

**CITY OF NEWBERRY, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

Prepared by: Finance Department



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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September 26, 2019

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

State law requires Newberry City Council to provide for an independent annual audit of all financial records and transactions of the City of Newberry. State law further requires that such audits be made by a certified public accountant or public accountant or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the City or any of its officers. The report of the audit must be made available for public inspection. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of Newberry (City) for the fiscal year ended June 30, 2019.

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 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, 2019, 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, 2019, 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 of Newberry's internal control over financial reporting and on the auditor's test of the City's compliance with certain provisions of laws, regulations, contracts, and grants. That report concerning compliance and internal control is located at the end of the comprehensive annual financial report. Also, a schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

### **Profile of the Government**

The City of Newberry is located in and is the county seat of Newberry County. The City of Newberry's municipal charter was issued in 1832. The City encompasses an area of approximately seven and a half square miles, while Newberry County encompasses an area of six hundred thirty square miles.

The population of the City as registered by the 2010 Census is 10,277, and the population of the County as registered by the 2010 Census is 37,508. Next year new population counts will come out with the 2020 Census. Within the limitations established by the State of South Carolina, the City of Newberry is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City of Newberry has operated under the council-manager form of government since 1948. The mayor is elected at-large for a term of four years. Policy-making and legislative authority are vested in City Council consisting of the mayor and six other members. Under the City's current single-member district plan, the City has been divided into six districts, each to be represented by a council member. City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, municipal judge 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 all other City employees. As of June 30, 2019, 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 of Newberry provides a full range of services. These services include police and fire protection; sanitation services; the repair and maintenance of City streets and infrastructure; building regulation; planning; economic development and administration; zoning and code enforcement; water, sewer and electric utility services; and recreational and tourism-related activities.

The annual budget serves as the foundation for the City's financial planning and control. For 2018-2019 budget preparation, all departments of the City of Newberry were required to submit requests for appropriations to the City Manager by mid-February of 2018. 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 66 as part of the basic financial statements for the governmental funds.

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

The City of Newberry 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. In the mid-1990's an aggressive community revitalization effort was undertaken. 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.

After the success of the City's first public-private partnership, in the Oakland Mill Redevelopment (2010), the City of Newberry tackled its next public-private endeavor in the creation of an Open Access Fiber Network. The City is currently in the process of building a \$3M fiber network to the homes and businesses of Newberry. The City is building this network as "open access" so multiple service providers could light the system and serve its' residents. To date WCFiber (subsidiary of WCTel), based out of Abbeville, SC, is the only private provider to step up and offer services on the system (Streaming TV, Internet, IP Phone). By the end of FY19 the City will have over 60% of the entire system built and will finish the buildout in FY20. The City is paid back on its investment by a per customer share, remitted to the City, through the provider in monthly payments.

The customer sign-ups are going even better than originally expected and the City projects, very conservatively, that the entire payback on this investment should take approximately 10-15 years.

The City is also in the midst of constructing a \$6.4M Recreation Facility supported by \$4.6M in CPST funding from the County's Capital Project Sales Tax. The City's newest facility, near 100 acres developed, will boast scenic walking trails, baseball fields, all-purpose fields, an accessible playground and a baseball themed splash pad. It is the City's desire that Residents will utilize this facility for their many differing recreational needs. Surrounding this new recreation development the City has reserved almost 100 acres, which can be developed into future residential housing, to serve the City's growing housing needs; thanks to the addition of Samsung and continued expansion of other industries in and around Newberry.

The City was also happy to welcome its first Community Housing Development in over 40 years in FY19. Newberry Landing is an 84 lot proposal for single family, patio style homes, and has been zoned as RD to allow for smaller lot sizes. This Development is being headed by Bailey Builders out of the Augusta area whom is currently offering 17 differing floorplan designs for the first phase of development. Upon completion of this development the City will become owners of the infrastructure being installed.

**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 2019 included:

- Continued emphasis on remaining a professionally competitive organization, vying for the best talent and skill in the central piedmont region of South Carolina.
- 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 the City are met.

### **Relevant Financial Policies**

Newberry City Council formally adopted the City of Newberry'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 2019 information, the unassigned portion of the fund balance of the General Fund stood at 41.57% 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, 2018. This was the twenty sixth 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**

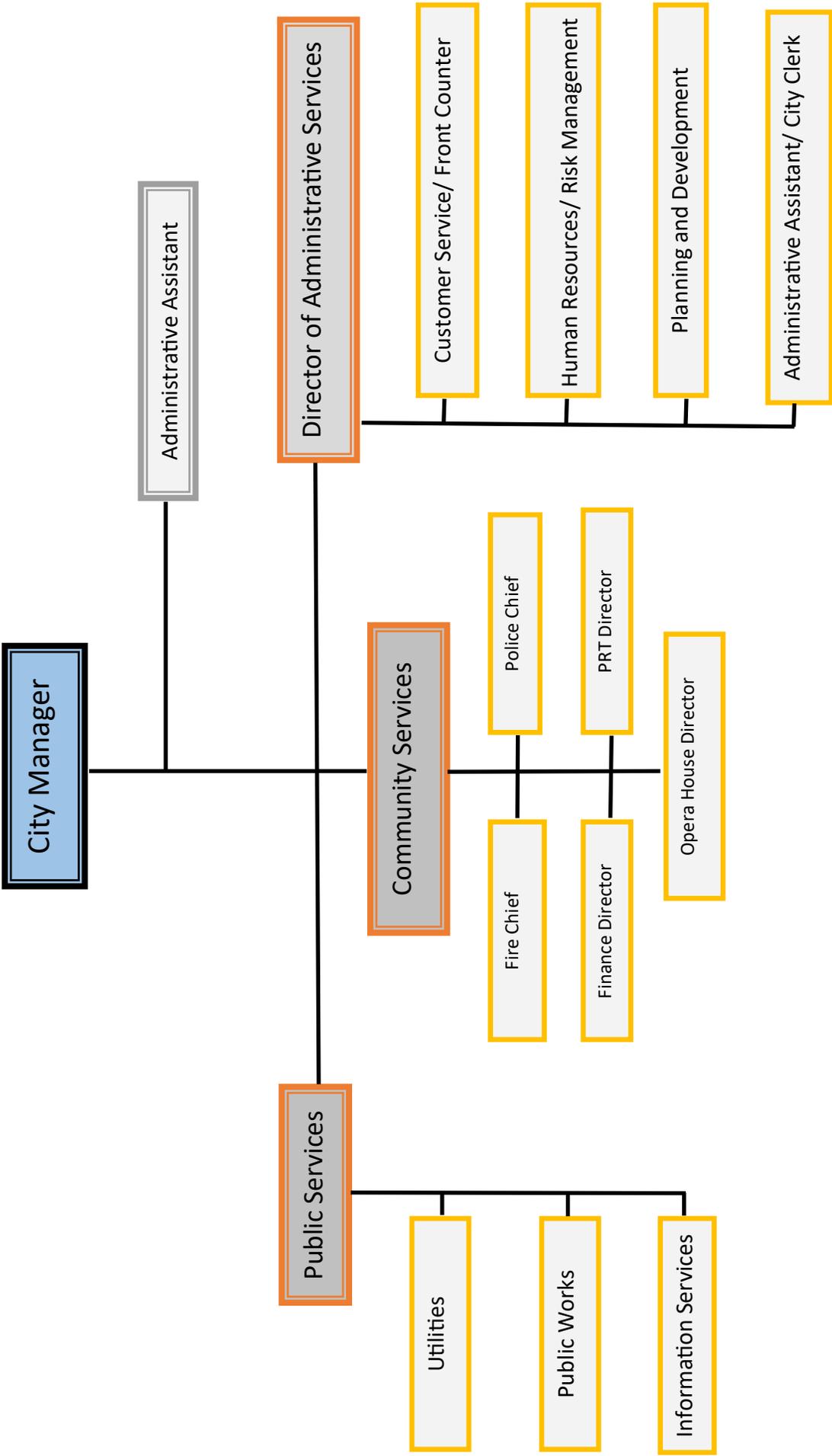
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

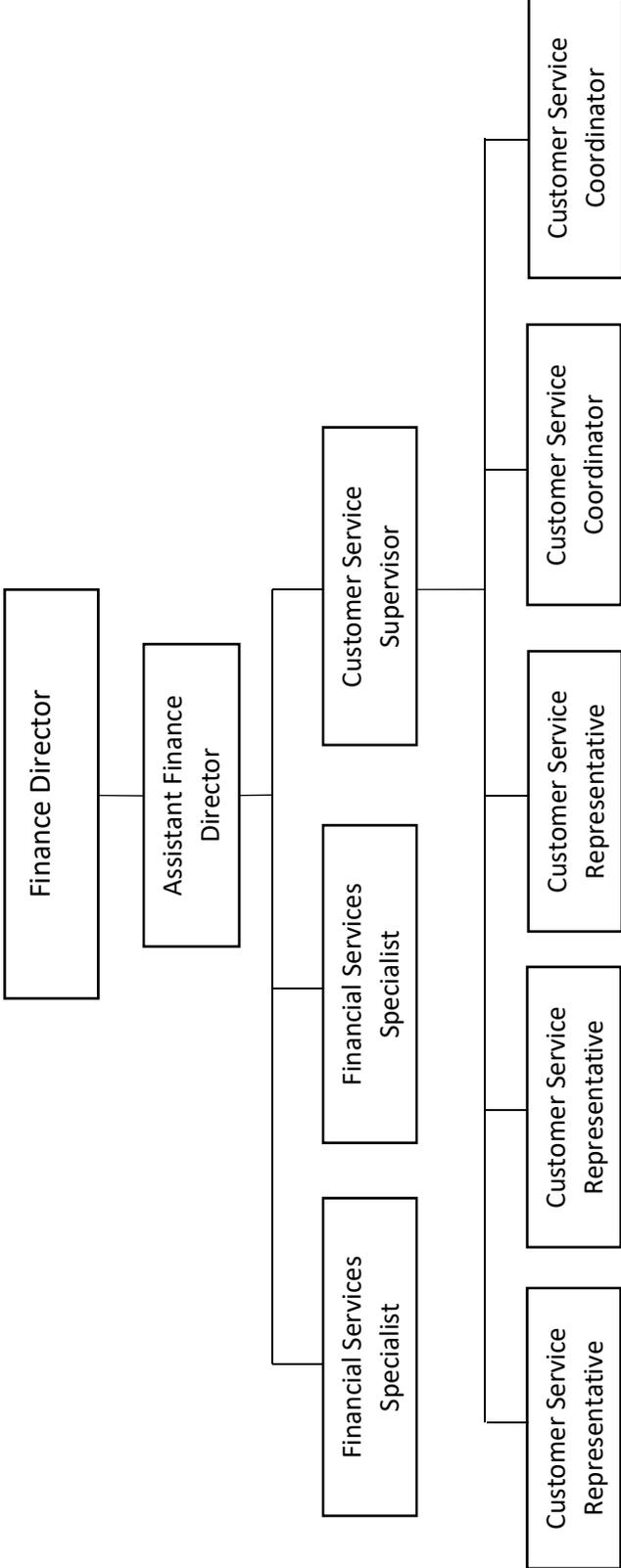
*Christopher P. Morill*

Executive Director/CEO

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City of Newberry  
 Finance Department  
 Organizational Chart  
 June 30, 2019



**CITY OF NEWBERRY, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICERS  
JUNE 30, 2019**

**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, 2019, 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, 2019, 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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## ***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 September 26, 2019 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  
September 26, 2019

## CITY OF NEWBERRY, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2019

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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, 2019 ("2019") compared to the year ended June 30, 2018 ("2018"). 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 the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding of 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 \$70,518,000. Unrestricted net position was approximately \$13,347,000. 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 a deficit of approximately \$263,000, which was a decrease of approximately \$1,397,000 from the prior year. Unrestricted net position of the City's business-type activities was approximately \$13,610,000, which was an increase of approximately \$395,000 from the prior year.
- The City's unrestricted net position at June 30, 2019 includes the impact of approximately \$12,226,000 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 \$4,057,000 compared to the prior year's ending net position, as revenues of approximately \$46,970,000 exceeded expenses of approximately \$42,913,000.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$10,277,000, a decrease of approximately \$3,743,000 from the prior year's ending fund balances.
- At the end of the current year, unassigned fund balance for the General Fund was approximately \$4,374,000, which was a decrease of approximately \$2,499,000 from the prior year. Unassigned fund balance at the end of the current year was approximately 42% of total General Fund expenditures for the year ended June 30, 2019.
- 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 fund balance in the General Fund to a general capital reserve account. In fiscal year 2020, the City will not transfer any money 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, 2019

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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 16 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 financial statements of the City's enterprise fund, the 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 financial 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, 2019**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1			
Major Features of the City’s Government-Wide and Fund Financial Statements			
	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses.
Required Financial 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, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Revenues, Expenses, and Changes in Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet 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 Inflow/Outflow 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, 2019**

**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, 2019 compared to June 30, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and Other Assets	\$ 11,569,817	14,943,868	23,876,982	27,985,350	35,446,799	\$ 42,929,218
Capital Assets, Net	15,785,067	11,173,957	83,676,421	78,105,137	99,461,488	89,279,094
<b>Total Assets</b>	<b>27,354,884</b>	<b>26,117,825</b>	<b>107,553,403</b>	<b>106,090,487</b>	<b>134,908,287</b>	<b>132,208,312</b>
<b>Deferred Outflows of Resources</b>						
Deferred Pension Charges	1,551,632	1,917,239	773,405	929,180	2,325,037	2,846,419
<b>Liabilities</b>						
Other Liabilities	828,334	470,364	2,482,902	2,491,985	3,311,236	2,962,349
Net Pension Liabilities	9,917,429	9,997,075	4,362,631	4,396,566	14,280,060	14,393,641
Long-Term Liabilities	1,188,739	1,266,239	47,664,758	49,859,388	48,853,497	51,125,627
<b>Total Liabilities</b>	<b>11,934,502</b>	<b>11,733,678</b>	<b>54,510,291</b>	<b>56,747,939</b>	<b>66,444,793</b>	<b>68,481,617</b>
<b>Deferred Inflows of Resources</b>						
Deferred Pension Credits	189,640	78,472	81,047	33,681	270,687	112,153
<b>Net Position</b>						
Net Investment in Capital Assets	14,981,151	10,263,672	39,597,749	36,484,723	54,578,900	46,748,395
Restricted	2,063,901	4,824,694	527,951	538,473	2,591,852	5,363,167
Unrestricted	(262,678)	1,134,548	13,609,770	13,214,851	13,347,092	14,349,399
<b>Total Net Position</b>	<b>\$ 16,782,374</b>	<b>16,222,914</b>	<b>53,735,470</b>	<b>50,238,047</b>	<b>70,517,844</b>	<b>\$ 66,460,961</b>

The City's total assets increased approximately \$2,700,000 from the prior year, primarily due to an increase in capital assets (see below). Current and other assets decreased approximately \$7,482,000 primarily due to a decrease in cash and investments of approximately \$7,831,000, as the City spent cash on a new recreation complex and a fiber optic network; also, unspent bond proceeds were spent on planned improvements to the utility system. Capital assets increased approximately \$10,182,000 from the prior year due to capital asset additions of approximately \$14,286,000 exceeding depreciation expense of approximately \$3,855,000 and net disposals of approximately \$249,000. Total liabilities decreased approximately \$2,037,000 from the prior year primarily due to regularly scheduled principal payments on the City's debt and lease purchase obligations of approximately \$2,572,000 and a decrease in the net pension liabilities of approximately \$114,000, partially offset by the issuance of a new lease purchase of approximately \$275,000 and higher retainage payable of approximately \$478,000 (primarily related to the new recreation complex). 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 \$54,579,000 at June 30, 2019. 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 \$2,592,000 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, etc.), including approximately \$1,610,000 for the new recreation complex.

