

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

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

***For the Fiscal Year Ended June 30, 2016***





**CITY OF SUMTER, SOUTH CAROLINA  
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Year Ended June 30, 2016**

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# ***FINANCIAL SECTION***

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December 1, 2016

**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, 2016, 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, 2016, 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 7–15, the Schedule of Employer's Proportionate Share of Net Pension Liability and Employer Contributions on pages 58-59 and Schedule of Funding Progress and Employer Contributions on pages 59-60 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, 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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## City of Sumter, South Carolina Management's Discussion and Analysis Year Ended June 30, 2016

As management of the City of Sumter (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. 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 exceeded its liabilities at the close of the most recent fiscal year by \$111,601,277 (*net position*).
- The City's total net position increased by \$19,187,347 during the current period, as a result of an increase from governmental activities of \$9,909,593 and an increase from business-type activities of \$9,277,754.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,420,122, an increase of \$3,120,527 in comparison with the prior year. Approximately 74% of this total amount, \$17,259,471 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 \$17,259,471, or approximately 41% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$26,588,646 during the current fiscal year. In September of 2015 the City issued its series 2015 Water & Sewer System Improvement and Refunding Revenue Bonds with a face value of \$52,670,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City'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 is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 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 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 include water and sewer services and storm water services.

The government-wide financial statements can be found on pages 18-19 of this report.

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

**City of Sumter, South Carolina**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016 (Continued)**

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

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

The City maintains one major governmental fund, the general fund and non-major special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Individual fund data for each of the 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 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 20-22 of this report.

**Proprietary Funds.** The City 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 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 and the non-major storm water utility fund.

The basic proprietary fund financial statements can be found on pages 26-28 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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City 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 in a custodial capacity for individuals, private organizations, and non-profit organizations.

The fiduciary fund financial statements can be found on pages 29-30 of this report.

**City of Sumter, South Carolina**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016 (Continued)**

**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 31-55 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's proportionate share of the net pension liability in relation to its participation in a cost-sharing multiple-employer defined benefit pension plan and its contributions to said plan. In addition this section reports on the City's progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found on pages 58-60 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 62-65 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 \$111,601,277 at the close of the most recent fiscal year.

**City of Sumter's Net Position**

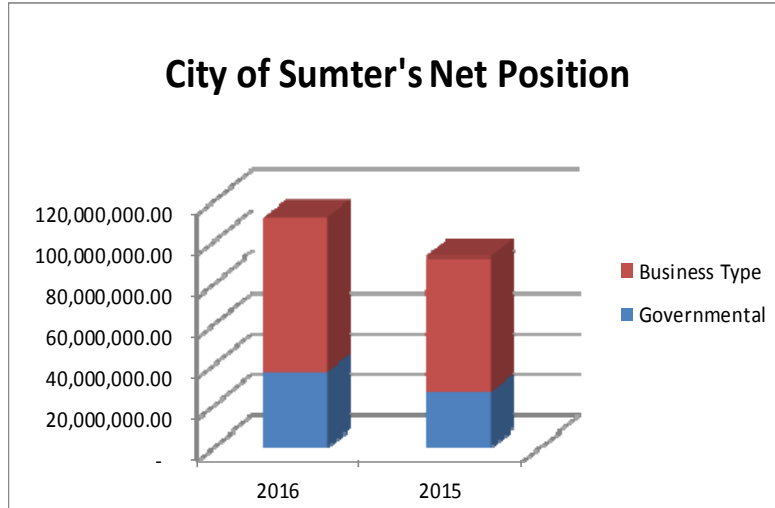
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015, as restated</u>	<u>2016</u>	<u>2015, as restated</u>
Current and other assets	\$ 27,390,996	\$ 23,948,202	\$ 52,915,341	\$ 24,169,676	\$ 80,306,337	\$ 48,117,878
Capital assets	50,498,765	43,372,824	86,821,275	82,540,759	137,320,040	125,913,583
Total assets	77,889,761	67,321,026	139,736,616	106,710,435	217,626,377	174,031,461
Total deferred outflows of resources	3,606,672	2,724,621	3,062,046	637,344	6,668,718	34,613
Noncurrent liabilities	41,816,854	37,882,485	65,976,935	38,088,676	107,793,789	75,971,161
Other liabilities	2,737,087	2,829,456	1,461,387	1,344,118	4,198,474	4,173,574
Total liabilities	44,553,941	40,711,941	67,438,322	39,432,794	111,992,263	80,144,735
Total deferred inflows of resources	712,778	3,013,585	(11,223)	584,434	701,555	3,598,019
Net position:						
Net investment in capital assets	44,895,830	37,859,121	59,804,646	50,646,900	104,700,476	88,506,021
Restricted	4,017,629	3,674,181	3,413,145	2,998,574	7,430,774	6,672,755
Unrestricted	(12,683,745)	(15,213,181)	12,153,772	12,448,335	(529,973)	(2,764,846)
Total net position	\$ 36,229,714	\$ 26,320,121	\$ 75,371,563	\$ 66,093,809	\$ 111,601,277	\$ 92,413,930

\*See note to financial statements III. A.

By far the largest portion of the City's net position (93%) 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 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.

**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**

An additional portion of the City of Sumter's net position (6%) represents resources that are subject to external restrictions on how they may be used.



The City of Sumter's overall net position increased by \$19,187,347 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 \$9,909,593 from the prior fiscal year for an ending balance of \$36,229,714. Total revenues increased by \$9,353,968 primarily as a result of increases in state appropriations of \$1,150,000 for parks and recreation projects combined with revenues of \$7,093,885 for capital penny sales tax project new public safety complex and an increase of \$1,713,317 in general revenues.

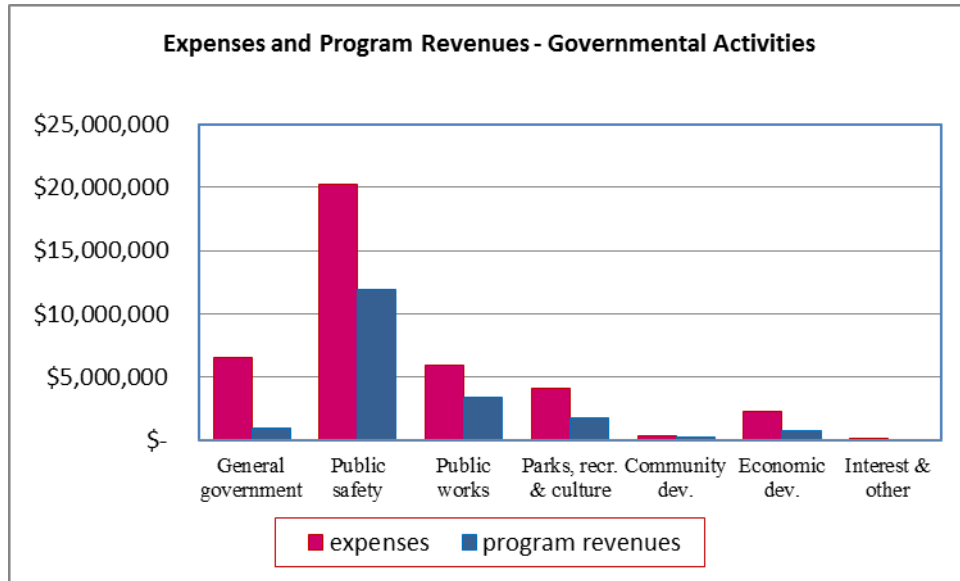
**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015, as restated	2016	2015, as restated
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 7,636,606	\$ 7,341,509	\$ 22,576,678	\$ 21,634,744	\$ 30,213,284	\$ 28,976,253
Operating grants and contributions	2,139,975	2,654,380	-	-	2,139,975	2,654,380
Capital grants and contributions	9,064,025	1,207,142	6,727,154	1,985,402	15,791,179	3,192,544
Total program revenues	18,840,606	11,203,031	29,303,832	23,620,146	48,144,438	34,823,177
General Revenues:						
Property taxes	10,148,185	9,637,697	-	-	10,148,185	9,637,697
Sales taxes - local option	4,121,745	4,019,596	-	-	4,121,745	4,019,596
Sales taxes - local accommodations and hospitality	3,229,170	2,889,558	-	-	3,229,170	2,889,558
Business and franchise fees	9,929,608	9,684,170	-	-	9,929,608	9,684,170
State shared taxes	933,862	951,401	-	-	933,862	951,401
Other	823,683	290,514	1,765,981	503,229	2,589,664	793,743
Total general revenues	29,186,253	27,472,936	1,765,981	503,229	30,952,234	27,976,165
Total revenues	48,026,859	38,675,967	31,069,813	24,123,375	79,096,672	62,799,342
<b>Expenses:</b>						
General Government	6,451,137	5,473,334	-	-	6,451,137	5,473,334
Public Safety	20,279,524	18,447,133	-	-	20,279,524	18,447,133
Public Works	5,952,721	5,478,100	-	-	5,952,721	5,478,100
Parks, Recreation and Culture	4,060,104	4,128,482	-	-	4,060,104	4,128,482
Community Development	372,307	381,600	-	-	372,307	381,600
Economic Development	2,216,399	1,898,790	-	-	2,216,399	1,898,790
Interest and other charges	164,617	175,056	-	-	164,617	175,056
Water and sewer services			20,412,516	18,896,160	20,412,516	18,896,160
Total expenses	39,496,809	35,982,495	20,412,516	18,896,160	59,909,325	54,878,655
<b>Increase in net position before transfers</b>	<b>8,530,050</b>	<b>2,693,472</b>	<b>10,657,297</b>	<b>5,227,215</b>	<b>19,187,347</b>	<b>7,920,687</b>
Transfers	1,379,543	1,340,599	(1,379,543)	(1,340,599)	-	-
<b>Increase in net position</b>	<b>9,909,593</b>	<b>4,034,071</b>	<b>9,277,754</b>	<b>3,886,616</b>	<b>19,187,347</b>	<b>7,920,687</b>
Net position beginning, as restated	26,320,121	22,286,050	66,093,809	62,207,193	92,413,930	84,493,243
<b>Net position ending</b>	<b>\$ 36,229,714</b>	<b>\$ 26,320,121</b>	<b>\$ 75,371,563</b>	<b>\$ 66,093,809</b>	<b>\$ 111,601,277</b>	<b>\$ 92,413,930</b>

\*See note to financial statements III. A.

**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**



**Business-Type Activities:** Business-type activities increased the City's net position during the current year by \$9,277,754, a 14% increase, for an ending balance of \$75,371,563. Capital grants and contributions increased by \$4,741,752 primarily as a result of funding from grants for capital related projects \$611,107 and resources from the county-wide 1% Capital Sales Tax of \$5,094,963. Total expenses were \$20,412,516, an increase of \$1,516,356 from the previous year's amount.

