

***CITY OF SUMTER,
SUMTER, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014***



**CITY OF SUMTER, SOUTH CAROLINA
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Year Ended June 30, 2014**

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City of Sumter

South Carolina

29151

November 20, 2014

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

State law requires that all general-purpose local governments annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Sumter (the City) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Sheheen, Hancock & Godwin, LLP, CPA's, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Regulatory section of this report.

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

Profile of the Government

The City, chartered in 1845, is located near the geographic center of the state, approximately 100 miles west of the Atlantic Ocean and approximately 175 miles east of the Blue Ridge Mountains. The City currently serves a population in excess of 40,000 and encompasses a land mass of approximately 27 square miles. The government is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Sumter holds the distinction of being the first to adopt the council-manager form of government in 1912 and still operates under this form of government today. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the directors of various departments. The Council is elected through a non-partisan election process. Council members and the mayor are elected to four-year terms in staggered elections. The mayor is elected at large and council members are elected by ward.

The City provides a full range of services, including: police and fire protection; the construction and maintenance of streets and other infrastructure; parks, recreational/cultural activities and events; sanitation services; water and sewer services; and storm water services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager in the spring of each year. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The budget can be amended throughout the year with the approval of council. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager, who may make transfers of appropriations within and among functions and funds as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented beginning on page 32 as part of the basic financial statements for the governmental funds.

Local Economy

The City is currently experiencing a modestly favorable economic environment. Along with the rest of the state, the unemployment rate in Sumter has steadily decreased in the past year and Sumter's already diverse manufacturing base continues to broaden, most notably with the addition of the Continental Tire plant. The plant is projected to bring over 1600 jobs to the area. In addition to the expansion of the manufacturing base, Shaw Air Force Base continues to have a profound effect on the local economy. A recent impact study estimates the Base's total economic impact on the region to be just less than \$1 billion/year.

Long Term Financial Planning

Each year the City's planning and needs evaluation process involves an assessment of on going projects and initiatives as well as the identification of new projects and initiatives to be implemented in an effort to maximize the value of services and support provided by the City. It is a collaborative process whereby City leadership engages with the City's management team and the City's management team with departmental staff to develop methods and actions to take in advancing priorities of the City in a strategic and comprehensive manner. The goals developed during this process may require many different methods and actions but they all involve the planned expenditure of budgeted funds. While many goals may progress substantially throughout a single year, some of them require more time, collaboration, and planning. It is through this process, however, that the City has been able to create a comprehensive approach to meeting challenges, achieving goals, and effecting change.

Initiatives include neighborhood & downtown redevelopment, various quality of life projects, continued investment in water & sewer infrastructure, and other public infrastructure. In addition, the City will continue to support efforts to keep Shaw Air Force Base open as it remains to be a key factor in the overall progress of the local economy. Funding for these projects will come from a variety of sources including Community Development Block Grants, Hospitality Fee revenues, Accommodations Fee revenues, charges for services, General Fund revenues, and other various grants. While most all of these projects will require continued long term planning and fiscal projections it is the City's overall objective that they also provide long term benefits to the community.

Acknowledgements

We would like to express our appreciation to the entire Finance staff for their dedicated services in the timely preparation of this report. Credit must also be given to those from other departments who helped compile the necessary information to prepare this report in its entirety.

In closing, we would like to also thank the Mayor and City Council for their continued support, leadership, and service to the City of Sumter.

Respectfully Submitted,



Linda Patterson, Director, Finance Department



Deron L. McCormick, City Manager

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Sumter City Council

City Manager
Deron L. McCormick

Asst. City Manager of
Public Services &
Utilities
Al Harris

General
Counsel
Eric Shytle

Public Services
Director
Ray Goodman

Utility Plants,
Water & Sewer,
Engineering, GIS &
Stormwater

Sanitation, Parks/
Gardens,
Warehouse &
Construction/
Electrical

Admin. Services
Director
Nick Shorter

Events, Public
Relations,
Recreation, Tourism,
Workers Comp. &
Liability Insurance

Building
Director
Steve Campbell

Building
Inspection,
Plans Review &
Business License

Planning
Director
George
McGregor

Planning and
Zoning
Administration
& Codes
Enforcement

Human
Resources
Director
Audrey Shirley

Employee
Benefits &
Payroll

Fire Chief
Karl Ford

Fire Marshal,
Fire Training,
Fire Rescue,
Logistics,
Instruction &
Fire Suppression

Police Chief
Russell Roark

Crime Analysis,
Budget,
Accreditation,
Emergency
Preparedness,
Internal Affairs/
Career Develop.,
Uniformed Svcs.,
Investigative
Svcs., Support
Svcs., & Crime
Prevention

Finance Director
Linda Patterson

Purchasing,
Accounting,
Internal Audit &
Utility Billing

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City of Sumter
List of Elected and Appointed Officials
June 30, 2014

Elected Officials

Mayor
Council Member – District 1
Council Member – District 2
Council Member – District 3
Council Member – District 4
Council Member – District 5
Council Member – District 6

Joseph T. McElveen, Jr.
Thomas J. Lowery
Ione J. Dwyer
Calvin K. Hastie, Sr.
Charles R. Burns
Robert A. Galiano, Jr.
David P. Merchant

Appointed Officials

City Manager (Appointed By City Council)

Assistant City Manager for Public Services
General Counsel
Finance Director
City Clerk
Human Resources Director
Director of Administrative Services
Police Chief
Fire Chief
Planning Director
Building Director
Director of Public Services

Deron L. McCormick

Ernest A. Harris
B. Eric Shytle
Linda H. Patterson
Linda D. Hammett
Audrey M. Shirley
Billy N. Shorter, Jr.
Russell F. Roark, III
C. Karl Ford
George K. McGregor
Charles W. "Steve" Campbell, Jr.
Ray I. Goodman

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FINANCIAL SECTION

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SHEHEEN, HANCOCK & GODWIN, LLP

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November 20, 2014

INDEPENDENT AUDITOR'S REPORT

To City Council
City of Sumter, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 23 and Schedules of Funding Progress and Employer Contributions on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of the City of Sumter, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sumter, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

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Sumter, South Carolina Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements

Financial Highlights

- The assets of the City of Sumter exceeded its liabilities at the close of the most recent fiscal year by \$120,583,440 (*net position*). Of this amount, \$29,343,127 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Sumter's total net position increased by \$7,668,742 during the current period, as a result of an increase from governmental activities of \$3,858,971 and an increase from business-type activities of \$3,809,771.
- At the close of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$17,729,820, an increase of \$327,802 in comparison with the prior year. Approximately 69% of this total amount, \$12,228,926 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,228,926, or approximately 37% of total general fund expenditures.
- The City of Sumter's total outstanding long-term debt decreased by \$4,097,467 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sumter's basic financial statements. The City of Sumter's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 26-27 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

Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sumter can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

The basic governmental fund financial statements can be found on pages 28-33 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

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

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

The fiduciary fund financial statements can be found on pages 37-38 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-57 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents

Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

required supplementary information concerning the City of Sumter's progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found on page 60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 62-77 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Sumter, assets exceeded liabilities by \$120,583,440 at the close of the most recent fiscal year.

City of Sumter's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013, as restated*	2014	2013, as restated*
Current and other assets	\$ 21,404,818	\$ 21,144,535	\$ 23,852,540	\$ 22,751,791	\$ 45,257,358	\$ 43,896,326
Capital assets	43,529,351	40,833,617	80,275,272	79,439,443	123,804,623	120,273,060
Total assets	64,934,169	61,978,152	104,127,812	102,191,234	169,061,981	164,169,386
Total deferred outflows of resources	-	-	34,613	-	34,613	-
Noncurrent liabilities	10,743,275	9,239,658	33,170,239	33,396,066	43,913,514	42,635,724
Other liabilities	2,701,857	5,443,197	1,563,014	3,175,767	4,264,871	8,618,964
Total liabilities	13,445,132	14,682,855	34,733,253	36,571,833	48,178,385	51,254,688
Total deferred inflows of resources	334,769	-	-	-	334,769	-
Net position:						
Net investment in capital assets	37,154,398	33,243,982	47,592,613	44,351,489	84,747,011	77,595,471
Restricted	3,321,746	4,368,409	3,171,556	1,972,234	6,493,302	6,340,643
Unrestricted	10,678,124	9,682,906	18,665,003	19,295,678	29,343,127	28,978,584
Total net position	\$ 51,154,268	\$ 47,295,297	\$ 69,429,172	\$ 65,619,401	\$ 120,583,440	\$ 112,914,698

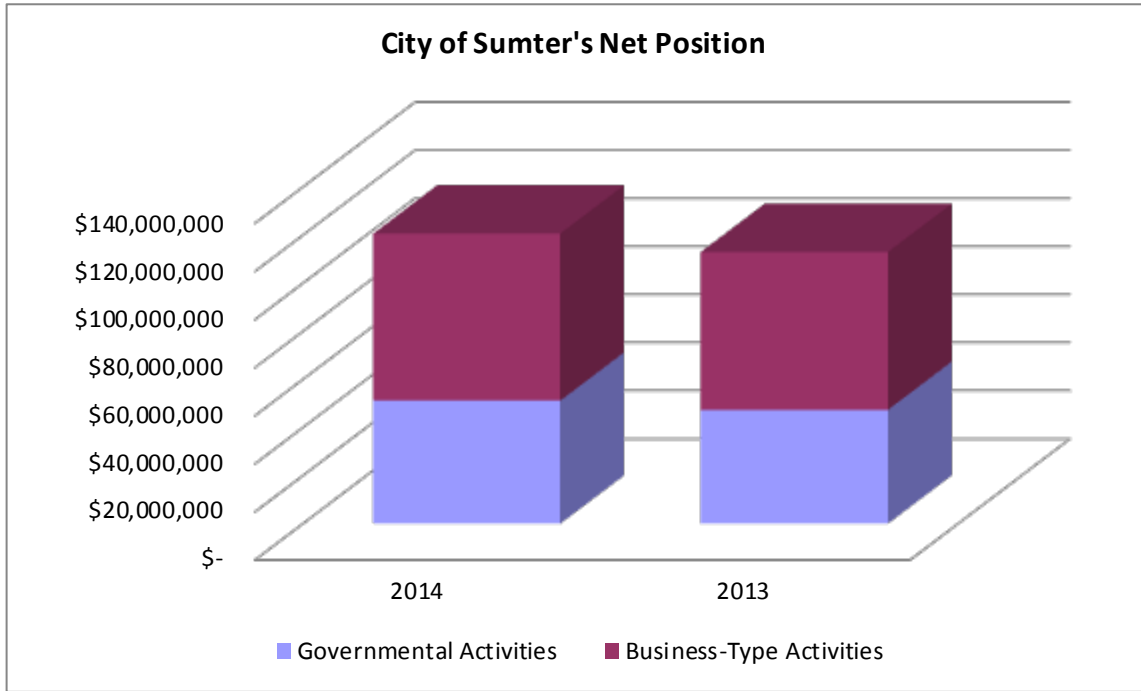
*See note to financial statements II. A.

By far the largest portion of the City of Sumter's net position (70.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Sumter uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City of Sumter's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Sumter's net position (5.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,343,127 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014**



The City of Sumter's overall net position increased by \$7,668,742 from the prior fiscal year. The key components of this increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities: Governmental activities increased the City of Sumter's net position by \$3,858,971 from the prior fiscal year for an ending balance of \$51,154,268. Total revenues increased by \$3,468,886 primarily as a result of increases in operating and capital grants and contributions of \$2,748,707. Key elements of this increase represents resources from an operating grant in the amount of \$690,338 for clean up of damages from a winter ice storm and a capital grant in the amount of \$1,252,400 and a \$741,772 contribution for the purchase of property to perpetuate conservation and recreational use. Another factor in the change was the spending of resources obtained through the issuance of long-term debt in prior periods on capital improvements to downtown buildings and for the purchase of capital assets in the amount of \$1,099,964. Public safety expenditures increased by \$1,036,703 primarily as a result of increases in compensated absences balances and increased personnel and benefit costs. Public works expenditures increased by \$1,087,899 with the key factor in this increase being costs incurred in the amount of \$701,195 for clean up damages from a winter ice storm. As mentioned above, this cost was offset by an operating grant.

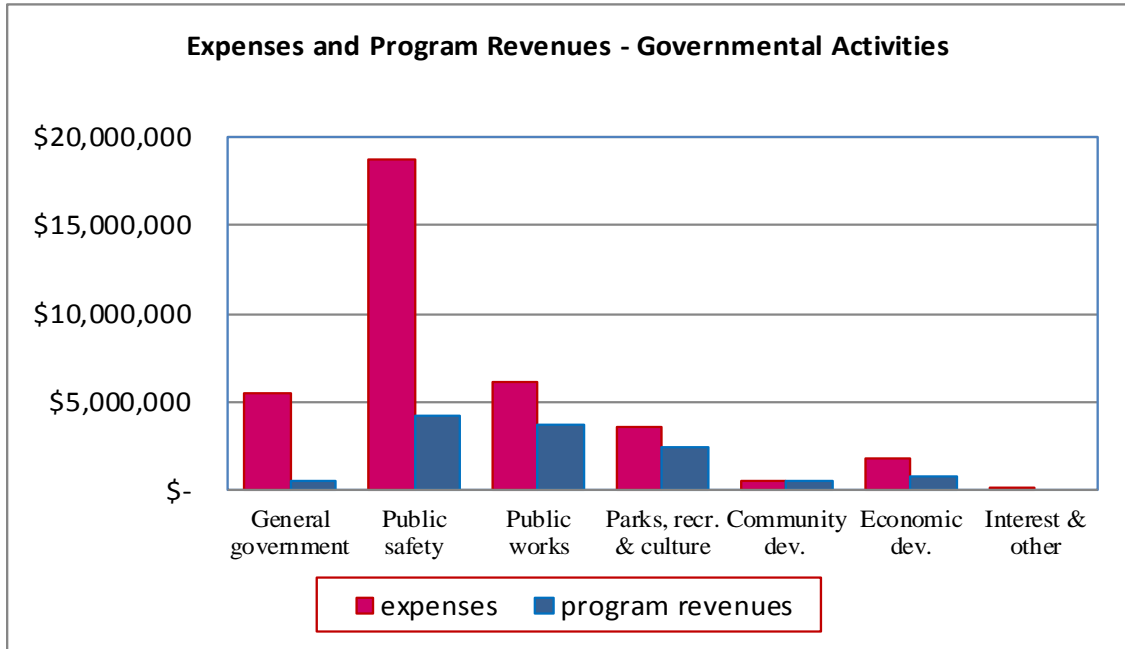
Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

City of Sumter's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013, as restated	2014	2013, as restated
Revenues:						
Program Revenues:						
Charges for services	\$ 7,121,669	\$ 6,801,143	\$ 21,034,775	\$20,815,639	\$ 28,156,444	\$ 27,616,782
Operating grants and contributions	2,863,555	2,217,909	-	-	2,863,555	2,217,909
Capital grants and contributions	2,372,060	268,999	1,532,724	2,128,816	3,904,784	2,397,815
Total program revenues	12,357,284	9,288,051	22,567,499	22,944,455	34,924,783	32,232,506
General Revenues:						
Property taxes	9,241,692	10,132,215	-	-	9,241,692	10,132,215
Sales taxes - local option	4,380,262	3,234,258	-	-	4,380,262	3,234,258
Sales taxes - local accommodations and hospitality	2,733,045	2,624,848	-	-	2,733,045	2,624,848
Business and franchise fees	9,014,503	8,957,349	-	-	9,014,503	8,957,349
State shared taxes	957,975	972,987	-	-	957,975	972,987
Other	283,800	289,967	406,467	(291,766)	690,267	(1,799)
Total general revenues	26,611,277	26,211,624	406,467	(291,766)	27,017,744	25,919,858
Total revenues	38,968,561	35,499,675	22,973,966	22,652,689	61,942,527	58,152,364
Expenses:						
General Government	5,506,479	5,560,774	-	-	5,506,479	5,560,774
Public Safety	18,726,272	17,689,569	-	-	18,726,272	17,689,569
Public Works	6,198,843	5,110,944	-	-	6,198,843	5,110,944
Parks, Recreation and Culture	3,655,740	3,268,065	-	-	3,655,740	3,268,065
Community Development	518,788	449,666	-	-	518,788	449,666
Economic Development	1,846,045	2,254,660	-	-	1,846,045	2,254,660
Interest and other charges	215,380	284,930	-	-	215,380	284,930
Water and sewer services			17,606,238	16,954,386	17,606,238	16,954,386
Total expenses	36,667,547	34,618,608	17,606,238	16,954,386	54,273,785	51,572,994
Increase (decrease) in net position before transfers	2,301,014	881,067	5,367,728	5,698,303	7,668,742	6,579,370
Transfers	1,557,957	1,178,717	(1,557,957)	(1,178,717)	-	-
Increase in net position	3,858,971	2,059,784	3,809,771	4,519,586	7,668,742	6,579,370
Net position beginning, as restated	47,295,297	45,235,513	65,619,401	61,099,815	112,914,698	106,335,328
Net position ending	\$ 51,154,268	\$ 47,295,297	\$ 69,429,172	\$ 65,619,401	\$ 120,583,440	\$ 112,914,698

*See note to financial statements II. A.

**Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014**



Business-Type Activities: Business-type activities increased the City of Sumter's net position during the current year by \$3,809,771, a 5.8% increase, for an ending balance of \$69,429,172. Revenues derived from charges for services increased by \$219,136 from the prior fiscal year. This increase is attributable to a modest rate increase on base meter rates in the water and sewer fund while charges for services remained steady in the non-major stormwater utility fund. Capital grants and contributions decreased by \$596,092 primarily as a result of a decrease in resources from the county-wide 1% Capital Sales Tax from the prior fiscal year. The increase in other revenues is a result of the change in unrealized gain/loss of investments. Total expenses were \$17,606,238, an increase of \$651,852 from the previous year's amount. The key component in this increase is increased personnel and benefit costs.

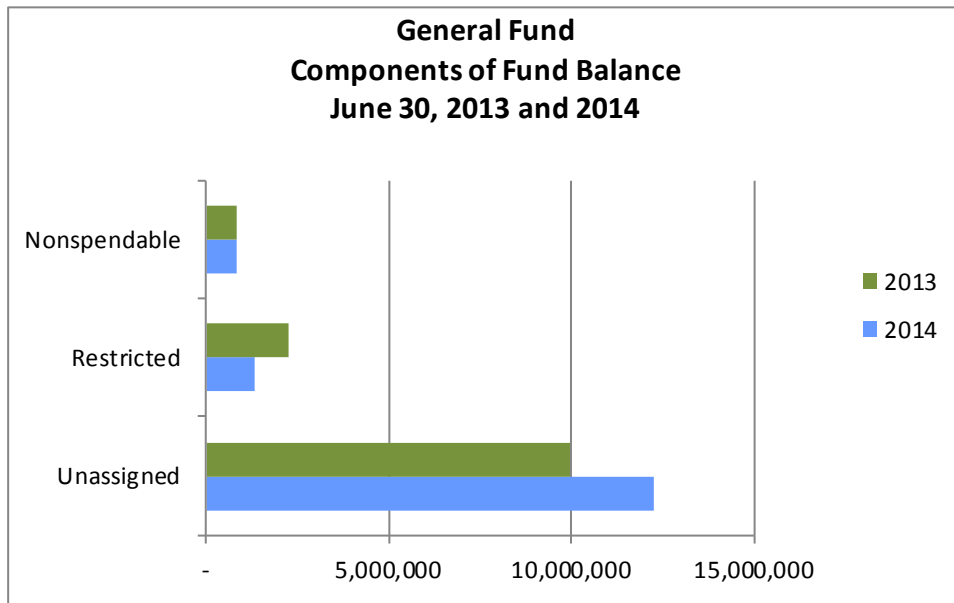
Financial Analysis of the Government's Funds

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

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

At June 30, 2014, the City of Sumter's governmental funds reported combined fund balances of \$17,729,820 an increase of \$327,802 in comparison with the prior year. Approximately 69% of this amount (\$12,228,926) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable or restricted to indicate that it is 1) not in spendable form (\$822,501) or 2) restricted for particular purposes (\$4,678,393).

**Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014**



The general fund is the chief operating fund of the City of Sumter. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,228,926 with a total fund balance of \$14,408,074. 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 37.0 percent of total general fund expenditures while total fund balance represents 43.6 percent of that same amount.

The fund balance of the City of Sumter's general fund increased by \$1,324,465 during the current fiscal year. As discussed earlier in connection with governmental activities, the primary driver in this increase is an increase in operating and capital grants and contributions in the amount of \$2,748,707. Another factor in the change was the spending of resources obtained through the issuance of long-term debt in prior periods on capital improvements to downtown buildings and for the purchase of capital assets in the amount of \$1,099,964. Other factors in this change were increased expenditures in public safety in the amount of \$1,036,703 and public works in the amount of \$1,087,899.

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

Unrestricted net position of the water and sewer operations and the stormwater operations at the end of the fiscal year was \$18,665,003, a decrease of \$630,675 from the prior fiscal year. The total growth in net position was \$3,809,971. Other factors related to the enterprise funds have been noted earlier in the discussion of business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget. Revenues were \$1,430,772 (4.8%) greater compared to the final budget while expenditures were \$95,790 less than the final budget. There were transfers within the budgeted amounts but there was no change in the appropriations between the original and final budget. The positive variance in revenues was primarily a result of an increase in property and sales taxes collections of \$606,450 greater than the budgeted amount and an increase in license permits and fees of \$452,359 greater than the budgeted amount. Other revenues were \$349,224 due to higher than anticipated miscellaneous revenues. Actual expenditures in general government administration, public safety and law enforcement, public works and debt service were less than the budgeted amounts. Expenditures in capital outlay were greater than budgeted due to capital expenditures in the amount of \$1,099,964, from which funding had been set aside from a prior year borrowing.

Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

Capital Assets and Debt Administration

Capital assets. The City of Sumter's investment in capital assets for its governmental and business type activities as of June 30, 2014, was \$123,804,623 (net of accumulated depreciation). This investment in capital assets includes land, buildings, works of art, park facilities, roads, plants, machinery and equipment, and infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 12,067,279	\$ 10,007,616	\$ 338,412	\$ 240,938	\$ 12,405,691	\$ 10,248,554
Works of art	396,866	396,866	-	-	396,866	396,866
Buildings	12,510,785	10,869,589	172,781	185,122	12,683,566	11,054,711
Plants, machinery and equipment	5,705,875	5,819,203	40,271,543	41,475,666	45,977,418	47,294,869
Infrastructure	12,058,911	12,510,272	34,897,336	32,995,354	46,956,247	45,505,626
Construction in progress	789,635	1,230,071	4,595,200	4,542,363	5,384,835	5,772,434
Totals	\$ 43,529,351	\$ 40,833,617	\$ 80,275,272	\$ 79,439,443	\$ 123,804,623	\$ 120,273,060

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

- The acquisition of land at a total cost of \$2,059,663, most of which is related to property surrounding Shaw Air Force Base which was mostly paid for by grants in the amount of \$1,994,172.
- Renovations to existing buildings and structures currently used in operations at a total cost of \$2,463,881 were completed and placed into service.
- Routine replacement of vehicles and sanitation and fire trucks at a cost of \$1,304,957
- Various projects related to streets, sidewalks, and parking lots at a cost of \$566,686 including capital contributions of \$410,112, were completed and placed into service.
- A water park located at the City's Birnie Hope Center was completed and placed into service at a total cost of \$631,373.
- Various water and sewer line and storm water drainage projects at a cost of \$2,120,064 were completed and placed into service. This amount includes \$432,704 in capital contributions.
- Various water & sewer infrastructure projects in the amount of \$1,736,616 were started during the current fiscal year and still ongoing at year end. This amount includes \$689,305 in capital contributions.
- Routine replacement/restoration of equipment such as sludge pumps, HVAC units, wastewater clarifiers, etc. at a cost of \$1,165,279.

Additional information on the City of Sumter's capital assets can be found in Note III.D on pages 48-49.

Long-term Debt. At the end of the current fiscal year, the City of Sumter had total debt outstanding of \$40,448,872. Of this amount, \$3,395,067 of general obligation debt is backed by the full faith and credit of the government. The remainder of the City of Sumter's long-term obligations comprises revenue bonds, capital leases, and notes payable.

City of Sumter's Outstanding Debt
Bonds, Notes Payable and Capital Leases

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,395,067	\$ 4,051,216	\$ -	\$ -	\$ 3,395,067	\$ 4,051,216
Revenue bonds	1,263,000	1,501,000	-	-	1,263,000	1,501,000
Notes payable	673,000	1,432,000	-	-	673,000	1,432,000
Capital lease obligations	2,400,533	2,474,168	-	-	2,400,533	2,474,168
Revenue bonds	-	-	32,717,272	35,087,955	32,717,272	35,087,955
Total	\$ 7,731,600	\$ 9,458,384	\$ 32,717,272	\$ 35,087,955	\$ 40,448,872	\$ 44,546,339

Sumter, South Carolina
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

The City of Sumter's total debt decreased by \$4,097,467 (9 percent) during the current fiscal year. The City entered into a capital lease agreement in the amount of \$733,000 to purchase certain capital equipment during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation of property. The current debt limitation for the City is \$10,599,200 which is in excess of the City of Sumter's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

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

Apex Tool Group, LLC, a leading manufacturer of power and hand tools, announced in August 2014 that the company is expanding its Sumter County workforce, adding between 150-200 jobs by the end of 2015. Apex will be consolidating several of its manufacturing facilities into its Sumter plant. Apex's presence in Sumter County spans more than three decades.

EnerSys-Sumter Metal Products announced in September 2014 a \$4 million dollar investment at its Sumter plant, an addition that will include two new buildings at its manufacturing facility and approximately 23 new positions over the next year.

Information furnished by the SC Department of Employment and Workforce for nonfarm employment by area, not seasonally adjusted, indicates that Sumter County gained 600 jobs during fiscal year 2014.

Sumter County voters voted in favor of renewing a penny sales tax to fund capital projects in the county. The new penny sales tax is expected to begin at the sunset of the original one, which was implemented in May 2009 and ends on May 1, 2016. Included in the twenty-eight projects approved will be public safety infrastructure to provide updated technology, a new City of Sumter police and E911 emergency services station and a new fire station.

The fiscal year 2014-2015 budget was adopted with an appropriation of \$34,054,074 for the general fund. There was no increase in the City's total millage rate for 2014-2015 which is currently 102 mills. Revenues from property taxes, business licenses, franchise fees and tax collection programs are expected to be steady.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,302,740	\$ 6,329,719	\$ 19,632,459
Investments	973,670	9,719,820	10,693,490
Receivables, net of allowance for doubtful accounts	4,948,718	4,133,229	9,081,947
Inventories	283,035	-	283,035
Prepaid items	6,081	597	6,678
Property held for resale	533,927	-	533,927
Interest in joint venture	-	100,000	100,000
Restricted cash and cash equivalents	1,356,647	3,171,556	4,528,203
Receivables, non-current portion	-	397,619	397,619
Capital assets not being depreciated	13,253,780	4,933,612	18,187,392
Capital assets, depreciable, net of accumulated depreciation	30,275,571	75,341,660	105,617,231
Total assets	<u>64,934,169</u>	<u>104,127,812</u>	<u>169,061,981</u>
Deferred Outflows of Resources			
Deferred loss on bond refunding	-	34,613	34,613
Liabilities			
Current liabilities:			
Accounts payable	2,038,654	1,040,733	3,079,387
Retainage payable	72,266	29,955	102,221
Accrued interest payable	68,187	116,510	184,697
Accrued salaries and payroll withholdings	324,748	75,549	400,297
Court bonds and confiscated funds payable	182,352	-	182,352
Customer deposits	11,450	300,267	311,717
Unearned Revenue	4,200	-	4,200
Noncurrent liabilities:			
Due within one year	2,368,214	2,163,822	4,532,036
Due in more than one year	8,375,061	31,006,417	39,381,478
Total liabilities	<u>13,445,132</u>	<u>34,733,253</u>	<u>48,178,385</u>
Deferred Inflows of Resources			
Unavailable revenue - local option sales tax	316,985	-	316,985
Unavailable revenue - grants & contributions	17,784	-	17,784
Total deferred inflows of resources	<u>334,769</u>	<u>-</u>	<u>334,769</u>
Net Position			
Net investment in capital assets	37,154,398	47,592,613	84,747,011
Restricted for:			
Debt service	-	3,171,556	3,171,556
Community development	538,668	-	538,668
Economic development	2,054,239	-	2,054,239
Public safety and law enforcement	728,839	-	728,839
Unrestricted	10,678,124	18,665,003	29,343,127
Total net position	<u>\$ 51,154,268</u>	<u>\$ 69,429,172</u>	<u>\$ 120,583,440</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government administration	\$ 5,506,479	\$ 62,235	\$ 545,862	\$ -	\$ (4,898,382)	\$ -	\$ (4,898,382)
Public safety and law enforcement	18,726,272	3,985,838	273,377	10,989	(14,456,068)	-	(14,456,068)
Public works	6,198,843	2,561,400	1,111,121	-	(2,526,322)	-	(2,526,322)
Parks, recreation and culture	3,655,740	418,939	-	2,056,021	(1,180,780)	-	(1,180,780)
Community development	518,788	-	491,468	-	(27,320)	-	(27,320)
Economic development	1,846,045	93,257	441,727	305,050	(1,006,011)	-	(1,006,011)
Interest on long-term debt	215,380	-	-	-	(215,380)	-	(215,380)
Total governmental activities	36,667,547	7,121,669	2,863,555	2,372,060	(24,310,263)	-	(24,310,263)
Business-type activities:							
Water and sewer	17,606,238	21,034,775	-	1,532,724	-	4,961,261	4,961,261
Total business-type activities	17,606,238	21,034,775	-	1,532,724	-	4,961,261	4,961,261
Total	\$ 54,273,785	\$ 28,156,444	\$ 2,863,555	\$ 3,904,784	\$ (24,310,263)	\$ 4,961,261	\$ (19,349,002)
General revenues:							
Property taxes					9,241,692	-	9,241,692
Sales taxes - local option					4,380,262	-	4,380,262
Sales taxes - local accommodations and hospitality					2,733,045	-	2,733,045
Franchise taxes and business licenses					9,014,503	-	9,014,503
Grants and contributions not restricted to specific programs					957,975	-	957,975
Gain on sale or disposition of capital assets					72,799	14,984	87,783
Unrestricted interest income					78,181	310,575	388,756
Other					132,820	80,908	213,728
Transfers					1,557,957	(1,557,957)	-
Total general revenues and transfers					28,169,234	(1,151,490)	27,017,744
Change in net position					3,858,971	3,809,771	7,668,742
Net position - beginning of year as restated					47,295,297	65,619,401	112,914,698
Net position - end of year					\$ 51,154,268	\$ 69,429,172	\$ 120,583,440

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,901,761	\$ 2,400,979	\$ 13,302,740
Investments	973,670	-	973,670
Receivables, net of allowance for doubtful accounts	2,486,691	2,462,027	4,948,718
Due from other funds	341,532	-	341,532
Restricted cash and cash equivalents	1,356,647	-	1,356,647
Prepaid items	5,539	542	6,081
Inventories	283,035	-	283,035
Property held for resale	533,927	-	533,927
Total assets	<u>\$ 16,882,802</u>	<u>\$ 4,863,548</u>	<u>\$ 21,746,350</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 1,152,865	\$ 885,790	\$ 2,038,655
Retainage payable	72,266	-	72,266
Accrued salaries and payroll withholdings	313,204	11,544	324,748
Customer Deposits	11,450	-	11,450
Unearned Revenue	-	4,200	4,200
Escrow for seized funds and bonds	10,275	172,077	182,352
Due to other funds	-	341,532	341,532
Total liabilities	<u>1,560,060</u>	<u>1,415,143</u>	<u>2,975,203</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	467,565	-	467,565
Unavailable revenue - local option sales tax	316,985	-	316,985
Unavailable revenue - notes & mortgages	111,893	123,500	235,393
Unavailable revenue - grants & contributions	18,225	3,159	21,384
Total deferred inflows of resources	<u>914,668</u>	<u>126,659</u>	<u>1,041,327</u>
Fund Balances:			
Nonspendable			
Prepaid items	5,539	-	5,539
Inventories	283,035	-	283,035
Property held for resale	533,927	-	533,927
Restricted			
Purchase of capital assets	1,067,632	-	1,067,632
Community development	-	538,668	538,668
Economic development	289,015	2,054,239	2,343,254
Public safety and law enforcement	-	728,839	728,839
Unassigned	12,228,926	-	12,228,926
Total fund balances	<u>14,408,074</u>	<u>3,321,746</u>	<u>17,729,820</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,882,802</u>	<u>\$ 4,863,548</u>	<u>\$ 21,746,350</u>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Amounts reported for government activities in the statement of net position are different because:	
Total fund balance of governmental funds (page 28)	17,729,820
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	43,529,351
Other long-term assets are not available to pay for current-period expenditures and therefore, are considered deferred inflows of resources in the funds:	
Property taxes	706,559
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds:	
Accrued compensated absences	(3,011,675)
Accrued interest	(68,187)
Bonds and leases payable	<u>(7,731,600)</u>
Net position of governmental activities	<u><u>\$ 51,154,268</u></u>

