |
| 3              | ISE                               | 5,105,517                             | 163,082                   | 3.17%                                   |
| 2              | Newberry Housing Authority        | 5,265,465                             | 181,394                   | 3.52%                                   |
| 1              | Louis Rich                        | 49,772,590                            | 1,296,157                 | 25.16%                                  |
|                |                                   | <u>76,291,152</u>                     | <u>\$ 2,239,181</u>       | <u>43.47%</u>                           |

Note: Total sewer dollars sold from July 2017 to June 2018 is: \$ 5,151,668

**PRINCIPAL ELECTRIC CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2018**

**UNAUDITED**

| <b>Ranking</b> | <b>Customer Name</b>          | <b>KWH</b>         | <b>Annual Billing</b> | <b>Percentage of Electric Revenues</b> |
|----------------|-------------------------------|--------------------|-----------------------|--|
| 10             | Lowe's                        | 1,598,232          | \$ 238,697            | 0.92%                                  |
| 9              | ST Partners, DBA Almark Foods | 2,653,316          | 316,693               | 1.22%                                  |
| 8              | Newberry Housing Authority    | 2,909,258          | 346,105               | 1.33%                                  |
| 7              | ISE                           | 2,940,899          | 391,496               | 1.51%                                  |
| 6              | Wal-Mart                      | 3,717,839          | 451,993               | 1.74%                                  |
| 5              | PCA                           | 4,655,038          | 551,590               | 2.13%                                  |
| 4              | NCMH                          | 5,177,038          | 701,162               | 2.70%                                  |
| 3              | Valmont Composite Structures  | 5,587,359          | 677,850               | 2.61%                                  |
| 2              | Newberry College              | 6,000,315          | 897,074               | 3.46%                                  |
| 1              | Louis Rich                    | 78,393,469         | 7,989,680             | 30.81%                                 |
|                |                               | <u>113,632,763</u> | <u>\$ 12,562,340</u>  | <u>48.45%</u>                          |

Note: Total electric dollars sold from July 2017 to June 2018 is: \$ 25,929,776

CITY OF NEWBERRY, SOUTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year | Tax Year | Real Property (2)    |                     |                     | Personal Property (3) |                         |                         | Total Taxable Assessed Value | Total Direct Tax Rate (4) | Estimated Actual Taxable Value (5) | Assessed Value as a Percentage of Actual Value |
|-------------|----------|----------------------|---------------------|---------------------|-----------------------|-------------------------|-------------------------|------------------------------|---------------------------|------------------------------------|--|
|             |          | Residential Property | Commercial Property | Total Real Property | Motor Vehicles        | Other Personal Property | Total Personal Property |                              |                           |                                    |  |
| 2009        | 2008     | \$ 7,296,220         | 9,424,580           | 16,720,800          | 2,212,970             | 3,910,130               | 6,123,100               | \$ 22,843,900                | 93.30                     | \$ 419,076,036                     | 5.45%  |
| 2010        | 2009     | 7,266,060            | 10,117,980          | 17,384,040          | 1,871,629             | 3,734,910               | 5,606,539               | 22,990,579                   | 93.30                     | 422,539,353                        | 5.44%  |
| 2011 (1)    | 2010     | 7,952,070            | 11,181,930          | 19,134,000          | 1,762,588             | 3,999,010               | 5,761,598               | 24,895,598                   | 83.90                     | 458,062,070                        | 5.43%  |
| 2012        | 2011     | 7,880,400            | 11,371,050          | 19,251,450          | 2,243,050             | 3,871,390               | 6,114,440               | 25,365,890                   | 86.40                     | 466,215,780                        | 5.44%  |
| 2013        | 2012     | 7,823,720            | 11,542,680          | 19,366,400          | 2,175,000             | 3,886,280               | 6,061,280               | 25,427,680                   | 86.40                     | 466,206,521                        | 5.45%  |
| 2014        | 2013     | 7,907,890            | 12,883,190          | 20,791,080          | 2,418,910             | 3,461,320               | 5,880,230               | 26,671,310                   | 86.40                     | 490,978,910                        | 5.43%  |
| 2015 (1)    | 2014     | 8,232,970            | 13,047,860          | 21,280,830          | 2,729,080             | 3,635,140               | 6,364,220               | 27,645,050                   | 83.80                     | 508,784,120                        | 5.43%  |
| 2016        | 2015     | 8,245,950            | 13,628,170          | 21,874,120          | 2,988,620             | 3,163,490               | 6,152,110               | 28,026,230                   | 83.80                     | 525,189,400                        | 5.34%  |
| 2017        | 2016     | 8,193,300            | 13,764,020          | 21,957,320          | 2,809,640             | 3,320,140               | 6,129,780               | 28,087,100                   | 83.80                     | 517,955,150                        | 5.42%  |
| 2018        | 2017     | \$ 7,955,310         | 12,931,000          | 20,886,310          | 2,676,270             | 3,251,430               | 5,927,700               | \$ 26,814,010                | 83.80                     | \$ 495,267,630                     | 5.41%  |

(1) Reassessment.

(2) Source: Newberry County Auditor. Prior to 2014 \$971,640 in assessed value (\$17,699,083 in estimated actual value) was legally required to be allocated to the Tax Increment Financing District and is not included in the above information. Values related to tax-exempt property are not maintained. \$217,030 in assessed value was legally required to be allocated to the FILOT (Oakland Mill Dev.) and is not included in the above figures prior to 2017.

(3) Source: Newberry County Auditor. All years include assessed value of \$688,710 for Merchant's Inventory, now paid by the State of South Carolina, instead of local taxpayers to the City.

(4) Tax rates are per \$1,000 of assessed value.

(5) Source: Newberry County Auditor.

