

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

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

For the Fiscal Year Ended June 30, 2012



**CITY OF SUMTER, SOUTH CAROLINA
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FINANCIAL SECTION

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November 21, 2012

INDEPENDENT AUDITOR'S REPORT

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 5 through 13 and 49 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedules listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The supplemental schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

Sumter, South Carolina Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012. The Management's Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the City's financial activity and identifying changes in the City's financial condition, material deviations from financial budget and individual fund issues and concerns.

Financial Highlights

- The assets of the City of Sumter exceeded its liabilities at the close of the most recent fiscal year by \$106,350,262 (net assets). Of this amount, \$20,328,735 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,736,033 during the fiscal year ended June 30, 2012. Unrestricted net assets decreased \$5,319,782.
- At the close of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$15,465,579, an increase of \$2,828,740 from the prior year. Approximately 45% of this total amount, \$6,943,826, is available in the general fund for spending at the government's discretion (unassigned fund balances).
- The City of Sumter's total long-term debt excluding accrued compensated absences at June 30, 2012 was \$47,396,292, an increase of \$893,162. Governmental activities debt increased by \$2,740,667. Debt for the business-type activities decreased by \$1,847,505.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Sumter that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sumter include general government administration, public safety and law enforcement, public works, parks, recreation and culture, community development, economic development and interest and other charges. The business-type activities of the City of Sumter include water and sewer services.

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The City maintains 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 special revenue funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-46 of this report.

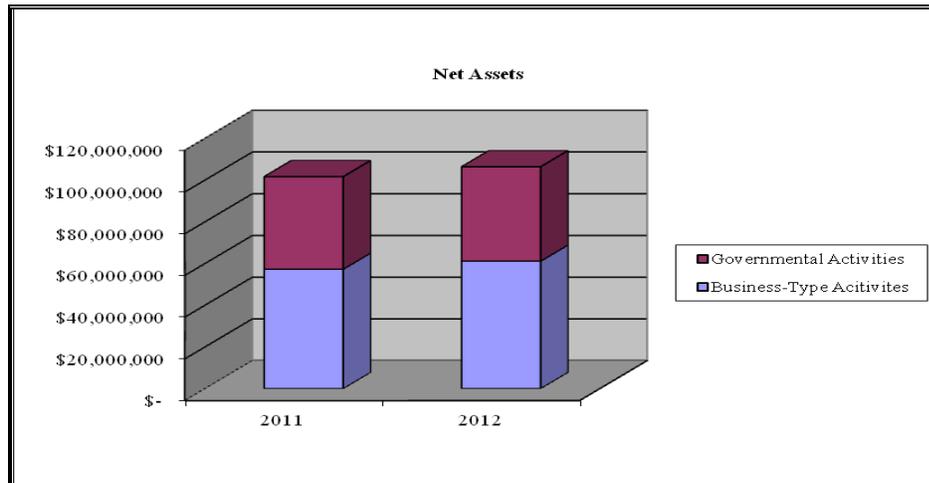
Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Sumter, assets exceeded liabilities by \$106,350,262 as of June 30, 2012.

By far the largest portion of the City of Sumter’s net assets (approximately 65% of total, 63% of governmental and 66% of business-type activities) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sumter uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sumter’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sumter's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 18,689,221	\$ 16,266,392	\$ 22,266,039	\$ 20,398,711	\$ 40,955,260	\$ 36,665,103
Capital assets	41,703,266	40,833,008	77,340,073	77,176,789	119,043,339	118,009,797
Total assets	60,392,487	57,099,400	99,606,112	97,575,500	159,998,599	154,674,900
Noncurrent liabilities	10,281,063	7,475,751	35,457,940	37,348,987	45,739,003	44,824,738
Other liabilities	4,875,911	5,247,167	3,033,423	2,988,766	7,909,334	8,235,933
Total liabilities	15,156,974	12,722,918	38,491,363	40,337,753	53,648,337	53,060,671
Net assets:						
Invested in capital assets, net of related debt	34,953,433	33,172,826	40,344,630	37,631,521	75,298,063	70,804,347
Restricted	3,831,804	2,220,842	6,891,660	2,940,523	10,723,464	5,161,365
Unrestricted	6,450,276	8,982,814	13,878,459	16,665,703	20,328,735	25,648,517
Net assets	\$ 45,235,513	\$ 44,376,482	\$ 61,114,749	\$ 57,237,747	\$ 106,350,262	\$ 101,614,229



Unrestricted net assets of \$20,328,735 may be used to meet the government’s ongoing obligations to citizens and creditors.

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

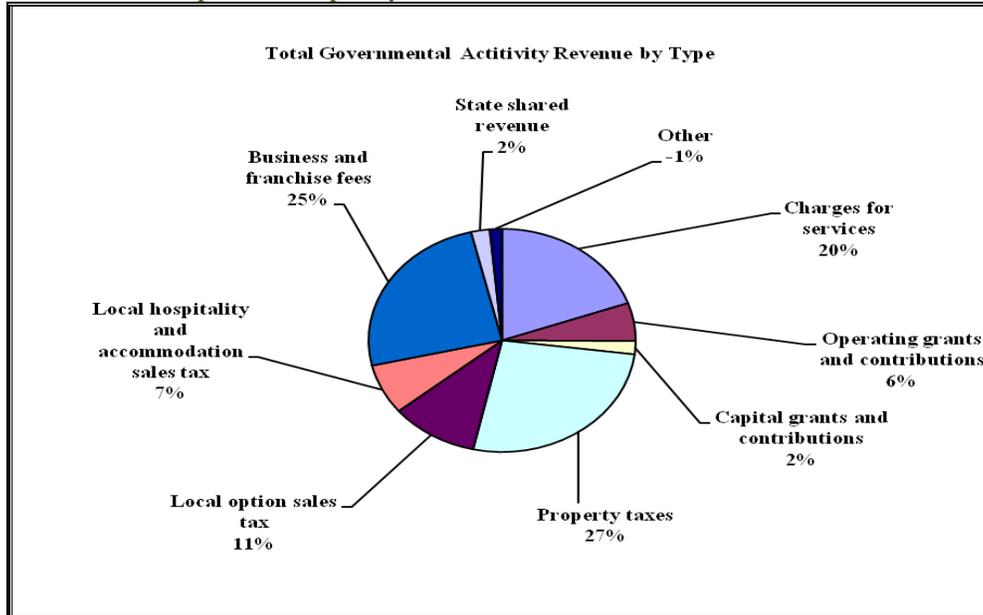
City of Sumter's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 6,751,124	\$ 6,835,749	\$ 20,348,381	\$ 20,256,196	\$ 27,099,505	\$ 27,091,945
Operating grants and contributions	1,908,854	1,520,809	25,494	65,894	1,934,348	1,586,703
Capital grants and contributions	657,135	195,696	1,694,297	-	2,351,432	195,696
Total program revenues	<u>9,317,113</u>	<u>8,552,254</u>	<u>22,068,172</u>	<u>20,322,090</u>	<u>31,385,285</u>	<u>28,874,344</u>
General revenues:						
Property taxes	9,140,794	9,426,121	-	-	9,140,794	9,426,121
Sales taxes - local option	3,659,210	3,720,496	-	-	3,659,210	3,720,496
Sales taxes - local hospitality and accommodation	2,513,460	2,415,073	-	-	2,513,460	2,415,073
Business and franchise fees	8,584,176	8,647,994	-	-	8,584,176	8,647,994
State shared	778,770	898,041	-	-	778,770	898,041
Other	(512,888)	14,940	87,740	112,125	(425,148)	127,065
Total general revenues	<u>24,163,522</u>	<u>25,122,665</u>	<u>87,740</u>	<u>112,125</u>	<u>24,251,262</u>	<u>25,234,790</u>
Total revenues	<u>33,480,635</u>	<u>33,674,919</u>	<u>22,155,912</u>	<u>20,434,215</u>	<u>55,636,547</u>	<u>54,109,134</u>
Expenses:						
General government	5,227,490	5,212,449	-	-	5,227,490	5,212,449
Public safety	17,112,887	16,839,226	-	-	17,112,887	16,839,226
Public works	5,037,657	5,435,377	-	-	5,037,657	5,435,377
Parks, recreation and culture	3,356,330	3,135,364	-	-	3,356,330	3,135,364
Community development	503,184	625,752	-	-	503,184	625,752
Economic development	2,133,942	1,673,080	-	-	2,133,942	1,673,080
Interest and other charges	290,181	259,918	-	-	290,181	259,918
Water and sewer services	-	-	17,238,843	16,262,505	17,238,843	16,262,505
Total expenses	<u>33,661,671</u>	<u>33,181,166</u>	<u>17,238,843</u>	<u>16,262,505</u>	<u>50,900,514</u>	<u>49,443,671</u>
Increase (decrease) in net assets before transfers and special item						
	(181,036)	493,753	4,917,069	4,171,710	4,736,033	4,665,463
Special item	-	(2,837,197)	-	-	-	(2,837,197)
Transfers	1,040,067	1,101,440	(1,040,067)	(1,101,440)	-	-
Increase (decrease) in net assets						
	859,031	(1,242,004)	3,877,002	3,070,270	4,736,033	1,828,266
Net assets, beginning of year	<u>44,376,482</u>	<u>45,618,486</u>	<u>57,237,747</u>	<u>54,167,477</u>	<u>101,614,229</u>	<u>99,785,963</u>
Net assets, end of year	<u>\$ 45,235,513</u>	<u>\$ 44,376,482</u>	<u>\$ 61,114,749</u>	<u>\$ 57,237,747</u>	<u>\$ 106,350,262</u>	<u>\$ 101,614,229</u>

