

**City of New Ellenton, South Carolina**  
**Financial Statements**  
**Year Ended June 30, 2018**  
**(With Independent Auditor's Report Thereon)**

**City of New Ellenton, South Carolina**  
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**HIGHSMITH & HIGHSMITH, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

The Honorable Mayor and  
Members of City Council  
City of New Ellenton  
New Ellenton, South Carolina

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

### ***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 did not audit the financial statements of the Commission of Public Works which represent 100% percent, respectively, of the assets, and revenues of the blended component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission of Public Works, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other-Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, net pension liability and employer contributions information 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Ellenton's financial statements as a whole. The other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with



auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2019, on our consideration of City of New Ellenton'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 City of New Ellenton's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Highsmith & Highsmith, LLC". The signature is stylized and cursive.

Highsmith & Highsmith, LLC  
Travelers Rest, South Carolina

April 9, 2019

**City of New Ellenton, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2018**

As management of the City of New Ellenton, South Carolina (the City), we offer readers of the City's financial statements this narrative overview and analyses of the financial activities of the City for the fiscal year ended June 30, 2018.

## **FINANCIAL HIGHLIGHTS**

Management believes the City's financial condition is strong. The following are key financial highlights:

- The total government-wide net position at the close of the most recent fiscal year was \$5,865,676 of which \$769,557 was unrestricted.
- The government-wide net position decreased by \$250,711 or 4.09%.
- Total long-term debt increased by \$373,305 or 12.1%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2018 fiscal year by \$878,881.
- Total fund balances of the governmental funds increased by \$306,743 or 46%.
- The total governmental funds revenues were \$1,579,993 which was less than total governmental funds expenditures of \$2,307,469 by \$(727,476).
- Other financing sources and uses for governmental funds totaled \$639,176 for the recent fiscal year.
- The net change in the water and sewer enterprise fund was a decrease of \$58,695.

## **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide a broad overview of the City's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the City's financial position. All assets and liabilities of the City are included in the statement of net position.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing on the related cash flows. This statement also focuses on



**City of New Ellenton, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2018**

both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided. The governmental activities include the City's basic services including general government, police, fire, public works, administrative, council, legal, judicial, and non-departmental. Taxes, licenses, permits and charges for services generally support these activities. The business-type activities include private sector type activities such as the City's own water and sewer system. These activities are primarily supported by user charges and fees.

**Fund Financial Statements**

These statements provide more detailed information about the City's most significant funds – not the City as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City. Traditional fund financial statements are presented for governmental funds and proprietary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

**Proprietary funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The proprietary funds provide the same information as the government-wide financial statements, only with more detail.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of others outside the City government. Fiduciary funds are reported separately because the money is not available to support the City's programs.

**Notes to the financial statements** – The notes to the financial statements provide information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements.

**Other information** – Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present these budgetary statements as part of the required supplementary information.



**City of New Ellenton, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ended June 30, 2018 and 2015.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the City. The combined total assets of the City's governmental activities and business-type activities exceeded liabilities by \$5,865,676 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net position (69%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 815,505	\$ 806,072	\$ 206,010	\$ 2,127,093	\$ 1,021,515	\$ 2,933,165
Capital assets, net	3,564,825	3,146,822	3,944,250	4,259,447	7,509,075	7,406,269
Restricted assets	88,511	204,078	2,032,723	18,845	2,121,234	222,923
Total assets	4,468,841	4,156,972	6,182,983	6,405,385	10,651,824	10,562,357
Deferred outflows	236,278	92,878	67,522	66,047	303,800	158,925
Total assets and deferred outflows	4,705,119	4,249,850	6,250,505	6,471,432	10,955,624	10,721,282
<b>Liabilities and Net Position</b>						
Current liabilities	144,186	127,867	189,475	224,262	333,661	352,129
Non-current liabilities	1,779,598	1,132,923	2,847,595	2,996,488	4,627,193	4,129,411
Total liabilities	1,923,784	1,260,790	3,037,070	3,220,750	4,960,854	4,481,540
Deferred inflows	100,933	116,642	28,161	3,951	129,094	120,593
Total liabilities and deferred inflows	2,024,717	1,377,432	3,065,231	3,224,701	5,089,948	4,602,133
<b>Net Position</b>						
Net investment in capital assets	2,379,220	2,546,581	1,681,419	1,784,557	4,060,639	4,331,138
Restricted	88,511	204,078	946,969	850,248	1,035,480	1,054,326
Unrestricted	212,671	121,759	556,886	611,926	769,557	733,685
Total net position	\$ 2,680,402	\$ 2,872,418	\$ 3,185,274	\$ 3,246,731	\$ 5,865,676	\$ 6,119,149

The net position decreased \$250,711 in fiscal year 2018. The governmental activities decreased \$192,016, while the business-type activities decreased \$58,695. Net position of the City's governmental activities is \$2,680,402, while the business-type activity is \$3,185,274.

\$1,035,480 of the City's net position represents resources that are subject to restrictions on how they may be used. Restricted net position is \$88,511 for governmental activities and \$946,969 for business-type activities. The remaining balance of *unrestricted net position*, \$769,557 may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position is \$212,671 for governmental activities and \$556,886 for business-type activities.

**City of New Ellenton, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Change in Net Position**

The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2018 and 2015.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenue:						
Program Revenue	\$ 581,890	\$ 566,287	\$ 1,305,481	\$ 1,297,164	\$ 1,887,371	\$ 1,863,451
General Revenue	964,576	1,237,909	101,879	127,360	1,066,455	1,365,269
Total Revenue	<u>1,546,466</u>	<u>1,804,196</u>	<u>1,407,360</u>	<u>1,424,524</u>	<u>2,953,826</u>	<u>3,228,720</u>
Expenses:						
Governmental Activities	1,738,482	1,631,497	-	-	1,738,482	1,631,497
Business-type Activities	-	-	1,466,055	1,314,974	1,466,055	1,314,974
Total Expenses	<u>1,738,482</u>	<u>1,631,497</u>	<u>1,466,055</u>	<u>1,314,974</u>	<u>3,204,537</u>	<u>2,946,471</u>
Change in Net Position	\$ <u>(192,016)</u>	\$ <u>172,699</u>	\$ <u>(58,695)</u>	\$ <u>109,550</u>	\$ <u>(250,711)</u>	\$ <u>282,249</u>

**Governmental activities**

Governmental activities decreased the City's net position by \$192,016.

**Business-type activities**

Net position of business-type activities decreased in the current year by \$58,695.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As previously mentioned, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of the financial highlights from the fund financial statements.

**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. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's total governmental funds reported a combined ending fund balance of \$878,881 an decrease of \$88,300 in comparison with the prior year. Restricted fund balance of \$88,511 is considered unavailable for appropriation for general operations. These amounts are restricted for victims assistance and capital outlay.