CITY OF NEWBERRY, SOUTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$1000 OF ASSESSED VALUE  
LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year | Tax Year | City of Newberry  |                      |                    | Overlapping Rates<br>Newberry County School District (1) |                      |                      |                   |                      |                      | Total Direct & Overlapping Rates |           |
|-------------|----------|-------------------|----------------------|--------------------|--|----------------------|----------------------|-------------------|----------------------|----------------------|----------------------------------|-----------|
|             |          | Operating Millage | Debt Service Millage | Total City Millage | Operating Millage  | Debt Service Millage | Total County Millage | Operating Millage | Debt Service Millage | Total School Millage |                                  | Other (1) |
| 2009        | 2008     | 93.3              | 0.0                  | 93.3               | 141.3  | 10.4                 | 151.7                | 194.0             | 53.0                 | 247.0                | 7.3                              | 499.3     |
| 2010        | 2009     | 93.3              | 0.0                  | 93.3               | 144.3  | 4.4                  | 148.7                | 194.0             | 53.0                 | 247.0                | 7.3                              | 496.3     |
| 2011 (2)    | 2010     | 83.9              | 0.0                  | 83.9               | 136.3  | 6.6                  | 142.9                | 184.8             | 53.0                 | 237.8                | 6.3                              | 470.9     |
| 2012        | 2011     | 85.3              | 1.1                  | 86.4               | 131.2  | 7.8                  | 139.0                | 186.8             | 53.0                 | 239.8                | 6.2                              | 471.4     |
| 2013        | 2012     | 85.3              | 1.1                  | 86.4               | 128.6  | 7.3                  | 135.9                | 186.8             | 53.0                 | 239.8                | 6.3                              | 468.4     |
| 2014        | 2013     | 85.3              | 1.1                  | 86.4               | 128.7  | 8.8                  | 137.5                | 186.8             | 53.0                 | 239.8                | 6.7                              | 470.4     |
| 2015 (2)    | 2014     | 82.7              | 1.1                  | 83.8               | 125.5  | 9.1                  | 134.6                | 186.8             | 53.0                 | 239.8                | 6.6                              | 464.8     |
| 2016        | 2015     | 82.7              | 1.1                  | 83.8               | 125.0  | 10.5                 | 135.5                | 186.8             | 53.0                 | 239.8                | 6.7                              | 465.8     |
| 2017        | 2016     | 82.7              | 1.1                  | 83.8               | 125.0  | 9.3                  | 134.3                | 186.8             | 53.0                 | 239.8                | 6.9                              | 464.8     |
| 2018        | 2017     | 82.7              | 1.1                  | 83.8               | 125.5  | 9.7                  | 135.2                | 186.8             | 53.0                 | 239.8                | 7.0                              | 465.8     |

(1) Source: Newberry County Auditor.

(2) Reassessment.

**PRINCIPAL PROPERTY TAXPAYERS (1)  
CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

| <b>Taxpayer</b>            | <b>Fiscal Year 2018 (Tax Year 2017)</b> |             |   | <b>Fiscal Year 2009 (Tax Year 2008)</b> |             |   |
|----------------------------|---|-------------|---|---|-------------|---|
|                            | <b>Taxable Assessed Value</b>           | <b>Rank</b> | <b>Percentage of Total Taxable Assessed Value (2)</b> | <b>Taxable Assessed Value</b>           | <b>Rank</b> | <b>Percentage of Total Taxable Assessed Value (3)</b> |
| Oakland Mill Dev Group LLC | \$ 876,600                              | 1           | 3.27%   |   |             |   |
| ISE Newberry Inc.          | 563,350                                 | 2           | 2.10%   |   |             |   |
| Wal-Mart Real Est.         | 367,890                                 | 3           | 1.37%   | \$ 555,210                              | 2           | 2.84%   |
| Lowe's Home Centers        | 355,180                                 | 4           | 1.32%   | 278,920                                 | 4           | 1.23%   |
| Bellsouth Telecomm Inc.    | 273,160                                 | 5           | 1.02%   | 357,170                                 | 3           | 1.57%   |
| Duke Energy                | 248,060                                 | 6           | 0.93%   | 621,470                                 | 1           | 2.82%   |
| Newberry Developments LLC  | 228,380                                 | 7           | 0.85%   |   |             |   |
| Paramount Hotels LLC       | 218,830                                 | 8           | 0.82%   |   |             |   |
| Loves Travel Stops         | 202,400                                 | 9           | 0.75%   |   |             |   |
| West Development LLC       | 187,270                                 | 10          | 0.70%   |   |             |   |
| AT&T Mobility              |   |             |   | 217,140                                 | 5           | 0.72%   |
| West/Hobby LLC             |   |             |   | 160,540                                 | 7           | 0.79%   |
| West Billye L              |   |             |   | 143,450                                 | 9           | 1.12%   |
| White Oak Manor Inc.       |   |             |   | 154,910                                 | 8           | 0.68%   |
| Drake Newberry LLC         |   |             |   | 138,020                                 | 10          | 1.54%   |
| Duke Energy                |   |             |   | 180,990                                 | 6           | 0.86%   |
| <b>Total</b>               | <b>\$ 3,521,120</b>                     |             | <b>13.13%</b>   | <b>\$ 2,807,820</b>                     |             | <b>12.29%</b>   |

(1) Source: Newberry County Auditor.

(2) Total assessed valuation for tax year 2018 is \$26,814,010

(3) Total assessed valuation for tax year 2009 is \$22,843,900

**CITY OF NEWBERRY, SOUTH CAROLINA**

**Table 21**

**PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS**

**UNAUDITED**

| Fiscal Year | Tax Year | Total Tax Levy for Fiscal Year (2) | Collected within the Fiscal Year of the Levy |                    | Collections/ Adjustments in Subsequent Years | Total Collections to Date |                    |
|-------------|----------|------------------------------------|--|--------------------|--|---------------------------|--------------------|
|             |          |                                    | Amount                                       | Percentage of Levy |  | Amount                    | Percentage of Levy |
| 2009        | 2008     | \$ 2,097,729                       | \$ 2,013,278                                 | 96.0%              | \$ 73,498                                    | \$ 2,086,776              | 99.5%              |
| 2010        | 2009     | 2,105,093                          | 2,021,030                                    | 96.0%              | 65,942                                       | 2,086,972                 | 99.1%              |
| 2011        | 2010     | 2,070,696                          | 1,993,244                                    | 96.3%              | -  | 1,993,244                 | 96.3%              |
| 2012        | 2011     | 2,148,678                          | 2,047,502                                    | 95.3%              | 16,078                                       | 2,063,580                 | 96.0%              |
| 2013        | 2012     | 2,152,240                          | 2,059,507                                    | 95.7%              | 10,253                                       | 2,069,760                 | 96.2%              |
| 2014        | 2013     | 2,257,248                          | 2,152,957                                    | 95.4%              | 21,811                                       | 2,174,768                 | 96.4%              |
| 2015        | 2014     | 2,275,458                          | 2,225,023                                    | 97.8%              | 46,734                                       | 2,271,757                 | 99.8%              |
| 2016        | 2015     | 2,363,599                          | 2,315,551                                    | 98.0%              | 36,927                                       | 2,352,478                 | 99.5%              |
| 2017        | 2016     | 2,314,788                          | 2,279,158                                    | 98.5%              | 7,244  | 2,286,402                 | 98.8%              |
| 2018        | 2017     | \$ 2,210,028                       | \$ 2,115,433                                 | 95.7%              | 1,733  | \$ 2,117,166              | 95.8%              |

(1) Category includes tax collections for real and personal property as reflected in the general fund for all fiscal years, for current taxes and delinquent taxes respectively. TIF debt service fund tax collections are excluded.

