

***CITY OF SUMTER,  
SUMTER, SOUTH CAROLINA***

***FINANCIAL STATEMENTS WITH INDEPENDENT  
AUDITOR'S REPORT***

***For the Fiscal Year Ended June 30, 2011***



**CITY OF SUMTER, SOUTH CAROLINA  
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Year Ended June 30, 2011**

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# ***FINANCIAL SECTION***



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**INDEPENDENT AUDITOR'S REPORT**

November 8, 2011

City Council  
City of Sumter, South Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Sumter, South Carolina (the City), as of, and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Sumter, as of June 30, 2011, and the respective changes in financial position thereof and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2011 on my consideration of the City's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 5 through 13 and the Schedule of Funding Progress and Employer Contributions on page 49 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedules listed in the table of contents as other supplementary information are presented for the purpose of additional analysis and are not required parts of the basic financial

statements. The accompanying schedule of expenditures of federal awards in the regulatory section is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Walda Wildman LLC*

WALDA WILDMAN, LLC  
Certified Public Accountant



**Sumter, South Carolina**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

As management of the City of Sumter, we offer readers of the City of Sumter's financial statements this narrative overview and analysis of the financial activities of the City of Sumter for the fiscal year ended June 30, 2011. The Management's Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the City's financial activity and identifying changes in the City's financial condition, material deviations from financial budget and individual fund issues and concerns.

**Financial Highlights**

- The assets of the City of Sumter exceeded its liabilities at the close of the most recent fiscal year by \$101,614,229 (net assets). Of this amount, \$25,648,517 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,828,266 during the fiscal year ended June 30, 2011.
- At the close of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$12,636,839, an increase of \$1,388,108 in comparison with the prior year. Approximately 66% of this total amount, \$8,298,237, is available for spending at the government's discretion (unassigned fund balances).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,310,029, or 28 percent of total general fund expenditures.
- The City of Sumter's total long-term debt excluding accrued compensated absences at June 30, 2011 was \$46,558,509, a decrease of \$2,875,630. Governmental activities decreased by \$1,131,620. Debt for the business-type activities decreased by \$1,744,010.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Sumter's basic financial statements. The City of Sumter's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sumter that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to

recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sumter include general government administration, public safety and law enforcement, public works, parks, recreation and culture, community development, economic development and interest and other charges. The business-type activities of the City of Sumter include water and sewer services.

The government-wide financial statements can be found on pages 17-18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sumter, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sumter can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 may be useful in evaluating a government's near term financing requirements.

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

The City maintains two major governmental funds, the general fund and the special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Individual fund data for each of the special revenue funds is provided in the form of combining statements elsewhere in this report.

The City of Sumter adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-23 of this report.

**Proprietary funds.** The City of Sumter currently maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sumter uses an enterprise fund to account for its water and sewer operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund which is considered to be a major fund of the City of Sumter.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sumter's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of

the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-45 of this report.

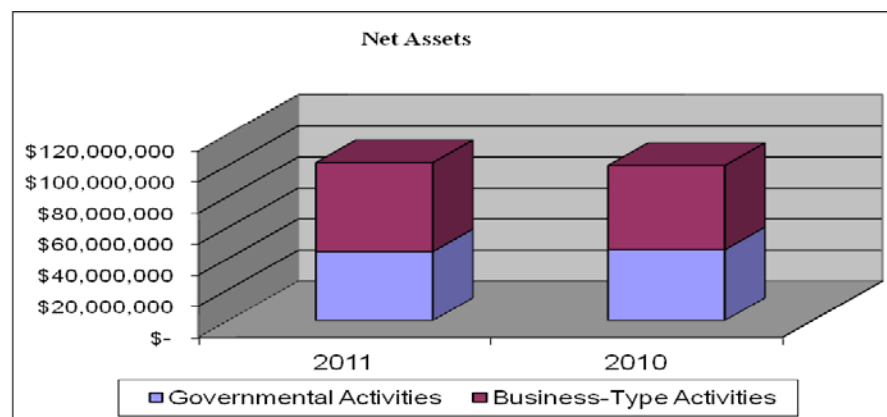
**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Sumter, assets exceeded liabilities by \$101,614,229 as of June 30, 2011.

By far the largest portion of the City of Sumter’s net assets (70%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sumter uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sumter’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Sumter's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16,266,392	\$ 16,037,772	\$ 20,398,711	\$ 17,417,367	\$ 36,665,103	\$ 33,455,139
Capital assets	<b>40,833,008</b>	44,794,992	<b>77,176,789</b>	79,008,477	<b>118,009,797</b>	123,803,469
Total assets	<b>57,099,400</b>	60,832,764	<b>97,575,500</b>	96,425,844	<b>154,674,900</b>	157,258,608
Noncurrent liabilities	7,475,751	8,400,254	37,348,987	39,139,258	44,824,738	47,539,512
Other liabilities	5,247,167	6,814,024	2,988,766	3,119,109	8,235,933	9,933,133
Total liabilities	<b>12,722,918</b>	15,214,278	<b>40,337,753</b>	42,258,367	<b>53,060,671</b>	57,472,645
Net assets:						
Invested in capital asset, net of related debt	33,172,826	38,855,105	37,631,521	41,013,302	70,804,347	79,868,407
Restricted	2,220,842	-	2,940,523	1,188,369	5,161,365	1,188,369
Unrestricted	<b>8,982,814</b>	6,763,381	<b>16,665,703</b>	11,965,806	<b>25,648,517</b>	18,729,187
Net assets	\$ <b>44,376,482</b>	\$ 45,618,486	\$ <b>57,237,747</b>	\$ 54,167,477	\$ <b>101,614,229</b>	\$ 99,785,963



Unrestricted net assets of \$25,648,517 may be used to meet the government’s ongoing obligations to citizens and creditors.

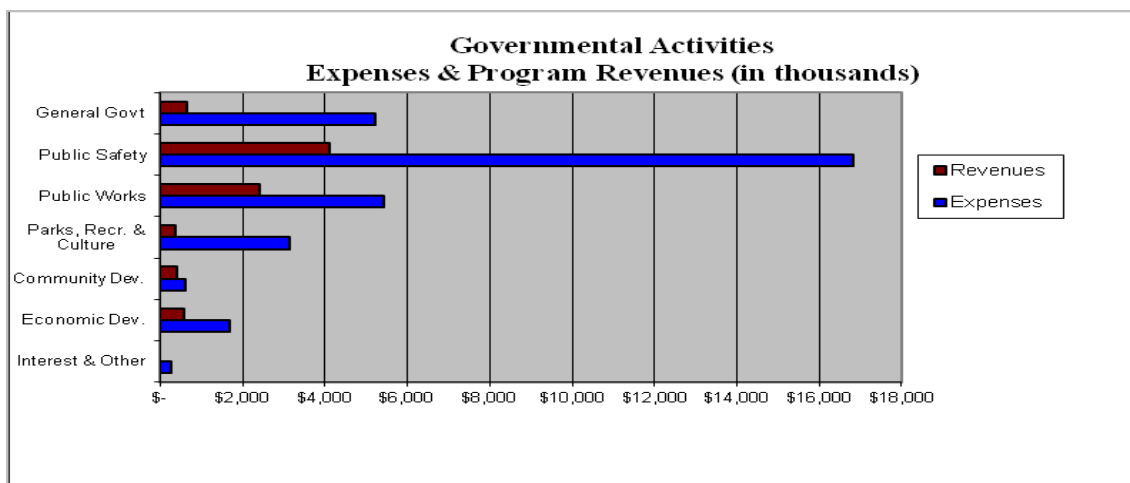
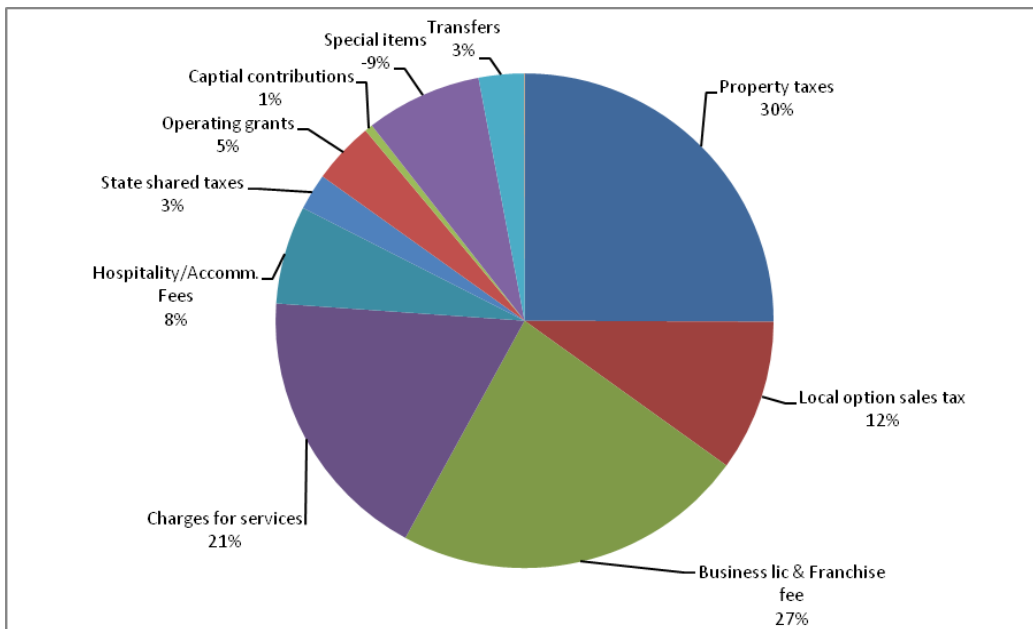
The City of Sumter was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

<b>City of Sumter's Changes in Net Assets</b>						
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 6,835,749	\$ 6,933,644	\$ 20,256,196	\$ 18,654,564	\$ 27,091,945	\$ 25,588,208
Operating grants and contributions	1,520,809	2,027,801	65,894	-	1,586,703	2,027,801
Capital grants and contributions	195,696	10,115,868	-	-	195,696	10,115,868
Total program revenues	<u>8,552,254</u>	<u>19,077,313</u>	<u>20,322,090</u>	<u>18,654,564</u>	<u>28,874,344</u>	<u>37,731,877</u>
General Revenues:						
Property taxes	9,426,121	9,230,276	-	-	9,426,121	9,230,276
Sales taxes - local option	3,720,496	3,532,097	-	-	3,720,496	3,532,097
Sales taxes - local accommod. and hospitality	2,415,073	2,286,651	-	-	2,415,073	2,286,651
Business and franchise fees	8,647,994	7,642,629	-	-	8,647,994	7,642,629
State shared taxes	898,041	1,090,927	-	-	898,041	1,090,927
Other	14,940	343,466	112,125	72,047	127,065	415,513
Total general revenues	<u>25,122,665</u>	<u>24,126,046</u>	<u>112,125</u>	<u>72,047</u>	<u>25,234,790</u>	<u>24,198,093</u>
Total revenues	<u>33,674,919</u>	<u>43,203,359</u>	<u>20,434,215</u>	<u>18,726,611</u>	<u>54,109,134</u>	<u>61,929,970</u>
<b>Expenses:</b>						
General Government	5,212,449	4,506,622	-	-	5,212,449	4,506,622
Public Safety	16,839,226	16,793,744	-	-	16,839,226	16,793,744
Public Works	5,435,377	6,031,735	-	-	5,435,377	6,031,735
Parks, Recreation and Culture	3,135,364	2,973,471	-	-	3,135,364	2,973,471
Community Development	625,752	626,765	-	-	625,752	626,765
Economic Development	1,673,080	1,671,805	-	-	1,673,080	1,671,805
Interest and other charges	259,918	342,732	-	-	259,918	342,732
Water and sewer services	-	-	16,262,505	16,062,841	16,262,505	16,062,841
Total expenses	<u>33,181,166</u>	<u>32,946,874</u>	<u>16,262,505</u>	<u>16,062,841</u>	<u>49,443,671</u>	<u>49,009,715</u>
<b>Increase (decrease) in net assets before transfers and special ite</b>						
	<b>493,753</b>	<b>10,256,485</b>	<b>4,171,710</b>	<b>2,663,770</b>	<b>4,665,463</b>	<b>12,920,255</b>
Special item	(2,837,197)	-	-	-	(2,837,197)	-
Transfers	<u>1,101,440</u>	<u>841,087</u>	<u>(1,101,440)</u>	<u>(841,087)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<b>(1,242,004)</b>	<b>11,097,572</b>	<b>3,070,270</b>	<b>1,822,683</b>	<b>1,828,266</b>	<b>12,920,255</b>
Net assets at beginning of year	<u>45,618,486</u>	<u>34,520,914</u>	<u>54,167,477</u>	<u>52,344,794</u>	<u>99,785,963</u>	<u>86,865,708</u>
<b>Net assets at end of year</b>	<b>\$ <u>44,376,482</u></b>	<b>\$ <u>45,618,486</u></b>	<b>\$ <u>57,237,747</u></b>	<b>\$ <u>54,167,477</u></b>	<b>\$ <u>101,614,229</u></b>	<b>\$ <u>99,785,963</u></b>

**Governmental Activities:** The City of Sumter's net assets decreased in the governmental activities by \$1,242,004. The key element in this decrease was the disposition of property in the amount of \$2,837,197 related to the Sumter Airport to Sumter County. This transfer was due to the culmination of management responsibilities for the Sumter Airport to Sumter County from the City of Sumter.