**Financial Analysis of the Government's Funds**

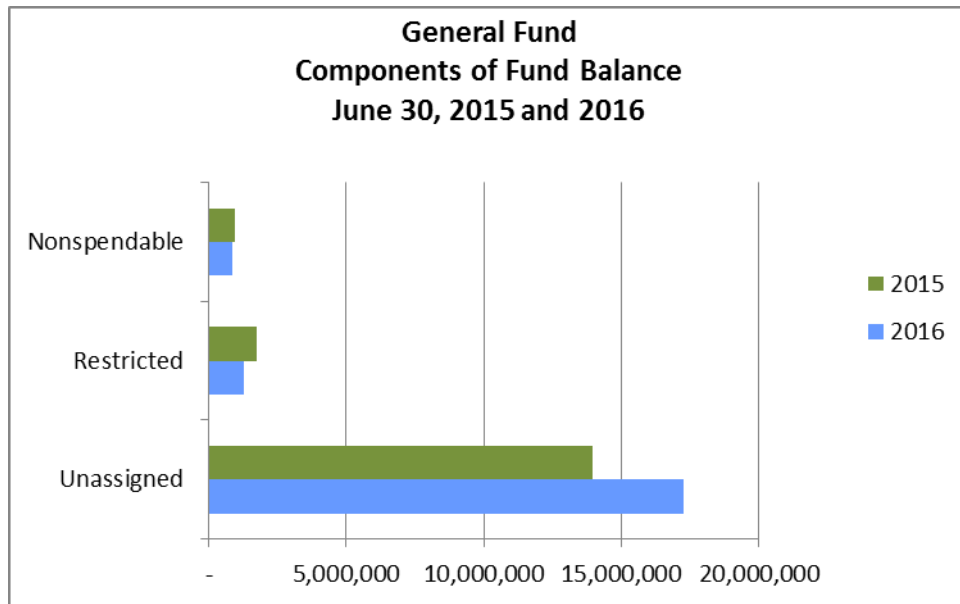
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City'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'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 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, 2016, the City's governmental funds reported combined fund balances of \$23,420,122 an increase of \$3,120,527 in comparison with the prior year. Approximately 74% of this amount (\$17,259,471) 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 (\$871,998) or 2) restricted for particular purposes (\$5,288,653).



**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,259,471 with a total fund balance of \$19,402,493. 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 41 percent of total general fund expenditures while total fund balance represents 45.6 percent of that same amount.

The fund balance of the City's general fund increased by \$2,777,079 during the current fiscal year. The increase is due to an increase state appropriations of \$1,150,000 for parks and recreation, and a \$832,927 balance in unspent lease proceeds restricted for capital purchases as of June 30, 2016.

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

Unrestricted net position of the water and sewer operations and the storm water operations at the end of the fiscal year was \$12,153,772, a decrease of \$294,563 from the prior fiscal year as restated. The total growth in net position was \$9,277,754. 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 \$9,981,236 (32%) greater compared to the final budget while expenditures were \$5,976,414 more than the final budget. Transfers in were increased by \$230,588 from the original budgeted amount. The positive variance in revenues was primarily a result of an increase in property and sales tax collections of \$481,188 greater than the budgeted amount, an increase in license permits and fees of \$699,026, and an increase in state appropriations of \$1,171,335 for parks, recreation and tourism greater than the budgeted amounts. Local revenues also increased \$7,053,469 mainly due to capital penny sales tax revenues for public safety complex project. Other revenues were \$585,781 due to higher than anticipated miscellaneous revenues. Actual expenditures in general government administration, public safety and law enforcement were less than the budgeted amounts. Expenditures in capital outlay were greater than budgeted for expenditures related to capital penny sales tax project public safety complex.

**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**

**Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, was \$137,320,040 (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	
	2016	2015	2016	2015, as restated	2016	2015
Land	\$ 12,333,265	\$ 12,148,287	\$ 1,483,214	\$ 546,878	\$ 13,816,479	\$ 12,695,165
Works of art	396,866	396,866	-	-	396,866	396,866
Buildings	11,066,302	11,688,099	148,099	160,440	11,214,401	11,848,539
Plants, machinery and equipment	6,882,711	6,412,788	37,436,643	38,715,171	44,319,354	45,127,959
Infrastructure	11,236,992	12,004,850	39,725,964	39,639,865	50,962,956	51,644,715
Construction in progress	8,582,629	721,934	8,027,355	2,241,663	16,609,984	2,963,597
Totals	\$ 50,498,765	\$ 43,372,824	\$ 86,821,275	\$ 81,304,017	\$ 137,320,040	\$ 124,676,841

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

- Routine replacement of vehicles, lease purchases of sanitation and fire trucks and various equipment at a cost of \$1,705,420
- Various projects related to streets, sidewalks, parking lots, at a cost of \$461,510 were placed into service. Construction in progress projects, new public safety complex, increased \$7,485,972
- Various water and sewer line and stormwater drainage projects at a cost of \$582,197 were completed and placed into service
- Various water & sewer infrastructure projects in the amount of \$1,813,543 were started during the current fiscal year and will continue into next fiscal year. Water plant capital penny project also in progress increased \$5,094,963
- Routine replacement of equipment and vehicles for water and sewer operations at a cost of \$770,848

Additional information on the City's capital assets can be found in Note IV. D on pages 40-42.

**Long-term Debt.** At the end of the current fiscal year, the City of Sumter had total debt outstanding of \$64,535,152. Of this amount, \$2,255,462 of general obligation debt is backed by the full faith and credit of the government. The remainder of the City'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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 2,255,462	\$ 2,714,307	\$ -	\$ -	\$ 2,255,462	\$ 2,714,307
Revenue bonds	772,000	1,020,000	-	-	772,000	1,020,000
Notes payable	597,000	636,000	-	-	597,000	636,000
Capital lease obligations	3,249,497	2,891,391	-	-	3,249,497	2,891,391
Revenue bonds	-	-	57,661,193	30,684,808	57,661,193	30,684,808
Total	\$ 6,873,959	\$ 7,261,698	\$ 57,661,193	\$ 30,684,808	\$ 64,535,152	\$ 37,946,506

**City of Sumter, South Carolina  
Management's Discussion and Analysis  
Year Ended June 30, 2016 (Continued)**

The City's total debt increased by \$26,588,646 (70 percent) during the current fiscal year. The City entered into a capital lease agreement in the amount of \$1,450,000 to purchase certain capital equipment during the year. The City issued a 2015 Waterworks and Sewer System Improvement and Refunding Revenue Bond on September 15, 2015 in the amount of \$52,670.00.

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 \$8,572,617 which is in excess of the City's outstanding general obligation debt.

Additional information on the City of Sumter's long-term debt can be found in Note IV, E on pages 42-45.

**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 along with plans for a new hotel and parking garage.

The new penny sales tax began at the sunset of the original one, which was implemented in May 2009 and ended on May 1, 2016. Included in the twenty-eight projects approved is public safety infrastructure to provide updated technology, a new facility for the Police and E911 Emergency Services station and a new facility for the downtown Headquarters Fire station. Also, scheduled for 2017 is the expansion of the Alice Drive Fire Station and a new Utility Billing/Customer Service Center located in the downtown area.

The fiscal year 2016-2017 budget was adopted with an appropriation of \$36,711,146 for the general fund. There was no increase in the City's total millage rate for 2016-2017 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, 2016**

	Business		Total
	Governmental Activities	Type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 20,271,077	\$ 6,350,588	\$ 26,621,665
Investments	1,000,240	9,995,500	10,995,740
Receivables, net of allowance for doubtful accounts	3,907,165	4,421,768	8,328,933
Inventories	288,637	-	288,637
Prepaid items	15,271	2,657	17,928
Other post-employment benefits - prefunded portion	69,492	-	69,492
Property held for resale	568,090	-	568,090
Interest in joint venture	-	100,000	100,000
Restricted cash and cash equivalents	1,271,024	31,731,697	33,002,721
Receivables, non-current portion	-	313,131	313,131
Capital assets not being depreciated	21,312,760	9,510,569	30,823,329
Capital assets, depreciable, net of accumulated depreciation	29,186,005	77,310,706	106,496,711
Total assets	<u>77,889,761</u>	<u>139,736,616</u>	<u>217,626,377</u>
<b>Deferred Outflows of Resources</b>			
Deferred loss on bond refunding	-	2,326,012	2,326,012
Prepaid pension costs	3,606,672	736,034	4,342,706
Total deferred outflows of resources	<u>3,606,672</u>	<u>3,062,046</u>	<u>6,668,718</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,558,332	795,273	2,353,605
Accrued interest payable	50,210	191,021	241,231
Accrued salaries and payroll withholdings	870,281	142,773	1,013,054
Court bonds and confiscated funds payable	243,019	-	243,019
Customer deposits	10,725	332,320	343,045
Unearned revenue	4,520	-	4,520
Noncurrent liabilities:			
Due within one year	2,794,424	2,966,208	5,760,632
Due in more than one year	7,633,393	55,198,339	62,831,732
Net pension liability	31,389,037	7,812,388	39,201,425
Total liabilities	<u>44,553,941</u>	<u>67,438,322</u>	<u>111,992,263</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - local option sales tax	540,185	-	540,185
Unavailable revenue - grants & contributions	117,070	-	117,070
Unavailable revenue - pension	55,523	(11,223)	44,300
Total deferred inflows of resources	<u>712,778</u>	<u>(11,223)</u>	<u>701,555</u>
<b>Net Position</b>			
Net investment in capital assets	44,895,830	59,804,646	104,700,476
Restricted for:			
Debt service	-	3,413,145	3,413,145
Community development	388,013	-	388,013
Economic development	2,575,175	-	2,575,175
Public safety and law enforcement	1,054,441	-	1,054,441
Unrestricted	(12,683,745)	12,153,772	(529,973)
Total net position	<u>\$ 36,229,714</u>	<u>\$ 75,371,563</u>	<u>\$ 111,601,277</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, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government administration	\$ 6,451,137	\$ 65,661	\$ 751,357	\$ 155,645	\$ (5,478,474)	\$ -	\$ (5,478,474)
Public safety and law enforcement	20,279,524	4,338,495	175,876	7,364,184	(8,400,969)	-	(8,400,969)
Public works	5,952,721	2,731,542	466,439	143,252	(2,611,488)	-	(2,611,488)
Parks, recreation and culture	4,060,104	443,058	11,054	1,266,804	(2,339,188)	-	(2,339,188)
Community development	372,307	-	180,034	-	(192,273)	-	(192,273)
Economic development	2,216,399	57,850	555,215	134,140	(1,469,194)	-	(1,469,194)
Interest on long-term debt	164,617	-	-	-	(164,617)	-	(164,617)
Total governmental activities	39,496,809	7,636,606	2,139,975	9,064,025	(20,656,203)	-	(20,656,203)
<b>Business-type activities:</b>							
Water and sewer	20,412,516	22,576,678	-	6,727,154	-	8,891,316	8,891,316
Total business-type activities	20,412,516	22,576,678	-	6,727,154	-	8,891,316	8,891,316
<b>Total</b>	<b>\$ 59,909,325</b>	<b>\$ 30,213,284</b>	<b>\$ 2,139,975</b>	<b>\$ 15,791,179</b>	<b>\$ (20,656,203)</b>	<b>\$ 8,891,316</b>	<b>\$ (11,764,887)</b>
<b>General revenues:</b>							
Property taxes					10,148,185	-	10,148,185
Sales taxes - local option					4,121,745	-	4,121,745
Sales taxes - local accommodations and hospitality					3,229,170	-	3,229,170
Franchise taxes and business licenses					9,929,608	-	9,929,608
Grants and contributions not restricted to specific programs					933,862	-	933,862
Gain (loss) on sale or disposition of capital assets					192,318	(908,648)	(716,330)
Unrestricted interest income					141,184	292,510	433,694
Premium on bonds					-	2,270,907	2,270,907
Other					490,181	111,212	601,393
Transfers					1,379,543	(1,379,543)	-
Total general revenues and transfers					30,565,796	386,438	30,952,234
Change in net position					9,909,593	9,277,754	19,187,347
Net position - beginning of year as restated					26,320,121	66,093,809	92,413,930
Net position - end of year					\$ 36,229,714	\$ 75,371,563	\$ 111,601,277