(2) Total tax levy excludes Merchant's Inventory Reimbursement paid by the State of South Carolina to the City on \$688,710 assessed value. Total tax levy also excludes Tax Increment Financing (TIF) debt services collected via City of Newberry, Newberry County and Newberry County School District tax levies.

CITY OF NEWBERRY, SOUTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE (1)  
LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year | Governmental Activities  |                              |                 | Business-Type Activities |                |      | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|------------------------------|-----------------|--------------------------|----------------|------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Special Assessment Bonds (2) | Lease Purchases | CPU Bonds (3)            | Capital Leases |      |                          |                               |            |
| 2009        | \$ -                     | 1,357,000                    | 1,849,375       | 1,211,222                | -              | \$ - | 4,417,597                | 2.3%                          | \$ 405     |
| 2010        | -                        | 1,095,222                    | 1,710,534       | 8,863,797                | -              | -    | 11,669,553               | 6.1%                          | 1,055      |
| 2011        | -                        | 828,719                      | 1,502,189       | 14,703,252               | -              | -    | 17,034,160               | 8.5%                          | 1,658      |
| 2012        | -                        | 557,406                      | 1,396,673       | 18,131,243               | -              | -    | 20,085,322               | 10.8%                         | 1,944      |
| 2013        | -                        | 281,196                      | 1,185,235       | 17,748,361               | -              | -    | 19,214,792               | 8.7%                          | 1,874      |
| 2014        | -                        | -                            | 1,064,310       | 17,003,385               | -              | -    | 18,067,695               | 10.6%                         | 1,762      |
| 2015        | -                        | -                            | 1,473,179       | 55,823,089               | -              | -    | 57,296,268               | 32.0%                         | 5,575      |
| 2016        | -                        | -                            | 1,165,431       | 53,993,200               | -              | -    | 55,158,631               | 28.7%                         | 5,339      |
| 2017        | -                        | -                            | 1,007,862       | 51,875,774               | -              | -    | 52,883,636               | 30.7%                         | 5,146      |
| 2018        | \$ -                     | -                            | 910,285         | 49,699,978               | -              | \$ - | 50,610,263               | 27.3%                         | 4,784      |

(1) Details of the City's outstanding debt can be found in the notes to the financial statements.

(2) Composed of 1998 Tax Increment Financing Bond (fiscal years 2002-2008), which was refinanced as the 2008 Tax Increment Revenue Refunding Bond in August 2008 (fiscal year 2009-2013).

(3) Composed of Combined Public Utility (CPU) debt as follows: 2007 CPU Bond for fiscal years 2008-2015, 2003 CPU Bond for fiscal years 2004-2012, 2009 State Revolving Loan for fiscal years 2010-2018, and 2015 Bond for fiscal years 2015-2018.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING (1)  
LAST TEN FISCAL YEARS**

**UNAUDITED**

| <b>Fiscal Year</b> | <b>General Obligation Bonds</b> | <b>Less: Amounts Available in Debt Service Fund</b> | <b>Total</b> | <b>Percentage of Estimated Actual Taxable Value of Property</b> | <b>Per Capita</b> |
|--------------------|---------------------------------|---|--------------|---|-------------------|
|--------------------|---------------------------------|---|--------------|---|-------------------|

The City of Newberry had no general bonded debt outstanding in the last 10 years.

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2018**

**UNAUDITED**

**Direct Debt**

|                            |    |                |
|----------------------------|----|----------------|
| City of Newberry:          |    |                |
| General Obligation Debt    | \$ | -              |
| Special Assessment Debt    |    | -              |
| Lease Purchase Obligations |    | 910,285        |
| Total Direct Debt          |    | <u>910,285</u> |

**Overlapping Debt**

|  |    |                         |
|--|----|-------------------------|
| Newberry County, South Carolina Overlapping Debt:          |    |                         |
| General Obligation Debt (1)                                |    | 19,321,050              |
| Estimated % of debt applicable to the City of Newberry (2) |    | 19.89%                  |
| Total Overlapping Debt                                     |    | <u>3,842,957</u>        |
| Total Direct and Overlapping Debt                          | \$ | <u><u>4,753,242</u></u> |

(1) Source: Newberry County Treasurer

Breakdown of Newberry County's outstanding general obligation debt follows:

|                                      |                      |
|--------------------------------------|----------------------|
| 2010B County General Obligation Bond | 580,000              |
| 2013A County General Obligation Bond | 1,190,000            |
| 2017 County General Obligation Bond  | 17,551,050           |
|                                      | <u>\$ 19,321,050</u> |

(2) The percentage of general obligation debt applicable to the City of Newberry is based on the percentage of assessed valuation of property located in the City. Newberry County assessed valuation, per the Newberry County Auditor, is \$134,802,270. City of Newberry assessed valuation from the table within this statistical section labeled "Assessed Value and Estimated Actual Value of Taxable Property" is \$26,814,010.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by City of Newberry residents and businesses. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF NEWBERRY, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

UNAUDITED

|  | Fiscal Year  |           |           |           |           |           |           |           |           |              |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
|  | 2009         | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018         |
| Debt Limit - 8 percent of total assessed value                       | \$ 1,889,629 | 1,904,442 | 2,066,179 | 2,104,971 | 2,111,946 | 2,133,705 | 2,211,604 | 2,242,098 | 2,246,968 | \$ 2,145,121 |
| Total net debt applicable to limit                                   | -            | -         | -         | -         | -         | -         | -         | -         | -         | -            |
| Legal debt margin  | \$ 1,889,629 | 1,904,442 | 2,066,179 | 2,104,971 | 2,111,946 | 2,133,705 | 2,211,604 | 2,242,098 | 2,246,968 | \$ 2,145,121 |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00%        | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%        |