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, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property and vehicle and fire fees	\$ 9,323,692	\$ -	\$ 9,323,692
Sales	4,380,262	2,733,045	7,113,307
Licenses, permits, and franchise fees	8,705,414	598,743	9,304,157
Intergovernmental revenue			
State and federal governments	911,280	4,346,618	5,257,898
Local governments	4,164,568	-	4,164,568
Charges for services			
Sanitation fees and container rentals	2,600,242	-	2,600,242
Other	449,416	-	449,416
Fines, fees, and forfeitures	340,424	54,016	394,440
Interest income and investment return	44,454	33,727	78,181
Other	44,199	97,470	141,669
Total revenues	<u>30,963,951</u>	<u>7,863,619</u>	<u>38,827,570</u>
Expenditures			
Current			
General government administration	5,127,679	206,996	5,334,675
Public safety and law enforcement	15,811,890	865,567	16,677,457
Public works	3,800,158	701,195	4,501,353
Parks, recreation and culture	2,374,494	484,704	2,859,198
Community development	-	377,225	377,225
Economic development	1,021,939	595,707	1,617,646
Debt Service			
Principal retirement-bond obligations	656,150	997,000	1,653,150
Principal retirement-capital lease obligations	806,635	-	806,635
Interest and fiscal charges	152,936	85,523	238,459
Capital Outlay			
General government administration	21,949	-	21,949
Public safety	714,808	10,989	725,797
Public works	1,062,757	-	1,062,757
Parks, recreation and culture	702,527	3,248,288	3,950,815
Community development	-	356,369	356,369
Economic development	768,197	34,682	802,879
Total expenditures	<u>33,022,119</u>	<u>7,964,245</u>	<u>40,986,364</u>
Excess (deficiency) of revenues over (under) expenditures	(2,058,168)	(100,626)	(2,158,794)
Other financing sources (uses)			
Transfers in	2,511,928	433,485	2,945,413
Transfers out	(65,000)	(1,331,123)	(1,396,123)
Sale of capital assets	202,705	1,601	204,306
Proceeds of capital leases	733,000	-	733,000
Total other financing sources	<u>3,382,633</u>	<u>(896,037)</u>	<u>2,486,596</u>
Net change in fund balances	1,324,465	(996,663)	327,802
Fund balances, beginning of year	13,083,609	4,318,409	17,402,018
Fund balances, end of year	<u>\$ 14,408,074</u>	<u>\$ 3,321,746</u>	<u>\$ 17,729,820</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, 2014

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net change in fund balances -- total governmental funds (page 30) \$ 327,802

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 (includes \$8,667 related to transfer of asset from enterprise funds to governmental funds)	6,929,233
Depreciation expense not recorded in funds	(4,252,177)
Loss on disposition of capital assets	(131,507)

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

Property taxes	(82,000)
Donated capital assets	150,186

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

Payments on long-term debt	2,459,785
Issuance of long-term debt	(733,000)

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

Accrued interest	23,079
Compensated absences	(832,430)

Change in net position of governmental activities (page 27)	\$ 3,858,971
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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
REVENUES				
Taxes				
Property taxes	\$ 13,097,504	\$ 13,097,504	\$ 9,323,692	\$ (3,773,812)
Sales	-	-	4,380,262	4,380,262
Licenses, permits and franchise fees	8,253,055	8,253,055	8,705,414	452,359
Intergovernmental revenue				
State government	750,000	750,000	911,280	161,280
Local governments	4,323,678	4,323,678	4,164,568	(159,110)
Charges for services				
Sanitation fees and container rentals	2,518,000	2,518,000	2,600,242	82,242
Other	100,192	100,192	449,416	349,224
Fines, fees, and forfeitures	301,500	301,500	340,424	38,924
Interest income and investment return	15,000	15,000	44,454	29,454
Other	174,250	174,250	44,199	(130,051)
Total revenues	29,533,179	29,533,179	30,963,951	1,430,772
EXPENDITURES				
General government administration:				
Administration	1,506,043	1,506,043	1,725,947	219,904
City store	68,454	68,454	63,005	(5,449)
Planning	585,685	585,685	476,189	(109,496)
Business license department	194,330	194,330	188,636	(5,694)
Appropriations to other agencies	256,281	256,281	255,522	(759)
General insurance	783,610	783,610	648,473	(135,137)
Retiree insurance	830,000	830,000	778,632	(51,368)
Maintenance contracts	670,272	670,272	717,351	47,079
Miscellaneous	726,400	671,400	273,924	(397,476)
	5,621,075	5,566,075	5,127,679	(438,396)
Public Safety and Law Enforcement:				
Police	9,698,044	9,698,044	9,207,083	(490,961)
Fire	5,527,476	5,527,476	5,471,408	(56,068)
Building inspection	860,968	860,968	758,880	(102,088)
Codes enforcement	252,922	252,922	199,924	(52,998)
Municipal court	169,307	169,307	174,595	5,288
	16,508,717	16,508,717	15,811,890	(696,827)
Public Works:				
Construction	539,738	539,738	349,516	(190,222)
Public works	931,276	986,276	1,018,860	32,584
Buildings and grounds maintenance	30,000	30,000	32,470	2,470
Sanitation	2,331,353	2,313,153	2,288,040	(25,113)
Vehicle maintenance	87,545	87,545	111,272	23,727
	3,919,912	3,956,712	3,800,158	(156,554)

Continued

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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Parks, recreation and culture				
Parks	881,671	881,671	974,343	92,672
Gardens	677,153	677,153	629,476	(47,677)
Tennis	431,835	431,835	471,591	39,756
Aquatics	274,850	274,850	236,628	(38,222)
Opera House	50,650	50,650	62,456	11,806
	2,316,159	2,316,159	2,374,494	58,335
Economic Development:				
Downtown revitalization programs	605,308	605,308	456,123	(149,185)
Liberty Center	45,000	45,000	28,618	(16,382)
Hope Centers	619,889	619,889	537,198	(82,691)
	1,270,197	1,270,197	1,021,939	(248,258)
Debt service				
Principal retirement-bond obligations	655,780	655,780	656,150	370
Principal retirement-capital lease obligations	832,866	832,866	806,635	(26,231)
Interest and fiscal charges	172,138	172,138	152,936	(19,202)
	1,660,784	1,660,784	1,615,721	(45,063)
Capital Outlay				
General government administration	-	-	21,949	21,949
Public safety	634,548	634,548	714,808	80,260
Public works	1,040,500	1,040,500	1,062,757	22,257
Parks, recreation and culture	133,500	151,700	702,527	550,827
Economic Development:	12,517	12,517	768,197	755,680
	1,821,065	1,839,265	3,270,238	1,430,973
Total expenditures	33,117,909	33,117,909	33,022,119	(95,790)
Excess (deficiency) of revenues over expenditures	(3,584,730)	(3,584,730)	(2,058,168)	1,526,562
 OTHER FINANCING SOURCES (USES)				
Transfers in	2,493,223	2,493,223	2,511,928	18,705
Transfer in from reserves	396,507	396,507	-	(396,507)
Transfers out	(65,000)	(65,000)	(65,000)	-
Sale of capital assets	115,000	115,000	202,705	87,705
Proceeds of capital leases	645,000	645,000	733,000	88,000
Total other financing sources (uses)	3,584,730	3,584,730	3,382,633	(202,097)
Net change in fund balances	-	-	1,324,465	1,324,465
Fund balances, beginning of year	11,639,594	11,639,594	13,083,609	-
Fund balances, end of year	11,639,594	11,639,594	14,408,074	1,324,465

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Assets	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Current assets:			
Cash and cash equivalents	\$ 6,218,596	\$ 111,123	\$ 6,329,719
Investments	9,719,820	-	9,719,820
Accounts receivable, net of allowance for uncollectibles	4,133,229	-	4,133,229
Prepays and other	597	-	597
Total current assets	20,072,242	111,123	20,183,365
Non-current assets:			
Restricted cash and cash equivalents	3,171,556	-	3,171,556
Accounts receivable, net of allowance for uncollectibles	397,619	-	397,619
Interest in joint venture	100,000	-	100,000
Capital assets not being depreciated	4,933,612	-	4,933,612
Capital assets, depreciable, net of accumulated depreciation	74,241,012	1,100,648	75,341,660
Total non-current assets	82,843,799	1,100,648	83,944,447
Total assets	102,916,041	1,211,771	104,127,812
Deferred Outflows of Resources			
Deferred loss on bond refunding	34,613	-	34,613
Liabilities			
Current liabilities:			
Accrued interest payable	116,510	-	116,510
Accounts payable	1,047,360	23,328	1,070,688
Accrued payroll	74,591	958	75,549
Customer deposits	300,267	-	300,267
Compensated absences payable	131,067	291	131,358
Bonds and leases payable - current portion	2,032,464	-	2,032,464
Total current liabilities	3,702,259	24,577	3,726,836
Non-current liabilities:			
Compensated absences payable	320,896	713	321,609
Bonds and leases payable	30,684,808	-	30,684,808
Total non-current liabilities	31,005,704	713	31,006,417
Total liabilities	34,707,963	25,290	34,733,253
Net Position			
Net investment in capital assets	46,491,965	1,100,648	47,592,613
Restricted for debt service	3,171,556	-	3,171,556
Unrestricted	18,579,170	85,833	18,665,003
Total net position	\$ 68,242,691	\$ 1,186,481	\$ 69,429,172

The accompanying notes are an integral part of these statements.

CITY OF SUMTER CITY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Operating revenue			
Charges for services			
Water	\$ 9,783,266	\$ -	\$ 9,783,266
Sewer	9,127,112	-	9,127,112
Storm water	-	522,191	522,191
Other operating revenue	1,602,206	-	1,602,206
Total operating revenues	<u>20,512,584</u>	<u>522,191</u>	<u>21,034,775</u>
Operating expenses			
Salaries and benefits	5,515,598	72,402	5,588,000
Bad debts	366,032	-	366,032
Utilities	1,871,554	-	1,871,554
Other operating expense	4,492,138	97,687	4,589,825
Depreciation	3,425,397	89,540	3,514,937
Total operating expenses	<u>15,670,719</u>	<u>259,629</u>	<u>15,930,348</u>
Operating income	4,841,865	262,562	5,104,427
Non-operating revenues (expenses)			
Interest expense	(1,519,380)	-	(1,519,380)
Miscellaneous expense	(156,510)	-	(156,510)
Capital grants	271,163	-	271,163
Interest income and investment return	310,575	-	310,575
Gain on sale of capital assets	14,984	-	14,984
Miscellaneous revenue	80,908	-	80,908
Total non-operating revenues (expenses)	<u>(998,260)</u>	<u>-</u>	<u>(998,260)</u>
Income before contributions transfers	3,843,605	262,562	4,106,167
Capital contributions	1,251,561	10,000	1,261,561
Transfers out	(1,557,957)	-	(1,557,957)
Change in net position	<u>3,537,209</u>	<u>272,562</u>	<u>3,809,771</u>
Total net position, beginning of year as restated	<u>64,705,482</u>	<u>913,919</u>	<u>65,619,401</u>
Total net position, end of year	<u>\$ 68,242,691</u>	<u>\$ 1,186,481</u>	<u>\$ 69,429,172</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, 2014

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 19,861,511	\$ 522,191	\$ 20,383,702
Payments to suppliers	(5,919,401)	(87,763)	(6,007,164)
Payments to employees	(5,440,531)	(71,890)	(5,512,421)
Net Cash Flows Provided by Operating Activities	<u>8,501,579</u>	<u>362,538</u>	<u>8,864,117</u>
Cash Flows from Non-capital Financing Activities			
Other non-operating revenue	352,071	10,000	362,071
Other non-operating expense	(156,510)	-	(156,510)
Interfund Loans - proceeds and collections	(37,431)	(93,461)	(130,892)
Transfer to other fund	(1,557,957)	-	(1,557,957)
Net Cash Flows Used by Non-Capital Financing Activities	<u>(1,399,827)</u>	<u>(83,461)</u>	<u>(1,483,288)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from disposition of capital assets	14,984	-	14,984
Purchase and construction of capital assets	(2,894,416)	(167,954)	(3,062,370)
Principal paid on capital debt	(1,958,463)	-	(1,958,463)
Interest paid on capital debt	(1,517,983)	-	(1,517,983)
Net Cash Flows Used by Capital Financing Activities	<u>(6,355,878)</u>	<u>(167,954)</u>	<u>(6,523,832)</u>
Cash Flows from Investing Activities			
Interest on cash and cash equivalents	130,915	-	130,915
Net Cash Provided by Investing Activities	<u>130,915</u>	<u>-</u>	<u>130,915</u>
Increase in cash and cash equivalents	876,789	111,123	987,912
Cash and cash equivalents, beginning of year	8,513,363	-	8,513,363
Cash and cash equivalents, end of year	<u>\$ 9,390,152</u>	<u>\$ 111,123</u>	<u>\$ 9,501,275</u>
Reconciliation of net operating income to net cash provided by operating activities:			
Operating income	\$ 4,841,865	\$ 262,562	5,104,427
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,425,397	89,540	3,514,937
Change in current assets and liabilities:			
Increase in accounts receivable	(292,873)	-	(292,873)
Increase in accrued absences	53,370	252	53,622
Increase in customer deposits	7,832	-	7,832
Increase in accounts payable	444,291	9,924	454,215
Increase in accrued payroll	21,697	260	21,957
Net cash provided by operating activities	<u>\$ 8,501,579</u>	<u>\$ 362,538</u>	<u>\$ 8,864,117</u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 8,905	\$ 1,439,630
Receivables	-	68,408
Total revenues	\$ 8,905	\$ 1,508,038
Liabilities		
Accounts payable	\$ -	\$ 26,637
Due to customers	-	39,450
Due to other organization	-	1,441,951
Total liabilities	-	1,508,038
Net Position		
Held in trust for other purposes	\$ 8,905	\$ -

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

Additions	
Interest	\$ 13
Contributions	-
Total additions	13
Deductions	
Distributions to beneficiaries	-
Total additions	-
Change in net position	13
Net position, beginning of year	8,892
Net position, end of year	\$ 8,905

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

The Statement of net position reports all financial and capital resources of the City and reports the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as net position, not as fund balance or equity. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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.

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

Fund financial statements present separate information for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and deferred outflows of resources, and liabilities and deferred inflows of resources, (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	Firemen's Fund	Narcotics Fund
HUD Section 108	Empowerment Zone	Victim's Assistance
Federal/State Grants	Main Street Society	Emergency 911
Community Development Block Grants	Local Hospitality Fee	Hospitality Fee Revenue Bond
CDBG HOME	State Accommodations Tax	Hospitality Fee Revenue Bond
Downtown Loan	Local Accommodations Fee	Projects

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be identified and available means collectible within the current period or soon enough thereafter (generally not to exceed 60 days) to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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.

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 deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position by distinguishing operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

D. Budgetary Information

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

E. Assets, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All investments are reported at fair value. Cash equivalents, for purposes of the statement of cash flows for proprietary funds, are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value due to changes in interest rates.

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 52 percent of outstanding property taxes at June 30, 2014.

Notes receivable are housing rehabilitation loans which were made under terms of expired Federal grant programs and recorded as receivables with offsetting deferred inflows of resources (explained later). Revenue is recognized only when cash is received.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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.

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. At year end the City reports restricted cash in the amount of \$4,528,203.

