

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

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

***For the Fiscal Year Ended June 30, 2013***





**CITY OF SUMTER, SOUTH CAROLINA  
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Year Ended June 30, 2013**

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# ***FINANCIAL SECTION***

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**INDEPENDENT AUDITOR'S REPORT**

To City Council  
City of Sumter, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress and employer contributions on pages 6-15 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sumter, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the City of Sumter, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sumter, South Carolina's internal control over financial reporting and compliance.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountant

**Sumter, South Carolina**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements

**Financial Highlights**

- The assets of the City of Sumter exceeded its liabilities at the close of the most recent fiscal year by \$112,929,632 (*net position*). Of this amount, \$28,993,518 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Sumter's total net position increased by \$6,579,370 during the current period, as a result of an increase from governmental activities of \$2,059,784 and an increase from business-type activities of \$4,519,586.
- At the close of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$17,402,018, an increase of \$1,936,439 in comparison with the prior year. Approximately 57% of this total amount, \$9,956,403 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,956,403, or approximately 31.4% of total general fund expenditures.
- The City of Sumter's total outstanding long-term debt decreased by \$2,849,953 during the current fiscal year.

**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 consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 position* presents financial information on all of the City of Sumter's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sumter is improving or deteriorating.

The *statement of activities* presents information showing how the City of Sumter's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 and storm water services.

**Sumter, South Carolina**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2013**

The government-wide financial statements can be found on pages 19-20 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 of Sumter maintains one major governmental fund, the general fund and non-major special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Individual fund data for each of the non-major special revenue funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of 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 21-26 of this report.

**Proprietary Funds.** The City of Sumter 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 and a second enterprise fund is used to account for its storm water 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 separate information for the water and sewer fund which is considered to be a major fund of the City of Sumter and the non-major storm water utility fund.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements 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.

**Sumter, South Carolina**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2013**

The City of Sumter maintains two different types of fiduciary funds. The *Private-purpose trust fund* is used to report resources held in trust for charitable purposes. The *Agency fund* reports resources held by the City of Sumter in a custodial capacity for individuals, private organizations, and non-profit organizations.

The fiduciary fund financial statements can be found on pages 30-31 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire 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 32-50 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Sumter's progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found on page 53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56-69 of this report.

**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Sumter, assets exceeded liabilities by \$112,929,632 at the close of the most recent fiscal year.

**City of Sumter's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,144,535	\$ 18,689,221	\$ 22,766,725	\$ 22,266,039	\$ 43,911,260	\$ 40,955,260
Capital assets	40,833,617	41,703,266	79,439,443	77,340,073	120,273,060	119,043,339
Total assets	61,978,152	60,392,487	102,206,168	99,606,112	164,184,320	159,998,599
Total deferred outflows of resources	-	-	-	-	-	-
Noncurrent liabilities	9,239,658	10,281,063	33,396,066	35,457,940	42,635,724	45,739,003
Other liabilities	5,443,197	4,875,911	3,175,767	3,033,423	8,618,964	7,909,334
Total liabilities	14,682,855	15,156,974	36,571,833	38,491,363	51,254,688	53,648,337
Net position:						
Net investment in capital assets	33,243,982	34,953,433	44,351,489	40,344,630	77,595,471	75,298,063
Restricted	4,368,409	3,831,804	1,972,234	6,891,660	6,340,643	10,723,464
Unrestricted	9,682,906	6,450,276	19,310,612	13,878,459	28,993,518	20,328,735
Total Net Position	\$ 47,295,297	\$ 45,235,513	\$ 65,634,335	\$ 61,114,749	\$ 112,929,632	\$ 106,350,262

**Sumter, South Carolina  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2013**

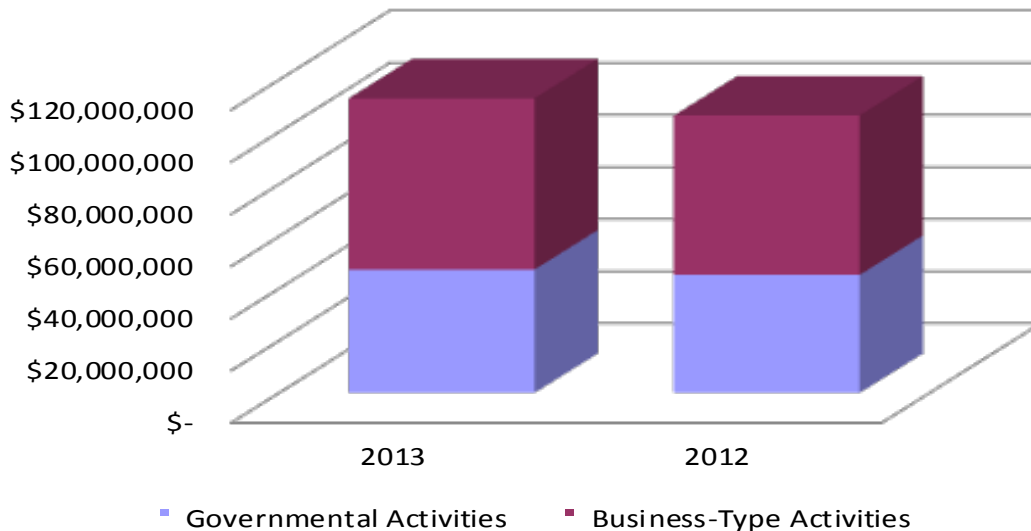
By far the largest portion of the City of Sumter's net position (68.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Sumter uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City of Sumter's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Sumter's net position (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,993,518 (25.7%) is unrestricted and 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 position, 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.

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**City of Sumter's Net Position**



The City of Sumter's overall net position increased by \$6,579,370 from the prior fiscal year. The key components of this increase are discussed in the following sections for governmental and business-type activities.

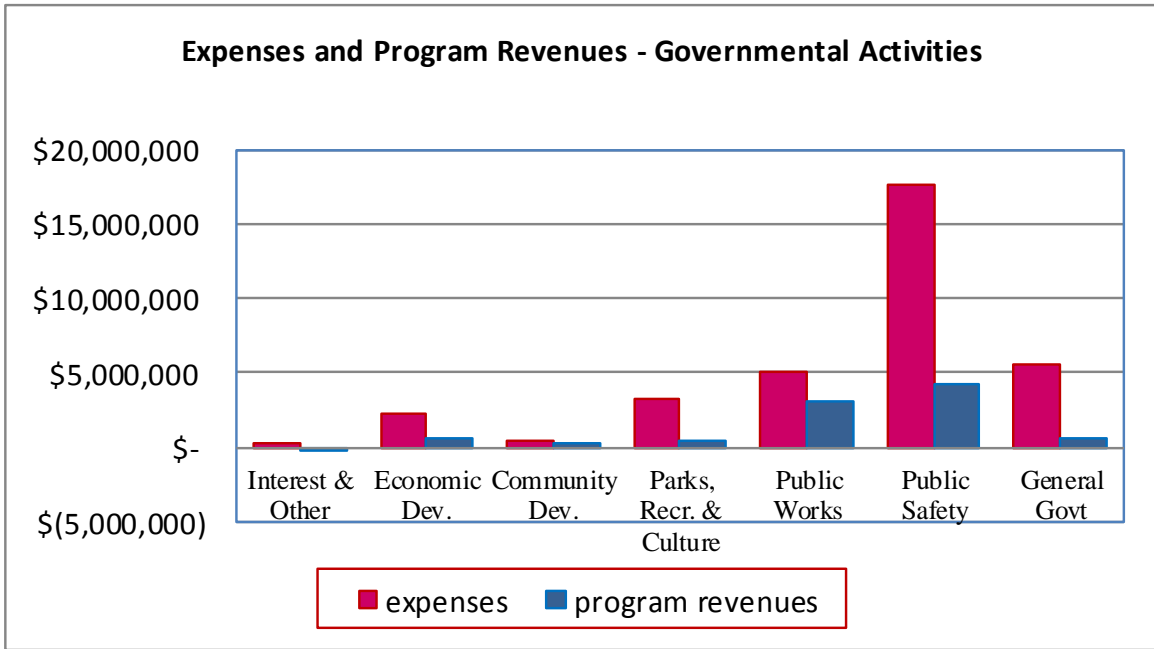
**Governmental Activities:** Governmental activities increased the City of Sumter's net position by \$2,059,784 from the prior fiscal year for an ending balance of \$47,295,297. Total revenues increased by \$2,019,040 primarily as a result of property and sales taxes increases of \$677,857, and business and franchise fees increases of \$373,173. There is an increase in other revenues of \$802,855 in comparison to the prior year due to the prior year amount reflecting a decrease in the valuation of property held for resale. Other factors in the change were expenditures in the amount of \$699,535 for the continuation of renovations to a downtown building and expenditures in the amount of \$263,334 for the purchase of capital assets, from which funding had been set aside from a prior year borrowing. Public safety expenditures increased by \$576,682 primarily as a result of increased personnel and benefit costs and non-capital equipment purchases.