**Legal Debt Margin Calculation for Fiscal Year 2018**

|   |               |
|---|---------------|
| Assessed Value - general                                    | \$ 26,814,010 |
| Assessed Value - tax increment financing district           | -             |
| Total assessed value  | 26,814,010    |
| Debt limit (8% of total assessed value)                     | 2,145,121     |
| Debt applicable to limit:<br>Total general obligation bonds | -             |
| Legal debt margin   | \$ 2,145,121  |

CITY OF NEWBERRY, SOUTH CAROLINA

PLEDGED REVENUE COVERAGE - TAX INCREMENT FINANCING (TIF) BOND (1)  
LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year | TIF Revenue | Contribution (to)/from City Local Hospitality/ Accommodations Fund (2) | Debt Issuance Expenditures | Amount Available for Debt Service | Debt Service Requirements |          |            | Coverage (3) |
|-------------|-------------|--|----------------------------|-----------------------------------|---------------------------|----------|------------|--------------|
|             |             |  |                            |                                   | Principal                 | Interest | Total      |              |
| 2009        | \$ 382,625  | (27,846)   | -                          | 354,779                           | 235,000                   | 65,959   | \$ 300,959 | 1.18         |
| 2010        | 394,963     | (25,653)   | -                          | 369,310                           | 261,778                   | 44,262   | 306,040    | 1.21         |
| 2011        | 427,023     | (25,000)   | -                          | 402,023                           | 266,503                   | 34,727   | 301,230    | 1.33         |
| 2012        | 468,117     | (25,000)   | -                          | 443,117                           | 271,313                   | 25,020   | 296,333    | 1.50         |
| 2013        | 459,433     | (25,000)   | -                          | 434,433                           | 276,210                   | 15,137   | 291,347    | 1.49         |
| 2014        | 148         | (410,099)  | -                          | (409,951)                         | 281,196                   | 5,076    | 286,272    | -1.43        |
| 2015        | -           | -  | -                          | -                                 | -                         | -        | -          | 0.00         |
| 2016        | -           | -  | -                          | -                                 | -                         | -        | -          | 0.00         |
| 2017        | -           | -  | -                          | -                                 | -                         | -        | -          | 0.00         |
| 2018        | \$ -        | -  | -                          | -                                 | -                         | -        | \$ -       | 0.00         |

(1) The City refinanced the 1998 TIF Bond at a 4.90% interest rate with the 2008 TIF Bond at a 3.61% interest rate in August 2008. The 2008 TIF Bond principal included \$7,000 for debt issuance expenditures plus \$1,350,000 required to pay off the 1998 TIF Bond.

(2) The debt is to be serviced by the tax dollars generated by the tax increment financing district in accordance with State law and contributions from the Newberry Opera House, the renovation of which was partially financed by the proceeds of the bond. While the Newberry Opera House has been a major success as a performing arts center and has covered its operational expenses, there has been no surplus generated from which to make up the difference between the tax revenue and the debt service requirements. The City made annual contributions from its Local Hospitality/Accommodations Fund to the TIF debt service fund from fiscal year 2001 through fiscal year 2008 of this table, with partial repayment from the TIF debt service fund to the Local Hospitality/Accommodations Fund shown in fiscal years 2009-2014. The TIF account was closed in fiscal year 2014.

(3) There is no coverage requirement above the annual principal and interest for the TIF bond.

**PLEDGED REVENUE COVERAGE - COMBINED UTILITY SYSTEM  
LAST TEN FISCAL YEARS**

**UNAUDITED**

| Fiscal Year | System Operating Revenues (1) | System Operating Expenses (2) | Amount Available for Debt Service | Audited Debt Service |           |              | Coverage (3) |
|-------------|-------------------------------|-------------------------------|-----------------------------------|----------------------|-----------|--------------|--------------|
|             |                               |                               |                                   | Principal            | Interest  | Total        |              |
| 2009 (4)    | \$ 23,023,588                 | 19,068,587                    | 3,955,001                         | 615,410              | 83,514    | \$ 698,924   | 5.66         |
| 2010 (4)    | 24,134,113                    | 19,652,401                    | 4,481,712                         | 635,481              | 44,839    | 680,320      | 6.59         |
| 2011 (4)    | 25,817,383                    | 20,953,464                    | 4,863,919                         | 254,100              | 33,594    | 287,694      | 16.91        |
| 2012 (4)    | 27,130,430                    | 21,947,588                    | 5,182,842                         | 742,284              | 414,851   | 1,157,135    | 4.48         |
| 2013        | 28,066,615                    | 23,510,242                    | 4,556,373                         | 1,294,044            | 530,972   | 1,825,016    | 2.50         |
| 2014        | 30,733,794                    | 24,006,961                    | 6,726,833                         | 744,976              | 178,292   | 923,268      | 7.29         |
| 2015        | 34,651,670                    | 26,341,528                    | 8,310,142                         | 964,209              | 369,283   | 1,333,492    | 6.23         |
| 2016        | 36,180,215                    | 28,013,464                    | 8,166,751                         | 1,790,943            | 1,623,215 | 3,414,158    | 2.39         |
| 2017        | 36,956,770                    | 28,679,385                    | 8,277,385                         | 2,078,480            | 1,815,403 | 3,893,883    | 2.13         |
| 2018        | \$ 37,850,492                 | 29,008,364                    | 8,842,128                         | 2,136,850            | 1,750,327 | \$ 3,887,177 | 2.27         |

(1) Exclusive of interest earnings and non-operating income.

(2) Exclusive of depreciation and non-operating expenses.

(3) Debt Service Requirements for 2007 Bond (FY2008-2015), 2003 Bond (FY 2004-2012), 2009 South Carolina Water Pollution Control Revolving Fund (SRF) Loan (FY 2012-2018), and 2015 Bond (FY 2015-2018). Coverage stated is by fiscal year. Bond indentures require coverage of 120% of annual principal and interest.

(4) The City's 2009 South Carolina Water Pollution Control Revolving Fund (SRF) Loan in the amount of \$19,002,796 plus capitalized interest, if any, was closed on June 24, 2009, with loan activity beginning in FY 2010. The first payment due date was December 1, 2011 (FY 2012).