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, 2014, there was no capitalized interest incurred by the Water and Sewer Enterprise Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, The City reports deferred outflows of resources in a separate section of its government-wide and proprietary funds statements. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period. The City only has one item that qualifies for reporting in this category. It is the deferred loss on a prior year refunding of enterprise fund bonds. This deferred loss is amortized over the remaining life of the refunding bonds as part of interest expense.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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In addition to liabilities, the City reports deferred inflows of resources in a separate section of its government-wide and fund statements. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period. The difference between Deferred inflows of resources in the fund statements and the government-wide statements consists primarily of unavailable revenue related to property taxes which did not meet the ‘availability’ criteria under the modified accrual basis of accounting (collected within 60 days after fiscal year end).

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. In lieu of overtime compensation, the City may credit employees with compensatory time at the rate of 1^{1/2} hours for each overtime hour worked. Employees who are scheduled to work on a holiday may receive an alternate day off to be scheduled by their supervisor or receive holiday pay. There is no cap on accrued compensatory or holiday time/pay. Exempt employees are not eligible for compensatory or holiday time/pay. All City employees are eligible for paid vacation. 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 compensatory, holiday, and 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 and proprietary funds statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. In the past bond premiums and discounts, as well as issuance costs, were deferred and amortized over the lives of the bonds and bonds payable were reported net of the amortization. However, with the implementation of GASB Statement 65, bond premiums, discounts, and issuance costs (except for costs related to prepaid insurance), are to be fully recognized as revenues or expenses during the period they are incurred. This statement is effective for periods beginning after December 15, 2012. See “Restatement Adjustments” note for the cumulative effect of this statement on the City’s net position.

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

Property Taxes

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

Net Position

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

- *Net investment in capital assets:* This represents the City’s total investment in capital assets, net of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets.
- *Restricted net position:* Restricted net position includes resources in which the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties such as state laws and lenders.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

- *Unrestricted net position:* Unrestricted net position represents 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 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

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June 30, 2014

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.

F. Capital Contributions

On the government-wide and enterprise fund financial statements the City reports contributions of capital as a result of outside capital asset contributions, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

II. ACCOUNTING CHANGES

A. Restatement of Beginning Net Position

For fiscal year 2014, the City made several prior period adjustments due to the adoption of GASB Statement No. 65 which required the restatement of the June 30, 2013, net position in proprietary funds. As a result, there is a decrease in the Net Position at July 1, 2013, of \$14,934. This change is in accordance with generally accepted accounting principles.

	<u>Proprietary Funds</u>	<u>Government-Wide</u>
Net Position, June 30, 2013, as previously reported	65,634,335	112,929,632
Reclassification of 2007 bond premium	453,754	453,754
Reclassification of bond issuance costs	(468,688)	(468,688)
Net Position, July 1, 2013, as restated	<u>65,619,401</u>	<u>112,914,698</u>

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash Deposits

As of June 30, 2014, the carrying amount of the government's bank deposits was \$12,835,237 and the respective bank balances totaled \$14,454,253. Of the total bank balances, \$7,418,970 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$7,035,283 was collateralized with securities held by the financial institutions in the government's name.

Investments

As of June 30, 2014, in accordance with South Carolina law applicable to local government deposits and investments, the government had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Insured or registered, or held by the government or its agent in the government's name:		
\$1,000,000 Federal National Mortgage Association bond 1%	7/30/2027	\$ 973,670
\$2,000,000 Federal National Mortgage Association bond .75%	12/27/2018	1,958,220
\$2,000,000 Federal National Mortgage Association bond .75%	12/27/2019	1,952,040
\$2,000,000 Federal Home Loan Banks bond 1%	12/18/2020	1,954,360
\$2,000,000 Federal Home Loan Banks bond 1.25%	12/27/2022	1,919,880
\$2,000,000 Federal Home Loan Banks bond 1.25%	12/27/2024	1,935,320
Other:		
Federated Treasury Obligation Fund #398	Short-term	734,300
Fidelity Prime Fund Daily Money Class	1 to 180 days	382,404
Investment in South Carolina Pooled Investment Fund		<u>10,208,667</u>
		<u>\$ 22,018,861</u>

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

South Carolina Pooled Investment Fund

The South Carolina Pooled Investment Fund (the "Pool") funds are invested with the South Carolina State Treasurer's Office, which established the Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

Credit Risk

State law limits local government investments to (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation (FDIC); (4) certificates of deposits and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and (5) no load open and closed-end portfolios of certain investment companies with issues of the US Government. The City has no investment policy that would further limit its investment choices. As of year end, the City's investment in the South Carolina Pooled Investment Fund was unrated. The government's investments in Federated Treasury Obligation Fund #398 and Fidelity Prime Fund Daily Money Class were both rated Aaa-mf by Moody's and AAAM by Standard & Poor's.

Interest Rate Risk.

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

B. Receivables

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

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	General Fund	Special Revenue Fund	Water and Sewer Fund	Storm Water Fund	Total
Current:					
Taxes					
Property	\$ 1,010,067	\$ -	\$ -	\$ -	\$ 1,010,067
Sales and franchise	196,443	265,101	-	-	461,544
Intergovernmental	1,678,033	1,392,326	271,163	-	3,341,522
Accounts	45,065	-	2,904,263	-	2,949,328
Unbilled receivables	-	-	1,063,216	-	1,063,216
Loans and notes	111,893	804,500	45,000	-	961,393
Interest	-	-	2,583	-	2,583
Other	-	100	19,790	-	19,890
Non-current:					
Notes	-	-	397,619	-	397,619
Other	-	-	-	-	-
Gross receivables	3,041,501	2,462,027	4,703,634	-	10,207,162
Less, allowance for uncollectibles	(554,810)	-	(172,786)	-	(727,596)
Net total receivables	<u>\$ 2,486,691</u>	<u>\$ 2,462,027</u>	<u>\$ 4,530,848</u>	<u>\$ -</u>	<u>\$ 9,479,566</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At year end, the City reports \$4,200 in unearned revenue in relation to charges that were received in advance of the applicable reporting period.

D. Capital Assets

Capital asset activity for the City for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,007,616	\$ 2,059,663	\$ -	\$ -	\$ 12,067,279
Works of Art	396,866	-	-	-	396,866
Construction in progress	1,230,071	491,368	-	(931,804)	789,635
Total capital assets not being depreciated	<u>11,634,553</u>	<u>2,551,031</u>	<u>-</u>	<u>(931,804)</u>	<u>13,253,780</u>
Capital assets being depreciated:					
Infrastructure	28,096,684	1,083,895	-	114,164	29,294,743
Buildings and improvements	21,058,084	1,646,240	-	817,641	23,521,965
Motor vehicles and outdoor equipment	18,277,165	1,655,112	1,636,659	(5,422)	18,290,196
Office equipment	3,022,160	134,473	-	50,924	3,207,557
Total capital assets being depreciated	<u>70,454,093</u>	<u>4,519,720</u>	<u>1,636,659</u>	<u>977,306</u>	<u>74,314,461</u>
Less accumulated depreciation for:					
Infrastructure	15,586,412	1,649,420	-	-	17,235,832
Buildings and improvements	10,188,495	822,685	-	-	11,011,180
Motor vehicles and outdoor equipment	12,473,567	1,734,496	1,505,152	2,886	12,705,797
Office equipment	3,006,555	45,577	-	33,949	3,086,081
Total accumulated depreciation	<u>41,255,029</u>	<u>4,252,178</u>	<u>1,505,152</u>	<u>36,835</u>	<u>44,038,890</u>
Total capital assets being depreciated, net	<u>29,199,064</u>	<u>267,542</u>	<u>131,507</u>	<u>940,471</u>	<u>30,275,571</u>
Governmental activities capital assets, net	<u>\$ 40,833,617</u>	<u>\$ 2,818,573</u>	<u>\$ 131,507</u>	<u>\$ 8,667</u>	<u>\$ 43,529,351</u>

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 240,938	\$ 97,474	\$ -	\$ -	338,412
Construction in progress	4,542,363	1,736,616		(1,683,779)	4,595,200
Total capital assets not being depreciated	<u>4,783,301</u>	<u>1,834,090</u>	<u>-</u>	<u>(1,683,779)</u>	<u>4,933,612</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,789,659	-	-	-	71,789,659
Distribution and collection system	47,319,772	1,109,979	-	1,010,085	49,439,836
Wells and tanks	4,996,252	266,277	-	612,000	5,874,529
Machinery and equipment	8,985,014	1,149,087	136,412	16,192	10,013,881
Total capital assets being depreciated	<u>133,584,350</u>	<u>2,525,343</u>	<u>136,412</u>	<u>1,638,277</u>	<u>137,611,558</u>
Less accumulated depreciation for:					
Buildings	308,531	12,341	-	-	320,872
Plants and improvements	32,131,836	1,705,440	-	-	33,837,276
Distribution and collection system	15,822,135	844,154	-	-	16,666,289
Wells and tanks	3,498,535	252,205	-	-	3,750,740
Machinery and equipment	7,167,171	700,797	136,412	(36,835)	7,694,721
Total accumulated depreciation	<u>58,928,208</u>	<u>3,514,937</u>	<u>136,412</u>	<u>(36,835)</u>	<u>62,269,898</u>
Total capital assets being depreciated, net	<u>74,656,142</u>	<u>(989,594)</u>	<u>-</u>	<u>1,675,112</u>	<u>75,341,660</u>
Business-type activities capital assets, net	<u>\$ 79,439,443</u>	<u>\$ 844,496</u>	<u>\$ -</u>	<u>\$ (8,667)</u>	<u>\$ 80,275,272</u>

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

Governmental activities:	
General government	\$ 156,724
Public safety	1,277,656
Public works	1,666,252
Parks, recreation and culture	787,707
Community development	140,891
Economic development	222,948
Total depreciation expense - governmental activities	<u>\$ 4,252,178</u>
Business-type activities:	
Water and sewer services	<u>\$ 3,514,937</u>
Total depreciation expense - business type activities	<u>\$ 3,514,937</u>

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

Construction in progress and construction commitments for governmental activities and business-type activities consisted of the following at year end:

	Expenditures	Total	Contract
	To Date	Contract	Payments Remaining
<i>Governmental Activities</i>			
Manning Avenue Streetscape	15,678	15,678	-
South Main Street Infrastructure	9,560	9,560	-
Corridor Landscape Plan	244,082	245,348	1,266
Tennis Courts/Pro Shop	10,090	10,090	-
20-22 North Main Street	231,782	294,783	63,001
Downtown Revitalization	70,456	88,160	17,704
South Main/Bartlette Streetscape	152,511	433,984	281,473
Palmetto Park Phase III Fencing	24,981	40,481	15,500
Swan Lake Gardens Improvements	4,186	74,030	69,844
Police Station	16,610	76,870	60,260
Fire Station	9,699	30,674	20,975
<i>Total Governmental</i>	<u>789,635</u>	<u>1,319,658</u>	<u>530,023</u>
<i>Business-type Activities</i>			
Hwy. 521 Water Line/Elevated Tank	2,883,647	2,883,647	-
Westside Sewer	71,770	79,255	7,485
Mill Run Force Main	25,727	39,427	13,700
Mayesville Sprayfields	133,080	151,551	18,471
Command Center	117,835	126,702	8,867
Alice Drive Waterline	339,431	541,361	201,930
Burgess Glenn Sewer	307,145	567,872	260,727
Well #5 Water Plant #3	49,167	49,167	-
Calhoun Street Water Line	24,950	508,168	483,218
Second Mill Trunkline	45,360	81,355	35,995
Well #3 Water Plant #2	13,060	61,060	48,000
Well # 3 Water Plant #1	32,800	48,600	15,800
Well #3 Water Plant #3	5,200	5,200	-
SCADA System	7,855	127,938	120,083
Water Plant #6	510,835	550,835	-
Pump to Electric	27,338	71,170	43,832
<i>Total Business-type Activities</i>	<u>4,595,200</u>	<u>5,893,308</u>	<u>1,258,108</u>
	<u>5,384,835</u>	<u>7,212,966</u>	<u>1,788,131</u>

E. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2014, for both the City's governmental activities and business-type activities appears below. Details by type of obligation and a summary of debt service requirements follow.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

Summary of changes in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,051,216	\$ -	\$ 656,149	\$ 3,395,067	\$ 680,760
Revenue bonds	1,501,000	-	238,000	1,263,000	243,000
Notes payable	1,432,000	-	759,000	673,000	37,000
Capital leases	2,474,168	733,000	806,635	2,400,533	804,145
Compensated absences	2,179,247	1,631,928	799,500	3,011,675	603,309
Governmental activity long-term liabilities	<u>\$ 11,637,631</u>	<u>\$ 2,364,928</u>	<u>\$ 3,259,284</u>	<u>\$ 10,743,275</u>	<u>\$ 2,368,214</u>
Business-type activities:					
Revenue bonds	\$ 34,675,735	\$ -	\$ 1,958,463	\$ 32,717,272	\$ 2,032,464
Unamortized bond premium	453,755	-	453,755	-	-
Compensated absences	399,345	237,203	183,581	452,967	131,358
Business-type activity long-term liabilities	<u>\$ 35,528,835</u>	<u>\$ 237,203</u>	<u>\$ 2,595,799</u>	<u>\$ 33,170,239</u>	<u>\$ 2,163,822</u>

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

\$500,000 Series 2005, payable in annual installments of \$66,812 including interest at 5.65%, maturing April 2015	63,240
\$1,500,000 Series 2006, payable in annual installments of 180,090 including interest at 3.7%, maturing May 2015	173,739
\$2,000,000 Series 2010, payable in annual installments varying from \$247,436 to \$255,773 including interest at 3.63%, maturing May 2019	1,140,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	812,981
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	1,205,107
Total General Obligation Bonds	<u>\$ 3,395,067</u>

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

\$1,734,000 Hospitality Fee Revenue Bond, Series 2011, payable in semi-annual installments varying from \$2,672 to \$264,672 including interest at 2.04%, maturing August 2018, collateralized by assignment of hospitality fee revenue	<u>\$ 1,263,000</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:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

\$815,000 Series 2000, payable in annual installments of \$65,768 including interest at 5.29%, maturing June 2020	\$	330,701
\$2,000,000 Series 2005, payable in annual installments of \$238,910 including interest at 3.37%, maturing June 2015		231,121
\$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		27,760,000
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%		4,395,450
Total Revenue Bonds Payable	<u>\$</u>	<u>32,717,272</u>

Notes. The City has issued notes to finance various development projects. Notes payable at year end were as follows:

\$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		673,000
Total Notes Payable	<u>\$</u>	<u>673,000</u>

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

Year Ending June 30,	Governmental Activities
2015	\$ 834,671
2016	666,537
2017	508,705
2018	302,952
2019	151,817
Thereafter	-
Total minimum lease payments	<u>2,464,682</u>
Less: amount representing interest	(64,149)
Present value of minimum lease payments	<u>\$ 2,400,533</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Motor vehicles and outdoor equipment	\$ 3,921,936
Less: accumulated depreciation	(1,719,602)
Total	<u>\$ 2,202,334</u>

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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>						
2015	960,760	154,504	1,115,264	804,145	30,526	1,949,935
2016	745,845	124,877	870,722	648,108	18,429	1,537,259
2017	768,019	104,567	872,586	498,893	9,812	1,381,291
2018	784,306	83,543	867,849	298,719	4,233	1,170,801
2019	807,708	61,940	869,648	150,668	1,149	1,021,465
2020-2024	1,066,429	130,945	1,197,374	-	-	1,197,374
2025-2027	198,000	17,432	215,432	-	-	215,432
Total	\$ 5,331,067	\$ 677,808	\$ 6,008,875	\$ 2,400,533	\$ 64,149	\$ 8,473,557
<u>Business-Type Activities</u>						
2015	2,032,464	1,447,782	3,480,246	-	-	3,480,246
2016	1,863,615	1,375,021	3,238,636	-	-	3,238,636
2017	1,931,841	1,307,594	3,239,435	-	-	3,239,435
2018	2,005,934	1,232,376	3,238,310	-	-	3,238,310
2019-2023	7,148,418	5,016,111	12,164,529	-	-	12,164,529
2024-2028	7,820,000	3,247,626	11,067,626	-	-	11,067,626
2029-2033	9,915,000	1,155,488	11,070,488	-	-	11,070,488
Total	\$ 32,717,272	\$ 14,781,998	\$ 47,499,270	\$ -	\$ -	\$ 47,499,270

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, 2014 were:

Receivable Fund	Payable Fund	Amount
General Fund	State Accommodations Tax Fund	\$ 40,238
General Fund	Federal/State Grants Fund	98,554
General Fund	HUD Section 8 Loans Fund	136,480
General Fund	Community Development Block Grant Fund	66,260
		<u>\$ 341,532</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 local accommodations tax fund to support tourism promotion. Transfers between funds for the year ended June 30, 2014, consisted of the following:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

Transfer out:	Transfer In:			
	General Fund	Nonmajor Governmental Fund	Water and Sewer Enterprise	Nonmajor Enterprise Fund
General fund	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental funds	962,638	433,485	-	1,396,123
Water and sewer enterprise fund	1,549,290	-	-	1,549,290
Nonmajor enterprise fund	-	-	-	-
	<u>\$ 2,511,928</u>	<u>\$ 433,485</u>	<u>\$ -</u>	<u>\$ 2,945,413</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 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 7.5% and 7.84% of their annual covered salaries, respectively, and the City is required to contribute at an actuarially determined rate. The current rates actuarially determined are 10.60% and 12.84% 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>
2014	\$ 1,230,770	\$ 979,982
2013	1,146,423	895,930
2012	1,041,688	862,915

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

C. Deferred Compensation Plans

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

D. Other Post-Employment Benefits

Plan Description

The City's defined benefit postemployment healthcare plan (the plan) provides medical insurance to eligible retirees. Spouses and dependents are not covered. The City's personnel policy provides lifetime benefits for retirees who retired on or before July 1, 2008, with at least 20 years of City service. Employees who retire after July 1, 2009, are eligible for benefits to age 65 depending on the amount of their service as of July 1, 2008. Those with 15 or more years of service on July 1, 2008, must have 20 years of service with the City to become eligible for benefits at retirement. Those with less than 15 years of service on July 1, 2008, must have 28 (25 for public safety) years of service with the City to become eligible for benefits at retirement. The Plan is approved each year by City Council; the contribution requirements of the City and plan members are established and amended by Council. The contributions are neither guaranteed nor mandatory. Council has retained the right to modify its payments for retiree health care benefits.

