

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

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

***For the Fiscal Year Ended June 30, 2017***





**CITY OF SUMTER, SOUTH CAROLINA  
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# ***FINANCIAL SECTION***

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**SHEHEEN, HANCOCK & GODWIN, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29201

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA  
TERRY M. HANCOCK, CPA  
LARRY F. GODWIN, CPA  
THOMAS B. MYERS, CPA  
DARYL W. TAYLOR, CPA  
ANTHONY E. BOYKIN, CPA  
JANE M. PEACOCK, CPA  
MATTHEW C. IRICK, CPA  
J. RICHARD PARKER, CPA  
R. MARC WOOD  
SHANE E. KIRKLEY, CPA  
B. KEACH JORDAN, CPA

MEMBERS OF  
AMERICAN INSTITUTE OF CPA'S  
SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE  
(803) 432-1424  
FAX  
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

MARC A. QUIGLEY, CPA  
REBECCA M. LEE, CPA  
TRACY L. FAILE, CPA  
CHRISTOPHER H. HARRELL  
JOHN F. MARTIN  
JOHN C. BOYKIN, III

June 15, 2018

**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, 2017, 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, 2017, 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 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* 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 June 15, 2018, 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  
Camden, South Carolina

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**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

As management of the City of Sumter, we offer readers of the City of Sumter's financial statements this narrative overview and analysis of the financial activities of the City of Sumter for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements.

**Financial Highlights**

- The assets of the City of Sumter exceeded its liabilities at the close of the most recent fiscal year by \$115,824,395 (*net position*).
- The City of Sumter's total net position increased by \$4,223,118 during the current period, as a result of an increase from governmental activities of \$4,886,834 and a decrease from business-type activities of \$663,716.
- At the close of the current fiscal year, the City of Sumter's governmental funds reported combined ending fund balances of \$27,344,475, an increase of \$3,924,353 in comparison with the prior year. Approximately 56% of this total amount, \$15,343,958 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 \$15,343,958, or approximately 35% of total general fund expenditures.
- The City of Sumter's total outstanding long-term debt increased by \$2,293,113 during the current fiscal year.

**Overview of the Financial Statements**

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

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

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

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

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

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

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 20-22 of this report.

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

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

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

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

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

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (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 of Sumter'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 \$115,824,395 at the close of the most recent fiscal year.

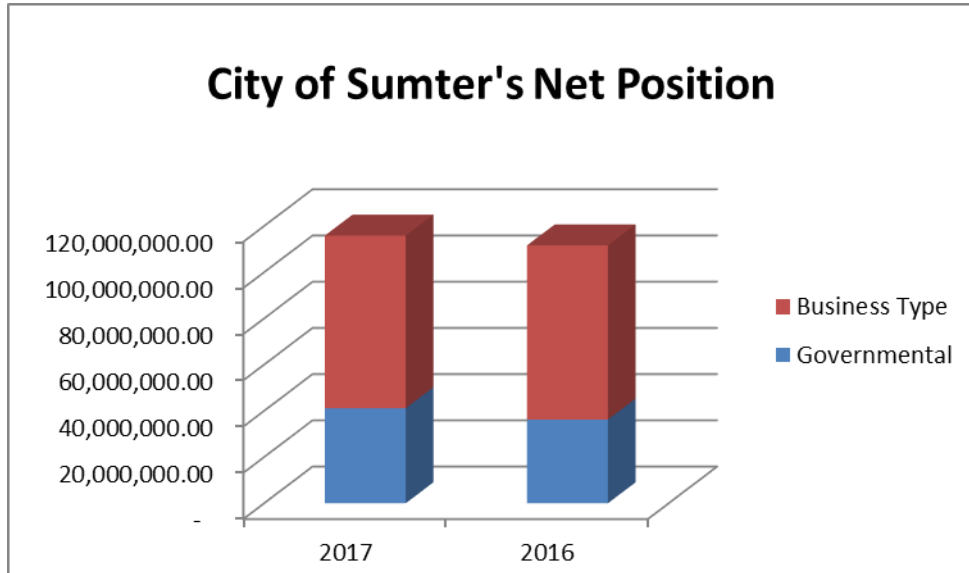
**City of Sumter's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 34,483,135	\$ 27,390,996	\$ 40,955,294	\$ 24,169,676	\$ 75,438,429	\$ 51,560,672
Capital assets	57,788,155	50,498,765	97,552,447	82,540,759	155,340,602	133,039,524
Total assets	<u>92,271,290</u>	<u>77,889,761</u>	<u>138,507,741</u>	<u>106,710,435</u>	<u>230,779,031</u>	<u>184,600,196</u>
Total deferred outflows of resources	<u>7,094,089</u>	3,606,672	<u>3,740,139</u>	3,062,046	<u>10,834,228</u>	6,668,718
Noncurrent liabilities	52,066,546	41,816,854	64,787,956	65,976,935	116,854,502	107,793,789
Other liabilities	4,549,607	2,737,087	2,767,716	1,461,387	7,317,323	4,198,474
Total liabilities	<u>56,616,153</u>	<u>44,553,941</u>	<u>67,555,672</u>	<u>67,438,322</u>	<u>124,171,825</u>	<u>111,992,263</u>
Total deferred inflows of resources	<u>1,632,678</u>	712,778	<u>(15,639)</u>	(11,223)	<u>1,617,039</u>	701,555
Net position:						
Net investment in capital assets	51,316,040	44,895,830	61,235,765	59,804,646	112,551,805	104,700,476
Restricted	2,563,750	4,017,629	3,141,584	3,413,145	5,705,334	7,430,774
Unrestricted	(12,763,242)	(12,683,745)	10,330,498	12,153,772	(2,432,744)	(529,973)
Total net position	<u>\$ 41,116,548</u>	<u>\$ 36,229,714</u>	<u>\$ 74,707,847</u>	<u>\$ 75,371,563</u>	<u>\$ 115,824,395</u>	<u>\$ 111,601,277</u>

By far the largest portion of the City of Sumter's net position (97%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Sumter uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City of Sumter's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**

An additional portion of the City of Sumter's net position (4.9%) represents resources that are subject to external restrictions on how they may be used.



The City of Sumter's overall net position increased by \$4,223,118 from the prior fiscal year. The key components of this increase are discussed in the following sections for governmental and business-type activities.

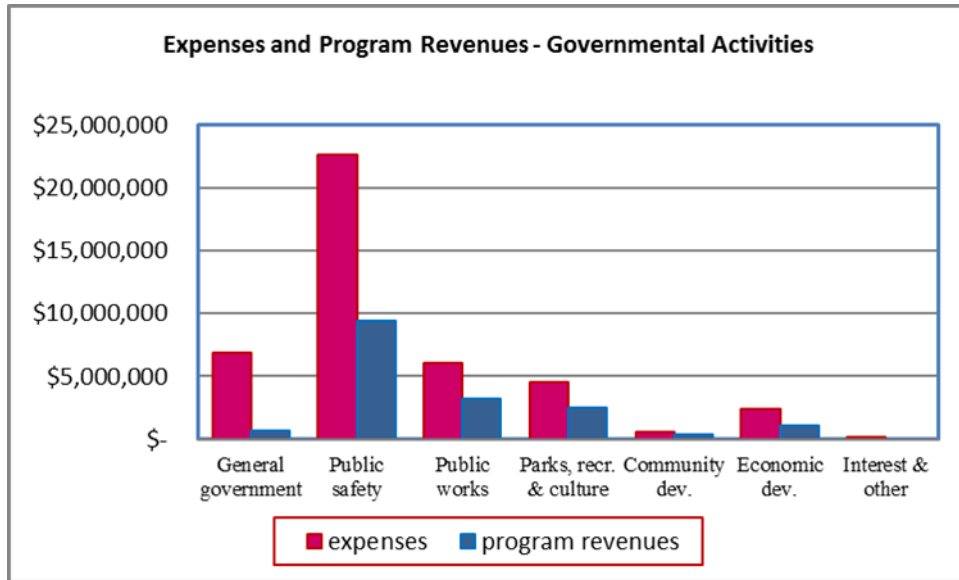
**Governmental Activities:** Governmental activities increased the City of Sumter's net position by \$4,886,834 from the prior fiscal year for an ending balance of \$41,116,548. Total revenues decreased \$1,385,684 primarily as a result of decreases in capital grants and contributions. Expenses for governmental activities increased by \$3,788,187 (9.5%).

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 7,929,049	\$ 7,636,606	\$ 22,827,222	\$ 22,576,678	\$ 30,756,271	\$ 30,213,284
Operating grants and contributions	3,176,857	2,139,975	-	-	3,176,857	2,139,975
Capital grants and contributions	6,255,540	9,064,025	654,066	6,727,154	6,909,606	15,791,179
Total program revenues	<u>17,361,446</u>	<u>18,840,606</u>	<u>23,481,288</u>	<u>29,303,832</u>	<u>40,842,734</u>	<u>48,144,438</u>
General Revenues:						
Property taxes	9,935,294	10,148,185	-	-	9,935,294	10,148,185
Sales taxes - local option	4,539,418	4,121,745	-	-	4,539,418	4,121,745
Sales taxes - local accommodations and hospitality	3,285,942	3,229,170	-	-	3,285,942	3,229,170
Business and franchise fees	10,017,899	9,929,608	-	-	10,017,899	9,929,608
State shared taxes	1,025,715	933,862	-	-	1,025,715	933,862
Other	475,461	823,683	337,245	1,765,981	812,706	2,589,664
Total general revenues	<u>29,279,729</u>	<u>29,186,253</u>	<u>337,245</u>	<u>1,765,981</u>	<u>29,616,974</u>	<u>30,952,234</u>
Total revenues	<u>46,641,175</u>	<u>48,026,859</u>	<u>23,818,533</u>	<u>31,069,813</u>	<u>70,459,708</u>	<u>79,096,672</u>
<b>Expenses:</b>						
General Government	6,914,238	6,451,137	-	-	6,914,238	6,451,137
Public Safety	22,661,191	20,279,524	-	-	22,661,191	20,279,524
Public Works	6,046,733	5,952,721	-	-	6,046,733	5,952,721
Parks, Recreation and Culture	4,498,693	4,060,104	-	-	4,498,693	4,060,104
Community Development	542,944	372,307	-	-	542,944	372,307
Economic Development	2,408,864	2,216,399	-	-	2,408,864	2,216,399
Interest and other charges	212,333	164,617	-	-	212,333	164,617
Water and sewer services	-	-	22,951,594	20,412,516	22,951,594	20,412,516
Total expenses	<u>43,284,996</u>	<u>39,496,809</u>	<u>22,951,594</u>	<u>20,412,516</u>	<u>66,236,590</u>	<u>59,909,325</u>
<b>Increase in net position before transfers</b>	<b>3,356,179</b>	<b>8,530,050</b>	<b>866,939</b>	<b>10,657,297</b>	<b>4,223,118</b>	<b>19,187,347</b>
Transfers	1,530,655	1,379,543	(1,530,655)	(1,379,543)	-	-
<b>Increase in net position</b>	<b>4,886,834</b>	<b>9,909,593</b>	<b>(663,716)</b>	<b>9,277,754</b>	<b>4,223,118</b>	<b>19,187,347</b>
Net position beginning	36,229,714	26,320,121	75,371,563	66,093,809	111,601,277	92,413,930
<b>Net position ending</b>	<b>\$ 41,116,548</b>	<b>\$ 36,229,714</b>	<b>\$ 74,707,847</b>	<b>\$ 75,371,563</b>	<b>\$ 115,824,395</b>	<b>\$ 111,601,277</b>

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**



**Business-Type Activities:** Business-type activities decreased the City of Sumter’s net position during the current year by \$663,716, a .88% decrease, for an ending balance of \$74,707,847. Capital grants and contributions decreased by \$6,073,088 primarily as a result of less resources from the county-wide 1% Capital Sales Tax. Total expenses were \$22,951,594, an increase of \$2,539,078 (12.4%) from the previous year’s amount.