**Sumter, South Carolina**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2013**

**City of Sumter's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 6,801,143	\$ 6,751,124	\$ 20,815,639	\$ 20,348,381	\$ 27,616,782	\$ 27,099,505
Operating grants and contributions	2,217,909	1,908,854	-	25,494	2,217,909	1,934,348
Capital grants and contributions	268,999	657,135	2,128,816	1,694,297	2,397,815	2,351,432
Total program revenues	9,288,051	9,317,113	22,944,455	22,068,172	32,232,506	31,385,285
General Revenues:						
Property taxes	10,132,215	9,140,794	-	-	10,132,215	9,140,794
Sales taxes - local option	3,234,258	3,659,210	-	-	3,234,258	3,659,210
Sales taxes - local accommodations and hospitality	2,624,848	2,513,460	-	-	2,624,848	2,513,460
Business and franchise fees	8,957,349	8,584,176	-	-	8,957,349	8,584,176
State shared taxes	972,987	778,770	-	-	972,987	778,770
Other	289,967	(512,888)	(291,766)	87,740	(1,799)	(425,148)
Total general revenues	26,211,624	24,163,522	(291,766)	87,740	25,919,858	24,251,262
Total revenues	35,499,675	33,480,635	22,652,689	22,155,912	58,152,364	55,636,547
<b>Expenses:</b>						
General Government	5,560,774	5,227,490	-	-	5,560,774	5,227,490
Public Safety	17,689,569	17,112,887	-	-	17,689,569	17,112,887
Public Works	5,110,944	5,037,657	-	-	5,110,944	5,037,657
Parks, Recreation and Culture	3,268,065	3,356,330	-	-	3,268,065	3,356,330
Community Development	449,666	503,184	-	-	449,666	503,184
Economic Development	2,254,660	2,133,942	-	-	2,254,660	2,133,942
Interest and other charges	284,930	290,181	-	-	284,930	290,181
Water and sewer services	-	-	16,954,386	17,238,843	16,954,386	17,238,843
Total expenses	34,618,608	33,661,671	16,954,386	17,238,843	51,572,994	50,900,514
<b>Increase (decrease) in net position before transfers</b>						
	881,067	(181,036)	5,698,303	4,917,069	6,579,370	4,736,033
Transfers	1,178,717	1,040,067	(1,178,717)	(1,040,067)	-	-
<b>Increase in net position</b>	2,059,784	859,031	4,519,586	3,877,002	6,579,370	4,736,033
Net position beginning	45,235,513	44,376,482	61,114,749	57,237,747	106,350,262	101,614,229
<b>Net position ending</b>	\$ 47,295,297	\$ 45,235,513	\$ 65,634,335	\$ 61,114,749	\$ 112,929,632	\$ 106,350,262

**Sumter, South Carolina  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2013**



**Business-Type Activities:** Business-type activities increased the City of Sumter’s net position during the current year by \$4,519,586, a 7.4% increase, for an ending balance of \$65,634,335. Revenues derived from charges for services increased by \$467,258 from the prior fiscal year as a result of increases in consumption in both water and sewer activities. Capital contributions from governments and developers to extend the water and sewer infrastructure increased by \$434,519. Total expenses were \$16,954,386, a decrease of \$284,457 from the previous year’s amount.

**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.

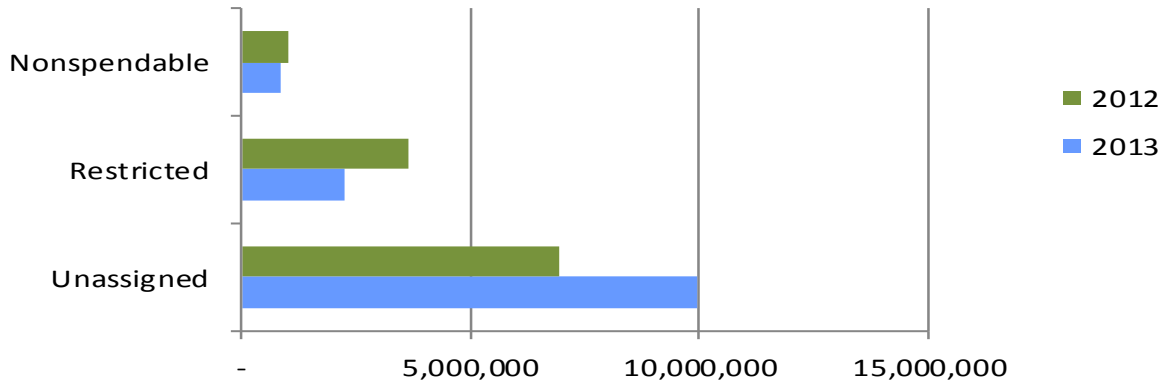
**Governmental Funds.** The focus of the City of Sumter’s *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sumter’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Sumter itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Sumter’s Council.

At June 30, 2013, the City of Sumter’s governmental funds reported combined fund balances of \$17,402,018 an increase of \$1,936,439 in comparison with the prior year. Approximately 57.2% of this amount (\$9,956,403) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of fund balance is either nonspendable or restricted to indicate that it is 1) not in spendable form (\$859,921) or 2) restricted for particular purposes (\$6,585,694).

**Sumter, South Carolina  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2013**

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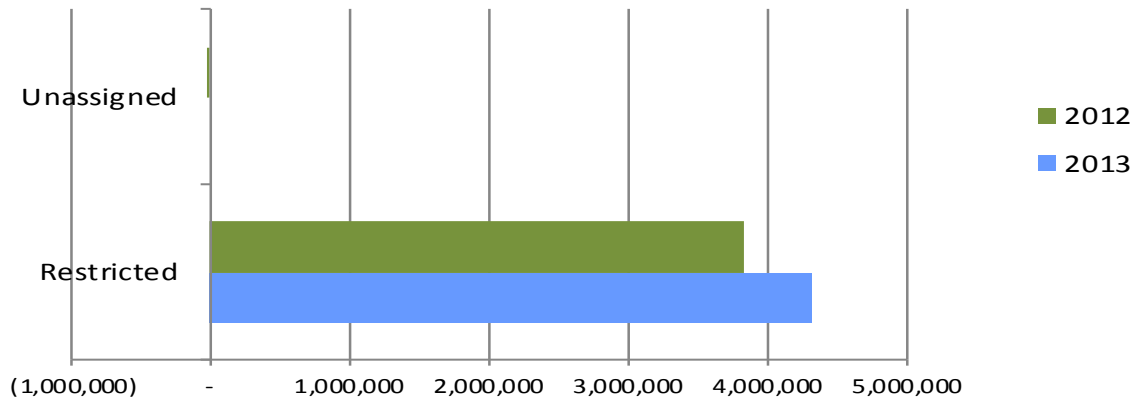
**General Fund  
Components of Fund Balance  
June 30, 2012 and 2013**



The general fund is the chief operating fund of the City of Sumter. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,956,403 with a total fund balance of \$13,083,609. 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 31.3 percent of total general fund expenditures while total fund balance represents 41.1 percent of that same amount.

□

**Other Governmental Funds  
Components of Fund Balance  
June 30, 2012 and 2013**



The fund balance of the City of Sumter's general fund increased by \$1,444,015 during the current fiscal year. As discussed earlier in connection with governmental activities, the primary driver in this increase is greater than anticipated revenues in the general fund in property tax collections and business license revenues. Other factors in the change were expenditures in the amount of \$699,535 for the continuation of renovations to a downtown building and expenditures in



**Sumter, South Carolina  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2013**

the amount of \$263,334 for the purchase of capital assets, from which funding had been set aside from a prior year borrowing.

**Proprietary Funds.** The City of Sumter's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer operations and the storm water operations at the end of the fiscal year was \$19,310,612. The total growth in net position for both funds was \$4,519,586. As noted earlier in the discussion of business-type activities, the increase results from an increase in charges for services and capital grants and contributions along with a decrease in expenses.

**General Fund Budgetary Highlights**

*Original budget compared to final budget.* Revenues were \$1,587,820 (5%) greater compared to the final budget while expenditures were \$74,226 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. Property and sales taxes were \$503,101 greater than the budgeted amount. License permits and fees were \$472,710 greater as a result of additional revenues of \$592,579 in business license fees and insurance tax collection programs offset by a decrease in franchise fee collections. Intergovernmental actual revenues were \$537,893 greater than budgeted. Actual expenditures in general government administration, public safety and law enforcement, public works, parks recreation and culture and debt service were less than the budgeted amounts. Expenditures in capital outlay were \$534,613 greater than budgeted due to capital expenditures in public safety of \$263,334, from which funding had been set aside from a prior year borrowing.

**Capital Assets and Debt Administration**

**Capital assets.** The City of Sumter's investment in capital assets for its governmental and business type activities as of June 30, 2013, was \$120,273,060 (net of accumulated depreciation). This investment in capital assets includes land, buildings, works of art, park facilities, roads, plants, machinery and equipment, and infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 10,007,616	\$ 10,001,118	\$ 240,938	\$ 240,938	\$ 10,248,554	\$ 10,242,056
Works of art	396,866	-	-	-	396,866	-
Buildings	10,869,589	11,297,515	185,122	197,463	11,054,711	11,494,978
Plants, machinery and equipment	5,819,203	6,183,729	41,475,666	43,160,626	47,294,869	49,344,355
Infrastructure	12,510,272	12,539,441	32,995,354	32,285,929	45,505,626	44,825,370
Construction in progress	1,230,071	1,681,463	4,542,363	1,455,117	5,772,434	3,136,580
Totals	\$ 40,833,617	\$ 41,703,266	\$ 79,439,443	\$ 77,340,073	\$ 120,273,060	\$ 119,043,339

**Sumter, South Carolina**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2013**

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

- Routine replacement of vehicles and sanitation and fire trucks at a cost of \$1,766,438
- Various projects related to streets, sidewalks, and parking lots at a cost of \$1,541,750, including capital contributions of \$842,620, were completed and placed into service.
- Various water and sewer line and storm water drainage projects at a cost of \$1,461,260 were completed and placed into service. This amount includes \$556,780 in capital contributions.
- Various water & sewer infrastructure projects in the amount of \$3,202,013 were started during the current fiscal year and still ongoing at year end. This amount includes \$1,572,036 in capital contributions.
- Routine replacement of equipment such as water meters, HVAC units, wastewater clarifiers, etc. at a cost of \$380,057

Additional information on the City of Sumter's capital assets can be found in Note III.D on pages 41-42.

**Long-term Debt.** At the end of the current fiscal year, the City of Sumter had total debt outstanding of \$44,546,339. Of this amount, \$4,051,216 of general obligation debt is backed by the full faith and credit of the government. The remainder of the City of Sumter's long-term obligations comprises revenue bonds, capital leases, and notes payable.

**City of Sumter's Outstanding Debt**

Bonds, Notes Payable and Capital Leases

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,051,216	\$ 4,717,453	\$ -	\$ -	\$ 4,051,216	\$ 4,717,453
Revenue bonds	1,501,000	1,734,000	-	-	1,501,000	1,734,000
Notes payable	1,432,000	1,513,000	-	-	1,432,000	1,513,000
Capital lease obligations	2,474,168	2,436,396	-	-	2,474,168	2,436,396
Revenue bonds	-	-	35,087,955	36,995,443	35,087,955	36,995,443
<b>Total</b>	<b>\$ 9,458,384</b>	<b>\$ 10,400,849</b>	<b>\$ 35,087,955</b>	<b>\$ 36,995,443</b>	<b>\$ 44,546,339</b>	<b>\$ 47,396,292</b>

The City of Sumter's total debt decreased by \$2,849,953 (6 percent) during the current fiscal year. The City entered into a capital lease agreement in the amount of \$733,000 to purchase certain capital equipment during the year.

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 \$10,291,930 which is in excess of the City of Sumter's outstanding general obligation debt.

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

The revitalization efforts in the downtown area in the Central Business District continue with streetscape improvements, building renovations and façade improvements.