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 16,652,001	\$ 3,619,076	\$ 20,271,077
Investments	1,000,240	-	1,000,240
Receivables, net of allowance for doubtful accounts	1,686,555	2,220,610	3,907,165
Due from other funds	982,920	-	982,920
Restricted cash and cash equivalents	1,271,024	-	1,271,024
Prepaid items	15,271	-	15,271
Inventories	288,637	-	288,637
Property held for resale	568,090	-	568,090
Total assets	<u>\$ 22,464,738</u>	<u>\$ 5,839,686</u>	<u>\$ 28,304,424</u>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 1,240,686	\$ 317,646	\$ 1,558,332
Accrued salaries and payroll withholdings	843,387	26,894	870,281
Customer Deposits	10,725	-	10,725
Unearned Revenue	520	4,000	4,520
Escrow for seized funds and bonds	4,729	238,290	243,019
Due to other funds	-	982,920	982,920
Total liabilities	<u>2,100,047</u>	<u>1,569,750</u>	<u>3,669,797</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	302,644	-	302,644
Unavailable revenue - local option sales tax	540,185	-	540,185
Unavailable revenue - notes & mortgages	100,175	150,831	251,006
Unavailable revenue - grants & contributions	19,194	101,476	120,670
Total deferred inflows of resources	<u>962,198</u>	<u>252,307</u>	<u>1,214,505</u>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid items	15,271	-	15,271
Inventories	288,637	-	288,637
Property held for resale	568,090	-	568,090
Restricted			
Purchase of capital assets	1,271,024	-	1,271,024
Community development	-	388,013	388,013
Economic development	-	2,575,175	2,575,175
Public safety and law enforcement	-	1,054,441	1,054,441
Unassigned	17,259,471	-	17,259,471
Total fund balances	<u>19,402,493</u>	<u>4,017,629</u>	<u>23,420,122</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,464,738</u>	<u>\$ 5,839,686</u>	<u>\$ 28,304,424</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, 2016**

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

Total fund balance of governmental funds (page 20)	23,420,122
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	50,498,765
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	557,250
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	(3,553,858)
Accrued interest	(50,210)
Bonds and leases payable	(6,873,959)
Net pension liability	(31,389,037)
OPEB Obligation	69,492
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pension	3,606,672
Deferred inflows of resources related to pension	(55,523)
Net position of governmental activities (page 18)	\$ 36,229,714

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, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Property and vehicle and fire fees	\$ 10,140,961	\$ -	\$ 10,140,961
Sales	4,121,745	3,229,170	7,350,915
Licenses, permits, and franchise fees	9,210,026	1,078,891	10,288,917
Intergovernmental revenue			
State and federal governments	2,083,862	1,939,844	4,023,706
Local governments	11,536,352	-	11,536,352
Charges for services			
Sanitation fees and container rentals	2,724,837	-	2,724,837
Other	461,969	-	461,969
Fines, fees, and forfeitures	445,643	75,286	520,929
Interest income and investment return	82,920	58,264	141,184
Other	441,588	62,069	503,657
Total revenues	<u>41,249,903</u>	<u>6,443,524</u>	<u>47,693,427</u>
<b>Expenditures</b>			
Current			
General government administration	5,675,353	520,850	6,196,203
Public safety and law enforcement	17,310,960	1,001,268	18,312,228
Public works	3,858,466	159,708	4,018,174
Parks, recreation and culture	2,767,442	415,645	3,183,087
Community development	-	203,418	203,418
Economic development	1,084,429	826,820	1,911,249
Debt Service			
Principal retirement-bond obligations	458,845	287,000	745,845
Principal retirement-capital lease obligations	1,091,893	-	1,091,893
Interest and fiscal charges	120,345	52,457	172,802
Capital Outlay			
General government administration	35,067	-	35,067
Public safety	8,239,353	785,030	9,024,383
Public works	1,220,303	-	1,220,303
Parks, recreation and culture	334,026	109,643	443,669
Community development	-	-	-
Economic development	374,955	689,919	1,064,874
Total expenditures	<u>42,571,437</u>	<u>5,051,758</u>	<u>47,623,195</u>
Excess (deficiency) of revenues over (under) expenditures	(1,321,534)	1,391,766	70,232
<b>Other financing sources (uses)</b>			
Transfers in	2,635,197	406,278	3,041,475
Transfers out	(68,500)	(1,593,432)	(1,661,932)
Sale of capital assets	81,916	138,836	220,752
Proceeds of capital leases	1,450,000	-	1,450,000
Total other financing sources	<u>4,098,613</u>	<u>(1,048,318)</u>	<u>3,050,295</u>
Net change in fund balances	2,777,079	343,448	3,120,527
Fund balances, beginning of year	16,625,414	3,674,181	20,299,595
Fund balances, end of year	<u>\$ 19,402,493</u>	<u>\$ 4,017,629</u>	<u>\$ 23,420,122</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, 2016**

Amounts reported for governmental activities in the statement of activities (page 19) are different because:

Net change in fund balances -- total governmental funds (page 22) \$ 3,120,527

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	11,788,296
Depreciation expense not recorded in funds	(4,767,762)
Loss on disposition of capital assets	(28,434)

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

Property taxes	7,224
Donated capital assets	134,140

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

Payments on long-term debt	1,837,738
Issuance of long-term debt	(1,450,000)

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	8,185
Compensated absences	(259,669)
Prefunded OPEB obligation	69,492

Governmental funds report City pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense

City pension contributions	2,081,059
Cost of benefits earned net of employee contributions	(2,631,203)
Change in net position of governmental activities (page 19)	\$ 9,909,593

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 13,781,518	\$ 13,781,518	\$ 10,140,961	\$ (3,640,557)
Sales	-	-	4,121,745	4,121,745
Licenses, permits and franchise fees	8,511,000	8,511,000	9,210,026	699,026
Intergovernmental revenue				
State government	912,527	912,527	2,083,862	1,171,335
Local governments	4,482,883	4,482,883	11,536,352	7,053,469
Charges for services				
Sanitation fees and container rentals	2,734,400	2,734,400	2,724,837	(9,563)
Other	431,742	431,742	461,969	30,227
Fines, fees, and forfeitures	368,297	368,297	445,643	77,346
Interest income and investment return	15,000	15,000	82,920	67,920
Other	31,300	31,300	441,588	410,288
Total revenues	31,268,667	31,268,667	41,249,903	9,981,236
<b>EXPENDITURES</b>				
<b>General government administration:</b>				
Administration	1,943,468	1,943,468	1,830,911	(112,557)
City store	80,519	80,519	77,919	(2,600)
Planning	675,050	675,050	620,834	(54,216)
Business license department	221,492	221,492	208,299	(13,193)
Appropriations to other agencies	258,281	258,281	257,527	(754)
General insurance	660,000	695,888	590,493	(105,395)
Retiree insurance	865,337	865,337	863,263	(2,074)
Maintenance contracts	869,194	869,194	874,166	4,972
Miscellaneous	725,818	966,643	351,941	(614,702)
	6,299,159	6,575,872	5,675,353	(900,519)
<b>Public Safety and Law Enforcement:</b>				
Police	10,226,963	10,315,797	9,862,466	(453,331)
Fire	6,002,957	6,152,319	6,182,565	30,246
Building inspection	836,165	836,165	760,996	(75,169)
Codes enforcement	380,003	380,003	318,666	(61,337)
Municipal court	176,358	176,358	186,267	9,909
	17,622,446	17,860,642	17,310,960	(549,682)
<b>Public Works:</b>				
Construction	539,860	539,860	469,130	(70,730)
Public works	928,155	928,155	843,622	(84,533)
Buildings and grounds maintenance	36,881	49,271	35,256	(14,015)
Sanitation	2,582,578	2,582,578	2,400,536	(182,042)
Vehicle maintenance	91,125	91,125	109,922	18,797
	4,178,599	4,190,989	3,858,466	(332,523)

Continued

Page 2 of 2  
**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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Parks, recreation and culture</b>				
Parks	1,016,177	1,016,177	1,053,115	36,938
Gardens	714,182	714,182	729,240	15,058
Tennis	565,629	565,629	471,377	(94,252)
Aquatics	315,053	315,053	278,757	(36,296)
Opera House	27,650	27,650	234,953	207,303
	2,638,691	2,638,691	2,767,442	128,751
<b>Economic Development:</b>				
Downtown revitalization programs	385,980	385,980	480,262	94,282
Liberty Center	51,000	51,000	24,920	(26,080)
Hope Centers	605,203	605,203	579,247	(25,956)
	1,042,183	1,042,183	1,084,429	42,246
<b>Debt service</b>				
Principal retirement-bond obligations	458,845	458,845	458,845	-
Principal retirement-capital lease obligations	959,797	959,797	1,091,893	132,096
Interest and fiscal charges	122,304	122,304	120,345	(1,959)
	1,540,946	1,540,946	1,671,083	130,137
<b>Capital Outlay</b>				
General government administration	31,400	43,416	35,067	(8,349)
Public safety	969,888	1,166,573	8,239,353	7,072,780
Public works	1,280,123	1,280,123	1,220,303	(59,820)
Parks, recreation and culture	25,000	255,588	334,026	78,438
Economic Development:	-	-	374,955	374,955
	2,306,411	2,745,700	10,203,704	7,458,004
Total expenditures	35,628,435	36,595,023	42,571,437	5,976,414
Excess (deficiency) of revenues over (under) expenditures	(4,359,768)	(5,326,356)	(1,321,534)	4,004,822
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,363,109	2,593,697	2,635,197	41,500
Transfer in from reserves	605,159	1,151,159	-	(1,151,159)
Transfers out	(68,500)	(68,500)	(68,500)	-
Sale of capital assets	200,000	200,000	81,916	(118,084)
Proceeds of capital leases	1,260,000	1,450,000	1,450,000	-
Total other financing sources (uses)	4,359,768	5,326,356	4,098,613	(1,227,743)
Net change in fund balances	-	-	2,777,079	2,777,079
Fund balances, beginning of year	16,625,414	16,625,414	16,625,414	-
Fund balances, end of year	16,625,414	16,625,414	19,402,493	2,777,079