CITY OF NEWBERRY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The remaining portion of the City's net position approximately \$13,347,000 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 2019 compared to 2018.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,835,189	3,531,597	36,877,552	37,850,492	38,712,741	\$ 41,382,089
Operating Grants and Contributions	219,310	326,406	-	-	219,310	326,406
Capital Grants and Contributions	765,424	4,145,105	1,000,000	-	1,765,424	4,145,105
General Revenues:						
Taxes	3,374,154	3,345,628	-	-	3,374,154	3,345,628
Other	2,763,940	1,048,772	134,358	137,093	2,898,298	1,185,865
Total Revenues	<u>8,958,017</u>	<u>12,397,508</u>	<u>38,011,910</u>	<u>37,987,585</u>	<u>46,969,927</u>	<u>50,385,093</u>
Expenses:						
General Government	1,253,699	1,124,666	-	-	1,253,699	1,124,666
Public Safety	4,861,195	4,247,398	-	-	4,861,195	4,247,398
Public Works	2,090,022	2,439,920	-	-	2,090,022	2,439,920
Parks, Recreation, & Tourism	1,922,643	940,300	-	-	1,922,643	940,300
Community Development	110,505	1,137,311	-	-	110,505	1,137,311
Interest and Other Charges	26,402	27,923	-	-	26,402	27,923
Utility System	-	-	32,648,578	34,015,447	32,648,578	34,015,447
Total Expenses	<u>10,264,466</u>	<u>9,917,518</u>	<u>32,648,578</u>	<u>34,015,447</u>	<u>42,913,044</u>	<u>43,932,965</u>
Change in Net Position Before Transfers	(1,306,449)	2,479,990	5,363,332	3,972,138	4,056,883	6,452,128
Transfers In (Out)	1,865,909	1,865,909	(1,865,909)	(1,865,909)	-	-
Change in Net Position	<u>559,460</u>	<u>4,345,899</u>	<u>3,497,423</u>	<u>2,106,229</u>	<u>4,056,883</u>	<u>6,452,128</u>
Net Position, Beginning 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>
Net Position, End of Year	<u>\$ 16,782,374</u>	<u>16,222,914</u>	<u>53,735,470</u>	<u>50,238,047</u>	<u>70,517,844</u>	<u>\$ 66,460,961</u>

**Governmental Activities.** Governmental activities increased the City's net position by approximately \$559,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues decreased approximately \$3,439,000 from the prior year primarily because the City received the majority of its recreation complex funding (approximately \$3,665,000) in the prior year.
- Total governmental activities expenses increased by approximately \$347,000 from the prior year primarily due to higher operating costs.

**Business-Type Activities.** Net position for business-type activities increased by approximately \$3,497,000 in the current year, as revenues of approximately \$38,012,000 exceeded expenses and transfers out of approximately \$34,515,000. 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, 2019

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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 balances of approximately \$10,277,000, a decrease of approximately \$3,743,000 from the prior year fund balances.

Approximately \$4,374,000 (43%) of the total governmental fund balance 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 \$6,696,000. 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 of approximately \$4,374,000 represents 42% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$1,375,000, as expenditures of approximately \$10,520,000 exceeded revenues of approximately \$6,840,000, transfers in of approximately \$2,030,000 and proceeds from a capital lease of approximately \$275,000. The decrease in fund balance was primarily caused by unbudgeted capital outlay of approximately \$1,576,000 for the installation of a new fiber optic network. The General Fund will recoup a portion of the costs of this network through user fees collected by internet companies utilizing the City's network.

In addition, the fund balances of the other governmental funds decreased by approximately \$2,367,000 from the prior year fund balances. This decrease was primarily due to expenditures exceeding revenues in the Recreation Complex Fund as the City spent funds on capital outlay for the new recreation complex that were received from Newberry County's capital sales tax program in the prior year.

**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 \$53,735,000, which was an increase of approximately \$3,497,000 from the prior year's net position. Details on changes in the Utility Fund were as follows:

- Total operating revenues decreased approximately \$973,000 (3%) from the prior year to approximately \$36,878,000, primarily due to lower electric operating revenues as the City received credits from its electric provider, Piedmont Municipal Power Agency ("PMPA"), and passed those credits on to its customers in FY 2019. Operating expenses decreased approximately \$1,511,000 (5%) from the prior year (primarily as a result of the credits received from PMPA) to approximately \$30,804,000. Operating income was approximately \$6,073,000, an increase of approximately \$538,000 from the prior year's operating income of approximately \$5,535,000, primarily due to the electric factors discussed earlier, in addition to an increase in water and sewer rates.
- Debt service payments totaled approximately \$3,872,000, consisting of principal of approximately \$2,191,000 and interest and other fees of approximately \$1,681,000.
- Total net position was approximately \$53,735,000 at June 30, 2019, consisting of approximately \$39,598,000 representing the net investment in capital assets, approximately \$527,000 that was restricted (for future debt service and renewal and replacement), with the balance of approximately \$13,610,000 that was unrestricted. Unrestricted net position increased approximately \$395,000 from the prior year.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)**

**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.

Actual revenues totaling approximately \$6,840,000 approximated budgeted revenues of approximately \$6,841,000. Taxes, fines and forfeitures, and intergovernmental revenues were approximately \$90,000, \$148,000 and \$135,000 less than budget, respectively, due to prior year tax refunds given by the County, fines being lower than anticipated, and the City receiving less in County Transportation Committee funds than expected. These decreases were partially offset by licenses, permits, and franchise fees, charges for services, and miscellaneous revenues coming in over budget by approximately \$245,000, \$81,000, and \$45,000, respectively, primarily due to the City focusing on making sure every business in the City is properly licensed, higher building & sign permits, higher garbage bin fees, and an increase in interest income.

Actual expenditures totaling approximately \$10,520,000 were approximately \$845,000 (9%) higher than budgeted expenditures of approximately \$9,676,000. This was due primarily due to general government actual expenditures exceeding the budgeted expenditures by approximately \$1,561,000, primarily due to the City Manager function coming in approximately \$1,569,000 over budget due to unbudgeted capital outlay of approximately \$1,576,000 for a fiber optic network. This variance is partially offset by lower than anticipated expenditures in the public safety and public works departments, and lower than expected employee benefit costs.

Also, transfers in from other funds of approximately \$2,030,000 were approximately \$84,000 lower than budgeted transfers in of approximately \$2,114,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City’s capital assets as of June 30, 2019 and June 30, 2018, amounted to approximately \$99,461,000 and \$89,279,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, utility systems, equipment, furniture and fixtures, and vehicles. See the table below:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$ 1,536,519	1,536,519	320,344	320,344	1,856,863	\$ 1,856,863
Construction in Progress	4,807,175	55,500	25,616,595	21,261,977	30,423,770	21,317,477
Buildings and Improvements	7,334,880	7,496,893	10,415,048	10,665,647	17,749,928	18,162,540
Infrastructure	491,246	549,311	-	-	491,246	549,311
Utility Systems	-	-	46,057,926	44,792,129	46,057,926	44,792,129
Equipment, Furniture, and Fixtures	699,949	428,631	1,186,255	1,043,020	1,886,204	1,471,651
Vehicles	915,298	1,107,103	80,253	22,020	995,551	1,129,123
<b>Total</b>	<b>\$ 15,785,067</b>	<b>11,173,957</b>	<b>83,676,421</b>	<b>78,105,137</b>	<b>99,461,488</b>	<b>\$ 89,279,094</b>

The total increase in the City’s capital assets for the current year was approximately \$10,182,000. Major capital asset events during the current year included the following:

- Capital asset additions of approximately \$5,541,000 for governmental activities:
  - Approximately \$4,752,000 for architecture and engineering on the new recreation complex and new fiber optic network.
  - Purchases of various machinery and equipment totaling approximately \$337,000.
  - Purchases of various vehicles totaling approximately \$350,000.
  - Building and improvement additions of approximately \$102,000.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

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

*Capital Assets (Continued)*

- Capital asset additions of approximately \$8,745,000 for business-type activities:
  - Approximately \$8,040,000 related to utility system upgrades.
  - Purchase of various vehicles and other equipment totaling approximately \$683,000.
  - Additions to buildings and improvements of approximately \$22,000.
- Net disposals of capital assets of approximately \$32,000 and approximately \$217,000 for governmental activities and business-type activities, respectively.
- Depreciation expense of approximately \$898,000 and \$2,957,000 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.

*Debt Administration*

As of June 30, 2019 and June 30, 2018, the City had total outstanding debt (consisting of revenue bonds, state revolving loans and lease purchases) of approximately \$48,274,000 and \$50,610,000, respectively. See the table below:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Debt:						
Revenue Bonds & SRFL (including premium)	\$ -	-	47,470,291	49,699,978	47,470,291	\$ 49,699,978
Lease Purchases	803,916	910,285	-	-	803,916	910,285
Total Debt	<u>\$ 803,916</u>	<u>910,285</u>	<u>47,470,291</u>	<u>49,699,978</u>	<u>48,274,207</u>	<u>\$ 50,610,263</u>

The total decrease in the City’s debt for the current year was approximately \$2,336,000. Major 2019 events for the City’s governmental and business-type activities were as follows:

- The City’s governmental activities total debt decreased by approximately \$106,000 due to regularly scheduled principal payments of \$381,000, partially offset by a new lease purchase of approximately \$275,000.
- The City’s business type total debt decreased by approximately \$2,230,000 due to regularly scheduled principal payments and amortization of the bond premium.

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, 2019, the City had no debt subject to the 8% debt limit of approximately \$2,246,000.

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 2020 BUDGET FOR THE CITY**

At June 30, 2019, unemployment for Newberry County stood at 3.2% compared to 3.4% at June 30, 2018. In comparison, the state’s unemployment rate at June 30, 2019 was 3.5% and the national rate was 3.7%. Fiscal year 2019 data from the City’s Local Hospitality and Accommodations Fee Fund showed improvement when compared to fiscal year 2018 data. Hospitality and Accommodations gross sales increased .7%, from \$43.853 million for the year ended June 30, 2018 to \$44.159 million for the year ended June 30, 2019.

The City began the budgetary process in January 2019, at which time the uncertain economic conditions forecast for fiscal year 2020 were considered. A general operating tax of 82.7 mills was approved by City Council.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

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**ECONOMIC FACTORS AND 2020 BUDGET FOR THE CITY (CONTINUED)**

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, 2019, the unassigned fund balance of the General Fund was approximately \$4,374,000. The City has budgeted a use of fund balance for fiscal year 2020 of approximately \$94,054. 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.

The City's elected officials and staff considered many factors when setting the budget for the year ended June 30, 2020 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 2020 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 2020 of approximately \$10,158,000, which is an increase of \$320,000 from its FY 2019 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).

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# Basic Financial Statements

CITY OF NEWBERRY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 9,602,436	11,389,265	\$ 20,991,701
Cash and Cash Investments, Restricted	2,390,052	4,693,684	7,083,736
Receivables, Net:			
Taxes	141,792	-	141,792
Accounts	-	3,945,388	3,945,388
Intergovernmental	121,325	7,896	129,221
Other	97,462	548,656	646,118
Internal Balances	(1,175,434)	1,175,434	-
Inventories	37,184	2,116,659	2,153,843
Notes Receivable	355,000	-	355,000
Capital Assets, Net:			
Non-Depreciable	6,343,694	25,936,939	32,280,633
Depreciable, Net	9,441,373	57,739,482	67,180,855
<b>TOTAL ASSETS</b>	<b>27,354,884</b>	<b>107,553,403</b>	<b>134,908,287</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	1,551,632	773,405	2,325,037
<b>LIABILITIES</b>			
Accounts Payable	324,124	1,618,624	1,942,748
Intergovernmental Payables	12,956	-	12,956
Accrued Salaries and Payroll Liabilities	327,170	78,080	405,250
Other Accrued Liabilities	-	12,084	12,084
Retainage Payable	164,084	411,848	575,932
Accrued Interest Payable	-	362,266	362,266
Non-Current Liabilities:			
Net Pension Liability - Due in More Than One Year	9,917,429	4,362,631	14,280,060
Long-Term Obligations - Due Within One Year	583,791	2,371,077	2,954,868
Long-Term Obligations - Due in More Than One Year	604,948	45,293,681	45,898,629
<b>TOTAL LIABILITIES</b>	<b>11,934,502</b>	<b>54,510,291</b>	<b>66,444,793</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	189,640	81,047	270,687
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,981,151	39,597,749	54,578,900
Restricted For:			
Tourism Related Costs	328,260	-	328,260
Streetscape	71,780	-	71,780
Public Safety	32,391	-	32,391
Parks and Recreation Improvements	1,609,536	-	1,609,536
Nonexpendable - Permanent Fund (Japanese Gardens)	10,000	-	10,000
Expendable - Permanent Fund (Japanese Gardens)	11,934	-	11,934
Debt Service	-	398,061	398,061
Renewal and Replacement	-	129,890	129,890
Unrestricted	(262,678)	13,609,770	13,347,092
<b>TOTAL NET POSITION</b>	<b>\$ 16,782,374</b>	<b>53,735,470</b>	<b>\$ 70,517,844</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, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 1,253,699	176,707	-	-	(1,076,992)	-	\$ (1,076,992)
Public Safety	4,861,195	381,020	129,884	-	(4,350,291)	-	(4,350,291)
Public Works	2,090,022	985,594	-	-	(1,104,428)	-	(1,104,428)
Parks, Recreation, and Tourism	1,922,643	237,186	89,426	50,834	(1,545,197)	-	(1,545,197)
Community Development	110,505	54,682	-	714,590	658,767	-	658,767
Interest on Long-Term Debt	26,402	-	-	-	(26,402)	-	(26,402)
Total Governmental Activities	<u>10,264,466</u>	<u>1,835,189</u>	<u>219,310</u>	<u>765,424</u>	<u>(7,444,543)</u>	<u>-</u>	<u>(7,444,543)</u>
Business-Type Activities:							
Utility System	32,648,578	36,877,552	-	1,000,000	-	5,228,974	5,228,974
Total Business-Type Activities	<u>32,648,578</u>	<u>36,877,552</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>5,228,974</u>	<u>5,228,974</u>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b><u>\$ 42,913,044</u></b>	<b><u>38,712,741</u></b>	<b><u>219,310</u></b>	<b><u>1,765,424</u></b>	<b><u>(7,444,543)</u></b>	<b><u>5,228,974</u></b>	<b><u>(2,215,569)</u></b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					2,327,476	-	2,327,476
Hospitality and Accommodations Taxes					1,046,678	-	1,046,678
Business Licenses					1,783,139	-	1,783,139
Unrestricted Intergovernmental Revenue					891,516	-	891,516
Interest Revenue					45,439	134,358	179,797
Miscellaneous					43,846	-	43,846
Transfers					1,865,909	(1,865,909)	-
Total General Revenues and Transfers					<u>8,004,003</u>	<u>(1,731,551)</u>	<u>6,272,452</u>
<b>CHANGE IN NET POSITION</b>					<b>559,460</b>	<b>3,497,423</b>	<b>4,056,883</b>
NET POSITION, Beginning of Year					<u>16,222,914</u>	<u>50,238,047</u>	<u>66,460,961</u>
<b>NET POSITION, End of Year</b>					<b><u>16,782,374</u></b>	<b><u>53,735,470</u></b>	<b><u>\$ 70,517,844</u></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, 2019

	GENERAL FUND	RECREATION COMPLEX FUND	NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Investments	\$ 8,099,417	-	1,503,019	\$ 9,602,436
Cash and Investments, Restricted	-	2,023,300	366,752	2,390,052
Receivables, Net:				
Taxes	141,792	-	-	141,792
Intergovernmental	58,730	-	62,595	121,325
Other	32,696	234	64,532	97,462
Notes receivables	-	-	355,000	355,000
Due From Other Funds	-	-	18,884	18,884
Inventories	37,184	-	-	37,184
<b>TOTAL ASSETS</b>	<b>\$ 8,369,819</b>	<b>2,023,534</b>	<b>2,370,782</b>	<b>\$ 12,764,135</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 69,493	249,914	4,717	\$ 324,124
Retainage Payable	-	164,084	-	164,084
Intergovernmental Payables	12,956	-	-	12,956
Accrued Salaries and Payroll Liabilities	318,762	-	8,408	327,170
Due to Other Funds	1,170,160	-	24,158	1,194,318
<b>TOTAL LIABILITIES</b>	<b>1,571,371</b>	<b>413,998</b>	<b>37,283</b>	<b>2,022,652</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues	102,246	-	362,530	464,776
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	37,184	-	-	37,184
Japanese Gardens	-	-	10,000	10,000
Restricted				
Tourism Related Expenditures	-	-	328,260	328,260
Streetscape	-	-	71,780	71,780
Public Safety	-	-	32,391	32,391
Parks and Recreation Improvements	-	1,609,536	-	1,609,536
Japanese Gardens	-	-	11,934	11,934
Committed				
Tourism Related Expenditures	-	-	304,131	304,131
Parks and Recreation	-	-	241,718	241,718
Public Safety	-	-	31,596	31,596
Cultural Arts	-	-	94,532	94,532
Special Events	-	-	112,729	112,729
Assigned				
Community Development	-	-	731,898	731,898
Future Capital Outlay	2,285,197	-	-	2,285,197
Unassigned	4,373,821	-	-	4,373,821
<b>TOTAL FUND BALANCES</b>	<b>6,696,202</b>	<b>1,609,536</b>	<b>1,970,969</b>	<b>10,276,707</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,369,819</b>	<b>2,023,534</b>	<b>2,370,782</b>	<b>\$ 12,764,135</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, 2019**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 10,276,707</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 \$28,480,205 and the accumulated depreciation was \$12,695,138.	15,785,067
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.	464,776
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.	(8,555,437)
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	(384,823)
Lease Purchase Obligations	(803,916)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,782,374</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, 2019