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

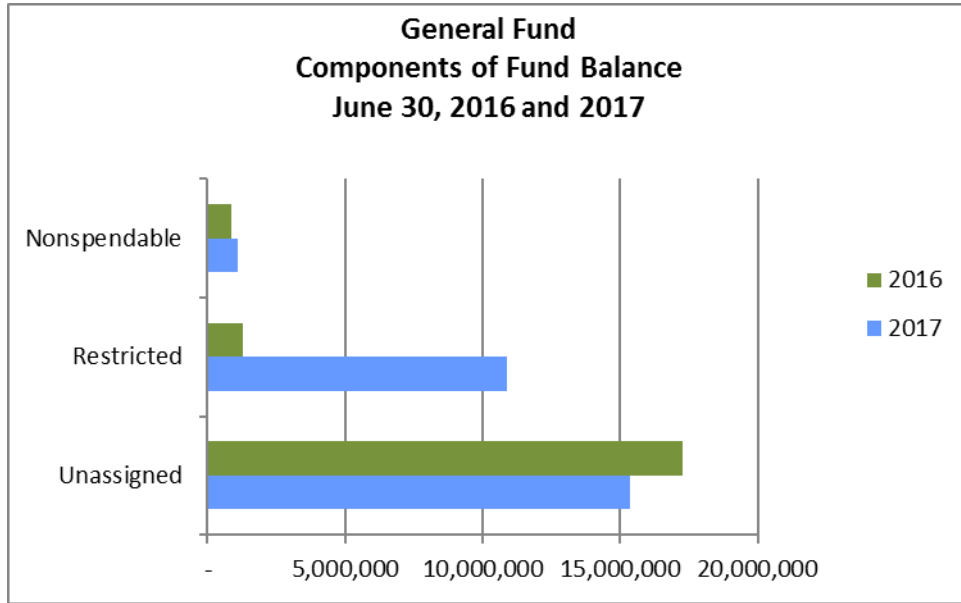
As noted earlier, the City of Sumter uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2017, the City of Sumter’s governmental funds reported combined fund balances of \$27,344,475 an increase of \$3,924,353 in comparison with the prior year. Approximately 56% of this amount (\$15,343,958) 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 (\$1,121,067) or 2) restricted for particular purposes (\$10,879,450).



**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**



The general fund is the chief operating fund of the City of Sumter. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,343,958 with a total fund balance of \$24,780,725. 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 35 percent of total general fund expenditures while total fund balance represents 56 percent of that same amount.

The fund balance of the City of Sumter’s general fund increased by \$5,378,232 during the current fiscal year. The increase is due to an increase in state appropriations of \$1,554,450 for parks, recreation and tourism and an increase in proceeds from the issuance of debt in the amount of \$5,173,816.

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

Unrestricted net position of the water and sewer operations and the storm water operations at the end of the fiscal year was \$10,330,498, a decrease of \$1,823,274 from the prior fiscal year. Net position decreased slightly by \$663,716. 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 \$7,323,629 (22%) greater compared to the final budget while expenditures were \$2,394,412 more than the final budget. The original budgeted amount for Transfers in from the Hospitality Fees Fund increased by \$202,338 to \$1,327,338. The positive variance in revenues was primarily a result of an increase in license permits and fees of \$591,422, and an increase in state appropriations of \$2,704,450 for parks, recreation tourism and law enforcement greater than the budgeted amounts. Local revenues exceeded budgeted amounts by \$3,468,427 mainly due to capital penny sales tax revenues for the public safety campus project. Other revenues were \$92,530 due to higher than anticipated miscellaneous revenues. Actual expenditures in general government administration and public works were less than the budgeted amounts. Expenditures in capital outlay were greater than budgeted amounts due to expenditures related to the new public safety complex (capital penny sales tax project).

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**

**Capital Assets and Debt Administration**

**Capital assets.** The City of Sumter's investment in capital assets for its governmental and business type activities as of June 30, 2017, was \$155,340,602 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 12,552,361	\$ 12,333,265	\$ 1,338,672	\$ 1,483,214	\$ 13,891,033	\$ 13,816,479
Works of art	396,866	396,866	-	-	396,866	396,866
Buildings	11,052,415	11,066,302	135,758	148,099	11,188,173	11,214,401
Plants, machinery and equipment	6,870,362	6,882,711	36,850,185	37,436,643	43,720,547	44,319,354
Infrastructure	11,007,063	11,236,992	39,098,061	39,725,964	50,105,124	50,962,956
Construction in progress	15,909,088	8,582,629	20,129,771	8,027,355	36,038,859	16,609,984
Totals	\$ 57,788,155	\$ 50,498,765	\$ 97,552,447	\$ 86,821,275	\$ 155,340,602	\$ 137,320,040

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 \$1,695,265
- Various projects related to streets, sidewalks, parking lots, at a cost of \$552,414 were placed into service.
- Construction in progress for governmental activities included a new public safety complex, renovations of a fire station, a parking garage, and downtown streetscape at a total cost of \$8,184,175
- Various water line, sewer line, stormwater drainage and well improvement projects at a cost of \$348,141 were completed and placed into service
- Construction in progress for business-type activities included amounts for a new water plant and a water meter upgrade and replacement project at a cost of \$13,156,109
- Routine replacement of equipment and vehicles for water and sewer operations at a cost of \$669,295

Additional information on the City of Sumter's capital assets can be found in Note III. 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 \$66,828,265. Of this amount, \$1,781,443 of general obligation debt is backed by the full faith and credit of the government. The remainder of the City of Sumter's long-term obligations comprises revenue bonds, capital leases, and notes payable.

**City of Sumter's Outstanding Debt**

Bonds, Notes Payable and Capital Leases

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 1,781,443	\$ 2,255,462	\$ -	\$ -	\$ 1,781,443	\$ 2,255,462
Tax increment financing bonds	4,500,000	-	-	-	4,500,000	-
Revenue bonds	519,000	772,000	-	-	519,000	772,000
Notes payable	556,000	597,000	-	-	556,000	597,000
Capital lease obligations	4,275,517	3,249,497	361,953	-	4,637,470	3,249,497
Revenue bonds	-	-	54,834,352	57,661,193	54,834,352	57,661,193
Total	\$ 11,631,960	\$ 6,873,959	\$ 55,196,305	\$ 57,661,193	\$ 66,828,265	\$ 64,535,152

**CITY OF SUMTER, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017 (CONTINUED)**

The City of Sumter's total debt increased by \$2,293,113 (3.5 percent) during the current fiscal year. The City entered into capital lease agreements in the amount of \$2,515,373 to purchase certain capital equipment and energy efficient improvements during the year. On October 13, 2016, the city issued its \$4,500,000 Tax Increment Revenue Bond, Series 2016 (TIF) to defray costs associated with the design and construction of a two level parking garage to be owned by the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation of property. The current debt limitation for the City is \$9,160,818 which is in excess of the City of Sumter's outstanding general obligation debt.

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

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

Completed projects in the downtown area in the Central Business District included 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. Projects completed during 2018 include a new public safety complex which consists of a new Sumter police and E911 emergency services station and a new fire station headquarters.

The fiscal year 2017-2018 budget was adopted with an appropriation of \$38,517,095 for the general fund. There was no increase in the City's total millage rate for 2017-2018 which is currently 102 mills. Revenues from property taxes, business licenses, franchise fees and tax collection programs are expected to remain 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, 2017**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 18,495,763	\$ 6,419,074	\$ 24,914,837
Investments	1,000,240	9,881,300	10,881,540
Receivables, net of allowance for doubtful accounts	8,687,752	4,208,724	12,896,476
Inventories	306,018	-	306,018
Prepaid items	27,268	-	27,268
Other post-employment benefits - prefunded portion	18,468	-	18,468
Property held for resale	787,781	277,141	1,064,922
Interest in joint venture	-	100,000	100,000
Restricted cash and cash equivalents	5,159,845	19,798,169	24,958,014
Receivables, non-current portion	-	270,886	270,886
Capital assets not being depreciated	28,858,315	21,468,443	50,326,758
Capital assets, depreciable, net of accumulated depreciation	28,929,840	76,084,004	105,013,844
Total assets	<u>92,271,290</u>	<u>138,507,741</u>	<u>230,779,031</u>
<b>Deferred Outflows of Resources</b>			
Deferred loss on bond refunding	-	2,223,038	2,223,038
Prepaid pension costs	7,094,089	1,517,101	8,611,190
Total deferred outflows of resources	<u>7,094,089</u>	<u>3,740,139</u>	<u>10,834,228</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,714,702	2,071,889	4,786,591
Retainage payable	439,716	-	439,716
Accrued interest payable	107,602	181,862	289,464
Accrued salaries and payroll withholdings	1,008,980	176,073	1,185,053
Court bonds and confiscated funds payable	255,285	-	255,285
Customer deposits	15,538	337,892	353,430
Unearned revenue	7,784	-	7,784
Noncurrent liabilities:			
Due within one year	3,321,812	3,173,424	6,495,236
Due in more than one year	12,407,436	52,643,964	65,051,400
Net pension liability	36,337,298	8,970,568	45,307,866
Total liabilities	<u>56,616,153</u>	<u>67,555,672</u>	<u>124,171,825</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - local option sales tax	387,388	-	387,388
Unavailable revenue - grants & contributions	1,198,892	-	1,198,892
Unavailable revenue - pension	46,398	(15,639)	30,759
Total deferred inflows of resources	<u>1,632,678</u>	<u>(15,639)</u>	<u>1,617,039</u>
<b>Net Position</b>			
Net investment in capital assets	51,316,040	61,235,765	112,551,805
Restricted for:			
Debt service	-	3,141,584	3,141,584
Community development	342,545	-	342,545
Economic development	1,393,220	-	1,393,220
Public safety and law enforcement	827,985	-	827,985
Unrestricted	(12,763,242)	10,330,498	(2,432,744)
Total net position	<u>\$ 41,116,548</u>	<u>\$ 74,707,847</u>	<u>\$ 115,824,395</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, 2017**