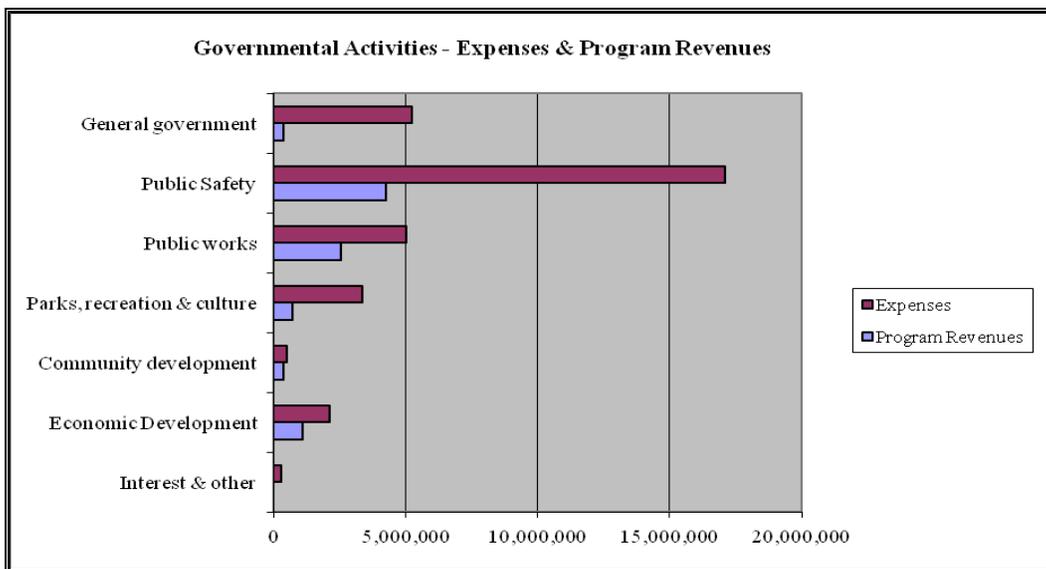
Governmental Activities: Governmental activities increased the City of Sumter's net assets by \$859,031. There was an overall increase in total assets in the amount of \$3,293,087 compared to the prior year. The key components of this increase were increases in cash, investments and restricted cash of \$2,245,755, receivables increases of \$806,807 and capital asset increases of \$870,258. These increases were offset by a decrease in the valuation of property held for resale in the amount of \$747,986. One component of the \$806,807 increase in receivables represented an increase in intergovernmental receivables in the amount of \$563,610. The overall increase in total liabilities amounted to \$2,434,056 as compared to the prior year with an increase in noncurrent liabilities of \$2,805,312 and a decrease in other liabilities of \$371,256. The decrease in other liabilities was as a result of an increase in accounts payable which was offset by a

decrease in accrued salaries and benefits. The increase in noncurrent liabilities was a result of the issuance of \$3,490,000 of bonds and capital leases.

Total government-wide revenues were \$33,480,635. Thirty-eight percent of revenues were derived from property taxes and the related local option sales tax. Business license and franchise fees provided 25% of revenues. Unrestricted state shared revenues declined compared to the prior year.

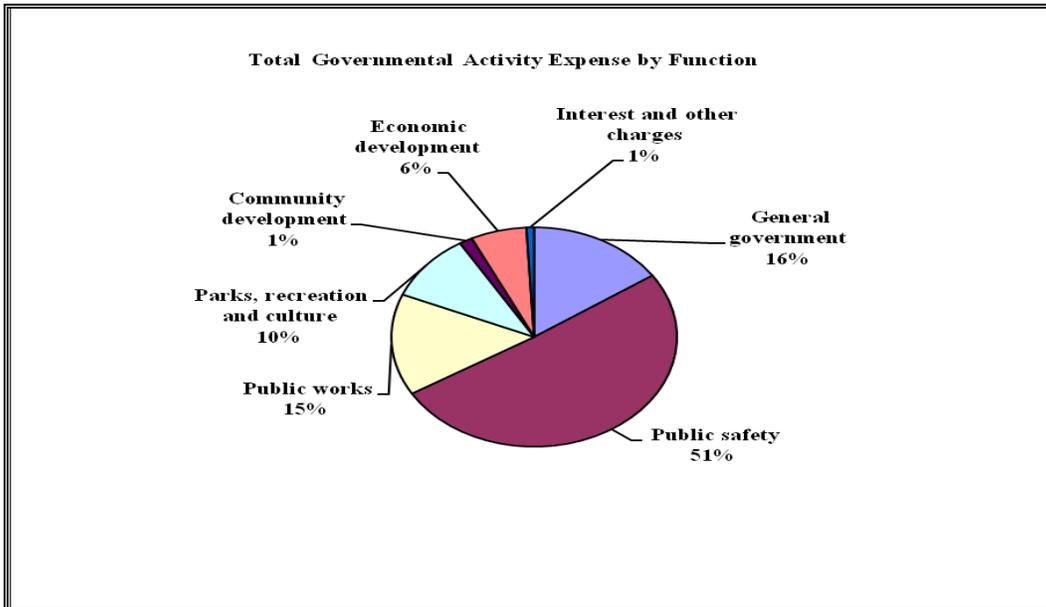


Charges for services, primarily for fire and police services provided to Sumter County and for sanitation services comprised 20 percent of the City’s governmental activity revenues. Total program revenues (i.e., charges for services, operating grants and contributions and capital grants and contributions) made up 28% of the City’s governmental activities revenues. Program revenues which totaled \$9,317,113 covered 28% of the City’s governmental activities expenses. The accompanying table illustrates the degree to which a function’s expenses are covered by program revenues.

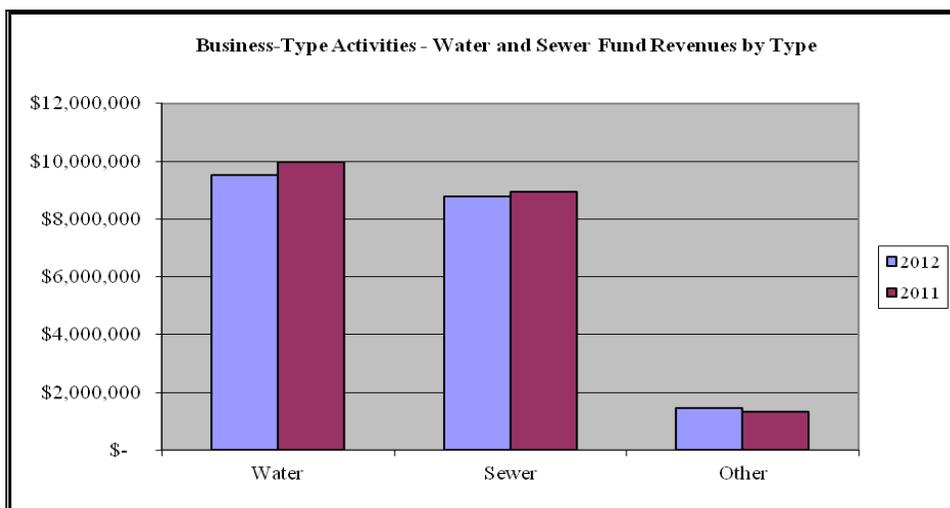


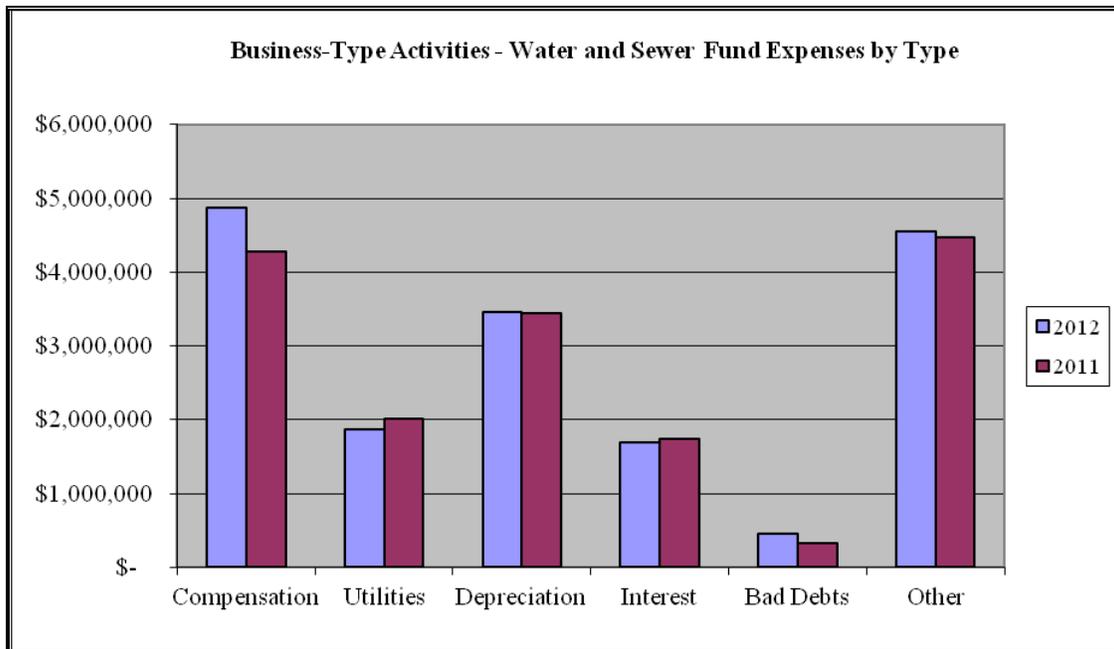
During the current fiscal year public safety related expenses accounted for slightly more than half of the total

governmental activities expenses. Public safety expenditures include police, fire, 911 communications, building inspections, codes enforcement, and municipal court. Public works related expenditures accounted for 15% of the total. Public works expenditures include construction, public works, sanitation, and vehicle maintenance services. General government expenditures accounted for 16%. Total spending for the year increased slightly above 1% compared to 2011.



Business-Type Activities: Business-type activities increased the City of Sumter’s net assets by \$3,877,002. The most significant element of this increase was the \$1,694,297 of capital grants and contributions received from governments and developers to extend the water and sewer infrastructure. Revenues derived from charges for services increased by only \$92,185 (less than 1%) compared to the prior fiscal year. This small increase is attributable to limited growth in consumption along with no change in the rate structure for water and sewer services. Total expenses were \$17,238,843, an increase of \$976,338, a 6% increase over the prior year. Key elements of the increase are higher benefit costs and an increase in bad debt. Transfers out to governmental activities were \$1,040,067 for the year the year, a decline of \$61,373.





Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City of Sumter’s governmental funds reported combined ending fund balances of \$15,465,579, an increase of \$2,828,740 in comparison with the prior year. \$6,943,826 (45%) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,943,826 with a total fund balance of \$11,639,594. 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 22 percent of total general fund expenditures while total fund balance represents 37 percent of that same amount.