	GENERAL FUND	RECREATION COMPLEX FUND	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 2,316,758	-	1,046,678	\$ 3,363,436
Licenses, Permits, and Fees	1,959,845	-	-	1,959,845
Fines, Forfeitures and Penalties	355,382	-	32,576	387,958
Charges for Services	1,120,054	-	-	1,120,054
Intergovernmental	1,001,120	-	742,010	1,743,130
Miscellaneous	86,393	-	295,530	381,923
Interest Revenue	-	4,736	1,512	6,248
<b>TOTAL REVENUES</b>	<b>6,839,552</b>	<b>4,736</b>	<b>2,118,306</b>	<b>8,962,594</b>
<b>EXPENDITURES</b>				
Current:				
General Government	734,414	-	-	734,414
Public Safety	3,085,997	-	18,794	3,104,791
Public Works	1,160,214	-	-	1,160,214
Parks, Recreation, and Tourism	698,616	2,025	-	700,641
Community Development	-	-	110,505	110,505
Non-Departmental	2,224,516	-	814,094	3,038,610
Capital Outlay	2,323,555	3,255,597	10,144	5,589,296
Debt Service:				
Principal	275,114	-	106,255	381,369
Interest	17,968	-	8,434	26,402
<b>TOTAL EXPENDITURES</b>	<b>10,520,394</b>	<b>3,257,622</b>	<b>1,068,226</b>	<b>14,846,242</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,680,842)</b>	<b>(3,252,886)</b>	<b>1,050,080</b>	<b>(5,883,648)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,030,495	475,000	714,553	3,220,048
Transfers Out	-	-	(1,354,139)	(1,354,139)
Issuance of Lease Purchase	275,000	-	-	275,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,305,495</b>	<b>475,000</b>	<b>(639,586)</b>	<b>2,140,909</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,375,347)</b>	<b>(2,777,886)</b>	<b>410,494</b>	<b>(3,742,739)</b>
FUND BALANCES, Beginning of Year	8,071,549	4,387,422	1,560,475	14,019,446
<b>FUND BALANCES, End of Year</b>	<b>\$ 6,696,202</b>	<b>1,609,536</b>	<b>1,970,969</b>	<b>\$ 10,276,707</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, 2019**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (3,742,739)**

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.	10,718
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	(397,129)
Repayment of debt and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	381,369
Bond and lease purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases increases long-term liabilities in the Statement of Net Position.	(275,000)
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.	(28,869)
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.	(32,234)
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 \$5,540,974 exceeded depreciation expense of \$897,630 in the current period.	<u>4,643,344</u>

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 559,460**

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, 2019

	<u>UTILITY FUND</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Investments	\$ 11,389,265
Cash and Cash Investments, Restricted	4,693,684
Receivables, Net	
Accounts	3,945,388
Intergovernmental	7,896
Other	548,656
Due From Other Funds	1,175,434
Inventories	2,116,659
Total Current Assets	<u>23,876,982</u>
Noncurrent Assets:	
Capital Assets, Net:	
Non-Depreciable	25,936,939
Depreciable, Net	57,739,482
Total Noncurrent Assets	<u>83,676,421</u>
<b>TOTAL ASSETS</b>	<u>107,553,403</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	<u>773,405</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	1,618,624
Accrued Salaries Payable	78,080
Other Accrued Liabilities	12,084
Retainage Payable	411,848
Accrued Interest Payable	362,266
Current Portion of Compensated Absences	105,910
Current Portion of Revenue Bond	1,360,000
Current Portion of Loans Payable	905,167
Total Current Liabilities	<u>4,853,979</u>
Noncurrent Liabilities:	
Compensated Absences, Less Current Portion	88,557
Net Pension Liability	4,362,631
Revenue Bond, Less Current Portion	33,503,129
Loans Payable, Less Current Portion	11,701,995
Total Noncurrent Liabilities	<u>49,656,312</u>
<b>TOTAL LIABILITIES</b>	<u>54,510,291</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	<u>81,047</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	39,597,749
Restricted	
Debt Service	398,061
Renewal and Replacement	129,890
Unrestricted	13,609,770
<b>TOTAL NET POSITION</b>	<u>\$ 53,735,470</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, 2019**

	<u>UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Charges for Sales and Services	\$ 36,766,796
Miscellaneous	110,756
<b>TOTAL OPERATING REVENUES</b>	<u><b>36,877,552</b></u>
<b>OPERATING EXPENSES</b>	
Costs of Sales and Services	26,797,591
Administration	1,049,361
Depreciation	2,957,102
<b>TOTAL OPERATING EXPENSES</b>	<u><b>30,804,054</b></u>
<b>OPERATING INCOME</b>	<u>6,073,498</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Revenue	134,358
Federal and State Grants	1,000,000
Interest Expense, Bank Fees, and Other	(1,627,736)
Loss on Disposal of Capital Assets	(216,788)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(710,166)</u>
<b>INCOME BEFORE TRANSFERS</b>	<b>5,363,332</b>
Transfers Out	<u>(1,865,909)</u>
<b>CHANGE IN NET POSITION</b>	<b>3,497,423</b>
NET POSITION, BEGINNING OF YEAR	<u>50,238,047</u>
<b>NET POSITION, END OF YEAR</b>	<u><b>\$ 53,735,470</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, 2019

	<b>UTILITY FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Charges for Sales and Services	\$ 36,406,828
Receipts from Other Revenues	110,756
Payments for Goods and Services	(24,287,077)
Payments for Personnel Services	(3,692,460)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,538,047</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Subsidy from Other Governments	(371)
Transfer To Other Funds	(2,953,825)
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(2,954,196)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(8,431,403)
Capital Grants and Contributions	1,000,000
Principal Paid on Revenue Bond and Notes Payable	(2,190,741)
Interest and Other Fees Paid	(1,681,334)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(11,303,478)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	134,358
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>134,358</b>
<b>NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(5,585,269)</b>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>21,668,218</b>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 16,082,949</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities:</b>	
Operating Income	\$ 6,073,498
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation	2,957,102
Change in Accounts Representing Operating Activities:	
Receivables, Net	(151,608)
Inventory	(237,006)
Accounts Payable	(322,276)
Accrued Salaries	14,074
Accrued Compensated Absences	35,057
Deferred Pension Charges	155,775
Net Pension Liability	(33,935)
Deferred Pension Credits	47,366
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 8,538,047</b>
<b>Non-Cash Investing, Capital and Financing Activities:</b>	
Change in Acquisition of Capital Assets Not Yet Paid For	\$ 313,771

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, 2019**

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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 \$1,224,000 from the Authority for the year ended June 30, 2019 for economic development and other contributions.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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 \$352,000 towards the operations of the NOH during the year ended June 30, 2019, 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, 2019

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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, which received most of its funding from Newberry County capital projects sales tax, supplemented by local funds. 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, 2019

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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, 2019

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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, 2019

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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. 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, 2019

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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 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 GAAP, 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, 2019

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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 (either by ordinance or 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 nor 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, 2019

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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 are 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, 2019, none of the City's bank balances of approximately \$25,068,000 (with a carrying value of approximately \$23,994,000) were exposed to custodial credit risk.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

A. Deposits and Investments (Continued)

*Investments*

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	Weighted Average Maturity
South Carolina Local Government Investment Pool	N/A	Unrated	\$ 2,754,341	< 1 Year
U.S. Treasury Money Market Mutual Funds	Level 1	AAAm, Aaa-mf	1,327,264	< 1 Year
Total			\$ 4,081,605	

(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, 2019, 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, 2019.

**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	\$ 23,993,832
Fair Value of Investments	4,081,605
Total Deposits and Investments	\$ 28,075,437
Statement of Net Position:	
Cash and Investments	\$ 20,991,701
Cash and Investments, Restricted	7,083,736
Total Cash and Cash Equivalents	\$ 28,075,437

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 2019 real and business personal property taxes (which was for tax year 2018) were levied in October 2018 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 \$28.1 million for tax year 2018. 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, 2019 consisted of the following:

Description	Governmental Activities	Business-Type Activities	Totals
Property Taxes	\$ 201,187	-	\$ 201,187
Utility Accounts	-	3,266,734	3,266,734
Utility Unbilled Accounts	-	1,872,507	1,872,507
Intergovernmental	121,325	7,896	129,221
Interest and Other	97,462	548,656	646,118
Gross Receivables	419,974	5,695,793	6,115,767
Less: Allowance for Uncollectibles	(59,395)	(1,193,853)	(1,253,248)
Net Receivables	\$ 360,579	4,501,940	\$ 4,862,519

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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, 2019, 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	\$ 102,246
Notes Receivable	Community Housing/Development	355,000
Other	Tourism	7,530
Total		<u>\$ 464,776</u>

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

C. Interfund Receivables, Payables and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year except as noted below):

Fund	Receivables	Payables
<b><u>Major Governmental Fund</u></b>		
General Fund	\$ -	\$ 1,170,160
<b><u>Major Proprietary Fund</u></b>		
Utility Fund	1,175,434	-
<b><u>Other Non Major Governmental Funds</u></b>		
Other Governmental Funds	18,884	24,158
Totals	<u>\$ 1,194,318</u>	<u>\$ 1,194,318</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. The amount due from the General Fund to the Proprietary Fund includes approximately \$1,576,000 for the installation of a fiber optic network paid for with Proprietary Fund cash. This network was in governmental activities construction in progress at June 30, 2019. The General Fund is planning to reimburse the Proprietary Fund over a period of 10-15 years.

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 2,030,495	\$ -
Recreation Complex	475,000	-
<b><u>Major Proprietary Fund</u></b>		
Utility Fund	-	1,865,909
<b><u>Other Non Major Governmental Funds</u></b>		
Other Governmental Funds	711,553	1,354,139
Japanese Gardens	3,000	-
	<u>\$ 3,220,048</u>	<u>\$ 3,220,048</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 a transfer policy whereby the City makes a 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 transfer at \$1,866,000. The City made a transfer of approximately \$1,866,000 to the General Fund in the year ended June 30, 2019 in accordance with its transfer policy.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019, was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 1,536,519	-	-	-	\$ 1,536,519
Construction In Progress	55,500	4,751,675	-	-	4,807,175
Total Capital Assets, Non-Depreciable	<u>1,592,019</u>	<u>4,751,675</u>	<u>-</u>	<u>-</u>	<u>6,343,694</u>
Capital Assets, Depreciable:					
Buildings and Improvements	11,511,689	101,949	-	-	11,613,638
Equipment, Furniture, and Fixtures	1,901,949	336,947	25,360	-	2,213,536
Infrastructure	1,949,935	-	-	-	1,949,935
Vehicles	6,377,145	350,403	368,146	-	6,359,402
Total Capital Assets, Depreciable	<u>21,740,718</u>	<u>789,299</u>	<u>393,506</u>	<u>-</u>	<u>22,136,511</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,014,796	272,239	8,277	-	4,278,758
Equipment, Furniture, and Fixtures	1,473,318	51,718	11,449	-	1,513,587
Infrastructure	1,400,624	58,065	-	-	1,458,689
Vehicles	5,270,042	515,608	341,546	-	5,444,104
Total Accumulated Depreciation	<u>12,158,780</u>	<u>897,630</u>	<u>361,272</u>	<u>-</u>	<u>12,695,138</u>
Total Capital Assets, Depreciable, Net	<u>9,581,938</u>	<u>(108,331)</u>	<u>32,234</u>	<u>-</u>	<u>9,441,373</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,173,957</u>	<u>4,643,344</u>	<u>32,234</u>	<u>-</u>	<u>\$ 15,785,067</u>

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 1,575,977	\$ 189,808
Public Safety	91,579	230,515
Public Works	295,663	389,264
Parks, Recreation, and Tourism	3,577,755	88,043
Total - Governmental Activities	<u>\$ 5,540,974</u>	<u>\$ 897,630</u>

At June 30, 2019, the City had outstanding governmental activity construction/purchase commitments for approximately \$1,079,000 related to ongoing construction on a new recreation complex.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019, 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	21,261,977	4,787,012	-	(432,394)	25,616,595
Total Capital Assets, Non-Depreciable	<u>21,582,321</u>	<u>4,787,012</u>	<u>-</u>	<u>(432,394)</u>	<u>25,936,939</u>
Capital Assets, Depreciable:					
Buildings and Improvements	18,406,895	21,800	15,380	403,344	18,816,659
Utility System	88,834,331	3,253,630	2,522,696	29,050	89,594,315
Equipment, Furniture, and Fixtures	2,867,786	382,625	119,376	-	3,131,035
Vehicles	3,140,681	300,107	133,871	-	3,306,917
Total Capital Assets, Depreciable	<u>113,249,693</u>	<u>3,958,162</u>	<u>2,791,323</u>	<u>432,394</u>	<u>114,848,926</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	6,285,192	674,933	14,570	-	6,945,555
Utility System	45,970,551	1,800,905	2,306,718	-	45,464,738
Equipment, Furniture, and Fixtures	1,765,335	239,390	119,376	-	1,885,349
Vehicles	2,705,799	241,874	133,871	-	2,813,802
Total Accumulated Depreciation	<u>56,726,877</u>	<u>2,957,102</u>	<u>2,574,535</u>	<u>-</u>	<u>57,109,444</u>
Total Capital Assets, Depreciable, Net	<u>56,522,816</u>	<u>1,001,060</u>	<u>216,788</u>	<u>432,394</u>	<u>57,739,482</u>
Business-Type Activities Capital Assets, Net	<u>\$ 78,105,137</u>	<u>5,788,072</u>	<u>216,788</u>	<u>-</u>	<u>\$ 83,676,421</u>

At June 30, 2019, the City had outstanding business-type activity construction/purchase commitments of approximately \$2,832,000.

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, 2019. 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 as of June 30, 2019 are as follows:

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

E. Long-Term Obligations (Continued)

	Balance at June 30, 2019
<b><i>Revenue Bond</i></b>	
\$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.	\$ 34,240,000
<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.	12,607,162
<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.	157,808
\$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.	259,284
\$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.	28,473
\$258,601 lease purchase agreement was entered into 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.	130,905
\$275,000 lease purchase agreement was entered into in September 2018 (“LP – 09/19”), with 11 quarterly payments (including interest) of \$26,226 beginning February 1, 2019 through August 1, 2021 which includes interest of 2.99%. The proceeds from this lease purchase obligation were used to purchase a residential side loader.	\$ 227,446

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, 2019.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt from Direct Borrowings/Placements:					
LP - 11/05	\$ 264,063	-	106,255	157,808	\$ 110,485
LP - 09/14	17,481	-	17,481	-	-
LP - 11/14	25,657	-	25,657	-	-
LP - 12/14	301,974	-	42,690	259,284	43,998
LP - 11/16	84,821	-	56,348	28,473	28,473
LP - 11/17	216,289	-	85,384	130,905	86,889
LP - 09/19	-	275,000	47,554	227,446	99,207
Total Debt	910,285	275,000	381,369	803,916	369,052
Compensated Absences	355,954	269,605	240,736	384,823	214,739
Total Governmental Activities	\$ 1,266,239	544,605	622,105	1,188,739	\$ 583,791

Resources from the General Fund and Tourism 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, 2019:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
Series 2015 RB	\$ 35,545,000	-	1,305,000	34,240,000	\$ 1,360,000
Series 2009 SRFL - Direct Borrowing/Placement	13,492,903	-	885,741	12,607,162	905,167
Premium on Series 2015 RB	662,075	-	38,946	623,129	-
Total Net Debt	49,699,978	-	2,229,687	47,470,291	2,265,167
Compensated Absences	159,410	142,566	107,509	194,467	105,910
Total Business-Type Activities	\$ 49,859,388	142,566	2,337,196	47,664,758	\$ 2,371,077

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

The City’s outstanding LP and SRFL from direct borrowings/placements contain provisions that in an event of default, outstanding amounts can become immediately due if the City is unable to make payment. In addition, the City’s lease purchase agreements contain provisions that in an event of default, the lessor could exercise its option to demand return of the financed equipment.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

E. Long-Term Obligations (Continued)

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, 2019, the City had no general obligation bonded debt. The City’s 8% legal debt limit (on assessed values of approximately \$28,074,000) was approximately \$2,246,000 which was the unused legal debt margin at June 30, 2019.