The General Fund is the chief operating fund of the City and accounts for the major functions of the



**City of New Ellenton, South Carolina  
Management's Discussion and Analysis  
June 30, 2018**

government including general government, public safety, public works, administrative, council, legal, judicial, and non-departmental. The fund balance decreased \$88,511 (9%) during the current fiscal year.

**Proprietary funds** – The City's Proprietary Fund statements provide the same type of information as the government-wide financial statements but in more detail.

The net position of the water and sewer enterprise proprietary fund decreased \$250,711 from the prior fiscal year.

## **BUDGETARY HIGHLIGHTS**

The City's annual budget is the legally adopted expenditure control document of the City. A budgetary comparison statement is included for the General Fund. This statement compares the original adopted budget, the final budget and the actual revenues and expenditures prepared on a budgetary basis. Amendments to the adopted budget may occur throughout the year in a legally permissible manner.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** – The City's investment in capital assets net of accumulated depreciation for its government-wide activities as of June 30, 2018, is \$7,509,075. This is an increase of \$102,086 from the June 30, 2017, balance of \$7,406,269. This investment in capital assets includes improvements other than buildings, buildings and systems, and machinery and equipment. The major capital asset additions included the purchase of fire truck.

Additional information on the City's capital assets can be found in the Notes to Financial Statements in Note 5.

**Debt administration** – At year-end the City had \$3,448,436 in notes and bonds payable for its government-wide activities. This is an increase of \$373,305 (12.1%) from the previous year amount of \$3,075,131.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements in Note 6.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Inflationary trends in the region compare favorably to national indices. This factor, among others, was considered in preparing the City's budget for the 2019 fiscal year.

### **Contacting the City's financial management**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Zoryada El, City Clerk/ Treasurer, City of New Ellenton, PO Box 459, New Ellenton, South Carolina 29809.



City of New Ellenton

Statement of Net Position  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 721,765	\$ 21,262	\$ 743,027
Restricted cash and cash equivalents	88,511	2,032,273	2,120,784
Receivables, net	64,096	123,468	187,564
Internal balances	29,644	(29,644)	-
Inventory	-	75,170	75,170
Property, plant and equipment, net	3,564,825	3,944,250	7,509,075
Bond issuance costs, net of accumulated amortization of \$56,612	-	16,204	16,204
<b>Total assets</b>	<u>4,468,841</u>	<u>6,182,983</u>	<u>10,651,824</u>
<b>Deferred outflows - pensions</b>	<u>236,278</u>	<u>67,522</u>	<u>303,800</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 4,705,119</u>	<u>\$ 6,250,505</u>	<u>\$ 10,955,624</u>
<b>Liabilities and Net Position</b>			
Accounts payable and accrued liabilities	\$ 21,735	\$ 40,564	\$ 62,299
Deposit liabilities	3,400	42,794	46,194
Long-term liabilities			
Due within one year	119,051	106,117	225,168
Due in more than one year	1,066,554	2,156,714	3,223,268
Net pension liability	713,044	690,881	1,403,925
<b>Total liabilities</b>	<u>1,923,784</u>	<u>3,037,070</u>	<u>4,960,854</u>
<b>Deferred inflows - pensions</b>	<u>100,933</u>	<u>28,161</u>	<u>129,094</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>2,024,717</u>	<u>3,065,231</u>	<u>5,089,948</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	2,379,220	1,681,419	4,060,639
Restricted			
Victim's assistance	53,845	-	53,845
Debt service	-	946,969	946,969
Capital outlay	34,666	-	34,666
Unrestricted	212,671	556,886	769,557
<b>Total net position</b>	<u>2,680,402</u>	<u>3,185,274</u>	<u>5,865,676</u>
<b>Total liabilities and net position</b>	<u>\$ 4,705,119</u>	<u>\$ 6,250,505</u>	<u>\$ 10,955,624</u>

City of New Ellenton

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Civic Center	\$ (19,761)	\$ 7,275	\$ -	\$ -	(12,486)	\$ -	(12,486)
Fire Department	(508,593)	397,129	-	-	(111,464)	-	(111,464)
General Government	(256,766)	9,264	22,045	-	(225,457)	-	(225,457)
Library	(37,219)	-	-	-	(37,219)	-	(37,219)
Police Department	(538,900)	-	-	-	(538,900)	-	(538,900)
Recreation	(30,262)	6,671	-	-	(23,591)	-	(23,591)
Sanitation	(80,723)	135,346	-	-	54,623	-	54,623
Streets and Grounds	(255,414)	-	-	-	(255,414)	-	(255,414)
Atomic City Festival	(4,324)	4,160	-	-	(164)	-	(164)
Victims Assistance	(6,520)	-	-	-	(6,520)	-	(6,520)
Total governmental activities	(1,738,482)	559,845	22,045	-	(1,156,592)	-	(1,156,592)
Business-type activities:							
Sewer and water	(1,466,055)	1,305,481	-	-	-	(160,574)	(160,574)
Total business-type activities	(1,466,055)	1,305,481	-	-	-	(160,574)	(160,574)
Total functions and programs	\$ (3,204,537)	\$ 1,865,326	\$ 22,045	\$ -	(1,156,592)	(160,574)	(1,317,166)
<b>General revenues and transfers</b>							
Local option sales tax					-	-	-
State shared and unallocated intergovernmental					265,988	-	265,988
Licenses, permits and franchise fees					104,035	-	104,035
Property taxes					461,996	-	461,996
Fines and forfeitures					151,228	-	151,228
Interest income					2,338	-	2,338
Debt forgiveness					-	68,353	68,353
Miscellaneous					12,517	-	12,517
Transfers in (out)					(33,526)	33,526	-
Total general revenues and transfers					964,576	101,879	1,066,455
Change in net position					(192,016)	(58,695)	(250,711)
Net position, beginning					2,872,418	3,246,731	6,119,149
Net position, ending					\$ 2,680,402	\$ 3,188,036	\$ 5,868,438

**City of New Ellenton**

**Balance Sheet  
Governmental Funds  
June 30, 2018**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 721,765	\$ 721,765
Receivables, net	64,096	64,096
Due from other funds	29,644	29,644
Restricted assets:		
Cash and cash equivalents	88,511	88,511
Total assets	\$ <u>904,016</u>	\$ <u>904,016</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 21,735	\$ 21,735
Deposit liabilities	3,400	3,400
Total liabilities	<u>25,135</u>	<u>25,135</u>
Fund balances:		
Restricted		
Victims assistance	53,845	53,845
Capital outlay	34,666	34,666
Unassigned	790,370	790,370
Total fund balances	<u>878,881</u>	<u>878,881</u>
Total liabilities and fund balances	\$ <u>904,016</u>	\$ <u>904,016</u>