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	\$ 6,914,238	\$ 78,871	\$ 643,202	\$ -	\$ (6,192,165)	\$ -	\$ (6,192,165)
Public safety and law enforcement	22,661,191	4,635,011	1,080,194	3,675,855	(13,270,131)	-	(13,270,131)
Public works	6,046,733	2,686,200	569,289	-	(2,791,244)	-	(2,791,244)
Parks, recreation and culture	4,498,693	477,921	3,525	2,061,523	(1,955,724)	-	(1,955,724)
Community development	542,944	-	379,681	-	(163,263)	-	(163,263)
Economic development	2,408,864	51,046	500,966	518,162	(1,338,690)	-	(1,338,690)
Interest on long-term debt	212,333	-	-	-	(212,333)	-	(212,333)
Total governmental activities	43,284,996	7,929,049	3,176,857	6,255,540	(25,923,550)	-	(25,923,550)
<b>Business-type activities:</b>							
Water and sewer	22,951,594	22,827,222	-	654,066		529,694	529,694
Total business-type activities	22,951,594	22,827,222	-	654,066		529,694	529,694
<b>Total</b>	<b>\$ 66,236,590</b>	<b>\$ 30,756,271</b>	<b>\$ 3,176,857</b>	<b>\$ 6,909,606</b>	<b>\$ (25,923,550)</b>	<b>\$ 529,694</b>	<b>\$ (25,393,856)</b>
<b>General revenues:</b>							
Property taxes					9,935,294	-	9,935,294
Sales taxes - local option					4,539,418	-	4,539,418
Sales taxes - local accommodations and hospitality					3,285,942	-	3,285,942
Franchise taxes and business licenses					10,017,899	-	10,017,899
Grants and contributions not restricted to specific programs					1,025,715	-	1,025,715
Gain (loss) on sale or disposition of capital assets					190,850	(88,627)	102,223
Unrestricted interest income					115,168	310,678	425,846
Other					169,443	115,194	284,637
Transfers					1,530,655	(1,530,655)	-
Total general revenues and transfers					30,810,384	(1,193,410)	29,616,974
Change in net position					4,886,834	(663,716)	4,223,118
Net position - beginning of year					36,229,714	75,371,563	111,601,277
Net position - end of year					\$ 41,116,548	\$ 74,707,847	\$ 115,824,395

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 15,084,427	\$ 3,411,336	\$ 18,495,763
Investments	1,000,240	-	1,000,240
Receivables, net of allowance for doubtful accounts	5,220,581	3,467,171	8,687,752
Due from other funds	2,505,055	-	2,505,055
Restricted cash and cash equivalents	5,159,845	-	5,159,845
Prepaid items	27,268	-	27,268
Inventories	306,018	-	306,018
Property held for resale	787,781	-	787,781
Total assets	<u>\$ 30,091,215</u>	<u>\$ 6,878,507</u>	<u>\$ 36,969,722</u>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 2,532,427	\$ 182,275	\$ 2,714,702
Retainage payable	439,716	-	439,716
Accrued salaries and payroll withholdings	972,624	36,357	1,008,981
Customer Deposits	15,538	-	15,538
Unearned Revenue	184	7,600	7,784
Escrow for seized funds and bonds	4,694	250,591	255,285
Due to other funds	-	2,505,055	2,505,055
Total liabilities	<u>3,965,183</u>	<u>2,981,878</u>	<u>6,947,061</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	840,744	-	840,744
Unavailable revenue - local option sales tax	387,388	-	387,388
Unavailable revenue - notes & mortgages	98,231	149,331	247,562
Unavailable revenue - grants & contributions	18,944	1,183,548	1,202,492
Total deferred inflows of resources	<u>1,345,307</u>	<u>1,332,879</u>	<u>2,678,186</u>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid items	27,268	-	27,268
Inventories	306,018	-	306,018
Property held for resale	787,781	-	787,781
Restricted			
Purchase of capital assets	8,315,700	-	8,315,700
Community development	-	342,545	342,545
Economic development	-	1,393,220	1,393,220
Public safety and law enforcement	-	827,985	827,985
Unassigned	15,343,958	-	15,343,958
Total fund balances	<u>24,780,725</u>	<u>2,563,750</u>	<u>27,344,475</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,091,215</u>	<u>\$ 6,878,507</u>	<u>\$ 36,969,722</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, 2017**

Amounts reported for government activities in the statement of net position are different because:	
Total fund balance of governmental funds (page 20)	27,344,475
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	57,788,155
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	840,745
Mortgages/Contributions	251,162
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	(4,097,288)
Accrued interest	(107,602)
Bonds and leases payable	(11,631,960)
Net pension liability	(36,337,298)
OPEB Obligation	18,468
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	7,094,089
Deferred inflows of resources related to pension	(46,398)
Net position of governmental activities (page 18)	\$ 41,116,548

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, 2017**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Property and vehicle and fire fees	\$ 9,397,194	\$ -	\$ 9,397,194
Sales	4,539,418	3,285,942	7,825,360
Licenses, permits, and franchise fees	9,680,158	825,756	10,505,914
Intergovernmental revenue			
State and federal governments	3,730,165	1,731,984	5,462,149
Local governments	8,304,090	-	8,304,090
Charges for services			
Sanitation fees and container rentals	2,681,137	-	2,681,137
Other	508,143	-	508,143
Fines, fees, and forfeitures	354,404	72,159	426,563
Interest income and investment return	77,755	37,413	115,168
Other	113,830	58,208	172,038
Total revenues	<u>39,386,294</u>	<u>6,011,462</u>	<u>45,397,756</u>
<b>Expenditures</b>			
Current			
General government administration	6,001,211	372,072	6,373,283
Public safety and law enforcement	18,945,847	976,676	19,922,523
Public works	3,876,867	378,010	4,254,877
Parks, recreation and culture	2,835,293	676,418	3,511,711
Community development	-	389,652	389,652
Economic development	1,199,013	777,212	1,976,225
Debt Service			
Principal retirement-bond obligations	474,020	294,000	768,020
Principal retirement-capital lease obligations	1,102,797	-	1,102,797
Interest and fiscal charges	109,634	45,307	154,941
Capital Outlay			
General government administration	43,601	-	43,601
Public safety	4,886,537	1,250,790	6,137,327
Public works	1,185,634	-	1,185,634
Parks, recreation and culture	505,867	167,041	672,908
Community development	-	-	-
Economic development	2,868,075	624,810	3,492,885
Total expenditures	<u>44,034,396</u>	<u>5,951,988</u>	<u>49,986,384</u>
Excess (deficiency) of revenues over (under) expenditures	(4,648,102)	59,474	(4,588,628)
<b>Other financing sources (uses)</b>			
Transfers in	3,117,008	436,017	3,553,025
Transfers out	(68,500)	(1,953,870)	(2,022,370)
Sale of capital assets	354,010	4,500	358,510
Proceeds from issuance of bonds	4,495,000	-	4,495,000
Proceeds of capital leases	2,128,816	-	2,128,816
Total other financing sources	<u>10,026,334</u>	<u>(1,513,353)</u>	<u>8,512,981</u>
Net change in fund balances	5,378,232	(1,453,879)	3,924,353
Fund balances, beginning of year	19,402,493	4,017,629	23,420,122
Fund balances, end of year	<u>\$ 24,780,725</u>	<u>\$ 2,563,750</u>	<u>\$ 27,344,475</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, 2017**

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) \$ 3,924,353

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	11,532,355
Depreciation expense not recorded in funds	(4,593,467)
Loss on disposition of capital assets	(167,660)

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

Property taxes	538,100
Donated capital assets	518,162
Mortgages/Contributions	(3,444)

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	1,870,816
Issuance of long-term debt	(6,628,816)

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	(57,392)
Compensated absences	(543,430)
Prefunded OPEB obligation	(51,024)

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	2,311,739
Cost of benefits earned net of employee contributions	(3,763,458)
Change in net position of governmental activities (page 19)	\$ 4,886,834

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 13,976,993	\$ 13,976,993	\$ 9,397,194	\$ (4,579,799)
Sales	-	-	4,539,418	4,539,418
Licenses, permits and franchise fees	9,088,736	9,088,736	9,680,158	591,422
Intergovernmental revenue				
State government	925,250	925,250	3,730,165	2,804,915
Local governments	4,523,883	4,523,883	8,304,090	3,780,207
Charges for services				
Sanitation fees and container rentals	2,685,700	2,685,700	2,681,137	(4,563)
Other	435,767	435,767	508,143	72,376
Fines, fees, and forfeitures	390,036	390,036	354,404	(35,632)
Interest income and investment return	15,000	15,000	77,755	62,755
Other	21,300	21,300	113,830	92,530
Total revenues	32,062,665	32,062,665	39,386,294	7,323,629
<b>EXPENDITURES</b>				
<b>General government administration:</b>				
Administration	1,992,837	1,992,837	2,282,167	289,330
City store	81,762	81,762	83,483	1,721
Planning	796,638	796,638	732,731	(63,907)
Business license department	223,084	223,084	199,743	(23,341)
Appropriations to other agencies	301,890	301,890	318,045	16,155
General insurance	657,500	657,500	601,915	(55,585)
Retiree insurance	865,337	865,337	871,024	5,687
Maintenance contracts	709,656	709,656	556,767	(152,889)
Miscellaneous	720,918	665,616	355,336	(310,280)
	6,349,622	6,294,320	6,001,211	(293,109)
<b>Public Safety and Law Enforcement:</b>				
Police	11,095,676	11,117,957	10,992,830	(125,127)
Fire	6,301,272	6,301,272	6,543,295	242,023
Building inspection	932,331	932,331	827,908	(104,423)
Codes enforcement	395,558	395,558	377,004	(18,554)
Municipal court	179,018	179,018	204,810	25,792
	18,903,855	18,926,136	18,945,847	19,711
<b>Public Works:</b>				
Construction	562,300	562,300	526,180	(36,120)
Public works	974,768	974,768	998,222	23,454
Buildings and grounds maintenance	30,000	30,000	49,848	19,848
Sanitation	2,624,496	2,624,496	2,192,734	(431,762)
Vehicle maintenance	89,181	89,181	109,883	20,702
	4,280,745	4,280,745	3,876,867	(403,878)