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, 2019.

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, 2019:

Year Ended June 30,	Debt		Lease Purchases from Direct Borrowings/Placements		Total
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2020	\$ -	-	369,052	19,133	\$ 388,185
2021	-	-	238,893	9,459	248,352
2022	-	-	72,768	4,816	77,584
2023	-	-	48,169	3,189	51,358
2024	-	-	49,645	1,713	51,358
2025	-	-	25,389	289	25,678
Totals	\$ -	-	803,916	38,599	\$ 842,515

Year Ended June 30,	Revenue Bonds		State Revolving Fund Loan - Direct Borrowing/Placement		Total
	Principal	Interest	Principal	Interest	
<b>Business-Type Activities</b>					
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	1,585,000	1,125,456	988,532	193,994	3,892,982
2025-2029	9,000,000	4,567,268	5,290,655	621,977	19,479,900
2030-2034	14,170,000	2,643,800	2,585,171	75,513	19,474,484
2035	3,745,000	149,800	-	-	3,894,800
Totals	\$ 34,240,000	13,600,348	12,607,162	1,878,784	\$ 62,326,294

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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.

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, 2018 totaled approximately \$12,619,000. 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, 2018 totaled approximately \$57,682,000. 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”). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors (“PEBA Board”), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems’ (“Systems”) five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission (“RSIC”) and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

The PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the System’ 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. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Description (Continued)*

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 firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

*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.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Benefits (Continued)*

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.

- **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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the 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 eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the 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 eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for 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 period.

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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		
	2017	2018	2019	2017	2018	2019
Employer Contribution Rate: <sup>^</sup>						
Retirement	11.41%	13.41%	14.41%	13.84%	15.84%	16.84%
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>11.56%</u>	<u>13.56%</u>	<u>14.56%</u>	<u>14.24%</u>	<u>16.24%</u>	<u>17.24%</u>
Employee Contribution Rate	<u>8.66%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.24%</u>	<u>9.75%</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 to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2019	\$ 701,631	100%	\$ 354,258	100%
2018	610,533	100%	360,530	100%
2017	\$ 505,169	100%	\$ 325,050	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2018. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2018 (measurement date) to the City were approximately \$41,000 and \$22,000 for the SCRS and PORS, respectively.

The City recognized contributions (on-behalf benefits) from the State of approximately \$41,000 and \$22,000 for the year ended June 30, 2019. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City’s governmental fund financial statements.

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2019	\$ 4,818,895	2,054,864	\$ 6,873,759
2018	4,502,459	2,220,013	6,722,472
2017	\$ 4,369,974	2,282,656	\$ 6,652,630

**CITY OF NEWBERRY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Actuarial Assumptions and Methods*

Actuarial valuations of the 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 for the period ending June 30, 2015.

The June 30, 2018 total pension liability (“TPL”), net pension liability (“NPL”), 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, 2017. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018 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 multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females 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, 2019

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 2018 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 table on the following page. For actuarial purposes, the 7.25 % assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 % real rate of return and a 2.25 % inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

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

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2018 measurement date, 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	\$ 48,821,730,067	26,414,916,370	\$ 22,406,813,697	54.1%
PORS	\$ 7,403,972,673	4,570,430,247	\$ 2,833,542,426	61.7%

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL 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, 2019, the City reported liabilities of approximately \$9,735,000 and \$4,545,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2018, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2017 that was projected forward to the measurement date. The City's proportion of the NPL 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, 2018 measurement date, the City's SCRS proportion was 0.04345 percent, which was an increase of 0.0014 from its proportion measured as of June 30, 2017. At the June 30, 2018 measurement date, the City's PORS proportion was 0.16039 percent, which was a decrease of 0.00911 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of approximately \$1,039,000 and \$520,000 for the SCRS and PORS, respectively. At June 30, 2019, 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 Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 17,572	\$ 57,290
Change in Assumptions	386,246	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	154,647	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	204,723	3,223
Employer Contributions Subsequent to the Measurement Date	660,316	-
Total SCRS	<u>1,423,504</u>	<u>60,513</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	140,028	-
Change in Assumptions	299,652	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,883	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	38,520	210,174
Employer Contributions Subsequent to the Measurement Date	332,450	-
Total PORS	<u>901,533</u>	<u>210,174</u>
Total SCRS and PORS	<u>\$ 2,325,037</u>	<u>\$ 270,687</u>

CITY OF NEWBERRY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$660,000 and \$332,000 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 NPL in the year ended June 30, 2020. 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 June 30,	SCRS	PORS	Total
2020	\$ 488,569	211,823	\$ 700,392
2021	326,251	156,782	483,033
2022	(96,571)	1,668	(94,903)
2023	(15,574)	(11,364)	(26,938)
Total	<u>\$ 702,675</u>	<u>358,909</u>	<u>\$ 1,061,584</u>

*Discount Rate*

The discount rate used to measure the TPL 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 TPL.

*Sensitivity Analysis*

The following table presents the sensitivity of the City's proportionate share of the NPL 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The City's proportionate share of the net pension liability of the SCRS	\$ 12,440,028	9,735,396	\$ 7,801,843
The City's proportionate share of the net pension liability of the PORS	6,126,775	4,544,664	3,248,782
Total	<u>\$ 18,566,803</u>	<u>14,280,060</u>	<u>\$ 11,050,625</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, 2019

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Payable to Plans*

The City reported a payable of approximately \$143,000 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019 for the SCRS and PORS. This amount is included in Accrued Salaries and Payroll Liabilities on the financial statements and was paid in July 2019.

**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 for the year ended June 30, 2018 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, 2019.

*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, 2019, the cost of power the City purchased from PMPA amounted to approximately \$18,509,000. 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 29% of its total utility revenues during the year ended June 30, 2019 from one source, Louis Rich.

## 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, 2019

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes	\$ 2,407,167	2,407,167	2,316,758	\$ (90,409)
Licenses, Permits, and Franchise Fees	1,714,570	1,714,570	1,959,845	245,275
Fines and Forfeitures	503,000	503,000	355,382	(147,618)
Charges for Services	1,039,000	1,039,000	1,120,054	81,054
Intergovernmental	1,136,036	1,136,036	1,001,120	(134,916)
Miscellaneous	41,414	41,414	86,393	44,979
<b>TOTAL REVENUES</b>	<b>6,841,187</b>	<b>6,841,187</b>	<b>6,839,552</b>	<b>(1,635)</b>
<b>EXPENDITURES</b>				
General Government				
City Council	112,261	112,512	124,785	(12,273)
City Manager	105,712	107,173	1,676,508	(1,569,335)
Human Resources	92,579	94,508	108,308	(13,800)
Finance	156,307	157,559	140,605	16,954
City Hall	31,242	31,242	29,940	1,302
Planning and Development	244,616	246,235	230,245	15,990
Public Safety				
Police Department	1,851,576	1,871,985	1,664,134	207,851
Justice and Law	397,250	399,501	377,446	22,055
Fire Department	1,182,838	1,196,820	1,146,666	50,154
Public Works				
Public Works Administration	196,121	198,388	183,138	15,250
Streets	638,060	642,495	502,648	139,847
Sanitation	656,730	658,264	556,036	102,228
Building Maintenance	337,591	172,624	147,492	25,132
Garage	171,674	111,477	97,241	14,236
Parks, Recreation, and Tourism	1,008,500	1,015,483	1,017,604	(2,121)
Non-Departmental				
General Insurance	130,548	130,548	184,686	(54,138)
Employee Benefits	2,116,064	2,120,907	1,898,595	222,312
Community Promotions and Projects	116,875	116,875	141,235	(24,360)
Lease Purchase Payments	291,184	291,184	293,082	(1,898)
<b>TOTAL EXPENDITURES</b>	<b>9,837,728</b>	<b>9,675,780</b>	<b>10,520,394</b>	<b>(844,614)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,996,541)</b>	<b>(2,834,593)</b>	<b>(3,680,842)</b>	<b>(846,249)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,344,511	2,114,409	2,030,495	(83,914)
Issuance of Lease Purchase	275,000	275,000	275,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,619,511</b>	<b>2,389,409</b>	<b>2,305,495</b>	<b>(83,914)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(377,030)</b>	<b>(445,184)</b>	<b>(1,375,347)</b>	<b>(930,163)</b>
FUND BALANCES, Beginning of Year	8,071,549	8,071,549	8,071,549	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,694,519</b>	<b>7,626,365</b>	<b>6,696,202</b>	<b>\$ (930,163)</b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$377,000 and \$445,000, respectively.

Note: The City's expenditures were over budget primarily due to costs to install a fiber optic network that was not budgeted for.

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Interest Income	\$ -	-	4,736	\$ 4,736
Grant Revenue	300,000	500,000	-	(500,000)
Donations Revenue	5,000	5,000	-	(5,000)
Other Revenue	1,000	1,000	-	(1,000)
<b>TOTAL REVENUES</b>	<b><u>306,000</u></b>	<b><u>506,000</u></b>	<b><u>4,736</u></b>	<b><u>(501,264)</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	49,583	49,583	2,025	(47,558)
Capital Expenditures	1,483,837	5,149,212	3,255,597	(1,893,615)
<b>TOTAL EXPENDITURES</b>	<b><u>1,533,420</u></b>	<b><u>5,198,795</u></b>	<b><u>3,257,622</u></b>	<b><u>(1,941,173)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,227,420)</b>	<b>(4,692,795)</b>	<b>(3,252,886)</b>	<b>1,439,909</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	475,000	475,000	475,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>475,000</u></b>	<b><u>475,000</u></b>	<b><u>475,000</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(752,420)</b>	<b>(4,217,795)</b>	<b>(2,777,886)</b>	<b>1,439,909</b>
FUND BALANCES, Beginning of Year	4,387,422	4,387,422	4,387,422	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 3,635,002</u></b>	<b><u>169,627</u></b>	<b><u>1,609,536</u></b>	<b><u>\$ 1,439,909</u></b>

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

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$752,000 and \$4,218,000, respectively.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**

**YEAR ENDED JUNE 30, 2019**

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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 FIVE FISCAL YEARS**

	<b>Year Ended June 30,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's Proportion of the Net Pension Liability (Asset)	0.04345%	0.04331%	0.04183%	0.04107%	0.04152%
City's Proportionate Share of the Net Pension Liability	\$ 9,735,396	9,750,003	8,933,972	7,789,313	\$ 7,148,368
City's Covered Payroll	\$ 4,502,459	4,369,974	4,050,395	3,850,922	\$ 3,769,744
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.22%	223.11%	220.57%	202.27%	189.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	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% beginning with the year ended June 30, 2017 measurement date.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST FIVE FISCAL YEARS**

	<b>Year Ended June 30,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 701,631	610,533	505,169	447,967	\$ 419,751
Contributions in Relation to the Contractually Required Contribution:					
Contributions from the City	660,316	569,218	505,169	447,967	419,751
Contributions from the State	41,315	41,315	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
City's Covered Payroll	\$ 4,818,895	4,502,459	4,369,974	4,050,395	\$ 3,850,922
Contributions as a Percentage of Covered Payroll	14.56%	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.

**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 FIVE FISCAL YEARS**

	<b>Year Ended June 30,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's Proportion of the Net Pension Liability (Asset)	0.16039%	0.16950%	0.16638%	0.16974%	0.17525%
City's Proportionate Share of the Net Pension Liability	\$ 4,544,664	4,643,638	4,220,136	3,699,499	\$ 3,355,092
City's Covered Payroll	\$ 2,220,013	2,282,656	2,121,035	2,102,812	\$ 2,107,620
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	204.71%	203.43%	198.97%	175.93%	159.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.73%	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% beginning with the year ended June 30, 2017 measurement date.

**CITY OF NEWBERRY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST FIVE FISCAL YEARS**

	<b>Year Ended June 30,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 354,258	360,530	325,050	291,439	\$ 281,987
Contributions in Relation to the Contractually Required Contribution:					
Contributions from the City	332,450	338,722	325,050	291,439	281,987
Contributions from the State	21,808	21,808	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,054,864	2,220,013	2,282,656	2,121,035	<u>\$ 2,102,812</u>
Contributions as a Percentage of Covered Payroll	17.24%	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.

## Supplementary Information

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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, 2019

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>General Government</b>			
City Council			
Salaries	\$ 65,425	85,525	\$ (20,100)
Operating	47,087	39,260	7,827
Total City Council	<u>112,512</u>	<u>124,785</u>	<u>(12,273)</u>
City Manager			
Salaries	75,999	74,938	1,061
Operating	31,174	25,593	5,581
Capital Outlay	-	1,575,977	(1,575,977)
Total City Manager	<u>107,173</u>	<u>1,676,508</u>	<u>(1,569,335)</u>
Human Resources			
Salaries	80,628	98,575	(17,947)
Operating	13,880	9,733	4,147
Total Human Resources	<u>94,508</u>	<u>108,308</u>	<u>(13,800)</u>
Finance			
Salaries	74,617	65,283	9,334
Operating	82,942	75,322	7,620
Total Finance	<u>157,559</u>	<u>140,605</u>	<u>16,954</u>
City Hall			
Operating	31,242	29,940	1,302
Total City Hall	<u>31,242</u>	<u>29,940</u>	<u>1,302</u>
Planning and Development			
Salaries	126,222	124,843	1,379
Operating	120,013	105,402	14,611
Total Planning and Development	<u>246,235</u>	<u>230,245</u>	<u>15,990</u>
Total General Government	<u>749,229</u>	<u>2,310,391</u>	<u>(1,561,162)</u>
<b>Public Safety</b>			
Police Department			
Salaries	1,521,483	1,338,599	182,884
Operating	285,502	263,531	21,971
Capital Outlay	65,000	62,004	2,996
Total Police Department	<u>1,871,985</u>	<u>1,664,134</u>	<u>207,851</u>
Justice and Law			
Salaries	121,533	149,927	(28,394)
Operating	277,968	227,519	50,449
Total Justice and Law	<u>399,501</u>	<u>377,446</u>	<u>22,055</u>
Fire Department			
Salaries	918,318	876,883	41,435
Operating	248,502	229,538	18,964
Capital Outlay	30,000	40,245	(10,245)
Total Fire Department	<u>1,196,820</u>	<u>1,146,666</u>	<u>50,154</u>
Total Public Safety	<u>\$ 3,468,306</u>	<u>3,188,246</u>	<u>\$ 280,060</u>

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Public Works</b>			
Public Works Administration			
Salaries	\$ 116,222	117,988	\$ (1,766)
Operating	57,166	42,992	14,174
Capital Outlay	25,000	22,158	2,842
Total Public Works Administration	<u>198,388</u>	<u>183,138</u>	<u>15,250</u>
Streets			
Salaries	351,535	348,171	3,364
Operating	290,960	154,477	136,483
Total Streets	<u>642,495</u>	<u>502,648</u>	<u>139,847</u>
Sanitation			
Salaries	199,569	130,596	68,973
Operating	183,695	150,180	33,515
Capital Outlay	275,000	275,260	(260)
Total Sanitation	<u>658,264</u>	<u>556,036</u>	<u>102,228</u>
Building Maintenance			
Salaries	116,854	79,523	37,331
Operating	27,770	39,046	(11,276)
Capital Outlay	28,000	28,923	(923)
Total Building Maintenance	<u>172,624</u>	<u>147,492</u>	<u>25,132</u>
Garage			
Salaries	62,414	60,648	1,766
Operating	49,063	36,593	12,470
Total Garage	<u>111,477</u>	<u>97,241</u>	<u>14,236</u>
Total Public Works	<u>1,783,248</u>	<u>1,486,555</u>	<u>296,693</u>
<b>Parks, Recreation, and Tourism</b>			
Salaries	467,779	453,320	14,459
Operating	222,704	245,296	(22,592)
Capital Outlay	325,000	318,988	6,012
Total Parks, Recreation, and Tourism	<u>1,015,483</u>	<u>1,017,604</u>	<u>(2,121)</u>
<b>Non-Departmental</b>			
General Insurance			
Operating	130,548	184,686	(54,138)
Total General Insurance	<u>\$ 130,548</u>	<u>184,686</u>	<u>\$ (54,138)</u>