Revenues for the current fiscal year from governmental activities were \$33,674,919 while expenses were \$33,181,166. Transfers in were \$1,101,440 and the loss on the transfer of property related to the Sumter Airport was \$2,837,197. Revenues were derived primarily from property taxes (30%), business license and franchise fees (27%), and charges for services (21%). A decrease in capital grants and contributions of \$9,920,172 from the prior year resulted from a \$6,977,365 reduction in resources from the county-wide 1% Capital Sales Tax implemented in May 2009, \$962,304 from public safety grants and \$1,466,754 from infrastructure (i.e., roads) donated to the city by real estate developers.

During the current fiscal year public safety related expenses accounted for 51% of the total governmental activities expenses. Public safety expenditures include police, fire, 911 communications, building inspections, codes enforcement, and municipal court. Public works related expenditures accounted for 16% of the total. Public works expenditures include construction, public works, sanitation, and vehicle maintenance services. General government expenditures accounted for 16% of the total and increased by \$705,827 from the prior year. The key element to this increase is the current year expenditure of \$650,000 for purchase of capital assets, funding for which had been set aside in the prior year from a \$2,000,000 bond issue.

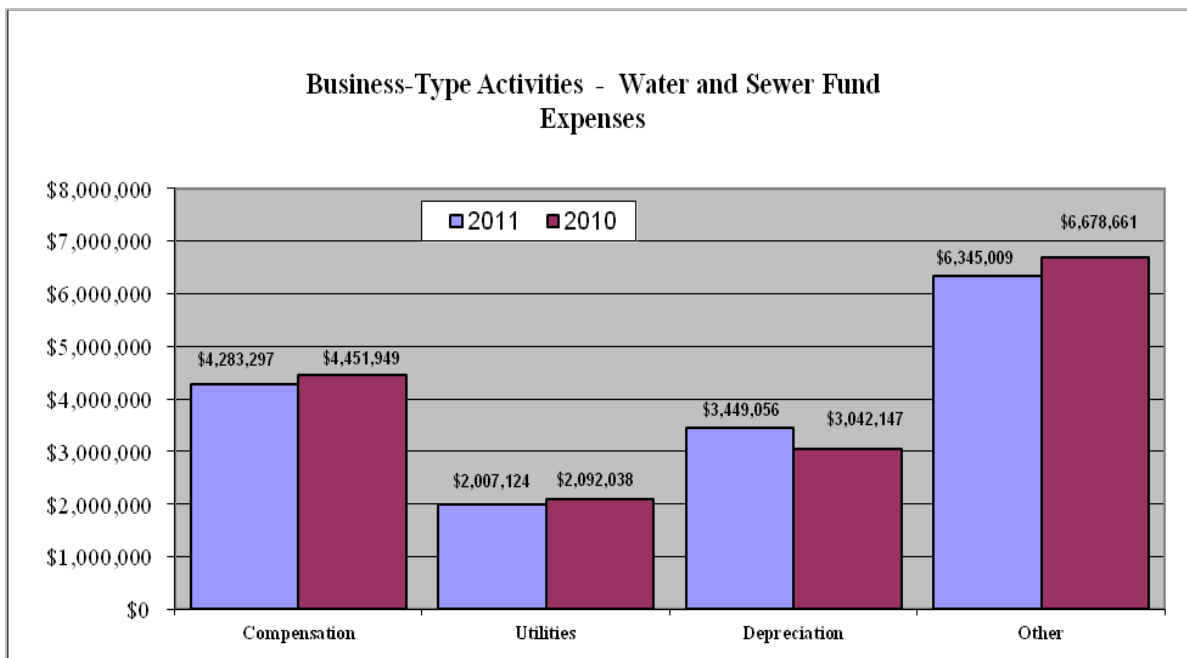
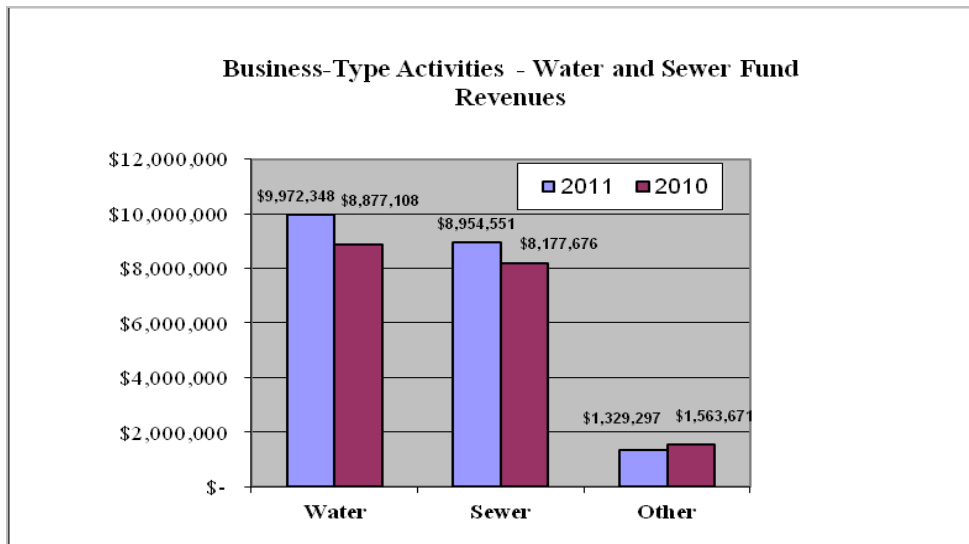


**Business-Type Activities:**

Business-type activities increased the City of Sumter’s net assets by \$3,070,270. The key elements of this increase are as follows:

Revenues from the business-type activities were \$20,434,215. Revenues derived from charges for services increased by \$1,601,632 (9%) compared to the prior fiscal year. This increase is attributable to increased water and sewer demands of approximately 3% and 1% respectively from the prior year. Another factor in this increase was an approved rate increase designed to provide additional resources to meet debt service requirements.

Total expenses were \$16,262,505 before transfers out and increased by the relatively small amount of \$199,664 (1%) from the prior year. Transfers out were \$1,101,440 for the fiscal year ended June 30, 2011.



## Financial Analysis of the Government's Funds

As noted earlier, the City of Sumter uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Sumter's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sumter's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$12,636,839, an increase of \$1,388,108 in comparison with the prior year. \$8,298,237 (66%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,310,029 with a total fund balance of \$10,062,078. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures while total fund balance represents 34 percent of that same amount.

The fund balance of the City of Sumter's general fund increased by \$1,475,571 during the current fiscal year. Elements of this increase include a modest increase in property tax collections of \$345,000 and increased revenues of \$543,000 from business and franchise fees even though there was no increase in tax or license rates.

### General Fund Budgetary Highlights

Revenues were 4% greater than the final budget while expenditures were 1% less than the final budget. There were transfers within the budgeted amounts but there was no change in the appropriations between the original and final budget.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, was \$118,009,797 (net of accumulated depreciation), a decrease of \$5,793,672 from the prior year end. Following is a summary of capital assets and for more information see Note III.D. in the notes to the financial statements.

#### City of Sumter's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 9,604,922	\$ 9,608,214	\$ 240,938	\$ 240,938	\$ 9,845,860	\$ 9,849,152
Buildings	10,586,873	11,854,536	209,804	222,145	10,796,677	12,076,681
Plants, machinery and equipment	5,977,446	5,891,178	46,165,965	47,343,363	52,143,411	53,234,541
Infrastructure	13,603,054	17,119,302	30,154,079	30,182,838	43,757,133	47,302,140
Construction in progress	1,060,713	321,762	406,003	1,019,193	1,466,716	1,340,955
Totals	\$ <u>40,833,008</u>	\$ <u>44,794,992</u>	\$ <u>77,176,789</u>	\$ <u>79,008,477</u>	\$ <u>118,009,797</u>	\$ <u>123,803,469</u>

Major capital asset additions during the current fiscal year included the following:

- The Police Department purchased vehicles and equipment at a cost of \$624,257 for improved investigative, patrol and emergency operations.
- The Fire Department purchased, with a trade-in, a new pumper valued at \$520,033 and rescue equipment at a cost of \$40,158.
- The Sanitation Department lease purchased two new rear loaders at a cost of \$389,252 and purchased additional vehicles and other equipment for a total cost of \$118,942.
- The Public Services Department purchased a vehicle valued at \$17,373.
- The Parks and Gardens Departments added vehicles and equipment for maintenance with a cost of \$72,718.
- Improvements continued this year to the vehicle maintenance shop in the amount of \$291,804.
- Previous parking and courtyard projects were completed for a cost of \$228,034 with current year improvements to parks and parking areas totaling \$541,465 within the Hospitality and Local Accommodations funds.
- The Water and Sewer fund purchased vehicles, trucks and various equipment for maintaining water and sewer systems in the amount of \$585,235.
- Water and sewer line extensions were completed with a cost of \$421,058.
- Construction of a new well was completed with a current year cost of \$354,666 and additional well rehabilitations and improvements were added for a total cost of \$256,408.

Major capital asset deletions during the current fiscal year were a result of transferring complete ownership of the airport to Sumter County with a book value of \$2,837,197.

**Debt Administration.** At the end of the current fiscal year, the City of Sumter had total debt outstanding of \$46,558,509. Of this amount, \$2,678,694 comprises debt backed by the full faith and credit of the government and \$43,879,815 is revenue bonds, capital leases, and notes payable. The City's total debt decreased \$2,875,630 during 2011. See Note III.E. in the notes to the financial statements for more information.

### City of Sumter's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 2,678,694	\$ 3,161,078	\$ -	\$ -	\$ 2,678,694	\$ 3,161,078
TIF bond	704,209	859,138	-	-	704,209	859,138
Notes Payable	1,938,000	2,359,000	-	-	1,938,000	2,359,000
Capital Lease Obligations	2,339,279	2,412,586	-	-	2,339,279	2,412,586
Revenue Bonds	-	-	38,853,141	35,308,745	38,853,141	35,308,745
State Revolving Fund Loans	-	-	45,186	5,333,592	45,186	5,333,592
Totals	<u>\$ 7,660,182</u>	<u>\$ 8,791,802</u>	<u>\$ 38,898,327</u>	<u>\$ 40,642,337</u>	<u>\$ 46,558,509</u>	<u>\$ 49,434,139</u>

The City has recorded liabilities in the government-wide statements for compensated absences totaling \$2,459,924 with \$2,084,984 and \$374,940 in the governmental activities and business-type activities respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation of property. The current debt limitation for the City is \$7,028,958 which is in excess of the City's outstanding general obligation debt.

### Economic Factors and Next Year's Budgets and Rates

It was a great day in Sumter County and South Carolina on October 6, 2011 when Continental Tire, the fourth largest tire manufacturer in the world, announced it would open a new manufacturing facility in Sumter bringing 1600 new jobs and



\$500 million in investments to Sumter County. Construction on the facility will begin by middle 2012 and the first major round of hiring will take place in 2013.

A national report in October shows positive happenings going on within the housing market in Sumter County. According to the second edition of the National Association of Home Builders/First American Improving Markets Index, Sumter is one of the housing markets listed as meeting the parameters to qualify as improving. According to the report, the index revealed Sumter as a metropolitan area that has shown improvement for at least the past six months in housing permits, employment and housing prices.