As of July 1, 2013, the measurement date for the plan year, there were 638 covered participants; 105 members were retirees receiving benefits and 533 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 2014, the City contributed \$316,008 for current premiums and an additional \$659,901 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 25 years starting July 1, 2013. 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:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

Net liability for OPEB, beginning of year	-
Adjustment to annual required contribution	-
Components of increase for year	
Normal cost for current year	316,008
Amortization of unfunded actuarially accrued liabilities	659,901
Annual required contribution (ARC) for current year:	975,909
Actual contribution	(975,909)
Net increase in obligation for OPEB	-
Net liability for OPEB, end of year	-

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012, 2013 and for 2014 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2012	\$ 1,036,562	100.0%	\$ -
2013	953,864	100.0%	-
2014	975,909	100.0%	-

For fiscal year 2013, an assumed rate of return on investments of 6.5 percent was used to calculate the annual OPEB costs, while an assumed rate of return of 5 percent was used to calculate the OPEB cost for fiscal years 2012 and 2014.

Funded Status and Funding Progress

Based on an actuarial valuation date of July 1, 2013, the funded status of the plan as of year end was as follows:

Actuarially accrued liabilities (AAL):	15,277,225
Actuarial value of plan assets:	2,530,766
Unfunded AAL (UAAL):	12,746,459
Funded ratio:	16.6%
Covered payroll:	18,039,601
UAAL as a percentage of covered payroll:	71%

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

2.75 percent. The assumed annual payroll growth was 2.75 percent. The assumed rate of annual increase in health costs varied from 5 to 8.5 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. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011, which the City adopted during fiscal year 2013. The adoption of GASB 62 does not have any impact on the City's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred inflows/outflows of resources and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This statement is effective for periods beginning after December 15, 2011, which the City adopted during fiscal year 2013.

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

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pension*. GASB 68 provides guidance for reporting information about support of pensions. This statement is effective for periods beginning after June 30, 2014 which impacts this City's June 30, 2015 financial statements.

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 20, 2014, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SUMTER, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN
For the Year Ended June 30, 2014**

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)
2012	7/1/2011	\$ 1,377,374	\$ 16,226,194	\$ 14,848,820	8.5%	\$ 14,090,356	105.4%
2013	7/1/2011	2,072,905	16,226,194	14,153,289	12.8%	14,513,067	98%
2014	7/1/2013	2,530,766	15,277,225	12,746,459	16.6%	18,039,601	71%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Actual Contribution	Annual Percentage Contributed
2012	\$ 1,036,562	\$ 1,036,562	100.0%
2013	953,864	953,864	100.0%
2014	975,909	975,909	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, 2014**

The most recent valuation of the City’s plan is based on plan benefits in effect as of July 1, 2013. The previous valuation was based on information as of July 1, 2011. The 2013 valuation updated claims costs and changed the actuarial assumptions used to calculate the liabilities and normal cost of the plan.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SUMTER, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	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	Hospitality Revenue Bond Debt Service	Hospitality Revenue Bond Projects
ASSETS										
Cash and cash equivalents	\$ 194,282	\$ -	\$ 84,684	\$ 17,835	\$ -	\$ -	\$ 137,055	\$ 10,173	\$ 255,883	\$ 6,010
Receivables, net of allowance for doubtful accounts	43,278	681,000	80,221	-	798,724	77,624	-	100	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 237,560</u>	<u>\$ 681,000</u>	<u>\$ 164,905</u>	<u>\$ 17,835</u>	<u>\$ 798,724</u>	<u>\$ 77,624</u>	<u>\$ 137,055</u>	<u>\$ 10,273</u>	<u>\$ 255,883</u>	<u>\$ 6,010</u>
LIABILITIES										
Liabilities										
Accounts payable	\$ -	\$ 47,257	\$ -	\$ -	\$ 695,928	\$ 2,833	\$ 7,450	\$ 314	\$ -	\$ 6,010
Accrued compensation and benefits	-	-	-	-	1,082	3,408	-	-	-	-
Due to other funds	-	136,480	-	-	98,554	66,260	-	-	-	-
Unearned Revenue	-	-	-	-	-	4,200	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>183,737</u>	<u>-</u>	<u>-</u>	<u>795,564</u>	<u>76,701</u>	<u>7,450</u>	<u>314</u>	<u>-</u>	<u>6,010</u>
DEFERRED INFLOWS OF RESOURCES										
	<u>43,278</u>	<u>-</u>	<u>80,221</u>	<u>-</u>	<u>3,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES										
Restricted	194,282	497,263	84,684	17,835	-	923	129,605	9,959	255,883	-
Total fund balances	<u>194,282</u>	<u>497,263</u>	<u>84,684</u>	<u>17,835</u>	<u>-</u>	<u>923</u>	<u>129,605</u>	<u>9,959</u>	<u>255,883</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 237,560</u>	<u>\$ 681,000</u>	<u>\$ 164,905</u>	<u>\$ 17,835</u>	<u>\$ 798,724</u>	<u>\$ 77,624</u>	<u>\$ 137,055</u>	<u>\$ 10,273</u>	<u>\$ 255,883</u>	<u>\$ 6,010</u>

Continued

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CITY OF SUMTER, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	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	\$ 731,110	\$ -	\$ 402,357	\$ 180,907	\$ 26,620	\$ 353,983	\$ 80	\$ 2,400,979
Receivables, net of allowance for doubtful accounts	217,272	162,157	39,284	-	-	362,367	-	2,462,027
Prepaid items	-	542	-	-	-	-	-	542
Total assets	\$ 948,382	\$ 162,699	\$ 441,641	\$ 180,907	\$ 26,620	\$ 716,350	\$ 80	\$ 4,863,548
LIABILITIES								
Liabilities								
Accounts payable	\$ 89,143	\$ 11,065	\$ 4,146	\$ 2,635	\$ 12	\$ 18,928	\$ 69	\$ 885,790
Accrued compensation and benefits	-	5,657	-	-	639	758	-	11,544
Due to other funds	-	40,238	-	-	-	-	-	341,532
Unearned Revenue	-	-	-	-	-	-	-	4,200
Escrow for seized funds and deposits	-	-	-	172,077	-	-	-	172,077
Total liabilities	89,143	56,960	4,146	174,712	651	19,686	69	1,415,143
DEFERRED INFLOWS OF RESOURCES								
	-	-	-	-	-	-	-	126,659
FUND BALANCES								
Restricted	859,239	105,739	437,495	6,195	25,969	696,664	11	3,321,746
Total fund balances	859,239	105,739	437,495	6,195	25,969	696,664	11	3,321,746
Total liabilities, deferred inflows of resources, and fund balances	\$ 948,382	\$ 162,699	\$ 441,641	\$ 180,907	\$ 26,620	\$ 716,350	\$ 80	\$ 4,863,548

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	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	Hospitality Revenue Bond Debt Service	Hospitality Revenue Bond Projects
REVENUES										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	3,264,507	646,332	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Interest income	3,579	26,426	256	473	-	-	1,012	-	-	647
Rent and miscellaneous	53,240	-	6,771	3,388	-	-	29,858	4,213	-	-
Total revenues	56,819	26,426	7,027	3,861	3,264,507	646,332	30,870	4,213	-	647
EXPENDITURES										
Current										
General government administration	-	-	-	-	206,996	-	-	-	-	-
Public safety	-	-	-	-	148,506	-	-	-	-	-
Public works	-	-	-	-	701,195	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-	-	-	256
Community development	-	-	87,262	-	-	289,963	-	-	-	-
Economic development	-	-	-	-	140,797	-	42	2,497	-	-
Debt service										
Bond principal	-	759,000	-	-	-	-	-	-	238,000	-
Interest and fiscal charges	-	57,330	-	-	-	-	-	-	28,193	-
Capital outlay										
Public safety	-	-	-	-	10,989	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	2,080,741	-	-	-	-	659,320
Community development	-	-	-	-	-	356,369	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	816,330	87,262	-	3,289,224	646,332	42	2,497	266,193	659,576
Excess (deficiency) of revenues over (under) expenditures	56,819	(789,904)	(80,235)	3,861	(24,717)	-	30,828	1,716	(266,193)	(658,929)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	24,720	-	-	-	268,765	-
Transfers out	-	-	-	-	-	-	(17,955)	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	24,720	-	(17,955)	-	268,765	-
Net change in fund balances	56,819	(789,904)	(80,235)	3,861	3	-	12,873	1,716	2,572	(658,929)
Fund balances, beginning of year	137,463	1,287,167	164,919	13,974	(3)	923	116,732	8,243	253,311	658,929
Fund balances, end of year	\$ 194,282	\$ 497,263	\$ 84,684	\$ 17,835	\$ -	\$ 923	\$ 129,605	\$ 9,959	\$ 255,883	\$ -

Continued

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	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	\$ 2,305,885	\$ -	\$ 427,160	\$ -	\$ -	\$ -	\$ -	\$ 2,733,045
Licenses, permits and fees	-	-	-	-	-	598,743	-	598,743
Intergovernmental revenue	-	310,910	-	-	-	-	124,869	4,346,618
Fines and forfeitures	-	-	-	7,540	46,476	-	-	54,016
Interest income	-	-	-	449	-	885	-	33,727
Rent and miscellaneous	-	-	-	-	-	-	-	97,470
Total revenues	2,305,885	310,910	427,160	7,989	46,476	599,628	124,869	7,863,619
EXPENDITURES								
Current								
General government administration	-	-	-	-	-	-	-	206,996
Public safety	-	-	-	41,599	51,379	498,953	125,130	865,567
Public works	-	-	-	-	-	-	-	701,195
Parks, recreation and culture	388,532	84,413	11,503	-	-	-	-	484,704
Community development	-	-	-	-	-	-	-	377,225
Economic development	-	433,965	18,406	-	-	-	-	595,707
Debt service								
Bond principal	-	-	-	-	-	-	-	997,000
Interest and fiscal charges	-	-	-	-	-	-	-	85,523
Capital outlay								
Public safety	-	-	-	-	-	-	-	10,989
Parks, recreation and culture	508,227	-	-	-	-	-	-	3,248,288
Community development	-	-	-	-	-	-	-	356,369
Economic development	34,682	-	-	-	-	-	-	34,682
Total expenditures	931,441	518,378	29,909	41,599	51,379	498,953	125,130	7,964,245
Excess (deficiency) of revenues over (under) expenditures	1,374,444	(207,468)	397,251	(33,610)	(4,903)	100,675	(261)	(100,626)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	140,000	-	-	-	-	-	433,485
Transfers out	(1,030,168)	-	(283,000)	-	-	-	-	(1,331,123)
Sale of capital assets	-	-	-	-	1,601	-	-	1,601
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,030,168)	140,000	(283,000)	-	1,601	-	-	(896,037)
Net change in fund balances	344,276	(67,468)	114,251	(33,610)	(3,302)	100,675	(261)	(996,663)
Fund balances, beginning of year	514,963	173,207	323,244	39,805	29,271	595,989	272	4,318,409
Fund balances, end of year	\$ 859,239	\$ 105,739	\$ 437,495	\$ 6,195	\$ 25,969	\$ 696,664	\$ 11	\$ 3,321,746

CITY OF SUMTER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-HOSPITALITY TAX FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over
				(Under)
REVENUES				
Hospitality fees	2,000,000	2,000,000	2,305,885	305,885
Total revenues	2,000,000	2,000,000	2,305,885	305,885
EXPENDITURES				
Quality of life projects	994,552	994,552	931,441	(63,111)
Debt Service	268,765	268,765	268,765	-
Total expenditures	1,263,317	1,263,317	1,200,206	(63,111)
Excess of revenues over expenditures	736,683	736,683	1,105,679	368,996
OTHER FINANCING SOURCES (USES)				
Transfers out	(736,683)	(736,683)	(761,403)	24,720
Total other financing sources (uses)	(736,683)	(736,683)	(761,403)	24,720
Net change in fund balances	-	-	344,276	344,276
Fund balances, beginning of year	514,963	514,963	514,963	-
Fund balances, end of year	514,963	514,963	859,239	344,276

CITY OF SUMTER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-ACCOMMODATIONS TAX FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
REVENUES				
Accommodations Fees	408,000	408,000	427,160	19,160
Total revenues	408,000	408,000	427,160	19,160
EXPENDITURES				
Quality of life projects	125,000	125,000	29,909	(95,091)
Total expenditures	125,000	125,000	29,909	(95,091)
Excess of revenues over expenditures	283,000	283,000	397,251	114,251
OTHER FINANCING SOURCES (USES)				
Transfers out	(283,000)	(283,000)	(283,000)	-
Total other financing sources (uses)	(283,000)	(283,000)	(283,000)	-
Net change in fund balances	-	-	114,251	114,251
Fund balances, beginning of year	323,244	323,244	323,244	-
Fund balances, end of year	323,244	323,244	437,495	114,251

CITY OF SUMTER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-VICTIMS ASSISTANCE FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
REVENUES				
Victims Services	52,184	52,184	46,476	(5,708)
Total revenues	52,184	52,184	46,476	(5,708)
EXPENDITURES				
Public Safety	52,184	52,184	51,379	(805)
Total expenditures	52,184	52,184	51,379	(805)
Excess (deficiency) of revenues over expenditures	-	-	(4,903)	(4,903)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,601	1,601
Total other financing sources (uses)	-	-	1,601	1,601
Net change in fund balances	-	-	(3,302)	(3,302)
Fund balances, beginning of year	29,271	29,271	29,271	-
Fund balances, end of year	29,271	29,271	25,969	(3,302)