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Non-Departmental (Continued)</b>			
Employee Benefits			
SC Retirement	\$ 283,509	274,651	\$ 8,858
SC Police Retirement	414,693	334,684	80,009
Social Security	337,816	308,259	29,557
City's Share of Employee Insurance	825,000	742,362	82,638
Workers' Compensation	164,429	143,939	20,490
Workers' Compensation Deductibles	40,000	38,781	1,219
Unemployment	2,000	4,609	(2,609)
Employer/Employee Relations	37,000	36,291	709
Physical Exams	3,500	2,125	1,375
Wellness Program	12,960	12,894	66
Total Employee Benefits	<u>2,120,907</u>	<u>1,898,595</u>	<u>222,312</u>
Community Promotions and Projects			
Operating	116,875	141,235	(24,360)
Total Community Promotions and Projects	<u>116,875</u>	<u>141,235</u>	<u>(24,360)</u>
Debt Service			
Lease Purchase Principal and Interest Payments	291,184	293,082	(1,898)
Total Debt Service	<u>291,184</u>	<u>293,082</u>	<u>(1,898)</u>
Total Non-Departmental, Including Debt Service	<u>2,659,514</u>	<u>2,517,598</u>	<u>141,916</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b><u>\$ 9,675,780</u></b>	<b><u>10,520,394</u></b>	<b><u>\$ (844,614)</u></b>

CITY OF NEWBERRY, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Non Major Special Revenue Funds	Non Major Permanent Fund	Total Non Major Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,503,019	-	\$ 1,503,019
Cash and Cash Equivalents, Restricted	344,841	21,911	366,752
Receivables, Net:			
Accounts	64,509	-	64,509
Notes	355,000	-	355,000
Interest and Other	-	23	23
Due from Other Governments	62,595	-	62,595
Due from Other Funds	18,884	-	18,884
<b>Total Assets</b>	<b>\$ 2,348,848</b>	<b>21,934</b>	<b>\$ 2,370,782</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 13,125	-	\$ 13,125
Interfund Payables	24,158	-	24,158
<b>Total Liabilities</b>	<b>37,283</b>	<b>-</b>	<b>37,283</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues	362,530	-	362,530
<b>Fund Balances:</b>			
Nonspendable - Japanese Gardens	-	10,000	10,000
Restricted			
Tourism Related Expenditures	328,260	-	328,260
Streetscape	71,780	-	71,780
Public Safety	32,391	-	32,391
Other	-	11,934	11,934
Committed			
Tourism Related Expenditures	304,131	-	304,131
Parks and Recreation	241,718	-	241,718
Public Safety	31,596	-	31,596
Cultural Arts	94,532	-	94,532
Special Events	112,729	-	112,729
Assigned			
Community Development	731,898	-	731,898
<b>Total Fund Balances</b>	<b>1,949,035</b>	<b>21,934</b>	<b>1,970,969</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,348,848</b>	<b>21,934</b>	<b>\$ 2,370,782</b>

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	Non Major Special Revenue Funds	Non Major Permanent Fund	Total Non Major Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,046,678	-	\$ 1,046,678
Intergovernmental	742,010	-	742,010
Fines, Forfeitures, and Penalties	32,576	-	32,576
Donations	88,300	-	88,300
Other	156,600	-	156,600
Miscellaneous	50,630	-	50,630
Interest	1,316	196	1,512
<b>TOTAL REVENUES</b>	<b>2,118,110</b>	<b>196</b>	<b>2,118,306</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	18,794	-	18,794
Community Development	108,178	2,327	110,505
Non-Departmental	814,094	-	814,094
Capital Outlay	10,144	-	10,144
Debt Service:			
Principal	106,255	-	106,255
Interest	8,434	-	8,434
<b>TOTAL EXPENDITURES</b>	<b>1,065,899</b>	<b>2,327</b>	<b>1,068,226</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,052,211</b>	<b>(2,131)</b>	<b>1,050,080</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	711,553	3,000	714,553
Transfers Out	(1,354,139)	-	(1,354,139)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(642,586)</b>	<b>3,000</b>	<b>(639,586)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>409,625</b>	<b>869</b>	<b>410,494</b>
FUND BALANCES, Beginning of Year	1,539,410	21,065	1,560,475
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,949,035</b>	<b>21,934</b>	<b>\$ 1,970,969</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, 2019

	NANU Fund	Federal Equitable Sharing Fund	Tourism Fund	Special Events Fund	State Accommodations Tax Fund	Cultural Arts Fund
<b>Assets</b>						
Cash and Investments	\$ 4,270	8,150	297,554	110,967	-	88,409
Cash and Investments, Restricted	-	-	-	-	40,290	-
Receivables, Net:						
Accounts	-	-	-	3,065	-	14,502
Notes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	62,595	-
Due From Other Funds	-	-	18,779	-	-	-
<b>Total Assets</b>	<b>\$ 4,270</b>	<b>8,150</b>	<b>316,333</b>	<b>114,032</b>	<b>102,885</b>	<b>102,911</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable and Accrued Expenses	\$ 13	-	4,672	1,303	-	6,129
Due To Other Funds	-	-	-	-	21,908	2,250
<b>Total Liabilities</b>	<b>13</b>	<b>-</b>	<b>4,672</b>	<b>1,303</b>	<b>21,908</b>	<b>8,379</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenues	-	-	7,530	-	-	-
<b>Fund Balances:</b>						
<b>Restricted</b>						
Tourism Related Expenditures	-	-	-	-	80,977	-
Streetscape	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
<b>Committed</b>						
Tourism Related Expenditures	-	-	304,131	-	-	-
Parks and Recreation	-	-	-	-	-	-
Public Safety	4,257	8,150	-	-	-	-
Cultural Arts	-	-	-	-	-	94,532
Special Events	-	-	-	112,729	-	-
<b>Assigned</b>						
Community Development	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>4,257</b>	<b>8,150</b>	<b>304,131</b>	<b>112,729</b>	<b>80,977</b>	<b>94,532</b>
<b>Total, Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,270</b>	<b>8,150</b>	<b>316,333</b>	<b>114,032</b>	<b>102,885</b>	<b>102,911</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>
731,767	-	-	19,189	-	-	242,713	\$ 1,503,019
-	71,780	200,472	-	11,767	20,532	-	344,841
131	-	46,811	-	-	-	-	64,509
355,000	-	-	-	-	-	-	355,000
-	-	-	-	-	-	-	62,595
-	-	-	-	105	-	-	18,884
<b>1,086,898</b>	<b>71,780</b>	<b>247,283</b>	<b>19,189</b>	<b>11,872</b>	<b>20,532</b>	<b>242,713</b>	<b>\$ 2,348,848</b>
-	-	-	-	13	-	995	\$ 13,125
-	-	-	-	-	-	-	24,158
-	-	-	-	13	-	995	37,283
355,000	-	-	-	-	-	-	362,530
-	-	247,283	-	-	-	-	328,260
-	71,780	-	-	-	-	-	71,780
-	-	-	-	11,859	20,532	-	32,391
-	-	-	-	-	-	-	304,131
-	-	-	-	-	-	241,718	241,718
-	-	-	19,189	-	-	-	31,596
-	-	-	-	-	-	-	94,532
-	-	-	-	-	-	-	112,729
731,898	-	-	-	-	-	-	731,898
731,898	71,780	247,283	19,189	11,859	20,532	241,718	1,949,035
<b>1,086,898</b>	<b>71,780</b>	<b>247,283</b>	<b>19,189</b>	<b>11,872</b>	<b>20,532</b>	<b>242,713</b>	<b>\$ 2,348,848</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, 2019

	NANU Fund	Federal Equitable Sharing Fund	Tourism Fund	Special Events Fund	State Accomodations Tax Fund	Cultural Arts Fund
<b>REVENUES</b>						
Taxes:						
Hospitality	\$ -	-	-	-	-	-
Accomodations	-	-	-	-	146,732	-
Penalties	-	-	-	-	-	-
Intergovernmental:						
Public Safety	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Local - Other	-	-	-	44,579	-	-
Drug Seizure	-	-	-	-	-	-
Donations	-	-	-	56,313	-	-
Other	13	-	101,262	615	-	54,682
Interest Income	-	-	-	-	22	11
<b>TOTAL REVENUES</b>	<b>13</b>	<b>-</b>	<b>101,262</b>	<b>101,507</b>	<b>146,754</b>	<b>54,693</b>
<b>EXPENDITURES</b>						
Public Safety	1,375	-	-	-	-	-
Community Development	-	-	-	-	-	-
Non-Departmental	-	-	265,964	96,961	78,582	351,846
Capital Outlay	-	-	10,144	-	-	-
Debt Service:						
Principal	-	-	106,255	-	-	-
Interest	-	-	8,434	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,375</b>	<b>-</b>	<b>390,797</b>	<b>96,961</b>	<b>78,582</b>	<b>351,846</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,362)</b>	<b>-</b>	<b>(289,535)</b>	<b>4,546</b>	<b>68,172</b>	<b>(297,153)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	311,209	24,000	-	326,344
Transfers Out	-	-	-	-	(67,606)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>311,209</b>	<b>24,000</b>	<b>(67,606)</b>	<b>326,344</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,362)</b>	<b>-</b>	<b>21,674</b>	<b>28,546</b>	<b>566</b>	<b>29,191</b>
FUND BALANCES, Beginning of Year	5,619	8,150	282,457	84,183	80,411	65,341
<b>FUND BALANCES, End of Year</b>	<b>\$ 4,257</b>	<b>8,150</b>	<b>304,131</b>	<b>112,729</b>	<b>80,977</b>	<b>94,532</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>
-	-	742,528	-	-	-	-	\$ 742,528
-	-	152,664	-	-	-	-	299,396
-	-	4,754	-	-	-	-	4,754
-	-	-	27,420	-	-	-	27,420
714,590	-	-	-	-	-	-	714,590
-	-	-	-	25,638	-	6,051	76,268
-	-	-	-	-	6,938	-	6,938
-	-	-	-	-	-	31,987	88,300
-	-	-	-	28	-	-	156,600
1,001	3	162	-	-	-	117	1,316
<b>715,591</b>	<b>3</b>	<b>900,108</b>	<b>27,420</b>	<b>25,666</b>	<b>6,938</b>	<b>38,155</b>	<b>2,118,110</b>
-	-	-	-	17,419	-	-	18,794
25,454	24,170	-	-	-	-	58,554	108,178
-	-	-	20,741	-	-	-	814,094
-	-	-	-	-	-	-	10,144
-	-	-	-	-	-	-	106,255
-	-	-	-	-	-	-	8,434
<b>25,454</b>	<b>24,170</b>	<b>-</b>	<b>20,741</b>	<b>17,419</b>	<b>-</b>	<b>58,554</b>	<b>1,065,899</b>
<b>690,137</b>	<b>(24,167)</b>	<b>900,108</b>	<b>6,679</b>	<b>8,247</b>	<b>6,938</b>	<b>(20,399)</b>	<b>1,052,211</b>
-	-	-	-	-	-	50,000	711,553
(400,000)	-	(886,533)	-	-	-	-	(1,354,139)
<b>(400,000)</b>	<b>-</b>	<b>(886,533)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>(642,586)</b>
<b>290,137</b>	<b>(24,167)</b>	<b>13,575</b>	<b>6,679</b>	<b>8,247</b>	<b>6,938</b>	<b>29,601</b>	<b>409,625</b>
441,761	95,947	233,708	12,510	3,612	13,594	212,117	1,539,410
<b>731,898</b>	<b>71,780</b>	<b>247,283</b>	<b>19,189</b>	<b>11,859</b>	<b>20,532</b>	<b>241,718</b>	<b>\$ 1,949,035</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Drug Seizure	\$ 5,000	5,000	-	\$ (5,000)
Other Revenue	-	-	13	13
<b>TOTAL REVENUES</b>	<b><u>5,000</u></b>	<b><u>5,000</u></b>	<b><u>13</u></b>	<b><u>(4,987)</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	5,931	5,931	1,375	(4,556)
<b>TOTAL EXPENDITURES</b>	<b><u>5,931</u></b>	<b><u>5,931</u></b>	<b><u>1,375</u></b>	<b><u>(4,556)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(931)</b>	<b>(931)</b>	<b>(1,362)</b>	<b>(431)</b>
FUND BALANCES, Beginning of Year	<u>5,619</u>	<u>5,619</u>	<u>5,619</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 4,688</u></b>	<b><u>4,688</u></b>	<b><u>4,257</u></b>	<b><u>\$ (431)</u></b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$1,000.

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Rental and other	\$ 88,000	88,000	99,423	\$ 11,423
Other Revenue	-	-	1,839	1,839
<b>TOTAL REVENUES</b>	<b><u>88,000</u></b>	<b><u>88,000</u></b>	<b><u>101,262</u></b>	<b><u>13,262</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	261,053	280,245	265,964	(14,281)
Debt Service:				
Capital Outlay	11,000	11,000	10,144	(856)
Principal	106,255	106,255	106,255	-
Interest	8,434	8,434	8,434	-
<b>TOTAL EXPENDITURES</b>	<b><u>386,742</u></b>	<b><u>405,934</u></b>	<b><u>390,797</u></b>	<b><u>(15,137)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(298,742)</b>	<b>(317,934)</b>	<b>(289,535)</b>	<b>28,399</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				
Other Special Revenue Funds	297,789	297,789	311,209	13,420
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>297,789</u></b>	<b><u>297,789</u></b>	<b><u>311,209</u></b>	<b><u>13,420</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(953)</b>	<b>(20,145)</b>	<b>21,674</b>	<b>41,819</b>
FUND BALANCES, Beginning of Year	282,457	282,457	282,457	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 281,504</u></b>	<b><u>262,312</u></b>	<b><u>304,131</u></b>	<b><u>\$ 41,819</u></b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$1,000 and \$20,000, respectively.

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Local - Other	\$ 25,500	25,500	44,579	\$ 19,079
Donations	34,000	34,000	56,313	22,313
Other Revenue	-	-	615	615
<b>TOTAL REVENUES</b>	<b><u>59,500</u></b>	<b><u>59,500</u></b>	<b><u>101,507</u></b>	<b><u>42,007</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	90,850	90,850	96,961	6,111
<b>TOTAL EXPENDITURES</b>	<b><u>90,850</u></b>	<b><u>90,850</u></b>	<b><u>96,961</u></b>	<b><u>6,111</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(31,350)</b>	<b>(31,350)</b>	<b>4,546</b>	<b>35,896</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				
Other Special Revenue Funds	24,000	24,000	24,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>24,000</u></b>	<b><u>24,000</u></b>	<b><u>24,000</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,350)</b>	<b>(7,350)</b>	<b>28,546</b>	<b>35,896</b>
FUND BALANCES, Beginning of Year	84,183	84,183	84,183	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 76,833</u></b>	<b><u>76,833</u></b>	<b><u>112,729</u></b>	<b><u>\$ 35,896</u></b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$7,000.