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

Assets	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Current assets:</b>			
Cash and cash equivalents	\$ 5,670,085	\$ 680,503	\$ 6,350,588
Investments	9,995,500	-	9,995,500
Accounts receivable, net of allowance for uncollectibles	4,158,239	263,529	4,421,768
Prepays and other	2,657	-	2,657
<b>Total current assets</b>	<b>19,826,481</b>	<b>944,032</b>	<b>20,770,513</b>
<b>Non-current assets:</b>			
Restricted cash and cash equivalents	31,731,697	-	31,731,697
Accounts receivable, net of allowance for uncollectibles	313,131	-	313,131
Interest in joint venture	100,000	-	100,000
Capital assets not being depreciated	9,510,569	-	9,510,569
Capital assets, depreciable, net of accumulated depreciation	76,049,384	1,261,322	77,310,706
<b>Total non-current assets</b>	<b>117,704,781</b>	<b>1,261,322</b>	<b>118,966,103</b>
<b>Total assets</b>	<b>137,531,262</b>	<b>2,205,354</b>	<b>139,736,616</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on bond refunding	2,326,012	-	2,326,012
Prepaid pension costs	725,041	10,993	736,034
<b>Total deferred outflows of resources</b>	<b>3,051,053</b>	<b>10,993</b>	<b>3,062,046</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accrued interest payable	191,021	-	191,021
Accounts payable	661,588	133,685	795,273
Accrued payroll	139,824	2,949	142,773
Customer deposits	332,320	-	332,320
Compensated absences payable	138,332	1,035	139,367
Bonds and leases payable - current portion	2,826,841	-	2,826,841
<b>Total current liabilities</b>	<b>4,289,926</b>	<b>137,669</b>	<b>4,427,595</b>
<b>Non-current liabilities:</b>			
Compensated absences payable	361,284	2,703	363,987
Bonds and leases payable	54,834,352	-	54,834,352
Net pension liability	7,698,582	113,806	7,812,388
<b>Total non-current liabilities</b>	<b>62,894,218</b>	<b>116,509</b>	<b>63,010,727</b>
<b>Total liabilities</b>	<b>67,184,144</b>	<b>254,178</b>	<b>67,438,322</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - pension	(7,327)	(3,896)	(11,223)
<b>Net Position</b>			
Net investment in capital assets	58,543,324	1,261,322	59,804,646
Restricted for debt service	3,413,145	-	3,413,145
Unrestricted	11,449,029	704,743	12,153,772
<b>Total net position</b>	<b>\$ 73,405,498</b>	<b>\$ 1,966,065</b>	<b>\$ 75,371,563</b>

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, 2016**

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Operating revenue</b>			
Charges for services			
Water	\$ 10,034,391	\$ -	\$ 10,034,391
Sewer	10,369,531	-	10,369,531
Storm water	-	620,516	620,516
Other operating revenue	1,552,240	-	1,552,240
Total operating revenues	<u>21,956,162</u>	<u>620,516</u>	<u>22,576,678</u>
<b>Operating expenses</b>			
Salaries and benefits	6,070,091	115,811	6,185,902
Bad debts	306,256	-	306,256
Utilities	2,032,456	-	2,032,456
Other operating expense	5,742,843	337,310	6,080,153
Depreciation	3,558,831	114,496	3,673,327
Total operating expenses	<u>17,710,477</u>	<u>567,617</u>	<u>18,278,094</u>
Operating income	4,245,685	52,899	4,298,584
<b>Non-operating revenues (expenses)</b>			
Premium on bonds	2,270,907	-	2,270,907
Interest expense	(1,755,884)	-	(1,755,884)
Pension expense	(154,987)	(3,186)	(158,173)
Miscellaneous expense	(185,820)	(34,545)	(220,365)
Interest income and investment return	292,510	-	292,510
Gain (loss) on sale of capital assets	(908,648)	-	(908,648)
Miscellaneous revenue	111,212	-	111,212
Total non-operating revenues (expenses)	<u>(330,710)</u>	<u>(37,731)</u>	<u>(368,441)</u>
Income before contributions and transfers	3,914,975	15,168	3,930,143
Capital contributions	6,233,819	493,335	6,727,154
Transfers out	(1,379,543)	-	(1,379,543)
Change in net position	<u>8,769,251</u>	<u>508,503</u>	<u>9,277,754</u>
Total net position, beginning of year as restated	<u>64,636,247</u>	<u>1,457,562</u>	<u>66,093,809</u>
Total net position, end of year	<u>\$ 73,405,498</u>	<u>\$ 1,966,065</u>	<u>\$ 75,371,563</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, 2016**

	Enterprise Funds		
	Water and	Non-major Storm Water	Totals
	Sewer Fund	Utility Fund	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 21,895,767	\$ 620,516	\$ 22,516,283
Payments to suppliers	(7,866,400)	(269,298)	(8,135,698)
Payments to employees	(5,844,317)	(108,695)	(5,953,012)
Net Cash Flows Provided by Operating Activities	<u>8,185,050</u>	<u>242,523</u>	<u>8,427,573</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Other non-operating revenue	2,382,119	-	2,382,119
Other non-operating expense	(340,807)	(37,730)	(378,537)
Interfund Loans - proceeds and collections		-	-
Transfer to other fund	(1,379,543)	-	(1,379,543)
Net Cash Flows Provided/(Used) by Non-Capital Financing Activities	<u>661,769</u>	<u>(37,730)</u>	<u>624,039</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	52,670,000	-	52,670,000
Proceeds from disposition of capital assets	72,760	-	72,760
Purchase and construction of capital assets	(4,753,489)	-	(4,753,489)
Principal paid on capital debt	(25,693,615)	-	(25,693,615)
Interest paid on capital debt	(2,774,262)	-	(2,774,262)
Net Cash Flows Used by Capital Financing Activities	<u>19,521,394</u>	<u>-</u>	<u>19,521,394</u>
<b>Cash Flows from Investing Activities</b>			
Interest on cash and cash equivalents	147,203	-	147,203
Net Cash Provided by Investing Activities	<u>147,203</u>	<u>-</u>	<u>147,203</u>
<b>Increase (Decrease) in cash and cash equivalents</b>	28,515,416	204,793	28,720,209
<b>Cash and cash equivalents, beginning of year</b>	8,886,366	475,710	9,362,076
<b>Cash and cash equivalents, end of year</b>	<u>\$ 37,401,782</u>	<u>\$ 680,503</u>	<u>\$ 38,082,285</u>
<b>Reconciliation of net operating income to net cash provided by operating activities:</b>			
Operating income	\$ 4,245,685	\$ 52,899	4,298,584
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,558,831	114,496	3,673,327
Change in current assets and liabilities:			
Decrease in accounts receivable	231,470	-	231,470
Increase in prepaids	(2,657)	-	(2,657)
Increase in deferred outflows of resources-pension	(123,837)	(2,544)	(126,381)
Increase in accrued absences	29,435	2,228	31,663
Increase in customer deposits	14,391	-	14,391
Increase (decrease) in accounts payable	(88,444)	68,012	(20,432)
Increase in accrued payroll	41,352	1,702	43,054
Increase in net pension liability	862,484	17,727	880,211
Decrease in deferred inflows of resources	(583,660)	(11,997)	(595,657)
Net cash provided by operating activities	<u>\$ 8,185,050</u>	<u>\$ 242,523</u>	<u>\$ 8,427,573</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, 2016**

	Private Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 8,952	\$ 1,605,193
Receivables	-	126,668
Total assets	\$ 8,952	\$ 1,731,861
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 55,729
Unearned revenue	-	-
Due to customers	-	40,975
Due to other organization	-	1,635,157
Total liabilities	-	1,731,861
<b>Net Position</b>		
Held in trust for other purposes	\$ 8,952	\$ -

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, 2016**

<b>Additions</b>	
Interest	\$ 31
Contributions	-
Total additions	31
<b>Deductions</b>	
Distributions to beneficiaries	-
Total deductions	-
Change in net position	31
Net position, beginning of year	8,921
Net position, end of year	\$ 8,952

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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. Taxes and other items not properly included among program revenues are reported as *general revenues*. The

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

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	Sunday Alcohol Permits
Downtown Loan	Local Accommodations Fee	

**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, 2016**

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, 2016**

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 75 percent of outstanding property taxes at June 30, 2016.

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.

*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,

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

cleaning and office supplies and promotional items. Payments to vendors that reflect costs applicable to a 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 \$33,002,721.

*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
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, 2016, 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.

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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

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<sup>1/2</sup> 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 at the face amount of the debt issued. In accordance with GASB 68, *Accounting and Financial Reporting for Pension Plans*, the City reports its share of the net pension liability in relation to the two cost-sharing, multiple-employer defined benefit pension plans that it participates in, which are administered by the South Carolina Public Employee Benefit Authority (PEBA).

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. The corresponding payments against the debt issued are reported as debt service expenditures.

*Property Taxes*

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

*Net Position*

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

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

*Governmental Fund Balances*

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



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

classifications are as follows:

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

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

*Use of Estimates*

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

**F. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**H. 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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures over Appropriations**

For the year ended June 30, 2016 expenditures exceeded appropriations in the Victim's Assistance fund by \$7,003. The over-expenditures were funded by revenue, which exceeded budgeted amounts by \$3,112, and by fund balance in the amount of \$3,891.

**III. ACCOUNTING CHANGES**

**A. Restatement of Beginning Net Position**

For fiscal year 2016, the City made an adjustment to the beginning net position of one of its enterprise funds due to a change in the estimated useful life of certain assets. Historically, the City has computed depreciation on water and sewer distribution and collection infrastructure over an estimated useful life of 40 to 75 years. As of year end, management's estimate of the service life for these assets is no more than 40 years. Although not required by GASB, it is management's intention to reflect the cumulative effect of this change retroactively by restating the beginning net position of its Water & Sewer Fund. These changes are in accordance with generally accepted accounting principles.