The fiscal year 2011-2012 budget was adopted with an appropriation of \$30,501,595 for the general fund. Although property tax revenues are expected to decrease slightly from fiscal year 2011 collections, there was no increase in the property tax rate for the 2012 budget. Business license revenues and insurance tax collection programs are expected to increase \$450,000. Local government funding from the State of South Carolina continues to decrease.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Sumter's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Post Office Box 1449, Sumter, South Carolina 29151.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,913,668	\$ 6,852,357	\$ 13,766,025
Investments	1,001,346	4,978,645	5,979,991
Receivables, net of allowance for doubtful accounts	4,343,415	4,218,999	8,562,414
Inventories	238,332	-	238,332
Prepaid items	181,440	-	181,440
Property held for resale	1,332,277	-	1,332,277
Interest in joint venture	-	200,000	200,000
Deferred charges	-	582,104	582,104
Restricted cash and cash equivalents	2,220,842	2,940,524	5,161,366
Receivables, non-current portion	-	626,082	626,082
Due from others	35,072	-	35,072
Capital assets not being depreciated	10,665,635	646,941	11,312,576
Capital assets, depreciable, net of accumulated depreciation	30,167,373	76,529,848	106,697,221
Total assets	<u>57,099,400</u>	<u>97,575,500</u>	<u>154,674,900</u>
<b>Liabilities</b>			
Liabilities payable from restricted assets:			
Accounts payable	1,114,576	513,390	1,627,966
Retainage payable	28,275	-	28,275
Accrued interest payable	99,269	96,976	196,245
Accrued salaries and payroll withholdings	1,049,192	176,390	1,225,582
Due to others	57,383	-	57,383
Court bonds and confiscated funds payable	161,615	-	161,615
Customer deposits	-	277,730	277,730
Unearned revenue	467,442	-	467,442
Noncurrent liabilities:			
Due within one year	2,269,415	1,924,280	4,193,695
Due in more than one year	7,475,751	37,348,987	44,824,738
Total liabilities	<u>12,722,918</u>	<u>40,337,753</u>	<u>53,060,671</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	33,172,826	37,631,521	70,804,347
Restricted for debt service	2,220,842	2,940,523	5,161,365
Unrestricted	8,982,814	16,665,703	25,648,517
Total net assets	<u>\$ 44,376,482</u>	<u>\$ 57,237,747</u>	<u>\$101,614,229</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government administration	\$ 5,212,449	\$ 428,026	\$ 218,793	\$ -	\$ (4,565,630)	\$	\$ (4,565,630)
Public safety and law enforcement	16,839,226	3,769,281	298,242	51,271	(12,720,432)		(12,720,432)
Public works	5,435,377	2,201,745	79,003	136,670	(3,017,959)		(3,017,959)
Parks, recreation and culture	3,135,364	356,821	24,952	-	(2,753,591)		(2,753,591)
Community development	625,752	-	406,771	-	(218,981)		(218,981)
Economic development	1,673,080	79,876	493,048	7,755	(1,092,401)		(1,092,401)
Interest on long-term debt	259,918	-	-	-	(259,918)		(259,918)
Total governmental activities	33,181,166	6,835,749	1,520,809	195,696	(24,628,912)		(24,628,912)
<b>Business-type activities:</b>							
Water and sewer	16,262,505	20,256,196	65,894	-		4,059,585	4,059,585
Total business-type activities	16,262,505	20,256,196	65,894	-	-	4,059,585	4,059,585
<b>Total</b>	<b>\$ 49,443,671</b>	<b>\$ 27,091,945</b>	<b>\$ 1,586,703</b>	<b>\$ 195,696</b>	<b>(24,628,912)</b>	<b>4,059,585</b>	<b>(20,569,327)</b>
<b>General revenues:</b>							
Property taxes					9,426,121	-	9,426,121
Sales taxes - local option					3,720,496	-	3,720,496
Sales taxes - local accommodations and hospitality					2,415,073	-	2,415,073
Franchise taxes and business licenses					8,647,994	-	8,647,994
Grants and contributions not restricted to specific programs					898,041	-	898,041
Gain (loss) on sale or disposition of capital assets					(138,690)	66,800	(71,890)
Unrestricted interest income					122,145	45,325	167,470
Other					31,485	-	31,485
Special item - loss on transfer of airport to Sumter County					(2,837,197)	-	(2,837,197)
Transfers					1,101,440	(1,101,440)	-
Total general revenues and transfers					23,386,908	(989,315)	22,397,593
Change in net assets					(1,242,004)	3,070,270	1,828,266
Net assets - beginning of year					45,618,486	54,167,477	99,785,963
Net assets - end of year					<u>\$ 44,376,482</u>	<u>\$ 57,237,747</u>	<u>\$ 101,614,229</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 5,799,317	\$ 1,114,351	\$ 6,913,668
Investments	1,001,346	-	1,001,346
Receivables, net of allowance for doubtful accounts	2,023,689	2,319,726	4,343,415
Due from other funds	243,460	-	243,460
Restricted cash and cash equivalents	2,220,842	-	2,220,842
Prepaid items	181,440	-	181,440
Inventories	238,332	-	238,332
Property held for resale	1,332,277	-	1,332,277
Total assets	\$ 13,040,703	\$ 3,434,077	\$ 16,474,780
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 827,388	\$ 287,188	\$ 1,114,576
Retainage payable	22,258	6,017	28,275
Accrued salaries and payroll withholdings	1,014,649	34,543	1,049,192
Due to Sumter County	57,383	-	57,383
Unearned revenue	386,942	80,500	467,442
Deferred revenue	651,062	100,008	751,070
Escrow for seized funds and bonds	18,943	142,672	161,615
Due to other funds	-	208,388	208,388
Total liabilities	2,978,625	859,316	3,837,941
Fund Balances:			
Nonspendable			
Prepaid items	181,440	-	181,440
Inventories	238,332	-	238,332
Property held for resale	1,332,277	-	1,332,277
Restricted			
Community development	-	1,951,956	1,951,956
Economic development	-	407,821	407,821
Public safety and law enforcement	-	226,776	226,776
Unassigned	8,310,029	(11,792)	8,298,237
Total fund balances	10,062,078	2,574,761	12,636,839
Total liabilities and fund balances	\$ 13,040,703	\$ 3,434,077	
Amounts reported for government activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			40,833,008
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:			
Property taxes			751,070
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds:			
Accrued compensated absences			(2,084,984)
Accrued interest			(99,269)
Bonds and leases payable			(7,660,182)
Net assets of governmental activities			\$ 44,376,482

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Property, vehicle and fire fees	\$ 9,233,582	\$ -	\$ 9,233,582
Sales tax	3,720,496	2,415,073	6,135,569
Licenses, permits, and franchise fees	8,451,000	477,576	8,928,576
Intergovernmental revenue			
State and federal governments	898,041	1,483,545	2,381,586
Local governments	3,653,137	-	3,653,137
Charges for services			
Sanitation fees and container rentals	2,201,745	-	2,201,745
Other	399,680	-	399,680
Fines, fees, and forfeitures	275,323	50,406	325,729
Interest income	27,318	94,827	122,145
Other	31,485	93,431	124,916
Total revenues	<u>28,891,807</u>	<u>4,614,858</u>	<u>33,506,665</u>
<b>Expenditures</b>			
Current			
General government administration	4,919,720	148,806	5,068,526
Public safety and law enforcement	14,828,990	747,996	15,576,986
Public works	3,768,336	4,003	3,772,339
Parks, recreation and culture	1,956,300	519,878	2,476,178
Community development	-	488,111	488,111
Economic development	1,036,950	657,306	1,694,256
Debt Service			
Principal retirement-bond obligations	923,395	134,918	1,058,313
Principal retirement-capital lease obligations	347,163	476,144	823,307
Interest and fiscal charges	204,566	133,590	338,156
Capital Outlay			
General government administration	5,875	-	5,875
Public safety	844,103	203,397	1,047,500
Public works	817,371	22,265	839,636
Parks, recreation and culture	72,717	769,500	842,217
Total expenditures	<u>29,725,486</u>	<u>4,305,914</u>	<u>34,031,400</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(833,679)	308,944	(524,735)
<b>Other financing sources (uses)</b>			
Transfers in	1,584,480	226,633	1,811,113
Transfers out	(86,633)	(623,040)	(709,673)
Sale of capital assets	61,403	-	61,403
Proceeds of capital leases	750,000	-	750,000
Total other financing sources	<u>2,309,250</u>	<u>(396,407)</u>	<u>1,912,843</u>
<b>Net change in fund balances</b>	1,475,571	(87,463)	1,388,108
<b>Fund balances, beginning of year</b>	<u>8,586,507</u>	<u>2,662,224</u>	<u>11,248,731</u>
<b>Fund balances, end of year</b>	<u>\$ 10,062,078</u>	<u>\$ 2,574,761</u>	<u>\$ 12,636,839</u>

The accompanying notes are an integral part of these statements.



**CITY OF SUMTER, SOUTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities (page 18) are different because:

Net change in fund balances -- total governmental funds (page 20) \$ 1,388,108

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

Capital outlays capitalized	2,735,228
Depreciation expense not recorded in funds	(3,956,951)
Loss on disposition of capital assets	(2,854,666)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	192,539
Donated capital assets	114,405

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Payments on long-term debt	1,881,620
Issuance of long-term debt	(750,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest	78,238
Compensated absences	(98,223)
Other post employment benefits	27,698

Change in net assets of governmental activities (page 18)	\$ (1,242,004)
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The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL -- GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 14,123,898	\$ 12,077,641	\$ 9,233,582	\$ (2,844,059)
Sales tax	-	-	3,720,496	3,720,496
Licenses, permits and franchise fees	7,685,212	7,685,212	8,451,000	765,788
Intergovernmental revenue				
State government	1,322,674	1,322,674	898,041	(424,633)
Local governments	3,853,944	3,853,944	3,653,137	(200,807)
Charges for services				
Sanitation fees and container rentals	2,176,721	2,176,724	2,201,745	25,021
Other	229,747	205,947	399,680	193,733
Fines, fees, and forfeitures	285,049	285,049	275,323	(9,726)
Interest income and investment return	15,000	15,000	27,318	12,318
Other	37,311	37,308	31,485	(5,823)
Total revenues	29,729,556	27,659,499	28,891,807	1,232,308
<b>EXPENDITURES</b>				
<b>General government administration:</b>				
Administration	1,936,744	1,316,986	1,554,748	237,762
City store	89,811	61,072	62,146	1,074
Planning	681,056	667,435	504,174	(163,261)
Business license department	210,481	210,481	188,813	(21,668)
Appropriations to other agencies	354,125	354,125	356,073	1,948
General insurance	681,263	472,134	701,926	229,792
Retiree insurance	792,800	792,800	798,598	5,798
Computer maintenance	1,201,089	828,422	551,209	(277,213)
Miscellaneous	162,300	118,705	181,633	62,928
Contingency	300,000	300,000	20,400	(279,600)
	6,409,669	5,122,160	4,919,720	(202,440)
<b>Public Safety and Law Enforcement:</b>				
Police department	8,888,374	8,701,882	8,837,861	135,979
Fire department	5,178,334	5,060,166	4,988,629	(71,537)
Building inspection	706,947	706,947	668,369	(38,578)
Codes Enforcement	239,187	239,187	186,944	(52,243)
Municipal Court	135,168	135,168	147,187	12,019
	15,148,010	14,843,350	14,828,990	(14,360)
<b>Public Works:</b>				
Engineering	352,811	194,046	175,560	(18,486)
Construction	620,159	520,934	409,484	(111,450)
Public works	1,089,447	1,038,215	1,027,914	(10,301)
Buildings and grounds maintenance	50,000	34,487	29,383	(5,104)
Sanitation	2,102,157	2,072,129	2,038,575	(33,554)
Vehicle maintenance	120,794	82,140	87,420	5,280
	4,335,368	3,941,951	3,768,336	(173,615)

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL -- GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Parks, recreation and culture</b>				
Parks department	904,401	856,141	820,539	(35,602)
Gardens department	588,394	588,394	604,721	16,327
Tennis	313,542	313,542	357,664	44,122
Pool	148,826	148,826	155,140	6,314
Opera House	21,150	21,150	18,236	(2,914)
	1,976,313	1,928,053	1,956,300	28,247
<b>Economic Development:</b>				
Downtown Program	175,231	175,231	358,531	183,300
Community promotions	40,000	27,589	107,275	79,686
Liberty Center	25,600	25,600	26,876	1,276
Hope Centers	589,649	589,649	544,268	(45,381)
	830,480	818,069	1,036,950	218,881
<b>Debt service</b>				
Principal retirement-bond obligations	689,054	689,054	923,395	234,341
Principal retirement-capital lease obligations	395,174	395,174	347,163	(48,011)
Interest and fiscal charges	249,216	249,216	204,566	(44,650)
	1,333,444	1,333,444	1,475,124	141,680
<b>Capital Outlay</b>				
General government administration	-	-	5,875	5,875
Public safety	972,736	972,736	844,103	(128,633)
Public works	875,047	875,047	817,371	(57,676)
Parks, recreation and culture	67,100	67,100	72,717	5,617
	1,914,883	1,914,883	1,740,066	(174,817)
Total expenditures	31,948,167	29,901,910	29,725,486	(176,424)
Excess (deficiency) of revenues over expenditures	(2,218,611)	(2,242,411)	(833,679)	1,408,732
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,555,011	1,578,811	1,584,480	5,669
Transfers out	(210,900)	(210,900)	(86,633)	124,267
Sale of capital assets	50,000	50,000	61,403	11,403
Proceeds of capital leases	824,500	824,500	750,000	(74,500)
Total other financing sources (uses)	2,218,611	2,242,411	2,309,250	66,839
Net change in fund balances	-	-	1,475,571	1,475,571
Fund balances, beginning of year	8,586,507	8,586,507	8,586,507	-
Fund balances, end of year	\$ 8,586,507	\$ 8,586,507	\$ 10,062,078	\$ 1,475,571