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Intergovernmental				
Accommodations Tax	\$ 125,000	125,000	146,732	\$ 21,732
Interest Revenue	-	-	22	22
<b>TOTAL REVENUES</b>	<b><u>125,000</u></b>	<b><u>125,000</u></b>	<b><u>146,754</u></b>	<b><u>21,754</u></b>
<b>EXPENDITURES</b>				
Operating Expenditures	65,000	65,000	78,582	13,582
<b>TOTAL EXPENDITURES</b>	<b><u>65,000</u></b>	<b><u>65,000</u></b>	<b><u>78,582</u></b>	<b><u>13,582</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>60,000</b>	<b>60,000</b>	<b>68,172</b>	<b>8,172</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				
General Fund	(30,000)	(30,000)	(31,087)	(1,087)
Other Special Revenue Funds	(30,000)	(30,000)	(36,519)	(6,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(60,000)</u></b>	<b><u>(60,000)</u></b>	<b><u>(67,606)</u></b>	<b><u>(7,606)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>566</b>	<b>566</b>
FUND BALANCES, Beginning of Year	80,411	80,411	80,411	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 80,411</u></b>	<b><u>80,411</u></b>	<b><u>80,977</u></b>	<b><u>\$ 566</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Newberry Opera House Reimbursement & Facility Fees	\$ 55,000	55,000	54,682	\$ (318)
Interest Revenue	-	-	11	11
<b>TOTAL REVENUES</b>	<b><u>55,000</u></b>	<b><u>55,000</u></b>	<b><u>54,693</u></b>	<b><u>(307)</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	397,874	399,615	351,846	(47,769)
<b>TOTAL EXPENDITURES</b>	<b><u>397,874</u></b>	<b><u>399,615</u></b>	<b><u>351,846</u></b>	<b><u>(47,769)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(342,874)</b>	<b>(344,615)</b>	<b>(297,153)</b>	<b>47,462</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>	<b><u>326,344</u></b>	<b><u>326,344</u></b>	<b><u>326,344</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,530)</b>	<b>(18,271)</b>	<b>29,191</b>	<b>47,462</b>
FUND BALANCES, Beginning of Year	65,341	65,341	65,341	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 48,811</u></b>	<b><u>47,070</u></b>	<b><u>94,532</u></b>	<b><u>\$ 47,462</u></b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$17,000 and \$18,000, respectively.

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Intergovernmental				
Community Development	\$ 401,000	401,000	714,590	\$ 313,590
Interest Income	50	50	1,001	951
<b>TOTAL REVENUES</b>	<b><u>401,050</u></b>	<b><u>401,050</u></b>	<b><u>715,591</u></b>	<b><u>314,541</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	18,454	18,454	25,454	7,000
<b>TOTAL EXPENDITURES</b>	<b><u>18,454</u></b>	<b><u>18,454</u></b>	<b><u>25,454</u></b>	<b><u>7,000</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>382,596</b>	<b>382,596</b>	<b>690,137</b>	<b>307,541</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				
Other Special Revenue Funds	(400,000)	(400,000)	(400,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(400,000)</u></b>	<b><u>(400,000)</u></b>	<b><u>(400,000)</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(17,404)</b>	<b>(17,404)</b>	<b>290,137</b>	<b>307,541</b>
FUND BALANCES, Beginning of Year	441,761	441,761	441,761	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 424,357</u></b>	<b><u>424,357</u></b>	<b><u>731,898</u></b>	<b><u>\$ 307,541</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  
STREETSCAPE FUND

YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Interest Revenue	\$ -	-	3	\$ 3
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
<b>EXPENDITURES</b>				
Grants to Others	18,000	18,000	24,170	6,170
Other:				
Operating Expenditures	4,000	4,000	-	(4,000)
<b>TOTAL EXPENDITURES</b>	<u>22,000</u>	<u>22,000</u>	<u>24,170</u>	<u>2,170</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(22,000)</b>	<b>(22,000)</b>	<b>(24,167)</b>	<b>(2,167)</b>
FUND BALANCES, Beginning of Year	<u>95,947</u>	<u>95,947</u>	<u>95,947</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<u><b>\$ 73,947</b></u>	<u><b>73,947</b></u>	<u><b>71,780</b></u>	<u><b>\$ (2,167)</b></u>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$22,000.

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Fees				
Hospitality	\$ 735,000	735,000	742,528	\$ 7,528
Accommodations	150,000	150,000	152,664	2,664
Penalties	2,100	2,100	4,754	2,654
Interest Income	35	35	162	127
<b>TOTAL REVENUES</b>	<b><u>887,135</u></b>	<b><u>887,135</u></b>	<b><u>900,108</u></b>	<b><u>12,973</u></b>
<b>EXPENDITURES</b>				
<b>TOTAL EXPENDITURES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>887,135</b>	<b>887,135</b>	<b>900,108</b>	<b>12,973</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	(750,033)	(750,033)	(750,033)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(886,533)</u></b>	<b><u>(886,533)</u></b>	<b><u>(886,533)</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>602</b>	<b>602</b>	<b>13,575</b>	<b>12,973</b>
FUND BALANCES, Beginning of Year	<u>233,708</u>	<u>233,708</u>	<u>233,708</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 234,310</u></b>	<b><u>234,310</u></b>	<b><u>247,283</u></b>	<b><u>\$ 12,973</u></b>

Note: The City's original and revised budget reflected an expected surplus of fund balance of approximately \$1,000.

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Court Fines and Assessments	\$ 27,000	27,000	25,638	\$ (1,362)
Other Revenue	-	-	28	28
<b>TOTAL REVENUES</b>	<b><u>27,000</u></b>	<b><u>27,000</u></b>	<b><u>25,666</u></b>	<b><u>(1,334)</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	58,802	58,802	17,419	(41,383)
<b>TOTAL EXPENDITURES</b>	<b><u>58,802</u></b>	<b><u>58,802</u></b>	<b><u>17,419</u></b>	<b><u>(41,383)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(31,802)</b>	<b>(31,802)</b>	<b>8,247</b>	<b>40,049</b>
FUND BALANCES, Beginning of Year	3,612	3,612	3,612	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ (28,190)</u></b>	<b><u>(28,190)</u></b>	<b><u>11,859</u></b>	<b><u>\$ 40,049</u></b>

Note: The City's original and revised budget reflected an expected use of fund balance of approximately \$32,000.

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Local - Other	\$ 22,400	22,400	6,051	\$ (16,349)
Donations	27,000	27,000	31,987	4,987
Interest Income	25	25	117	92
<b>TOTAL REVENUES</b>	<b><u>49,425</u></b>	<b><u>49,425</u></b>	<b><u>38,155</u></b>	<b><u>(11,270)</u></b>
<b>EXPENDITURES</b>				
Other:				
Operating Expenditures	98,499	98,499	58,554	(39,945)
<b>TOTAL EXPENDITURES</b>	<b><u>98,499</u></b>	<b><u>98,499</u></b>	<b><u>58,554</u></b>	<b><u>(39,945)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(49,074)</b>	<b>(49,074)</b>	<b>(20,399)</b>	<b>28,675</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				
Other Special Revenue Funds	50,000	50,000	50,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>50,000</u></b>	<b><u>50,000</u></b>	<b><u>50,000</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>926</b>	<b>926</b>	<b>29,601</b>	<b>28,675</b>
FUND BALANCES, Beginning of Year	<u>212,117</u>	<u>212,117</u>	<u>212,117</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 213,043</u></b>	<b><u>213,043</u></b>	<b><u>241,718</u></b>	<b><u>\$ 28,675</u></b>

Note: The City's original and revised budget reflected an expected surplus of fund balance of approximately \$1,000.

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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, 2019**

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	<u>ACTUAL</u>
<b>ASSETS</b>	
Cash and Investments, Restricted	\$ 21,911
Interest Receivable	23
<b>TOTAL ASSETS</b>	<u><u>21,934</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>
<b>FUND BALANCES</b>	
Nonspendable for Japanese Gardens	10,000
Restricted for Japanese Gardens	11,934
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 21,934</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Interest Revenue	\$ 20	20	196	\$ 176
<b>TOTAL REVENUES</b>	<b><u>20</u></b>	<b><u>20</u></b>	<b><u>196</u></b>	<b><u>176</u></b>
<b>EXPENDITURES</b>				
Community Development	2,900	2,900	2,327	(573)
<b>TOTAL EXPENDITURES</b>	<b><u>2,900</u></b>	<b><u>2,900</u></b>	<b><u>2,327</u></b>	<b><u>(573)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,880)</b>	<b>(2,880)</b>	<b>(2,131)</b>	<b>749</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>120</b>	<b>120</b>	<b>869</b>	<b>749</b>
FUND BALANCES, Beginning of Year	<u>21,065</u>	<u>21,065</u>	<u>21,065</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u><u>\$ 21,185</u></u></b>	<b><u><u>21,185</u></u></b>	<b><u><u>21,934</u></u></b>	<b><u><u>\$ 749</u></u></b>

Note: The City's original and revised budget reflected an expected surplus of fund balance of \$120.

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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, 2019

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
<b>OPERATING REVENUES</b>				
Connection and Reconnection Fees	\$ 106,000	106,000	135,050	\$ 29,050
Water Receipts	5,281,428	5,281,428	5,375,207	93,779
Electric Receipts	27,455,733	27,455,733	24,918,111	(2,537,622)
Sewer Receipts	4,957,029	4,957,029	5,459,473	502,444
Sales and Use Tax	525,000	525,000	498,320	(26,680)
Utility Penalty	300,000	300,000	303,885	3,885
Water Taps	10,000	10,000	5,350	(4,650)
Sewer Taps	2,000	2,000	6,050	4,050
Temporary Electric Services	7,200	7,200	25	(7,175)
Newberry Housing Authority	1,086	1,086	1,086	-
Fire Flow Access Fees	23,000	23,000	22,739	(261)
Fiber Optic Revenue	30,000	30,000	41,500	11,500
Other Revenue	13,000	13,000	49,913	36,913
CATV - Pole Rental	89,100	89,100	60,843	(28,257)
<b>TOTAL OPERATING REVENUES</b>	<b>38,800,576</b>	<b>38,800,576</b>	<b>36,877,552</b>	<b>(1,923,024)</b>
<b>OPERATING EXPENSES</b>				
City Hall	52,123	52,123	54,217	(2,094)
Finance	591,567	594,612	371,218	223,394
Utility Administration	557,089	616,951	623,926	(6,975)
Warehouse	108,127	109,087	178,092	(69,005)
Information Services	202,799	203,819	122,293	81,526
Electric Distribution	1,130,199	1,138,106	1,383,020	(244,914)
Water and Sewer Maintenance	1,100,413	1,106,136	1,636,114	(529,978)
Water Production	1,233,388	1,239,955	1,263,391	(23,436)
Waste Treatment	1,068,018	1,071,349	1,388,039	(316,690)
General Insurance	151,285	151,285	92,343	58,942
Facilities & Grounds	-	168,796	153,924	14,872
Garage	-	61,306	58,699	2,607
Employee Benefits	1,051,885	1,054,824	1,215,867	(161,043)
Nondepartmental	22,722,508	22,722,508	19,305,809	3,416,699
Depreciation	2,957,102	2,957,102	2,957,102	-
<b>TOTAL OPERATING EXPENSES</b>	<b>32,926,503</b>	<b>33,247,959</b>	<b>30,804,054</b>	<b>2,443,905</b>
<b>OPERATING INCOME</b>	<b>5,874,073</b>	<b>5,552,617</b>	<b>6,073,498</b>	<b>520,881</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest Revenue	2,000	2,000	134,358	132,358
Federal and State Grants	-	-	1,000,000	1,000,000
Interest Expense, Bank Fees, and Other	(1,638,238)	(1,638,238)	(1,627,736)	10,502
Loss on Disposal of Capital Assets	-	-	(216,788)	(216,788)
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>\$ (1,636,238)</b>	<b>(1,636,238)</b>	<b>(710,166)</b>	<b>\$ 926,072</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, 2019**

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>INCOME BEFORE TRANSFERS</b>	<b>\$ 4,237,835</b>	<b>3,916,379</b>	<b>5,363,332</b>	<b>\$ 1,446,953</b>
Transfers Out	(1,865,909)	(1,865,909)	(1,865,909)	-
<b>CHANGE IN NET POSITION</b>	<b>2,371,926</b>	<b>2,050,470</b>	<b>3,497,423</b>	<b>1,446,953</b>
NET POSITION, Beginning of Year	50,238,047	50,238,047	50,238,047	-
<b>NET POSITION, End of Year</b>	<b><u>\$ 52,609,973</u></b>	<b><u>52,288,517</u></b>	<b><u>53,735,470</u></b>	<b><u>\$ 1,446,953</u></b>

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, 2019

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
City Hall			
Operating	\$ 52,123	54,217	\$ (2,094)
Total City Hall	<u>52,123</u>	<u>54,217</u>	<u>(2,094)</u>
Finance			
Salaries	253,541	254,702	(1,161)
Operating	341,071	116,516	224,555
Total Finance	<u>594,612</u>	<u>371,218</u>	<u>223,394</u>
Utility Administration			
Salaries	510,401	517,709	(7,308)
Operating	106,550	106,217	333
Total Utility Administration	<u>616,951</u>	<u>623,926</u>	<u>(6,975)</u>
Warehouse			
Salaries	70,497	71,755	(1,258)
Operating	38,590	106,337	(67,747)
Total Warehouse	<u>109,087</u>	<u>178,092</u>	<u>(69,005)</u>
Information Services			
Salaries	116,119	53,536	62,583
Operating	87,700	68,757	18,943
Total Information Services	<u>203,819</u>	<u>122,293</u>	<u>81,526</u>
Electric Distribution			
Salaries	572,756	580,123	(7,367)
Operating	565,350	802,897	(237,547)
Total Electric Distribution	<u>1,138,106</u>	<u>1,383,020</u>	<u>(244,914)</u>
Water and Sewer Maintenance			
Salaries	468,786	484,891	(16,105)
Operating	637,350	1,151,223	(513,873)
Total Water and Sewer Maintenance	<u>1,106,136</u>	<u>1,636,114</u>	<u>(529,978)</u>
Water Production			
Salaries	371,755	354,787	16,968
Operating	868,200	908,604	(40,404)
Total Water Production	<u>1,239,955</u>	<u>1,263,391</u>	<u>(23,436)</u>
Waste Treatment			
Salaries	231,299	206,202	25,097
Operating	840,050	1,181,837	(341,787)
Total Waste Treatment	<u>1,071,349</u>	<u>1,388,039</u>	<u>(316,690)</u>
General Insurance			
Operating	151,285	92,343	58,942
Total General Insurance	<u>\$ 151,285</u>	<u>92,343</u>	<u>\$ 58,942</u>

(Continued)

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Facilities & Grounds			
Salaries	\$ 113,026	112,526	\$ 500
Operating	55,770	41,398	14,372
Total Facilities & Grounds	<u>168,796</u>	<u>153,924</u>	<u>14,872</u>
Garage			
Salaries	61,306	58,699	2,607
Total Garage	<u>61,306</u>	<u>58,699</u>	<u>2,607</u>
Employee Benefits			
SC Retirement	372,261	344,824	27,437
Social Security	198,530	186,482	12,048
City's Share of Employee Insurance	341,389	385,732	(44,343)
GASB 45 OPEB Adjustment	5,000	-	5,000
GASB 68 Pension Adjustment	-	169,207	(169,207)
Workers' Compensation	82,144	65,079	17,065
Workers' Compensation Deductibles	15,000	5,383	9,617
Unemployment	2,000	348	1,652
Employer/Employee Relations	23,000	16,548	6,452
Physical Exams	2,000	1,380	620
Wellness Program	13,500	5,827	7,673
Compensated Absences Adjustment	-	35,057	(35,057)
Total Employee Benefits	<u>1,054,824</u>	<u>1,215,867</u>	<u>(161,043)</u>
Non-Departmental			
Sales and Use Tax	550,000	551,656	(1,656)
Purchase of Electricity	21,908,367	18,509,308	3,399,059
SCE&G Water Contract	24,000	17,085	6,915
Streetlight Charges	10,141	8,146	1,995
Refunds	10,000	3,231	6,769
Bad Debt Expense	180,000	208,360	(28,360)
Community Enhancement	30,000	820	29,180
Web Site Maintenance	10,000	7,203	2,797
Total Non-Departmental	<u>22,722,508</u>	<u>19,305,809</u>	<u>3,416,699</u>
Depreciation	<u>2,957,102</u>	<u>2,957,102</u>	<u>-</u>
<b>TOTAL ENTERPRISE FUND EXPENSES</b>	<b><u>\$ 33,017,857</u></b>	<b><u>30,804,054</u></b>	<b><u>\$ 2,426,426</u></b>