The fund balance of the City of Sumter’s general fund increased by \$1,577,516 during the current fiscal year. The primary driver of this increase was the issuance of \$3,490,000 of bonds and capital leases, \$2,850,316 of which had not been spent at year end. Another major factor in the fund balance change was the City’s determination that it should reduce the carrying value of real estate it is holding for resale. As a result, net investment return was a negative \$653,329. Also, property and sales tax and license, permit and franchise fee revenues declined \$328,946 compared to the prior year. Other factors in the change in fund balance were the purchase of property in the downtown area in the amount of \$512,298 to continue with downtown revitalization and expenditures in the amount of \$948,899 for the purchase of capital assets, from which funding had been set aside from a prior year borrowing.

General Fund Budgetary Highlights

Revenues were 2% greater than the final budget while expenditures were 5% less than the final budget. The original

budget was amended to provide for transfers within the budgeted amounts and for increased principal payments, increased capital outlay and allocations to other agencies.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2012, was \$119,043,339 (net of accumulated depreciation), an increase of \$1,033,542 from the prior year end. Following is a summary of capital assets and for more information see Note III.D. in the notes to the financial statements.

City of Sumter's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 10,001,118	\$ 9,604,922	\$ 240,938	\$ 240,938	\$ 10,242,056	\$ 9,845,860
Buildings	11,297,515	10,586,873	197,463	209,804	11,494,978	10,796,677
Plants, machinery and equipment	6,183,729	5,977,446	43,160,626	46,165,965	49,344,355	52,143,411
Infrastructure	12,539,441	13,603,054	32,285,929	30,154,079	44,825,370	43,757,133
Construction in progress	1,681,463	1,060,713	1,455,117	406,003	3,136,580	1,466,716
	<u>\$ 41,703,266</u>	<u>\$ 40,833,008</u>	<u>\$ 77,340,073</u>	<u>\$ 77,176,789</u>	<u>\$ 119,043,339</u>	<u>\$ 118,009,797</u>

Major capital asset additions included \$1,332,249 for routine replacement of vehicles and sanitation and fire trucks, \$598,899 for completion of a new vehicle maintenance shop, and \$2,983,476 in additions to the water and sewer infrastructure, which included \$1,226,815 of capital contributions.

Debt Administration. At the end of the current fiscal year, the City of Sumter had total debt outstanding of \$47,396,292. Of this amount, \$4,717,453 was debt backed by the full faith and credit of the government. The remaining \$42,678,839 was revenue bonds, capital leases, and notes payable. The City's total debt increased \$893,162 during 2012. See Note III.E. in the notes to the financial statements for more information.

City of Sumter's Outstanding Debt

General Obligation and Revenue Bonds, Notes Payable and Capital Lease Obligations

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 4,717,453	\$ 2,678,694	\$ -	\$ -	\$ 4,717,453	\$ 2,678,694
Revenue bonds	1,734,000	-	36,995,443	38,797,762	38,729,443	38,797,762
TIF bond	-	704,209	-	-	-	704,209
Notes payable	1,513,000	1,938,000	-	-	1,513,000	1,938,000
State revolving fund loans	-	-	-	45,186	-	45,186
Capital lease obligations	2,436,396	2,339,279	-	-	2,436,396	2,339,279
	<u>\$ 10,400,849</u>	<u>\$ 7,660,182</u>	<u>\$ 36,995,443</u>	<u>\$ 38,842,948</u>	<u>\$ 47,396,292</u>	<u>\$ 46,503,130</u>

In the government-wide financial statements, the City reports liabilities for compensated absences totaling \$2,567,461. Of this amount, \$2,191,001 is reported by governmental activities and \$376,460 is reported by business-type activities.

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 \$9,985,546 which is in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

Continental Tire, the fourth largest tire manufacturer in the world, has begun construction on a new manufacturing facility

in Sumter County which should be completed by 2014 bringing over 1650 jobs over the next five years.

Caterpillar Hydraulics located in Sumter began a twenty million dollar expansion that will add 75 new jobs to their facility.

Data released by the SC Department of Employment and Workforce in September 2012 indicates that the Sumter area has experienced job growth in comparison to September 2011. The data indicated a growth of 500 jobs, a change of 1.38%.

The fiscal year 2012-2013 budget was adopted with an appropriation of \$31,691,020 for the general fund. The City's total millage rate for 2012-2013 is 102 mills, a 1 mill decrease due to property tax reassessment. 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 ASSETS
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,730,595	\$ 217,726	\$ 7,948,321
Investments	1,000,000	9,993,200	10,993,200
Receivables, net of allowance for doubtful accounts	5,150,222	4,196,275	9,346,497
Inventories	241,380	-	241,380
Prepaid items	219,081	-	219,081
Property held for resale	584,291	-	584,291
Interest in joint venture	-	100,000	100,000
Deferred charges	-	497,707	497,707
Restricted cash and cash equivalents	3,651,016	6,891,660	10,542,676
Receivables, non-current portion	-	482,107	482,107
Internal balances	112,636	(112,636)	-
Capital assets not being depreciated	11,682,581	1,696,055	13,378,636
Capital assets, depreciable, net of accumulated depreciation	30,020,685	75,644,018	105,664,703
Total assets	<u>60,392,487</u>	<u>99,606,112</u>	<u>159,998,599</u>
Liabilities			
Current liabilities:			
Accounts payable	1,321,381	654,437	1,975,818
Retainage payable	12,165	-	12,165
Accrued interest payable	72,270	127,358	199,628
Accrued salaries and payroll withholdings	592,627	49,782	642,409
Court bonds and confiscated funds payable	142,896	-	142,896
Customer deposits	-	287,883	287,883
Unearned revenue	423,785	-	423,785
Noncurrent liabilities:			
Due within one year	2,310,787	1,913,963	4,224,750
Due in more than one year	10,281,063	35,457,940	45,739,003
Total liabilities	<u>15,156,974</u>	<u>38,491,363</u>	<u>53,648,337</u>
Net Assets			
Invested in capital assets, net of related debt	34,953,433	40,344,630	75,298,063
Restricted for:			
Debt service	-	6,891,660	6,891,660
Community development	1,569,765	-	1,569,765
Economic development	1,777,661	-	1,777,661
Public safety and law enforcement	484,378	-	484,378
Unrestricted	6,450,276	13,878,459	20,328,735
Total net assets	<u>\$ 45,235,513</u>	<u>\$ 61,114,749</u>	<u>\$106,350,262</u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government administration	\$ 5,227,490	\$ 61,124	\$ 314,628	\$ -	\$ (4,851,738)		\$ (4,851,738)
Public safety and law enforcement	17,112,887	3,956,597	264,349	22,985	(12,868,956)		(12,868,956)
Public works	5,037,657	2,249,161	203,585	79,880	(2,505,031)		(2,505,031)
Parks, recreation and culture	3,356,330	383,008	9,250	306,550	(2,657,522)		(2,657,522)
Community development	503,184	-	378,598	-	(124,586)		(124,586)
Economic development	2,133,942	101,234	738,444	247,720	(1,046,544)		(1,046,544)
Interest on long-term debt	290,181	-	-	-	(290,181)		(290,181)
Total governmental activities	33,661,671	6,751,124	1,908,854	657,135	(24,344,558)		(24,344,558)
Business-type activities:							
Water and sewer	17,238,843	20,348,381	25,494	1,694,297		4,829,329	4,829,329
Total business-type activities	17,238,843	20,348,381	25,494	1,694,297	-	4,829,329	4,829,329
Total	\$ 50,900,514	\$ 27,099,505	\$ 1,934,348	\$ 2,351,432	\$(24,344,558)	\$ 4,829,329	\$ (19,515,229)
General revenues:							
Property taxes					9,140,794	-	9,140,794
Sales taxes - local option					3,659,210	-	3,659,210
Sales taxes - local accommodations and hospitality					2,513,460	-	2,513,460
Franchise taxes and business licenses					8,584,176	-	8,584,176
Grants and contributions not restricted to specific programs					778,770	-	778,770
Gain (loss) on sale or disposition of capital assets					26,894	11,189	38,083
Interest income and investment return					(559,174)	76,551	(482,623)
Other					19,392	-	19,392
Transfers					1,040,067	(1,040,067)	-
Total general revenues and transfers					25,203,589	(952,327)	24,251,262
Change in net assets					859,031	3,877,002	4,736,033
Net assets - beginning of year					44,376,482	57,237,747	101,614,229
Net assets - end of year					\$ 45,235,513	\$ 61,114,749	\$ 106,350,262

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,500,342	\$ 2,230,253	\$ 7,730,595
Investments	1,000,000	-	1,000,000
Receivables, net of allowance for doubtful accounts	2,811,465	2,338,757	5,150,222
Due from other funds	453,529	-	453,529
Restricted cash and cash equivalents	3,651,016	-	3,651,016
Prepaid items	219,081	-	219,081
Inventories	241,380	-	241,380
Property held for resale	584,291	-	584,291
Total assets	\$ 14,461,104	\$ 4,569,010	\$ 19,030,114
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,184,061	\$ 137,320	\$ 1,321,381
Retainage payable	-	12,165	12,165
Accrued salaries and payroll withholdings	584,870	7,757	592,627
Unearned revenue	403,258	20,527	423,785
Deferred revenue	637,414	93,374	730,788
Escrow for seized funds and bonds	11,907	130,989	142,896
Due to other funds	-	340,893	340,893
Total liabilities	2,821,510	743,025	3,564,535
Fund Balances:			
Nonspendable			
Prepaid items	219,081	-	219,081
Inventories	241,380	-	241,380
Property held for resale	584,291	-	584,291
Restricted			
Purchase of capital assets	1,350,281	-	1,350,281
Community development	-	1,569,765	1,569,765
Economic development	2,300,735	1,777,661	4,078,396
Public safety and law enforcement	-	484,378	484,378
Unassigned	6,943,826	(5,819)	6,938,007
Total fund balances	11,639,594	3,825,985	15,465,579
Total liabilities and fund balances	\$ 14,461,104	\$ 4,569,010	
Amounts reported for government activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			41,703,266
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:			
Property taxes			730,788
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			(2,191,001)
Accrued interest			(72,270)
Bonds and leases payable			(10,400,849)
Net assets of governmental activities			\$ 45,235,513