Continued

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL -- GENERAL FUND**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Parks, recreation and culture</b>				
Parks	1,009,742	1,009,742	1,038,810	29,068
Gardens	732,579	732,579	794,111	61,532
Tennis	613,695	613,695	467,678	(146,017)
Aquatics	325,885	325,885	322,685	(3,200)
Opera House	124,750	124,750	212,009	87,259
	2,806,651	2,806,651	2,835,293	28,642
<b>Economic Development:</b>				
Downtown revitalization programs	452,755	452,755	564,435	111,680
Liberty Center	51,000	51,000	25,970	(25,030)
Hope Centers	679,693	679,693	608,608	(71,085)
	1,183,448	1,183,448	1,199,013	15,565
<b>Debt service</b>				
Principal retirement-bond obligations	474,019	474,019	474,020	1
Principal retirement-capital lease obligations	1,084,278	1,084,278	1,102,797	18,519
Interest and fiscal charges	112,644	112,644	109,634	(3,010)
	1,670,941	1,670,941	1,686,451	15,510
<b>Capital Outlay</b>				
General government administration	15,000	15,000	43,601	28,601
Public safety	946,261	979,282	4,886,537	3,907,255
Public works	786,123	786,123	1,185,634	399,511
Parks, recreation and culture	-	202,338	505,867	303,529
Economic Development:	-	4,495,000	2,868,075	(1,626,925)
	1,747,384	6,477,743	9,489,714	3,011,971
Total expenditures	36,942,646	41,639,984	44,034,396	2,394,412
Excess (deficiency) of revenues over (under) expenditures	(4,879,981)	(9,577,319)	(4,648,102)	4,929,217
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,834,291	3,036,629	3,117,008	80,379
Transfer in from reserves	869,190	869,190	-	(869,190)
Transfers out	(68,500)	(68,500)	(68,500)	-
Sale of capital assets	300,000	300,000	354,010	54,010
Proceeds from issuance of bonds	-	4,495,000	4,495,000	-
Proceeds of capital leases	945,000	945,000	2,128,816	1,183,816
Total other financing sources (uses)	4,879,981	9,577,319	10,026,334	449,015
Net change in fund balances	-	-	5,378,232	5,378,232
Fund balances, beginning of year	19,402,493	19,402,493	19,402,493	-
Fund balances, end of year	19,402,493	19,402,493	24,780,725	5,378,232

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

Assets	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Current assets:</b>			
Cash and cash equivalents	\$ 5,758,832	\$ 660,242	\$ 6,419,074
Investments	9,881,300	-	9,881,300
Accounts receivable, net of allowance for uncollectibles	3,715,574	493,150	4,208,724
<b>Total current assets</b>	<b>19,355,706</b>	<b>1,153,392</b>	<b>20,509,098</b>
<b>Non-current assets:</b>			
Restricted cash and cash equivalents	19,798,169	-	19,798,169
Accounts receivable, net of allowance for uncollectibles	270,886	-	270,886
Interest in joint venture	100,000	-	100,000
Property held for resale	277,141	-	277,141
Capital assets not being depreciated	21,468,443	-	21,468,443
Capital assets, depreciable, net of accumulated depreciation	74,765,518	1,318,486	76,084,004
<b>Total non-current assets</b>	<b>116,680,157</b>	<b>1,318,486</b>	<b>117,998,643</b>
<b>Total assets</b>	<b>136,035,863</b>	<b>2,471,878</b>	<b>138,507,741</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on bond refunding	2,223,038	-	2,223,038
Prepaid pension costs	1,490,780	26,321	1,517,101
<b>Total deferred outflows of resources</b>	<b>3,713,818</b>	<b>26,321</b>	<b>3,740,139</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accrued interest payable	181,862	-	181,862
Accounts payable	2,062,251	9,638	2,071,889
Accrued payroll	172,496	3,577	176,073
Customer deposits	337,892	-	337,892
Compensated absences payable	166,118	1,573	167,691
Bonds and leases payable - current portion	3,005,733	-	3,005,733
<b>Total current liabilities</b>	<b>5,926,352</b>	<b>14,788</b>	<b>5,941,140</b>
<b>Non-current liabilities:</b>			
Compensated absences payable	449,140	4,252	453,392
Bonds and leases payable	52,190,572	-	52,190,572
Net pension liability	8,834,033	136,535	8,970,568
<b>Total non-current liabilities</b>	<b>61,473,745</b>	<b>140,787</b>	<b>61,614,532</b>
<b>Total liabilities</b>	<b>67,400,097</b>	<b>155,575</b>	<b>67,555,672</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - pension	(11,656)	(3,983)	(15,639)
<b>Net Position</b>			
Net investment in capital assets	59,917,279	1,318,486	61,235,765
Restricted for debt service	3,141,584	-	3,141,584
Unrestricted	9,302,377	1,028,121	10,330,498
<b>Total net position</b>	<b>\$ 72,361,240</b>	<b>\$ 2,346,607</b>	<b>\$ 74,707,847</b>

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Operating revenue</b>			
Charges for services			
Water	\$ 10,061,906	\$ -	\$ 10,061,906
Sewer	10,730,377	-	10,730,377
Storm water	-	613,662	613,662
Other operating revenue	1,421,277	-	1,421,277
Total operating revenues	<u>22,213,560</u>	<u>613,662</u>	<u>22,827,222</u>
<b>Operating expenses</b>			
Salaries and benefits	6,421,091	121,285	6,542,376
Bad debts	416,225	-	416,225
Utilities	2,087,689	-	2,087,689
Other operating expense	6,768,856	342,255	7,111,111
Depreciation	3,933,325	126,758	4,060,083
Total operating expenses	<u>19,627,186</u>	<u>590,298</u>	<u>20,217,484</u>
Operating income	2,586,374	23,364	2,609,738
<b>Non-operating revenues (expenses)</b>			
Interest expense	(2,169,882)	-	(2,169,882)
Pension expense	(365,383)	(7,314)	(372,697)
Miscellaneous expense	(189,834)	(1,697)	(191,531)
Capital grants	-	150,000	150,000
Interest income and investment return	310,678	-	310,678
Gain (loss) on sale of capital assets	(88,627)	-	(88,627)
Miscellaneous revenue	115,194	-	115,194
Total non-operating revenues (expenses)	<u>(2,387,854)</u>	<u>140,989</u>	<u>(2,246,865)</u>
Income before contributions and transfers	198,520	164,353	362,873
Capital contributions	287,877	216,189	504,066
Transfers out	(1,530,655)	-	(1,530,655)
Change in net position	<u>(1,044,258)</u>	<u>380,542</u>	<u>(663,716)</u>
Total net position, beginning of year	<u>73,405,498</u>	<u>1,966,065</u>	<u>75,371,563</u>
Total net position, end of year	<u>\$ 72,361,240</u>	<u>\$ 2,346,607</u>	<u>\$ 74,707,847</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, 2017**

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 22,287,817	\$ 384,041	\$ 22,671,858
Payments to suppliers	(7,453,225)	(466,302)	(7,919,527)
Payments to employees	(5,907,394)	(111,256)	(6,018,650)
Net Cash Flows Provided (Used) by Operating Activities	<u>8,927,198</u>	<u>(193,517)</u>	<u>8,733,681</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Other non-operating revenue	200,207	308,827	509,034
Other non-operating expense	(555,217)	(9,011)	(564,228)
Purchase of property held for resale	(277,141)	-	(277,141)
Transfer to other fund	(1,530,655)	-	(1,530,655)
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	<u>(2,162,806)</u>	<u>299,816</u>	<u>(1,862,990)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from issuance of debt	386,557	-	386,557
Proceeds from disposition of capital assets	146,288	-	146,288
Purchase and construction of capital assets	(14,984,143)	(126,560)	(15,110,703)
Principal paid on capital debt	(2,851,445)	-	(2,851,445)
Interest paid on capital debt	(1,731,308)	-	(1,731,308)
Net Cash Flows Used by Capital Financing Activities	<u>(19,034,051)</u>	<u>(126,560)</u>	<u>(19,160,611)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on cash and cash equivalents	424,878	-	424,878
Net Cash Provided by Investing Activities	<u>424,878</u>	<u>-</u>	<u>424,878</u>
<b>Increase (Decrease) in cash and cash equivalents</b>	(11,844,781)	(20,261)	(11,865,042)
<b>Cash and cash equivalents, beginning of year</b>	37,401,782	680,503	38,082,285
<b>Cash and cash equivalents, end of year</b>	<u>\$ 25,557,001</u>	<u>\$ 660,242</u>	<u>\$ 26,217,243</u>
<b>Reconciliation of net operating income to net cash provided (used) by operating activities:</b>			
Operating income	\$ 2,586,374	\$ 23,364	2,609,738
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,933,325	126,758	4,060,083
Change in current assets and liabilities:			
Decrease (increase) in accounts receivable	484,910	(229,621)	255,289
Decrease in prepaids	2,657	-	2,657
Increase in deferred outflows of resources-pension	(765,739)	(15,328)	(781,067)
Increase in accrued absences	115,642	2,087	117,729
Increase in customer deposits	5,572	-	5,572
Increase (decrease) in accounts payable	1,400,663	(124,047)	1,276,616
Increase in accrued payroll	32,672	628	33,300
Increase in net pension liability	1,135,451	22,729	1,158,180
Decrease in deferred inflows of resources	(4,329)	(87)	(4,416)
Net cash provided (used) by operating activities	<u>\$ 8,927,198</u>	<u>\$ (193,517)</u>	<u>\$ 8,733,681</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, 2017**

	Private Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 9,004	\$ 1,872,679
Receivables	-	107,557
Total assets	\$ 9,004	\$ 1,980,236
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 89,104
Unearned revenue	-	800
Due to customers	-	44,730
Due to other organization	-	1,845,602
Total liabilities	-	1,980,236
<b>Net Position</b>		
Held in trust for other purposes	\$ 9,004	\$ -

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, 2017**

<b>Additions</b>	
Interest	\$ 52
Contributions	-
Total additions	52
<b>Deductions</b>	
Distributions to beneficiaries	-
Total deductions	-
Change in net position	52
Net position, beginning of year	8,952
Net position, end of year	\$ 9,004

The accompanying notes are an integral part of these statements.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 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, 2017**

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, 2017**

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, 2017**

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, 2017.