The following reflects the restatement of beginning net position of the Water & Sewer enterprise fund in the proprietary funds statements:

	<u>Proprietary Funds</u>
Net Position, June 30, 2015, as previously reported	\$ 67,330,551
Decrease resulting from application of	
change in accounting estimate	(1,236,742)
Net Position, July 1, 2015, as restated	\$ 66,093,809

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

*Cash Deposits*

As of June 30, 2016, the carrying amount of the government's bank deposits was \$20,058,409 and the respective bank balances totaled \$20,378,006. Of the total bank balances, \$2,025,487 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$18,352,519 was collateralized with securities held by the financial institutions in the government's name.

*Investments*

As of June 30, 2016, in accordance with South Carolina law applicable to local government deposits and investments, the government had the following investments:

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

Investment	Maturities	Fair Value
Insured or registered, or held by the government or its agent in the government's name:		
\$1,000,000 Federal Home Loan Banks bond 1.00%	04/28/2021	\$ 1,000,240
\$2,000,000 Federal Home Loan Mortgage Corporation bond 1%	06/30/2021	1,997,980
\$8,000,000 Federal Home Loan Mortgage Corporation bond 1%	06/30/2021	7,997,520
Other:		
Federated Treasury Obligation Fund #398	Short-term	1,360,110
Fidelity Prime Fund Daily Money Class	1 to 180 days	566,033
Investment in South Carolina Pooled Investment Fund		<u>38,754,164</u>
		<u>\$ 51,676,047</u>

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

*South Carolina Pooled Investment Fund*

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

*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 April 28, 2021, at which time a face value in the amount of \$1,000,000 will mature. Another \$10,000,000 is set to mature on June 30, 2021. It is also important to note that all \$11,000,000 in face value of the debt securities held by the City are considered 'step up' bonds, which are designed to minimize interest rate risk by periodically increasing the coupon payment by a predetermined amount. In addition, all of the City's holdings in debt securities become callable at their face value within six months after year end.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

**B. Receivables**

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

	General Fund	Special Revenue Fund	Water and Sewer Fund	Total
Current:				
Taxes				
Property	\$ 1,274,244	\$ -	\$ -	\$ 1,274,244
Sales and franchise	101,195	297,405	-	398,600
Intergovernmental	1,179,863	1,169,374	507,698	2,856,935
Accounts	35,076	-	2,659,429	2,694,505
Unbilled receivables	-	-	1,194,486	1,194,486
Loans and notes	100,175	753,831	45,000	899,006
Interest	-	-	278	278
Other	-	-	154,600	154,600
Non-current:				
Notes	-	-	313,131	313,131
Gross receivables	2,690,553	2,220,610	4,874,622	9,785,785
Less, allowance for uncollectibles	(1,003,998)	-	(139,723)	(1,143,721)
Net total receivables	\$ 1,686,555	\$ 2,220,610	\$ 4,734,899	\$ 8,642,064

**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 \$4,520 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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 12,148,287	\$ 193,108	\$ 8,130	\$ -	\$ 12,333,265
Works of Art	396,866	-	-	-	396,866
Construction in progress	721,934	8,522,040	-	(661,345)	8,582,629
Total capital assets not being depreciated	13,267,087	8,715,148	8,130	(661,345)	21,312,760
Capital assets being depreciated:					
Infrastructure	30,997,774	606,704	-	453,189	32,057,667
Buildings and improvements	23,521,965	208,156	-	-	23,730,121
Motor vehicles and outdoor equipment	19,895,232	1,711,495	213,162	208,156	21,601,721
Office equipment	3,226,652	680,634	-	-	3,907,286
Total capital assets being depreciated	77,641,623	3,206,989	213,162	661,345	81,296,795
Less accumulated depreciation for:					
Infrastructure	18,992,924	1,827,751	-	-	20,820,675
Buildings and improvements	11,833,866	829,953	-	-	12,663,819
Motor vehicles and outdoor equipment	13,588,717	1,854,741	192,858	-	15,250,600
Office equipment	3,120,379	255,317	-	-	3,375,696
Total accumulated depreciation	47,535,886	4,767,762	192,858	-	52,110,790
Total capital assets being depreciated, net	30,105,737	(1,560,773)	20,304	661,345	29,186,005
Governmental activities capital assets, net	\$ 43,372,824	\$ 7,154,375	\$ 28,434	\$ -	\$ 50,498,765

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 546,878	\$ 936,336	\$ -	\$ -	1,483,214
Construction in progress	2,241,663	6,916,780	553,728	(577,360)	8,027,355
Total capital assets not being depreciated	<u>2,788,541</u>	<u>7,853,116</u>	<u>553,728</u>	<u>(577,360)</u>	<u>9,510,569</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,789,659	-	-	-	71,789,659
Distribution and collection system	56,275,231	1,372,625	180,220	185,940	57,653,576
Wells and tanks	6,338,017	-	430,720	247,772	6,155,069
Machinery and equipment	10,722,714	946,252	49,875	143,648	11,762,739
Total capital assets being depreciated	<u>145,619,274</u>	<u>2,318,877</u>	<u>660,815</u>	<u>577,360</u>	<u>147,854,696</u>
Less accumulated depreciation for:					
Buildings	333,213	12,341	-	-	345,554
Plants and improvements	35,451,044	1,590,484	-	-	37,041,528
Distribution and collection system	18,924,090	1,019,593	49,561	-	19,894,122
Wells and tanks	4,049,294	277,486	138,221	-	4,188,559
Machinery and equipment	8,346,157	773,423	45,353	-	9,074,227
Total accumulated depreciation	<u>67,103,798</u>	<u>3,673,327</u>	<u>233,135</u>	<u>-</u>	<u>70,543,990</u>
Total capital assets being depreciated, net	<u>78,515,476</u>	<u>(1,354,450)</u>	<u>427,680</u>	<u>577,360</u>	<u>77,310,706</u>
Business-type activities capital assets, net	<u>\$ 81,304,017</u>	<u>\$ 6,498,666</u>	<u>\$ 981,408</u>	<u>\$ -</u>	<u>\$ 86,821,275</u>

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

Governmental activities:	
General government	\$ 226,347
Public safety	1,423,460
Public works	1,839,820
Parks, recreation and culture	843,178
Community development	141,951
Economic development	293,006
Total depreciation expense - governmental activities	<u>\$ 4,767,762</u>
Business-type activities:	
Water and sewer services	\$ 3,673,327
Total depreciation expense - business type activities	<u>\$ 3,673,327</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

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 (1)	Payments Remaining
<i>Governmental Activities</i>			
Tennis Courts/Pro Shop	23,490	34,540	11,050
Downtown Revitalization	733,719	918,099	184,380
Police Station/E911 Facility	7,445,403	15,000,000	7,554,597
Fire Station	144,086	5,600,000	5,455,914
Parking Garage	113,687	4,000,000	3,886,313
Aquatics Center Building Expansion	39,864	40,000	136
Fire Dept. - Alice Dr. Station	1,817	880,000	878,183
Fire Dept. - Training Center	25,040	33,078	8,038
Manning Avenue Gateway	1,681	348,000	346,319
Skate Park	5,250	10,500	5,250
Swan Lake Sound System	7,289	30,000	22,711
Downtown Wayfinding Project	38,000	38,000	-
Opera House Renovation	3,303	251,800	248,497
<i>Total Governmental</i>	<u>8,582,629</u>	<u>25,592,639</u>	<u>17,092,390</u>
<i>Business-type Activities</i>			
SCADA System	720,506	727,866	7,360
Water Plant #6	5,976,183	8,000,000	2,023,817
Utility Billing Dept. Building	30,570	2,000,000	1,969,430
9 & 11 S. Main St./16 E. Liberty St.	261,239	750,000	488,761
Wastewater Infiltration Study	47,382	65,210	17,828
Water Plant #5 Expansion	405,956	850,000	444,044
New World Systems Software	445,129	710,000	264,871
Sewer Line serving Becton Dickinson	10,450	90,000	79,550
Fulton Street Bridge Sewer Line	129,940	143,000	13,060
<i>Total Business-type Activities</i>	<u>8,027,355</u>	<u>13,103,076</u>	<u>2,031,177</u>
	<u>16,609,984</u>	<u>38,695,715</u>	<u>19,123,567</u>

(1) - An estimate was provided by management for projects that are in between contracts or where a ratified contract does not exist as of June 30, 2016.

**E. Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2016, for both the City's governmental activities and business-type activities. 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, 2016**

*Summary of changes in long-term obligations:*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,714,307	\$ -	\$ 458,845	\$ 2,255,462	\$ 474,019
Revenue bonds	1,020,000	-	248,000	772,000	253,000
Notes payable	636,000	-	39,000	597,000	41,000
Capital leases	2,891,391	1,450,000	1,091,894	3,249,497	1,042,430
Compensated absences	3,294,189	1,469,894	1,210,225	3,553,858	983,975
Governmental activity long-term liabilities	<u>\$ 10,555,887</u>	<u>\$ 2,919,894</u>	<u>\$ 3,047,964</u>	<u>\$ 10,427,817</u>	<u>\$ 2,794,424</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 30,684,808	\$ 52,670,000	\$ 25,693,615	\$ 57,661,193	\$ 2,826,841
Compensated absences	471,691	218,721	187,058	503,354	139,367
Business-type activity long-term liabilities	<u>\$ 31,156,499</u>	<u>\$ 52,888,721</u>	<u>\$ 25,880,673</u>	<u>\$ 58,164,547</u>	<u>\$ 2,966,208</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 year end are as follows:

\$2,000,000 Series 2010, payable in annual installments varying from \$247,436 to \$255,773 including interest at 3.63%, maturing May 2019	710,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	623,374
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	922,088
Total General Obligation Bonds	<u>\$ 2,255,462</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>\$ 772,000</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, 2016**

\$815,000 Series 2000, payable in annual installments of \$65,768 including interest at 5.29%, maturing June 2020	\$ 231,640
\$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. Bonds maturing in years 2018 through 2032 were legally defeased in an advance refunding in relation to the issuance of the Series 2015 Bonds.	\$ 2,045,000
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	2,714,553
\$52,670,000 Series 2015, payable in annual installments varying from \$1,361,956 to \$3,877,025 including interest varying from 2 to 5%, maturing in June 2041	<u>52,670,000</u>
Total Revenue Bonds Payable	<u><u>\$ 57,661,193</u></u>

On September 15, 2015, the City issued \$52,670,000 in face value of Water and Sewer Fund revenue bonds with interest rates ranging between 2 and 5 percent. The City issued the bonds in an advance refunding of \$23,830,000 of outstanding series 2007 Water & Sewer Fund revenue bonds with interest rates ranging between 4 and 5 percent. As a result, that portion of the 2007 series bonds is considered to be defeased, and the City has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 18 years by \$1,943,823. This results in an economic gain (difference between the present values of the debt service payments on the refunded and refunding debt) of \$1,478,196. The remaining proceeds from the revenue bonds will be used to defray all or a portion of the costs of certain capital improvements to the Water and Sewer System (the System), including, but not limited to maintaining, improving, and replacing certain water and sewer lines of the System, maintaining and replacing all water meters within the System and installing an automated meter reading system, constructing a new water treatment plant, and various improvements to the City's existing water treatment plants.