CITY OF SUMTER, SOUTH CAROLINA
WATER AND SEWER FUND – SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET
POSITION –
BUDGET AND ACTUAL – BUDGET BASIS
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
Revenue				
Water revenue	\$ 9,909,200	\$ 9,909,200	\$ 9,783,266	\$ (125,934)
Sewer revenue	9,277,800	9,277,800	9,127,112	(150,688)
Other operating revenue	1,375,200	1,375,200	1,602,206	227,006
Grants	-	-	271,163	271,163
Capital contributions	-	-	1,251,561	1,251,561
Interest income and investment return	15,000	15,000	310,575	295,575
Gain on sale of capital assets	-	-	14,984	14,984
Miscellaneous	80,000	80,000	80,908	908
	20,657,200	20,657,200	22,441,775	1,784,575
Expenses				
Salaries and benefits	\$ 5,494,068	\$ 5,494,068	\$ 5,515,598	\$ 21,530
Bad debts	400,000	400,000	366,032	(33,968)
Utilities	2,100,500	2,100,500	1,871,554	(228,946)
Other operating expense	5,265,289	5,265,289	4,492,138	(773,151)
Depreciation	1,529,479	1,529,479	3,425,397	1,895,918
Interest expense	1,538,983	1,538,983	1,519,380	(19,603)
Miscellaneous	156,510	156,510	156,510	-
Transfers	1,549,290	1,549,290	1,557,957	8,667
Capital expenditures	2,623,081	2,623,081	2,939,918	316,837
	20,657,200	20,657,200	21,844,484	1,187,284
Operating Income	\$ -	\$ -	597,291	\$ 597,291
Reconciliation to change in net position:				
Capital expenditures			2,939,918	
Change in net position			\$ 3,537,209	

CITY OF SUMTER, SOUTH CAROLINA
WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER
For the Year Ended June 30, 2014

Operating Revenue		20,512,584
Operating expenses exclusive of depreciation		(12,245,322)
Net revenue available for debt service		8,267,262
Debt service requirement		
Principal		1,958,463
Interest		1,517,983
Total		3,476,446
Revenue bond coverage for the year ended June 30, 2014		2.38

FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS

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

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

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

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

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

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
June 30, 2014

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
Assets					
Cash and cash equivalents	\$ 3,086	\$ 504	\$ 1,455	\$ 3,860	\$ 8,905
Total assets	<u>3,086</u>	<u>504</u>	<u>1,455</u>	<u>3,860</u>	<u>8,905</u>
Liabilities	-	-	-	-	-
Net position held in trust for other purposes	<u>\$ 3,086</u>	<u>\$ 504</u>	<u>\$ 1,455</u>	<u>\$ 3,860</u>	<u>\$ 8,905</u>

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST
FUNDS
For the Year Ended June 30, 2014

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
ADDITIONS					
Interest	\$ 6	\$ -	\$ 3	\$ 4	\$ 13
Contributions	-	-	-	-	-
Total additions	<u>6</u>	<u>-</u>	<u>3</u>	<u>4</u>	<u>13</u>
DEDUCTIONS					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	6	-	3	4	13
Net position, beginning of year	3,080	504	1,452	3,856	8,892
Net position, end of year	<u>\$ 3,086</u>	<u>\$ 504</u>	<u>\$ 1,455</u>	<u>\$ 3,860</u>	<u>\$ 8,905</u>

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FIDUCIARY FUNDS
AGENCY FUNDS

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

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

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

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

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

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

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

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
CHDO Fund				
Assets				
Cash and cash equivalents	\$ 495,949	\$ 177,730	\$ (184,838)	\$ 488,841
Receivables	-	-	-	-
	<u>\$ 495,949</u>	<u>\$ 177,730</u>	<u>\$ (184,838)</u>	<u>\$ 488,841</u>
Liabilities				
Accounts payable	\$ 12	\$ -	\$ -	\$ 12
Due to other organization	495,937	177,718	(184,826)	488,829
	<u>\$ 495,949</u>	<u>\$ 177,718</u>	<u>\$ (184,826)</u>	<u>\$ 488,841</u>
Sumter Green Fund				
Assets				
Cash and cash equivalents	\$ 94,470	\$ 48,935	\$ (35,331)	\$ 108,074
Accounts receivable	1,000	47,935	(48,160)	775
	<u>\$ 95,470</u>	<u>\$ 96,870</u>	<u>\$ (83,491)</u>	<u>\$ 108,849</u>
Liabilities				
Accounts payable	\$ 346	\$ 35,330	\$ (35,234)	\$ 442
Due to other organization	95,124	61,540	(48,257)	108,407
	<u>\$ 95,470</u>	<u>\$ 96,870</u>	<u>\$ (83,491)</u>	<u>\$ 108,849</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	\$ 154,671	\$ 50,494	\$ (4,215)	\$ 200,950
	<u>\$ 154,671</u>	<u>\$ 50,494</u>	<u>\$ (4,215)</u>	<u>\$ 200,950</u>
Liabilities				
Due to other organization	\$ 154,671	\$ 50,494	\$ (4,215)	\$ 200,950
	<u>\$ 154,671</u>	<u>\$ 50,494</u>	<u>\$ (4,215)</u>	<u>\$ 200,950</u>
Dalzell Water District Fund				
Assets				
Cash and cash equivalents	\$ 714,701	\$ 495,467	\$ (605,546)	\$ 604,622
Receivables	(19,378)	535,282	(495,467)	20,437
	<u>\$ 695,323</u>	<u>\$ 1,030,749</u>	<u>\$ (1,101,013)</u>	<u>\$ 625,059</u>
Liabilities				
Accounts payable	\$ 6,234	\$ 428,586	\$ (430,495)	\$ 4,325
Due to customers	39,675		(225)	39,450
Due to other organization	711,767	602,163	(732,646)	581,284
	<u>\$ 757,676</u>	<u>\$ 1,030,749</u>	<u>\$ (1,163,366)</u>	<u>\$ 625,059</u>

Continued

Page 2 of 2
CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
For the Year Ended June 30, 2014

	Beginning of Year	Additions	Deductions	End of Year
Oswego Water District Fund				
Assets				
Cash and cash equivalents	\$ 35,780	\$ 412,927	\$ (411,890)	\$ 36,817
Receivables	48,975	411,148	(412,927)	47,196
	<u>\$ 84,755</u>	<u>\$ 824,075</u>	<u>\$ (824,817)</u>	<u>\$ 84,013</u>
Liabilities				
Accounts payable	\$ 22,402	\$ 411,346	\$ (411,890)	\$ 21,858
Due to other organization	-	412,729	(350,574)	62,155
	<u>\$ 22,402</u>	<u>\$ 824,075</u>	<u>\$ (762,464)</u>	<u>\$ 84,013</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,495,897	\$ 1,185,553	\$ (1,241,820)	\$ 1,439,630
Receivables	30,597	994,365	(956,554)	68,408
	<u>\$ 1,526,494</u>	<u>\$ 2,179,918</u>	<u>\$ (2,198,374)</u>	<u>\$ 1,508,038</u>
Liabilities				
Accounts payable	\$ 28,994	\$ 875,262	\$ (877,619)	\$ 26,637
Due to customers	39,675	-	(225)	39,450
Due to other organization	1,457,825	1,304,644	(1,320,518)	1,441,951
	<u>\$ 1,526,494</u>	<u>\$ 2,179,906</u>	<u>\$ (2,198,362)</u>	<u>\$ 1,508,038</u>

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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, 2014

	<u>2013</u>	<u>2014</u>
Court fines, assessments and surcharges:		
Collected	787,700	699,774
Remitted to State Treasurer	<u>(431,735)</u>	<u>(382,729)</u>
Retained by the City	<u><u>355,965</u></u>	<u><u>317,045</u></u>
Fines, assessments and surcharges retained by the City:		
General fund	304,592	270,569
Victims advocate services	<u>51,373</u>	<u>46,476</u>
Total assessments and surcharges retained by the City	<u><u>355,965</u></u>	<u><u>317,045</u></u>
Funds allocated to victims advocate service special revenue fund		
Carryover from prior year	26,532	29,271
Surcharges and assessments retained current year	51,373	46,476
Expenditures for victims advocate services	<u>(48,634)</u>	<u>(49,984)</u>
Total (over) under expenditure of victims advocate service special revenue funds	<u><u>29,271</u></u>	<u><u>25,763</u></u>

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	82-86
Revenue Capacity These schedules contain information to help the reader assess the City's most significant governmental fund revenue source, the property tax.	87-90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	91-95
Demographic and Economic Information These schedules are presented to help the reader understand the environment within which the City's financial activities take place.	96-97
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	98-100

**CITY OF SUMTER, SOUTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
UNAUDITED**

Table 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 15,442,985	\$ 15,086,440	\$ 23,843,014	\$ 30,105,633	\$ 31,086,985	\$ 38,855,105	\$ 33,172,826	\$ 34,953,433	\$ 33,243,982	\$ 37,154,398
Restricted	-	-	-	-	63,154	-	2,220,842	3,831,804	4,368,409	3,321,746
Unrestricted	834,568	4,119,402	2,270,411	2,769,241	3,882,797	6,763,381	8,982,814	6,450,276	9,682,906	10,678,124
Total governmental activities net position	\$ 16,277,553	\$ 19,205,842	\$ 26,113,425	\$ 32,874,874	\$ 35,032,936	\$ 45,618,486	\$ 44,376,482	\$ 45,235,513	\$ 47,295,297	\$ 51,154,268
Business-type activities										
Net investment in capital assets	\$ 36,315,617	\$ 35,562,785	\$ 38,097,635	\$ 46,025,099	\$ 33,643,937	\$ 41,013,302	\$ 37,631,521	\$ 40,344,630	\$ 44,351,489	\$ 47,592,613
Restricted	329,245	226,752	517,257	-	572,027	1,188,369	2,940,523	6,891,660	1,972,234	3,171,556
Unrestricted	8,219,435	9,042,883	8,707,447	4,918,491	18,651,502	11,965,806	16,665,703	13,878,459	19,310,612	18,665,003
Total business-type activities net position	\$ 44,864,297	\$ 44,832,420	\$ 47,322,339	\$ 50,943,590	\$ 52,867,466	\$ 54,167,477	\$ 57,237,747	\$ 61,114,749	\$ 65,634,335	\$ 69,429,172
Primary government totals										
Net investment in capital assets	\$ 51,758,602	\$ 50,649,225	\$ 61,940,649	\$ 76,130,732	\$ 64,730,922	\$ 79,868,407	\$ 70,804,347	\$ 75,298,063	\$ 77,595,471	\$ 84,747,011
Restricted	329,245	226,752	517,257	-	635,181	1,188,369	5,161,365	10,723,464	6,340,643	6,493,302
Unrestricted	9,054,003	13,162,285	10,977,858	7,687,732	22,534,299	18,729,187	25,648,517	20,328,735	28,993,518	29,343,127
Total primary government net position	\$ 61,141,850	\$ 64,038,262	\$ 73,435,764	\$ 83,818,464	\$ 87,900,402	\$ 99,785,963	\$ 101,614,229	\$ 106,350,262	\$ 112,929,632	\$ 120,583,440

CITY OF SUMTER, SOUTH CAROLINA
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
UNAUDITED

Table 2
Page 1 of 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 4,630,444	\$ 5,271,813	\$ 4,791,899	\$ 5,447,086	\$ 5,592,214	\$ 4,506,622	\$ 5,212,449	\$ 5,227,490	\$ 5,560,774	\$ 5,506,479
Public safety	12,742,004	14,256,975	15,368,607	16,698,962	17,290,295	16,793,744	16,839,226	17,112,887	17,689,569	18,726,272
Public works	4,590,172	4,506,871	5,806,765	6,475,624	6,420,986	6,031,735	5,435,377	5,037,657	5,110,944	6,198,843
Parks, recreation and culture	2,253,466	2,687,048	2,555,595	2,773,731	2,637,829	2,973,471	3,135,364	3,356,330	3,268,065	3,655,740
Community development	379,451	692,302	510,146	560,078	584,209	626,765	625,752	503,184	449,666	518,788
Economic development	1,045,323	2,534,817	1,056,951	1,001,130	983,657	1,671,805	1,673,080	2,133,942	2,254,660	1,846,045
Interest on long-term debt	240,637	185,739	378,879	340,501	223,954	342,732	259,918	290,181	284,930	215,380
Appropriations to other agencies	561,689	573,786	813,350	904,552	838,885	-	-	-	-	-
Total governmental activities expenses	26,443,186	30,709,351	31,282,192	34,201,664	34,572,029	32,946,874	33,181,166	33,661,671	34,618,608	36,667,547
Business-type activities:										
Water and sewer services	11,722,888	13,989,071	13,309,016	14,266,540	15,116,230	16,062,841	16,262,505	17,238,843	16,954,386	17,606,238
Total business-type activities expenses	11,722,888	13,989,071	13,309,016	14,266,540	15,116,230	16,062,841	16,262,505	17,238,843	16,954,386	17,606,238
Total primary government expenses	\$ 38,166,074	\$ 44,698,422	\$ 44,591,208	\$ 48,468,204	\$ 49,688,259	\$ 49,009,715	\$ 49,443,671	50,900,514	51,572,994	54,273,785
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 691,861	\$ 741,742	\$ 669,057	\$ 460,843	\$ 481,653	\$ 156,606	\$ 428,026	\$ 61,124	\$ 61,811	\$ 62,235
Public safety and courts	3,235,688	4,122,628	4,458,200	5,172,588	4,505,759	4,146,327	3,769,281	3,956,597	4,047,676	3,985,838
Public works	844,530	954,969	979,870	1,015,674	1,044,216	2,175,180	2,201,745	2,249,161	2,234,873	2,561,400
Parks, recreation and culture	84,012	132,811	118,690	106,995	159,574	235,540	356,821	383,008	388,646	418,939
Economic development	96,418	132,294	264,532	778,167	306,131	219,991	79,876	101,234	68,137	93,257
Operating grants and contributions	2,993,602	2,950,268	1,357,589	1,750,584	1,250,756	2,027,801	1,520,809	1,908,854	2,217,909	2,863,555
Capital grants and contributions	657,975	1,559,666	-	4,625,962	-	10,115,868	195,696	657,135	268,999	2,372,060
Total governmental activities program revenues	8,604,086	10,594,378	7,847,938	13,910,813	7,748,089	19,077,313	8,552,254	9,317,113	9,288,051	12,357,284
Business-type activities:										
Charges for services - Water and sewer	13,809,334	14,488,093	15,758,257	17,043,844	17,694,265	18,654,564	20,256,196	20,348,381	20,815,639	21,034,775
Operating grants and contributions	-	-	-	-	-	-	65,894	25,494	-	-
Capital grants and contributions	17,058	50,807	-	-	-	-	-	1,694,297	2,128,816	1,532,724
Total business-type activities program revenues	13,826,392	14,538,900	15,758,257	17,043,844	17,694,265	18,654,564	20,322,090	22,068,172	22,944,455	22,567,499
Total primary government activities program revenues	\$ 22,430,478	\$ 25,133,278	\$ 23,606,195	\$ 30,954,657	\$ 25,442,354	\$ 37,731,877	\$ 28,874,344	\$ 31,385,285	\$ 32,232,506	\$ 34,924,783

Continued

CITY OF SUMTER, SOUTH CAROLINA
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
UNAUDITED