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, cleaning and office supplies and promotional items. Payments to vendors that reflect costs applicable to a future

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

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 \$24,958,014.

*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 more than 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, 2017, 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 taxes which did not meet the 'availability' criteria under the modified accrual basis of accounting (collected within 60

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

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 classifications are as follows:



**CITY OF SUMTER, SOUTH CAROLINA**  
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**June 30, 2017**

- *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 Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on

**CITY OF SUMTER, SOUTH CAROLINA**  
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**June 30, 2017**

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.

**G. 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, 2017, expenditures exceeded appropriations in the Local Hospitality fund by \$400,248. The over-expenditures were funded by revenue, which exceeded budgeted amounts by \$231,193, and by fund balance in the amount of \$169,055.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

*Cash Deposits*

As of June 30, 2017, the carrying amount of the government’s bank deposits was \$17,723,856 and the respective bank balances totaled \$18,199,274. Of the total bank balances, \$1,253,872 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$16,945,402 was collateralized with securities held by the financial institutions in the government’s name.

*Investments*

As of June 30, 2017, in accordance with South Carolina law applicable to local government deposits and investments, the government had the following investments:

Investment	Maturities	Fair Value
Insured or registered, or held by the government or its agent in the government's name:		
\$1,000,000 Federal 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	1,980,020
\$8,000,000 Federal Home Loan Mortgage Corporation bond 1%	06/30/2021	7,901,280
Other:		
Federated Treasury Obligation Fund #398	Short-term	1,069,434
Fidelity Prime Fund Daily Money Class	1 to 180 days	676,394
Investment in South Carolina Pooled Investment Fund		<u>31,715,975</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

**CITY OF SUMTER, SOUTH CAROLINA**  
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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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments in government and agency bonds are valued using significant other observable inputs (Level 2). The SC State investment pool is measured at the Net Asset Value.

*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 90 days after year end.

**B. Receivables**

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

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Water and Sewer Fund	Total
Current:				
Taxes				
Property	\$ 2,141,953	\$ -	\$ -	\$ 2,141,953
Sales and franchise	104,795	311,072	-	415,867
Intergovernmental	3,835,290	2,425,882	507,368	6,768,540
Accounts	385,317	-	2,603,240	2,988,557
Unbilled receivables	-	-	1,159,379	1,159,379
Loans and notes	98,231	730,217	45,000	873,448
Interest	-	-	278	278
Other	-	-	179,959	179,959
Non-current:				
Notes	-	-	270,886	270,886
Gross receivables	6,565,586	3,467,171	4,766,110	14,798,867
Less, allowance for uncollectibles	(1,345,005)	-	(286,500)	(1,631,505)
Net total receivables	<u>\$ 5,220,581</u>	<u>\$ 3,467,171</u>	<u>\$ 4,479,610</u>	<u>\$ 13,167,362</u>

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At year end, the City reports \$7,784 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 12,333,265	\$ 337,891	\$ 118,795	\$ -	\$ 12,552,361
Works of Art	396,866	-	-	-	396,866
Construction in progress	8,582,629	8,184,175	-	(857,716)	15,909,088
Total capital assets not being depreciated	<u>21,312,760</u>	<u>8,522,066</u>	<u>118,795</u>	<u>(857,716)</u>	<u>28,858,315</u>
Capital assets being depreciated:					
Infrastructure	32,057,667	1,070,576	-	260,988	33,389,231
Buildings and improvements	23,730,121	14,707	-	589,439	24,334,267
Motor vehicles and outdoor equipment	21,601,721	1,941,464	1,161,800	7,289	22,388,674
Office equipment	3,907,286	501,704	-	-	4,408,990
Total capital assets being depreciated	<u>81,296,795</u>	<u>3,528,451</u>	<u>1,161,800</u>	<u>857,716</u>	<u>84,521,162</u>
Less accumulated depreciation for:					
Infrastructure	20,820,675	1,561,493	-	-	22,382,168
Buildings and improvements	12,663,819	844,854	-	(226,821)	13,281,852
Motor vehicles and outdoor equipment	15,250,600	1,827,989	1,112,935	219,727	16,185,381
Office equipment	3,375,696	359,131	-	7,094	3,741,921
Total accumulated depreciation	<u>52,110,790</u>	<u>4,593,467</u>	<u>1,112,935</u>	<u>-</u>	<u>55,591,322</u>
Total capital assets being depreciated, net	<u>29,186,005</u>	<u>(1,065,016)</u>	<u>48,865</u>	<u>857,716</u>	<u>28,929,840</u>
Governmental activities capital assets, net	<u>\$ 50,498,765</u>	<u>\$ 7,457,050</u>	<u>\$ 167,660</u>	<u>\$ -</u>	<u>\$ 57,788,155</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,483,214	\$ 13,310	\$ 157,852	\$ -	1,338,672
Construction in progress	8,027,355	13,857,545	261,239	(1,493,890)	20,129,771
Total capital assets not being depreciated	<u>9,510,569</u>	<u>13,870,855</u>	<u>419,091</u>	<u>(1,493,890)</u>	<u>21,468,443</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,789,659	-	-	-	71,789,659
Distribution and collection system	57,653,576	461,575	-	212,144	58,327,295
Wells and tanks	6,155,069	146,791	544,297	-	5,757,563
Machinery and equipment	11,762,739	891,706	215,675	1,281,746	13,720,516
Total capital assets being depreciated	<u>147,854,696</u>	<u>1,500,072</u>	<u>759,972</u>	<u>1,493,890</u>	<u>150,088,686</u>
Less accumulated depreciation for:					
Buildings	345,554	12,341	-	-	357,895
Plants and improvements	37,041,528	1,588,483	-	-	38,630,011
Distribution and collection system	19,894,122	1,044,097	-	-	20,938,219
Wells and tanks	4,188,559	271,252	411,233	-	4,048,578
Machinery and equipment	9,074,227	1,143,909	188,157	-	10,029,979
Total accumulated depreciation	<u>70,543,990</u>	<u>4,060,082</u>	<u>599,390</u>	<u>-</u>	<u>74,004,682</u>
Total capital assets being depreciated, net	<u>77,310,706</u>	<u>(2,560,010)</u>	<u>160,582</u>	<u>1,493,890</u>	<u>76,084,004</u>
Business-type activities capital assets, net	<u>\$ 86,821,275</u>	<u>\$ 11,310,845</u>	<u>\$ 579,673</u>	<u>\$ -</u>	<u>\$ 97,552,447</u>

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

Governmental activities:	
General government	\$ 245,793
Public safety	1,417,032
Public works	1,614,825
Parks, recreation and culture	862,030
Community development	144,082
Economic development	309,705
Total depreciation expense - governmental activities	<u>\$ 4,593,467</u>
Business-type activities:	
Water and sewer services	\$ 4,060,082
Total depreciation expense - business type activities	<u>\$ 4,060,082</u>

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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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-Phase II	109,304	2,709,075	2,599,771
Downtown Revitalization	947,061	953,861	6,800
Police Station/E911 Facility	9,461,314	16,888,169	7,426,855
Fire Station	1,577,537	5,556,560	3,979,023
Parking Garage	2,905,094	4,947,201	2,042,107
Aquatics Center Building Expansion	64,574	69,829	5,255
Fire Dept. - Alice Dr. Station	396,383	953,999	557,616
Downtown Wayfinding Project	50,600	71,400	20,800
Opera House Renovation	34,719	179,858	145,139
Shaw/Sumter Welcome Center	76,668	2,547,600	2,470,932
Memorial Park Construction	21,265	983,025	961,760
Shaw/Sumter Park Improvements-Duke Fdn.	26,675	2,025,000	1,998,325
Church Street Shelter Improvements	37,836	37,836	-
Police Firing Range	194,238	510,000	315,762
Public Service Complex Roof	5,820	150,000	144,180
<i>Total Governmental</i>	<u>15,909,088</u>	<u>31,124,695</u>	<u>16,059,811</u>
<i>Business-type Activities</i>			
Water Plant #6	14,703,671	18,469,338	3,765,667
Utility Billing Dept. Building	212,312	3,110,262	2,897,950
Wastewater Infiltration Study	55,931	65,210	9,279
Water Plant #5 Expansion	594,308	850,000	255,692
New Well System - Mayesville	35,186	264,552	229,366
Well # 4 for Water Plant # 4	16,939	37,151	20,212
Well # 5 at Water Plant # 3	65,901	201,106	135,205
Well # 6 at Water Plant # 1	8,160	108,052	99,892
Water Meter Upgrade/Install	4,428,620	5,854,587	1,425,967
Pocotaligo Study - Quality Assurance Plan	8,743	76,445	67,702
<i>Total Business-type Activities</i>	<u>20,129,771</u>	<u>29,036,703</u>	<u>6,663,617</u>
	<u>36,038,859</u>	<u>60,161,398</u>	<u>22,723,428</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, 2017.

**E. Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2017, 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, 2017**

*Summary of changes in long-term obligations:*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,255,462	\$ -	\$ 474,019	\$ 1,781,443	\$ 484,306
Tax increment financing bonds	-	4,500,000	-	4,500,000	205,000
Revenue bonds	772,000	-	253,000	519,000	257,000
Notes payable	597,000	-	41,000	556,000	43,000
Capital leases	3,249,497	2,128,816	1,102,796	4,275,517	1,226,235
Compensated absences	3,553,858	2,066,698	1,523,268	4,097,288	1,106,271
Governmental activity long-term liabilities	<u>\$ 10,427,817</u>	<u>\$ 8,695,514</u>	<u>\$ 3,394,083</u>	<u>\$ 15,729,248</u>	<u>\$ 3,321,812</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 57,661,193	-	2,826,841	\$ 54,834,352	\$ 2,930,934
Capital leases	-	386,557	24,604	361,953	74,799
Compensated absences	503,354	329,409	211,680	621,083	167,691
Business-type activity long-term liabilities	<u>\$ 58,164,547</u>	<u>\$ 715,966</u>	<u>\$ 3,063,125</u>	<u>\$ 55,817,388</u>	<u>\$ 3,173,424</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	480,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	525,273
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	<u>776,170</u>
Total General Obligation Bonds	<u>\$ 1,781,443</u>

*Tax Increment Financing (TIF) Bonds Payable*

On October 13, 2016, the City issued its \$4,500,000 Tax Increment Revenue Bond, Series 2016 (TIF), to provide funds to defray the costs of certain downtown infrastructure improvements. The primary improvements to be defrayed with proceeds of the TIF are costs associated with the design and construction of a two level parking garage to be owned by the City. The TIF represents an obligation of the City payable from the incremental tax revenues generated by the Redevelopment Project Area established by the plan set forth in an ordinance adopted December 9, 1999, as amended. Additional security for this financing is provided through a junior lien pledge of the gross revenues of the City's water and sewer system. The TIF bond outstanding at year end was:

\$4,500,000 Series 2016, payable in annual installments varying from \$270,790 to \$428,538 including interest at 2.04%, maturing July 2029	<u>\$ 4,500,000</u>
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**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

*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	\$ 519,000
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The City has also issued revenue bonds to finance construction and expansion of the water and sewer system. These bonds are secured by liens on and pledges of water and sewer revenue net of system operating and maintenance costs. Water and sewer revenue bonds outstanding at year end were as follows:

\$815,000 Series 2000, payable in annual installments of \$65,768 including interest at 5.29%, maturing June 2020	\$ 178,126
\$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.	\$ 1,045,000
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	1,836,226
\$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>51,775,000</u>
Total Revenue Bonds Payable	<u>\$ 54,834,352</u>

*Notes*

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

\$843,000 note payable in annual installments to the US Department of Housing and Urban Development in annual installments ranging from \$30,000 to \$69,000 including interest at 4.5%, maturing August 2026	<u>\$ 556,000</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, 2017**

Year Ending June 30,	Governmental	Business-type	Totals
	Activities	Activities	
2018	\$ 1,300,247	81,257	1,381,504
2019	1,008,235	81,257	1,089,492
2020	721,528	81,257	802,785
2021	526,366	81,257	607,623
2022	234,873	54,116	288,989
Thereafter	767,105	-	767,105
Total minimum lease payments	4,558,354	379,144	4,937,498
Less: amount representing interest	(282,837)	(17,191)	(300,028)
Present value of minimum lease payments	\$ 4,275,517	\$ 361,953	\$ 4,637,470

The assets acquired through capital leases are as follows:

Asset:	Governmental	Business-type	Totals
	Activities	Activities	
Motor vehicles and outdoor equipment	\$ 7,354,884	-	\$ 7,354,884
Less: accumulated depreciation	(3,801,772)	-	(3,801,772)
Total	\$ 3,553,112	\$ -	\$ 3,553,112

*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>						
2018	989,306	149,333	1,138,639	1,226,235	74,012	2,438,886
2019	1,007,708	149,558	1,157,266	954,988	53,247	2,165,501
2020	653,227	125,848	779,075	683,393	38,135	1,500,603
2021	666,866	110,458	777,324	499,253	27,113	1,303,690
2022	680,336	94,648	774,984	214,951	19,922	1,009,857
2023-2027	2,174,000	282,849	2,456,849	478,415	62,467	2,997,731
2028-2030	1,185,000	48,552	1,233,552	218,282	7,941	1,459,775
Total	\$ 7,356,443	\$ 961,246	\$ 8,317,689	\$ 4,275,517	\$ 282,837	\$ 12,876,043
<u>Business-Type Activities</u>						
2018	2,930,934	1,969,301	4,900,235	74,798	6,459	4,981,492
2019	3,055,963	1,843,023	4,898,986	76,285	4,972	4,980,243
2020	2,197,455	1,739,063	3,936,518	77,802	3,455	4,017,775
2021	2,190,000	1,687,025	3,877,025	79,349	1,908	3,958,282
2022	2,240,000	1,631,650	3,871,650	53,719	397	3,925,766
2023-2027	12,465,000	6,902,970	19,367,970	-	-	19,367,970
2028-2032	14,750,000	4,620,579	19,370,579	-	-	19,370,579
2033-2037	8,540,000	2,395,134	10,935,134	-	-	10,935,134
2038-2042	6,465,000	605,400	7,070,400	-	-	7,070,400
Total	\$ 54,834,352	\$ 23,394,145	\$ 78,228,497	\$ 361,953	\$ 17,191	\$ 78,607,641

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**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, 2017, were:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grants Fund	\$ 1,862,701
General Fund	HUD Section 8 Loans Fund	149,866
General Fund	Community Development Block Grant Fund	75,125
General Fund	State Accommodations Tax Fund	417,363
		<u>\$ 2,505,055</u>

**G. Transfers In and Out**

During the course of normal operations, the City makes numerous transactions between funds. Transfers of resources from a fund receiving revenue to a fund through which the resources are expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as non-operating revenues (expenses) in proprietary funds. Transfers into the general fund were primarily to recover overhead and related costs. Transfers to the state accommodations tax fund were made from the local accommodations tax fund to support tourism promotion. Transfers between funds for the year ended June 30, 2017, consisted of the following:

Transfer out:	Transfer In:			
	General	Nonmajor	Water and	Nonmajor
	Fund	Governmental	Sewer	Enterprise
General fund	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental funds	1,586,353	436,017	-	2,022,370
Water and sewer enterprise fund	1,530,655	-	-	1,530,655
Nonmajor enterprise fund	-	-	-	-
	<u>\$ 3,117,008</u>	<u>\$ 436,017</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$ 3,553,025</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

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

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

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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

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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 State Fiscal Accountability Authority (SFAA) 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 2017 are as follows:

<b>SCRS</b>	
Employee Class Two	8.66 % of earnable compensation
Employee Class Three	8.66 % of earnable compensation
<b>PORS</b>	
Employee Class Two	9.24 % of earnable compensation
Employee Class Three	9.24 % of earnable compensation

Required employer contribution rates for fiscal year 2017 are as follows:

<b>SCRS</b>	
Employee Class Two	11.41 % of earnable compensation
Employee Class Three	11.41 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation
<b>PORS</b>	
Employee Class Two	13.84 % of earnable compensation
Employee Class Three	13.84 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

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

At June 30, 2017, the City reported a liability of \$28,323,378 for the SCRS and \$16,984,488 for the PORS for a total

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of \$45,307,866 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.132601% for the SCRS, which is an increase of .001986% from its proportion measured as of June 30, 2015. At June 30, 2016 the City's portion was .669610% for the PORS, which is an increase of .00755% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized a pension expense of \$1,824,416. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	545,622	30,759
Net difference between projected and actual earnings on pension plan investments	4,308,798	-
Changes in proportionate share and difference between City contributions and proportionate share of contributions	939,458	-
City Contributions subsequent to measurement date	<u>2,817,312</u>	<u>-</u>
Total	<u><u>8,611,190</u></u>	<u><u>30,759</u></u>

The amount of \$2,817,312 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, 2018. 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>
2017	781,114	600,922	1,382,036
2018	627,645	588,147	1,215,792
2019	1,074,080	881,097	1,955,177
2020	660,147	549,967	1,210,114
	<u>3,142,986</u>	<u>2,620,133</u>	<u>5,763,119</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. An experience report was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth,

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mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, 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 used in July 1, 2015, 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, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter of 2015. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return 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.

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**June 30, 2017**

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	98.0%		5.10%
Inflation for Actuarial Purposes	100.0%		2.75%
Total Expected Nominal Return			7.85%

*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 (6.50%)	Current Discount Rate (7.50%)	1.00 % Increase (8.50%)
System			
SCRS	\$ 35,332,638	\$ 28,323,378	\$ 22,488,433
PORS	\$ 22,259,627	\$ 16,984,488	\$ 12,243,787

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*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 2017, the City contributed \$324,001 for current premiums and an additional \$746,311 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



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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	324,001
Amortization of unfunded actuarially accrued liabilities	746,311
Annual required contribution (ARC) for current year:	1,070,312
Actual contribution	(1,088,780)
Net increase in obligation for OPEB	(18,468)
Net liability for OPEB, end of year	(18,468)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2016 and for 2017 was as follows:

Fiscal Yr. Year	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2015	1,021,623	100%	-
2016	1,009,587	107%	-
2017	1,070,312	102%	-

An assumed rate of return on investments of 5 percent was used to calculate the annual OPEB costs for fiscal years 2015 through 2017.

*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 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

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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 was not certain that it would recover all of its investment if the building 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 property was sold after year end with the City receiving \$12,084 for its investment in the venture.

The financial statements for the joint venture are available from the Black River Economic Development Corporation, P O Box 130, Sumter, SC 29151.

**F. 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 requires 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. This statement is effective for fiscal years beginning after December 15, 2015, which, if applicable, impacts the City's June 30, 2017, financial statements. After inquiring with the appropriate entities and surrounding governments, management has concluded that no current agreements exist which would give rise to a reportable tax abatement under GASB 77.

**CITY OF SUMTER, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

**G. Contingent Liabilities**

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

**H. Subsequent Events**

Management has evaluated subsequent events through June 15, 2018, 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, 2017**

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

	2017		2016		2015	
	SCRS	PORS	SCRS	PORS	SCRS	PORS
Proportion of the Net Pension Liability	0.132601%	0.669610%	0.130615%	0.66206%	0.128281%	0.63586%
Proportionate Share of the Net Pension Liability	28,323,378	16,984,488	24,771,764	14,429,661	22,085,735	12,173,040
Covered-Employee Payroll (A)	12,833,429	8,543,885	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	220.70%	198.79%	202.27%	175.93%	187.52%	154.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B)	52.90%	60.40%	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 2015 through June 2016

(B) - Presented in the *Schedule of Employers' Net Pension Liability* of the Required  
Supplementary Information from the Comprehensive Annual Financial Report for  
South Carolina Retirement Systems (Fiscal Year Ended June 30, 2016) administered  
by the South Carolina Public Employee Benefit Authority

**Schedule of Employer Contributions to SCRS**

Fiscal Year	SCRS Contributions in Relation to		Contribution Deficiency (Excess)	Contributions as a % of	
	Contractually Required Contribution <sup>1</sup>	Contractually Required Contribution <sup>2</sup>		Covered Employee Payroll <sup>3</sup>	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%
2017	1,379,594	1,379,594	-	12,833,429	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, 2016

**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, 2017**

**Schedule of Employer Contributions to PORS**

Fiscal Year	PORS Contractually Required Contribution <sup>1</sup>	Contributions in Relation to			Contributions as a % of	
		Contractually Required Contribution <sup>2</sup>	Contractually Required Contribution <sup>2</sup>	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>3</sup>	Covered Employee Payroll
2015	\$ 979,982	\$ 979,982		-	\$ 7,877,669	12.44%
2016	1,067,087	1,067,087		-	8,202,053	13.01%
2017	1,111,559	1,111,559			8,543,885	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, 2016

**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, 2017**

**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		UAAL as a Percentage of Covered Payroll ((b-a)/c)
					Actuarial Liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	
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%
2017	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, 2017**

**Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Actual Contribution	Annual Percentage Contributed
2015	1,021,623	1,021,623	100%
2016	1,009,587	1,079,079	107%
2017	1,070,312	1,088,780	102%