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, 2012

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property and vehicle and fire fees	\$ 9,161,076	\$ -	\$ 9,161,076
Sales	3,659,210	2,513,460	6,172,670
Licenses, permits, and franchise fees	8,255,846	701,733	8,957,579
Intergovernmental revenue			
State and federal governments	778,770	1,772,662	2,551,432
Local governments	3,725,095	-	3,725,095
Charges for services			
Sanitation fees and container rentals	2,216,661	-	2,216,661
Other	432,454	-	432,454
Fines, fees, and forfeitures	304,104	103,635	407,739
Interest income and investment return	(653,329)	94,155	(559,174)
Other	51,892	108,879	160,771
Total revenues	<u>27,931,779</u>	<u>5,294,524</u>	<u>33,226,303</u>
Expenditures			
Current			
General government administration	4,862,634	171,603	5,034,237
Public safety and law enforcement	14,993,013	768,583	15,761,596
Public works	3,560,863	-	3,560,863
Parks, recreation and culture	2,085,832	600,472	2,686,304
Community development	-	365,543	365,543
Economic development	1,214,911	738,840	1,953,751
Debt Service			
Principal retirement-bond obligations	1,448,566	141,884	1,590,450
Principal retirement-capital lease obligations	489,178	403,705	892,883
Interest and fiscal charges	196,167	121,013	317,180
Capital Outlay			
General government administration	51,724	-	51,724
Public safety	1,172,610	132,383	1,304,993
Public works	1,238,168	-	1,238,168
Parks, recreation and culture	57,668	1,523,295	1,580,963
Community development	-	103,216	103,216
Economic development	270,295	57,974	328,269
Total expenditures	<u>31,641,629</u>	<u>5,128,511</u>	<u>36,770,140</u>
Excess (deficiency) of revenues over expenditures	(3,709,850)	166,013	(3,543,837)
Other financing sources (uses)			
Transfers in	1,899,296	285,730	2,185,026
Transfers out	(145,730)	(934,519)	(1,080,249)
Sale of capital assets	43,800	-	43,800
Proceeds from issuance of bonds	2,500,000	1,734,000	4,234,000
Proceeds of capital leases	990,000	-	990,000
Total other financing sources	<u>5,287,366</u>	<u>1,085,211</u>	<u>6,372,577</u>
Net change in fund balances	1,577,516	1,251,224	2,828,740
Fund balances, beginning of year	10,062,078	2,574,761	12,636,839
Fund balances, end of year	<u>\$ 11,639,594</u>	<u>\$ 3,825,985</u>	<u>\$ 15,465,579</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, 2012

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

Net change in fund balances -- total governmental funds (page 20) \$ 2,828,740

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	4,542,623
Depreciation expense not recorded in funds	(3,903,179)
Gain on disposition of capital assets	(16,906)

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

Property taxes	(20,282)
Donated capital assets	247,720

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

Payments on long-term debt	2,483,333
Issuance of long-term debt	(5,224,000)

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	26,999
Compensated absences	(106,017)

Change in net assets of governmental activities (page 18)	\$ 859,031
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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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
REVENUES				
Taxes				
Property taxes	\$ 12,044,532	\$ 12,044,532	\$ 9,161,076	\$ (2,883,456)
Sales	-	-	3,659,210	3,659,210
Licenses, permits and franchise fees	7,955,271	7,955,271	8,255,846	300,575
Intergovernmental revenue				
State government	792,119	792,119	778,770	(13,349)
Local governments	4,020,147	4,020,147	3,725,095	(295,052)
Charges for services				
Sanitation fees and container rentals	2,191,500	2,191,500	2,216,661	25,161
Other	224,815	224,815	432,454	207,639
Fines, fees, and forfeitures	296,820	296,820	304,104	7,284
Interest income and investment return	25,000	25,000	(653,329)	(678,329)
Other	39,556	39,556	51,892	12,336
Total revenues	27,589,760	27,589,760	27,931,779	342,019
EXPENDITURES				
General government administration:				
Administration	1,327,417	1,351,643	1,580,501	228,858
City store	65,542	65,542	33,833	(31,709)
Planning	522,443	522,443	438,670	(83,773)
Business license department	196,006	196,006	181,915	(14,091)
Appropriations to other agencies	136,266	136,266	139,433	3,167
General insurance	727,600	727,600	730,784	3,184
Retiree insurance	805,360	805,360	829,249	23,889
Computer maintenance	616,685	616,685	637,235	20,550
Miscellaneous	290,100	490,100	291,014	(199,086)
Contingency	450,000	401,899	-	(401,899)
	5,137,419	5,313,544	4,862,634	(450,910)
Public Safety and Law Enforcement:				
Police department	8,948,108	8,971,983	8,710,628	(261,355)
Fire department	5,249,370	5,249,370	5,199,151	(50,219)
Building inspection	722,855	722,855	721,050	(1,805)
Codes Enforcement	236,317	236,317	200,519	(35,798)
Municipal Court	151,718	151,718	161,665	9,947
	15,308,368	15,332,243	14,993,013	(339,230)
Public Works:				
Construction	566,884	566,884	423,906	(142,978)
Public works	942,850	942,850	894,350	(48,500)
Buildings and grounds maintenance	50,000	50,000	23,439	(26,561)
Sanitation	2,208,362	2,208,362	2,113,438	(94,924)
Vehicle maintenance	86,679	86,679	105,730	19,051
	3,854,775	3,854,775	3,560,863	(293,912)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
Parks, recreation and culture:				
Parks department	841,212	841,212	851,350	10,138
Gardens department	659,078	659,078	657,237	(1,841)
Tennis	356,754	356,754	380,001	23,247
Aquatics	187,856	187,856	183,300	(4,556)
Opera House	31,150	31,150	13,944	(17,206)
	2,076,050	2,076,050	2,085,832	9,782
Economic Development:				
Downtown revitalization programs	172,758	1,472,758	625,132	(847,626)
Liberty Center	32,600	32,600	60,434	27,834
Hope Centers	603,110	603,110	529,345	(73,765)
	808,468	2,108,468	1,214,911	(893,557)
Debt service:				
Principal retirement-bond obligations	669,921	1,099,437	1,448,566	349,129
Principal retirement-capital lease obligations	544,177	544,177	489,178	(54,999)
Interest and fiscal charges	227,047	241,180	196,167	(45,013)
	1,441,145	1,884,794	2,133,911	249,117
Capital Outlay:				
General government administration	-	-	51,724	51,724
Public safety	893,436	1,393,436	1,172,610	(220,826)
Public works	1,160,900	1,160,900	1,238,168	77,268
Parks, recreation and culture	68,000	68,000	57,668	(10,332)
Economic development	-	500,000	270,295	(229,705)
	2,122,336	3,122,336	2,790,465	(331,871)
Total expenditures	30,748,561	33,692,210	31,641,629	(2,050,581)
Excess (deficiency) of revenues over expenditures	(3,158,801)	(6,102,450)	(3,709,850)	2,392,600
OTHER FINANCING SOURCES (USES)				
Transfers in	1,899,240	1,899,240	1,899,296	56
Transfers out	(65,000)	(65,000)	(145,730)	(80,730)
Sale of capital assets	50,000	50,000	43,800	(6,200)
Proceeds from issuance of general obligation bonds	-	2,500,000	2,500,000	-
Proceeds of capital leases	1,064,500	1,064,500	990,000	(74,500)
Total other financing sources (uses)	2,948,740	5,448,740	5,287,366	(161,374)
Net change in fund balances	(210,061)	(653,710)	1,577,516	2,231,226
Fund balances, beginning of year	10,062,078	10,062,078	10,062,078	-
Fund balances, end of year	\$ 9,852,017	\$ 9,408,368	\$ 11,639,594	\$ 2,231,226

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

Assets	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Current assets:			
Cash and cash equivalents	\$ 217,726	\$ -	\$ 217,726
Investments	9,993,200	-	9,993,200
Accounts receivable, net of allowance for uncollectibles	4,196,275	-	4,196,275
Total current assets	14,407,201	-	14,407,201
Non-current assets:			
Restricted cash and cash equivalents	6,891,660	-	6,891,660
Accounts receivable, net of allowance for uncollectibles	482,107	-	482,107
Interest in joint venture	100,000	-	100,000
Deferred charges - bond issuance costs, net	497,707	-	497,707
Capital assets not being depreciated	1,696,055	-	1,696,055
Capital assets, depreciable, net of accumulated depreciation	74,868,780	775,238	75,644,018
Total non-current assets	84,536,309	775,238	85,311,547
Total assets	98,943,510	775,238	99,718,748
Liabilities			
Current liabilities:			
Accrued interest payable	127,358	-	127,358
Accounts payable	606,643	47,794	654,437
Accrued payroll	48,780	1,002	49,782
Due to other fund	-	112,636	112,636
Customer deposits	287,883	-	287,883
Compensated absences payable	134,603	923	135,526
Bonds and leases payable - current portion	1,778,437	-	1,778,437
Total current liabilities	2,983,704	162,355	3,146,059
Non-current liabilities:			
Compensated absences payable	240,934	-	240,934
Bonds and leases payable	35,217,006	-	35,217,006
Total non-current liabilities	35,457,940	-	35,457,940
Total liabilities	38,441,644	162,355	38,603,999
Net Assets			
Invested in capital assets, net of related debt	39,569,392	775,238	40,344,630
Restricted for debt service	6,891,660	-	6,891,660
Unrestricted	14,040,814	(162,355)	13,878,459
Total net assets	\$ 60,501,866	\$ 612,883	\$ 61,114,749

The accompanying notes are an integral part of these statements.