CITY OF NEWBERRY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			\$ 365,077	\$ 365,077
Court fines and assessments remitted to State Treasurer			(205,952)	(205,952)
<b>Total Court Fines and Assessments retained</b>			<b>159,125</b>	<b>159,125</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			15,384	15,384
Assessments retained			10,254	10,254
<b>Total Surcharges and Assessments retained for victim services</b>			<b>\$ 25,638</b>	<b>\$ 25,638</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	\$ 3,612		\$ 3,612
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	10,254		10,254
Victim Service Surcharges Retained by City/County Treasurer	15,384		15,384
Interest Earned	28		
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>29,278</b>		<b>29,278</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	15,000		15,000
Operating Expenditures	2,419		2,419
<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>17,419</b>		<b>17,419</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>\$ 11,859</b>		<b>\$ 11,859</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 <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>	108
Revenue Capacity Information <i>These schedules contain information to help the reader assess the City's most significant local revenue source.</i>	126
Debt Capacity Information <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>	130
Demographic and Economic Information <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>	138
Operating Information <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>	140

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

## NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015*	2016	2017	2018	2019
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 14,981,151
Restricted	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	4,824,694	2,063,901
Unrestricted	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	(262,678)
Total governmental activities net position	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	16,782,374
Business-type activities										
Invested in capital assets, net of related debt	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	39,597,749
Restricted	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	527,951
Unrestricted	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	13,609,770
Total business-type activities net position	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	53,735,470
Primary government										
Invested in capital assets, net of related debt	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	54,578,900
Restricted	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	2,591,852
Unrestricted	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	13,347,092
Total primary government net position	\$ 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	\$ 70,517,844

\* 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 1,253,699
Public safety	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	4,861,195
Public works	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	2,090,022
Recreation	552,199	564,042	575,679	723,463	616,972	753,929	848,809	951,086	940,300	1,922,643
Community development	732,863	1,507,326	677,786	516,702	1,146,252	442,955	746,775	426,670	1,137,311	110,505
Community promotions	101,810	126,390	87,180	101,851	486,636	597,233	487,751	580,045	-	-
Interest on long-term debt	109,088	91,869	74,523	56,824	38,812	37,427	39,291	33,159	27,923	26,402
Total governmental activities expenses	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	10,264,466
Business-type activities: Utility system	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	32,648,578
Total primary government expenses	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	42,913,044
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	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	176,707
Public safety	768,505	711,268	720,042	610,677	681,044	537,168	553,945	451,471	410,249	381,020
Public works	611,839	615,684	613,789	617,555	623,084	767,747	791,651	803,964	944,662	985,594
Parks, Recreation, & Tourism	40,873	47,851	40,132	39,149	40,860	70,178	101,145	99,276	233,348	237,186
Community promotion and projects	6,815	6,965	9,000	16,804	16,030	22,204	18,118	47,577	54,682	54,682
Operating grants and contributions	100,667	1,439,932	543,951	400,786	309,957	655,922	837,886	2,292,761	326,406	219,310
Capital grants and contributions	35,278	150,918	116,421	1,964	66,697	91,217	227,443	18,300	4,145,105	765,424
Total governmental activities program revenues	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	2,819,923
Business-type activities: Utility system	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	36,877,552
Charges for services	-	-	-	-	-	-	103,106	1,726,585	-	-
Operating grants and contributions	433,533	1,665,279	401,050	180,163	388,119	308,411	409,593	884,223	-	1,000,000
Capital grants and contributions	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	37,877,552
Total business-type activities program revenues	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	40,697,475
Total primary government program revenues										
Net (expense)/revenue	(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)	(7,444,543)
Governmental activities	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	5,228,974
Business-type activities	(2,366,078)	(389,469)	(2,666,638)	(4,425,107)	(2,064,501)	(899,512)	(2,287,803)	582,216	1,920,635	(2,215,569)
Total primary government net expense										

(Continued)

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 2,327,476
Local hospitality and accommodation fee	592,269	639,843	647,615	680,581	728,087	815,540	865,734	902,536	1,069,577	1,046,678
Business Licenses	-	-	-	-	-	-	-	-	-	1,783,139
Intergovernmental revenue	1,957,652	905,362	870,913	1,112,994	1,037,343	907,857	910,716	426,883	967,743	891,516
Interest revenue	19,172	10,978	6,368	5,363	3,455	5,167	11,674	16,222	22,878	45,439
Gain on Sale of Capital Assets	-	-	-	-	-	-	41,446	22,157	39,018	-
Miscellaneous	152,988	231,043	127,504	220,623	180,120	188,934	208,189	197,755	19,133	43,846
Transfers	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	1,865,909
Total governmental activities	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	8,004,003
Business-type activities:										
Intergovernmental revenue	-	217,650	2,989,331	219,299	143,720	-	-	-	-	-
Interest revenue	17,056	11,178	4,258	3,144	2,163	2,613	468,303	138,688	137,093	134,358
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(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)	(1,865,909)
Total business-type activities	(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)	(1,731,551)
Total primary government	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	6,272,452
<b>Change in Net Position</b>										
Government activities	1,009,300	593,842	601,751	898,870	303,767	1,156,179	656,972	708,665	4,345,899	559,460
Business-type activities	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	3,497,423
Total primary government	\$ 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	\$ 4,056,883

Note: Beginning with FY 2019, the City has moved business licenses from program revenues to general revenues.

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

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<b>Fiscal Year Ended June 30</b>		<b>Property Tax</b>
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
2019	\$	2,327,476

CITY OF NEWBERRY, SOUTH CAROLINA

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

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ -	52,070	48,400	48,087	51,013	38,392	32,731	27,874	38,027	\$ 37,184
Reserved	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unreserved	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	2,285,197
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	4,373,821
Total general fund	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	6,696,202
Recreation Complex										
Restricted	-	-	-	-	-	-	-	-	4,387,422	1,609,536
Total Recreation Complex	-	-	-	-	-	-	-	-	4,387,422	1,609,536
All other governmental funds										
Nonspendable		355,000	355,000	355,000	355,000	355,000	355,000	-	-	10,000
Reserved	10,000	-	-	-	-	-	-	-	-	-
Restricted		984,603	1,138,747	1,767,069	1,139,044	1,098,123	946,494	934,878	437,272	444,365
Unreserved, reported in:										
Special revenue funds	1,714,026	-	-	-	-	-	-	-	-	-
Debt service fund	305,775	-	-	-	-	-	-	-	-	-
Permanent fund	6,899	-	-	-	-	-	-	-	-	-
Unrestricted:										
Committed		941,269	1,015,386	484,917	183,929	206,377	1,108,052	769,393	670,377	784,706
Assigned		6,384	5,815	5,370	5,809	11,380	739,396	1,078,721	452,826	731,898
Unassigned		-	-	-	(16,593)	448,977	-	-	-	-
Total all other governmental funds	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	1,970,969
Total all governmental funds	\$ 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	\$ 10,276,707

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 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	\$ 3,363,436
Licenses, permits and franchise fees	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	1,959,845
Fines and forfeitures	755,361	696,552	699,682	595,795	660,628	516,168	532,858	429,333	416,323	387,958
Charges for service	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	1,120,054
Intergovernmental	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	1,743,130
Miscellaneous	172,160	242,021	133,872	225,986	183,575	194,101	304,168	258,288	436,261	388,171
Total revenues	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	8,962,594
<b>Expenditures</b>										
General government	883,930	857,462	719,729	682,621	660,535	743,851	778,396	733,820	697,594	734,414
Public safety	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	3,104,791
Public works	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	1,160,214
Recreation	430,531	422,809	438,325	973,617	513,382	612,242	724,731	695,927	645,824	700,641
Community development	732,863	1,507,326	677,786	640,010	1,146,252	477,955	914,556	1,937,706	1,137,311	110,505
Nondepartmental	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	3,038,610
Capital Outlay	-	-	-	-	-	-	-	-	55,500	5,589,296
Debt Service										
Principal	592,055	595,425	608,779	622,854	632,785	369,192	307,748	325,093	356,178	381,369
Interest	112,237	95,077	77,788	60,147	42,196	37,427	39,291	33,159	27,923	26,402
Total expenditures, including capital	9,136,124	9,699,204	8,915,565	9,601,028	9,808,740	9,650,750	10,129,412	11,568,255	10,681,866	14,846,242
Total capital expenditures only	894,970	427,369	325,710	898,467	992,767	1,068,909	774,247	2,034,185	1,694,356	5,540,974
Excess of revenues over expenditures	(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	(5,883,648)
<b>Other financing sources (uses)</b>										
Transfers in	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	3,220,048
Transfers out	(25,653)	(25,000)	(25,000)	(25,000)	(410,099)	(164,097)	(633,611)	(166,547)	(2,296,587)	(1,354,139)
Issuance of debt/construction loan/costs	191,436	120,577	231,950	135,206	230,664	778,061	-	167,524	258,601	275,000
Repayment of debt/construction loan/costs	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	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	2,140,909
Net change in fund balances	\$ 499,083	521,052	749,895	304,157	(68,983)	1,355,113	482,570	(293,321)	3,816,414	\$ (3,742,739)
Debt service as a percentage of noncapital expenditures	8.5%	7.4%	8.0%	7.8%	7.7%	4.7%	3.7%	3.8%	4.3%	4.4%

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
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
2019	\$ 24,918,111	67.6%	5,375,207	14.6%	5,459,473	14.8%	1,124,761	3.0%	\$ 36,877,552

(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 Year</b>	<b>General Fund Property Tax</b>	<b>Debt Service Fund Property Tax (1)</b>	<b>Total Property Tax</b>
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
2019	\$ 2,316,758	-	\$ 2,316,758

(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)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Electric Customers:										
Residential	4,054	4,030	4,050	4,066	4,091	4,080	4,087	4,079	4,010	4,095
Commercial	873	872	863	868	891	872	873	880	887	896
Industrial	13	13	12	12	12	13	13	13	14	15
Total	4,940	4,915	4,925	4,946	4,994	4,965	4,973	4,972	4,911	5,006
Water Customers:										
Residential	4,108	4,087	4,096	4,113	4,148	4,126	4,143	4,133	4,124	4,020
Commercial	756	760	748	755	751	754	786	751	741	778
Industrial	26	26	27	28	28	27	26	26	29	27
Total	4,890	4,873	4,871	4,896	4,927	4,907	4,955	4,910	4,894	4,825
Sewer Customers:										
Residential	3,576	3,559	3,561	3,575	3,607	3,591	3,597	3,587	3,573	3,488
Commercial	575	579	578	580	577	581	589	578	576	571
Industrial	21	21	21	21	21	22	21	21	22	22
Total	4,172	4,159	4,160	4,176	4,205	4,194	4,207	4,186	4,171	4,081
Total Number Utility Customers (1)	5,893	5,877	5,873	5,899	5,933	5,910	5,929	5,917	5,854	5,750

(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 Kilowatt-hours</b>	<b>Percent Change</b>	<b>Water Cubic Feet</b>	<b>Percent Change</b>	<b>Treated Sewer Cubic Feet</b>	<b>Percent Change</b>
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%
2019	210,670,252	1.88%	223,594,008	-5.78%	114,919,724	1.28%

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
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	152.7	4.18
2012	111.05	5.87	19.29	0.00	29.3	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	138.56	0.00	31.46	8.18	53.29	9.94	223.31	3.33
2019 (2)	138.56	0.00	31.70	0.76	53.77	0.90	224.03	0.32

(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, 2019. An overall increase of 2% on water minimum charges and 2% on sewer minimum charges became effective on the July 1, 2018 billing (fiscal year 2019). Additionally, please note that an overall rate increase of 2% on water and 2% on sewer became effective on the July 1, 2019 billing (fiscal year 2020).

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

**UNAUDITED**

Customer	Fiscal Year 2019			Fiscal Year 2010		
	Total Billed	Rank	Percentage of Total Operating Revenue (2)	Total Billed	Rank	Percentage of Total Operating Revenue (3)
Louis Rich	\$ 10,793,608	1	29.27%	\$ 6,344,502	1	26.29%
Newberry College	1,129,651	2	3.06%	742,018	3	3.07%
Saluda Commission of Public Works	1,065,676	3	2.89%	792,917	2	3.29%
Newberry County Memorial Hospital	691,466	4	1.88%	507,685	4	2.10%
Newberry Housing Authority-Grant Homes	662,608	5	1.80%	415,882	6	1.72%
Valmont Composite Structures	632,816	6	1.72%			
Packaging Corp. of America, Inc.	568,680	7	1.54%	360,847	8	1.50%
ISE	562,809	8	1.53%	470,328	5	1.95%
Wal-Mart	434,428	9	1.18%			
ST Partners, DBA Almark Foods	396,483	10	1.08%			
Shakespeare				406,534	7	1.68%
Newberry High School				212,283	10	0.88%
Newberry County Water & Sewer				265,665	9	1.10%
<b>Total</b>	<b>\$ 16,938,225</b>		<b>45.93%</b>	<b>\$ 10,518,661</b>		<b>43.58%</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 2019 is \$ 36,877,552 .

(3) Total audited operating revenue for fiscal year 2010 is \$ 24,134,113 .

**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>
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
2019	243,790,381	667,136	1,103,699	24,881,686

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

**UNAUDITED**

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<b>Fiscal Year</b>	<b>Total kWh</b>	<b>Peak Demand MW</b>
2015	211,831,140	42.6
2016	211,675,426	44.7
2017	213,161,467	41.8
2018	206,782,301	43.2
2019	220,463,763	42.0

**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>
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
2019	144,042,135	394,357	1,021,319	16,637,881

**PRINCIPAL WATER CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2019**

**UNAUDITED**

<b>Ranking</b>	<b>Customer Name</b>	<b>Annual Consumption in Cubic Feet</b>	<b>Annual Billing</b>	<b>Percentage of Water Revenues</b>
10	Newberry County Memorial Hospital	1,016,108	\$ 30,609	0.57%
9	ISE	2,289,303	50,152	0.93%
8	Newberry College	2,723,047	117,791	2.19%
7	ST Partners, DBA Almark Foods	2,759,520	40,141	0.75%
6	Samsung	2,925,773	109,792	2.04%
5	Kiswire	4,409,865	73,602	1.37%
4	Newberry Housing Authority	8,021,042	114,213	2.12%
3	Newberry County Water & Sewer Authority	11,688,220	197,267	3.67%
2	Louis Rich	61,552,398	1,407,957	26.19%
1	Saluda Commission of Public Works	82,555,264	1,065,676	19.83%
		<b>179,940,540</b>	<b>\$ 3,207,200</b>	<b>59.67%</b>

Note: Total water dollars sold from July 2018 to June 2019 is: \$ 5,375,207

**PRINCIPAL SEWER CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2019**

**UNAUDITED**

<b>Ranking</b>	<b>Customer Name</b>	<b>Annual Flows in Cubic Feet</b>	<b>Annual Billing</b>	<b>Percentage of Sewer Revenues</b>
10	J.F. Hawkins Nursing Home	757,043	\$ 33,282	0.61%
9	Newberry County Memorial Hospital	1,016,108	51,917	0.95%
8	Newberry College	2,120,844	124,238	2.28%
7	Newberry County Water and Sewer	2,245,393	56,504	1.03%
6	Samsung	2,423,509	195,220	3.58%
5	ST Partners, DBA Almark Foods	2,759,520	80,206	1.47%
4	Kiswire	4,409,865	135,460	2.48%
3	ISE	4,986,631	133,362	2.44%
2	Newberry Housing Authority	6,658,764	209,173	3.83%
1	Louis Rich	53,284,693	1,395,971	25.57%
		<b>80,662,370</b>	<b>\$ 2,415,333</b>	<b>44.24%</b>

Note: Total sewer dollars sold from July 2018 to June 2019 is: \$ 5,459,473

**PRINCIPAL ELECTRIC CUSTOMERS BY TOTAL BILLED  
YEAR ENDED JUNE 30, 2019**

**UNAUDITED**

<b>Ranking</b>	<b>Customer Name</b>	<b>KWH</b>	<b>Annual Billing</b>	<b>Percentage of Electric Revenues</b>
10	Newberry High	1,758,102	\$ 265,708	1.07%
9	Newberry Housing Authority	2,325,606	339,222	1.36%
8	ST Partners, DBA Almark Foods	2,634,328	276,136	1.11%
7	ISE	3,102,386	379,295	1.52%
6	Wal-Mart	3,569,329	395,488	1.59%
5	PCA	4,798,861	527,867	2.12%
4	Valmont Composite Structures	5,372,598	632,816	2.54%
3	NCMH	5,566,870	608,940	2.44%
2	Newberry College	6,638,208	887,622	3.56%
1	Louis Rich	81,674,908	7,809,963	31.34%
		<u>117,441,196</u>	<u>\$ 12,123,057</u>	<u>48.65%</u>

Note: Total electric dollars sold from July 2018 to June 2019 is:

\$ 24,918,111

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				
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%
2019 (1)	2018	\$ 8,221,550	13,789,530	22,011,080	2,581,930	3,481,460	6,063,390	\$ 28,074,470	83.80	\$ 516,886,950	5.43%

(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			Newberry County (1)			Overlapping Rates 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		
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
2019 (2)	2018	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**

Taxpayer	Fiscal Year 2019 (Tax Year 2018)			Fiscal Year 2010 (Tax Year 2009)		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (3)
Oakland Mill Dev Group 2 LLC	\$ 474,620	1	1.69%			
Oakland Mill Dev Group LLC	401,980	2	1.43%			
Wal-Mart Real Est.	367,890	3	1.31%	\$ 278,930	4	1.21%
Lowe's Home Centers	355,180	4	1.27%	342,000	3	1.49%
ISE Newberry Inc.	354,720	5	1.26%	405,230	2	1.76%
Bellsouth Telecomm Inc.	292,760	6	1.04%	560,040	1	2.44%
Duke Energy	252,370	7	0.90%	170,070	7	0.74%
Newberry Developments LLC	228,380	8	0.81%			
Paramount Hotels LLC	218,830	9	0.78%			
Loves Travel Stops	202,400	10	0.72%			
AT&T Mobility				134,730	9	0.59%
Newberry Atrium				228,530	6	0.99%
Newberry Commercial				122,390	10	0.53%
White Oak Manor Inc.				154,910	8	0.67%
Newberry Medical				260,000	5	1.13%
<b>Total</b>	<b>\$ 3,149,130</b>		<b>11.22%</b>	<b>\$ 2,656,830</b>		<b>11.56%</b>

(1) Source: Newberry County Auditor.