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 6,852,357
Investments	4,978,645
Accounts receivable, net of allowance for uncollectibles	<u>4,218,999</u>
Total current assets	<u>16,050,001</u>
Non-current assets:	
Restricted cash and cash equivalents	2,940,523
Accounts receivable, net of allowance for uncollectibles	626,082
Interest in joint venture	200,000
Deferred charges - bond issuance costs, net	582,104
Capital assets not being depreciated	646,941
Capital assets, depreciable, net of accumulated depreciation	<u>76,529,848</u>
Total non-current assets	<u>81,525,498</u>
Total assets	<u>97,575,499</u>

**Liabilities**

Current liabilities:	
Liabilities payable from restricted assets:	
Accrued interest payable	96,976
Accounts payable	513,390
Accrued payroll	176,390
Customer deposits	277,730
Compensated absences payable	93,735
Bonds and leases payable - current portion	<u>1,830,545</u>
Total current liabilities	<u>2,988,766</u>
Non-current liabilities:	
Compensated absences payable	281,205
Bonds and leases payable	<u>37,067,782</u>
Total non-current liabilities	<u>37,348,987</u>
Total liabilities	<u>40,337,753</u>

**Net Assets**

Invested in capital assets, net of related debt	37,631,521
Restricted for debt service	2,940,523
Unrestricted	<u>16,665,703</u>
Total net assets	<u>\$ 57,237,747</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER CITY, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

**Operating revenue**

Charges for services	
Water	\$ 9,972,348
Sewer	8,954,551
Other operating revenue	<u>1,329,297</u>
Total operating revenues	<u>20,256,196</u>

**Operating expenses**

Salaries and benefits	4,283,297
Bad debts	319,325
Utilities	2,007,124
Other operating expense	4,468,634
Depreciation	<u>3,449,056</u>
Total operating expenses	<u>14,527,436</u>

Operating income(loss) 5,728,760

**Non-operating revenues (expenses)**

Interest expense	(1,735,069)
Operating grants	65,894
Interest income and investment return	45,325
Gain on sale of capital assets	<u>66,800</u>
Total non-operating revenues (expenses)	<u>(1,557,050)</u>

Income before transfers 4,171,710

**Transfers**

Transfers out	<u>(1,101,440)</u>
Change in net assets	3,070,270

Total net assets, beginning of year 54,167,477

Total net assets, end of year \$ 57,237,747

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2011**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 19,528,013
Payments to suppliers	(4,567,328)
Payments to employees	(4,160,037)
Payments for inter-fund services	<u>(2,046,257)</u>
Net Cash Flows Provided by Operating Activities	<u>8,754,391</u>
 <b>Cash Flows from Non-capital Financing Activities</b>	
Operating grants	65,894
Transfer to other fund	<u>(1,101,440)</u>
Net Cash Flows Used by Non-Capital Financing Activities	<u>(1,035,546)</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from disposition of capital assets	66,800
Purchase and construction of capital assets	(1,617,368)
Cost of issuance of capital debt	(37,892)
Issuance of capital debt	7,018,000
Principal paid on capital debt	(8,762,010)
Interest paid on capital debt	<u>(1,797,816)</u>
Net Cash Flows Used by Capital Financing Activities	<u>(5,130,286)</u>
 <b>Cash Flows from Investing Activities</b>	
Purchase of investments	(10,078,415)
Sale of investments	4,976,172
Interest on cash and cash equivalents	<u>88,078</u>
Net Cash Provided by Investing Activities	<u>(5,014,165)</u>
 <b>Decrease in cash and cash equivalents</b>	 (2,425,606)
<b>Cash, beginning of year</b>	<u>12,218,487</u>
<b>Cash, end of year</b>	<u><u>\$ 9,792,881</u></u>
 <b>Reconciliation of net operating income to net cash used by operating activities:</b>	
Operating income	\$ 5,728,760
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,449,056
Amortization	11,652
Change in current assets and liabilities:	
Increase in accounts receivable	(422,562)
Decrease in accrued absences	(5,031)
Increase in customer deposits	13,704
Decrease in accounts payable	(149,479)
Increase in accrued payroll	<u>128,291</u>
Net cash used by operating activities	<u>\$ 8,754,391</u>
 Non-cash capital financing activities:	
Capitalized interest	<u>\$ 7,760</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011**

	Private Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash	\$ 8,688	\$ 1,806,075
Receivables	-	92,473
Total assets	8,688	1,898,548
<b>Liabilities</b>		
Accounts payable	-	13,425
Due to other funds	-	35,072
Due to customers	-	35,400
Due to other organization	-	1,814,651
Total liabilities	-	1,898,548
<b>Net Assets</b>		
Held in trust for other purposes	\$ 8,688	\$ -

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

<b>Additions</b>	
Interest	\$ 31
Total additions	31
<b>Deductions</b>	
Distributions to beneficiaries	858
Total deductions	858
Change in net assets	(827)
Net assets, beginning of year	9,515
Net assets, end of year	\$ 8,688

The accompanying notes are an integral part of these statements.



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Sumter, South Carolina was chartered in 1845 and incorporated in 1976. The City operates under a Council-Manager form of government which it adopted in 1912. Under this form of government, the City is governed by six council members elected from single-member districts and a mayor elected at large who serves as council chair. The council is the legislative body of the City and has the major responsibility for determining the policies and direction of the municipal government. The City manager reports to Council and is responsible for the City's daily operations.

As required by accounting principles generally accepted in the United States of America (GAAP), basic financial statements of governmental units include not only information about the reporting, (i.e., primary) government but also about component units. Component units are organizations for which the primary government is financially accountable or organizations which are sufficiently significant to the primary government that their exclusion could cause the financial statements to be misleading or incomplete. Based on the applicable criteria, the City has determined it has no component units and that it is not a component unit of another entity. Therefore, the City reports as a primary entity.

**B. Government-wide and Fund Financial Statements**

Financial statements for governments like that of the City are presented from two perspectives, the government-wide perspective and the fund perspective.

*The government-wide financial statements* (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "primary government"). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

**Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. A 60-day availability period is used for revenue recognition for all other governmental fund revenue with the exception of certain expenditure driven grants for which a one-year availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The accounts of the government are organized and operated on the basis of funds. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund type. The following major funds and fund types are used by the City:

**Governmental fund types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The City reports two major governmental fund types:

The **General Fund** is the general operating fund of the City and accounts for all revenues and expenditures of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures, capital improvement costs, and general debt service that are not paid through other funds are paid from the General Fund. The General Fund is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

**CITY OF SUMTER, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

The **Special Revenue Fund**, the City's second major fund, is used to account for the proceeds of designated specific revenue sources that are restricted by law or administrative actions to expenditures for specified purposes. Special revenue funds consist of the following:

USDA Rural Business	CDBG HOME	Airport Commission	Narcotics Fund
HUD Section 8	Downtown Loan	Local Hospitality Tax	Victim's Assistance
Federal/State Grants	Empowerment Zone	State Accommodations Tax	Emergency 911
Community Development Block Grants	Main Street Society	Local Accommodations Tax	Firemen's Fund

**Proprietary Funds** are accounted for based on the *flow of economic resources measurement focus* and use the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

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

The City reports one major enterprise fund, the **Water and Sewer Fund** which is used to account for operations of the City's water and sewer system.

**Fiduciary Fund Types** include the **Private Purpose Trust Fund** and the **Agency Fund**. These funds are used to account for assets held by the City in a trustee capacity for individuals, other governments, and/or other funds. The private purpose trust fund is used to account for resources legally held in trust. The Agency Fund is generally used to account for miscellaneous assets that the government holds on behalf of others. The Agency Fund is custodial in nature and does not present results of operations.

**D. Assets, Liabilities and Net Assets or Equity**

**Cash and cash equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All investments are reported at fair value.

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). Short-term advances between funds are accounted for in the appropriate inter-fund receivable and payable accounts as "due to/from" funds.

**CITY OF SUMTER, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 56 percent of outstanding property taxes at June 30, 2011.

Taxes on real property are assessed as of January 1, levied the following September, due January 15, and become delinquent March 15. Liens attach to the property at the time the taxes are levied. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Notes receivable are housing rehabilitation loans which were made under terms of expired Federal grant programs and recorded as receivables with offsetting liabilities under the caption "deferred revenue". Revenue is recognized only when cash is received.

***Inventories and Prepaid Items***

Inventories are valued at cost using the average cost method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventories in the general fund consist of fuel, cleaning and office supplies and promotional items. Payments to vendors that reflect costs applicable to future period are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items consist primarily of insurance coverage paid for in advance.

***Real Estate Held for Resale***

Real estate held for resale is recorded at the lower of cost or its net realizable value.

***Restricted Assets***

Certain proceeds of general fund bonds and capital leases and enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

***Capital Assets***

Capital assets include all property, plant, equipment, vehicles, furniture, and infrastructure assets acquired or constructed. Capital assets are defined by the government as assets with a unit cost in excess of \$5,000 and an estimated useful life in excess of one year. These assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred (net of interest earned for tax exempt debt) is capitalized during the construction of qualifying assets. Construction in progress represents funds expended for construction of capital assets which have not yet been placed into service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Machinery and equipment	3 to 10
Vehicles	5 to 10
Buildings and improvements	15 to 40
Water and sewer systems	40 to 75
Infrastructure	10 to 20

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

***Capitalized Interest***

Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset being constructed. Interest is not capitalized on assets acquired by gifts and grants that are restricted by the donor or grantor to the acquisition of those assets. The City does not capitalize interest on fixed assets used in governmental activities. During the year ended June 30, 2011, capitalized interest incurred for the Water and Sewer Enterprise Fund was \$7,760.

***Deferred Revenue***

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period, that is, when assets are recognized before revenue recognition criteria have been met. In subsequent periods, when revenue recognition criteria have been met, the liability is removed and the revenue is recognized.

***Compensated Absences***

City employees may accumulate up to 90 days of earned but unused sick leave, but the City does not pay employees separating from service for unused sick leave. Fire suppression employees may carry forward a maximum of 900 unused vacation hours from one year to the next, and other employees may carry forward up to 600 such hours. Employees who terminate employment with the City prior to retirement can be paid for up to 24 days of unused vacation, provided they work a two week notice and have not been discharged for disciplinary reasons. In the year of their retirement from service with the city, employees may use up to 30 days of annual leave and be paid for up to 45 days of unused annual leave. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only when they mature because an employee resigns or retires.

***Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the straight line method which approximates the effective interest rate. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Assets***

The City's net assets are classified as follows:

- *Invested in capital assets:* This represents the City's total investment in capital assets, net of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets.
- *Restricted net assets:* Restricted net assets include resources in which the City is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties such as state laws and lenders.
- *Unrestricted net assets:* Unrestricted net assets represent resources which may be used to meet current expenses for any purpose.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

***Governmental Fund Balances***

Governmental fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the applicable governmental fund. The classifications are as follows:

- *Nonspendable*: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form (e.g., inventories and prepaid amounts), or are legally or contractually required to be maintained intact.
- *Restricted*: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., city ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- *Committed*: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to commit those amounts previously. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- *Assigned*: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or by a City official or body to which Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned*: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted for the general fund, the Local Hospitality, the Local Accommodation Tax and the Victim’s Assistance special revenue funds, and the water and sewer enterprise fund. The general fund and the three special revenue funds budgets are prepared on a basis consistent with generally accepted accounting principles. The City administrator prepares the budget which is presented to City Council for review and approval. The Council holds public hearings and adopts the budget no later than June 30. The appropriated budget is prepared by fund, function, department, activity and object and can be amended throughout the year by City Council approval. The City Manager may make transfers of appropriations within and among functions and funds. The legal level of budgetary control is total expenditures for the four budgeted funds on an individual basis. All annual appropriations lapse at fiscal year end.