Since the announcement of a new manufacturing facility in October 2011 to be located in Sumter County, Continental Tire, the fourth largest tire manufacturer in the world, continues to build up their facility and prepare their employees for production in January 2014. This facility currently has over 300 employees and is estimated to bring a total of 1650 jobs over the next five years to the Sumter area.

Information furnished by the Sumter Economic Development Board indicates that Sumter County gained a net of 410 manufacturing jobs during fiscal year 2013, bringing Sumter back to pre-recession manufacturing job levels.

**Sumter, South Carolina**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2013**

The fiscal year 2013-2014 budget was adopted with an appropriation of \$32,852,909 for the general fund. There was no increase in the City's total millage rate for 2013-2014 which is currently 102 mills. Revenues from property taxes, business licenses, franchise fees and tax collection programs are expected to be steady.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,460,813	\$ 6,541,129	\$ 19,001,942
Investments	954,450	9,540,160	10,494,610
Receivables, net of allowance for doubtful accounts	4,558,605	3,798,112	8,356,717
Inventories	282,186	-	282,186
Property held for resale	577,735	-	577,735
Interest in joint venture	-	100,000	100,000
Deferred charges	-	468,688	468,688
Restricted cash and cash equivalents	2,217,285	1,972,234	4,189,519
Receivables, non-current portion	-	439,863	439,863
Internal balances	93,461	(93,461)	-
Capital assets not being depreciated	11,634,553	4,783,301	16,417,854
Capital assets, depreciable, net of accumulated depreciation	29,199,064	74,656,142	103,855,206
<b>Total assets</b>	<b>61,978,152</b>	<b>102,206,168</b>	<b>164,184,320</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,558,790	616,473	2,175,263
Retainage payable	75,606	-	75,606
Accrued interest payable	91,266	122,034	213,300
Accrued salaries and payroll withholdings	227,454	53,591	281,045
Court bonds and confiscated funds payable	177,447	-	177,447
Customer deposits	-	292,435	292,435
Unearned revenue	914,661	-	914,661
Noncurrent liabilities:			
Due within one year	2,397,973	2,091,233	4,489,206
Due in more than one year	9,239,658	33,396,067	42,635,725
<b>Total liabilities</b>	<b>14,682,855</b>	<b>36,571,833</b>	<b>51,254,688</b>
<b>Net Position</b>			
Net investment in capital assets	33,243,982	44,351,489	77,595,471
Restricted for:			
Debt service	-	1,972,234	1,972,234
Community development	1,402,086	-	1,402,086
Economic development	2,300,985	-	2,300,985
Public safety and law enforcement	665,338	-	665,338
Unrestricted	9,682,906	19,310,612	28,993,518
<b>Total net position</b>	<b>\$ 47,295,297</b>	<b>\$ 65,634,335</b>	<b>\$112,929,632</b>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government administration	\$ 5,560,774	\$ 61,811	\$ 540,594	\$ -	\$ (4,958,369)		\$ (4,958,369)
Public safety and law enforcement	17,689,569	4,047,676	223,599	16,303	(13,401,991)		(13,401,991)
Public works	5,110,944	2,234,873	791,810	-	(2,084,261)		(2,084,261)
Parks, recreation and culture	3,268,065	388,646	-	45,312	(2,834,107)		(2,834,107)
Community development	449,666	-	264,123	-	(185,543)		(185,543)
Economic development	2,254,660	68,137	397,783	207,384	(1,581,356)		(1,581,356)
Interest on long-term debt	284,930	-	-	-	(284,930)		(284,930)
Total governmental activities	34,618,608	6,801,143	2,217,909	268,999	(25,330,557)		(25,330,557)
<b>Business-type activities:</b>							
Water and sewer	16,954,386	20,815,639	-	2,128,816		5,990,069	5,990,069
Total business-type activities	16,954,386	20,815,639	-	2,128,816	-	5,990,069	5,990,069
<b>Total</b>	<b>51,572,994</b>	<b>27,616,782</b>	<b>2,217,909</b>	<b>2,397,815</b>	<b>\$ (25,330,557)</b>	<b>\$ 5,990,069</b>	<b>\$ (19,340,488)</b>
<b>General revenues:</b>							
Property taxes					10,132,215	-	10,132,215
Sales taxes - local option					3,234,258	-	3,234,258
Sales taxes - local accommodations and hospitality					2,624,848	-	2,624,848
Franchise taxes and business licenses					8,957,349	-	8,957,349
Grants and contributions not restricted to specific programs					972,987	-	972,987
Gain on sale or disposition of capital assets					238,191	5,423	243,614
Interest income and investment return					(21,483)	(297,189)	(318,672)
Other					73,259	-	73,259
Transfers					1,178,717	(1,178,717)	-
Total general revenues and transfers					27,390,341	(1,470,483)	25,919,858
Change in net position					2,059,784	4,519,586	6,579,370
Net position - beginning of year					45,235,513	61,114,749	106,350,262
Net position - end of year					\$ 47,295,297	\$ 65,634,335	\$ 112,929,632

The accompanying notes are an integral part of these statements.



**CITY OF SUMTER, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 9,774,464	\$ 2,686,349	\$ 12,460,813
Investments	954,450	-	954,450
Receivables, net of allowance for doubtful accounts	2,005,542	2,553,063	4,558,605
Due from other funds	512,307	-	512,307
Restricted cash and cash equivalents	2,217,285	-	2,217,285
Prepaid items	-	-	-
Inventories	282,186	-	282,186
Property held for resale	577,735	-	577,735
Total assets	<u>\$ 16,323,969</u>	<u>\$ 5,239,412</u>	<u>\$ 21,563,381</u>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 1,373,051	\$ 185,739	\$ 1,558,790
Retainage payable	75,606	-	75,606
Accrued salaries and payroll withholdings	218,190	9,264	227,454
Unearned revenue	908,961	5,700	914,661
Deferred revenue	654,367	134,192	788,559
Escrow for seized funds and bonds	10,185	167,262	177,447
Due to other funds	-	418,846	418,846
Total liabilities	<u>3,240,360</u>	<u>921,003</u>	<u>4,161,363</u>
Fund Balances:			
Nonspendable			
Inventories	282,186	-	282,186
Property held for resale	577,735	-	577,735
Restricted			
Purchase of capital assets	1,067,101	-	1,067,101
Community development	-	1,402,086	1,402,086
Economic development	1,200,184	2,250,985	3,451,169
Public safety and law enforcement	-	665,338	665,338
Unassigned	9,956,403	-	9,956,403
Total fund balances	<u>13,083,609</u>	<u>4,318,409</u>	<u>17,402,018</u>
Total liabilities and fund balances	<u>\$ 16,323,969</u>	<u>\$ 5,239,412</u>	<u>21,563,381</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013**

Amounts reported for government activities in the statement of net position are different because:

Total fund balance of governmental funds (page 19)	17,402,018
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	40,833,617
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	788,559
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	(2,179,247)
Accrued interest	(91,266)
Bonds and leases payable	(9,458,384)
Net position of governmental activities	47,295,297

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, 2013**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Property and vehicle and fire fees	\$ 10,074,444	\$ -	\$ 10,074,444
Sales	3,234,258	2,624,848	5,859,106
Licenses, permits, and franchise fees	8,577,398	723,626	9,301,024
Intergovernmental revenue			
State and federal governments	972,987	1,143,229	2,116,216
Local governments	4,454,487	-	4,454,487
Charges for services			
Sanitation fees and container rentals	2,263,490	-	2,263,490
Other	422,997	-	422,997
Fines, fees, and forfeitures	333,604	85,896	419,500
Interest income and investment return	(107,406)	85,923	(21,483)
Other	33,740	72,807	106,547
Total revenues	<u>30,259,999</u>	<u>4,736,329</u>	<u>34,996,328</u>
<b>Expenditures</b>			
Current			
General government administration	5,123,585	226,706	5,350,291
Public safety and law enforcement	15,623,505	830,355	16,453,860
Public works	3,541,932	6,574	3,548,506
Parks, recreation and culture	2,146,692	476,717	2,623,409
Community development	-	310,025	310,025
Economic development	1,493,662	537,332	2,030,994
Debt Service			
Principal retirement-bond obligations	666,237	314,000	980,237
Principal retirement-capital lease obligations	695,228	-	695,228
Interest and fiscal charges	153,376	112,558	265,934
Capital Outlay			
General government administration	43,130	-	43,130
Public safety	1,084,318	33,485	1,117,803
Public works	1,138,342	-	1,138,342
Parks, recreation and culture	97,690	484,485	582,175
Community development	-	-	-
Economic development	56,063	43,053	99,116
Total expenditures	<u>31,863,760</u>	<u>3,375,290</u>	<u>35,239,050</u>
Excess (deficiency) of revenues over expenditures	(1,603,761)	1,361,039	(242,722)
<b>Other financing sources (uses)</b>			
Transfers in	2,112,332	422,029	2,534,361
Transfers out	(65,000)	(1,290,644)	(1,355,644)
Sale of capital assets	267,444	-	267,444
Proceeds of capital leases	733,000	-	733,000
Total other financing sources	<u>3,047,776</u>	<u>(868,615)</u>	<u>2,179,161</u>
Net change in fund balances	1,444,015	492,424	1,936,439
Fund balances, beginning of year	11,639,594	3,825,985	15,465,579
Fund balances, end of year	<u>\$ 13,083,609</u>	<u>\$ 4,318,409</u>	<u>\$ 17,402,018</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, 2013**

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

Net change in fund balances -- total governmental funds (page 21) \$ 1,936,439

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	2,980,566
Depreciation expense not recorded in funds	(4,028,347)
Loss on disposition of capital assets	(29,253)

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

Property taxes	57,772
Donated capital assets	207,384

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Payments on long-term debt	1,675,465
Issuance of long-term debt	(733,000)

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	(18,996)
Compensated absences	11,754