Table 2

Page 2 of 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenues										
Governmental activities	\$ (17,839,100)	\$ (20,114,973)	\$ (23,434,254)	\$ (20,290,851)	\$ (26,823,940)	\$ (13,869,561)	\$ (24,628,912)	\$ (24,344,558)	\$ (25,330,557)	\$ (24,310,263)
Business-type activities	2,103,504	549,829	2,449,241	2,777,304	2,578,035	2,591,723	4,059,585	4,829,329	5,990,069	4,961,261
Total primary government net expense	\$ (15,735,596)	\$ (19,565,144)	\$ (20,985,013)	\$ (17,513,547)	\$ (24,245,905)	\$ (11,277,838)	\$ (20,569,327)	\$ (19,515,229)	\$ (19,340,488)	\$ (19,349,002)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 8,140,805	\$ 9,184,519	\$ 11,148,346	\$ 12,458,299	\$ 13,161,860	\$ 12,762,373	\$ 9,426,121	\$ 9,140,794	\$ 10,132,215	\$ 9,241,692
Sales taxes										
Local options sales taxes	-	-	-	-	-	-	3,720,496	3,659,210	3,234,258	4,380,262
Local accommodations taxes	292,295	310,083	317,365	329,147	339,855	354,538	404,464	408,652	444,237	427,160
Local hospitality taxes	1,694,351	1,784,658	1,873,635	1,919,357	1,928,002	1,932,113	2,010,609	2,104,808	2,180,611	2,305,885
Franchise taxes	6,453,214	7,429,804	7,777,448	8,036,202	7,894,143	7,642,629	8,647,994	8,584,176	8,957,349	9,014,503
State shared taxes	1,299,547	1,320,377	1,735,292	1,556,779	1,752,048	1,090,927	898,041	778,770	972,987	957,975
Payments in lieu of taxes	1,646,228	2,054,315	2,052,181	2,095,206	2,090,937	-	-	-	-	-
Interest and other	39,174	186,622	171,864	101,299	31,870	80,637	153,630	(539,782)	238,191	211,001
Gain (loss) on sale of property	71,320	(10,468)	(54,215)	96,023	-	262,829	(138,690)	26,894	51,776	72,799
Special item-loss on transfer of airport to Sumter Co.	-	-	-	-	-	-	(2,837,197)	-	-	-
Transfers	(55,000)	783,352	232,215	459,988	852,287	841,087	1,101,440	1,040,067	1,178,717	1,557,957
Total governmental activities	19,581,934	23,043,262	25,254,131	27,052,300	28,051,002	24,967,133	23,386,908	25,203,589	27,390,341	28,169,234
Business-type activities										
Interest and other	45,526	201,646	272,893	1,303,935	198,128	72,047	112,125	87,740	(291,766)	406,467
Transfers	-	(783,352)	(232,215)	(459,988)	(852,287)	(841,087)	(1,101,440)	(1,040,067)	(1,178,717)	(1,557,957)
Total business-type activities	45,526	(581,706)	40,678	843,947	(654,159)	(769,040)	(989,315)	(952,327)	(1,470,483)	(1,151,490)
Total primary government	\$ 19,627,460	\$ 22,461,556	\$ 25,294,809	\$ 27,896,247	\$ 27,396,843	\$ 24,198,093	\$ 22,397,593	\$ 24,251,262	\$ 25,919,858	\$ 27,017,744
Changes in Net Position										
Governmental activities	\$ 1,742,834	\$ 2,928,289	\$ 1,819,877	\$ 6,761,449	\$ 1,227,062	\$ 11,097,572	\$ (1,242,004)	\$ 859,031	\$ 2,059,784	\$ 3,858,971
Business-Type activities	2,149,030	(31,877)	2,489,919	3,621,251	1,923,876	1,822,683	3,070,270	3,877,002	4,519,586	3,809,771
Total primary government	\$ 3,891,864	\$ 2,896,412	\$ 4,309,796	\$ 10,382,700	\$ 3,150,938	\$ 12,920,255	\$ 1,828,266	\$ 4,736,033	\$ 6,579,370	\$ 7,668,742

**CITY OF SUMTER, SOUTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified Accrual Basis of Accounting)
UNAUDITED**

Table 3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
<u>Pre GASB 54: (1)</u>										
Reserved	\$ 546,599	\$ 614,088	\$ 675,695	\$ 1,000,545	\$ 1,249,972	\$ 1,996,490				
Unreserved	1,145,370	3,442,505	2,225,772	2,328,960	2,849,108	6,590,017				
<u>Post GASB 54: (1)</u>										
Nonspendable							1,752,049	1,044,752	859,921	822,501
Restricted							-	3,651,016	2,267,285	1,356,647
Unassigned							8,310,029	6,943,826	9,956,403	12,228,926
Total General Fund	\$ 1,691,969	\$ 4,056,593	\$ 2,901,467	\$ 3,329,505	\$ 4,099,080	\$ 8,586,507	\$ 10,062,078	\$ 11,639,594	\$ 13,083,609	\$ 14,408,074
All Other Governmental Funds										
<u>Pre GASB 54: (1)</u>										
Reserved	-	-	-	-	1,671,000	1,671,600				
Unreserved, reported in:										
Special revenue funds	2,512,474	1,767,142	2,758,456	2,625,681	891,818	990,624				
<u>Post GASB 54: (1)</u>										
Nonspendable										
Restricted							2,586,553	3,831,804	4,318,409	3,321,746
Unassigned							(11,792)	(5,819)	-	-
Total All Other Governmental Funds	\$ 2,512,474	\$ 1,767,142	\$ 2,758,456	\$ 2,625,681	\$ 2,562,818	\$ 2,662,224	\$ 2,574,761	\$ 3,825,985	\$ 4,318,409	\$ 3,321,746
Total Fund Balances, Governmental Funds	\$ 4,204,443	\$ 5,823,735	\$ 5,659,923	\$ 5,955,186	\$ 6,661,898	\$ 11,248,731	\$ 12,636,839	\$ 15,465,579	\$ 17,402,018	\$ 17,729,820

(1) The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011. GASB 54 established new fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City has elected to apply GASB 54 prospectively and thus has provided fund balance information prior to ("Pre") and after ("Post") its implementation.

CITY OF SUMTER, SOUTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
UNAUDITED

Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 8,355,606	\$ 9,334,106	\$ 11,170,046	\$ 12,402,663	\$ 13,230,357	\$ 14,895,843	\$ 15,369,151	15,333,746	15,933,550	16,436,999
Licenses and Permits	6,520,167	7,502,612	7,777,448	11,460,871	10,757,413	8,454,695	8,928,576	8,957,579	9,301,024	9,304,157
Intergovernmental	9,599,750	11,545,583	10,020,835	7,425,986	6,918,849	14,561,393	6,034,723	6,276,527	6,570,703	9,422,466
Charges for Services	-	-	-	-	-	2,512,973	2,601,425	2,649,115	2,686,487	3,049,658
Fines and Forfeits	394,384	345,594	339,893	417,249	301,099	446,604	325,729	407,739	419,500	394,440
Payment in Lieu of Taxes	1,646,228	2,054,315	2,052,181	2,095,206	2,090,937	-	-	-	-	-
Interest Earned and Investment Return	42,020	188,857	265,725	183,421	126,860	124,468	122,145	(559,174)	(21,483)	78,181
Other	1,614,572	1,287,263	1,330,075	1,510,791	1,479,028	188,253	124,916	160,771	106,547	141,669
Total Revenues	28,172,727	32,258,330	32,956,203	35,496,187	34,904,543	41,184,229	33,506,665	33,226,303	34,996,328	38,827,570
Expenditures										
General Government	2,754,730	2,998,117	3,025,849	3,130,201	3,191,375	4,302,085	5,068,526	5,034,237	5,350,291	5,334,675
Public Safety	12,024,288	13,226,392	14,544,336	15,127,875	15,481,952	15,402,499	15,576,986	15,761,596	16,453,860	16,677,457
Public Works	4,487,632	4,477,690	4,771,825	5,047,076	5,090,896	4,389,181	3,772,339	3,560,863	3,548,506	4,501,353
Parks and Gardens	1,328,104	1,402,568	1,910,121	2,027,503	1,856,278	1,686,536	1,906,528	1,636,336	1,586,780	1,741,499
Culture and Recreation	248,001	432,070	350,226	398,843	427,667	625,581	569,650	1,049,968	1,036,629	1,117,699
Community Development	538,090	504,660	370,620	723,150	587,682	489,124	488,111	365,543	310,025	377,225
Economic Development	835,926	1,818,656	924,959	775,636	555,469	1,273,882	1,694,256	1,953,751	2,030,994	1,617,646
Appropriations to Other Agencies	561,689	573,786	673,350	764,552	698,885	-	-	-	-	-
Other	1,124,525	1,697,603	1,579,998	2,141,421	2,239,328	-	-	-	-	-
Capital Outlay	3,812,802	5,039,482	4,128,798	3,921,594	4,766,454	10,667,283	2,735,228	4,607,333	2,980,566	6,920,566
Debt Service										
Principal	1,495,681	1,855,258	1,545,758	3,212,907	1,749,341	1,931,933	1,881,620	2,483,333	1,675,465	2,459,785
Interest and Other Charges	326,598	363,237	387,090	358,330	360,598	316,947	338,156	317,180	265,934	238,459
Total Expenditures	29,538,066	34,389,519	34,212,930	37,629,088	37,005,925	41,085,051	34,031,400	36,770,140	35,239,050	40,986,364
Excess of Revenue Over (Under) Expenditures	(1,365,339)	(2,131,189)	(1,256,727)	(2,132,901)	(2,101,382)	99,178	(524,735)	(3,543,837)	(242,722)	(2,158,794)
Other Financing Sources (Uses)										
General Obligation Bonds	-	1,500,000	843,000	780,000	-	2,000,000	-	4,234,000	-	-
Capital Leases Issued	1,682,938	1,300,000	-	823,506	894,269	850,000	750,000	990,000	733,000	733,000
Sale of Property	175,635	167,129	17,700	364,670	130,538	262,829	61,403	43,800	267,444	204,306
Note Payable	-	-	-	-	-	700,000	-	-	-	-
Transfers in	-	783,352	-	459,988	852,287	2,427,388	1,811,113	2,185,026	2,534,361	2,945,413
Transfers out	(55,000)	-	232,215	-	-	(1,586,301)	(709,673)	(1,080,249)	(1,355,644)	(1,396,123)
Total Other Financing Sources (Uses)	1,803,573	3,750,481	1,092,915	2,428,164	1,877,094	4,653,916	1,912,843	6,372,577	2,179,161	2,486,596
Net Change in Fund Balances	\$ 438,234	\$ 1,619,292	\$ (163,812)	\$ 295,263	\$ (224,288)	\$ 4,753,094	\$ 1,388,108	\$ 2,828,740	\$ 1,936,439	\$ 327,802
Debt Service as a Percentage of Non-Capital Expenditures	7.08%	7.56%	6.42%	10.59%	6.54%	7.39%	7.09%	8.71%	6.02%	7.92%

CITY OF SUMTER, SOUTH CAROLINA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)
UNAUDITED

Table 5

Fiscal Year	Real Property			Personal Property			Less, Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Total	Motor Vehicles	Other	Total					
2005	66,200	1,640	67,840	13,970	11,470	25,440	446	92,834	84.00	1,611,839	5.76%
2006	67,030	1,770	68,800	14,860	13,690	28,550	340	97,010	91.00	1,636,501	5.93%
2007	80,450	1,850	82,300	14,920	13,430	28,350	430	110,220	96.00	1,995,726	5.52%
2008	86,890	1,110	88,000	13,360	13,120	26,480	400	114,080	105.00	2,084,492	5.47%
2009	89,930	1,090	91,020	13,370	13,450	26,820	470	117,370	105.00	2,189,562	5.36%
2010	92,750	1,030	93,780	12,330	13,390	25,720	530	118,970	103.00	2,230,511	5.33%
2011	92,850	1,130	93,980	13,400	13,960	27,360	420	120,920	103.00	2,300,385	5.26%
2012	98,790	1,110	99,900	15,070	10,210	25,280	360	124,820	103.00	2,350,544	5.31%
2013	99,490	1,180	100,670	14,280	13,950	28,230	250	128,650	102.00	2,489,160	5.17%
2014	100,510	1,290	101,800	15,850	14,840	30,690	250	132,240	102.00	2,613,680	5.06%

Property is reassessed approximately every five years. Reassessments took place in 2006 and 2012. The City has a tax increment district. The total millage for the City is listed.

Source: Sumter County Auditor

**CITY OF SUMTER, SOUTH CAROLINA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
UNAUDITED**

Table 6

Fiscal Year	Overlapping Rates									Total
	City of Sumter(1)			Sumter County (2)			Sumter County School District (2)			
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	
2005	79.77	4.23	84.00	95.30	12.00	107.30	137.20	40.00	177.20	368.50
2006	86.80	4.20	91.00	96.20	10.00	106.20	145.10	46.00	191.10	388.30
2007 (3)	92.09	3.91	96.00	91.10	11.50	102.60	127.70	29.00	156.70	355.30
2008	100.59	4.41	105.00	94.73	14.00	108.73	135.00	40.00	175.00	388.73
2009	92.00	13.00	105.00	94.80	14.00	108.80	142.30	52.00	194.30	408.10
2010	98.00	5.00	103.00	88.80	15.00	103.80	147.70	40.00	187.70	394.50
2011	98.00	5.00	103.00	89.00	15.00	104.00	147.70	47.00	194.70	401.70
2012	98.00	5.00	103.00	90.30	15.00	105.30	151.00	57.00	208.00	416.30
2013 (3)	97.00	5.00	102.00	90.30	15.00	105.30	151.00	60.00	211.00	418.30
2014	97.00	5.00	102.00	92.00	15.00	107.00	151.00	60.00	211.00	420.00

(1) Source: City of Sumter Finance Department

(2) Source: Sumter County Auditor

(3) Reassessment year

**CITY OF SUMTER, SOUTH CAROLINA
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Amounts Expressed in Thousands)
UNAUDITED**

Table 7

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	2013 Assessed		Percentage of Total Assessed	2004 Assessed		Percentage of Total Assessed
	Valuation	Rank	Valuation	Valuation	Rank	Valuation
Duke Energy Progress, Inc.	\$ 1,809	1	1.37%	\$ 1,006	1	1.09%
FTC Diversified	1,267	2	0.96%	243	2	0.26%
SCE&G	859	3	0.65%	685	3	0.74%
Frontier Communication	851	4	0.64%	1,304	4	1.41%
Sumter Mall, HSJ	827	5	0.63%	791	5	0.85%
Piedmont Plantation Apt.	791	6	0.60%	32	6	0.03%
WalMart (Scott H Lee Trustee)	716	7	0.54%	550	7	0.59%
Safe Federal Credit Union	672	8	0.51%	356	8	0.38%
Farmers Telephone	597	9	0.45%	456	9	0.49%
Lowes	538	10	0.41%	519	10	0.56%
Totals	<u>\$ 8,927</u>		<u>6.75%</u>	<u>\$ 5,942</u>		<u>6.42%</u>

Source: Sumter County Auditor

Total Assessed for 2013: 132,240

Total Assessed for 2004: 92,600

**CITY OF SUMTER, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)
UNAUDITED**

Table 8

Fiscal Year	Tax Year	Total Property Taxes Levied (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (1) (2)	Percentage of Levy (1)		Amount	Percentage of Levy
2005	2004	4,648	4,410	94.9%	159	4,569	98.3%
2006	2005	5,479	5,246	95.7%	128	5,374	98.1%
2007	2006 (3)	7,054	6,669	94.5%	244	6,913	98.0%
2008	2007	8,401	8,154	97.1%	76	8,230	98.0%
2009	2008	9,354	9,038	96.6%	460	9,498	101.5%
2010	2009	9,105	8,685	95.4%	354	9,039	99.3%
2011	2010	8,924	8,593	96.3%	381	8,974	100.6%
2012	2011	9,014	8,635	95.8%	277	8,912	98.9%
2013	2012 (3)	9,761	9,562	98.0%	339	9,901	101.4%
2014	2013	9,101	8,552	94.0%	480	9,032	99.2%

(1) Source: Sumter County Treasurer

(2) Amount includes current tax collections for real and personal property as well as reimbursement for homestead exemptions.

(3) Reassessment

Property taxes are collected by the Sumter County Treasurer's office.

**CITY OF SUMTER, SOUTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Table 9

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Population (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Tax Increment Bonds	Note Payable HUD	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases				
2005	2,182,571	-	1,526,399	1,000,000	4,757,132	10,919,315	8,479,390	109,445	28,974,252	2.75%	40,399	717
2006	2,952,276	-	1,405,984	1,000,000	5,052,241	9,267,444	7,902,634	76,374	27,656,953	2.48%	40,399	685
2007	2,557,126	-	1,279,341	1,809,000	4,027,930	39,403,187	7,300,792	47,590	56,424,966	4.82%	40,399	1,397
2008	2,144,087	-	1,146,152	1,774,000	2,964,570	37,621,353	6,672,772	17,880	52,340,814	4.31%	40,399	1,296
2009	1,712,336	-	1,006,273	1,725,000	2,730,126	35,771,478	6,017,435	-	48,962,648	4.08%	40,399	1,212
2010	3,161,078	-	859,138	2,359,000	2,412,586	35,308,745	5,333,592	-	49,434,139	4.09%	40,524	1,220
2011	2,678,694	-	704,209	1,938,000	2,339,279	38,853,141	45,186	-	46,558,509	3.62%	40,524	1,149
2012	4,717,453	1,734,000	-	1,513,000	2,436,396	37,043,900	-	-	47,444,749	3.55%	40,524	1,171
2013	4,051,216	1,501,000	-	1,432,000	2,474,168	34,675,735	-	-	44,134,119	3.21%	40,524	1,089
2014	3,395,067	1,263,000	-	673,000	2,400,533	32,717,272	-	-	40,448,872	2.86%	40,524	998

(1) See Table 14 Demographic and Economic Statistics for population data.