**B. Fund Deficit**

At June 30, 2011, the Firemen’s Special Revenue Fund had a deficit of \$11,792.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

It is the City’s policy to follow South Carolina state law applicable to local government deposits and investments. This policy limits investments to: (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation (FDIC); (4) certificates of deposits and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and (5) no load open and closed-end portfolios of certain investment companies with issues of the US Government. At year end, the City had the following deposit and investment balances:

	Credit Ratings	Fair Value	Maturity Date	Percent of Portfolio
Cash and Cash Equivalents:				
Cash in banks		\$ 11,514,535		56%
South Carolina Local Government Investment Pool		8,534,100		41%
Federal Treasury Obligations		693,519		3%
		<u>\$ 20,742,154</u>		<u>100%</u>
Investments:				
Federal Agency Bonds				
Federal Home Loan Bank Bonds	AAA	\$ 1,001,346	11/17/2014	17%
Federal National Mortgage Association Bonds	AAA	4,978,645	5/18/2026	83%
		<u>\$ 5,979,991</u>		<u>100%</u>

The South Carolina State Treasurer’s Office established the South Carolina Local Government Investment Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies held by county treasurers or other South Carolina political subdivisions which exceed current needs may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but which has a policy that it will operate in a manner consistent with the SEC’s Rule 2a 7 of the Investment Company Act of 1940. In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based on quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

The City's deposits and investments are subject to several risks:

*Custodial credit risk.* Custodial risk is risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Cash in banks is subject to this risk; however, \$6,488,615 of the City's cash was protected from this risk by the Federal Deposit Insurance Corporation and \$4,855,841 was collateralized by federal agency securities held by a third party agent in the City's name. The Local Government investment pool is subject to this risk; however, as of June 30, 2011, all investments in the State Treasurer's investment pool were collateralized by underlying securities held by third party financial institutions for the investment pool.

*Interest rate risk.* Interest rate risk is the risk that fair value may decline when interest rates decline. Such risk can be mitigated by placing money only in instruments with short-term maturities. The Local Government Investment Pool and shorter term certificates of deposits and bonds meet this criterion.

*Credit risk.* Credit risk is the risk that investment principal may not be recovered if issuers of the investment securities fail. The State Treasurer's investment pool is not rated, but generally, investments in the State Treasurer's investment pool are collateralized by debt securities in corporate obligations, state or political subdivision obligations of investment grade or higher quality and in federal agency securities. The City's other investments are in obligations of the United States or agencies thereof.

*Concentration of Credit Risk.* Investments which are concentrated in only a few securities or industries are subject to concentration of credit risk. Concentration of credit risk is limited as regards investment in the State Treasurer's investment pool via allocation of investments over a broad range of securities. The City's other investments are in obligations of the United States or agencies thereof.

**B. Receivables**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Special Revenue Fund	Water and Sewer Fund	Total
Current:				
Taxes				
Property	\$ 1,240,358	\$ -	\$ -	\$ 1,240,358
Sales	-	229,463	-	229,463
Intergovernmental				
Federal	204	218,933	-	219,137
State	901,217	22,434	-	923,651
Local	226,430	109,458	1,436	337,324
Accounts	165,704	4,962	3,369,143	3,539,809
Unbilled receivables	-	-	1,016,870	1,016,870
Loans and notes	160,266	1,699,008	42,240	1,901,515
Other	19,645	35,467	44,758	99,870
Non-current:				
Notes	-	-	415,406	415,406
Other	-	-	210,676	210,676
Gross receivables	2,713,824	2,319,726	5,100,529	10,134,079
Less, allowance for uncollectibles	(690,135)	-	(255,448)	(945,583)
Net total receivables	\$ 2,023,689	\$ 2,319,726	\$ 4,845,081	\$ 9,188,496



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**C. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At year end, deferred and unearned revenue reported in the governmental funds was as follows:

	Deferred	Unearned
Delinquent property taxes and fees receivable	\$ 466,682	\$ -
Loans receivable	284,388	-
Local Option Sales Tax	-	376,682
Other	-	10,260
Unearned grant revenue	-	80,500
	\$ 751,070	\$ 467,442

**D. Capital Assets**

Capital asset activity for the City for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 9,608,214	\$ 49,220	\$ 52,512	\$ -	\$ 9,604,922
Construction in progress	321,762	812,189	-	(73,238)	1,060,713
Total capital assets not being depreciated	9,929,976	861,409	52,512	(73,238)	10,665,635
Capital assets being depreciated:					
Infrastructure	28,500,336	342,440	2,765,601	73,238	26,150,413
Buildings and improvements	20,453,345	-	1,142,938	-	19,310,407
Motor vehicles and outdoor equipment	15,600,903	1,771,727	940,673	-	16,431,957
Office equipment	3,170,449	11,006	163,830	-	3,017,625
Total capital assets being depreciated	67,725,033	2,125,173	5,013,042	73,238	64,910,402
Less accumulated depreciation for:					
Infrastructure	11,381,034	1,745,489	579,164	-	12,547,359
Buildings and improvements	8,598,809	671,055	546,330	-	8,723,534
Motor vehicles and outdoor equipment	9,814,444	1,459,450	784,615	-	10,489,279
Office equipment	3,065,730	80,957	163,830	-	2,982,857
Total accumulated depreciation	32,860,017	3,956,951	2,073,939	-	34,743,029
Total capital assets being depreciated, net	34,865,016	(1,831,778)	2,939,103	73,238	30,167,373
Governmental activities capital assets, net	\$ 44,794,992	\$ (970,369)	\$ 2,991,615	\$ -	\$ 40,833,008
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 240,938	\$ -	\$ -	\$ -	\$ 240,938
Construction in progress	1,019,193	155,701	-	(768,891)	406,003
Total capital assets not being depreciated	1,260,131	155,701	-	(768,891)	646,941

*Continued*

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

*Continued*

Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	70,253,006	514,354	30,096	473,491	71,210,755
Distribution and collection system	43,855,064	395,258	-	295,400	44,545,722
Wells and tanks	4,394,389	-	-	298,666	4,693,055
Machinery and equipment	7,543,919	552,055	220,156	(298,666)	7,577,152
Total capital assets being depreciated	126,540,031	1,461,667	250,252	768,891	128,520,337
Less accumulated depreciation for:					
Buildings	271,508	12,341	-	-	283,849
Plants and improvements	26,001,476	2,136,299	30,096	-	28,107,679
Distribution and collection system	13,672,226	719,417	-	-	14,391,643
Wells and tanks	3,073,098	75,806	-	-	3,148,904
Machinery and equipment	5,773,377	505,193	220,156	-	6,058,414
Total accumulated depreciation	48,791,685	3,449,056	250,252	-	51,990,489
Total capital assets being depreciated, net	77,748,346	(1,987,389)	-	768,891	76,529,848
Business-type activities capital assets, net	\$ 79,008,477	\$ (1,831,688)	\$ -	\$ -	\$ 77,176,789

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 150,151
Public safety	1,164,499
Public works	1,669,265
Parks, recreation and culture	659,055
Community development	137,641
Economic development	176,340
Total depreciation expense - governmental activities	<u>\$ 3,956,951</u>

Construction commitments at year end included a contract totaling \$712,925 for improvements to the City's water system. At June 30, 2011, \$320,860 remained to be billed on the contract and retainage payable was \$35,686.

**E. Long-Term Obligations**

**General Obligation Bonds Payable.** The City has issued general obligation bonds to provide for construction and purchase of capital assets used in carrying out its governmental activities. General obligation bonds have been issued only for general government activities. General obligation bonds are direct obligations and pledge the City's full faith and credit. General obligation bonds outstanding as of yearend are as follows:

\$550,000 Series 2001, payable in annual installments of \$69,988 including interest at 4.64%, maturing August 2011	\$ 66,885
\$500,000 Series 2005, payable in annual installments of \$66,812 including interest at 5.65%, maturing April 2015	233,378
\$1,500,000 Series 2006, payable in annual installments of \$180,090 including interest at 3.7%, maturing May 2015	658,431
\$2,000,000 Series 2010, payable in annual installments varying from \$247,436 to \$255,773 including interest at 3.63%, May 2019	1,720,000
Total General Obligation Bonds	<u>\$ 2,678,694</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Tax Increment Financing (TIF) Bonds Payable.** The City has issued a tax increment financing (TIF) bond to pay for downtown redevelopment projects. These bonds will be retired from the incremental increase in property tax revenue from the applicable redevelopment area. The bonds are also collateralized by a junior lien pledge of the gross revenues of the water and sewer system. The TIF bond outstanding as of yearend was:

\$2,000,000 TIF bond payable in annual installments of \$199,343 including interest at 5.1%, maturing June 2015	\$ <u>704,209</u>
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**Notes Payable.** The City has issued notes to finance various development projects. Notes payable at year end were as follows:

\$1,000,000 note payable to the US Department of Housing and Urban Development in annual installments ranging from \$41,000 to \$77,000 including interest at 4.5%, maturing August 2023	\$ 816,000
\$843,000 note payable in annual installments to the US Department of Housing and Urban Development in annual installments ranging from \$30,000 to \$69,000 including interest at 4.5%, maturing August 2026	772,000
\$700,000 note payable to an individual in annual installments of \$350,000 including interest, maturing October 2011	<u>350,000</u>
Total Notes Payable	<u>\$ 1,938,000</u>

**Revenue Bonds Payable.** The City has issued revenue bonds to finance construction and expansion of the water and sewer system. These bonds are secured by liens on and pledges of water and sewer revenue net of system operating and maintenance costs. Revenue bonds outstanding at year end were as follows:

\$815,000 Series 2000, payable in annual installments of \$65,768 including interest at 5.29%, maturing June 2020	\$ 461,389
\$2,000,000 Series 2005, payable in annual installments of \$238,910 including interest at 3.37%, maturing June 2015	880,249
\$31,855,000 Series 2007, payable in annual installments varying from \$808,882 to \$2,165,000 including interest varying from 4 to 5%, maturing December 2032	30,315,000
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	<u>7,196,503</u>
Total Revenue Bonds Payable	<u>\$ 38,853,141</u>

**South Carolina Revolving Loan Fund Notes Payable.** The City has issued notes payable to the South Carolina Revolving Loan Fund to finance construction and expansion of the water and sewer system. These notes are secured by a lien on and pledge of water and sewer revenue and, in case of default, state aid to which the City may be entitled. Notes payable at year end were as follows:

\$1,204,056 1992 note payable in quarterly installments of \$22,975 including interest at 4.5%, maturing November 2011	\$ <u>45,186</u>
Total South Carolina Revolving Loan Funds Notes Payable	<u>\$ 45,186</u>

**Capital Leases.** The City has entered into lease agreements to finance acquisition of buildings, vehicles and heavy equipment and office equipment used in governmental activities. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date as follows:

**CITY OF SUMTER, SOUTH CAROLINA**  
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**June 30, 2011**

Year Ending June 30,	Governmental Activities
2012	\$ 746,409
2013	746,409
2014	485,783
2015	325,967
2016	157,833
Thereafter	-
Total minimum lease payments	2,462,401
Less: amount representing interest	(123,122)
Present value of minimum lease payments	\$ 2,339,279

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Buildings and improvements	\$ 1,110,770
Motor vehicles and outdoor equipment	2,723,218
Less: accumulated depreciation	(757,531)
Total	\$ 3,076,457

Changes in long-term obligation for the year ended June 30, 2011 for both the City's governmental activities and business-type activities were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,161,078	\$ -	\$ 482,384	\$ 2,678,694	\$ 461,242
TIF bonds	859,138	-	154,929	704,209	162,941
Notes payable	2,359,000	-	421,000	1,938,000	436,618
Capital leases	2,412,586	750,000	823,307	2,339,279	687,577
Compensated absences	1,986,761	910,672	812,449	2,084,984	521,037
Governmental activity long-term liabilities	\$ 10,778,563	\$ 1,660,672	\$ 2,694,069	\$ 9,745,166	\$ 2,269,415
<b>Business-type activities:</b>					
Revenue bonds	\$ 35,308,745	\$ 7,018,000	\$ 3,473,604	\$ 38,853,141	\$ 1,785,359
Notes payable	5,333,592	-	5,288,406	45,186	45,186
Compensated absences	379,971	203,456	208,487	374,940	93,735
Business-type activity long-term liabilities	\$ 41,022,308	\$ 7,221,456	\$ 8,970,497	\$ 39,273,267	\$ 1,924,280

**Summary of Debt Service Requirements.** Following is a summary of debt service requirements to maturity by year for the governmental and business-type activities:

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

Year Ending June 30,	Debt			Capital Lease Obligations		Totals
	Principal	Interest	Total	Principal	Interest	
<u>Governmental Activities</u>						
2012	\$ 1,049,183	\$ 222,750	\$ 1,271,933	\$ 687,577	\$ 58,832	\$ 2,018,342
2013	665,438	192,089	857,527	708,372	38,037	1,603,936
2014	694,548	162,812	857,360	468,462	17,321	1,343,143
2015	729,734	132,197	861,931	318,726	7,241	1,187,898
2016	319,000	99,942	418,942	156,142	1,691	576,775
2017-2021	1,270,000	298,622	1,568,622	-	-	1,568,622
2022-2026	524,000	83,577	607,577	-	-	607,577
2027	69,000	1,991	70,991	-	-	70,991
Thereafter	-	-	-	-	-	-
Total	<u>\$ 5,320,903</u>	<u>\$ 1,193,980</u>	<u>\$ 6,514,883</u>	<u>\$ 2,339,279</u>	<u>\$ 123,122</u>	<u>\$ 8,977,284</u>
<u>Business-Type Activities</u>						
2012	\$ 1,854,427	\$ 1,650,391	\$ 3,504,818	\$ -	\$ -	\$ 3,504,818
2013	1,914,410	1,585,618	3,500,028	-	-	3,500,028
2014	1,982,345	1,517,983	3,500,328	-	-	3,500,328
2015	2,056,345	1,447,782	3,504,127	-	-	3,504,127
2016	1,887,497	1,374,980	3,262,477	-	-	3,262,477
2017-2021	8,580,603	5,748,847	14,329,450	-	-	14,329,450
2022-2026	7,199,410	3,992,125	11,191,535	-	-	11,191,535
2027-2031	9,164,410	2,025,500	11,189,910	-	-	11,189,910
2032-2033	4,258,880	192,713	4,451,593	-	-	4,451,593
Thereafter	-	-	-	-	-	-
Total	<u>\$ 38,898,327</u>	<u>\$ 19,535,939</u>	<u>\$ 58,434,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,434,266</u>

**F. Inter-fund Receivables and Payables**

Inter-fund balances arise because the City utilizes a cash pool to maximize potential interest earnings. Inter-fund balances at June 30, 2011 were:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 208,388
General Fund	Agency Fund	35,072
		<u>\$ 243,460</u>

**G. Transfers In and Out**

During the course of normal operations, the City makes numerous transactions between funds. Transfers of resources from a fund receiving revenue to a fund through which the resources are expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as non-operating revenues (expenses) in proprietary funds. Transfers into the general fund were primarily to recover overhead and related costs. Transfers to the state accommodations tax fund were made from the general fund and from the local accommodations tax fund to support tourism promotion. Transfers between funds for the year ended June 30, 2011, consisted of the following:

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

Fund	Transfers In	Transfers Out
General Fund	\$ 1,584,480	
Water and Sewer		\$ 1,101,440
Special Revenue		
Local Hospitality Tax		385,600
Local Accommodations Tax		67,971
Empowerment Zone		29,469
	1,584,480	1,584,480
General Fund		86,633
Special Revenue		
State Accommodations Tax	86,633	
	86,633	86,633
Special Revenue		
Local Accommodations Tax		140,000
State Accommodations Tax	140,000	
Totals	\$ 1,811,113	\$ 1,811,113

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job related illnesses and accidents. The City carries insurance for these risks of loss. Premiums for workers' compensation are paid to a public entity risk pool. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

The City is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The City has enrolled substantially all its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board.

**B. Pension Plan**

City employees participate in either the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS), depending on their particular duties. Both plans are administered by the South Carolina Retirement System and are classified as cost-sharing multiple-employer, Public Employee Retirement Systems (PERS). SCRS and PORS provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions for SCRS are established pursuant to Section 9-1-20 of the 1976 South Carolina Code of Laws. Benefit provisions for PORS are established pursuant to Section 9-11-20 of the Code of Laws. The South Carolina Retirement System issues a publicly available stand-alone report, which may be obtained by writing to South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211 or by calling 803-737-6800.

SCRS and PORS members are required to contribute 6.5%, of their annual covered salaries, and the City is required to contribute at an actuarially determined rate. The current rates actuarially determined are 9.24% and 10.65% respectively. The contribution requirements of the plan members and the City are established and may be amended by the South Carolina General Assembly. The City's contributions (which equaled required contributions) to SCRS and PORS for the last three fiscal years were as follows:

**CITY OF SUMTER, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

<u>Fiscal Year</u>	<u>SCRS</u>	<u>PORS</u>
2011	\$ 959,738	\$ 835,154
2010	956,074	831,666
2009	962,367	839,493

**C. Deferred Compensation Plans**

Certain City employees participate in one of two optional deferred compensation plans which are available to them in conjunction with the State Retirement System. The multiple-employer plans, created under Internal Revenue Code Sections 457 and 401(k) are administered for the State Retirement System by third parties. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate their employment with the City. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**D. Other Post-Employment Benefits**

***Plan Description***

The City's defined benefit postemployment healthcare plan (the plan) provides medical insurance to eligible retirees. Spouses and dependents are not covered. Employees become eligible for full benefits when they have 20 years of service with the City. Employees who retire with at least 15 years of service but less than 20 years are eligible to participate if they pay the full cost of their coverage, including any implicit subsidy. Retirees eligible for disability retirement may participate but must pay their entire premiums. The Plan is approved each year by City Council; the contribution requirements of the City and plan members are established and amended by Council. The contributions are neither guaranteed nor mandatory. Council has retained the right to modify its payments for retiree health care benefits.

As of July 1, 2009, the measurement date for the plan year, there were 522 covered participants; 108 members were retirees receiving benefits and 414 were active participants.

The plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SCORBET), an agent multiple employer irrevocable trust administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SCORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P. O. Box 12109, Columbia, South Carolina 29211.

***Funding Policy***

The City establishes its contribution requirement annually. Retirees participating in the plan are not required to contribute to the cost of coverage. Participants who reached retirement age by July 1, 2007, may receive benefits for life. For participants retiring after July 1, 2007, benefits end at age 65. For fiscal 2011, the City contributed \$505,346 for current premiums and an additional \$492,902 to amortize the unfunded liability.

***Annual OPEB Cost and Net OPEB Obligation***

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the requirements of Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Employers for Post Employment Benefits Other Than Pensions (OPEB)*. The (ARC) is equal to the normal cost plus the amortization of any unfunded actuarial accrued liability. The normal cost represents the annual ongoing cost of the benefits accruing to active participants. The actuarial accrued liability is the portion of the total present value of benefits that is attributable to service up to the date of the valuation. The amount of the actuarially accrued liability in excess of the

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

plan's assets is the unfunded actuarially accrued liability which is amortized over a period not to exceed 30 years. The unfunded actuarially accrued liability is amortized over 30 years starting July 1, 2008. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and any changes in the City's obligation under the plan:

Net liability for OPEB, beginning of year	\$	27,698
Adjustment to annual required contribution		4,865
Components of increase for year		
Interest on unfunded OPEB obligation		1,385
Normal cost for current year		389,100
Amortization of unfunded actuarially accrued liabilities		575,200
Annual required contribution (ARC) for current year:		998,248
Actual contribution		(998,248)
Net increase in obligation for OPEB		-
Net liability for OPEB, end of year	\$	-

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and for 2009 (the first year of implementation of GASB Statement 45) were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2009	\$ 991,000	100.0%	\$ -
2010	1,021,000	97.3%	27,698
2011	964,300	103.8%	-

***Funded Status and Funding Progress***

Based on an actuarial valuation date of July 1, 2009, the funded status of the plan as of yearend was as follows:

Actuarially accrued liabilities (AAL):	\$	13,592,800
Actuarial value of plan assets:		1,403,200
Unfunded AAL (UAAL):		12,189,600
Funded ratio:		6.1%
Covered payroll:	\$	17,790,934
UAAL as a percentage of covered payroll:		68.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (i.e., the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Projected Unit Credit Cost Method actuarial cost method was used to calculate the ARC, based on an assumed level percent of payroll funding and an assumed 5 percent rate of return on investments for the current year. The assumed general inflation rate was 3 percent. The assumed annual payroll growth was 4 percent. The assumed rate of annual increase in health costs varied from 4.5 to 8.1 percent. The actuarial methods and assumptions and calculations reflect a long-term perspective and are designed to reduce short-term volatility in actuarially accrued liabilities and in the actuarial value of assets

**E. Joint Venture**

The City's Water and Sewer fund entered into a joint venture arrangement in January 2000 with Black River Development Corporation to develop and construct a commercial building to be held for sale. The City contributed \$200,000 in exchange for a 15% interest in the joint venture. The financial statements for the joint venture are available from the Black River Economic Development Corporation, P O Box 130, Sumter, SC 29151.

**F. Construction Commitments**

At year end, the City had outstanding construction contracts totaling \$890,493. Retainage payable on these contracts at June 30, 2011 was \$28,275.

**G. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute liabilities of the applicable funds. The amount, if any, of expenditures which may be disallowed by a grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**H. Special Item**

Government accounting principles generally accepted in the United States define a special item as a significant item that is unusual in nature or infrequent in occurrence and which is also subject to management's control. In order to enhance economic development, during the year ended June 30, 2011, the City transferred ownership of the airport to Sumter County. The carrying value of the airport's real and personal property at the time of the transfer was \$2,837,197. The City reports as a special item in its statement of activities the \$2,837,197 loss on transfer of the airport.

**H. Subsequent Events**

Management has evaluated subsequent events through November 8, 2011 the date the financial statements were available to be issued. On August 5, 2011, the City issued a \$1,734,000 Hospitality Revenue Bond Series 2011. On October 5, 2011, the City issued a \$1,000,000 general obligation bond.



**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF SUMTER, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION –  
 SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – OTHER POSTEMPLOYMENT  
 BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN  
 For the Year Ended June 30, 2011**

**Schedule of Funding Progress**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial liability (AAL) (b)	Total unfunded actuarial liability (UAAL) (b)-(a)	Actuarial value of assets as percentage of actuarial liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	7/1/2007	\$ 399,000	\$ 13,563,000	\$ 13,164,000	2.9%	\$ 13,263,600	99.2%
2010	7/1/2007	828,000	13,563,000	12,735,000	6.1%	17,860,201	71.3%
2011	7/1/2009	1,403,200	13,592,800	12,189,600	11.5%	17,790,934	68.5%

**Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Annual Actual Contribution	Annual Percentage Contributed
2009	\$ 991,000	\$ 991,000	100.0%
2010	1,021,000	993,302	97.3%
2011	964,300	998,248	103.5%

Fiscal 2009 was the year of implementation of GASB Statement No. 45 applicable to policies allowing retirees to participate in a government’s health insurance plan. The City has elected to implement the standard prospectively. Accordingly, data for prior years which would provide trend information are not available. The City’s next required actuarial valuation will be prepared as of July 1, 2011.



**OTHER SUPPLEMENTARY INFORMATION**





## **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes. The City uses the following such funds:

*USDA Rural Business Fund* – Accounts for grant funding and expenditures of a Revolving Loan Fund to revitalize downtown Sumter.

*HUD Section 108 Fund* – Accounts for a downtown redevelopment project and related financing.

*CDBG Home Fund* – Accounts for the City Home Building and Home Rehabilitation Program through Home Funds and related program income.

*Downtown Loan Fund* – Accounts for Downtown area small business loans.

*Federal/State Grants Fund* – Accounts for federal and state grant funds not accounted for in another fund.

*Community Development Block Grants Fund* – Accounts for the expenditures of Community Development Block Grants for redevelopment activities.

*Empowerment Zone Fund* – Accounts for the funding provided to the City for the Empowerment Zone from the US Department of Housing and Urban Development.

*Main Street Society Fund* – Accounts for revenue provided by Sumter residents and businesses restricted for use in revitalizing downtown Sumter.

*Airport Commission Fund* – Accounts for the Airport Commission revenues and expenditures.

*Local Hospitality Tax Fund* – Accounts for the revenues and expenditures of local hospitality tax funds which are restricted to use in promotion of tourism in Sumter.

*State Accommodations Tax Fund*—Accounts for expenditure of State accommodations tax revenue which are restricted to use in promotion of tourism in Sumter.

*Local Accommodations Tax Fund* – Accounts for expenditure of local accommodations tax revenue which is restricted to use in promotion of tourism in Sumter.

*Narcotics Fund* – Accounts for expenditures of revenue restricted to expenditure by the City of Sumter’s Police Department Narcotics Unit.

*Victim’s Assistance Fund* - Accounts for revenue restricted for use in the Victim’s Assistance Program.

*Emergency 911 Fund* – Accounts for the expenditures of revenues restricted to Emergency 911 services in the City of Sumter.

*Fireman’s Fund* – Accounts for insurance premium rebates from the State of South Carolina restricted to use by the City’s fire department.