**AGGREGATE PMPA DEBT SERVICE TABLE  
AS OF JUNE 30, 2018**

**UNAUDITED**

| <b>Bond Year Ending</b> | <b>Principal</b> | <b>Interest (1)</b> | <b>Total Debt Service</b> | <b>City's Portion (2)</b> |
|-------------------------|------------------|---------------------|---------------------------|---------------------------|
| 1/1/2018                | \$ 53,175,000    | 38,073,369          | 91,248,369                | \$ 8,312,726              |
| 1/1/2019                | 56,695,000       | 35,617,580          | 92,312,580                | 8,409,676                 |
| 1/1/2020                | 62,340,000       | 32,693,168          | 95,033,168                | 8,657,522                 |
| 1/1/2021                | 63,355,000       | 29,334,230          | 92,689,230                | 8,443,989                 |
| 1/1/2022                | 54,223,879       | 37,395,658          | 91,619,537                | 8,346,540                 |
| 1/1/2023                | 54,120,446       | 37,495,322          | 91,615,768                | 8,346,196                 |
| 1/1/2024                | 55,051,074       | 33,838,087          | 88,889,162                | 8,097,803                 |
| 1/1/2025                | 69,785,000       | 19,101,474          | 88,886,474                | 8,097,558                 |
| 1/1/2026                | 27,959,498       | 63,935,302          | 91,894,800                | 8,371,616                 |
| 1/1/2027                | 37,967,129       | 53,926,628          | 91,893,756                | 8,371,521                 |
| 1/1/2028                | 38,338,350       | 53,559,656          | 91,898,006                | 8,371,908                 |
| 1/1/2029                | 38,891,710       | 53,006,297          | 91,898,006                | 8,371,908                 |
| 1/1/2030                | 39,496,961       | 52,397,545          | 91,894,506                | 8,371,590                 |
| 1/1/2031                | 40,235,272       | 51,660,484          | 91,895,756                | 8,371,703                 |
| 1/1/2032                | 44,883,044       | 47,013,211          | 91,896,255                | 8,371,749                 |
| 1/1/2033                | 77,105,000       | 14,792,307          | 91,897,307                | 8,371,845                 |
| 1/1/2034                | \$ 84,522,680    | 7,372,218           | 91,894,898                | \$ 8,371,625              |

(1) Interest on variable rate debt has been assumed and all tax subsidies on Build America Bonds have been netted out.

(2) City's portion of debt service is allocated on the basis of base billing demand. This amount may be more or less than the City's proportionate share of the Catawba Project due to power purchased by the City of PMPA's wholesale purchase rate which includes power purchased under the Catawba Sales Agreement and the Supplement Agreement.

**CITY OF NEWBERRY, SOUTH CAROLINA**  
**HISTORICAL DEBT SERVICE COVERAGE RATIO**  
**LAST TEN FISCAL YEARS**

**UNAUDITED**

|                                    | 2009 | 2010 | 2011 | 2012 | 2013          | 2014       | 2015       | 2016       | 2017       | 2018          |
|------------------------------------|------|------|------|------|---------------|------------|------------|------------|------------|---------------|
| Gross Revenues                     | NRA  | NRA  | NRA  | NRA  | \$ 28,066,615 | 30,733,794 | 34,651,670 | 36,180,215 | 36,956,770 | \$ 37,850,492 |
| Operating and Maintenance Expenses | NRA  | NRA  | NRA  | NRA  | 23,510,242    | 24,006,961 | 26,341,528 | 28,013,464 | 28,679,385 | 29,008,364    |
| Non-operating Revenues             | NRA  | NRA  | NRA  | NRA  | 3,144         | 2,163      | 2,613      | 468,303    | 138,688    | 137,093       |
| Net Earnings                       | NRA  | NRA  | NRA  | NRA  | 4,559,517     | 6,728,996  | 8,312,755  | 8,635,054  | 8,416,073  | 8,979,221     |
| Debt Service                       | NRA  | NRA  | NRA  | NRA  | \$ 1,825,016  | 923,268    | 1,578,569  | 1,790,943  | 2,078,480  | \$ 2,136,850  |
| Debt Service Coverage              | NRA  | NRA  | NRA  | NRA  | 2.50          | 7.29       | 5.27       | 4.82       | 4.05       | 4.20          |

NRA - This information was not readily available.

**CITY OF NEWBERRY, SOUTH CAROLINA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

**UNAUDITED**

| Fiscal Year | (1) Population |    | (2) Personal Income |    | (3) Per Capita Personal Income |    | (4) Median Household Income |      | (5) Median Age |       | (6) Education Level In Years of Formal Schooling |  | (7) School Enrollment |  | (8) Unemployment Rate |  |
|-------------|----------------|----|---------------------|----|--------------------------------|----|-----------------------------|------|----------------|-------|--|--|-----------------------|--|-----------------------|--|
|             |                |    |                     |    |                                |    |                             |      |                |       |  |  |                       |  |                       |  |
| 2009        | 10,907         | \$ | 189,421,869         | \$ | 17,367                         | \$ | 35,119                      | 33.8 | 12.6           | 5,736 | 13.0%  |  |                       |  |                       |  |
| 2010        | 11,061         |    | 191,709,252         |    | 17,332                         |    | 35,187                      | 35.0 | 12.6           | 5,695 | 10.8%  |  |                       |  |                       |  |
| 2011        | 10,277         |    | 200,360,392         |    | 19,496                         |    | 41,023                      | 39.0 | 12.7           | 5,595 | 10.5%  |  |                       |  |                       |  |
| 2012        | 10,332         |    | 186,554,592         |    | 18,056                         |    | 36,381                      | 33.3 | 12.9           | 5,621 | 9.6%   |  |                       |  |                       |  |
| 2013        | 10,255         |    | 221,969,475         |    | 21,645                         |    | 37,491                      | 34.2 | 12.9           | 5,717 | 8.1%   |  |                       |  |                       |  |
| 2014        | 10,256         |    | 169,654,752         |    | 16,542                         |    | 30,318                      | 34.0 | 12.9           | 5,616 | 5.2%   |  |                       |  |                       |  |
| 2015        | 10,277         |    | 179,087,002         |    | 17,426                         |    | 33,016                      | 34.2 | 13.1           | 5,888 | 6.6%   |  |                       |  |                       |  |
| 2016        | 10,331         |    | 191,980,973         |    | 18,583                         |    | 29,034                      | 34.4 | 13.1           | 5,889 | 5.1%   |  |                       |  |                       |  |
| 2017        | 10,277         |    | 172,519,999         |    | 16,787                         |    | 33,680                      | 39.9 | 13.1           | 5,907 | 3.8%   |  |                       |  |                       |  |
| 2018        | 10,580         | \$ | 185,403,920         | \$ | 17,524                         | \$ | 35,043                      | 35.0 | 13.1           | 6,006 | 3.4%   |  |                       |  |                       |  |

(1) Estimates by South Carolina Budget and Control Board for fiscal years 2010-2016. Fiscal Year 2017-2018 from [www.census.gov](http://www.census.gov)

(2) Mathematical computation of per capita personal income multiplied by population.