**City of New Ellenton**

**Reconciliation of the Governmental Funds - Balance Sheet  
to the Statement of Net Position  
June 30, 2018**

Total fund balance - Governmental Funds	\$ 878,881
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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds.	3,564,825
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.	
Note payable	(1,185,605)
Net pension liability	(713,044)
Deferred outflows for pensions	236,278
Deferred inflows for pensions	<u>(100,933)</u>

Total net position of Governmental Activities	\$ <u><u>2,680,402</u></u>
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**City of New Ellenton**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year Ended June 30, 2018**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Licenses and permits	\$ 15,934	\$ 15,934
State shared revenue	265,988	265,988
Franchise fees	88,101	88,101
Property taxes	461,996	461,996
Fines and forfeitures	151,228	151,228
Fire taxes	397,129	397,129
Interest income	2,338	2,338
Sanitation fees	135,346	135,346
Grant revenues	22,045	22,045
Other revenue	39,888	39,888
Total revenues	<u>1,579,993</u>	<u>1,579,993</u>
<b>Expenditures</b>		
Civic Center	18,078	18,078
Fire department	258,432	258,432
General government	210,375	210,375
Library	3,582	3,582
Police department	439,422	439,422
Recreation department	26,685	26,685
Sanitation department	78,470	78,470
Streets and roads	248,657	248,657
Victims assistance	6,520	6,520
Atomic City Festival	4,324	4,324
Debt service		
Principal	126,491	126,491
Interest	23,528	23,528
Capital outlay	862,905	862,905
Total expenditures	<u>2,307,469</u>	<u>2,307,469</u>
Excess (deficiency) of revenues over expenditures	<u>(727,476)</u>	<u>(727,476)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in (out)	(33,526)	(33,526)
Proceeds from note payable	672,702	672,702
Net change in fund balance	<u>(88,300)</u>	<u>(88,300)</u>
Fund balance, beginning of year	967,181	967,181
Fund balance, end of year	\$ <u>878,881</u>	\$ <u>878,881</u>

See accompanying notes to financial statements.

City of New Ellenton

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$	(88,300)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	862,905
Depreciation expense		<u>(420,632)</u>
		442,273

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts are consisted of:

Principal repayments		126,491
Proceeds from issuance of note payable		<u>(672,702)</u>

Net revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported in these funds.

	<u>222</u>
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Change in net position of governmental activities	\$	<u><u>(192,016)</u></u>
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City of New Ellenton

Balance Sheet  
Proprietary Funds  
June 30, 2018

	Business-Type Activities		
	Sewer	Water	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 21,148	\$ 114	\$ 21,262
Accounts receivable, net of allowance of \$8,463 and \$0.	10,368	113,100	123,468
Inventory	-	75,170	75,170
<b>Total current assets</b>	<u>31,516</u>	<u>188,384</u>	<u>219,900</u>
<b>Restricted assets</b>			
Revenue bond restricted funds cash and cash equivalents	946,969	1,085,304	2,032,273
<b>Total restricted assets</b>	<u>946,969</u>	<u>1,085,304</u>	<u>2,032,273</u>
<b>Property, plant and equipment, net</b>	2,484,060	1,460,190	3,944,250
<b>Other assets</b>			
Bond issuance costs, net of accumulated amortization of \$0 and \$53,971	-	16,204	16,204
<b>Total other assets</b>	<u>-</u>	<u>16,204</u>	<u>16,204</u>
<b>Total assets</b>	<u>3,462,545</u>	<u>2,750,082</u>	<u>6,212,627</u>
<b>Deferred outflows - pensions</b>	<u>4,675</u>	<u>62,847</u>	<u>67,522</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 3,467,220</u>	<u>\$ 2,812,929</u>	<u>\$ 6,280,149</u>
<b>Liabilities and Net Position</b>			
<b>Current liabilities</b>			
Accounts payable	18,928	21,636	40,564
Due to other funds	29,644	-	29,644
Customer deposits	-	42,794	42,794
Current portion of long-term debt	-	106,117	106,117
<b>Total current liabilities</b>	<u>48,572</u>	<u>170,547</u>	<u>219,119</u>
<b>Long-term liabilities</b>			
Long-term debt	174,929	1,981,785	2,156,714
Net pension liability	17,109	673,772	690,881
<b>Total long-term liabilities</b>	<u>192,038</u>	<u>2,655,557</u>	<u>2,847,595</u>
<b>Total liabilities</b>	<u>240,610</u>	<u>2,826,104</u>	<u>3,066,714</u>
<b>Deferred inflows - pensions</b>	<u>2,190</u>	<u>25,971</u>	<u>28,161</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>242,800</u>	<u>2,852,075</u>	<u>3,094,875</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	2,309,131	(627,712)	1,681,419
Restricted for long-term debt	946,969	-	946,969
Unrestricted	(31,680)	588,566	556,886
<b>Total net position</b>	<u>3,224,420</u>	<u>(39,146)</u>	<u>3,185,274</u>
<b>Total liabilities and net position</b>	<u>\$ 3,467,220</u>	<u>\$ 2,812,929</u>	<u>\$ 6,280,149</u>

See accompanying notes to financial statements.

City of New Ellenton

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
Year Ended June 30, 2018

	Business-Type Activities		
	Sewer	Water	Total
<b>Operating Revenues</b>			
Charges for services	\$ 151,710	\$ 1,135,069	\$ 1,286,779
Other revenues	7,800	10,902	18,702
Total operating revenues	<u>159,510</u>	<u>1,145,971</u>	<u>1,305,481</u>
<b>Operating Expenses</b>			
Personnel	24,952	324,740	349,692
Payroll taxes	1,890	24,262	26,152
Retirement	17,744	100,518	118,262
Training	-	1,106	1,106
Amortization	-	2,641	2,641
Repairs and maintenance	2,389	26,269	28,658
Bank service charges	-	6,120	6,120
Depreciation	171,641	152,355	323,996
Dues and subscriptions	-	-	-
Employee benefits	-	67,082	67,082
Insurance	-	19,495	19,495
License and permits	1,600	-	1,600
Miscellaneous	2,762	-	-
Office supplies	-	20,735	20,735
Professional fees	3,900	21,656	25,556
Supplies	35,462	-	35,462
System repairs and maintenance	-	152,227	152,227
Fuel	-	4,709	4,709
Testing	8,034	-	8,034
Utilities	39,014	93,694	132,708
Total operating expenses	<u>309,388</u>	<u>1,017,609</u>	<u>1,324,235</u>
Operating income (loss)	<u>(149,878)</u>	<u>128,362</u>	<u>(18,754)</u>
<b>Non-Operating Revenue (Expenses)</b>			
Interest income	-	-	-
Interest expense	-	(141,820)	(141,820)
Transfer in from other funds	33,526	-	33,526
Debt forgiveness-Bond	68,353	-	68,353
Total Non-operating revenue (expenses)	<u>101,879</u>	<u>(141,820)</u>	<u>(39,941)</u>
Change in net position	(47,999)	(13,458)	(58,695)
Net position, beginning of year	3,272,419	(25,688)	3,246,731
Net position, end of year	<u>\$ 3,224,420</u>	<u>\$ (39,146)</u>	<u>\$ 3,188,036</u>

See accompanying notes to financial statements.