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET –SPECIAL REVENUE FUNDS**  
**June 30, 2011**

	USDA Rural Business Fund	HUD Section 108 Fund	CDBG Home Fund	Downtown Loan Fund	Federal/ State Grants Fund	Community Development Block Grant Fund	Empowerment Zone Fund	Main Street Society Fund	Airport Commission Fund
<b>ASSETS</b>									
Cash	\$ 103,141	\$ -	\$ 279,166	\$ 18,508	\$ -	\$ -	\$ 108,493	\$ 4,306	\$ -
Receivables, net of allowance for doubtful accounts	-	1,634,467	100,008	-	155,615	64,346	-	500	-
Total assets	\$ 103,141	\$ 1,634,467	\$ 379,174	\$ 18,508	\$ 155,615	\$ 64,346	\$ 108,493	\$ 4,806	\$ -
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>									
Liabilities									
Accounts payable	\$ -	\$ 44,333	\$ 21	\$ -	\$ 68,482	\$ 2,929	\$ -	\$ 2,243	\$ -
Retainage payable	-	-	-	-	-	-	-	-	-
Accrued compensation and benefits	-	-	-	-	1,931	12,673	-	-	-
Due to other funds	-	143,842	-	-	5,502	47,280	-	-	-
Unearned revenue	-	-	-	-	79,700	800	-	-	-
Deferred revenue	-	-	100,008	-	-	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	6,850	-	-
Total liabilities	-	188,175	100,029	-	155,615	63,682	6,850	2,243	-
Fund balances (deficits)									
Unassigned	-	-	-	-	-	-	-	-	-
Restricted	103,141	1,446,292	279,145	18,508	-	664	101,643	2,563	-
Total fund balances (deficits)	103,141	1,446,292	279,145	18,508	-	664	101,643	2,563	-
Total liabilities and fund balances (deficits)	\$ 103,141	\$ 1,634,467	\$ 379,174	\$ 18,508	\$ 155,615	\$ 64,346	\$ 108,493	\$ 4,806	\$ -

Continued

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET –SPECIAL REVENUE FUNDS**  
**June 30, 2011**

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
<b>ASSETS</b>								
Cash	\$ 42,494	\$ 21,001	\$ 276,917	\$ 183,907	\$ 47,947	\$ 28,471	\$ -	\$ 1,114,351
Receivables, net of allowance for doubtful accounts	177,514	21,434	51,949	-	-	113,893	-	2,319,726
Total assets	\$ 220,008	\$ 42,435	\$ 328,866	\$ 183,907	\$ 47,947	\$ 142,364	\$ -	\$ 3,434,077
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>								
Liabilities								
Accounts payable	\$ 132,981	\$ 26,445	\$ 2,055	\$ 1,276	\$ 52	\$ 6,343	\$ 28	\$ 287,188
Retainage payable	6,017	-	-	-	-	-	-	6,017
Accrued compensation and benefits	-	15,990	-	-	1,806	2,143	-	34,543
Due to other funds	-	-	-	-	-	-	11,764	208,388
Unearned revenue	-	-	-	-	-	-	-	80,500
Deferred revenue	-	-	-	-	-	-	-	100,008
Escrow for seized funds and deposits	-	-	-	135,822	-	-	-	142,672
Total liabilities	138,998	42,435	2,055	137,098	1,858	8,486	11,792	859,316
Fund balances (deficits)								
Unassigned	-	-	-	-	-	-	(11,792)	(11,792)
Restricted	81,010	-	326,811	46,809	46,089	133,878	-	2,586,553
Total fund balances (deficits)	81,010	-	326,811	46,809	46,089	133,878	(11,792)	2,574,761
Total liabilities and fund balances (deficits)	\$ 220,008	\$ 42,435	\$ 328,866	\$ 183,907	\$ 47,947	\$ 142,364	\$ -	\$ 3,434,077

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) – SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	USDA Rural Business Fund	HUD Section 108 Fund	CDBG Home Fund	Downtown Loan Fund	Federal/ State Grants Fund	Community Development Block Grant Fund	Empowerment Zone Fund	Main Street Society Fund	Airport Commission Fund
<b>REVENUES</b>									
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	812,098	246,628	10	-	69,987
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Interest income	3,955	85,679	630	681	-	-	1,758	-	-
Rent and miscellaneous	21,136	-	21,837	3,180	-	-	33,723	7,755	-
<b>Total revenues</b>	<b>25,091</b>	<b>85,679</b>	<b>22,467</b>	<b>3,861</b>	<b>812,098</b>	<b>246,628</b>	<b>35,491</b>	<b>7,755</b>	<b>69,987</b>
<b>EXPENDITURES</b>									
<b>Current</b>									
General government administration	-	-	-	-	148,806	-	-	-	-
Public safety	-	-	-	-	192,082	-	-	-	-
Public works	-	-	-	-	4,003	-	-	-	-
Parks, recreation and culture	-	-	-	-	24,952	-	-	-	-
Community development	-	-	81,340	-	160,143	246,628	-	-	-
Economic development	-	-	-	-	208,576	-	10	17,385	-
<b>Debt service</b>									
Bond principal	-	71,000	-	-	-	-	-	-	63,918
Capital leases	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	86,618	-	-	-	-	-	-	6,069
<b>Capital outlay</b>									
Public safety	-	-	-	-	51,271	-	-	-	-
Public works	-	-	-	-	22,265	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>157,618</b>	<b>81,340</b>	<b>-</b>	<b>812,098</b>	<b>246,628</b>	<b>10</b>	<b>17,385</b>	<b>69,987</b>
Excess (deficiency) of revenues over (under) expenditures	25,091	(71,939)	(58,873)	3,861	-	-	35,481	(9,630)	-
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(29,469)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,469)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>25,091</b>	<b>(71,939)</b>	<b>(58,873)</b>	<b>3,861</b>	<b>-</b>	<b>-</b>	<b>6,012</b>	<b>(9,630)</b>	<b>-</b>
Fund balances, beginning of year	78,050	1,518,231	338,018	14,647	-	664	95,631	12,193	-
<b>Fund balances, end of year</b>	<b>\$ 103,141</b>	<b>\$ 1,446,292</b>	<b>\$ 279,145</b>	<b>\$ 18,508</b>	<b>\$ -</b>	<b>\$ 664</b>	<b>\$ 101,643</b>	<b>\$ 2,563</b>	<b>\$ -</b>

*Continued*

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) –SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
<b>REVENUES</b>								
Sales taxes	\$ 2,010,609	\$ -	\$ 404,464	\$ -	\$ -	\$ -	\$ -	\$ 2,415,073
Licenses, permits and fees	-	-	-	-	-	477,576	-	477,576
Intergovernmental revenue	-	248,662	-	-	-	-	106,160	1,483,545
Fines and forfeitures	-	-	-	7,417	42,989	-	-	50,406
Interest income	-	-	-	1,714	-	410	-	94,827
Rent and miscellaneous	-	5,800	-	-	-	-	-	93,431
Total revenues	2,010,609	254,462	404,464	9,131	42,989	477,986	106,160	4,614,858
<b>EXPENDITURES</b>								
Current								
General government administration	-	-	-	-	-	-	-	148,806
Public safety	12,464	-	-	9,954	45,943	387,096	100,457	747,996
Public works	-	-	-	-	-	-	-	4,003
Parks, recreation and culture	386,785	93,538	14,603	-	-	-	-	519,878
Community development	-	-	-	-	-	-	-	488,111
Economic development	15,524	387,557	28,254	-	-	-	-	657,306
Debt service								
Bond principal	-	-	-	-	-	-	-	134,918
Capital leases	445,530	-	-	-	-	30,614	-	476,144
Interest and fiscal charges	29,959	-	-	-	-	10,944	-	133,590
Capital outlay								
Public safety	-	-	-	-	-	152,126	-	203,397
Public works	-	-	-	-	-	-	-	22,265
Parks, recreation and culture	723,692	-	45,808	-	-	-	-	769,500
Total expenditures	1,613,954	481,095	88,665	9,954	45,943	580,780	100,457	4,305,914
Excess (deficiency) of revenues over (under) expenditures	396,655	(226,633)	315,799	(823)	(2,954)	(102,794)	5,703	308,944
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	226,633	-	-	-	-	-	226,633
Transfers out	(385,600)	-	(207,971)	-	-	-	-	(623,040)
Total other financing sources (uses)	(385,600)	226,633	(207,971)	-	-	-	-	(396,407)
Net change in fund balances	11,055	-	107,828	(823)	(2,954)	(102,794)	5,703	(87,463)
Fund balances, beginning of year	69,955	-	218,983	47,632	49,043	236,672	(17,495)	2,662,224
Fund balances, end of year	\$ 81,010	\$ -	\$ 326,811	\$ 46,809	\$ 46,089	\$ 133,878	\$ (11,792)	\$ 2,574,761



**PROPRIETARY FUND –  
ENTERPRISE FUND TYPE**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Water and Sewer Fund* - Accounts for the activities of the water and waste water system (a department of the City of Sumter).

**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – SCHEDULE OF REVENUE, EXPENES AND CHANGES IN NET ASSETS –**  
**BUDGET AND ACTUAL – BUDGET BASIS**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenue</b>				
Water revenue	\$ 9,032,252	\$ 9,032,252	\$ 9,972,348	\$ 940,096
Sewer revenue	8,087,881	8,087,881	8,954,551	866,670
Other operating revenue	1,176,000	1,176,000	1,329,297	153,297
Grants	43,936	43,936	65,894	21,958
Interest income and investment return	18,000	18,000	45,325	27,325
Gain on sale of capital assets	-	-	66,800	66,800
	18,358,069	18,358,069	20,434,215	2,076,146
<b>Expenses</b>				
Salaries and benefits	4,188,642	4,188,642	4,283,297	94,655
Bad debts	-	-	319,325	319,325
Utilities	2,248,100	2,248,100	2,007,124	(240,976)
Other operating expense	5,020,345	5,020,345	4,468,634	(551,711)
Depreciation	2,313,268	2,313,268	3,449,056	1,135,788
Interest expense	1,814,688	1,814,688	1,735,069	(79,619)
Transfers	1,101,440	1,101,440	1,101,440	-
Capital expenditures	1,671,586	1,671,586	1,617,368	(54,218)
	18,358,069	18,358,069	18,981,313	623,244
<b>Revenue over expense</b>	\$ -	\$ -	1,452,902	\$ 1,452,902
Reconciliation to change in net assets:				
Capital expenditures			1,617,368	
<b>Change in net assets</b>			\$ 3,070,270	



**FIDUCIARY FUNDS**  
**PRIVATE-PURPOSE TRUST FUNDS**

Private-purpose trust funds are used by the City to account for assets held by the City in a trustee capacity which are to be used for specific purposes established by donors. The City uses the following private-purpose trust funds:

*Neil O'Donnell Fund* – Accounts for funds donated by Neil O'Donnell to be used for charitable purposes.

*George Reardon Fund* – Accounts for funds donated by George Reardon to be used for charitable purposes.

*Ella Tuomey Fund* – Accounts for funds donated by Ella Tuomey to be used for charitable purposes.

*Emergency Responders Trust Fund* – Accounts for monies donated to the First Responders Trust Fund to be used for charitable purposes.

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS – PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2011**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 3,064	\$ 501	\$ 1,444	\$ 3,679	\$ 8,688
Total assets	<u>3,064</u>	<u>501</u>	<u>1,444</u>	<u>3,679</u>	<u>8,688</u>
<b>Liabilities</b>	-	-	-	-	-
<b>Net assets held in trust for other purposes</b>	<u>\$ 3,064</u>	<u>\$ 501</u>	<u>\$ 1,444</u>	<u>\$ 3,679</u>	<u>\$ 8,688</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS – PRIVATE-PURPOSE TRUST FUNDS**  
**For the Year Ended June 30, 2011**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>ADDITIONS</b>					
Interest	\$ 12	\$ 2	\$ 6	\$ 11	\$ 31
Total additions	12	2	6	11	31
<b>DEDUCTIONS</b>					
Distributions to beneficiaries	547	65	246	-	858
Total deductions	547	65	246	-	858
Change in net assets	(535)	(63)	(240)	11	(827)
Net assets, beginning of year	3,599	564	1,684	3,668	9,515
Net assets, end of year	\$ 3,064	\$ 501	\$ 1,444	\$ 3,679	\$ 8,688



**FIDUCIARY FUNDS**  
**AGENCY FUNDS**

Agency funds are used by the City to account for assets held by the City in a trustee capacity which are to be used for specific purposes established by donors. The City uses the following agency funds:

*CHDO Fund* – Accounts for the activities of the City of Sumter Housing and Economic Development Corporations, a Community Housing Development Organization as defined by the State Housing Authority. This is a legally separate non-profit organization.

*Sumter Green Fund* – Accounts for the activities of the Sumter Green Organization, an organization legally separate from the City, the purpose of which is the beautification of Sumter and its entryways.

*Swan Fund* – Accounts for private donations restricted to use for the Swan Lake Iris Gardens.

*Friends of Swan Lake Fund* – Accounts for funds contributed to the Friends of Swan Lake which are restricted to the promotion of Swan Lake. This fund was terminated during the year.

*Support of Shaw Fund* – Accounts for funds contributed to a legally separate not for profit organization which works to retain Shaw Air Force Base in Sumter.

*Dalzell Water District Fund* – Accounts for the collections of the Dalzell Water and Sewer System that are billed on behalf of that entity by the City of Sumter.