CITY OF SUMTER CITY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Operating revenue			
Charges for services			
Water	\$ 9,513,634	\$ -	\$ 9,513,634
Sewer	8,791,276	-	8,791,276
Storm water	-	512,079	512,079
Other operating revenue	1,456,136	-	1,456,136
Total operating revenues	<u>19,761,046</u>	<u>512,079</u>	<u>20,273,125</u>
Operating expenses			
Salaries and benefits	4,876,362	105,902	4,982,264
Bad debts	461,117	-	461,117
Utilities	1,871,267	-	1,871,267
Other operating expense	4,406,191	176,790	4,582,981
Depreciation	3,462,941	41,265	3,504,206
Total operating expenses	<u>15,077,878</u>	<u>323,957</u>	<u>15,401,835</u>
Operating income(loss)	4,683,168	188,122	4,871,290
Non-operating revenues (expenses)			
Interest expense	(1,692,831)	-	(1,692,831)
Miscellaneous expense	(144,177)	-	(144,177)
Operating grants	25,494	-	25,494
Interest income and investment return	76,551	-	76,551
Gain on sale of capital assets	11,189	-	11,189
Miscellaneous revenue	75,256	-	75,256
Total non-operating revenues (expenses)	<u>(1,648,518)</u>	<u>-</u>	<u>(1,648,518)</u>
Income before contributions and transfers	3,034,650	188,122	3,222,772
Capital contributions	1,349,573	344,724	1,694,297
Transfers in	64,710	80,037	144,747
Transfers out	(1,184,814)	-	(1,184,814)
Change in net assets	3,264,119	612,883	3,877,002
Total net assets, beginning of year	<u>57,237,747</u>	<u>-</u>	<u>57,237,747</u>
Total net assets, end of year	<u>\$ 60,501,866</u>	<u>\$ 612,883</u>	<u>\$ 61,114,749</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, 2012

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 19,475,345	\$ 513,515	\$ 19,988,860
Payments to suppliers	(4,130,316)	(136,628)	(4,266,944)
Payments to employees	(4,999,342)	(108,011)	(5,107,353)
Payments for interfund services	(2,046,257)	-	(2,046,257)
Net Cash Flows Provided by Operating Activities	<u>8,299,430</u>	<u>268,876</u>	<u>8,568,306</u>
Cash Flows from Non-capital Financing Activities			
Operating grants	25,494	-	25,494
Other non-operating revenue	75,256	-	75,256
Other non-operating expense	(144,177)	-	(144,177)
Interfund loans - proceeds and collections	343,077	(230,441)	112,636
Transfer in	64,710	79,880	144,590
Transfer out	(1,184,657)	-	(1,184,657)
Net Cash Flows Used by Non-Capital Financing Activities	<u>(820,297)</u>	<u>(150,561)</u>	<u>(970,858)</u>
Cash Flows from Capital and Related Financing Activities			
Capital contributions	1,349,573	344,724	1,694,297
Proceeds from disposition of capital assets	11,189	-	11,189
Purchase and construction of capital assets	(3,139,741)	(463,039)	(3,602,780)
Principal paid on capital debt	(1,854,427)	-	(1,854,427)
Interest paid on capital debt	(1,650,485)	-	(1,650,485)
Net Cash Flows Used by Capital Financing Activities	<u>(5,283,891)</u>	<u>(118,315)</u>	<u>(5,402,206)</u>
Cash Flows from Investing Activities			
Purchase of investments	(10,000,000)	-	(10,000,000)
Sale of investments	5,000,000	-	5,000,000
Interest on cash and cash equivalents	121,263	-	121,263
Net Cash Flows Used by Investing Activities	<u>(4,878,737)</u>	<u>-</u>	<u>(4,878,737)</u>
Decrease in cash and cash equivalents	<u>(2,683,495)</u>	<u>-</u>	<u>(2,683,495)</u>
Cash and cash equivalents, beginning of year	<u>9,792,881</u>	<u>-</u>	<u>9,792,881</u>
Cash and cash equivalents, end of year	<u>\$ 7,109,386</u>	<u>\$ -</u>	<u>\$ 7,109,386</u>
Reconciliation of net operating income to net cash used by operating activities:			
Operating income	\$ 4,683,168	\$ 188,122	4,871,290
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,462,941	41,265	3,504,206
Change in current assets and liabilities:			
Decrease in accounts receivable	165,263	1,436	166,699
Increase in accrued absences	1,851	(331)	1,520
Increase in customer deposits	10,153	-	10,153
Increase in accounts payable	100,884	40,162	141,046
Increase (decrease) in accrued payroll	(124,830)	(1,778)	(126,608)
Net cash used by operating activities	<u>\$ 8,299,430</u>	<u>\$ 268,876</u>	<u>\$ 8,568,306</u>
Non-cash capital financing activities - Capitalized interest	<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 ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 8,850	\$ 1,607,696
Receivables	-	52,716
Total revenues	<u>\$ 8,850</u>	<u>\$ 1,660,412</u>
Liabilities		
Accounts payable	\$ -	\$ 24,938
Due to customers	-	38,700
Due to other organization	-	1,596,774
Total liabilities	<u>-</u>	<u>1,660,412</u>
Net Assets		
Held in trust for other purposes	<u>\$ 8,850</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

Additions	
Interest	\$ 21
Contributions	<u>141</u>
Total additions	<u>162</u>
Deductions	
Distributions to beneficiaries	<u>-</u>
Total additions	<u>-</u>
Change in net assets	162
Net assets, beginning of year	<u>8,688</u>
Net assets, end of year	<u><u>\$ 8,850</u></u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

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 Assets 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 assets reports all financial and capital resources of the City and reports the difference between assets and liabilities as net assets, 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 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.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 assets. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets 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.

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

Proprietary Funds are 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 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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 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. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include fees and fines (except hospitality fees), licenses and permits.

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 and are classified as deferred

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

revenue commonly known as unavailable revenue. Unavailable revenue in the governmental funds is represented 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 assets 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.

As permitted under GAAP, the City has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 for its entity-wide business-type activities or to its Enterprise Fund.

D. Budgetary Data

Budget Basis of Accounting

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

E. Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

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

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 49 percent of outstanding property taxes at June 30, 2012.

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.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Inventories and Prepaid Items

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

Real Estate Held for Resale

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

Restricted Assets

Certain proceeds of general fund bonds and capital leases and enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. 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, 2012, there was no capitalized interest incurred by the Water and Sewer Enterprise Fund.

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

criteria have been met. In subsequent periods, when revenue recognition criteria have been met, the liability is removed and the revenue is recognized.

Compensated Absences

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

Long-term obligations

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

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

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 Assets

The City's net assets are classified as follows:

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

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

classifications are as follows:

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

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

Use of Estimates

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

**CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficit

At June 30, 2012, the Firemen’s Special Revenue Fund had a deficit of \$5,819.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash Deposits

As of June 30, 2012, the carrying amount of the government’s bank deposits was \$8,587,696 and the respective bank balances totaled \$9,322,356. Of the total bank balances, \$7,393,248 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$1,929,108 was collateralized with securities held by the financial institutions in the government’s name.

Investments

As of June 30, 2012, 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%	5/24/2027	\$ 1,000,000
\$5,000,000 Federal National Mortgage Association bond 1%	5/24/2027	5,012,900
\$5,000,000 Federal Home Loan Banks bond 2%	4/30/2027	4,980,300
Other:		
Federated Treasury Obligation Fund #398	Short-term	696,409
Fidelity Prime Fund Daily Money Class	1 to 180 days	126,684
Investment in South Carolina Pooled Investment Fund		<u>9,966,929</u>
		<u>\$ 21,783,222</u>

The City’s investments also include a life insurance contract on the life of an employee. At yearend, 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.

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 yearend, 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. The government has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuating interest rates.

B. Receivables

Receivables as of yearend 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	\$ 1,109,111	\$ -	\$ -	\$ -	\$ 1,109,111
Sales and franchise	262,944	343,944	-	-	606,888
Intergovernmental	1,706,953	335,333	-	-	2,042,286
Accounts	88,021	-	3,308,689	-	3,396,710
Unbilled receivables	-	-	952,430	-	952,430
Loans and notes	158,490	1,659,480	42,240	-	1,860,210
Interest	-	-	22,083	-	22,083
Other	31,196	-	84,304	-	115,500
Non-current:					
Notes	-	-	484,867	-	484,867
Other	-	-	-	-	-
Gross receivables	3,356,715	2,338,757	4,894,613	-	10,590,085
Less, allowance for uncollectibles	(545,250)	-	(216,231)	-	(761,481)
Net total receivables	\$ 2,811,465	\$ 2,338,757	\$ 4,678,382	\$ -	\$ 9,828,604

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	\$ -	\$ 477,147	477,147
Loans receivable	-	253,641	253,641
Local Option Sales Tax	377,477	-	377,477
Other	25,781	-	25,781
Unearned grant revenue	20,527	-	20,527
	\$ 423,785	\$ 730,788	\$ 1,154,573