City of New Ellenton

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2018

	Business-Type Activities		
	Sewer	Water	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and others	\$ 165,896	\$ 1,143,795	\$ 1,309,691
Payments to suppliers	(72,049)	(178,496)	(250,545)
Payments to employees	(24,952)	(324,740)	(349,692)
Other receipts (payments)	-	(335,193)	(335,193)
Net cash provided (used) by operating activities	68,895	305,366	374,261
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	(8,799)	-	(8,799)
Principal paid on capital debt	-	(143,706)	(143,706)
Net transfers from other funds	33,526	-	33,526
Net cash provided (used) by financing activities	24,727	(143,706)	(118,979)
<b>Cash Flows from Investing Activities</b>			
Interest expense	-	(141,820)	(141,820)
Interest income	-	-	-
Net cash provided (used) by investing activities	-	(141,820)	(141,820)
Net increase in cash and cash equivalents	93,622	19,840	113,462
Cash and cash equivalents, beginning of year	874,495	1,065,578	1,940,073
Cash and cash equivalents, end of year	\$ 968,117	\$ 1,085,418	\$ 2,053,535
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (149,878)	\$ 128,362	\$ (21,516)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	171,641	152,355	323,996
Amortization expense	-	2,641	2,641
Change in assets and liabilities:			
Accounts receivable, net	9,052	(2,176)	6,876
Inventory	-	(5,915)	(5,915)
Deferred outflows of resources	(4,675)	3,200	(1,475)
Deferred inflows of resources	2,190	22,020	24,210
Net pension liability	17,109	(345)	16,764
Customer deposits	-	1,389	1,389
Accounts payable	9,169	3,835	13,004
Due to other funds	14,287	-	14,287
Net cash provided (used) by operating activities	\$ 68,895	\$ 305,366	\$ 374,261



## **City of New Ellenton**

### **Notes to the Financial Statements Year Ended June 30, 2018**

#### **Note 1 – Description of Entity**

The City of New Ellenton, South Carolina (the “City”) an incorporated municipality, is located in Aiken County in southwestern South Carolina. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, public improvements, planning and zoning, general and administrative services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Blended component units are discussed below.

#### **Note 2 – Summary of Significant Accounting Policies**

The City applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### **Blended Component Unit within the Reporting Entity**

The Commission of Public Works consists of a three-member Board of Commissioners elected by the citizens of the City. The Commissioners have the authority to set policy and procedures. The Commissioners cannot incur debt without the approval of City Council.

#### **Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City government. 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 is 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.

## **City of New Ellenton**

### **Notes to the Financial Statements Year Ended June 30, 2018**

#### **Note 2 – Summary of Significant Accounting Policies, continued**

##### **Government-wide and fund financial statements, continued**

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

##### **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes collected within this sixty day period is an example of such revenue. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, or specifically identified.



**City of New Ellenton**

**Notes to the Financial Statements  
Year Ended June 30, 2018**

**Note 2 – Summary of Significant Accounting Policies, continued**

**Measurement focus, basis of accounting, and financial statement presentation, continued**

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *proprietary fund (enterprise fund)* is 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through the user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The sewer fund is accounted for as an Enterprise Fund operation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Cash and Cash Equivalents**

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

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

As of June 30, 2018, the City had deposits and investments as follows:

	<u>Fair Value</u>
Deposits with financial institutions	\$ 2,845,048
Investment with S.C. Local Government Investment Pool	<u>34,666</u>
	<u>\$ 2,879,714</u>

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



## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 2 – Summary of Significant Accounting Policies, continued

##### Cash and Cash Equivalents, continued

*Credit risk.* As of June 30, 2018, the City's investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

*Concentration of Credit Risk.* The City's investment policy currently does not involve investment in individual issuers.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. During the year ended June 30, 2018, the City's balances may, at times, exceed federally insured limits. The City has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on deposits.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in the state investment pool is not subject to custodial credit risk.

##### Receivables

Property taxes are levied on real and personal properties, except motor vehicles, owned on the preceding December 31, of each County fiscal year ended June 30.

Property taxes become a lien on real and personal property (except vehicles) owned on December 31. These taxes are usually levied on or before October 31 and are due without penalty by January 15. Penalties are added to the taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 16	10% of tax
March 17 through March 31	15% of tax

Both lien and the collection date for motor vehicles taxes are the last day of the month in which the motor vehicle license expires.

An annual millage rate is established by City council as part of the budget process. All the City's real and personal property taxes are assessed and collected by Barnwell County.

## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 2 – Summary of Significant Accounting Policies, continued

##### Receivables, 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.

Outstanding balances between funds are reported as “due to/from other funds.” Advances between funds, as reported in the funds financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

##### Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the government 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 purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer facility and buildings	30
Machinery and equipment	3 - 10
Water delivery system	15 - 30

##### Bond Issuance Costs

The Commission of Public Works has recorded bond issue costs arising from the issuance of revenue bonds. Such costs are being amortized on a straight- line basis over the term of the bond.

## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 2 – Summary of Significant Accounting Policies, continued

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position 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.

##### Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, unused vacation or sick leave is payable to the employee. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

##### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for expenditures are recorded to reserve a portion of an applicable appropriation, is utilized in governmental funds, primarily the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities under accounting principles generally accepted.

##### Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – The category presents external restrictions imposed by creditor, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, the City implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2013. GASB No. 54 established that



## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 2 – Summary of Significant Accounting Policies, continued

##### Fund Equity, continued

fund balance for governmental funds should be reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which the amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable – generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.

Legally or Contractually Required to be Maintained Intact – amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted – amounts that can be used only for specific purpose because of (a) constitutional provisions of enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligation if existing resources have been committed for use in satisfying those contractual requirements. The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative unassigned general fund balance.