*Oswego Water District Fund* – Accounts for the collections and payments of the Oswego Water System which are managed on behalf of that entity by the City of Sumter.

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
<b>CHDO Fund</b>					
Assets					
Cash and cash equivalents	\$ 401,093	\$ 256,432	\$ (144,300)		\$ 513,225
Receivables	22,433	-	(22,433)		-
	<u>\$ 423,526</u>	<u>\$ 256,432</u>	<u>\$ (166,733)</u>		<u>\$ 513,225</u>
Liabilities					
Accounts payable	\$ 43,211	\$ 3,129	\$ (43,211)		\$ 3,129
Due to other fund	35,072	-	-		35,072
Due to other organization	345,243	253,303	(123,522)		475,024
	<u>\$ 423,526</u>	<u>\$ 256,432</u>	<u>\$ (166,733)</u>		<u>\$ 513,225</u>
<b>Sumter Green Fund</b>					
Assets					
Cash and cash equivalents	\$ 51,822	\$ 47,478	\$ (28,445)		\$ 70,855
Accounts receivable	-	500	-		500
	<u>\$ 51,822</u>	<u>\$ 47,978</u>	<u>\$ (28,445)</u>		<u>\$ 71,355</u>
Liabilities					
Accounts payable	\$ 1,007	\$ 6,675	\$ (1,007)		\$ 6,675
Due to other organization	50,815	41,303	(27,438)		64,680
	<u>\$ 51,822</u>	<u>\$ 47,978</u>	<u>\$ (28,445)</u>		<u>\$ 71,355</u>
<b>Swan Fund</b>					
Assets					
Cash and cash equivalents	\$ 326	\$ -	\$ -		\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 326</u>
Liabilities					
Due to other organization	\$ 326	\$ -	\$ -		\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 326</u>
<b>Friends of Swan Lake</b>					
Assets					
Cash and cash equivalents	\$ 80,322	\$ 8,125	\$ (88,447)		\$ -
	<u>\$ 80,322</u>	<u>\$ 8,125</u>	<u>\$ (88,447)</u>		<u>\$ -</u>
Liabilities					
Due to other organization	\$ 80,322	\$ -	\$ (80,322)		\$ -
	<u>\$ 80,322</u>	<u>\$ -</u>	<u>\$ (80,322)</u>		<u>\$ -</u>
<b>Support of Shaw Fund</b>					
Assets					
Cash and cash equivalents	\$ 157,791	\$ -	\$ (2,618)		\$ 155,173
	<u>\$ 157,791</u>	<u>\$ -</u>	<u>\$ (2,618)</u>		<u>\$ 155,173</u>
Liabilities					
Due to other organization	\$ 157,791	\$ -	\$ (2,618)		\$ 155,173
	<u>\$ 157,791</u>	<u>\$ -</u>	<u>\$ (2,618)</u>		<u>\$ 155,173</u>

Continued

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
<b>Dalzell Water District Fund</b>					
Assets					
Cash and cash equivalents	\$ 961,095	\$ 600,685	\$ (525,789)		\$ 1,035,991
Receivables	22,409	35,772	(22,409)		35,772
	<u>\$ 983,504</u>	<u>\$ 636,457</u>	<u>\$ (548,198)</u>		<u>\$ 1,071,763</u>
Liabilities					
Accounts payable	\$ 2,776	\$ 2,871	\$ (2,776)		\$ 2,871
Due to customers	33,300	2,100	-		35,400
Due to other organization	947,428	631,486	(545,422)		1,033,492
	<u>\$ 983,504</u>	<u>\$ 636,457</u>	<u>\$ (548,198)</u>		<u>\$ 1,071,763</u>
<b>Oswego Water District Fund</b>					
Assets					
Cash and cash equivalents	\$ 31,452	\$ 400,835	\$ (401,782)		\$ 30,505
Receivables	48,971	56,201	(48,971)		56,201
	<u>\$ 80,423</u>	<u>\$ 457,036</u>	<u>\$ (450,753)</u>		<u>\$ 86,706</u>
Liabilities					
Accounts payable	\$ 24,255	\$ -	\$ (23,505)		\$ 750
Due to other organization	56,168	457,036	(427,248)		85,956
	<u>\$ 80,423</u>	<u>\$ 457,036</u>	<u>\$ (450,753)</u>		<u>\$ 86,706</u>
<b>Total Agency Funds</b>					
Assets					
Cash and cash equivalents	\$ 1,683,901	\$ 1,313,555	\$ (1,191,381)		\$ 1,806,075
Receivables	93,813	92,473	(93,813)		92,473
	<u>\$ 1,777,714</u>	<u>\$ 1,406,028</u>	<u>\$ (1,285,194)</u>		<u>\$ 1,898,548</u>
Liabilities					
Accounts payable	\$ 71,249	\$ 12,675	\$ (70,499)		\$ 13,425
Due to other funds	35,072	-	-		35,072
Due to customers	33,300	2,100	-		35,400
Due to other organization	1,638,093	1,383,128	(1,206,570)		1,814,651
	<u>\$ 1,777,714</u>	<u>\$ 1,397,903</u>	<u>\$ (1,277,069)</u>		<u>\$ 1,898,548</u>





**SCHEDULE REQUIRED BY STATE LAW**



**CITY OF SUMTER, SOUTH CAROLINA**  
**SCHEDULE OF COURT FINE AND ASSESSMENT ACTIVITY AND EXPENDITURES FOR**  
**VICTIMS SERVICES -- REQUIRED BY STATE LAW**  
**For the Year Ended June 30, 2011**

Court fines, assessments and surcharges:	
Collected	\$ 658,062
Remitted to State Treasurer	<u>(363,420)</u>
Retained by the City	<u><u>294,642</u></u>
Fines, assessments and surcharges retained by the City:	
General fund	251,653
Victims advocate services	<u>42,989</u>
Total assessments and surcharges retained by the City	<u><u>294,642</u></u>
Funds allocated to victims advocate service special revenue fund	
Carryover from prior year	49,043
Surcharges and assessments retained current year	42,989
Expenditures for victims advocate services	<u>(45,943)</u>
Total (over) under expenditure of victims advocate service special revenue funds	<u><u>\$ 46,089</u></u>



# ***REGULATORY SECTION***



**CITY OF SUMTER, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Agriculture Pass-through Programs From:</b>			
South Carolina Forestry Commission			
ARRA Financial Assistance Program for Forest Health Enrichment	10.688	09ARRA34	\$ 23,500
South Carolina Natural Resources Conservation Service			
ARRA Emergency Watershed Protection Program	10.923	69-4639-10-1009	<u>16,900</u>
<b>Total Department of Agriculture</b>			<u>\$ 40,400</u>
<b>Department of Housing and Urban Development Direct Programs:</b>			
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-450011	335
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-450011	25,482
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-45-0011	183,345
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-45-0011	<u>31,916</u>
			<u>241,078</u>
ARRA Community Development Block Grant ARRA Entitlement Grants	14.254	B-09-MY-45-0011	5,550
<b>Department of Housing and Urban Development Pass-through Programs From:</b>			
City of Columbia			
Empowerment Zones Program	14.244	EZ-99-SC-0011	10
City of Mayesville			
Community Development Block Grant/States	14.228	4-CI-10-021	21,410
Santee Lynches Regional Council of Governments			
HOME Investment Partnership Program	14.239	M10DC450206	160,143
<b>Total Department of Housing and Urban Development</b>			<u>428,191</u>
<b>Department of the Interior Pass-through Programs From:</b>			
South Carolina Department of Archives and History			
Federal Historic Preservation Grant	15.904	45-09-21846	<u>8,100</u>
<b>Total Department of Interior</b>			<u>8,100</u>
<b>Department of Justice Direct Programs:</b>			
Bullet Proof Vest Partnership Program	16.607	2009BUBX09049235	14,163

Continued

**CITY OF SUMTER, SOUTH CAROLINA  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through</b>	
		<b>Entity Identifying Number</b>	<b>Federal Expenditures</b>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009DJBX0825	35,893
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010DJBX0951	<u>38,868</u>
			<u>74,761</u>
Office of Community Oriented Policing Services	16.710	2010CKWX0099	90,217
<b>Department of Justice Pass-through Programs From:</b>			
South Carolina Department of Public Safety			
Victims of Crime	16.575	1V10101	34,802
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K10011	<u>4,951</u>
			<u>39,753</u>
<b>Total Department of Justice</b>			<u>218,894</u>
<b>Department of Transportation Pass-through Programs From:</b>			
South Carolina Department of Transportation			
Federal Transit-Metropolitan Planning Grants	20.505	PL44011	<u>132,607</u>
<b>Total Department of Transportation</b>			<u>132,607</u>
<b>Department of Energy Direct Programs:</b>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002302	<u>8,576</u>
<b>Total Department of Energy</b>			<u>8,576</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 836,768</u></u>

The accompanying notes are an integral part of this schedule.



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes federal grant activity of the City of Sumter under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Sumter, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Sumter.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Subrecipients**

Of the federal expenditures presented in the schedule, the City of Sumter provided federal awards to a subrecipient as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount provided to subrecipient</u>
14.239	HOME Investment Partnership Program	\$160,143



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**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**

November 8, 2011

City Council  
City of Sumter, South Carolina

I have audited the financial statements of the City of Sumter, South Carolina (the City) as of and for the year ended June 30, 2011, and have issued my report thereon dated November 8, 2011. I conducted my 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.

**Internal Control over Financial Reporting**

Management of the City of Sumter is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and City Council of the City of Sumter, South Carolina, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Walda Wildman LLC*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 8, 2011

City Council  
City of Sumter, South Carolina

**Compliance**

I have audited the City of Sumter's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

In my opinion, the City of Sumter, South Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of the City of Sumter is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Walda Wildman LLC*

WALDA WILDMAN, LLC  
Certified Public Accountant

**CITY OF SUMTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Type of auditor’s report issued on compliance  
For major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section  
510(a) of OMB Circular A-133  Yes  No

Identification of major programs:

CFDA Number	Program Name
10.688	ARRA Financial Assistance Program for Forest Health Enrichment
10.923	ARRA Emergency Watershed Protection Program
14.239	HOME Investment Partnership Program
16.607	Bullet Proof Vest Partnership Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
81.128	ARRA Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee?  Yes  No

Section II – Financial Statement

None.

Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF SUMTER**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2011**

**2010-1 Responsibility for External Financial Reporting**

*Finding:* While the City has capable and dedicated employees in its finance department, no single employee is tasked with reviewing the City's trial balance and agreeing all the balances thereon to supporting schedules. As a result, I proposed and management accepted a number of material adjustments to account balances.

*Status:* Management has evaluated staffing assignments and designated a single staff person who is responsible for the year-end closing and related reporting. Management will continue to evaluate separate fixed asset modules that will more closely meet the needs of the City. Management uses an outside CPA firm for guidance on certain cases as needed.

**2010-2 Internal Control over Tennis Complex Inventory**

*Finding:* Sound internal control requires that controls be in place to properly report and to safeguard inventory held for retail sale to the public. Management cannot explain why purchases of items for resale in the Tennis Complex exceed sales revenue and have done so for four years.

*Status:* Management had already taken corrective action to resolve this issue prior to year-end. The addition of an Administrative Assistant added to the Tennis Center staff has improved internal controls and allowed for better tracking of inventory and improved profit margins.

**2010-3 Failure to Check for Suspended or Debarred Contractors**

*Finding:* Management has no procedure in its purchasing process to confirm that vendors who are paid federal funds are not debarred.

*Status:* Management has implemented a corrective action that requires all grant award documents to be reviewed at time of award and a checklist specific to the individual grant created. This checklist includes the specific requirement to check for suspended and debarred contractors for all grants.

**2010-4 Program Omitted from SEFA**

*Finding:* Management has established a procedure to assign project numbers to federal grants. These project numbers are used to identify in the accounting records expenditures of federal awards. The numbers are also used by the grants accountant to prepare the Schedule of Expenditures of Federal Awards (SEFA). I received the SEFA from the grants accountant in mid-August and performed my Single Audit fieldwork on August 17, 2010. On August 30, 2010, two months after year end and after my fieldwork, I received a revised SEFA which added an additional Federal grant. I inquired why this expenditure was being added and was told that the grants accountant had only then learned that the grant was Federal because she received a document applicable to a Single Audit of the funds. The Finance Department is dependent on staff in the operating departments to inform it of federal grants they obtain. Staff in the Planning Department which expended the funds has not been trained to provide timely, complete information about grant money they are receiving.

*Status:* Management and staff were aware that the Federal Transit-Metropolitan Planning grant had been awarded to the City. All grants are now recorded in the Special Revenue Fund 252 with the exception of the Community Development Block Grant which will continue to be recorded separately in Special Revenue Fund 261.