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

D. Capital Assets

Capital asset activity for the City for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,604,922	\$ 396,196	\$ -	\$ -	\$ 10,001,118
Construction in progress	1,060,713	1,502,763	-	(882,013)	1,681,463
Total capital assets not being depreciated	<u>10,665,635</u>	<u>1,898,959</u>	<u>-</u>	<u>(882,013)</u>	<u>11,682,581</u>
Capital assets being depreciated:					
Infrastructure	26,150,413	404,521	-	-	26,554,934
Buildings and improvements	19,310,407	615,119	-	824,148	20,749,674
Motor vehicles and outdoor equipment	16,431,957	1,936,454	441,329	(60,176)	17,866,906
Office equipment	3,017,625	-	-	(8,236)	3,009,389
Total capital assets being depreciated	<u>64,910,402</u>	<u>2,956,094</u>	<u>441,329</u>	<u>755,736</u>	<u>68,180,903</u>
Less accumulated depreciation for:					
Infrastructure	12,547,359	1,468,134	-	-	14,015,493
Buildings and improvements	8,723,534	728,625	-	-	9,452,159
Motor vehicles and outdoor equipment	10,489,279	1,682,412	424,423	(53,331)	11,693,937
Office equipment	2,982,857	24,008	-	(8,236)	2,998,629
Total accumulated depreciation	<u>34,743,029</u>	<u>3,903,179</u>	<u>424,423</u>	<u>(61,567)</u>	<u>38,160,218</u>
Total capital assets being depreciated, net	<u>30,167,373</u>	<u>(947,085)</u>	<u>16,906</u>	<u>817,303</u>	<u>30,020,685</u>
Governmental activities capital assets, net	<u>\$ 40,833,008</u>	<u>\$ 951,874</u>	<u>\$ 16,906</u>	<u>\$ (64,710)</u>	<u>\$ 41,703,266</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 240,938	\$ -	\$ -	\$ -	\$ 240,938
Construction in progress	406,003	1,163,595	-	(114,481)	1,455,117
Total capital assets not being depreciated	<u>646,941</u>	<u>1,163,595</u>	<u>-</u>	<u>(114,481)</u>	<u>1,696,055</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,210,755	485,833	-	93,071	71,789,659
Distribution and collection system	44,545,722	1,334,048	110,333	79,275	45,848,712
Wells and tanks	4,693,055	-	-	-	4,693,055
Machinery and equipment	7,577,152	619,304	-	68,412	8,264,868
Total capital assets being depreciated	<u>128,520,337</u>	<u>2,439,185</u>	<u>110,333</u>	<u>240,758</u>	<u>131,089,947</u>
Less accumulated depreciation for:					
Buildings	283,849	12,341	-	-	296,190
Plants and improvements	28,107,679	2,115,499	-	-	30,223,178
Distribution and collection system	14,391,643	755,214	110,333	-	15,036,524
Wells and tanks	3,148,904	70,410	-	-	3,219,314
Machinery and equipment	6,058,414	550,742	-	61,567	6,670,723
Total accumulated depreciation	<u>51,990,489</u>	<u>3,504,206</u>	<u>110,333</u>	<u>61,567</u>	<u>55,445,929</u>
Total capital assets being depreciated, net	<u>76,529,848</u>	<u>(1,065,021)</u>	<u>-</u>	<u>179,191</u>	<u>75,644,018</u>
Business-type activities capital assets, net	<u>\$ 77,176,789</u>	<u>\$ 98,574</u>	<u>\$ -</u>	<u>\$ 64,710</u>	<u>\$ 77,340,073</u>

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Governmental activities:	
General government	\$ 161,021
Public safety	1,295,213
Public works	1,472,959
Parks, recreation and culture	660,006
Community development	137,641
Economic development	<u>176,339</u>
Total depreciation expense - governmental activities	<u>\$ 3,903,179</u>
Business-type activities:	
Water and sewer services	<u>\$ 3,504,206</u>
Total depreciation expense - business type activities	<u>\$ 3,504,206</u>

Construction commitments at year end included a contract totaling \$1,409,140 (see note IV F) for renovation of the Sumter Technology Center Building. Work on the project had not started at year end. At June 30, 2012, retainage of \$12,165 was payable on completed contracts.

E. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2012 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.

Summary of changes in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,678,694	\$ 2,500,000	\$ 461,241	\$ 4,717,453	\$ 666,169
Revenue bonds	-	1,734,000	-	1,734,000	233,000
Notes payable	1,938,000	-	425,000	1,513,000	81,000
Tax Increment Financing Bonds	704,209	-	704,209	-	-
Capital leases	2,339,279	990,000	892,883	2,436,396	695,228
Compensated absences	<u>2,084,984</u>	<u>992,228</u>	<u>886,211</u>	<u>2,191,001</u>	<u>635,390</u>
Governmental activity long-term liabilities	<u>\$ 9,745,166</u>	<u>\$ 6,216,228</u>	<u>\$ 3,369,544</u>	<u>\$ 12,591,850</u>	<u>\$ 2,310,787</u>
Business-type activities:					
Revenue bonds	\$ 38,853,141	\$ -	\$ 1,809,241	\$ 37,043,900	\$ 1,785,359
Plus deferred amount for premium on refunding	(55,379)	-	(6,922)	(48,457)	(6,922)
Notes payable	45,186	-	45,186	-	-
Compensated absences	<u>374,940</u>	<u>215,514</u>	<u>213,994</u>	<u>376,460</u>	<u>135,526</u>
Business-type activity long-term liabilities	<u>\$ 39,217,888</u>	<u>\$ 215,514</u>	<u>\$ 2,061,499</u>	<u>\$ 37,371,903</u>	<u>\$ 1,913,963</u>

General Obligation Bonds. The City has issued general obligation bonds to provide for construction and purchase

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	179,752
\$1,500,000 Series 2006, payable in annual installments of 180,090 including interest at 3.7%, maturing May 2015	502,700
\$2,000,000 Series 2010, payable in annual installments varying from \$247,436 to \$255,773 including interest at 3.63%, maturing May 2019	1,535,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	1,000,000
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	<u>1,500,000</u>
Total General Obligation Bonds	<u><u>\$ 4,717,452</u></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><u>\$ 1,734,000</u></u>
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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	\$ 420,095
\$2,000,000 Series 2005, payable in annual installments of \$238,910 including interest at 3.37%, maturing June 2015	671,004
\$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	29,972,637
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	<u>5,980,164</u>
Total Revenue Bonds Payable	<u><u>\$ 37,043,900</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	\$ 772,000
\$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	<u>741,000</u>
Total Notes Payable	<u><u>\$ 1,513,000</u></u>

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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Tax Increment Financing (TIF) Bonds Payable. During the year, the City retired its tax increment financing (TIF) bond payable to a commercial lender and issued a \$550,000 (TIF) bond to itself to pay for downtown redevelopment projects. The bond is being retired from the incremental increase in property tax revenue from the applicable redevelopment area. The TIF bond outstanding at year end was \$354,885.

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
2013	\$ 739,711
2014	691,535
2015	531,719
2016	363,585
2017	205,752
Thereafter	-
Total minimum lease payments	2,532,302
Less: amount representing interest	(95,606)
Present value of minimum lease payments	\$ 2,436,696

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Motor vehicles and outdoor equipment	\$ 3,378,137
Less: accumulated depreciation	(936,165)
Total	\$ 2,441,972

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>						
2013	\$ 980,169	\$ 221,552	\$ 1,201,721	\$ 695,228	\$ 44,483	\$ 1,941,432
2014	981,148	220,569	1,201,717	666,956	24,579	1,893,252
2015	1,016,683	189,410	1,206,093	513,051	18,668	1,737,812
2016	805,844	156,882	962,726	357,106	6,479	1,326,311
2017	830,018	133,442	963,460	204,055	1,697	1,169,212
2018-2022	2,884,591	338,341	3,222,932	-	-	3,222,932
2023-2027	466,000	55,508	521,508	-	-	521,508
Thereafter	-	-	-	-	-	-
Total	\$ 7,964,453	\$ 1,315,704	\$ 9,280,157	\$ 2,436,396	\$ 95,906	\$ 11,812,459

**CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Business-Type Activities

2013	\$ 1,921,332	\$ 2,187,499	\$ 4,108,831	\$ -	\$ -	\$ 4,108,831
2014	1,989,267	2,166,547	4,155,814	-	-	4,155,814
2015	2,063,268	2,144,427	4,207,695	-	-	4,207,695
2016	1,894,419	2,121,185	4,015,604	-	-	4,015,604
2017	1,962,645	2,104,756	4,067,401	-	-	4,067,401
2018-2022	7,942,609	7,131,153	15,073,762	-	-	15,073,762
2023-2027	7,559,410	3,629,127	11,188,537	-	-	11,188,537
2028-2032	9,594,407	1,596,074	11,190,481	-	-	11,190,481
2033	2,165,000	48,712	2,213,712	-	-	2,213,712
Thereafter	-	-	-	-	-	-
Total	<u>\$ 37,092,357</u>	<u>\$ 23,129,480</u>	<u>\$ 60,221,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,221,837</u>

F. Inter-fund Receivables and Payables

Inter-fund balances arise because the City utilizes a cash pool to maximize potential interest earnings. Inter-fund balances at June 30, 2012 were:

Receivable Fund	Payable Fund	Amount
General Fund	HUD Section 109 Fund	\$ 150,369
General Fund	Federal/State Grants Fund	138,250
General Fund	Community Development Block Grant Fund	46,523
General Fund	Firemen's Fund	5,751
General Fund	Storm Water Utility Fund	112,636
		<u>\$ 453,529</u>

G. Transfers In and Out

During the course of normal operations, the City makes numerous transactions between funds. Transfers of resources from a fund receiving revenue to a fund through which the resources are expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as non-operating revenues (expenses) in proprietary funds. Transfers into the general fund were primarily to recover overhead and related costs. Transfers to the state accommodations tax fund were made from the general fund and from the local accommodations tax fund to support tourism promotion. Transfers between funds for the year ended June 30, 2012, consisted of the following:

Transfer out:	Transfer In:				
	General Fund	Nonmajor Governmental Fund	Water and Sewer Enterprise	Nonmajor Enterprise Fund	
General fund	\$ -	\$ 145,730	\$ 64,710	\$ -	\$ 210,440
Nonmajor governmental funds	714,639	140,000	-	79,880	934,519
Water and sewer enterprise fund	1,184,657	-	-	157	1,184,814
Nonmajor enterprise fund	-	-	-	-	-
	<u>\$ 1,899,296</u>	<u>\$ 285,730</u>	<u>\$ 64,710</u>	<u>\$ 80,037</u>	<u>\$ 2,329,773</u>

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

B. Pension Plan

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

SCRS and PORS members are required to contribute 6.5%, of their annual covered salaries, and the City is required to contribute at an actuarially determined rate. The current rates actuarially determined are 9.385% and 11.363% 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>
2012	\$ 1,041,688	\$ 862,915
2011	959,738	835,154
2010	956,074	831,666

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 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 2012, the City contributed \$332,004 for current premiums and an additional \$698,303 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		332,004
Amortization of unfunded actuarially accrued liabilities		698,303
Expenses		6,255
Annual required contribution (ARC) for current year:		1,036,562
Actual contribution		<u>(1,036,562)</u>
Net increase in obligation for OPEB		<u>-</u>
Net liability for OPEB, end of year	\$	<u><u>-</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010, 2011 and for 2012 was as follows:

**CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2010	\$ 1,021,000	97.3%	\$ 27,698
2011	964,300	103.8%	-
2012	1,036,562	100.0%	-

Funded Status and Funding Progress

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

Actuarially accrued liabilities (AAL):	\$ 16,226,194
Actuarial value of plan assets:	<u>1,377,374</u>
Unfunded AAL (UAAL):	<u>14,848,820</u>
Funded ratio:	8.5%
Covered payroll:	\$ 14,090,356
UAAL as a percentage of covered payroll:	105.4%

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 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. Commitments

In 2004, the City entered into a twenty-eight year agreement with Central Carolina Technical College (CCTC) and Sumter Technology Center, Inc., (STC). Under terms of the agreement, the City is obligated to insure and maintain a

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

building owned by STC which is used to house educational programs conducted by CCTC. During the year, the City committed to spend \$1,300,000 to renovate the building. CCTC agreed to provide an additional \$500,000 to complete funding for the project which is estimated to cost \$1,840,000. The City expended \$233,619 on the project during the year, and on June 25, 2012, signed a construction contract for \$1,409,140.