Unassigned - this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 2 – Summary of Significant Accounting Policies, continued

##### Fund Equity, continued

Below are the fund balance classifications for the governmental funds at June 30, 2018:

	General Fund	Total Governmental Funds
Fund Balances		
Restricted		
Victims Assistance	\$ 53,845	\$ 53,845
Capital outlay	34,666	34,666
Unassigned	790,370	790,370
Total Fund Balances	\$ <u>878,881</u>	\$ <u>878,881</u>

##### Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is classified as invested in capital assets net of related debt, restricted and unrestricted. Net position invested in capital assets, net of related debt; consist 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 that 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.

##### Restricted and unrestricted resources

It is the City's policy to apply available resources that meet all criteria of the fund classifications in the following order: 1) restricted funds, 2) committed funds, 3) assigned funds and 4) unassigned.

##### Estimates

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

## City of New Ellenton

### Notes to the Financial Statements Year Ended June 30, 2018

#### Note 3 – Stewardship, Compliance, and Accountability

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

1. The various departments meet with the Mayor or their respective Council Committees during the last quarter of the fiscal year to discuss their operating budget requests
2. The Council meets to discuss all the department's budgets.
3. The proposed budget is enacted prior to July 1 in the form of an ordinance (with two readings and one public hearing) to raise revenue.
4. City Council must authorize budget transfers between departments and all transfers in/out of personnel line items.
5. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2018, total budgets for the General Fund equaled \$1,496,188.

#### Note 4 – Capital Assets

A summary of capital assets accounted for in the governmental-type activities is as follows:

	Balance July 1, 2017	Additions	Dispositions	Balance June 30, 2018
<b>Governmental Activities</b>				
Depreciable capital assets:				
Buildings	\$ 2,600,177	\$ -	\$ -	\$ 2,600,177
Land improvements	210,154	35,665	-	245,819
Vehicles and equipment	3,002,958	802,970	-	3,805,928
Total depreciable capital assets	<u>5,813,289</u>	<u>838,635</u>	<u>-</u>	<u>6,651,924</u>
Less accumulated depreciation	<u>(2,666,467)</u>	<u>(420,632)</u>	<u>-</u>	<u>(3,087,099)</u>
Governmental activities capital assets, net	<u>\$ 3,146,822</u>	<u>\$ 418,003</u>	<u>\$ -</u>	<u>\$ 3,564,825</u>



**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 4 – Capital Assets, continued**

Depreciation expense for the year ended June 30, 2018 was charged to functions/programs of the primary government as follows:

**Governmental Activities**

Fire department	\$ 226,633
Civic center	1,683
Library	33,637
Parks and recreation	3,577
Police department	99,478
Sanitation department	2,253
Streets and roads	6,757
General	46,614
Total depreciation expense - governmental activities	<u>\$ 420,632</u>

A summary of capital assets accounted for in the business-type activities is as follows:

	Balance July 1, 2017	Additions	Dispositions	Balance June 30, 2018
<b>Business-Type Activities</b>				
Non-depreciable capital assets:				
Land and land improvements	\$ 2,500	\$ -	\$ -	\$ 2,500
Total non-depreciable capital assets	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Depreciable capital assets:				
Water delivery and sewer infrastructure	10,130,958	-	-	10,130,958
Buildings and improvements	204,412	-	-	204,412
Machinery and equipment	187,573	8,799	-	196,372
Office furniture and equipment	19,819	-	-	19,819
Vehicles and equipment	214,457	-	-	214,457
Total depreciable capital assets	<u>10,757,219</u>	<u>8,799</u>	<u>-</u>	<u>10,766,018</u>
Less accumulated depreciation	<u>(6,500,272)</u>	<u>(323,996)</u>	<u>-</u>	<u>(6,824,268)</u>
Total capital assets, being depreciated, net	<u>4,256,947</u>	<u>(315,197)</u>	<u>-</u>	<u>3,941,750</u>
Business-type activities capital assets, net	<u>\$ 4,259,447</u>	<u>\$ (315,197)</u>	<u>\$ -</u>	<u>\$ 3,944,250</u>

Depreciation expense for business-type activities for the year ended June 30, 2018 was \$315,197.

# City of New Ellenton

## Notes to Financial Statements Year Ended June 30, 2018

### Note 5 – Long-Term Debt

Long-term debt at June 30, 2018 is comprised of the following for governmental-type activities:

Note payable to financial institution due in semi-annual installments of \$47,883 with an interest rate of 2.884% collateralized by a vehicle.	\$	139,049
Note payable to financial institution due in varying semi-annual installments ranging from \$20,879 to \$78,543 with an interest rate of 3.20% collateralized by vehicles.		<u>1,046,556</u>
		1,185,605
Current portion of notes payable		<u>119,051</u>
Long-term portion of notes payable	\$	<u><u>1,066,554</u></u>

The debt service requirement for the City's note payable as of June 30, 2018 is as follows:

Year Ending June 30, Governmental Activities:	Principal	Interest	Totals
2019	119,051	34,086	153,137
2020	122,999	30,132	153,131
2021	111,598	26,431	138,029
2022	115,300	22,606	137,906
2023	119,124	18,654	137,778
Thereafter	597,533	34,247	631,780
	<u>\$ 1,185,605</u>	<u>\$ 166,156</u>	<u>\$ 1,351,761</u>

Changes in long-term debt for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
Notes payable	<u>600,241</u>	<u>672,702</u>	<u>87,338</u>	<u>1,185,605</u>	<u>119,051</u>
Governmental activities long-term liabilities	<u>\$ 600,241</u>	<u>\$ 672,702</u>	<u>\$ 87,338</u>	<u>\$ 1,185,605</u>	<u>\$ 119,051</u>

## **City of New Ellenton**

### **Notes to Financial Statements Year Ended June 30, 2018**

#### **Note 5 – Long-Term Debt, continued**

The City of New Ellenton and the Commission of Public Works had two and one series, respectively, of Revenue Bonds outstanding as of June 30, 2018. These bonds were issued pursuant to bond ordinances, which set forth the terms of payment and various accounting and stewardship requirements to insure payment of the bonds. The provisions of these bond ordinances are summarized below.

The Commission issued a \$1,663,000 Waterworks System Revenue Bond on March 14, 1988. Interest is payable monthly at the rate of 7.75% for a period of 30 years. The outstanding bonds are subject to redemption at the option of the City of New Ellenton. The bonds are to be redeemed in reverse chronological order.

On June 28, 1990, the City of New Ellenton issued a \$5,025,000 Sewer System Revenue Bond, Series 1990. Interest is payable semiannually on June 1, and December 1 and principal is payable on June 1 of each year through 2020. Interest rates vary from 6.15% to 7.25% with the maturity of the bonds.