**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, 2017**

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, 2017**

	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	\$ 226,419		\$ 37,323	\$ 40,181	\$ -	\$ -	\$ 149,117	\$ 15,077	\$ 258,404	\$ 74,895
Receivables, net of allowance for doubtful accounts	76,219	580,886	73,112	-	2,014,772	108,960	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 302,638</u>	<u>\$ 580,886</u>	<u>\$ 110,435</u>	<u>\$ 40,181</u>	<u>\$ 2,014,772</u>	<u>\$ 108,960</u>	<u>\$ 149,117</u>	<u>\$ 15,077</u>	<u>\$ 258,404</u>	<u>\$ 74,895</u>
<b>LIABILITIES</b>										
Liabilities										
Accounts payable	\$ -	\$ 49,720	\$ -	\$ -	\$ 28,566	\$ 15,363	\$ 6,550	\$ -	\$ -	\$ -
Accrued compensation and benefits	-	-	-	-	1,153	10,200	-	-	-	-
Due to other funds	-	149,866	-	-	1,862,701	75,125	-	-	-	-
Unearned Revenue	-	-	-	-	-	7,600	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>199,586</u>	<u>-</u>	<u>-</u>	<u>1,892,420</u>	<u>108,288</u>	<u>6,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
	76,219	-	73,112	-	1,183,548	-	-	-	-	-
<b>FUND BALANCES</b>										
Restricted	226,419	381,300	37,323	40,181	(1,061,196)	672	142,567	15,077	258,404	74,895
Total fund balances	<u>226,419</u>	<u>381,300</u>	<u>37,323</u>	<u>40,181</u>	<u>(1,061,196)</u>	<u>672</u>	<u>142,567</u>	<u>15,077</u>	<u>258,404</u>	<u>74,895</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 302,638</u>	<u>\$ 580,886</u>	<u>\$ 110,435</u>	<u>\$ 40,181</u>	<u>\$ 2,014,772</u>	<u>\$ 108,960</u>	<u>\$ 149,117</u>	<u>\$ 15,077</u>	<u>\$ 258,404</u>	<u>\$ 74,895</u>

*Continued*

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**

	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	\$ 998,054	\$ -	\$ 654,807	\$ 296,667	\$ 6,003	\$ 651,936	\$ 2,453	\$ 3,411,336
Receivables, net of allowance for doubtful accounts	252,159	152,430	49,056	-	-	159,577	-	3,467,171
Prepaid items	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,250,213</u>	<u>\$ 152,430</u>	<u>\$ 703,863</u>	<u>\$ 296,667</u>	<u>\$ 6,003</u>	<u>\$ 811,513</u>	<u>\$ 2,453</u>	<u>\$ 6,878,507</u>
<b>LIABILITIES</b>								
Liabilities								
Accounts payable	\$ 43,027	\$ 1,017	\$ 5,390	\$ 226	\$ 49	\$ 32,193	\$ 174	\$ 182,275
Accrued compensation and benefits	-	19,585	-	-	3,741	1,678	-	36,357
Due to other funds	-	417,363	-	-	-	-	-	2,505,055
Unearned Revenue	-	-	-	-	-	-	-	7,600
Escrow for seized funds and deposits	-	-	-	250,591	-	-	-	250,591
Total liabilities	<u>43,027</u>	<u>437,965</u>	<u>5,390</u>	<u>250,817</u>	<u>3,790</u>	<u>33,871</u>	<u>174</u>	<u>2,981,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
	-	-	-	-	-	-	-	1,332,879
<b>FUND BALANCES</b>								
Restricted	1,207,186	(285,535)	698,473	45,850	2,213	777,642	2,279	2,563,750
Total fund balances	<u>1,207,186</u>	<u>(285,535)</u>	<u>698,473</u>	<u>45,850</u>	<u>2,213</u>	<u>777,642</u>	<u>2,279</u>	<u>2,563,750</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,250,213</u>	<u>\$ 152,430</u>	<u>\$ 703,863</u>	<u>\$ 296,667</u>	<u>\$ 6,003</u>	<u>\$ 811,513</u>	<u>\$ 2,453</u>	<u>\$ 6,878,507</u>

**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, 2017**

	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	-	-	-	-	-	-	-	-	-	28,050
Intergovernmental revenue	-	-	-	-	826,531	379,681	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Interest income	3,075	32,434	58	-	-	-	393	-	-	-
Rent and miscellaneous	28,782	-	1,859	-	-	-	23,789	3,278	-	-
<b>Total revenues</b>	<b>31,857</b>	<b>32,434</b>	<b>1,917</b>	<b>-</b>	<b>826,531</b>	<b>379,681</b>	<b>24,182</b>	<b>3,278</b>	<b>-</b>	<b>28,050</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
General government administration	-	-	-	-	372,072	-	-	-	-	-
Public safety	-	-	-	-	157,148	-	-	-	-	-
Public works	-	-	-	-	378,010	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	118,960	-	-	-	-	-
Community development	-	-	9,971	-	-	379,681	-	-	-	-
Economic development	-	-	-	-	77,219	-	719	580	-	-
<b>Debt service</b>										
Bond principal	-	41,000	-	-	-	-	-	-	253,000	-
Interest and fiscal charges	-	32,139	-	-	-	-	-	-	13,168	-
<b>Capital outlay</b>										
Public safety	-	-	-	-	744,916	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	69,251	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>73,139</b>	<b>9,971</b>	<b>-</b>	<b>1,917,576</b>	<b>379,681</b>	<b>719</b>	<b>580</b>	<b>266,168</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	31,857	(40,705)	(8,054)	-	(1,091,045)	-	23,463	2,698	(266,168)	28,050
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	29,849	-	-	-	266,168	-
Transfers out	-	-	-	-	-	-	(41,009)	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,849</b>	<b>-</b>	<b>(41,009)</b>	<b>-</b>	<b>266,168</b>	<b>-</b>
Net change in fund balances	31,857	(40,705)	(8,054)	-	(1,061,196)	-	(17,546)	2,698	-	28,050
Fund balances, beginning of year	194,562	422,005	45,377	40,181	-	672	160,113	12,379	258,404	46,845
<b>Fund balances, end of year</b>	<b>\$ 226,419</b>	<b>\$ 381,300</b>	<b>\$ 37,323</b>	<b>\$ 40,181</b>	<b>\$ (1,061,196)</b>	<b>\$ 672</b>	<b>\$ 142,567</b>	<b>\$ 15,077</b>	<b>\$ 258,404</b>	<b>\$ 74,895</b>

Continued

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**

	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	\$ 2,731,193	\$ -	\$ 554,749	\$ -	\$ -	\$ -	\$ -	\$ 3,285,942
Licenses, permits and fees	-	-	-	-	-	797,706	-	825,756
Intergovernmental revenue	-	382,247	-	-	-	-	143,525	1,731,984
Fines and forfeitures	-	-	-	27,215	44,944	-	-	72,159
Interest income	-	-	-	436	-	1,017	-	37,413
Rent and miscellaneous	-	500	-	-	-	-	-	58,208
Total revenues	2,731,193	382,747	554,749	27,651	44,944	798,723	143,525	6,011,462
<b>EXPENDITURES</b>								
Current								
General government administration	-	-	-	-	-	-	-	372,072
Public safety	30,221	-	-	9,639	62,290	575,039	142,339	976,676
Public works	-	-	-	-	-	-	-	378,010
Parks, recreation and culture	407,141	75,785	74,532	-	-	-	-	676,418
Community development	-	-	-	-	-	-	-	389,652
Economic development	77,206	586,662	34,826	-	-	-	-	777,212
Debt service								
Bond principal	-	-	-	-	-	-	-	294,000
Interest and fiscal charges	-	-	-	-	-	-	-	45,307
Capital outlay								
Public safety	53,882	-	-	-	-	451,992	-	1,250,790
Parks, recreation and culture	97,790	-	-	-	-	-	-	167,041
Community development	-	-	-	-	-	-	-	-
Economic development	614,154	-	10,656	-	-	-	-	624,810
Total expenditures	1,280,394	662,447	120,014	9,639	62,290	1,027,031	142,339	5,951,988
Excess (deficiency) of revenues over (under) expenditures	1,450,799	(279,700)	434,735	18,012	(17,346)	(228,308)	1,186	59,474
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	140,000	-	-	-	-	-	436,017
Transfers out	(1,623,355)	-	(289,506)	-	-	-	-	(1,953,870)
Sale of capital assets	4,500	-	-	-	-	-	-	4,500
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,618,855)	140,000	(289,506)	-	-	-	-	(1,513,353)
Net change in fund balances	(168,056)	(139,700)	145,229	18,012	(17,346)	(228,308)	1,186	(1,453,879)
Fund balances, beginning of year	1,375,242	(145,835)	553,244	27,838	19,559	1,005,950	1,093	4,017,629
Fund balances, end of year	\$ 1,207,186	\$ (285,535)	\$ 698,473	\$ 45,850	\$ 2,213	\$ 777,642	\$ 2,279	\$ 2,563,750

**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET**  
**POSITION –**  
**BUDGET AND ACTUAL – BUDGET BASIS**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenue</b>				
Water revenue	\$ 10,176,000	\$ 10,176,000	\$ 10,061,904	\$ (114,096)
Sewer revenue	10,293,000	10,293,000	10,730,379	437,379
Other operating revenue	1,306,500	1,306,500	1,421,277	114,777
Capital contributions	-	-	287,877	287,877
Interest income and investment return	11,000	11,000	310,678	299,678
Gain (loss) on sale of capital assets	-	-	(88,627)	(88,627)
Miscellaneous	80,000	80,000	115,194	35,194
Appropriation from net position	183,112	183,112	-	(183,112)
	22,049,612	22,049,612	22,838,682	789,070
<b>Expenses</b>				
Salaries and benefits	\$ 6,486,759	\$ 6,486,759	\$ 6,421,091	\$ (65,668)
Bad debts	400,000	400,000	416,225	16,225
Utilities	2,051,250	2,051,250	2,087,689	36,439
Other operating expense	5,584,906	5,584,906	6,768,856	1,183,950
Pension expense	-	-	365,383	365,383
Depreciation	1,397,932	1,397,932	3,933,325	2,535,393
Interest expense	3,213,894	3,213,894	2,169,882	(1,044,012)
Miscellaneous	172,349	172,349	189,834	17,485
Transfers	1,530,655	1,530,655	1,530,655	-
Capital expenditures	1,211,867	1,211,867	14,984,143	13,772,276
	22,049,612	22,049,612	38,867,083	16,817,471
<b>Operating Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(16,028,401)</b>	<b>\$ (16,028,401)</b>
Reconciliation to change in net position:				
Capital expenditures			14,984,143	
<b>Change in net position</b>			<b>\$ (1,044,258)</b>	