(2) Total assessed valuation for tax year 2019 is \$28,074,470

(3) Total assessed valuation for tax year 2010 is \$22,990,579

**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
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%
2019	2018	\$ 2,193,934	\$ 2,129,504	97.1%	\$ 39,091	\$ 2,168,595	98.9%

(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)	Capital Leases	CPU Bonds (3)	Capital Leases				
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
2019	-	-	803,916	47,470,291	-	-	48,274,207	25.4%	4,670

(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 2010-2019, and 2015 Bond for fiscal years 2015-2019.

**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>
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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, 2019**

**UNAUDITED**

**Direct Debt**

City of Newberry:		
General Obligation Debt	\$	-
Special Assessment Debt		-
Capital Lease Obligations		803,916
Total Direct Debt		<u>803,916</u>

**Overlapping Debt**

Newberry County, South Carolina Overlapping Debt:		
General Obligation Debt (1)		17,758,342
Estimated % of debt applicable to the City of Newberry (2)		19.61%
Total Overlapping Debt		<u>3,482,411</u>
Total Direct and Overlapping Debt	\$	<u><u>4,286,327</u></u>

(1) Source: Newberry County Treasurer

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

2010B County General Obligation Bond	\$	290,000
2013A County General Obligation Bond		1,190,000
2017 County General Obligation Bond		14,350,000
2018A County General Obligation Bond		911,278
2018B County General Obligation Bond		297,008
2018C County General Obligation Bond		720,056
	\$	<u><u>17,758,342</u></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 \$143,185,705. City of Newberry assessed valuation from the table within this statistical section labeled "Assessed Value and Estimated Actual Value of Taxable Property" is \$28,074,470.

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit - 8 percent of total assessed value	\$ 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	\$ 2,245,958
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 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	\$ 2,245,958
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 2019**

Assessed Value - general	\$ 28,074,470
Assessed Value - tax increment financing district	-
Total assessed value	28,074,470
Debt limit (8% of total assessed value)	2,245,958
Debt applicable to limit:	
Total general obligation bonds	-
Legal debt margin	\$ 2,245,958

CITY OF NEWBERRY, SOUTH CAROLINA

PLEGDED-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	
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
2019	\$ -	-	-	-	-	-	\$ -	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.

## CITY OF NEWBERRY, SOUTH CAROLINA

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	
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
2019	\$ 36,877,552	27,846,952	9,030,600	2,190,741	1,703,141	\$ 3,893,882	2.32

(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 2012-2019), and 2015 Bond (FY 2015-2019). 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**  
**JUNE 30, 2019**

**UNAUDITED**

<b>Bond Year Ending</b>	<b>Principal</b>	<b>Interest (1)</b>	<b>Total Debt Service</b>	<b>City's Portion (2)</b>
1/1/2019	\$ 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Revenues	NRA	NRA	NRA	\$ 28,066,615	30,733,794	34,651,670	36,180,215	36,956,770	37,850,492	\$ 36,877,552
Operating and Maintenance Expenses	NRA	NRA	NRA	23,510,242	24,006,961	26,341,528	28,013,464	28,679,385	29,008,364	27,846,952
Non-operating Revenues	NRA	NRA	NRA	3,144	2,163	2,613	468,303	138,688	137,093	1,134,358
Net Earnings	NRA	NRA	NRA	4,559,517	6,728,996	8,312,755	8,635,054	8,416,073	8,979,221	10,164,958
Debt Service	NRA	NRA	NRA	\$ 1,825,016	923,268	1,578,569	1,790,943	2,078,480	2,136,850	\$ 2,190,741
Debt Service Coverage	NRA	NRA	NRA	2.50	7.29	5.27	4.82	4.05	4.20	4.64

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	
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%						
2019	10,337	\$	189,756,309	18,357	\$	35,645	31.5	13.1	6,000	3.2%						

(1) Estimates by South Carolina Budget and Control Board for fiscal years 2010-2016. Fiscal Year 2017-2019 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 2017-2019 from [www.census.gov](http://www.census.gov)

(4) Fiscal years 2009-2016 estimates from Central Midlands Council of Governments. Fiscal Year 2017-2019 from [www.census.gov](http://www.census.gov)

(5) Fiscal year 2010-2019 estimates from Central Midlands Council of Governments.

(6) Sources: Estimates by City of Newberry Finance Department based on 2000 Census for fiscal years 2010. Estimate by Newberry County School District for 2011-2019.

(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	2019			2010		
	Employees	Rank	Percentage Of Total County Employment (2)	Employees	Rank	Percentage Of Total County Employment (2)
Kraft Heinz Foods (*)	2,000	1	12.20%	2,500	1	14.51%
Newberry County School District (**)	836	2	5.10%	860	2	4.99%
Samsung (*)	745	3	4.54%			
Newberry County Memorial Hospital (**)	457	4	2.79%	314	4	1.82%
Georgia Pacific (*)	419	5	2.56%	278	6	1.61%
Newberry College	263	6	1.60%	320	3	1.86%
Wal-Mart	229	7	1.40%	250	7	1.45%
County of Newberry	205	8	1.25%	180	10	1.04%
Valmont Composite Structures (*)	200	9	1.22%			
White Oak Manor (*)	176	10	1.07%			
Springfield Place/JF Hawkins				200	8	1.16%
Komatsu America (*)						
Shakespeare Electronics and Fiberglass (*)				200	9	1.16%
Caterpillar, Inc. (*)				285	5	1.65%
	<u>5,530</u>		<u>33.73%</u>	<u>5,387</u>		<u>31.25%</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 159 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
City Council	7	7	7	7	7	7.33	7.33	7.33	7.33	7.33
City Administration (2)	4	4	4	4	4	3.67	3.67	2.17	3.67	3.17
Finance	4	2	2	2	2	2	2	2	2	2
Planning and Development	4	4	2	2	2	1.66	2	2	2	2
Public Safety										
Police										
Officers	32	32	32	32	32	32	30	30	32	30
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	3	3
Fire (3)										
Firefighters and Officers	19	19	19	19	20	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	3	2
Streets	10	10	10	9	10	10.5	10.5	11	11	11
Sanitation	5	5	5	5	5	5	5	5	4	4
Building Maintenance	1	1	1	1	1	1	1	6.5	6.5	3
Garage	3	3	3	3	3	3	3	3	3	3
Recreation (5)	13	13	14	14	12	12	12	10.5	10.5	11
Utility System										
Administration/Finance/Warehouse/										
Information Services/Risk management (4)	13	15	13	13	14	14	13	18	13.5	17.5
Electric	11	11	9	9	9	9.34	9	9	9	9
Water/Sewer Maintenance	11	11	11	11	9	9	8	11	11	10
Water Plant	9	9	8	8	9	9	8	7	7.5	7.5
Wastewater Plant	6	6	6	6	4	4.5	5	5	5.5	5.5
Newberry Opera House (6)	0	0	0	0	0	0	0	4	4	4
<b>Total</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>	<b>159.0</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 2019.  
 (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 2019.  
 (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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government (2)										
Finance										
Businesses with licenses (for last completed calendar year)	1,143	1,140	1,133	1,132	1,090	1,082	1,074	1,085	1,092	1,183
Planning and Development										
New construction values per building permits	805,603	1,594,436	721,880	5,408,294	658,393	1,730,680	1,710,341	5,955,559	7,832,024	7,714,905
Public Safety										
Police										
Incidents	11,492	11,373	11,355	11,215	11,988	11,294	10,712	10,463	9,837	11,355
Arrests and traffic violations	6,454	6,069	6,564	5,210	5,973	4,770	4,556	4,161	4,195	3,717
Parking violations	351	310	53	78	108	76	232	96	190	49
Fire										
Volunteer personnel	18	16	12	14	12	16	15	16	20	22
Calls answered	493	541	951	852	803	446	465	383	507	486
Inspections	595	603	559	525	507	26	363	461	266	367
Public Works (3)										
Streets										
Streets resurfaced (miles)	0.51	-	2.13	1.09	0.20	-	-	2.50	0.75	-
Sanitation										
Refuse collected in tons per year	7,715	7,493	7,213	7,119	7,197	7,566	7,342	7,918	7,976	8,020
Recreation										
# Participants residing within City limits	859	990	961	946	867	635	561	532	617	854
# Participants residing outside City limits	349	417	369	347	296	277	344	384	330	295
# Participants total	1,208	1,407	1,330	1,293	1,163	912	905	916	947	1,149
Utility System										
Electric										
Maximum monthly non-coincident purchased demand (kW)	32,243	32,243	31,606	31,606	41,851	43,100	43,300	41,761	41,621	41,683
Water										
Average production (gallons per day)	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	4,990,181
Sewer										
Average treatment (gallons per day)	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	2,950,000

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	38	38	40	40	40	44	41	41	39	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	6	6	6	6
Recreation										
Parks	15	15	15	15	15	15	16	16	16	16
Parks acreage	100	100	100	100	100	100	100	315	200	215
Utility System										
Electric										
Miles of primary conductor	260	260	260	260	260	262	262	275	275	280
Miles of secondary conductor	92	93	93	93	93	93	93	103	130	135
Water										
Miles of water main lines	127	127	127	127	127	127	127	127	128	128
Fire hydrants	483	486	493	500	598	594	600	610	625	633
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	125
Maximum daily treatment capacity (gallons)	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	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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2019.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2019-001, that we consider to be a material weakness.

#### 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*.

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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.

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP  
Mauldin, South Carolina  
September 26, 2019

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

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**2019-001: MATERIAL WEAKNESS IN RECORDING AND TRACKING CAPITAL ASSET ACTIVITY**

**Condition:** During the 2019 audit, we noted the following items in the recording and tracking of capital asset activity:

- The City uses Logics for their capital asset software; it 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 and can result in errors and mistakes. We also noted this condition in the 2018 audit.
- The information in Logics and the capital asset rollforward schedule (from an Excel spreadsheet) the City uses are generally not in sync with the General Ledger in the City's Utility Fund. For example, the ending capital asset balance per the prior year financial statements and the General Ledger did not agree to the balances in Logics or the client prepared rollforward schedule. This is primarily due to the fact that the Logics system only allows a fiscal year-end close (when it runs depreciation expense) to be performed only once. The City is unable to "re-run" it once they have "pushed the button" for that fiscal year. Therefore, if the City discovers that an adjustment is required after they have run depreciation, they can make an entry in the General Ledger, but the change cannot be made in Logics until the following fiscal year end close. This is cumbersome and leads to errors and mistakes. For example, as of June 30, 2019, the ending net book value for the Utility Fund per the Logics system differed from the General Ledger by approximately \$2.34 million due to a \$760,000 adjustment to retainage payable not being backed out of construction in progress in the capital assets system in the prior year, and \$1,580,000 million reclass of the fiber optic network (see comment below) inadvertently added to the Utility Fund capital assets instead of governmental capital assets. In addition, approximately \$98,000 of retainage payable from fiscal 2018 was not removed in fiscal 2019, resulting in an overstatement of both Retainage Payable and Capital Assets – Construction in Progress as of June 30, 2019. The City is aware that these items will need to be corrected in Logics in fiscal 2020.
- The City is constructing a new Fiber Optic Network and incurred approximately \$1,580,000 in costs for this project during the year ended June 30, 2019. It is the intent of the City for these costs to be borne by the General Fund, which we believe is appropriate. However, these costs to date have been paid by and recorded in the Utility Fund as construction in progress during 2019, as this fund has excess cash, instead of being recorded as a capital outlay expenditure in the General Fund when incurred. The City informed us that it intends for the General Fund to repay the Utility Fund for this project, which is estimated to cost a total of approximately \$3 million when complete, using the proceeds received from the internet provider, who will be charging the residents a fee to recover the cost of this new network. City management estimates that it will take 10-15 years to pay back the Utility Fund. The City initially failed to record these costs in the General Fund which resulted in a material understatement of General Fund expenditures that was reported and presented to Council during the interim months of fiscal 2019. When we discussed this issue with the City, they adjusted the books by reclassifying the \$1,580,000 in expenditures to the General Fund, with a payable to the Utility Fund as of June 30, 2019. The Utility Fund also recorded a corresponding receivable from the General Fund.
- We noted that an invoice for approximately \$337,000 for work performed in June 2019 plus an additional approximately \$164,000 for retainage payable due as of June 30, 2019 for the new Recreation Complex should have been recorded as an expenditure and accrued in the Recreation Complex Fund as of June 30, 2019. Per inquiry, this invoice was not recorded because the Finance Department did not receive it from the Director of Parks, Recreation and Tourism until after the Finance Department's cutoff date for recording/accruing transactions. All invoices received after the cut-off date are recorded in the next fiscal year (regardless of whether they should be). When we brought this to the City's attention, they adjusted the books and recorded an accrual of approximately \$501,000 as of June 30, 2019.

CITY OF NEWBERRY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

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**2019-001: MATERIAL WEAKNESS IN RECORDING AND TRACKING CAPITAL ASSET ACTIVITY**  
**(CONTINUED)**

- We discovered that one of the City’s construction projects that had been completed in the year ended June 30, 2018 (Water Plant – asset #1261) had been appropriately transferred from construction in progress to a depreciable asset as of June 30, 2018. However, this asset had not been assigned a useful life due to oversight when it was transferred; thus, no depreciation has been recorded to date. The amount of understated depreciation expense was approximately \$308,000 for 2019. When we brought this to the City’s attention, they corrected it and will begin depreciating this asset beginning in fiscal 2020.
- The Utility Fund is including approximately \$13 million in construction in progress for several large projects for which there were no expenses/activity in the current year. Per inquiry, there are still a few miscellaneous items that remain to be completed for these projects. However, these assets were substantially complete and were placed in service (in use) prior to June 30, 2019; they should have been transferred from construction in progress to depreciable assets, with applicable depreciation being recorded starting when they were placed in service. The failure to transfer them timely resulted in an understatement of depreciation of approximately \$162,000 to \$325,000 for the current year.

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

**Context, Cause and Effect:** The City’s capital asset software appears to be very outdated, cumbersome, and inefficient. The software does not allow the user to make adjustments to the system as 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. There also appears to be a lack of communication between the Finance Department and other City departments 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).

**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 is accurately 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 its capital assets. This might include replacing the City’s capital asset software or maintaining the detail schedules in Excel so that they can be more easily updated and adjusted. We also recommend that the City reconcile the General Ledger balances to the capital asset software balances as part of the fiscal year-end close process.

**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 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 2020; however this is a very cumbersome task that may take longer to achieve. There will be substantial progress made in fiscal year 2020.