The Sewer Department had the following bond payable at year-end:

South Carolina Resource Authority	\$ 174,929
-----------------------------------	------------

The Sewer Department's obligation to the State of South Carolina consists of amounts paid by the State of South Carolina to South Carolina Resources Authority on behalf of the City. These payments on behalf of the City were for principal and interest due on the \$5,025,000 Sewer System Revenue Bond, Series 1990. The City does not have an established schedule for repaying the \$174,929. The City is required to submit 60% of their sewer revenue as a monthly payment.

The 1990 Sewer System Revenue Bond Resolution provides that if the City is adjudged to be in default, after proper written notification and the sixty-day grace period to correct any such default as to the performance of any covenant, then holders of not less than 25% of the bonds may give written notice to the City and declare the principal of all bonds then outstanding and the interest accrued thereon immediately due and payable. A court ordered agreement has been reached concerning the City's default on the bond, which is discussed in Note 9.



City of New Ellenton

Notes to Financial Statements  
Year Ended June 30, 2018

Note 5 – Long-Term Debt, continued

Long-term debt of the Commission of Public Works at June 30, 2018 consisted of the following:

The outstanding installments of an original issue of \$1,663,000 Waterworks System Revenue Bond, Series of 1988, of the Commission of New Ellenton, South Carolina, dated March 29, 1988 was refinanced through the Branch Banking & Trust. The Note is due in monthly installments of \$9,897 (including principal and interest at 4.66%). The final installment of the Bond is due thirty years from the issue of date if not sooner paid.	\$	32,703
The outstanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$5,309 (including principal and interest at 4.875%). The final installment is due in year 2043.		914,488
The outstanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$2,034 (including principal and interest at 4.875%). The final installment is due in year 2043.		340,895
The outstanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$1,977 (including principal and interest at 4.125%). The final installment is due in year 2050.		422,927
The outstanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$1,794 (including principal and interest at 4.125%). The final installment is due in year 2050.		<u>376,899</u>
Total long-term debt		2,087,912
Less current maturities		<u>(106,117)</u>
	\$	<u><u>1,981,795</u></u>

The above Revenue Bonds payable were purchased by the United States Department of Agriculture, Farmers Home Administration.

# City of New Ellenton

## Notes to Financial Statements Year Ended June 30, 2018

### Note 5 – Long-Term Debt, continued

The bonds are a special obligation of the issuer and are payable solely from the revenues derived from the operation of the waterworks system.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
<b>Commission of Public Works</b>				
USDA #2	\$ 933,273	\$ -	\$ 18,785	\$ 914,488
USDA #3	347,029	-	6,134	340,895
USDA #4	426,739	-	3,812	422,927
USDA #5	380,626	-	3,737	376,889
BB&T	143,941	-	111,238	32,703
	<u>\$ 2,231,608</u>	<u>\$ -</u>	<u>\$ 143,706</u>	<u>\$ 2,087,902</u>

The bond indentures provide that the revenue of the system is to be used in the following order (on a monthly basis):

1. To the Operation and Maintenance Fund the sum determined to be needed as the cost of operating and maintaining the system for the next month.
2. To the Bond and Interest Funds and Cushion Fund as established by the ordinances.
3. To the Depreciation Fund and Contingency Fund the amounts required.
4. Any remaining revenues at the end of the fiscal year may be disposed of as the Board of Commissioners determines for any lawful purpose.

The bond indenture also contains provisions, which restrict the issuance of additional bonds unless certain conditions are met.

Revenue bonds restricted funds as of June 30, 2018, consist of:

Gross Revenue Fund	\$ 578,664
Water Deposit Refund	40,184
Cushion Funds	258,337
Depreciation and Contingency Fund	208,119
	<u>\$ 1,085,304</u>

**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 5 – Long-Term Debt, continued**

The debt service requirement for the Commission of Public Works as of June 30, 2018 is as follows:

Year Ending June 30, Commission of Public Works	Principal	Interest	Total
2019	106,117	94,324	200,441
2020	41,917	91,451	133,368
2021	43,905	89,463	133,368
2022	45,988	87,380	133,368
2023	48,170	85,198	133,368
2024-2028	277,410	82,911	360,321
2029-2033	349,902	389,430	739,332
2034-2038	441,468	316,938	758,406
2039-2043	457,165	225,372	682,537
2044-2048	190,229	108,771	299,000
2049-2053	85,631	28,034	113,665
	<u>\$ 2,087,902</u>	<u>\$ 1,599,272</u>	<u>\$ 3,687,174</u>

**Note 6 – Pension Plan Obligation**

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

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



## **City of New Ellenton**

### **Notes to Financial Statements**

**Year Ended June 30, 2018**

#### **Note 6 – Pension Plan Obligation, continued**

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on 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, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

#### **Plan Description**

The Town contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan. The 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 schools, Towns, and political subdivisions.

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

#### **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.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. For this

## City of New Ellenton

### Notes to Financial Statements Year Ended June 30, 2018

#### Note 6 – Pension Plan Obligation, continued

reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS.

A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

- **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 PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

#### Benefits

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

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



## City of New Ellenton

### Notes to Financial Statements Year Ended June 30, 2018

#### Note 6 – Pension Plan Obligation, 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.

#### Contributions

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



City of New Ellenton

Notes to Financial Statements  
Year Ended June 30, 2018

Note 6 – Pension Plan Obligation, continued

Contributions, continued

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the Board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July 1st, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

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

Required employee contribution rates (1) are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<b>State ORP</b>		
Employee	9.00%	8.66%
<b>PORS</b>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

City of New Ellenton

Notes to Financial Statements  
Year Ended June 30, 2018

Note 6 – Pension Plan Obligation, continued

Contributions, continued

Required employer contributions rates (1) are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>State ORP</b>		
Employer Contribution (2)	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

(1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

**Pension Plan Fiduciary Net Position**

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

**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 6 – Pension Plan Obligation, continued**

**Pension Plan Fiduciary Net Position, continued**

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

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's 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.

**Additional Financial and Actuarial Information**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. Additional financial information supporting the preparation of the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

**Actuarial Assumptions**

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

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an Actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The



**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 6 – Pension Plan Obligation, continued**

**Actuarial Assumptions, continued**

Retirement System Funding and Administration Act of 2017 was signed into law on April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

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

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return (1)	7.25%	7.25%
Projected salary increases (1)	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

(1) 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.

Assumptions used in the determination of the June 30, 2017, total pension liability are as follows.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
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%

**City of New Ellenton**

**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**Note 6 – Pension Plan Obligation, continued**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon the 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.

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

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-term Expected Portfolio Real Rate of Return</b>
Global Equity	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	<b>8.0%</b>		
Real estate (Private)	5.0%	4.32%	0.22%
Real estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.32%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 6 – Pension Plan Obligation, continued**

**Discount Rate**

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following table presents the Town's proportionate share of the net pension liabilities of the respective plans calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 1,281,960	\$ 1,015,948	\$ 817,444
PORS	\$ 523,842	\$ 387,977	\$ 280,957

**Net Pension Liability**

At June 30, 2018, the Town reported a net pension liability of \$1,015,948 and \$387,977 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, projected forward to June 30, 2017. The Town's proportionate shares of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Town's proportionate shares of the SCRS and PORS plans were .001520 percent and .01416 percent respectively.