**CITY OF SUMTER, SOUTH CAROLINA**  
**WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER**  
**For the Year Ended June 30, 2017**

Operating Revenue	22,213,560
Operating expenses exclusive of depreciation	(15,693,861)
Net revenue available for debt service	6,519,699
Debt service requirement	
Principal	2,826,841
Interest	2,073,590
Total	4,900,431
Revenue bond coverage for the year ended June 30, 2017	1.33

**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, 2017**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 3,139	\$ 513	\$ 1,480	\$ 3,872	\$ 9,004
Total assets	3,139	513	1,480	3,872	9,004
<b>Liabilities</b>	-	-	-	-	-
<b>Net position held in trust for other purposes</b>	<b>\$ 3,139</b>	<b>\$ 513</b>	<b>\$ 1,480</b>	<b>\$ 3,872</b>	<b>\$ 9,004</b>

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE**  
**TRUST FUNDS**  
**For the Year Ended June 30, 2017**

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
<b>ADDITIONS</b>					
Interest	\$ 29	\$ 5	\$ 14	\$ 4	\$ 52
Contributions	-	-	-	-	-
Total additions	29	5	14	4	52
<b>DEDUCTIONS</b>					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	-	-	-	-	-
Change in net position	29	5	14	4	52
Net position, beginning of year	3,110	508	1,466	3,868	8,952
Net position, end of year	\$ 3,139	\$ 513	\$ 1,480	\$ 3,872	\$ 9,004

**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, 2017**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>CHDO Fund</b>				
Assets				
Cash and cash equivalents	\$ 576,622	\$ 172,144	\$ (117,292)	\$ 631,474
Receivables	7,655	172,144	(179,799)	-
	<u>\$ 584,277</u>	<u>\$ 344,288</u>	<u>\$ (297,091)</u>	<u>\$ 631,474</u>
Liabilities				
Accounts payable	\$ 15,448	\$ 109,499	\$ (124,947)	\$ -
Due to other organization	568,829	172,144	(109,499)	631,474
	<u>\$ 584,277</u>	<u>\$ 281,643</u>	<u>\$ (234,446)</u>	<u>\$ 631,474</u>
<b>Sumter Green Fund</b>				
Assets				
Cash and cash equivalents	\$ 149,769	\$ 86,730	\$ (23,224)	\$ 213,275
Accounts receivable	2,580	85,150	(86,730)	1,000
	<u>\$ 152,349</u>	<u>\$ 171,880</u>	<u>\$ (109,954)</u>	<u>\$ 214,275</u>
Liabilities				
Accounts payable	\$ 1,128	\$ 23,771	\$ (24,024)	\$ 875
Unearned revenue	-	800	-	800
Due to other organization	151,221	85,150	(23,771)	212,600
	<u>\$ 152,349</u>	<u>\$ 109,721</u>	<u>\$ (47,795)</u>	<u>\$ 214,275</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	\$ 244,532	\$ 55,000	\$ (5,435)	\$ 294,097
	<u>\$ 244,532</u>	<u>\$ 55,000</u>	<u>\$ (5,435)</u>	<u>\$ 294,097</u>
Liabilities				
Due to other organization	\$ 244,532	\$ 55,000	\$ (5,435)	\$ 294,097
	<u>\$ 244,532</u>	<u>\$ 55,000</u>	<u>\$ (5,435)</u>	<u>\$ 294,097</u>
<b>Dalzell Water District Fund</b>				
Assets				
Cash and cash equivalents	\$ 585,219	\$ 542,996	\$ (505,369)	\$ 622,846
Receivables	62,166	543,594	(542,995)	62,765
	<u>\$ 647,385</u>	<u>\$ 1,086,590</u>	<u>\$ (1,048,364)</u>	<u>\$ 685,611</u>
Liabilities				
Accounts payable	\$ 10,268	\$ 446,016	\$ (453,859)	\$ 2,425
Due to customers	41,075	4,525	-	45,600
Due to other organization	596,042	636,049	(594,505)	637,586
	<u>\$ 647,385</u>	<u>\$ 1,086,590</u>	<u>\$ (1,048,364)</u>	<u>\$ 685,611</u>

Continued

**CITY OF SUMTER, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**For the Year Ended June 30, 2017**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Oswego Water District Fund</b>				
Assets				
Cash and cash equivalents	\$ 48,725	\$ 491,820	\$ (429,884)	\$ 110,661
Receivables	54,267	478,086	(488,561)	43,792
	<u>\$ 102,992</u>	<u>\$ 969,906</u>	<u>\$ (918,445)</u>	<u>\$ 154,453</u>
Liabilities				
Accounts payable	\$ 28,784	\$ 175,726	\$ (121,406)	\$ 83,104
Due to other organization	74,208	794,180	(797,039)	71,349
	<u>\$ 102,992</u>	<u>\$ 969,906</u>	<u>\$ (918,445)</u>	<u>\$ 154,453</u>
<b>Total Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 1,605,193	\$ 1,348,690	\$ (1,081,204)	\$ 1,872,679
Receivables	126,668	1,278,974	(1,298,085)	107,557
	<u>\$ 1,731,861</u>	<u>\$ 2,627,664</u>	<u>\$ (2,379,289)</u>	<u>\$ 1,980,236</u>
Liabilities				
Accounts payable	\$ 55,628	\$ 755,012	\$ (724,236)	\$ 86,404
Unearned revenue	-	800	-	800
Due to customers	41,075	4,525	-	45,600
Due to other organization	1,635,158	1,742,523	(1,530,249)	1,847,432
	<u>\$ 1,731,861</u>	<u>\$ 2,502,860</u>	<u>\$ (2,254,485)</u>	<u>\$ 1,980,236</u>

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**CITY OF SUMTER, SOUTH CAROLINA**  
**SCHEDULE OF COURT FINES AND ASSESSMENT ACTIVITY AND EXPENDITURES FOR**  
**VICTIMS SERVICES -- REQUIRED BY STATE LAW**  
**For the Year Ended June 30, 2017**

	<u>2016</u>	<u>2017</u>
Court fines, assessments and surcharges:		
Collected	869,583	711,407
Remitted to State Treasurer	(481,162)	(384,266)
Retained by the City	<u>388,421</u>	<u>327,141</u>
Fines, assessments and surcharges retained by the City:		
General fund	334,038	282,197
Victims advocate services	<u>54,383</u>	<u>44,944</u>
Total assessments and surcharges retained by the City	<u>388,421</u>	<u>327,141</u>
Funds allocated to victims advocate service special revenue fund		
Carryover from prior year	23,451	19,560
Surcharges and assessments retained current year	54,383	44,944
Expenditures for victims advocate services	<u>(58,274)</u>	<u>(62,624)</u>
Total (over) under expenditure of victims advocate service special revenue funds	<u>19,560</u>	<u>1,880</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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Defense Pass Through Program</b>			
Office of Economic Adjustment	12.610	HQ00051510019	\$ 23,884
Department of Homeland Security			
Federal Emergency Management Agency Pass-through Program From South Carolina Emergency Management Division	97.036	FEMA-4241-DR-SC	572,854
	97.036	FEMA-4286-DR-SC	438,321
			<u>1,011,175</u>
<b>Total Department of Defense</b>			<u>1,035,059</u>
<b>Department of the Interior National Park Service Pass-through Program From</b>			
SC Department of Archives & History	15.904	P16AF00010	15,194
Land and Water Conservation Fund	15.916	45-01118	18,918
<b>Total Department of Interior</b>			<u>34,112</u>
<b>Department of Housing and Urban Development Direct Programs:</b>			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-45-0011	106,460
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-45-0011	157,064
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-45-0011	63,755
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-45-0011	52,402
			<u>379,681</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	M12DC450206	75,650
HOME Investment Partnership Program	14.239	M13DC450206	1,410
HOME Investment Partnership Program	14.239	M14DC450206	159
			<u>77,219</u>
<b>Total Department of Housing and Urban Development</b>			<u>456,900</u>
<b>Department of Justice Direct Programs:</b>			
Bullet Proof Vest Partnership Program	16.607	2016BUBX16081999	15,774
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015DJBX0724	14,700
<b>Department of Justice Pass-through Programs From:</b>			
Drug Enforcement Administration	16.932		4,609
South Carolina Department of Public Safety			
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K15016	4,929
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K16017	22,876
			<u>27,805</u>
<b>Total Department of Justice</b>			<u>62,888</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		136,547
<b>National Endowment for the Arts Pass-through</b>			
South Arts, Inc.	45.024	5161	925
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,726,431</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, 2017**

**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, 2017. 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	\$77,219

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**SHEHEEN, HANCOCK & GODWIN, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29201

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA  
TERRY M. HANCOCK, CPA  
LARRY F. GODWIN, CPA  
THOMAS B. MYERS, CPA  
DARYL W. TAYLOR, CPA  
ANTHONY E. BOYKIN, CPA  
JANE M. PEACOCK, CPA  
MATTHEW C. IRICK, CPA  
J. RICHARD PARKER, CPA  
R. MARC WOOD  
SHANE E. KIRKLEY, CPA  
B. KEACH JORDAN, CPA

MARC A. QUIGLEY, CPA  
REBECCA M. LEE, CPA  
TRACY L. FAILE, CPA  
CHRISTOPHER H. HARRELL  
JOHN F. MARTIN  
JOHN C. BOYKIN, III

MEMBERS OF  
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE  
(803) 432-1424

FAX  
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

June 15, 2018

**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, 2017, 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 June 15, 2018.

**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.

Handwritten signature in black ink that reads "Sheheen, Hancock & Godwin, LLP".

Sheheen, Hancock & Godwin, LLP  
Camden, South Carolina

**SHEHEEN, HANCOCK & GODWIN, LLP**

CERTIFIED PUBLIC ACCOUNTANTS  
1011 FAIR STREET  
P.O. DRAWER 428  
CAMDEN, SOUTH CAROLINA 29201  
FOUNDED 1959

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SOUTH CAROLINA ASSOCIATION OF CPA'S  
TELEPHONE  
(803) 432-1424  
FAX  
(803) 432-1831  
WEBSITE: WWW.SHGCPA.COM

June 15, 2018

**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, 2017. 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, 2017.

## 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  
Camden, South Carolina



**CITY OF SUMTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

**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
14.218	Community Development Block Grant
97.036	FEMA Pass-through Program from SC Emergency Management Division
20.205	Highway Planning and Construction Pass-through Program from SC Department of Transportation

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, 2017**

There were no prior year audit findings.