*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	<u><u>\$ 597,000</u></u>
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*Capital Leases*

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



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

Year Ending June 30,	Governmental Activities
2017	\$ 1,086,719
2018	880,966
2019	729,831
2020	424,204
2021	227,094
Thereafter	-
Total minimum lease payments	3,348,814
Less: amount representing interest	(99,317)
Present value of minimum lease payments	\$ 3,249,497

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Motor vehicles and outdoor equipment	\$ 6,400,411
Less: accumulated depreciation	(3,012,634)
Total	\$ 3,387,777

*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>						
2017	768,019	104,567	872,586	1,042,430	44,289	1,959,305
2018	784,306	83,543	867,849	851,480	29,486	1,748,815
2019	807,708	61,940	869,648	712,814	17,017	1,599,479
2020	308,227	42,310	350,537	417,242	6,962	774,741
2021	316,866	33,958	350,824	225,531	1,563	577,918
2022-2026	570,336	70,118	640,454	-	-	640,454
2027	69,000	1,991	70,991	-	-	70,991
Total	\$ 3,624,462	\$ 398,427	\$ 4,022,889	\$ 3,249,497	\$ 99,317	\$ 7,371,703
 <u>Business-Type Activities</u>						
2017	2,826,841	3,213,894	6,040,735	-	-	6,040,735
2018	2,930,934	3,111,226	6,042,160	-	-	6,042,160
2019	3,055,963	1,843,023	4,898,986	-	-	4,898,986
2020	2,197,455	1,739,063	3,936,518	-	-	3,936,518
2021	2,190,000	1,687,025	3,877,025	-	-	3,877,025
2022-2026	12,045,000	7,318,657	19,363,657	-	-	19,363,657
2027-2031	14,265,000	5,105,267	19,370,267	-	-	19,370,267
2032-2036	10,260,000	2,784,884	13,044,884	-	-	13,044,884
2037-2041	7,890,000	946,925	8,836,925	-	-	8,836,925
Total	\$ 57,661,193	\$ 27,749,964	\$ 85,411,157	\$ -	\$ -	\$ 85,411,157

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

**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, 2016, were:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grants Fund	\$ 530,319
General Fund	HUD Section 8 Loans Fund	132,050
General Fund	Community Development Block Grant Fund	22,908
General Fund	State Accommodations Tax Fund	297,643
		\$ 982,920

**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, 2016, consisted of the following:

Transfer out:	Transfer In:				
	General	Nonmajor	Water and	Nonmajor	
	Fund	Governmental	Sewer	Enterprise	
	Fund	Fund	Enterprise	Fund	
General fund	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental funds	1,255,654	406,278	-	-	1,661,932
Water and sewer enterprise fund	1,379,543	-	-	-	1,379,543
Nonmajor enterprise fund	-	-	-	-	-
	\$ 2,635,197	\$ 406,278	\$ -	\$ -	\$ 3,041,475

**V. 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 Public Employee Benefit Authority (PEBA).

**B. Employee Retirement Systems**

*Plan Description*

The South Carolina Retirement System (SCRS), a cost-sharing multiple- employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

for the purpose of providing retirement allowances and other benefits for employees of the state and its political subdivisions.

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

*Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Benefits*

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is

**CITY OF SUMTER, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2016**

eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Contributions*

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

Required employee contribution rates for fiscal year 2016 are as follows:

**SCRS**

Employee Class Two	8.16 % of earnable compensation
Employee Class Three	8.16 % of earnable compensation

**PORS**

Employee Class One	\$21 per month
Employee Class Two	8.74 % of earnable compensation
Employee Class Three	8.74 % of earnable compensation

Required employer contribution rates for fiscal year 2016 are as follows:

**SCRS**

Employee Class Two	10.91 % of earnable compensation
Employee Class Three	10.91 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

**PORS**

Employee Class One	13.34 % of earnable compensation
Employee Class Two	13.34 % of earnable compensation
Employee Class Three	13.34 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the City reported a liability of \$24,771,764 for the SCRS and \$14,429,661 for the PORS for a total of \$39,201,425 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's portion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2015, the City's proportion was 0.130615% for the SCRS, which is an increase of .002334% from its proportion measured as of June 30, 2014. At June 30, 2015 the City's portion was .66206% for the PORS, which is an increase of .0262% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized a pension expense of \$708,319. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	726,108	44,300
Net difference between projected and actual earnings on pension plan investments	323,695	-
Changes in proportionate share and difference between City contributions and proportionate share of contributions	752,722	-
City Contributions subsequent to measurement date	<u>2,539,881</u>	<u>-</u>
Total	<u><u>4,342,406</u></u>	<u><u>44,300</u></u>

The amount of \$2,539,881 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods are aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. In accordance with GASB 68 these amounts are to be amortized over the average remaining service lives of all employees of the plan and recognized as a component of pension expense as follows:

<u>June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2016	186,542	152,565	339,107
2017	186,542	152,565	339,107
2018	35,372	139,934	175,306
2019	<u>475,122</u>	<u>429,583</u>	<u>904,705</u>
	<u><u>883,578</u></u>	<u><u>874,647</u></u>	<u><u>1,758,225</u></u>

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014 valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions are used in July 1, 2014 valuations for SCRS and PORS are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter of 2013, as developed by the Retirement Systems Investment Commission (RSIC) in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgement.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	<u>100.0%</u>		6.00%
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u><u>8.75%</u></u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following table presents the City's proportionate share of each system's net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability for each system would be if it were calculated using a discount rate that is 1.00 percent lower (6.5 percent) or 1.00 percent higher (8.5 percent) than the current rate.

	1.00% Decrease      Current Discount Rate      1.00 % Increase		
	(6.50%)	(7.50%)	(8.50%)
System			
SCRS	\$ 31,230,117	\$ 24,771,764	\$ 19,358,844
PORS	\$ 19,656,448	\$ 14,429,661	\$ 9,757,031

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

*Pension Plan Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefit's website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

**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, 2015, the measurement date for the plan year, there were 680 covered participants; 125 members were retirees receiving benefits and 555 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 2016, the City contributed \$306,111 for current premiums and an additional \$703,476 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



**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

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 23 years starting July 1, 2015. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and any changes in the City's obligation under the plan:

Net liability for OPEB, beginning of year	-
Adjustment to annual required contribution	-
Components of increase for year	
Normal cost for current year	306,111
Amortization of unfunded actuarially accrued liabilities	703,476
Annual required contribution (ARC) for current year:	1,009,587
Actual contribution	(1,079,079)
Net increase in obligation for OPEB	(69,492)
Net liability for OPEB, end of year	(69,492)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2015 and for 2016 was as follows:

Fiscal Yr.	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2014	975,909	100%	-
2015	1,021,623	100%	-
2016	1,009,587	107%	-

An assumed rate of return on investments of 5 percent was used to calculate the annual OPEB costs for fiscal years 2014 through 2016.

*Funded Status and Funding Progress*

Based on an actuarial valuation date of July 1, 2015, the funded status of the plan as of year end was as follows:

Actuarially accrued liabilities (AAL):	16,420,685
Actuarial value of plan assets:	3,539,105
Unfunded AAL (UAAL):	12,881,580
Funded ratio:	21.6%
Covered payroll:	19,927,947
UAAL as a percentage of covered payroll:	65%

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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

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 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 7.5 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**

*GASB Statement No. 74 and GASB Statement No. 75*

In June 2015, the GASB issued Statement No. 74 and Statement No. 75 (GASB 74 and 75). The disclosure requirements of these statements will be similar to the disclosure requirements for pension benefits under GASB Statement No. 67 and Statement No. 68. GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, relates to accounting disclosures required of plan sponsors, effectively replacing the requirements of GASB Statement No. 43. GASB 74 will take effect for fiscal years beginning after June 15, 2016. GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, relates to the accounting disclosures required of contributing employers, effectively replacing the requirements of GASB Statement No. 45. GASB 75 will take effect for fiscal years beginning after June 15, 2017. GASB 74 and 75 will require applicable OPEB plan sponsors and contributing employers to disclose the net OPEB liability on the Statement of Net Position, and to book a related expense on the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position. In addition, there will be several other changes in the liability valuation and related accounting disclosures.

*GASB Statement No. 77*

In August of 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 will require governments that enter into tax abatement agreements to disclose certain information about those agreements, including, the type of tax being abated, and dollar amount of taxes abated during the period being reported on. GASB 77 will take effect for fiscal years beginning after December 15, 2015.

**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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2016**

be determined at this time although the City expects such amounts, if any, to be immaterial.