**CITY OF SUMTER, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

Table 10

Fiscal Year	General Bonded Debt Outstanding			Percentage of Estimated Actual	Per Capita
	General	Redevelopment	Total	Taxable Value of Property	
	Obligation Bonds (1)	Bonds			
2005	2,182,571	-	2,182,571	0.14%	54
2006	2,952,276	-	2,952,276	0.18%	73
2007	2,557,126	-	2,557,126	0.13%	63
2008	2,144,087	-	2,144,087	0.10%	53
2009	1,712,336	-	1,712,336	0.08%	42
2010	3,161,078	-	3,161,078	0.14%	78
2011	2,678,694	-	2,678,694	0.12%	66
2012	4,717,453	-	4,717,453	0.20%	116
2013	4,051,216	-	4,051,216	0.16%	100
2014	3,395,067	-	3,395,067	0.13%	84

(1) Source: City of Sumter Finance Department

Details of the city's outstanding debt can be found in the notes to the financial statements.

Property tax values data can be found in Table 5.

Population data can be found in Table 14.

**CITY OF SUMTER, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014**

Table 11

Governmental Unit	Net General Obligation Bonded Debt Outstanding		Estimated Percentage Applicable to City of Sumter		Estimated Share of Direct and Overlapping Debt Applicable to City of Sumter
Debt repaid with property taxes					
Sumter County School District	10,139,000	(1)	35.00%	(1)	3,548,650
Sumter County General Obligation	17,020,000	(1)	35.00%	(1)	5,957,000
Other debt					
Any other	-				-
Subtotal , overlapping debt					9,505,650
City direct debt	3,395,067.00	(2)	100%	(2)	3,395,067
Total direct and overlapping debt					<u>\$ 12,900,717</u>

(1) Source: Sumter County Auditor

(2) Source: City of Sumter Finance Department

**CITY OF SUMTER, SOUTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

Table 12

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 7,462,400	\$ 7,788,000	\$ 8,852,000	\$ 9,158,400	\$ 9,427,200	\$ 9,560,000	\$ 9,707,200	\$ 10,014,400	\$ 10,312,000	\$ 10,599,200
Total net debt applicable to limit	2,182,571	2,952,276	2,557,126	2,144,087	1,712,335	3,161,078	2,768,694	4,717,453	4,051,216	3,395,067
Legal Debt Margin	\$ 5,279,829	\$ 4,835,724	\$ 6,294,874	\$ 7,014,313	\$ 7,714,865	\$ 6,398,922	\$ 6,938,506	\$ 5,296,947	\$ 6,260,784	\$ 7,204,133
Total net debt applicable to the limit as a percentage of debt limit	29.25%	37.91%	28.89%	23.41%	18.16%	33.07%	28.52%	47.11%	39.29%	32.03%

Calculation of Legal Debt Margin for Fiscal Year 2014:

Total assessed value	\$ 132,490,000
Debt limit (8% of total assessed value)	10,599,200
Less, total general obligation bonds outstanding	<u>(3,395,067)</u>
Legal debt margin	<u><u>7,204,133</u></u>

**CITY OF SUMTER, SOUTH CAROLINA
 PLEDGED REVENUE COVERAGE
 WATER AND SEWER AUTHORITY
 LAST TEN FISCAL YEARS
 UNAUDITED**

Table 13

Fiscal Year	Revenues (1)	Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Revenue Bond Coverage Ratio
				Principal	Interest	Total	
2005	\$ 13,809,334	\$ 8,611,350	\$ 5,197,984	\$ 1,941,552	\$ 826,028	\$ 2,767,580	1.88
2006	14,488,093	10,901,251	3,586,842	2,228,628	810,637	3,039,265	1.18
2007	15,758,257	10,102,261	5,655,996	2,321,099	720,165	3,041,264	1.86
2008	17,043,844	10,125,950	6,917,894	2,409,854	2,021,537	4,431,391	1.56
2009	17,694,265	10,460,117	7,234,148	2,505,212	2,001,428	4,506,640	1.61
2010	18,618,455	11,176,391	7,442,064	1,671,977	1,884,564	3,556,541	2.09
2011	20,256,196	11,078,380	9,177,816	1,720,128	1,735,069	3,455,197	2.66
2012	19,761,046	11,614,937	8,146,109	1,785,359	1,650,486	3,435,845	2.37
2013	20,187,801	11,421,967	8,765,834	1,890,528	1,585,618	3,476,146	2.52
2014	20,512,584	12,245,322	8,267,262	1,958,463	1,517,983	3,476,446	2.38

(1) Total revenues exclusive of interest earnings and non-operating income.

(2) Total expenses exclusive of depreciation, amortization of bond issue costs, and interest expense

Source: City of Sumter Finance Department

Details of the outstanding debt can be found in the notes to the financial statements.

**CITY OF SUMTER, SOUTH CAROLINA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 UNAUDITED**

Table 14

Fiscal Year	Population	Per Capita Income	Personal Income	School Enrollment (5)	Unemployment Rate (3)
2005	40,399 (1)	26,123 (3)	1,055,343,077	9,316	8.3%
2006	40,399 (1)	27,640 (3)	1,116,628,360	9,316	7.9%
2007	40,399 (1)	28,959 (3)	1,169,914,641	8,706	6.7%
2008	40,399 (1)	30,029 (3)	1,213,141,571	8,663	7.8%
2009	40,399 (1)	29,713 (3)	1,200,375,487	8,369	12.8%
2010	40,524 (2)	29,845 (3)	1,209,438,780	8,387	11.9%
2011	40,524 (2)	31,725 (3)	1,285,623,900	8,583	11.7%
2012	40,524 (2)	32,973 (3)	1,336,197,852	8,643	10.3%
2013	40,524 (2)	33,952 (4)	1,375,870,848	8,756	8.8%
2014	40,524 (2)	34,931 (4)	1,415,543,844	8,892	6.1%

(1) Source: US Census Bureau, Census 2000

(2) Source: US Census Bureau, Census 2010

(3) Source: US Department of Commerce, Bureau of Economic Analysis

(4) Source: Estimate by City of Sumter Finance Department

(5) Source: Sumter County School District

**CITY OF SUMTER, SOUTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Table 15

Employer	2014			2005		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Shaw Air Force Base (1)	9,031	1	22.26%	7142	1	16.86%
Pilgrim's Pride (2)	2,000	3	4.93%	-		
Tuomey Healthcare System (4)	1,800	4	4.44%	1600	4	3.78%
Sumter County School District (3) (Districts 2 & 17 have consolidated since 2005)	2,976	2	7.33%	2616	2	6.18%
State of South Carolina (5)	903	6	2.23%	1077	5	2.54%
Sykes, Inc. (Data Center) (2)	950	5	2.34%	0		
BD Preamalytical Solutions (2)	800	7	1.97%	837	7	1.98%
Eaton Electrical (Cutler-Hammer) (2)	660	9	1.63%	-		
City of Sumter (7)	557	10	1.37%	492	10	1.16%
Sumter County Government (2)	667	8	1.64%	-		
Santee Print Works (2)	450			850	6	2.01%
Gold Kist, Inc. (acquired by Pilgrim's Pride in 2006)	-			2556	3	6.03%
Bosch Branking Systems	-			840	8	1.98%
APEX Tool Group (formerly Cooper Hand Tools) (2)	225			553	9	1.31%
Total Employment (6)	40,575			42,353		

* Table reflects data for the entire county of Sumter

- (1) Source: Shaw Air Force Base Public Affairs Department
- (2) Source: Sumter County Development Board Website
- (3) Estimate by City of Sumter Finance Department
- (4) Source: Tuomey Health Care System
- (5) Source: State Of South Carolina Budget and Control Board
- (6) Source: SC Department of Employment & Workforce
- (7) City of Sumter Human Resources Department

**CITY OF SUMTER, SOUTH CAROLINA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED**

Table 16

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Administrative	27	23	28	29	32	24	27	27	28	27
City store	1	1	2	2	2	2	2	2	2	2
Planning	12	13	13	13	13	12	11	10	10	11
Business License (2)	-	-	-	-	-	5	4	4	4	4
Downtown	1	2	2	2	2	2	2	2	3	4
Public Safety										
Building inspections	10	11	11	12	12	11	12	12	12	12
Codes (3)	-	-	-	-	-	4	4	4	5	4
Police	121	109	112	113	117	108	105	103	108	106
Police clerical	11	12	10	17	13	10	16	17	16	14
Police city-county	34	30	31	33	32	34	36	35	34	35
Municipal court (1)	-	-	3	2	2	2	1	2	2	2
Fire	81	82	98	100	102	108	101	104	101	104
Public Works										
Construction	10	10	10	10	10	10	7	7	6	9
Engineering	5	6	7	7	6	6	7	5	7	7
Public works	12	9	10	11	10	10	8	10	10	8
Vehicle maintenance	1	1	1	1	1	1	1	1	1	1
Sanitation	40	40	40	40	40	40	38	38	39	39
Parks & Gardens	31	31	32	35	34	34	37	35	34	38
Recreation	1	2	3	2	3	4	6	7	7	6
Community Development										
Hope centers	-	-	-	-	10	10	11	12	11	11
Water & Sewer										
Utility billing	14	13	17	17	19	20	27	29	28	29
Water & sewer distribution	28	31	32	33	34	32	31	29	29	32
Mechanical maintenance	10	9	11	11	11	11	9	10	9	10
Water plants	12	12	12	12	13	12	12	12	12	12
Sewer plant	25	26	27	27	27	28	25	26	26	26
Electrical maintenance	3	3	3	3	3	3	1	2	2	3
Mayesville	2	2	2	2	2	2	2	2	2	1
TOTAL EMPLOYEES	492	478	517	534	550	545	543	547	548	557

- (1) In prior years the employees for the Municipal Court were included with the Police department employees.
- (2) In prior years the employees for Business License were included with Administration.
- (3) In prior years the employees for Codes wer included with Police.

**CITY OF SUMTER, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

Table 17

Function/Program	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Building Permits Issued -										
Commercial	174	156	198	243	181	146	187	201	182	182
Residential	623	725	698	464	477	612	781	1691	873	844
Police (1)										
Number of Police Calls	50,504	53,703	53,258	61,787	53,535	69,850	68,993	76,570	71,292	82,493
Traffic Violations	9,933	9,985	8,756	6,079	5,493	6,275	5,724	6,316	4,701	4,240
Fire(2)										
Calls Answered	2,575	2,424	2,677	3,629	2,152	2,005	2,121	2,042	2,131	2,980
Water System(3)										
Service Connections	22,500	30,397	31,283	31,743	22,247	22,472	22,556	23,022	23,095	23,184
Average daily consumptions (in millions of gallons)	12.5	12.5	12.5	12.5	10.9	11.5	11.5	11.3	11.2	11.5
Maximum daily capacity (in millions of gallons)	24.1	21.1	24.1	24.1	23.6	23.9	23.3	23.3	23.3	23.3
Wastewater System(3)										
Service Connections	16,789	22,102	22,732	23,012	16,379	16,455	16,655	16,847	16,755	16,853
Average daily treatment (in millions of gallons)	9.0	9.0	9.0	9.0	8.3	8.7	8.0	7.6	8.0	10.0
Maximum daily capacity (in millions of gallons)	15.0	15.0	15.0	15.0	18.1	18.1	15	15.0	15.0	15.0

(1) Source: City of Sumter Police Department

(2) Source: City of Sumter Fire Department

(3) Source: City of Sumter Public Services Department

(4) Source: City of Sumter Building Inspection/Codes Departments

**CITY OF SUMTER, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

Table 18

Function/Program	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police(1)										
Stations	* 3	*2	*2	*2	*3	*3	*3	*3	*3	*3
Fire Stations(2)										
	4	4	5	5	5	5	5	5	5	5
Highways and Streets(3)										
Streets (in miles)**	60.8	66.5	66.5	75.7	75.7	78.4	81.1	83.8	86.5	88.6
Streetlights	2,409	2,419	2,419	2,509	2,534	2,548	2,566	2,633	2,636	2,645
Culture and Recreation(4)										
Community centers	5	5	5	5	5	5	5	5	5	5
Parks	23	23	23	23	23	23	23	23	23	23
Park acreage	242	242	242	242	242	242	242	270	270	270
Water Park	-	-	-	-	-	3	3	3	3	3
Aquatic Center	1	1	1	1	1	1	1	1	1	1
Tennis courts	43	43	26	27	27	27	27	27	27	27
Water System(4)										
Water mains (in miles)	409	412	420	420	445	456	460	464	468	472
Fire Hydrants	1,940	1,950	1,780	1,780	1,669	1,649	1,633	1,617	1,601	1585
Wastewater System(4)										
Sanitary sewers (in miles)	309	312	317	317	316	321	326	331	336	339
Treatment plants	3	3	2	2	2	2	2	2	2	2

* Number of police stations and annexes

** City owned & maintained

(1) Source: City of Sumter Police Department

(2) Source: City of Sumter Fire Department

(3) Source: City of Sumter Planning, Engineering, and Finance Departments

(4) Source: City of Sumter Public Services/Engineering Departments

REGULATORY SECTION

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CITY OF SUMTER, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defense Pass-through Program			
The Conservation Fund	12.610		\$ 1,252,400
Department of Environmental Protection Agency Pass-through Program From:			
South Carolina Water Quality Revolving Fund Authority	66.458	CWSRF Loan # F1-11-442-32	271,163
Department of Homeland Security Pass-through Program From			
South Carolina Emergency Management Division	97.036	FEMA 4166-DR-SC	690,338
Department of Housing and Urban Development Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-450011	31,863
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-450011	31,177
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-45-0011	100,129
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-45-0011	83,884
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-45-0011	99,103
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-45-0011	263,881
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-45-0011	36,295
			<u>646,332</u>
Department of Housing and Urban Development Pass-through Programs From:			
Santee Lynches Regional Council of Governments			
HOME Investment Partnership Program	14.239	M10DC450206	140,447
HOME Investment Partnership Program	14.239	M11DC450206	350
			<u>140,797</u>
Total Department of Housing and Urban Development			
			<u>787,129</u>
Department of Justice Direct Programs:			
Bullet Proof Vest Partnership Program	16.607	2011BUB11056543	5,154
Bullet Proof Vest Partnership Program	16.607	2012BUBX12063285	1,360
			<u>6,514</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010DJBX0951	10,233
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX1146	21,160
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013DJBX1085	29,944
			<u>61,337</u>

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CITY OF SUMTER, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

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:			
Drug Enforcement Administration			
Equitable Sharing	16.922		8,887
South Carolina Department of Alcohol and Other Drug Abuse Services			
Sumter Behavioral Health Services	16.727	SUM-SPF2-3	5,965
Sumter County	16.727	AET 2014	1,130
			<u>7,095</u>
South Carolina Department of Public Safety			
Victims of Crime	16.575	1V11175	2,491
Victims of Crime	16.575	1V13097	34,143
			<u>36,634</u>
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K12018	11,852
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K13017	19,223
			<u>31,075</u>
Total Department of Justice			<u>151,542</u>
Department of Transportation Pass-through Programs From:			
South Carolina Department of Transportation			
Federal Transit-Metropolitan Planning Grants	20.505	PL45014	206,996
South Carolina Parks, Recreation and Tourism	20.219	2012008	54,688
Total Department of Transportation			<u>261,684</u>
Total Expenditures of Federal Awards			<u>\$ 3,414,256</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, 2014**

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, 2014. 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 position 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	\$140,797
16.738	Sumter County	\$21,160
14.218	United Ministries	\$12,500

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November 20, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To City Council
City of Sumter, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sumter, South Carolina (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sumter, South Carolina's basic financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheheen, Hancock & Godwin, LLP

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Certified Public Accountants

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November 20, 2014

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

To City Council
City of Sumter, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Sumter, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Sumter, South Carolina's major federal programs for the year ended June 30, 2014. The City of Sumter, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sumter, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sumter, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Sumter, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Sumter, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sumter, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sumter, South Carolina's internal control over compliance.

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

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

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



Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

CITY OF SUMTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs

CFDA Number	Program Name
12.610	Conservation Fund

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

Auditee qualified as a low risk? X Yes ___ No

Section II - Financial Statements

None.

Section III - Federal Awards Findings and Questioned Costs

None.

CITY OF SUMTER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014

There were no prior year audit findings.