Change in net position of governmental activities (page 18)	\$ 2,059,784
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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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 12,805,601	\$ 12,805,601	\$ 10,074,444	\$ (2,731,157)
Sales	-	-	3,234,258	3,234,258
Licenses, permits and franchise fees	8,104,688	8,104,688	8,577,398	472,710
Intergovernmental revenue				
State government	750,000	750,000	972,987	222,987
Local governments	4,139,581	4,139,581	4,454,487	314,906
Charges for services				
Sanitation fees and container rentals	2,187,000	2,187,000	2,263,490	76,490
Other	160,309	160,309	422,997	262,688
Fines, fees, and forfeitures	290,000	290,000	333,604	43,604
Interest income and investment return	25,000	25,000	(107,406)	(132,406)
Other	210,000	210,000	33,740	(176,260)
Total revenues	28,672,179	28,672,179	30,259,999	1,587,820
<b>EXPENDITURES</b>				
<b>General Government Administration:</b>				
Administration	1,422,983	1,422,983	1,696,456	273,473
City store	64,510	64,510	64,709	199
Planning	526,651	525,231	443,547	(81,684)
Business license	191,695	191,695	185,119	(6,576)
Appropriations to other agencies	319,940	319,940	314,178	(5,762)
General insurance	666,044	666,044	720,233	54,189
Retiree insurance	837,574	837,574	763,092	(74,482)
Maintenance contracts	661,152	661,152	656,231	(4,921)
Miscellaneous	308,350	308,350	280,020	(28,330)
Contingency	450,000	450,000	-	(450,000)
	5,448,899	5,447,479	5,123,585	(323,894)
<b>Public Safety and Law Enforcement:</b>				
Police	9,210,670	9,210,670	9,028,587	(182,083)
Fire	5,307,046	5,307,046	5,443,947	136,901
Building inspection	879,399	879,399	753,094	(126,305)
Codes enforcement	218,870	218,870	231,749	12,879
Municipal court	177,794	177,794	166,128	(11,666)
	15,793,779	15,793,779	15,623,505	(170,274)
<b>Public Works:</b>				
Construction	539,705	539,705	375,959	(163,746)
Public works	958,015	958,015	853,845	(104,170)
Buildings and grounds maintenance	30,000	30,000	21,368	(8,632)
Sanitation	2,216,483	2,216,483	2,185,513	(30,970)
Vehicle maintenance	86,605	86,605	105,247	18,642
	3,830,808	3,830,808	3,541,932	(288,876)

Continued

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
<b>Parks, Recreation and Culture:</b>				
Parks	881,822	881,822	828,430	(53,392)
Gardens	658,912	658,912	630,364	(28,548)
Tennis	422,234	422,234	447,550	25,316
Aquatics	228,221	228,221	231,493	3,272
Opera House	32,650	32,650	8,855	(23,795)
	2,223,839	2,223,839	2,146,692	(77,147)
<b>Economic Development:</b>				
Downtown revitalization programs	542,456	542,456	921,226	378,770
Liberty Center	45,000	45,000	55,120	10,120
Hope centers	595,370	595,370	517,316	(78,054)
	1,182,826	1,182,826	1,493,662	310,836
<b>Debt Service:</b>				
Principal retirement-bond obligations	631,293	631,293	666,237	34,944
Principal retirement-capital lease obligations	689,850	689,850	695,228	5,378
Interest and fiscal charges	253,182	253,182	153,376	(99,806)
	1,574,325	1,574,325	1,514,841	(59,484)
<b>Capital Outlay:</b>				
General government administration	15,000	16,420	43,130	26,710
Public safety	937,510	937,510	1,084,318	146,808
Public works	824,000	824,000	1,138,342	314,342
Parks, recreation and culture	107,000	107,000	97,690	(9,310)
Economic development	-	-	56,063	56,063
	1,883,510	1,884,930	2,419,543	534,613
Total expenditures	31,937,986	31,937,986	31,863,760	(74,226)
Excess (deficiency) of revenues over expenditures	(3,265,807)	(3,265,807)	(1,603,761)	1,662,046
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,085,636	2,085,636	2,112,332	26,696
Transfer in from reserves	400,171	400,171	-	(400,171)
Transfers out	(65,000)	(65,000)	(65,000)	-
Sale of capital assets	100,000	100,000	267,444	167,444
Proceeds of capital leases	745,000	745,000	733,000	(12,000)
Total other financing sources (uses)	3,265,807	3,265,807	3,047,776	(218,031)
Net change in fund balances	-	-	1,444,015	1,444,015
Fund balances, beginning of year	11,639,594	11,639,594	11,639,594	-
Fund balances, end of year	\$ 11,639,594	\$ 11,639,594	\$ 13,083,609	\$ 1,444,015

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

<b>Assets</b>	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Current assets:			
Cash and cash equivalents	\$ 6,541,129	\$ -	\$ 6,541,129
Investments	9,540,160	-	9,540,160
Accounts receivable, net of allowance for uncollectibles	3,798,112	-	3,798,112
Total current assets	19,879,401	-	19,879,401
Non-current assets:			
Restricted cash and cash equivalents	1,972,234	-	1,972,234
Accounts receivable, net of allowance for uncollectibles	439,863	-	439,863
Interest in joint venture	100,000	-	100,000
Deferred charges - bond issuance costs, net	468,688	-	468,688
Capital assets not being depreciated	4,783,301	-	4,783,301
Capital assets, depreciable, net of accumulated depreciation	73,633,908	1,022,234	74,656,142
Total non-current assets	81,397,994	1,022,234	82,420,228
Total assets	101,277,395	1,022,234	102,299,629
<b>Liabilities</b>			
Current liabilities:			
Accrued interest payable	122,034	-	122,034
Accounts payable	603,069	13,404	616,473
Accrued payroll	52,894	698	53,592
Due to other fund	-	93,461	93,461
Customer deposits	292,435	-	292,435
Compensated absences payable	115,058	752	115,810
Bonds and leases payable - current portion	1,975,423	-	1,975,423
Total current liabilities	3,160,913	108,315	3,269,228
Non-current liabilities:			
Compensated absences payable	283,535	-	283,535
Bonds and leases payable	33,112,531	-	33,112,531
Total non-current liabilities	33,396,066	-	33,396,066
Total liabilities	36,556,979	108,315	36,665,294
<b>Net Position</b>			
Net investment in capital assets	43,329,255	1,022,234	44,351,489
Restricted for debt service	1,972,234	-	1,972,234
Unrestricted	19,418,927	(108,315)	19,310,612
Total net position	\$ 64,720,416	\$ 913,919	\$ 65,634,335

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER CITY, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Operating revenue</b>			
Charges for services			
Water	\$ 9,689,815	\$ -	\$ 9,689,815
Sewer	8,957,356	-	8,957,356
Storm water	-	522,942	522,942
Other operating revenue	1,540,630	-	1,540,630
Total operating revenues	<u>20,187,801</u>	<u>522,942</u>	<u>20,710,743</u>
<b>Operating expenses</b>			
Salaries and benefits	5,014,269	105,685	5,119,954
Bad debts	423,342	-	423,342
Utilities	1,872,118	-	1,872,118
Other operating expense	4,112,238	101,478	4,213,716
Depreciation	3,510,486	78,343	3,588,829
Total operating expenses	<u>14,932,453</u>	<u>285,506</u>	<u>15,217,959</u>
Operating income	5,255,348	237,436	5,492,784
<b>Non-operating revenues (expenses)</b>			
Interest expense	(1,592,352)	-	(1,592,352)
Miscellaneous expense	(144,075)	-	(144,075)
Interest income and investment return	(297,189)	-	(297,189)
Gain on sale of capital assets	5,423	-	5,423
Miscellaneous revenue	104,896	-	104,896
Total non-operating revenues (expenses)	<u>(1,923,297)</u>	<u>-</u>	<u>(1,923,297)</u>
Income before contributions and transfers	3,332,051	237,436	3,569,487
Capital contributions	2,065,216	63,600	2,128,816
Transfers out	(1,178,717)	-	(1,178,717)
Change in net position	4,218,550	301,036	4,519,586
Total net position, beginning of year	<u>60,501,866</u>	<u>612,883</u>	<u>61,114,749</u>
Total net position, end of year	<u>\$ 64,720,416</u>	<u>\$ 913,919</u>	<u>\$ 65,634,335</u>

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, 2013**

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 20,209,418	\$ 522,942	\$ 20,732,360
Payments to suppliers	(5,987,930)	(135,868)	(6,123,798)
Payments to employees	(4,987,099)	(106,160)	(5,093,259)
Payments for interfund services	-	(19,175)	(19,175)
Net Cash Flows Provided by Operating Activities	<u>9,234,389</u>	<u>261,739</u>	<u>9,496,128</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Other non-operating revenue	104,896	-	104,896
Other non-operating expense	(144,075)	-	(144,075)
Interfund loans - proceeds and collections	805,862	-	805,862
Transfer out	(1,178,717)	-	(1,178,717)
Net Cash Flows Used by Non-Capital Financing Activities	<u>(412,034)</u>	<u>-</u>	<u>(412,034)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from disposition of capital assets	5,423	-	5,423
Purchase and construction of capital assets	(3,623,286)	(261,739)	(3,885,025)
Principal paid on capital debt	(2,368,165)	-	(2,368,165)
Interest paid on capital debt	(1,585,618)	-	(1,585,618)
Net Cash Flows Used by Capital Financing Activities	<u>(7,571,646)</u>	<u>(261,739)</u>	<u>(7,833,385)</u>
<b>Cash Flows Provided by Investing Activities</b>			
Purchase of investments	(10,000,000)	-	(10,000,000)
Sale of investments	10,000,000	-	10,000,000
Interest on cash and cash equivalents	153,268	-	153,268
Net Cash Flows Provided by Investing Activities	<u>153,268</u>	<u>-</u>	<u>153,268</u>
<b>Increase in cash and cash equivalents</b>	<u>1,403,977</u>	<u>-</u>	<u>1,403,977</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>7,109,386</u>	<u>-</u>	<u>7,109,386</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,513,363</u>	<u>\$ -</u>	<u>\$ 8,513,363</u>
<b>Reconciliation of net operating income to net cash used by operating activities:</b>			
Operating income	\$ 5,255,348	\$ 237,436	\$ 5,492,784
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,510,486	78,343	3,588,829
Change in current assets and liabilities:			
Decrease in accounts receivable	440,407	-	440,407
Increase in accrued absences	23,056	(171)	22,885
Increase in customer deposits	4,552	-	4,552
Increase (decrease) in accounts payable	(3,574)	(53,565)	(57,139)
Increase in accrued payroll	4,114	(304)	3,810
Net cash used by operating activities	<u>\$ 9,234,389</u>	<u>\$ 261,739</u>	<u>\$ 9,496,128</u>
<b>Non-cash capital financing activities - Capitalized interest</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

	Private Purpose Trusts	Agency Funds
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 8,892	\$ 1,495,897
Receivables	-	30,597
Total revenues	<u>\$ 8,892</u>	<u>\$ 1,526,494</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 28,994
Due to customers	-	39,675
Due to other organization	-	1,457,825
Total liabilities	<u>-</u>	<u>1,526,494</u>
<b>Net Position</b>		
Held in trust for other purposes	<u>\$ 8,892</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

<b>Additions</b>	
Interest	\$ 17
Contributions	<u>25</u>
Total additions	<u>42</u>
<b>Deductions</b>	
Distributions to beneficiaries	<u>-</u>
Total additions	<u>-</u>
Change in net position	42
Net position, beginning of year	<u>8,850</u>
Net position, end of year	<u><u>\$ 8,892</u></u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

The City's financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**A. Reporting Entity**

As required by 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.