G. Contingent Liabilities

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

H. Subsequent Events

Management has evaluated subsequent events through November 21, 2012, 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, 2012**

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)
2010	7/1/2007	\$ 828,000	\$ 13,563,000	\$ 12,735,000	6.1%	\$ 17,860,201	71.3%
2011	7/1/2009	1,403,200	13,592,800	12,189,600	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%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Annual Actual Contribution	Annual Percentage Contributed
2010	\$ 1,021,000	\$ 993,302	97.3%
2011	964,300	998,248	103.5%
2012	1,036,562	1,036,562	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, 2012**

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, 2012

	USDA Rural Business Fund	HUD Section 108 Fund	CDBG Home Fund	Downtown Loan Fund	Federal/ State Grants Fund	Community Development Block Grant Fund	Empowerment Zone Fund	Main Street Society Fund	Airport Commission Fund
ASSETS									
Cash and cash equivalents	\$ 159,848	\$ -	\$ 200,005	\$ 10,013	\$ -	\$ -	\$ 116,725	\$ 4,972	\$ -
Receivables, net of allowance for doubtful accounts	-	1,566,105	93,374	-	159,950	58,649	-	-	-
Total assets	\$ 159,848	\$ 1,566,105	\$ 293,379	\$ 10,013	\$ 159,950	\$ 58,649	\$ 116,725	\$ 4,972	\$ -
LIABILITIES AND FUND BALANCES (DEFICITS)									
Liabilities									
Accounts payable	\$ -	\$ 45,396	\$ 580	\$ -	\$ 3,645	\$ 5,423	\$ 7,450	\$ 72	\$ -
Retainage payable	-	-	-	-	-	-	-	-	-
Accrued compensation and benefits	-	-	-	-	728	2,580	-	-	-
Due to other funds	-	150,369	-	-	138,250	46,523	-	-	-
Unearned revenue	-	-	-	-	17,327	3,200	-	-	-
Deferred revenue	-	-	93,374	-	-	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	-	-	-
Total liabilities	-	195,765	93,954	-	159,950	57,726	7,450	72	-
Fund balances (deficits)									
Unassigned	-	-	-	-	-	-	-	-	-
Restricted	159,848	1,370,340	199,425	10,013	-	923	109,275	4,900	-
Total fund balances (deficits)	159,848	1,370,340	199,425	10,013	-	923	109,275	4,900	-
Total liabilities and fund balances (deficits)	\$ 159,848	\$ 1,566,105	\$ 293,379	\$ 10,013	\$ 159,950	\$ 58,649	\$ 116,725	\$ 4,972	\$ -

Continued

CITY OF SUMTER, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
ASSETS								
Cash and cash equivalents	\$ 1,054,122	\$ -	\$ 154,677	\$ 190,454	\$ 27,018	\$ 312,419	\$ -	\$ 2,230,253
Receivables, net of allowance for doubtful accounts	187,248	116,735	53,647	-	-	103,049	-	2,338,757
Total assets	\$ 1,241,370	\$ 116,735	\$ 208,324	\$ 190,454	\$ 27,018	\$ 415,468	\$ -	\$ 4,569,010
LIABILITIES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ 52,159	\$ 3,351	\$ 2,617	\$ 3,526	\$ 12	\$ 13,021	\$ 68	\$ 137,320
Retainage payable	10,159	-	2,006	-	-	-	-	12,165
Accrued compensation and benefits	-	3,435	-	-	473	541	-	7,757
Due to other funds	-	-	-	-	-	-	5,751	340,893
Unearned revenue	-	-	-	-	-	-	-	20,527
Deferred revenue	-	-	-	-	-	-	-	93,374
Escrow for seized funds and deposits	-	-	-	130,989	-	-	-	130,989
Total liabilities	62,318	6,786	4,623	134,515	485	13,562	5,819	743,025
Fund balances (deficits)								
Unassigned	-	-	-	-	-	-	(5,819)	(5,819)
Restricted	1,179,052	109,949	203,701	55,939	26,533	401,906	-	3,831,804
Total fund balances (deficits)	1,179,052	109,949	203,701	55,939	26,533	401,906	(5,819)	3,825,985
Total liabilities and fund balances (deficits)	\$ 1,241,370	\$ 116,735	\$ 208,324	\$ 190,454	\$ 27,018	\$ 415,468	\$ -	\$ 4,569,010

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) –
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	USDA Rural Business Fund	HUD Section 108 Fund	CDBG Home Fund	Downtown Loan Fund	Federal/ State Grants Fund	Community Development Block Grant Fund	Empowerment Zone Fund	Main Street Society Fund	Airport Commission Fund
REVENUES									
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	621,839	378,598	-	-	69,987
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Interest income	4,133	82,312	515	713	-	-	1,593	-	-
Rent and miscellaneous	52,574	-	10,185	3,792	-	-	34,683	6,245	-
Total revenues	56,707	82,312	10,700	4,505	621,839	378,598	36,276	6,245	69,987
EXPENDITURES									
Current									
General government administration	-	-	-	-	171,603	-	-	-	-
Public safety	-	-	-	-	153,297	-	-	-	-
Parks, recreation and culture	-	-	-	-	9,250	-	-	-	-
Community development	-	-	90,420	-	-	275,123	-	-	-
Economic development	-	-	-	13,000	184,824	-	-	3,908	-
Debt service									
Bond principal	-	75,000	-	-	-	-	-	-	66,884
Capital leases	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	83,264	-	-	-	-	-	-	3,103
Capital outlay									
Public safety	-	-	-	-	22,985	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	103,216	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Total expenditures	-	158,264	90,420	13,000	541,959	378,339	-	3,908	69,987
Excess (deficiency) of revenues over (under) expenditures	56,707	(75,952)	(79,720)	(8,495)	79,880	259	36,276	2,337	-
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(79,880)	-	(28,644)	-	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(79,880)	-	(28,644)	-	-
Net change in fund balances	56,707	(75,952)	(79,720)	(8,495)	-	259	7,632	2,337	-
Fund balances, beginning of year	103,141	1,446,292	279,145	18,508	-	664	101,643	2,563	-
Fund balances, end of year	\$ 159,848	\$ 1,370,340	\$ 199,425	\$ 10,013	\$ -	\$ 923	\$ 109,275	\$ 4,900	\$ -

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) –
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
REVENUES								
Sales taxes	\$ 2,104,808	\$ -	\$ 408,652	\$ -	\$ -	\$ -	\$ -	\$ 2,513,460
Licenses, permits and fees	-	-	-	-	-	701,733	-	701,733
Intergovernmental revenue	306,550	284,636	-	-	-	-	111,052	1,772,662
Fines and forfeitures	-	-	-	54,118	49,517	-	-	103,635
Interest income	3,764	-	-	800	-	325	-	94,155
Rent and miscellaneous	-	1,400	-	-	-	-	-	108,879
Total revenues	2,415,122	286,036	408,652	54,918	49,517	702,058	111,052	5,294,524
EXPENDITURES								
Current								
General government administration	-	-	-	-	-	-	-	171,603
Public safety	50,863	-	-	13,112	47,786	398,446	105,079	768,583
Parks, recreation and culture	323,723	91,924	175,575	-	-	-	-	600,472
Community development	-	-	-	-	-	-	-	365,543
Economic development	115,363	369,893	51,852	-	-	-	-	738,840
Debt service								
Bond principal	-	-	-	-	-	-	-	141,884
Capital leases	403,705	-	-	-	-	-	-	403,705
Interest and fiscal charges	34,646	-	-	-	-	-	-	121,013
Capital outlay								
Public safety	19,851	-	-	32,676	21,287	35,584	-	132,383
Parks, recreation and culture	1,523,295	-	-	-	-	-	-	1,523,295
Community development	-	-	-	-	-	-	-	103,216
Economic development	-	-	57,974	-	-	-	-	57,974
Total expenditures	2,471,446	461,817	285,401	45,788	69,073	434,030	105,079	5,128,511
Excess (deficiency) of revenues over (under) expenditures	(56,324)	(175,781)	123,251	9,130	(19,556)	268,028	5,973	166,013
OTHER FINANCING SOURCES (USES)								
Transfers in	-	285,730	-	-	-	-	-	285,730
Transfers out	(579,634)	-	(246,361)	-	-	-	-	(934,519)
Proceeds of revenue bonds payable	1,734,000	-	-	-	-	-	-	1,734,000
Total other financing sources (uses)	1,154,366	285,730	(246,361)	-	-	-	-	1,085,211
Net change in fund balances	1,098,042	109,949	(123,110)	9,130	(19,556)	268,028	5,973	1,251,224
Fund balances, beginning of year	81,010	-	326,811	46,809	46,089	133,878	(11,792)	2,574,761
Fund balances, end of year	\$ 1,179,052	\$ 109,949	\$ 203,701	\$ 55,939	\$ 26,533	\$ 401,906	\$ (5,819)	\$ 3,825,985