(3) Fiscal years 2009-2016 estimates from Central Midlands Council of Governments. Fiscal Year 2017-2018 from [www.census.gov](http://www.census.gov)

(4) Fiscal years 2009-2016 estimates from Central Midlands Council of Governments. Fiscal Year 2017-2018 from [www.census.gov](http://www.census.gov)

(5) Estimates by City of Newberry Finance Department for fiscal year 2009. Fiscal year 2010-2018 estimates from Central Midlands Council of Governments.

(6) Sources: Estimates by City of Newberry Finance Department based on 2000 Census for fiscal years 2008-2010. Estimate by Newberry County School District for 2011-2018.

(7) Source: Newberry County School District.

(8) Source: South Carolina Department of Employment and Workforce.

**PRINCIPAL EMPLOYERS (1)  
CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

| EMPLOYER                               | 2018        |      |   | 2009        |      |   |
|--|-------------|------|---|-------------|------|---|
|  | Employees   | Rank | Percentage Of Total County Employment (2) | Employees   | Rank | Percentage Of Total County Employment (2) |
| Kraft Heinz Foods (*)                  | 2700        | 1    | 16.47%                                    | 2350        | 1    | 13.64%                                    |
| Newberry County School District (**)   | 894         | 2    | 5.45%                                     | 900         | 2    | 5.22%                                     |
| Samsung (*)                            | 650         | 3    | 3.97%                                     |             |      |   |
| Newberry County Memorial Hospital (**) | 457         | 4    | 2.79%                                     | 488         | 3    | 2.83%                                     |
| Georgia Pacific (*)                    | 278         | 5    | 1.70%                                     | 275         | 5    | 1.60%                                     |
| Newberry College                       | 248         | 6    | 1.51%                                     | 225         | 7    | 1.31%                                     |
| Wal-Mart                               | 224         | 7    | 1.37%                                     | 341         | 4    | 1.98%                                     |
| Valmont Composite Structures (*)       | 190         | 8    | 1.16%                                     |             |      |   |
| White Oak Manor (*)                    | 183         | 9    | 1.12%                                     |             |      |   |
| County of Newberry                     | 202         | 10   | 1.23%                                     | 239         | 6    | 1.39%                                     |
| Springfield Place/JF Hawkins           |             |      |   | 173         | 9    | 1.00%                                     |
| Komatsu America (*)                    |             |      |   | 165         | 10   | .96%                                      |
| Caterpillar, Inc. (*)                  |             |      |   | 200         | 8    | 1.16%                                     |
|  | <u>6026</u> |      | <u>36.76%</u>                             | <u>5356</u> |      | <u>30.13%</u>                             |

(1) Listing of principal employers of Newberry County provided since no listing compiled of principal employers inside City only. A single asterisk (\*) is used to denote employers principally located outside the City limits and double asterisks (\*\*) are used to denote employers with principal locations both inside and outside the City limits. No asterisk is used when the employer is principally located inside the City limits. For comparison, the City of Newberry currently has 163 employees. Current year's data derived from Newberry County Chamber of Commerce records. Data for earlier year derived primarily from bond official statements, as available.

(2) Percentage calculated using total Newberry County employment from the 2010 Census - 16,393

CITY OF NEWBERRY, SOUTH CAROLINA  
 BUDGETED FULL-TIME EQUIVALENT CITY OF NEWBERRY EMPLOYEES BY FUNCTION (1)  
 LAST TEN FISCAL YEARS

| FUNCTION                                 | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         |
| General Government                       |              |              |              |              |              |              |              |              |              |              |
| City Council                             | 7            | 7            | 7            | 7            | 7            | 7            | 7.33         | 7.33         | 7.33         | 7.33         |
| City Administration (2)                  | 4            | 4            | 4            | 4            | 4            | 4            | 3.67         | 3.67         | 2.17         | 3.67         |
| Finance                                  | 4            | 4            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| Planning and Development                 | 4            | 4            | 4            | 2            | 2            | 2            | 1.66         | 2            | 2            | 2            |
| Public Safety                            |              |              |              |              |              |              |              |              |              |              |
| Police                                   |              |              |              |              |              |              |              |              |              |              |
| Officers                                 | 32           | 32           | 32           | 32           | 32           | 32           | 32           | 30           | 30           | 32           |
| Civilians                                | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            |
| Justice and Law Civilians                | 3.8          | 3.8          | 3.8          | 3.8          | 3.8          | 3.8          | 3.8          | 3.8          | 3            | 3            |
| Fire (3)                                 |              |              |              |              |              |              |              |              |              |              |
| Firefighters and Officers                | 19           | 19           | 19           | 19           | 19           | 20           | 20           | 20           | 20           | 20           |
| Civilians                                | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| Public Works                             |              |              |              |              |              |              |              |              |              |              |
| Public Works Administration              | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 3            |
| Streets                                  | 10           | 10           | 10           | 10           | 9            | 10           | 10.5         | 10.5         | 11           | 11           |
| Sanitation                               | 5            | 5            | 5            | 5            | 5            | 5            | 5            | 5            | 5            | 4            |
| Building Maintenance                     | 2            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 6.5          | 6.5          |
| Garage                                   | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            | 3            |
| Recreation (5)                           | 13           | 13           | 13           | 14           | 14           | 12           | 12           | 12           | 10.5         | 10.5         |
| Utility System                           |              |              |              |              |              |              |              |              |              |              |
| Administration/Finance/Warehouse/        |              |              |              |              |              |              |              |              |              |              |
| Information Services/Risk management (4) | 13           | 13           | 15           | 13           | 13           | 14           | 14           | 13           | 18           | 13.5         |
| Electric                                 | 11           | 11           | 11           | 9            | 9            | 9            | 9.34         | 9            | 9            | 9            |
| Water/Sewer Maintenance                  | 11           | 11           | 11           | 11           | 11           | 9            | 9            | 8            | 11           | 11           |
| Water Plant                              | 9            | 9            | 9            | 8            | 8            | 9            | 9            | 8            | 7            | 7.5          |
| Wastewater Plant                         | 6            | 6            | 6            | 6            | 6            | 4            | 4.5          | 5            | 5            | 5.5          |
| Newberry Opera House (6)                 | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 4            | 4            |
| <b>Total</b>                             | <b>162.8</b> | <b>161.8</b> | <b>161.8</b> | <b>155.8</b> | <b>154.8</b> | <b>152.8</b> | <b>153.8</b> | <b>149.3</b> | <b>162.5</b> | <b>162.5</b> |