The City's fiduciary funds are not included in the government wide-financial statements. The City's fiduciary activities are used to report assets held by the City in a trustee or agency capacity and which, therefore, can't be used to support the City's own programs. In the City of Sumter these funds are primarily revenue collected for water companies other than the City of Sumter's and funds escrowed for their respective programs.

**B. Basis of Presentation**

The City's financial statements are presented from two perspectives, the government-wide perspective and the fund perspective.

*The government-wide financial statements* consist of the Statement of Net Position and the Statement of Activities. The two statements report information on all of the non-fiduciary activities of the City (the "primary government"). Separate columns are used to distinguish between the City's *governmental activities*, which normally are supported by taxes and intergovernmental revenues, and the City's *business-type activities*, which rely to a significant extent on fees and charges for support. *Governmental activities* generally incorporate data from governmental funds (see discussion below) while *business-type activities* generally incorporate data from enterprise funds.

The Statement of net position reports all financial and capital resources of the City and reports the difference between assets and liabilities as net position, not as fund balance or equity. 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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

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.

The use of multiple funds gives rise to interfund activity. Most, but not all, of this internal activity is eliminated from the government-wide statement of activities. Except for net residual balances which are reported as internal balances, amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from and payable to external parties.

**Fund financial statements** present separate information for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. 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. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual government or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**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 one major governmental fund, the general fund. 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.

In addition, the City reports one nonmajor governmental fund type, the special revenue fund. The **Special Revenue 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	Local Hospitality Tax
HUD Section 108	Downtown Loan	State Accommodations Tax
Federal/State Grants	Empowerment Zone	Local Accommodations Tax
Community Development Block Grants	Main Street Society	Narcotics Fund
Victim's Assistance	Emergency 911	Firemen's Fund

**Proprietary Funds** are used to account for activities where the determination of net income is necessary or useful to provide sound financial administration. 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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

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.

The City's proprietary funds include two *enterprise 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. The City also reports one nonmajor enterprise fund, the **Storm Water Utility Fund**.

*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.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the 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. As a general rule, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Additionally, the effect of interfund activity has been eliminated from the government-wide financial statements, except for amounts due between the City's governmental activities and business-type activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be identified and available means collectible within the current period or soon enough thereafter (generally not to exceed 60 days) to be used to pay liabilities of the current period. 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 payment is due.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise fees, business licenses, charges for services, and hospitality fees. Revenues from state and federal grants are recorded when expenditures are incurred. Entitlements and shared revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria is met. Interest revenue is considered available when earned..

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

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.

In the government-wide financial statements, and in the governmental fund types and the proprietary fund types in the fund financial statements, certain assets are recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability for deferred revenue, commonly referred to as unearned revenue. Deferred revenue, in the government-wide statements and in the governmental fund financial statements, is represented by various deposits on contracts. The governmental fund financial statements report certain assets that are not yet available to finance expenditures for the current fiscal period as deferred revenue (commonly known as unavailable revenue). Unavailable revenue in the governmental funds is represented by property tax receivables that are not yet available to pay for current fiscal period expenditures and by loans receivable in the grant fund.

Proprietary funds are accounted for on a flow of economic resources measurement focus. Under this method, the accrual basis of accounting is utilized, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position by distinguishing 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. 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's administration prepares 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.

**E. Assets, Liabilities, and Net Position/Fund Balance**

*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 (CONTINUED)**  
**June 30, 2013**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 52 percent of outstanding property taxes at June 30, 2013.

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. The City does not report any prepaid items as of June 30, 2013.

*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. If both restricted and unrestricted resources are to be used for the same purpose, it is the government's policy to first use restricted resources.

*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

*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, 2013, there was no capitalized interest incurred by the Water and Sewer Enterprise Fund.



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

*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 position. 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.

*Property Taxes*

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.

*Net Position*

The components of the City's net position are classified as follows:

- *Net investment 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 position:* Restricted net position includes resources in which the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties such as state laws and lenders.
- *Unrestricted net position:* Unrestricted net position represents resources which may be used to meet current expenses for any purpose.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

*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 (CONTINUED)**  
**June 30, 2013**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures over Appropriations**

For the year ended June 30, 2013, expenditures exceeded appropriations in the Victim’s Assistance fund by \$4,592. The over-expenditures were funded by revenue which exceeded budgeted amounts by \$7,330.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

*Cash Deposits*

As of June 30, 2013, the carrying amount of the government’s bank deposits was \$13,378,321 and the respective bank balances totaled \$14,155,676. Of the total bank balances, \$7,866,850 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$6,288,826 was collateralized with securities held by the financial institutions in the government’s name.

*Investments*

As of June 30, 2013, in accordance with South Carolina law applicable to local government deposits and investments, the government had the following investments:

Investment	Maturities	Fair Value
Insured or registered, or held by the government or its agent in the government's name:		
\$1,000,000 Federal National Mortgage Association bond 1%	7/30/2027	\$ 954,450
\$2,000,000 Federal National Mortgage Association bond .75%	12/27/2018	1,931,340
\$2,000,000 Federal National Mortgage Association bond .75%	12/27/2019	1,928,680
\$2,000,000 Federal Home Loan Banks bond 1%	12/18/2020	1,917,480
\$2,000,000 Federal Home Loan Banks bond 1.25%	12/27/2022	1,862,400
\$2,000,000 Federal Home Loan Banks bond 1.25%	12/27/2024	1,900,260
Other:		
Federated Treasury Obligation Fund #398	Short-term	714,076
Fidelity Prime Fund Daily Money Class	1 to 180 days	272,373
Investment in South Carolina Pooled Investment Fund		<u>9,665,751</u>
		<u>\$ 21,146,810</u>

The City’s investments also include a life insurance contract on the life of an employee. At year end, this contract had no cash surrender value.

*South Carolina Pooled Investment Fund*

The South Carolina Pooled Investment Fund (the “Pool”) funds are invested with the South Carolina State Treasurer’s Office, which established the Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but 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 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 upon 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.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

*Credit Risk*

State law limits local government 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. The City has no investment policy that would further limit its investment choices. As of year end, the City's investment in the South Carolina Pooled Investment Fund was unrated. The government's investments in Federated Treasury Obligation Fund #398 and Fidelity Prime Fund Daily Money Class were both rated Aaa-mf by Moody's and AAAM by Standard & Poor's.

*Interest Rate Risk.*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As such, the key factor in measuring the City's interest rate risk is the length of maturity of its debt securities. The earliest maturity date of the debt securities held by the City at year end is December 27, 2018, at which time a face value in the amount of \$2,000,000 will mature, with another \$2,000,000 maturing in each of the following two years. In addition, debt securities with a face value of \$2,000,000 will mature in the year 2022, and another \$2,000,000 will mature in 2024. As its longest length of maturity, the City holds debt securities with a face value of \$1,000,000 that will mature in 2027. It is also important to note that the debt securities held by the City are considered 'step up' bonds, which are designed to minimize interest rate risk by periodically increasing the coupon payment by a predetermined amount. In addition, all of the City's holdings in debt securities become callable at their face value within six months after year end.

**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	Non-major Special Revenue Fund	Water and Sewer Fund	Non-major Storm Water Fund	Total
Current:					
Taxes					
Property	\$ 1,149,808	\$ -	\$ -	\$ -	\$ 1,149,808
Sales and franchise	144,742	391,916	-	-	536,658
Intergovernmental	1,056,996	545,333	-	-	1,602,329
Accounts	43,049	-	3,048,919	-	3,091,968
Unbilled receivables	-	-	893,961	-	893,961
Loans and notes	138,472	1,615,814	45,000	-	1,799,286
Interest	-	-	2,583	-	2,583
Other	87,289	-	23,382	-	110,671
Non-current:					
Notes	-	-	439,863	-	439,863
Other	-	-	-	-	-
Gross receivables	2,620,356	2,553,063	4,453,708	-	9,627,127
Less, allowance for uncollectibles	(614,814)	-	(215,733)	-	(830,547)
Net total receivables	<u>\$ 2,005,542</u>	<u>\$ 2,553,063</u>	<u>\$ 4,237,975</u>	<u>\$ -</u>	<u>\$ 8,796,580</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**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:

	Unearned	Deferred	Total
Delinquent property taxes and fees receivable	\$ -	\$ 507,787	\$ 507,787
Loans receivable	-	277,172	277,172
Local Option Sales Tax	887,811	-	887,811
Other	21,150	3,600	24,750
Unearned grant revenue	5,700	-	5,700
	<u>\$ 914,661</u>	<u>\$ 788,559</u>	<u>\$ 1,703,220</u>