**H. Subsequent Events**

Management has evaluated subsequent events through December 1, 2016, 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 –  
SCHEDULE OF EMPLOYER’S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS  
For the Year Ended June 30, 2016**

**Schedule of Employer’s Proportionate Share of Net Pension Liability**

	2016		2015	
	<u>SCRS</u>	<u>PORS</u>	<u>SCRS</u>	<u>PORS</u>
Proportion of the Net Pension Liability	0.130615%	0.66206%	0.128281%	0.63586%
Proportionate Share of the Net Pension Liability	24,771,764	14,429,661	22,085,735	12,173,040
Covered-Employee Payroll (A)	12,246,749	8,202,053	11,777,703	7,877,669
Proportionate Share of the Net Pension Liability as a percentage of Covered-Employee Payroll	202.27%	175.93%	187.52%	154.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B)	57.00%	64.60%	59.90%	67.50%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

(A) - Covered-employee payroll as reported to SCRS during the measurement period  
July 2014 through June 2015

(B) - Presented in *Audit Report on the Schedules of Employer Allocations, Schedules of Pension Amounts By Employer, and Related Notes* for South Carolina Retirement Systems (Fiscal Year Ended June 30, 2015) administered by the South Carolina Public Employee Benefit Authority page 58

**Schedule of Employer Contributions to SCRS**

Fiscal Year	SCRS		Contributions in Relation to		Contributions as a % of	
	Contractually Required Contribution <sup>1</sup>	Contractually Required Contribution <sup>2</sup>	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>3</sup>	Covered Employee Payroll	Covered Employee Payroll
2015	\$ 1,230,770	\$ 1,230,770	-	\$ 11,777,703		10.45%
2016	1,316,526	1,316,526	-	12,246,749		10.75%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

<sup>1</sup> Contribution rate multiplied by the covered employee payroll

<sup>2</sup> Actual employer contributions remitted to SCRS

<sup>3</sup> Covered employee payroll amount for the fiscal year ended June 30, 2015

**CITY OF SUMTER, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION –  
SCHEDULE OF EMPLOYER’S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS (CONTINUED)  
For the Year Ended June 30, 2016**

**Schedule of Employer Contributions to PORS**

Fiscal Year	PORS Contractually Required Contribution <sup>1</sup>	Contributions in Relation to			Covered Employee Payroll <sup>3</sup>	Contributions as a % of Covered Employee Payroll
		Contractually Required Contribution <sup>2</sup>	Contractually Required Contribution <sup>2</sup>	Contribution Deficiency (Excess)		
2015	\$ 979,982	\$ 979,982		-	\$ 7,877,669	12.44%
2016	1,067,087	1,067,087		-	8,202,053	13.01%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

<sup>1</sup> Contribution rate multiplied by the covered employee payroll

<sup>2</sup> Actual employer contributions remitted to PORS

<sup>3</sup> Covered employee payroll amount for the fiscal year ended June 30, 2015

**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, 2016**

**Schedule of Funding Progress**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Total Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Actuarial Value of Assets as Percentage of Actuarial Accrued Liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a
							Percentage of Covered Payroll ((b-a)/c)
2014	7/1/2013	2,530,766	15,277,225	12,746,459	16.6%	18,039,601	71%
2015	7/1/2013	3,225,470	15,277,225	12,051,755	21.1%	18,580,789	65%
2016	7/1/2015	3,539,105	16,420,685	12,881,580	21.6%	19,927,947	65%

**CITY OF SUMTER, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION –  
 SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –  
 OTHER POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN (CONTINUED)  
 For the Year Ended June 30, 2016**

**Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Actual Contribution	Annual Percentage Contributed
2014	975,909	975,909	100%
2015	1,021,623	1,021,623	100%
2016	1,009,587	1,079,079	107%

**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, 2016**

The most recent valuation of the City’s plan is based on plan benefits in effect as of July 1, 2015. The previous valuation was based on information as of July 1, 2013. The 2015 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, 2016**

	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	Sunday Alcohol Permits Fund
<b>ASSETS</b>										
Cash and cash equivalents	\$ 194,562	\$ -	\$ 45,413	\$ 40,181	\$ -	\$ -	\$ 166,563	\$ 12,379	\$ 258,404	\$ 46,845
Receivables, net of allowance for doubtful accounts	76,219	603,000	74,612	-	833,698	44,852	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 270,781</u>	<u>\$ 603,000</u>	<u>\$ 120,025</u>	<u>\$ 40,181</u>	<u>\$ 833,698</u>	<u>\$ 44,852</u>	<u>\$ 166,563</u>	<u>\$ 12,379</u>	<u>\$ 258,404</u>	<u>\$ 46,845</u>
<b>LIABILITIES</b>										
Liabilities										
Accounts payable	\$ -	\$ 48,945	\$ 36	\$ -	\$ 201,374	\$ 12,052	\$ 6,450	\$ -	\$ -	\$ -
Accrued compensation and benefits	-	-	-	-	529	5,220	-	-	-	-
Due to other funds	-	132,050	-	-	530,319	22,908	-	-	-	-
Unearned Revenue	-	-	-	-	-	4,000	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>180,995</u>	<u>36</u>	<u>-</u>	<u>732,222</u>	<u>44,180</u>	<u>6,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>76,219</u>	<u>-</u>	<u>74,612</u>	<u>-</u>	<u>101,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>										
Restricted	194,562	422,005	45,377	40,181	-	672	160,113	12,379	258,404	46,845
Total fund balances	<u>194,562</u>	<u>422,005</u>	<u>45,377</u>	<u>40,181</u>	<u>-</u>	<u>672</u>	<u>160,113</u>	<u>12,379</u>	<u>258,404</u>	<u>46,845</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 270,781</u>	<u>\$ 603,000</u>	<u>\$ 120,025</u>	<u>\$ 40,181</u>	<u>\$ 833,698</u>	<u>\$ 44,852</u>	<u>\$ 166,563</u>	<u>\$ 12,379</u>	<u>\$ 258,404</u>	<u>\$ 46,845</u>

Continued

**Page 2 of 2**  
**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2016**

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,156,935	\$ -	\$ 518,041	\$ 270,858	\$ 22,953	\$ 884,819	\$ 1,123	\$ 3,619,076
Receivables, net of allowance for doubtful accounts	236,132	170,992	45,546	-	-	135,559	-	2,220,610
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ 1,393,067	\$ 170,992	\$ 563,587	\$ 270,858	\$ 22,953	\$ 1,020,378	\$ 1,123	\$ 5,839,686
<b>LIABILITIES</b>								
Liabilities								
Accounts payable	\$ 17,825	\$ 2,789	\$ 10,343	\$ 4,730	\$ 49	\$ 13,023	\$ 30	\$ 317,646
Accrued compensation and benefits	-	16,395	-	-	3,345	1,405	-	26,894
Due to other funds	-	297,643	-	-	-	-	-	982,920
Unearned Revenue	-	-	-	-	-	-	-	4,000
Escrow for seized funds and deposits	-	-	-	238,290	-	-	-	238,290
Total liabilities	17,825	316,827	10,343	243,020	3,394	14,428	30	1,569,750
<b>DEFERRED INFLOWS OF RESOURCES</b>								
	-	-	-	-	-	-	-	252,307
<b>FUND BALANCES</b>								
Restricted	1,375,242	(145,835)	553,244	27,838	19,559	1,005,950	1,093	4,017,629
Total fund balances	1,375,242	(145,835)	553,244	27,838	19,559	1,005,950	1,093	4,017,629
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,393,067	\$ 170,992	\$ 563,587	\$ 270,858	\$ 22,953	\$ 1,020,378	\$ 1,123	\$ 5,839,686

**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, 2016**

	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	Sunday Alcohol Permits Fund
<b>REVENUES</b>										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-	-	29,895
Intergovernmental revenue	-	-	-	-	1,235,715	180,034	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Interest income	3,601	52,293	124	-	-	-	615	-	-	-
Rent and miscellaneous	26,524	-	2,750	-	-	-	28,576	4,219	-	-
Total revenues	30,125	52,293	2,874	-	1,235,715	180,034	29,191	4,219	-	29,895
<b>EXPENDITURES</b>										
Current										
General government administration	-	-	-	-	520,850	-	-	-	-	-
Public safety	-	-	-	-	305,867	-	-	-	-	-
Public works	-	-	-	-	159,708	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	128,898	-	-	-	-	-
Community development	-	-	23,133	-	-	180,285	-	-	-	-
Economic development	-	-	-	-	111,708	-	303	1,368	-	-
Debt service										
Bond principal	-	39,000	-	-	-	-	-	-	248,000	-
Interest and fiscal charges	-	34,179	-	-	-	-	-	-	18,278	-
Capital outlay										
Public safety	-	-	-	-	133,163	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	14,357	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	73,179	23,133	-	1,374,551	180,285	303	1,368	266,278	-
Excess (deficiency) of revenues over (under) expenditures	30,125	(20,886)	(20,259)	-	(138,836)	(251)	28,888	2,851	(266,278)	29,895
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	-	-	-	266,278	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	138,836	-	-	-	-	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	138,836	-	-	-	266,278	-
Net change in fund balances	30,125	(20,886)	(20,259)	-	-	(251)	28,888	2,851	-	29,895
Fund balances, beginning of year	164,437	442,891	65,636	40,181	-	923	131,225	9,528	258,404	16,950
Fund balances, end of year	\$ 194,562	\$ 422,005	\$ 45,377	\$ 40,181	\$ -	\$ 672	\$ 160,113	\$ 12,379	\$ 258,404	\$ 46,845

Continued

Page 2 of 2  
**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2016**

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
<b>REVENUES</b>								
Sales taxes	\$ 2,654,676	\$ -	\$ 574,494	\$ -	\$ -	\$ -	\$ -	\$ 3,229,170
Licenses, permits and fees	-	-	-	-	-	1,048,996	-	1,078,891
Intergovernmental revenue	-	389,642	-	-	-	-	134,453	1,939,844
Fines and forfeitures	-	-	-	20,903	54,383	-	-	75,286
Interest income	-	-	-	477	-	1,154	-	58,264
Rent and miscellaneous	-	-	-	-	-	-	-	62,069
Total revenues	2,654,676	389,642	574,494	21,380	54,383	1,050,150	134,453	6,443,524
<b>EXPENDITURES</b>								
Current								
General government administration	-	-	-	-	-	-	-	520,850
Public safety	-	-	-	5,139	58,275	498,656	133,331	1,001,268
Public works	-	-	-	-	-	-	-	159,708
Parks, recreation and culture	203,301	83,446	-	-	-	-	-	415,645
Community development	-	-	-	-	-	-	-	203,418
Economic development	138,306	538,803	36,332	-	-	-	-	826,820
Debt service								
Bond principal	-	-	-	-	-	-	-	287,000
Interest and fiscal charges	-	-	-	-	-	-	-	52,457
Capital outlay								
Public safety	-	-	-	-	-	651,867	-	785,030
Parks, recreation and culture	76,826	18,460	-	-	-	-	-	109,643
Community development	-	-	-	-	-	-	-	-
Economic development	607,919	-	82,000	-	-	-	-	689,919
Total expenditures	1,026,352	640,709	118,332	5,139	58,275	1,150,523	133,331	5,051,758
Excess (deficiency) of revenues over (under) expenditures	1,628,324	(251,067)	456,162	16,241	(3,892)	(100,373)	1,122	1,391,766
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	140,000	-	-	-	-	-	406,278
Transfers out	(1,303,926)	-	(289,506)	-	-	-	-	(1,593,432)
Sale of capital assets	-	-	-	-	-	-	-	138,836
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,303,926)	140,000	(289,506)	-	-	-	-	(1,048,318)
Net change in fund balances	324,398	(111,067)	166,656	16,241	(3,892)	(100,373)	1,122	343,448
Fund balances, beginning of year	1,050,844	(34,768)	386,588	11,597	23,451	1,106,323	(29)	3,674,181
Fund balances, end of year	\$ 1,375,242	\$ (145,835)	\$ 553,244	\$ 27,838	\$ 19,559	\$ 1,005,950	\$ 1,093	\$ 4,017,629