(1) Source: City of Newberry Human Resources Director  
 (2) City Administration comprised of .5 FTE City Manager, 1.0 Human Resource and .67 clk/admin.  
 (3) In addition to City staff, there were 22 Volunteer Firefighter positions in fiscal year 2018.  
 (4) Utilities pays 1.5 FTE for HR/City Mgr + Finance added 1 FTE due to PayGo and IT added 1 FTE + 1 shared services Admin FTE in 2018.  
 (5) Recreation includes FCC staff.  
 (6) NOH not represented until 2017 but should have been included in prior years.

**CITY OF NEWBERRY, SOUTH CAROLINA  
OPERATING INDICATORS BY FUNCTION (1)  
LAST TEN FISCAL YEARS**

**UNAUDITED**

| FUNCTION  | Fiscal Year  |           |           |           |           |           |           |           |           |              |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
|   | 2009         | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018         |
| General Government (2)                                      |              |           |           |           |           |           |           |           |           |              |
| Finance   |              |           |           |           |           |           |           |           |           |              |
| Businesses with licenses (for last completed calendar year) | 1,169        | 1,143     | 1,140     | 1,133     | 1,132     | 1,090     | 1,082     | 1,074     | 1,085     | 1,092        |
| Planning and Development                                    |              |           |           |           |           |           |           |           |           |              |
| New construction values per building permits                | \$ 6,720,921 | 805,603   | 1,594,436 | 721,880   | 5,408,294 | 658,393   | 1,730,680 | 1,710,341 | 5,955,559 | \$ 7,832,024 |
| Public Safety   |              |           |           |           |           |           |           |           |           |              |
| Police  |              |           |           |           |           |           |           |           |           |              |
| Incidents   | 12,742       | 11,492    | 11,373    | 11,355    | 11,215    | 11,988    | 11,294    | 10,712    | 10,463    | 9,837        |
| Arrests and traffic violations                              | 6,304        | 6,454     | 6,069     | 6,564     | 5,210     | 5,973     | 4,770     | 4,556     | 4,161     | 4,195        |
| Parking violations  | 542          | 351       | 310       | 53        | 78        | 108       | 76        | 232       | 96        | 190          |
| Fire  |              |           |           |           |           |           |           |           |           |              |
| Volunteer personnel   | 14           | 18        | 16        | 12        | 14        | 12        | 16        | 15        | 16        | 20           |
| Calls answered  | 491          | 493       | 541       | 951       | 852       | 803       | 446       | 465       | 383       | 507          |
| Inspections   | 739          | 595       | 603       | 559       | 525       | 507       | 26        | 363       | 461       | 266          |
| Public Works (3)  |              |           |           |           |           |           |           |           |           |              |
| Streets   |              |           |           |           |           |           |           |           |           |              |
| Streets resurfaced (miles)                                  | 1.64         | 0.51      | -         | 2.13      | 1.09      | 0.20      | -         | -         | 2.5       | 0.75         |
| Sanitation  |              |           |           |           |           |           |           |           |           |              |
| Refuse collected in tons per year                           | 7,615        | 7,715     | 7,493     | 7,213     | 7,119     | 7,197     | 7,566     | 7,342     | 7,918     | 7,976        |
| Recreation  |              |           |           |           |           |           |           |           |           |              |
| # Participants residing within City limits                  | 942          | 859       | 990       | 961       | 946       | 867       | 635       | 561       | 532       | 617          |
| # Participants residing outside City limits                 | 338          | 349       | 417       | 369       | 347       | 296       | 277       | 344       | 384       | 330          |
| # Participants total  | 1,280        | 1,208     | 1,407     | 1,330     | 1,293     | 1,163     | 912       | 905       | 916       | 947          |
| Utility System  |              |           |           |           |           |           |           |           |           |              |
| Electric  |              |           |           |           |           |           |           |           |           |              |
| Maximum monthly non-coincident purchased demand (kW)        | 31,314       | 32,243    | 32,243    | 31,606    | 31,606    | 41,851    | 43,100    | 43,300    | 41,761    | 41,621       |
| Water   |              |           |           |           |           |           |           |           |           |              |
| Average production (gallons per day)                        | 4,959,345    | 5,051,292 | 5,245,412 | 4,873,655 | 4,300,980 | 5,500,000 | 5,750,000 | 5,717,657 | 5,464,778 | 5,505,258    |
| Sewer   |              |           |           |           |           |           |           |           |           |              |
| Average treatment (gallons per day)                         | 2,342,925    | 2,921,639 | 2,462,896 | 2,650,000 | 2,650,000 | 2,820,000 | 2,900,000 | 3,000,000 | 2,520,000 | 2,530,000    |

(1) Source: Various City of Newberry departments.

(2) General government comprised of City Council, City Manager, Human Resources, Finance and Planning and Development Services, for some of which there are no indicators presently available.

(3) Public Works comprised of Public Works Administration, Street, Sanitation, Building Maintenance and Garage, for some of which there are no indicators presently available.

(4) The majority of the increase in treated gallons per day attributed to infiltration. The City began an infiltration study during fiscal year 2011.