**Pension Expense**

For the year ended June 30, 2018, the City recognized pension expense for the SCRS plan of \$19,372. For the year ended June 30, 2018, the City recognized pension expense for the PORS plan of \$42,249.



**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 6 – Pension Plan Obligation, continued**

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

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

For the SCRS plan, there were total deferred outflows of resources of \$156,352 consisting of differences between expected and actual experience of \$1,525, the net difference between projected and actual earnings on pension plan investments of \$47,636, changes in proportion and differences between employer contributions and proportionate share of contributions of \$12,826, and City contributions subsequent to the measurement date of \$31,518. There were deferred inflows of resources of \$43,802 for the SCRS plan consisting of differences between expected and actual experience.

For the PORS plan, there were total deferred outflows of resources of \$147,448 consisting of differences between expected and actual experience of \$3,460, the net difference between projected and actual earnings on pension plan investments of \$77,454, changes in proportion and differences between employer contributions and proportionate share of contributions of \$32,293, and City contributions subsequent to the measurement date of \$34,241. There were deferred inflows of resources of \$59,321 for the PORS plan consisting of differences between expected and actual experience.

The \$31,518 and \$34,241 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2018 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

For the SCRS plan, \$(5,954) will be recognized for the fiscal year 2019 and \$12,926 for the fiscal year 2020. For fiscal year 2021 \$13,553 will be recognized and \$(2,339) will be recognized in 2021.

For the PORS plan, \$10,223 will be recognized for the fiscal year 2019 and \$18,011 for the fiscal year 2020. For fiscal year 2021 \$19,548 will be recognized and \$6,104 will be recognized in 2022.

**Covered Payroll and Contributions**

The payroll for City employees covered by the SCRS totaled \$536,927 and \$464,827 for the year ended June 30, 2018 and 2017, while the payroll for PORS covered employees totaled \$216,170 and \$188,777, respectively.

# City of New Ellenton

## Notes to Financial Statements Year Ended June 30, 2018

### Note 6 – Pension Plan Obligation, continued

#### Covered Payroll and Contributions, continued

The City's contributions to SCRS and PORS are summarized as follows:

Year Ended	Employer			Employee		
	Percent	SCRS	PORS	Percent	SCRS	PORS
June 30, 2018	100%	\$ 72,002	\$ 34,241	100%	\$ 48,323	\$ 21,077
June 30, 2017	100%	\$ 53,037	\$ 26,127	100%	\$ 40,250	\$ 17,441
June 30, 2016	100%	\$ 48,677	\$ 21,526	100%	\$ 36,344	\$ 14,082

### Note 7 – Post-Employment Benefits

As of June 30, 2018, the City does not offer any post-employment retirement benefits to its employees.

### Note 8 – Risk Management

The City is exposed to various risks of loss relating to liability, theft or impairment of assets, errors or omissions, injuries to employees and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The City does not maintain a self-insurance fund.

During the fiscal year ended June 30, 2018, the City did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for unasserted claims is necessary.

### Note 9 – Commitments and Contingencies

On February 20, 1997, the City and the custodian of its 1990 Sewer System Revenue Bond entered into a court-ordered agreement whereby the City is to remit sixty percent (60%) of the monthly sewer system revenues, except tap fees, to the bond custodian for application to debt service. Additionally, five percent (5%) of the monthly sewer system revenues are to be deposited into the Contingency fund and thirty-five percent (35%) will be available to the City for operation and maintenance of the sewer system. Under this agreement, the City has agreed to the above terms until the earlier of:

1. The bond maturity date of 2020, unless it is earlier retired, at which time the City's obligations under the bond will be deemed satisfied, or
2. The principal and interest payments by the City, including past payments, are brought current, or

**City of New Ellenton**

**Notes to Financial Statements  
Year Ended June 30, 2018**

**Note 9 – Commitments and Contingencies, continued**

3. Default by the City in its performance under the terms of the agreement, or
4. The parties otherwise agree.

The effect of this agreement is to provide a settlement between the bond custodian and the City of New Ellenton in that the bond custodian has agreed not to seek the appointment of a receiver so long as the City of New Ellenton performs the obligations and responsibilities under the bond and bond ordinance as modified by the court-ordered settlement. As of June 30, 2018, the City was in compliance with the provisions of this agreement.

**Note 10 – Subsequent Events**

Subsequent events were evaluated through April 9, 2019, which is the date the financial statements were available to be issued.



**City of New Ellenton**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund  
Budget and Actual  
Year Ended June 30, 2018**

	2018			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
Revenues				
Local option sales tax	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Licenses and permits	25,000	25,000	15,934	(9,066)
State shared revenue	209,219	209,219	265,988	56,769
Franchise fees	92,000	92,000	88,101	(3,899)
Property taxes	437,000	437,000	461,996	24,996
Fines and forfeitures	125,000	125,000	151,228	26,228
Fire taxes	402,260	402,260	397,129	(5,131)
Interest income	-	-	2,338	2,338
Sanitation fees	125,000	125,000	135,346	10,346
Grant revenues	-	-	22,045	22,045
Other revenue and appropriation of fund balance	104,346	104,346	39,888	(64,458)
Total revenues	1,569,825	1,569,825	1,579,993	10,168
Expenditures				
Civic Center	22,000	22,000	18,078	3,922
Fire department	214,085	214,085	258,432	(44,347)
General government	288,576	288,576	210,375	78,201
Library	4,000	4,000	3,582	418
Police department	440,465	440,465	439,422	1,043
Recreation department	23,850	23,850	26,685	(2,835)
Sanitation department	93,000	93,000	78,470	14,530
Streets and roads	200,981	200,981	248,657	(47,676)
Victims assistance	9,693	9,693	6,520	3,173
Atomic City Festival	-	-	4,324	(4,324)
Debt service				
Principal	134,474	134,474	126,491	7,983
Interest	23,701	23,701	23,528	173
Capital outlay	105,000	105,000	862,905	(757,905)
Total expenditures	1,559,825	1,559,825	2,307,469	(747,644)
Excess of revenues over expenditures	10,000	10,000	(727,476)	(737,476)
Other Financing Sources (Uses)				
Transfers in (out)	(10,000)	-	(33,526)	(33,526)
Proceeds from note payable	-	-	672,702	672,702
Net change in fund balances	-	10,000	(88,300)	(98,300)
Fund balance, beginning of year	967,181	967,181	967,181	-
Fund Balance, end of year	\$ 967,181	\$ 977,181	\$ 878,881	\$ (98,300)