CITY OF SUMTER, SOUTH CAROLINA
WATER AND SEWER FUND – SCHEDULE OF REVENUE, EXPENES AND CHANGES IN NET ASSETS –
BUDGET AND ACTUAL – BUDGET BASIS
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
Revenue				
Water revenue	\$ 9,636,500	\$ 9,636,500	\$ 9,513,634	\$ (122,866)
Sewer revenue	8,809,000	8,809,000	8,791,276	(17,724)
Other operating revenue	1,185,250	1,185,250	1,456,136	270,886
Grants	14,528	14,528	25,494	10,966
Capital contributions	-	-	1,349,573	1,349,573
Interest income and investment return	34,000	34,000	76,551	42,551
Gain on sale of capital assets	-	-	11,189	11,189
Miscellaneous	65,000	65,000	75,256	10,256
Transfers	-	-	64,710	64,710
	19,744,278	19,744,278	21,363,819	1,619,541
Expenses				
Salaries and benefits	4,906,565	4,906,565	4,876,362	(30,203)
Bad debts	-	-	461,117	461,117
Utilities	2,231,500	2,231,500	1,871,267	(360,233)
Other operating expense	5,052,311	5,052,311	4,406,191	(646,120)
Depreciation	1,970,228	1,970,228	3,462,941	1,492,713
Interest expense	1,710,391	1,710,391	1,692,831	(17,560)
Miscellaneous	133,475	133,475	144,177	10,702
Transfers	1,184,657	1,184,657	1,184,814	157
Capital expenditures	2,555,151	2,555,151	3,139,741	584,590
	19,744,278	19,744,278	21,239,441	1,495,163
Revenue over expense	<u>\$ -</u>	<u>\$ -</u>	124,378	<u>\$ 124,378</u>
Reconciliation to change in net assets:				
Capital expenditures			3,139,741	
Change in net assets			\$ 3,264,119	

CITY OF SUMTER, SOUTH CAROLINA
WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER
For the Year Ended June 30, 2012

Operating revenue	\$ 19,761,046
Operating expenses exclusive of depreciation	<u>\$ (11,614,937)</u>
Net revenue available for debt service	<u>\$ 8,146,109</u>
Debt service requirement:	
Principal	\$ 1,854,427
Interest	<u>\$ 1,650,486</u>
Total	<u>\$ 3,504,913</u>
Revenue bond coverage ratio for the year ended June 30, 2012	<u><u>2.32</u></u>

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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 ASSETS – PRIVATE-PURPOSE TRUST FUNDS
June 30, 2012

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
Assets					
Cash and cash equivalents	\$ 3,073	\$ 502	\$ 1,448	\$ 3,827	\$ 8,850
Total assets	3,073	502	1,448	3,827	8,850
Liabilities	-	-	-	-	-
Net assets held in trust for other purposes	\$ 3,073	\$ 502	\$ 1,448	\$ 3,827	\$ 8,850

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS – PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2012

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
ADDITIONS					
Interest	\$ 9	\$ 1	\$ 4	\$ 7	\$ 21
Contributions	-	-	-	141	141
Total additions	9	1	4	148	162
DEDUCTIONS					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	-	-	-	-	-
Change in net assets	9	1	4	148	162
Net assets, beginning of year	3,064	501	1,444	3,679	8,688
Net assets, end of year	\$ 3,073	\$ 502	\$ 1,448	\$ 3,827	\$ 8,850

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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, 2012

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
CHDO Fund					
Assets					
Cash and cash equivalents	\$ 513,225	\$ 362,104	\$ (366,158)		\$ 509,171
Receivables	-	-	-		-
	<u>\$ 513,225</u>	<u>\$ 362,104</u>	<u>\$ (366,158)</u>		<u>\$ 509,171</u>
Liabilities					
Accounts payable	\$ 3,129	\$ 799	\$ (3,129)		\$ 799
Due to other fund	35,072	-	(35,072)		-
Due to other organization	475,024	361,305	(327,957)		508,372
	<u>\$ 513,225</u>	<u>\$ 362,104</u>	<u>\$ (366,158)</u>		<u>\$ 509,171</u>
Sumter Green Fund					
Assets					
Cash and cash equivalents	\$ 70,855	\$ 49,859	\$ (39,693)		\$ 81,021
Accounts receivable	500	4,141	(500)		4,141
	<u>\$ 71,355</u>	<u>\$ 54,000</u>	<u>\$ (40,193)</u>		<u>\$ 85,162</u>
Liabilities					
Accounts payable	\$ 6,675	\$ 359	\$ (6,675)		\$ 359
Due to other organization	64,680	53,641	(33,518)		84,803
	<u>\$ 71,355</u>	<u>\$ 54,000</u>	<u>\$ (40,193)</u>		<u>\$ 85,162</u>
Swan Fund					
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>
Support of Shaw Fund					
Assets					
Cash and cash equivalents	\$ 155,173	\$ -	\$ (52)		\$ 155,121
	<u>\$ 155,173</u>	<u>\$ -</u>	<u>\$ (52)</u>		<u>\$ 155,121</u>
Liabilities					
Due to other organization	\$ 155,173	\$ -	\$ (52)		\$ 155,121
	<u>\$ 155,173</u>	<u>\$ -</u>	<u>\$ (52)</u>		<u>\$ 155,121</u>
Dalzell Water District Fund					
Assets					
Cash and cash equivalents	\$ 1,035,991	\$ 513,879	\$ (718,559)		\$ 831,311
Receivables	35,772	459,538	(502,124)		(6,814)
	<u>\$ 1,071,763</u>	<u>\$ 973,417</u>	<u>\$ (1,220,683)</u>		<u>\$ 824,497</u>
Liabilities					
Accounts payable	\$ 2,871	\$ 379,012	\$ (375,305)		\$ 6,578
Due to customers	35,400	3,300	-		38,700
Due to other organization	1,033,492	591,105	(845,378)		779,219
	<u>\$ 1,071,763</u>	<u>\$ 973,417</u>	<u>\$ (1,220,683)</u>		<u>\$ 824,497</u>

Continued

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
For the Year Ended June 30, 2012

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
Oswego Water District Fund					
Assets					
Cash and cash equivalents	\$ 30,505	\$ 407,126	\$ (406,885)		\$ 30,746
Receivables	56,202	406,313	(407,126)		55,389
	<u>\$ 86,707</u>	<u>\$ 813,439</u>	<u>\$ (814,011)</u>		<u>\$ 86,135</u>
Liabilities					
Accounts payable	\$ 750	\$ 423,337	\$ (406,885)		\$ 17,202
Due to other organization	85,956	390,103	(407,126)		68,933
	<u>\$ 86,706</u>	<u>\$ 813,440</u>	<u>\$ (814,011)</u>		<u>\$ 86,135</u>
Total Agency Funds					
Assets					
Cash and cash equivalents	\$ 1,806,075	\$ 1,332,968	\$ (1,531,347)		\$ 1,607,696
Receivables	92,474	869,992	(909,750)		52,716
	<u>\$ 1,898,549</u>	<u>\$ 2,202,960</u>	<u>\$ (2,441,097)</u>		<u>\$ 1,660,412</u>
Liabilities					
Accounts payable	\$ 13,425	\$ 803,507	\$ (791,994)		\$ 24,938
Due to other funds	35,072	-	(35,072)		-
Due to customers	35,400	3,300	-		38,700
Due to other organization	1,814,651	1,396,154	(1,614,031)		1,596,774
	<u>\$ 1,898,548</u>	<u>\$ 2,202,961</u>	<u>\$ (2,441,097)</u>		<u>\$ 1,660,412</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, 2012

Court fines, assessments and surcharges:	
Collected	\$ 766,833
Remitted to State Treasurer	<u>(428,662)</u>
Retained by the City	<u><u>338,171</u></u>
Fines, assessments and surcharges retained by the City:	
General fund	288,654
Victims advocate services	<u>49,517</u>
Total assessments and surcharges retained by the City	<u><u>338,171</u></u>
Funds allocated to victims advocate service special revenue fund	
Carryover from prior year	46,089
Surcharges and assessments retained current year	49,517
Expenditures for victims advocate services	<u>(69,073)</u>
Total (over) under expenditure of victims advocate service special revenue funds	<u><u>\$ 26,533</u></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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture Pass-through Programs From:			
South Carolina Forestry Commission			
ARRA Financial Assistance Program for Forest Health Enrichment	10.688	09ARRA34	\$ 9,250
South Carolina Natural Resources Conservation Service			
ARRA Emergency Watershed Protection Program	10.923	69-4639-10-1010	<u>286,859</u>
Total Department of Agriculture			<u>296,109</u>
Department of Housing and Urban Development Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-450011	400
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-450011	29,059
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-450011	65,074
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-45-0011	93,349
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-45-0011	157,753
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-45-0011	<u>32,163</u>
			<u>377,798</u>
Department of Housing and Urban Development Pass-through Programs From:			
City of Mayesville			
Community Development Block Grant/States	14.228	4-CI-10-021	180,624
Santee Lynches Regional Council of Governments			
HOME Investment Partnership Program	14.239	M10DC450206	135,325
Total Department of Housing and Urban Development			<u>693,747</u>
Department of Justice Direct Programs:			
Bullet Proof Vest Partnership Program	16.607	2010BUBX10050833	2,246
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007DJBX1124	7,568
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009DJBX0825	24,069
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010DJBX0951	8,122
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011DJBX2739	<u>46,135</u>
			<u>85,894</u>
Office of Community Oriented Policing Services	16.710	2010CKWX0099	8,301

Continued

CITY OF SUMTER, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice Pass-through Programs From:			
South Carolina Department of Public Safety			
Victims of Crime	16.575	1V11105	35,012
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K10011	8,801
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K11018	20,623
			<u>29,424</u>
Total Department of Justice			<u>160,877</u>
Department of Transportation Pass-through Programs From:			
South Carolina Department of Transportation			
Federal Transit-Metropolitan Planning Grants	20.505	PL45011	171,603
Total Department of Transportation			<u>171,603</u>
Department of Energy Direct Programs:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002302	49,499
Total Department of Energy			<u>49,499</u>
Total Expenditures of Federal Awards			<u>\$ 1,371,835</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, 2012

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, 2012. 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	\$135,325

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November 21, 2012

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**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**

City Council
City of Sumter, South Carolina

We have audited 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, 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*.

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

Sheheen, Hancock & Godwin, LLP
Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

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November 21, 2012

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

City Council
City of Sumter, South Carolina

Compliance

We have audited the City of Sumter, South Carolina's (the City) 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's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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, 2012

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:

<u>CFDA Number</u>	<u>Program Name</u>
10.688	ARRA Financial Assistance Program for Forest Heath Enrichment
10.923	ARRA Emergency Watershed Protection Program
14.218	Community Development Block Grants/Entitlement Grants
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 Statement

None.

Section III – Federal Awards Findings and Questioned Costs

None.

CITY OF SUMTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

There were no prior year findings.