**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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenue</b>				
Water revenue	\$ 9,805,742	\$ 9,805,742	\$ 10,034,391	\$ 228,649
Sewer revenue	9,984,405	9,984,405	10,369,531	385,126
Other operating revenue	1,341,980	1,341,980	1,552,240	210,260
Premium on bonds	-	-	2,270,907	2,270,907
Grants	-	-	-	-
Capital contributions	-	-	6,233,819	6,233,819
Interest income and investment return	11,605	11,605	292,510	280,905
Gain (loss) on sale of capital assets	-	-	(908,648)	(908,648)
Miscellaneous	80,000	80,000	111,212	31,212
Appropriation from net position	-	2,084,175	-	(2,084,175)
	<u>21,223,732</u>	<u>23,307,907</u>	<u>29,955,962</u>	<u>6,648,055</u>
<b>Expenses</b>				
Salaries and benefits	\$ 6,218,842	\$ 6,218,842	\$ 6,070,091	\$ (148,751)
Bad debts	400,000	400,000	306,256	(93,744)
Utilities	2,021,500	2,021,500	2,032,456	10,956
Other operating expense	5,306,329	5,306,329	5,742,843	436,514
Pension expense	-	-	154,987	154,987
Depreciation	1,397,932	1,397,932	3,558,831	2,160,899
Interest expense	1,375,021	1,375,021	1,755,884	380,863
Miscellaneous	168,335	168,335	185,820	17,485
Transfers	1,379,543	1,379,543	1,379,543	-
Capital expenditures	2,956,230	5,040,405	4,753,489	(286,916)
	<u>21,223,732</u>	<u>23,307,907</u>	<u>25,940,200</u>	<u>2,632,293</u>
<b>Operating Income</b>	<u>\$ -</u>	<u>\$ -</u>	<u>4,015,762</u>	<u>\$ 4,015,762</u>
Reconciliation to change in net position:				
Capital expenditures			4,753,489	
<b>Change in net position</b>			<u>\$ 8,769,251</u>	

**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER**  
**For the Year Ended June 30, 2016**

Operating Revenue	21,956,162
Operating expenses exclusive of depreciation	(14,151,646)
Net revenue available for debt service	7,804,516
Debt service requirement	
Principal	1,863,615
Interest	1,593,319
Total	3,456,934
Revenue bond coverage for the year ended June 30, 2016	2.26

**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, 2016**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 3,110	\$ 508	\$ 1,466	\$ 3,868	\$ 8,952
Total assets	3,110	508	1,466	3,868	8,952
<b>Liabilities</b>	-	-	-	-	-
<b>Net position held in trust for other purposes</b>	<b>\$ 3,110</b>	<b>\$ 508</b>	<b>\$ 1,466</b>	<b>\$ 3,868</b>	<b>\$ 8,952</b>

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE**  
**TRUST FUNDS**  
**For the Year Ended June 30, 2016**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>ADDITIONS</b>					
Interest	\$ 16	\$ 3	\$ 8	\$ 4	\$ 31
Contributions	-	-	-	-	-
Total additions	16	3	8	4	31
<b>DEDUCTIONS</b>					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	-	-	-	-	-
Change in net position	16	3	8	4	31
Net position, beginning of year	3,093	506	1,458	3,864	8,921
Net position, end of year	\$ 3,109	\$ 509	\$ 1,466	\$ 3,868	\$ 8,952

**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, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>CHDO Fund</b>				
Assets				
Cash and cash equivalents	\$ 593,555	\$ 143,055	\$ (159,988)	\$ 576,622
Receivables	-	7,655	-	7,655
	<u>\$ 593,555</u>	<u>\$ 150,710</u>	<u>\$ (159,988)</u>	<u>\$ 584,277</u>
Liabilities				
Accounts payable	\$ 9,100	\$ 150,388	\$ (144,040)	\$ 15,448
Due to other organization	584,455	8,294	(23,920)	568,829
	<u>\$ 593,555</u>	<u>\$ 158,682</u>	<u>\$ (167,960)</u>	<u>\$ 584,277</u>
<b>Sumter Green Fund</b>				
Assets				
Cash and cash equivalents	\$ 127,470	\$ 60,574	\$ (38,275)	\$ 149,769
Accounts receivable	2,000	63,154	(62,574)	2,580
	<u>\$ 129,470</u>	<u>\$ 123,728</u>	<u>\$ (100,849)</u>	<u>\$ 152,349</u>
Liabilities				
Accounts payable	\$ 547	\$ 36,006	\$ (35,425)	\$ 1,128
Unearned revenue	\$ 4,850	-	\$ (4,850)	-
Due to other organization	124,073	63,154	(36,006)	151,221
	<u>\$ 129,470</u>	<u>\$ 99,160</u>	<u>\$ (76,281)</u>	<u>\$ 152,349</u>
<b>Swan Fund</b>				
Assets				
Cash and cash equivalents	\$ 326	\$ -	\$ -	\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326</u>
Liabilities				
Due to other organization	\$ 326	\$ -	\$ -	\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326</u>
<b>Support of Shaw Fund</b>				
Assets				
Cash and cash equivalents	\$ 250,047	\$ 5,000	\$ (10,515)	\$ 244,532
	<u>\$ 250,047</u>	<u>\$ 5,000</u>	<u>\$ (10,515)</u>	<u>\$ 244,532</u>
Liabilities				
Due to other organization	\$ 250,047	\$ 5,000	\$ (10,515)	\$ 244,532
	<u>\$ 250,047</u>	<u>\$ 5,000</u>	<u>\$ (10,515)</u>	<u>\$ 244,532</u>
<b>Dalzell Water District Fund</b>				
Assets				
Cash and cash equivalents	\$ 537,990	\$ 475,627	\$ (428,398)	\$ 585,219
Receivables	23,158	537,793	(498,785)	62,166
	<u>\$ 561,148</u>	<u>\$ 1,013,420</u>	<u>\$ (927,183)</u>	<u>\$ 647,385</u>
Liabilities				
Accounts payable	\$ 4,928	\$ 450,029	\$ (444,588)	\$ 10,369
Due to customers	39,950	1,125	(100)	40,975
Due to other organization	516,270	444,814	(365,043)	596,041
	<u>\$ 561,148</u>	<u>\$ 895,968</u>	<u>\$ (809,731)</u>	<u>\$ 647,385</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, 2016**

	Balance		Balance
	Beginning of Year	Additions	End of Year
<b>Oswego Water District Fund</b>			
Assets			
Cash and cash equivalents	\$ 34,839	\$ 448,866	\$ (434,980) \$ 48,725
Receivables	47,238	508,681	(501,652) 54,267
	<u>\$ 82,077</u>	<u>\$ 957,547</u>	<u>\$ (936,632) \$ 102,992</u>
Liabilities			
Accounts payable	\$ 16,161	\$ 183,323	\$ (170,700) \$ 28,784
Due to other organization	65,916	559,283	(550,991) 74,208
	<u>\$ 82,077</u>	<u>\$ 742,606</u>	<u>\$ (721,691) \$ 102,992</u>
<b>Total Agency Funds</b>			
Assets			
Cash and cash equivalents	\$ 1,544,227	\$ 1,133,122	\$ (1,072,156) \$ 1,605,193
Receivables	72,396	1,117,283	(1,063,011) 126,668
	<u>\$ 1,616,623</u>	<u>\$ 2,250,405</u>	<u>\$ (2,135,167) \$ 1,731,861</u>
Liabilities			
Accounts payable	\$ 30,736	\$ 819,746	\$ (794,753) \$ 55,729
Unearned revenue	4,850	-	- -
Due to customers	39,950	1,125	(100) 40,975
Due to other organization	1,541,087	1,080,545	(986,475) 1,635,157
	<u>\$ 1,616,623</u>	<u>\$ 1,901,416</u>	<u>\$ (1,781,328) \$ 1,731,861</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, 2016**

	<u>2015</u>	<u>2016</u>
Court fines, assessments and surcharges:		
Collected	796,642	869,583
Remitted to State Treasurer	(434,808)	(481,162)
Retained by the City	<u>361,834</u>	<u>388,421</u>
Fines, assessments and surcharges retained by the City:		
General fund	311,509	334,038
Victims advocate services	50,325	54,383
Total assessments and surcharges retained by the City	<u>361,834</u>	<u>388,421</u>
Funds allocated to victims advocate service special revenue fund		
Carryover from prior year	25,969	23,451
Surcharges and assessments retained current year	50,325	54,383
Expenditures for victims advocate services	(52,843)	(58,274)
Total (over) under expenditure of victims advocate service special revenue funds	<u>23,451</u>	<u>19,560</u>

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# ***REGULATORY SECTION***

**CITY OF SUMTER, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Agriculture</b>			
Natural Resources Conservation Service	10.072		\$ 11,054
<b>Department of Defense Pass Through Program</b>			
Office of Economic Adjustment	12.610	HQ00051510019	150,599
Department of Environmental Protection Agency Pass-through Program Fund			
South Carolina Water Quality Revolving Fund Authority	66.458	Loan # F3-14-4310004-01	11,082
Department of Homeland Security			
Federal Emergency Mangement Agency Pass-through Program From			
South Carolina Emergency Management Division	97.036	FEMA-4241-DR-SC	837,837
<b>Department of Housing and Urban Development Direct Programs:</b>			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-45-0011	44,470
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-45-0011	93,657
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-45-0011	41,906
			<u>180,033</u>
<b>Department of Housing and Urban Development Pass-through Programs From:</b>			
Santee Lynches Regional Council of Governments			
HOME Investment Partnership Program	14.239	M11DC450206	110,543
HOME Investment Partnership Program	14.239	M12DC450206	165
HOME Investment Partnership Program	14.239	M13DC450206	1,000
			<u>111,708</u>
<b>Total Department of Housing and Urban Development</b>			<u>291,741</u>
<b>Department of Justice Direct Programs:</b>			
Bullet Proof Vest Partnership Program	16.607	2014BUBX14073010	5,684
			<u>5,684</u>
<b>Department of Justice Pass-through Programs From:</b>			
South Carolina Department of Public Safety			
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K14016	4,597
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K15016	21,834
			<u>26,431</u>
<b>Total Department of Justice</b>			<u>32,115</u>
<b>Department of Transportation Pass-through Programs From:</b>			
South Carolina Department of Transportation			
Federal Transit-Metropolitan Planning Grants			
<b>Total Department of Transportation</b>	20.205		164,876
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,499,304</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, 2016**

**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, 2016. 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	\$111,708

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December 1, 2016

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, as of and for the year ended June 30, 2016, 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 December 1, 2016.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountants

**SHEHEEN, HANCOCK & GODWIN, LLP**

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December 1, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock & Godwin, LLP  
Certified Public Accountants



**CITY OF SUMTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

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
97.036	FEMA Pass-through Program from SC Emergency Management Division

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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, 2016**

There were no prior year audit findings.