**City of New Ellenton**

**Schedule of Proportionate Share of the Net Pension Liability  
Employee Pension Plan  
Year Ended June 30, 2018**

System	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
<b>SCRS</b>					
2015	0.001876%	\$ 892,108	\$ 695,156	128.33%	59.90%
2016	0.001499%	\$ 879,619	\$ 446,173	197.15%	56.99%
2017	0.001432%	\$ 979,990	\$ 464,827	210.83%	52.90%
2018	0.001520%	\$ 1,015,948	\$ 536,927	189.22%	53.30%
<b>PORS</b>					
2015	0.01562%	\$ 298,938	\$ 176,491	169.38%	67.50%
2016	0.01382%	\$ 301,228	\$ 161,361	186.68%	64.57%
2017	0.01229%	\$ 311,707	\$ 188,777	165.12%	60.40%
2018	0.01416%	\$ 387,977	\$ 216,170	179.48%	60.90%

See Notes to Supplemental Information.  
Schedule is intended to show information for 10 years.  
Additional information will be displayed as they become available.

**City of New Ellenton**

**Schedule of Contributions to Employee Pension Plan  
Year Ended June 30, 2018**

**SCRS**

	2018	2017	2016	2015
Contractually required contribution	\$ 72,002	\$ 53,037	\$ 48,677	\$ 74,729
Contributions in relation to the contractually required contribution	72,002	53,037	48,677	74,729
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 536,927	\$ 464,827	\$ 446,173	\$ 695,156
Contributions as a percentage of covered payroll	13.41%	11.41%	10.91%	10.75%

**PORS**

Contractually required contribution	\$ 34,241	\$ 26,127	\$ 21,526	\$ 22,961
Contributions in relation to the contractually required contribution	34,241	26,127	21,526	22,961
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 216,170	\$ 188,777	\$ 161,361	\$ 176,491
Contributions as a percentage of covered payroll	15.84%	13.84%	13.34%	13.01%

See Notes to Supplemental Information.  
Schedule is intended to show information for 10 years.  
Additional information will be displayed as they become available.



**City of New Ellenton**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

**Note 1 - Budgets and Budgetary Accounting**

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the City Administrator to administer the budget and to transfer necessary appropriations among departments. Additional budget appropriations must be approved by Council.

Formal budgetary integration is employed as a management control device during the year for the General and Public Works Funds.

The legal level of budget is at the fund level for the City of New Ellenton. The budgetary comparison schedule displays detail at the department level as additional information.

**Note 3 - Net Pension Liability**

	SCRS	PORS
Valuation date	July 1, 2015	July 1, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Remaining amortization period	29 years, open	30 years, open
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation rate	2.25%	2.25%
Projected salary increases	3.50% plus step-rate increases for members with less than 25 years of services	4.00% plus step-rate increases for members with less than 12 years of services
Investment rate of return	7.25%	7.25%
Retirement age	65 years	65 years
Mortality	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators.	RP-2000 Mortality Table with Blue Collar Adjustment, projected at a Scale AA from Year 2000. Male and Female rates are multiplied by 115%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

**City of New Ellenton**

**Schedule of Court Fines, Assessments and Surcharges  
Year Ended June 30, 2018**

**Court fines and assessments**

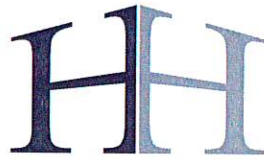
Court fines and assessments collected	\$ 151,228
Court fines and assessments remitted to State Treasurer	(74,738)
Total court fines and assessments retained	<u>\$ 76,490</u>

**Surcharges and assessments retained for victims services**

Surcharges collected and retained	\$ 7,209
Assessments retained	802
Total surcharges and assessments retained for victims services	<u>\$ 8,011</u>

**Funds allocated to victims services**

Carryover funds from prior years	\$ 53,833
Surcharges and assessments retained	8,011
Expenditures for victims services	(7,999)
Total unexpended victims rights assistance funds	<u>\$ 53,845</u>



**HIGHSMITH & HIGHSMITH, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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Member  
American Institute of  
Certified Public Accountants

**Independent Auditor's Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial Statements Performed In  
Accordance With *Government Auditing Standards***

The Honorable Mayor and  
Members of City Council  
City of New Ellenton  
New Ellenton, 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 New Ellenton as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of New Ellenton's basic financial statements and have issued our report thereon dated April 9, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Ellenton'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 of New Ellenton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Ellenton's internal control.

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

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



City of New Ellenton  
April 9, 2019

that have not been identified.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency: 2018-1.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Highsmith & Highsmith, LLC  
Travelers Rest, South Carolina

April 9, 2019

**City of New Ellenton**  
**Schedule of Findings**  
**Year Ended June 30, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

- |      |  |            |
|------|--|------------|
| i.   | Type of auditor’s report issued on the financial statements: |            |
|      | a. Governmental activities                                   | Unmodified |
|      | b. General fund  | Unmodified |
| ii.  | Internal control over financial reporting:                   |            |
|      | a. Material weaknesses identified                            | No         |
|      | b. Significant deficiencies identified                       | Yes        |
| iii. | Noncompliance material to the financial statements noted     | No         |

**Section II – Findings – 2017 Financial Statement Audit**

**Significant Deficiency**

**2018-1**

**Condition:** There is a lack of segregation of accounting duties that enables the same individuals to have access to both physical assets and the related accounting records or to all phases of a transaction.

**Criteria:** A fundamental concept of a system of good internal control is the segregation of duties.

**Questioned Cost:** none

**Recommendation:** Duties should be segregated to the extent possible. The City Council must remain involved in the financial affairs of the City to provide oversight and independent review functions.

**Management’s Response:** Management does not anticipate hiring additional staff; however, in an attempt to segregate duties as much as possible with the available staff and to continue to maintain the appropriate involvement of the City Council in the activities of the City.

**City of New Ellenton**

**Schedule of Prior Year Audit Findings  
For the year ended June 30, 2018**

**2017-1**

**Condition:** There is a lack of segregation of accounting duties that enables the same individuals to have access to both physical assets and the related accounting records or to all phases of a transaction.

**Criteria:** A fundamental concept of a system of good internal control is the segregation of duties.

**Questioned Cost:** none

**Recommendation:** Duties should be segregated to the extent possible. The City Council must remain involved in the financial affairs of the City to provide oversight and independent review functions.

**Management's Response:** Management does not anticipate hiring additional staff; however, in an attempt to segregate duties as much as possible with the available staff and to continue to maintain the appropriate involvement of the City Council in the activities of the City.