**D. Capital Assets**

Capital asset activity for the City for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 10,001,118	\$ 6,498	\$ -	\$ -	\$ 10,007,616
Works of Art	-	-	-	396,866	396,866
Construction in progress	1,681,463	539,013	-	(990,405)	1,230,071
Total capital assets not being depreciated	<u>11,682,581</u>	<u>545,511</u>	<u>-</u>	<u>(593,539)</u>	<u>11,634,553</u>
Capital assets being depreciated:					
Infrastructure	26,554,934	842,620	-	699,131	28,096,684
Buildings and improvements	20,749,674	17,135	-	291,275	21,058,084
Motor vehicles and outdoor equipment	17,866,906	1,769,913	962,788	(396,866)	18,277,165
Office equipment	3,009,389	12,771	-	-	3,022,160
Total capital assets being depreciated	<u>68,180,903</u>	<u>2,642,439</u>	<u>962,788</u>	<u>593,539</u>	<u>70,454,093</u>
Less accumulated depreciation for:					
Infrastructure	14,015,493	1,570,919	-	-	15,586,412
Buildings and improvements	9,452,159	736,336	-	-	10,188,495
Motor vehicles and outdoor equipment	11,693,937	1,713,165	933,535	-	12,473,567
Office equipment	2,998,629	7,926	-	-	3,006,555
Total accumulated depreciation	<u>38,160,218</u>	<u>4,028,347</u>	<u>933,535</u>	<u>-</u>	<u>41,255,029</u>
Total capital assets being depreciated, net	<u>30,020,685</u>	<u>(1,385,908)</u>	<u>29,253</u>	<u>593,539</u>	<u>29,199,064</u>
Governmental activities capital assets, net	<u>\$ 41,703,266</u>	<u>\$ (840,396)</u>	<u>\$ 29,253</u>	<u>\$ 0</u>	<u>\$ 40,833,617</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 240,938	\$ -	\$ -	\$ -	240,938
Construction in progress	1,455,117	3,202,015	300	(114,469)	4,542,363
Total capital assets not being depreciated	<u>1,696,055</u>	<u>3,202,015</u>	<u>300</u>	<u>(114,469)</u>	<u>4,783,301</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,789,659	-	-	-	71,789,659
Distribution and collection system	45,848,712	1,461,260	-	9,800	47,319,772
Wells and tanks	4,693,055	198,528	-	104,669	4,996,252
Machinery and equipment	8,264,868	826,696	106,550	-	8,985,014
Total capital assets being depreciated	<u>131,089,947</u>	<u>2,486,484</u>	<u>106,550</u>	<u>114,469</u>	<u>133,584,350</u>
Less accumulated depreciation for:					
Buildings	296,190	12,341	-	-	308,531
Plants and improvements	30,223,178	1,908,658	-	-	32,131,836
Distribution and collection system	15,036,524	785,611	-	-	15,822,135
Wells and tanks	3,219,314	279,221	-	-	3,498,535
Machinery and equipment	6,670,723	602,998	106,550	-	7,167,171
Total accumulated depreciation	<u>55,445,929</u>	<u>3,588,829</u>	<u>106,550</u>	<u>-</u>	<u>58,928,208</u>
Total capital assets being depreciated, net	<u>75,644,018</u>	<u>(1,102,345)</u>	<u>-</u>	<u>114,469</u>	<u>74,656,142</u>
Business-type activities capital assets, net	<u>\$ 77,340,073</u>	<u>\$ 2,099,670</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 79,439,443</u>

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

Governmental activities:	
General government	\$ 153,388
Public safety	1,307,196
Public works	1,555,491
Parks, recreation and culture	649,684
Community development	139,641
Economic development	222,948
Total depreciation expense - governmental activities	<u>\$ 4,028,347</u>
Business-type activities:	
Water and sewer services	<u>\$ 3,588,829</u>
Total depreciation expense - business type activities	<u>\$ 3,588,829</u>

**E. Long-Term Obligations**

A summary of changes in long-term obligations for the year ended June 30, 2013 for both the City's governmental activities and business-type activities appears below. Details by type of obligation and a summary of debt service requirements follow.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Summary of changes in long-term obligations:**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 4,717,453	\$ -	\$ 666,237	\$ 4,051,216	\$ 656,150
Revenue bonds	1,734,000	-	233,000	1,501,000	238,000
Notes payable	1,513,000	-	81,000	1,432,000	87,000
Capital leases	2,436,396	733,000	695,228	2,474,168	806,635
Compensated absences	2,191,001	831,763	843,517	2,179,247	610,189
Governmental activity long-term liabilities	<u>\$ 12,591,850</u>	<u>\$ 1,564,763</u>	<u>\$ 2,518,982</u>	<u>\$ 11,637,631</u>	<u>\$ 2,397,973</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 37,043,900	\$ -	\$ 2,368,165	\$ 34,675,735	\$ 1,958,463
Unamortized bond premium	-	477,637	23,882	453,755	23,882
Plus deferred amount for premium on refunding	(48,457)	-	(6,922)	(41,535)	(6,922)
Compensated absences	376,460	189,515	166,630	399,345	115,810
Business-type activity long-term liabilities	<u>\$ 37,371,903</u>	<u>\$ 667,152</u>	<u>\$ 2,551,755</u>	<u>\$ 35,487,300</u>	<u>\$ 2,091,233</u>

**General Obligation Bonds.** 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:

\$500,000 Series 2005, payable in annual installments of \$66,812 including interest at 5.65%, maturing April 2015	123,097
\$1,500,000 Series 2006, payable in annual installments of 180,090 including interest at 3.7%, maturing May 2015	341,207
\$2,000,000 Series 2010, payable in annual installments varying from \$247,436 to \$255,773 including interest at 3.63%, maturing May 2019	1,340,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	904,586
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	1,342,326
Total General Obligation Bonds	<u>\$ 4,051,216</u>

**Revenue Bonds.** The City has issued a revenue bond in order to fund construction projects which will enhance tourism as follows:

\$1,734,000 Hospitality Fee Revenue Bond, Series 2011, payable in semi-annual installments varying from \$2,672 to \$264,672 including interest at 2.04%, maturing August 2018, collateralized by assignment of hospitality fee revenue	<u>\$ 1,501,000</u>
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**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

The City has also 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. Water and sewer 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	\$ 376,550
\$2,000,000 Series 2005, payable in annual installments of \$238,910 including interest at 3.37%, maturing June 2015	454,707
\$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	28,645,000
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	5,199,478
Total Revenue Bonds Payable	<u><u>\$ 34,675,735</u></u>

**Notes.** 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	\$ 724,000
\$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	708,000
Total Notes Payable	<u><u>\$ 1,432,000</u></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:

Year Ending June 30,	Governmental Activities
2014	\$ 842,668
2015	682,854
2016	514,720
2017	356,888
2018	151,135
Thereafter	-
Total minimum lease payments	<u>2,548,265</u>
Less: amount representing interest	<u>(74,097)</u>
Present value of minimum lease payments	<u><u>\$ 2,474,168</u></u>



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Motor vehicles and outdoor equipment	\$ 3,921,936
Less: accumulated depreciation	(1,347,811)
Total	\$ 2,574,125

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

Year Ending June 30,	Debt			Capital Lease Obligations		Totals
	Principal	Interest	Total	Principal	Interest	
<u>Governmental Activities</u>						
2014	\$ 981,149	\$ 220,567	\$ 1,201,716	\$ 806,635	\$ 36,034	\$ 2,044,385
2015	1,016,760	189,409	1,206,169	661,388	21,465	1,889,022
2016	805,845	156,881	962,726	503,629	11,091	1,477,446
2017	830,019	133,441	963,460	352,379	4,509	1,320,348
2018	849,306	109,089	958,395	150,137	994	1,109,526
2019-2023	2,166,137	252,072	2,418,209	-	-	2,418,209
2024-2028	335,000	32,682	367,682	-	-	367,682
Thereafter	-	-	-	-	-	-
Total	\$ 6,984,216	\$ 1,094,141	\$ 8,078,357	\$ 2,474,168	\$ 74,093	\$ 10,626,618
 <u>Business-Type Activities</u>						
2014	\$ 1,958,463	\$ 1,517,983	\$ 3,476,446	\$ -	\$ -	\$ 3,476,446
2015	2,032,464	1,447,782	3,480,246	-	-	3,480,246
2016	1,863,615	1,375,021	3,238,636	-	-	3,238,636
2017	1,931,841	1,307,594	3,239,435	-	-	3,239,435
2018	2,005,934	1,232,376	3,238,310	-	-	3,238,310
2019-2023	7,148,418	5,016,111	12,164,529	-	-	12,164,529
2024-2028	7,820,000	3,247,626	11,067,626	-	-	11,067,626
2029-2033	9,915,000	1,155,488	11,070,488	-	-	11,070,488
2034	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	\$ 34,675,735	\$ 16,299,981	\$ 50,975,716	\$ -	\$ -	\$ 50,975,716

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**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, 2013 were:

Receivable Fund	Payable Fund	Amount
General Fund	Local Hospitality Tax Fund	\$ 46,286
General Fund	Federal/State Grants Fund	158,185
General Fund	HUD Section 8 Loans Fund	148,106
General Fund	Community Development Block Grant Fund	66,269
General Fund	Storm Water Utility Fund	93,461
		\$ 512,307

**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 local accommodations tax fund to support tourism promotion. Transfers between funds for the year ended June 30, 2013, consisted of the following:

Transfer out:	Transfer In:				
	General	Nonmajor	Water and	Nonmajor	
	Fund	Governmental	Sewer	Enterprise	
	Fund	Fund	Enterprise	Fund	
General fund	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental funds	933,615	422,029	-	-	1,355,644
Water and sewer enterprise fund	1,178,717	-	-	-	1,178,717
Nonmajor enterprise fund	-	-	-	-	-
	\$ 2,112,332	\$ 422,029	\$ -	\$ -	\$ 2,534,361

**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.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**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 7%, of their annual covered salaries, and the City is required to contribute at an actuarially determined rate. The current rates actuarially determined are 10.45% and 11.90% 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:

	<u>SCRS</u>	<u>PORS</u>
2013	\$ 1,146,423	\$ 895,930
2012	1,041,688	862,915
2011	959,738	835,154

**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. The City's personnel policy provides lifetime benefits for retirees who retired on or before July 1, 2008 with at least 20 years of City service. Employees who retire after July 1, 2009, are eligible for benefits to age 65 depending on the amount of their service as of July 1, 2008. Those with 15 or more years of service on July 1, 2008 must have 20 years of service with the City to become eligible for benefits at retirement. Those with less than 15 years of service on July 1, 2008 must have 28 (25 for public safety) years of service with the City to become eligible for benefits at retirement. 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, 2011, the measurement date for the plan year, there were 551 covered participants; 110 members were retirees receiving benefits and 441 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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

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. For fiscal year 2013, the City contributed \$258,333 for current premiums and an additional \$695,531 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 plan's assets is the unfunded actuarially accrued liability which is being amortized over a period not to exceed 30 years. The unfunded actuarially accrued liability is amortized over 27 years starting July 1, 2011. 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	\$	-
Adjustment to annual required contribution		-
Components of increase for year		
Normal cost for current year		258,333
Amortization of unfunded actuarially accrued liabilities		<u>695,531</u>
Annual required contribution (ARC) for current year:		953,864
Actual contribution		<u>(953,864)</u>
Net increase in obligation for OPEB		-
Net liability for OPEB, end of year	\$	<u>-</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2012 and for 2013 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2011	\$ 964,300	103.8%	\$ -
2012	1,036,562	100.0%	-
2013	953,864	100.0%	-

For fiscal years 2011 and 2012, an assumed rate of return on investments of 5 percent was used to calculate the annual OPEB costs, while an assumed rate of return of 6.5 percent was used to calculate the OPEB cost for fiscal year 2013.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

***Funded Status and Funding Progress***

Based on an actuarial valuation date of July 1, 2011, the funded status of the plan as of year end was as follows:

Actuarially accrued liabilities (AAL):	\$ 16,226,194
Actuarial value of plan assets:	2,072,905
Unfunded AAL (UAAL):	14,153,289
Funded ratio:	12.8%
Covered payroll:	\$ 14,513,067
UAAL as a percentage of covered payroll:	98%

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.