CITY OF NEWBERRY, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION (1)  
LAST TEN FISCAL YEARS

UNAUDITED

| FUNCTION (2)                                | Fiscal Year |           |           |           |           |           |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 2009        | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      |
| Public Safety                               |             |           |           |           |           |           |           |           |           |           |
| Police                                      |             |           |           |           |           |           |           |           |           |           |
| Stations                                    | 1           | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |
| Patrol units                                | 38          | 38        | 40        | 40        | 40        | 40        | 44        | 41        | 41        | 39        |
| Fire  |             |           |           |           |           |           |           |           |           |           |
| Stations                                    | 2           | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         |
| Fire trucks                                 | 7           | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 7         |
| Public Works (3)                            |             |           |           |           |           |           |           |           |           |           |
| Streets                                     |             |           |           |           |           |           |           |           |           |           |
| Streets within City (miles)                 | 87          | 87        | 87        | 87        | 87        | 87        | 87        | 87        | 87        | 87        |
| Sanitation                                  |             |           |           |           |           |           |           |           |           |           |
| Packer trucks                               | 5           | 5         | 5         | 5         | 5         | 5         | 5         | 6         | 6         | 6         |
| Recreation                                  |             |           |           |           |           |           |           |           |           |           |
| Parks                                       | 15          | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 16        | 16        |
| Parks acreage                               | 100         | 100       | 100       | 100       | 100       | 100       | 100       | 100       | 315       | 200       |
| Utility System                              |             |           |           |           |           |           |           |           |           |           |
| Electric                                    |             |           |           |           |           |           |           |           |           |           |
| Miles of primary conductor                  | 259         | 260       | 260       | 260       | 260       | 260       | 262       | 262       | 275       | 75        |
| Miles of secondary conductor                | 91          | 92        | 93        | 93        | 93        | 93        | 93        | 93        | 103       | 130       |
| Water                                       |             |           |           |           |           |           |           |           |           |           |
| Miles of water main lines                   | 127         | 127       | 127       | 127       | 127       | 127       | 127       | 127       | 127       | 128       |
| Fire hydrants                               | 482         | 483       | 486       | 493       | 500       | 598       | 594       | 600       | 610       | 625       |
| Maximum daily production capacity (gallons) | 8,100,000   | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 | 8,100,000 |
| Sewer                                       |             |           |           |           |           |           |           |           |           |           |
| Miles of sanitary sewer main lines          | 124         | 124       | 124       | 124       | 124       | 124       | 124       | 124       | 124       | 124       |
| Maximum daily treatment capacity (gallons)  | 3,220,000   | 3,220,000 | 3,220,000 | 3,220,000 | 3,220,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

(1) Source: Various City of Newberry departments.

(2) No capital asset indicators are available for General Government function.

(3) Public Works comprised of Public Works Administration, Street, Sanitation, Building Maintenance and Garage departments, for some of which there are no indicators available.

# **COMPLIANCE SECTION**

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# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberry, South Carolina (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2018.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001, that we consider to be a significant deficiency.

#### Compliance and Other Matters

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

GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC  
864.451.7381

MAULDIN, SC  
864.232.5204

MOUNT PLEASANT, SC  
843.735.5805

SPARTANBURG, SC  
864.232.5204

ASHEVILLE, NC  
828.771.0847

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### **City's Response to the Finding**

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

### **Purpose of this Report**

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



Greene Finney, LLP  
Mauldin, South Carolina  
November 26, 2018

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

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**2018-001: SIGNIFICANT DEFICIENCY IN RECORDING AND TRACKING CAPITAL ASSET ACTIVITY**

**Condition:** During the 2018 audit, we noted the following in the recording and tracking of capital asset activity:

- The City’s capital asset software appears to be very inefficient and outdated, and as a result, the process for maintaining and reporting capital assets has to be completed manually, which takes a significant amount of time. This manual process also makes proper recording, adjustments, corrections, and detailed tracking of projects cumbersome and difficult.
- On the initial trial balance, retainage payable and construction in progress in the Utility Fund were overstated by approximately \$765,000. Some of the beginning capital asset balances in both the Utility Fund trial balance and in the governmental capital assets supporting documentation did not agree to the City’s prior year financial statements. These were corrected when brought to the City’s attention.
- A significant portion of assets included in construction in progress for the Utility Fund should have been placed in service and began to be depreciated prior to June 30, 2018 as the projects were substantially completed at that time. When this was brought to the City’s attention, they evaluated the understatement of depreciation expense that would have been recorded if the construction in progress had been appropriately moved to depreciable assets as of June 30, 2018. The City determined that the understatement was not material to change the classification from construction in progress to a depreciable asset for 2018, and the change was not made until fiscal 2019.
- Approximately \$369,000 in additions for governmental activities was initially not capitalized when we arrived for the audit; it was appropriately capitalized when brought to the City’s attention.
- Approximately \$298,000 in capital assets for governmental activities was paid for in the fiscal year ended June 30, 2016, but the City had inadvertently failed to capitalize them until 2018.

**Criteria:** The City should have adequate systems and procedures/controls in place to ensure that all capital asset transactions and related activity are appropriately and correctly recorded and tracked.

**Context, Cause and Effect:** The City has experienced turnover in its finance and accounting department over the past few years and did not appear to have been appropriately staffed during the year ended June 30, 2018 in comparison to similarly sized municipalities. There also appears to be a lack of communication between other departments and the finance department as it relates to capital asset activity in those departments (detailed and accurate listings of capital asset additions and deletions during the year and details regarding which projects were completed during the fiscal year, for example). In addition, the City’s software appears to be very outdated, cumbersome and inefficient. The software does not allow the user to make adjustments to the system; it only provides for one update for that fiscal year. If items or issues are discovered that impact the fiscal year that has not been closed out but after the “update” has been made to the system, the City has to keep track of the changes manually, updating the software for the changes in the next fiscal year, which is very inefficient, not to mention prone to error.

**Recommendation:** We recommend that the City improve and strengthen its internal controls to ensure that all capital asset transactions and activities are appropriately and correctly recorded (including written procedures and controls to ensure that all capital asset activity in other departments is accurately and completely communicated to the finance department in a timely manner, reconciliation of governmental activities capital asset additions to capital outlay is completed, and other controls). We also recommend that the City find ways to improve the efficiency of tracking capital assets. This might include hiring additional staff, updating the City’s capital asset software, or maintaining the detail schedules in Excel so that they can be more easily updated and adjusted.

**Response:** The City will consider its options and will work toward improving the processing of capital asset activities. The City has put in place a plan to hire additional staff to help convert their capital asset software into a more easily adjustable format. The City will strive to have this process completed by the end of fiscal year 2019; however this is a very cumbersome task that may take longer to achieve. There will be substantial progress made in fiscal year 2019.