***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 Actuarial Cost Method was used to calculate the ARC, based on an assumed level percent of payroll funding and an assumed 6.5 percent rate of return on investments for the current year. The assumed general inflation rate was 3 percent. The assumed annual payroll growth was 3 percent. The assumed rate of annual increase in health costs varied from 5 to 10.5 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 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. Because it is not certain that it will recover all of its investment if the building is sold, during fiscal year 2012, the City established a \$100,000 valuation allowance to reduce the carrying value of the venture to \$100,000. 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 was under contract to spend \$449,610 on renovations to one of the buildings that it currently operates out of.

**G. Impact of Recently Issued Accounting Principles**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011, which the City adopted during the fiscal year. The adoption of GASB 62 does not have any impact on the

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

City's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred inflows/outflows of resources and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This statement is effective for periods beginning after December 15, 2011, which the City adopted during the fiscal year.

In March 2012, the GASB issued Statement 65, *Reporting Items Previously Recognized as Assets and Liabilities*. GASB 65 provides guidance for reclassifying certain items reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources, or in some cases expense/expenditure. This statement is effective for periods beginning after December 15, 2012, which impacts the City's June 30, 2014 financial statements.

**H. 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.

**I. Subsequent Events**

On August 1, 2013 the City elected to pay off in full, its HUD Section 108, series 2003-A Note payable in the amount of \$724,000. Management has evaluated subsequent events through November 21, 2013, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2013**

**Schedule of Funding Progress**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial liability accrued (AAL) (b)	Total unfunded actuarial liability accrued (UAAL) (b)-(a)	Actuarial value of assets as percentage of actuarial liability accrued (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2011	7/1/2009	\$ 1,403,200	\$ 13,592,800	\$ 12,189,600	10.3%	\$ 13,263,000	91.9%
2012	7/1/2011	1,377,374	16,226,194	14,848,820	8.5%	14,090,356	105.4%
2013	7/1/2011	2,072,905	16,226,194	14,153,289	12.8%	14,513,067	98%

**Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Annual Actual Contribution	Annual Percentage Contributed
2011	\$ 964,300	\$ 998,248	103.8%
2012	1,036,562	1,036,562	100.0%
2013	953,864	953,864	100.0%

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –  
OTHER POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN  
For the Year Ended June 30, 2013**

The most recent valuation of the City’s plan is based on plan benefits in effect as of July 1, 2011. The previous valuation was based on information as of July 1, 2009. The 2011 valuation updated claims costs and changed the actuarial assumptions, the asset valuation method and the actuarial software used to calculate the liabilities and normal cost of the plan.

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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2013**

	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
<b>ASSETS</b>								
Cash and cash equivalents	\$ 137,463	\$ -	\$ 164,919	\$ 13,974	\$ -	\$ -	\$ 125,181	\$ 8,243
Receivables, net of allowance for doubtful accounts	50,000	1,481,623	84,192	-	164,868	80,514	-	-
Total assets	\$ 187,463	\$ 1,481,623	\$ 249,111	\$ 13,974	\$ 164,868	\$ 80,514	\$ 125,181	\$ 8,243
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ -	\$ 46,350	\$ -	\$ -	\$ 4,450	\$ 5,701		\$ -
Retainage payable	-	-	-	-	-	-	-	-
Accrued compensation and benefits	-	-	-	-	733	3,421	-	-
Due to other funds	-	148,106	-	-	158,185	66,269	-	-
Unearned revenue	-	-	-	-	1,500	4,200	-	-
Deferred revenue	50,000	-	84,192	-	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	8,450	-
Total liabilities	50,000	194,456	84,192	-	164,868	79,591	8,450	-
Fund balances								
Unassigned	-	-	-	-	-	-	-	-
Restricted	137,463	1,287,167	164,919	13,974	-	923	116,731	8,243
Total fund balances	137,463	1,287,167	164,919	13,974	-	923	116,731	8,243
Total liabilities and fund balances	\$ 187,463	\$ 1,481,623	\$ 249,111	\$ 13,974	\$ 164,868	\$ 80,514	\$ 125,181	\$ 8,243

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**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2013**

	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 and cash equivalents	\$ 1,373,013	\$ 300	\$ 288,023	\$ 198,617	\$ 29,745	\$ 346,532	\$ 339	\$ 2,686,349
Receivables, net of allowance for doubtful accounts	193,608	180,600	43,742	-	-	273,916	-	2,553,063
Total assets	\$ 1,566,621	\$ 180,900	\$ 331,765	\$ 198,617	\$ 29,745	\$ 620,448	\$ 339	\$ 5,239,412
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ 93,134	\$ 3,597	\$ 8,522	\$ -	\$ 12	\$ 23,907	\$ 66	\$ 185,739
Retainage payable	-	-	-	-	-	-	-	-
Accrued compensation and benefits	-	4,096	-	-	462	552	-	9,264
Due to other funds	46,286	-	-	-	-	-	-	418,846
Unearned revenue	-	-	-	-	-	-	-	5,700
Deferred revenue	-	-	-	-	-	-	-	134,192
Escrow for seized funds and deposits	-	-	-	158,812	-	-	-	167,262
Total liabilities	139,420	7,693	8,522	158,812	474	24,459	66	921,003
Fund balances								
Unassigned	-	-	-	-	-	-	-	-
Restricted	1,427,201	173,207	323,243	39,805	29,271	595,989	273	4,318,409
Total fund balances	1,427,201	173,207	323,243	39,805	29,271	595,989	273	4,318,409
Total liabilities and fund balances	\$ 1,566,621	\$ 180,900	\$ 331,765	\$ 198,617	\$ 29,745	\$ 620,448	\$ 339	\$ 5,239,412

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2013**

	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
<b>REVENUES</b>								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	422,748	264,123	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Interest income	3,607	77,388	229	562	-	-	1,234	-
Rent and miscellaneous	24,008	-	11,167	3,399	-	-	29,563	4,670
Total revenues	27,615	77,388	11,396	3,961	422,748	264,123	30,797	4,670
<b>EXPENDITURES</b>								
Current								
General government administration	-	-	-	-	226,706	-	-	-
Public safety	-	-	-	-	107,062	-	-	-
Public Works	-	-	-	-	6,574	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-	-
Community development	-	-	45,902	-	-	264,123	-	-
Economic development	50,000	-	-	-	22,876	-	-	1,327
Debt service								
Bond principal	-	81,000	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	79,561	-	-	-	-	-	-
Capital outlay								
Public safety	-	-	-	-	16,303	-	-	-
Parks, recreation and culture	-	-	-	-	56,639	-	-	-
Community development	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Total expenditures	50,000	160,561	45,902	-	436,160	264,123	-	1,327
Excess (deficiency) of revenues over (under) expenditures	(22,385)	(83,173)	(34,506)	3,961	(13,412)	-	30,797	3,343
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	13,409	-	-	-
Transfers out	-	-	-	-	-	-	(23,340)	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	13,409	-	(23,340)	-
Net change in fund balances	(22,385)	(83,173)	(34,506)	3,961	(3)	-	7,457	3,343
Fund balances, beginning of year	159,848	1,370,340	199,425	10,013	-	923	109,275	4,900
Fund balances, end of year	\$ 137,463	\$ 1,287,167	\$ 164,919	\$ 13,974	\$ (3)	\$ 923	\$ 116,732	\$ 8,243

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**Page 2 of 2**  
**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2013**

	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	\$ 2,180,610	\$ -	\$ 444,238	\$ -	\$ -	\$ -	\$ -	\$ 2,624,848
Licenses, permits and fees	-	-	-	-	-	723,626	-	723,626
Intergovernmental revenue	-	339,818	-	-	-	-	116,540	1,143,229
Fines and forfeitures	-	-	-	34,523	51,373	-	-	85,896
Interest income	1,712	-	-	470	-	721	-	85,923
Rent and miscellaneous	-	-	-	-	-	-	-	72,807
Total revenues	2,182,322	339,818	444,238	34,993	51,373	724,347	116,540	4,736,329
<b>EXPENDITURES</b>								
Current								
General government administration	-	-	-	-	-	-	-	226,706
Public safety	-	-	-	51,127	48,635	513,082	110,449	830,355
Public Works								6,574
Parks, recreation and culture	375,124	88,057	13,536	-	-	-	-	476,717
Community development	-	-	-	-	-	-	-	310,025
Economic development	105,029	328,503	29,597	-	-	-	-	537,332
Debt service								
Bond principal	233,000	-	-	-	-	-	-	314,000
Capital leases	-	-	-	-	-	-	-	-
Interest and fiscal charges	32,997	-	-	-	-	-	-	112,558
Capital outlay								
Public safety	-	-	-	-	-	17,182	-	33,485
Parks, recreation and culture	427,846	-	-	-	-	-	-	484,485
Community development	-	-	-	-	-	-	-	-
Economic development	43,053	-	-	-	-	-	-	43,053
Total expenditures	1,217,049	416,560	43,133	51,127	48,635	530,264	110,449	3,375,290
Excess (deficiency) of revenues over (under) expenditures	965,273	(76,742)	401,105	(16,134)	2,738	194,083	6,091	1,361,039
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	268,620	140,000	-	-	-	-	-	422,029
Transfers out	(985,742)	-	(281,562)	-	-	-	-	(1,290,644)
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(717,122)	140,000	(281,562)	-	-	-	-	(868,615)
Net change in fund balances	248,151	63,258	119,543	(16,134)	2,738	194,083	6,091	492,424
Fund balances, beginning of year	1,179,052	109,949	203,701	55,939	26,533	401,906	(5,819)	3,825,985
Fund balances, end of year	\$ 1,427,203	\$ 173,207	\$ 323,244	\$ 39,805	\$ 29,271	\$ 595,989	\$ 272	\$ 4,318,409

**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION –**  
**BUDGET AND ACTUAL – BUDGET BASIS**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
<b>Revenue</b>				
Water revenue	\$ 9,632,800	\$ 9,632,800	\$ 9,689,815	\$ 57,015
Sewer revenue	8,650,000	8,650,000	8,957,356	307,356
Other operating revenue	1,254,700	1,254,700	1,540,630	285,930
Grants	-	-	-	-
Capital Contributions	-	-	2,065,216	2,065,216
Interest income and investment return	30,000	30,000	(297,189)	(327,189)
Gain on sale of capital assets	-	-	5,423	5,423
Miscellaneous	77,773	77,773	104,896	27,123
Transfers	-	-	-	-
	<u>19,645,273</u>	<u>19,645,273</u>	<u>22,066,147</u>	<u>2,420,874</u>
<b>Expenses</b>				
Salaries and benefits	\$ 5,080,440	5,080,440	5,014,269	(66,171)
Bad debts	168,015	168,015	423,342	255,327
Utilities	2,250,500	2,250,500	1,872,118	(378,382)
Other operating expense	5,040,358	5,040,358	4,112,238	(928,120)
Depreciation	2,061,765	2,061,765	3,510,486	1,448,721
Interest expense	1,645,618	1,645,618	1,592,352	(53,266)
Miscellaneous	144,075	144,075	144,075	-
Transfers	1,178,717	1,178,717	1,178,717	-
Capital expenditures	2,075,785	2,075,785	5,256,314	3,180,529
	<u>19,645,273</u>	<u>19,645,273</u>	<u>23,103,911</u>	<u>3,458,638</u>
<b>Operating Income (loss)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,037,764)</u>	<u>\$ (1,037,764)</u>
Reconciliation to change in net position:				
Capital expenditures			5,256,314	
<b>Change in net position</b>			<u>\$ 4,218,550</u>	



**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER**  
**For the Year Ended June 30, 2013**

Operating Revenue	20,187,801
Operating expenses exclusive of depreciation	(11,421,967)
Net revenue available for debt service	8,765,834
Debt service requirement	
Principal	1,914,410
Interest	1,585,618
Total	3,500,028
Revenue bond coverage for the year ended June 30, 2013	2.50

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**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 POSITION – PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2013**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 3,080	\$ 504	\$ 1,452	\$ 3,856	\$ 8,892
Total assets	3,080	504	1,452	3,856	8,892
<b>Liabilities</b>	-	-	-	-	-
<b>Net position held in trust for other purposes</b>	\$ 3,080	\$ 504	\$ 1,452	\$ 3,856	\$ 8,892

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS**  
**For the Year Ended June 30, 2013**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>ADDITIONS</b>					
Interest	\$ 7	\$ 2	\$ 4	\$ 4	\$ 17
Contributions	-	-	-	25	25
Total additions	<u>7</u>	<u>2</u>	<u>4</u>	<u>29</u>	<u>42</u>
<b>DEDUCTIONS</b>					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	7	2	4	29	42
Net position, beginning of year	3,073	502	1,448	3,827	8,850
Net position, end of year	<u>\$ 3,080</u>	<u>\$ 504</u>	<u>\$ 1,452</u>	<u>\$ 3,856</u>	<u>\$ 8,892</u>

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**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.

*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, 2013**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>CHDO Fund</b>				
Assets				
Cash and cash equivalents	\$ 509,171	\$ 12,413	\$ (25,635)	\$ 495,949
Receivables	-	-	-	-
	<u>\$ 509,171</u>	<u>\$ 12,413</u>	<u>\$ (25,635)</u>	<u>\$ 495,949</u>
Liabilities				
Accounts payable	\$ 799	\$ 12	\$ (799)	\$ 12
Due to other fund	-	-	-	-
Due to other organization	508,372	12,412	(24,847)	495,937
	<u>\$ 509,171</u>	<u>\$ 12,424</u>	<u>\$ (25,646)</u>	<u>\$ 495,949</u>
<b>Sumter Green Fund</b>				
Assets				
Cash and cash equivalents	\$ 81,021	\$ 45,673	\$ (32,224)	\$ 94,470
Accounts receivable	4,141	1,000	(4,141)	1,000
	<u>\$ 85,162</u>	<u>\$ 46,673</u>	<u>\$ (36,365)</u>	<u>\$ 95,470</u>
Liabilities				
Accounts payable	\$ 359	\$ 346	\$ (359)	\$ 346
Due to other organization	84,803	45,674	(35,353)	95,124
	<u>\$ 85,162</u>	<u>\$ 46,020</u>	<u>\$ (35,712)</u>	<u>\$ 95,470</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>Support of Shaw Fund</b>				
Assets				
Cash and cash equivalents	\$ 155,121	\$ -	\$ (450)	\$ 154,671
	<u>\$ 155,121</u>	<u>\$ -</u>	<u>\$ (450)</u>	<u>\$ 154,671</u>
Liabilities				
Due to other organization	\$ 155,121	\$ -	\$ (450)	\$ 154,671
	<u>\$ 155,121</u>	<u>\$ -</u>	<u>\$ (450)</u>	<u>\$ 154,671</u>
<b>Dalzell Water District Fund</b>				
Assets				
Cash and cash equivalents	\$ 831,311	\$ 505,376	\$ (621,986)	\$ 714,701
Receivables	(6,814)	(19,378)	6,814	(19,378)
	<u>\$ 824,497</u>	<u>\$ 485,998</u>	<u>\$ (615,172)</u>	<u>\$ 695,323</u>
Liabilities				
Accounts payable	\$ 6,578	\$ 405,485	\$ (405,829)	\$ 6,234
Due to customers	38,700	975	-	39,675
Due to other organization	779,219	186,338	(253,790)	711,767
	<u>\$ 824,497</u>	<u>\$ 592,798</u>	<u>\$ (659,619)</u>	<u>\$ 757,676</u>

Continued



**Page 2 of 2**  
**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**For the Year Ended June 30, 2013**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Oswego Water District Fund</b>				
Assets				
Cash and cash equivalents	\$ 30,746	\$ 411,909	\$ (406,875)	\$ 35,780
Receivables	55,389	451,078	(457,492)	48,975
	<u>\$ 86,135</u>	<u>\$ 862,987</u>	<u>\$ (864,367)</u>	<u>\$ 84,755</u>
Liabilities				
Accounts payable	\$ 17,202	\$ 418,489	\$ (413,289)	\$ 22,402
Due to other organization	68,933	-	(68,933)	-
	<u>\$ 86,135</u>	<u>\$ 418,489</u>	<u>\$ (482,222)</u>	<u>\$ 22,402</u>
<b>Total Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 1,607,696	\$ 975,371	\$ (1,087,170)	\$ 1,495,897
Receivables	52,716	432,700	(454,819)	30,597
	<u>\$ 1,660,412</u>	<u>\$ 1,408,071</u>	<u>\$ (1,541,989)</u>	<u>\$ 1,526,494</u>
Liabilities				
Accounts payable	\$ 24,938	\$ 824,332	\$ (820,276)	\$ 28,994
Due to other funds	-	-	-	-
Due to customers	38,700	975	-	39,675
Due to other organization	1,596,774	244,424	(383,373)	1,457,825
	<u>\$ 1,660,412</u>	<u>\$ 1,069,731</u>	<u>\$ (1,203,649)</u>	<u>\$ 1,526,494</u>

**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, 2013**

	<u>2012</u>	<u>2013</u>
Court fines, assessments and surcharges:		
Collected	766,833	787,700
Remitted to State Treasurer	(428,662)	(431,735)
Retained by the City	<u>338,171</u>	<u>355,965</u>
Fines, assessments and surcharges retained by the City:		
General fund	288,654	304,592
Victims advocate services	49,517	51,373
Total assessments and surcharges retained by the City	<u>338,171</u>	<u>355,965</u>
Funds allocated to victims advocate service special revenue fund		
Carryover from prior year	46,089	26,532
Surcharges and assessments retained current year	49,517	51,373
Expenditures for victims advocate services	(69,073)	(48,596)
Total (over) under expenditure of victims advocate service special revenue funds	<u>26,533</u>	<u>29,309</u>

# ***REGULATORY SECTION***

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**CITY OF SUMTER, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Homeland Security Pass-through Program From:</b>			
South Carolina Law Enforcement Division	97.067	2007-GE-T7-0045	\$ 16,000
<b>Department of Housing and Urban Development Direct Programs:</b>			
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-450011	4,717
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-45-0011	5,649
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-45-0011	55,628
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-45-0011	163,648
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-45-0011	34,481
			<u>264,123</u>
<b>Department of Housing and Urban Development Pass-through Programs From:</b>			
Santee Lynches Regional Council of Governments HOME Investment Partnership Program	14.239	M10DC450206	3,468
<b>Total Department of Housing and Urban Development</b>			<u>267,591</u>
<b>Department of Justice Direct Programs:</b>			
Bullet Proof Vest Partnership Program	16.607	2010BUBX10050833	4,822
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX1146	37,637
Office of Community Oriented Policing Services	16.710	2010CKWX0099	1,483
<b>Department of Justice Pass-through Programs From:</b>			
Drug Enforcement Administration Equitable Sharing	16.922		6,680
South Carolina Department of Public Safety Victims of Crime	16.575	1V12102	38,371
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K11018	6,665
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K12018	7,363
			<u>14,028</u>
<b>Total Department of Justice</b>			<u>103,021</u>

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**CITY OF SUMTER, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Transportation Pass-through Programs From:</b>			
South Carolina Department of Transportation Federal Transit-Metropolitan Planning Grants	20.505	PL45013	226,706
South Carolina Parks, Recreation and Tourism	20.219	2012008	<u>45,312</u>
<b>Total Department of Transportation</b>			<u>272,018</u>
<b>Department of Energy Direct Programs:</b>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002302	<u>17,327</u>
<b>Total Department of Energy</b>			<u>17,327</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 675,957</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, 2013**

**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, 2013. 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 subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount provided to subrecipient</u>
14.239	HOME Investment Partnership Program	\$3,468

**SHEHEEN, HANCOCK & GODWIN, LLP**

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November 21, 2013

**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***

To City Council  
City of Sumter, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Sumter, South Carolina's basic financial statements, and have issued our report thereon dated November 21, 2013.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountants

**SHEHEEN, HANCOCK & GODWIN, LLP**

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November 21, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-  
133**

To City Council  
City of Sumter, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the City of Sumter, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Sumter, South Carolina's major federal programs for the year ended June 30, 2013. The City of Sumter, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Sumter, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 of Sumter, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Sumter, South Carolina's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Sumter, South Carolina, complied, in all material respects, with the types of 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, 2013.

### **Report on Internal Control Over Compliance**

Management of the City of Sumter, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sumter, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, we do not express an opinion on the effectiveness of the City of Sumter, South Carolina'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 *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountants

**CITY OF SUMTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

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
20.505	Federal Transit-Metropolitan Planning Grant
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?  Yes  No

Section II - Financial Statements

None.

Section III - Federal Awards Findings and Questioned Costs

None.

**CITY OF SUMTER**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**For the Year Ended June 30, 2013**

There were no prior year audit findings.