

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

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

For the Fiscal Year Ended June 30, 2018



**CITY OF SUMTER, SOUTH CAROLINA
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Year Ended June 30, 2018**

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FINANCIAL SECTION

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February 6, 2019

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, 2018, 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, 2018, 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 60-61 and Schedule of Changes in the Net OPEB liability and Related Ratios and Employer Contributions on pages 63-64 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 February 6, 2019, 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, 2018**

As management of the City of Sumter (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the City's fiscal year ended June 30, 2018. 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 \$106,311,217 (*net position*).
- The City's total net position increased by \$4,731,164 during the current period, as a result of an increase from governmental activities of \$5,414,236 and a decrease from business-type activities of \$683,072.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,213,376, a decrease of \$6,131,099 in comparison with the prior year. Approximately 76% of this total amount, \$16,135,376 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 \$16,135,376, or approximately 27% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$2,185,725 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City 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 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, 2018 (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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

The basic governmental fund financial statements can be found on pages 20-25 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

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

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

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

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (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 31-57 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's proportionate share of the net pension liability in relation to its participation in a cost-sharing multiple-employer defined benefit pension plan and its contributions to said plan. Also disclosed in this section is certain required information related to the City's liability for other postemployment benefits (OPEB). 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 60-64 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 67-70 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, assets exceeded liabilities by \$106,311,217 at the close of the most recent fiscal year.

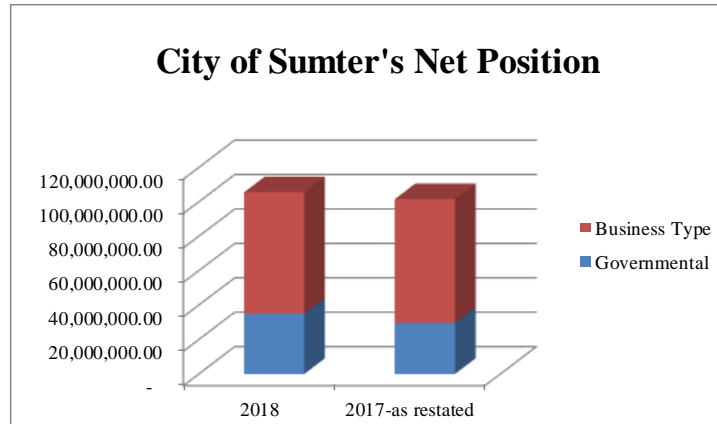
City of Sumter's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017-as restated	2018	2017-as restated	2018	2017-as restated
Current and other assets	\$ 28,003,801	\$ 34,483,135	\$ 27,354,769	\$ 40,955,294	\$ 55,358,570	\$ 75,438,429
Capital assets	76,756,645	57,788,155	107,659,897	97,552,447	184,416,542	155,340,602
Total assets	104,760,446	92,271,290	135,014,666	138,507,741	239,775,112	230,779,031
Total deferred outflows of resources	8,567,529	7,094,089	3,915,412	3,740,139	12,482,941	10,834,228
Noncurrent liabilities	71,854,121	63,462,020	65,255,056	67,636,824	137,109,177	131,098,844
Other liabilities	4,011,649	4,549,607	2,515,061	2,767,716	6,526,710	7,317,323
Total liabilities	75,865,770	68,011,627	67,770,117	70,404,540	143,635,887	138,416,167
Total deferred inflows of resources	2,326,895	1,632,678	(15,946)	(15,639)	2,310,949	1,617,039
Net position:						
Net investment in capital assets	62,306,724	51,316,040	60,881,625	61,235,765	123,188,349	112,551,805
Restricted	1,363,618	2,563,750	1,495,645	3,141,584	2,859,263	5,705,334
Unrestricted	(28,535,032)	(24,158,716)	8,798,637	7,481,630	(19,736,395)	(16,677,086)
Total net position	\$ 35,135,310	\$ 29,721,074	\$ 71,175,907	\$ 71,858,979	\$ 106,311,217	\$ 101,580,053

By far the largest portion of the City's net position (116%) reflects its investment in capital assets (e.g., land, buildings, machinery, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City'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, 2018 (CONTINUED)**

An additional portion of the City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used.



The City's overall net position increased by \$4,731,164 from the prior fiscal year. The key components of this increase are discussed in the following sections for governmental and business-type activities.

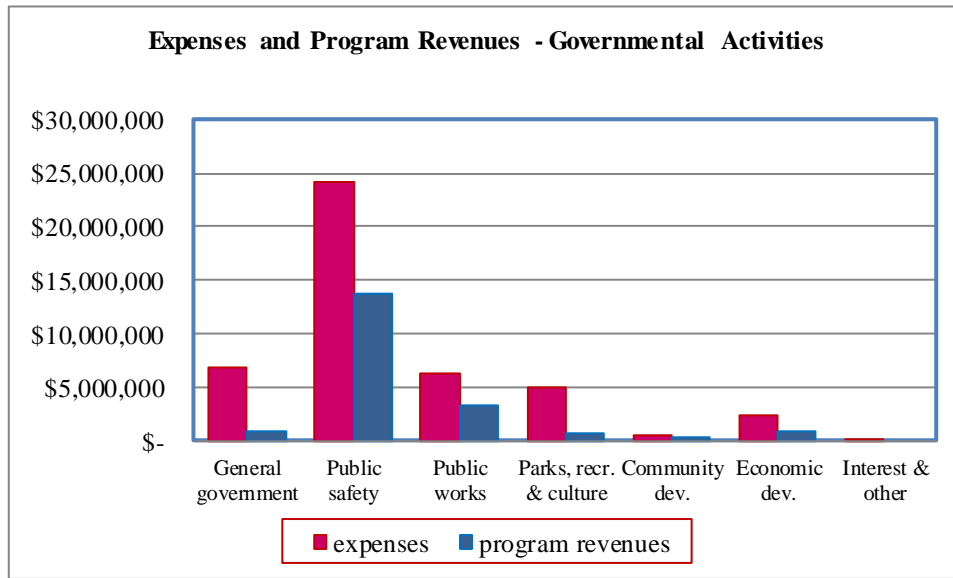
Governmental Activities: Governmental activities increased the City's net position by \$5,414,236 from the prior fiscal year for an ending balance of \$35,135,310. Total revenues increased \$2,671,409 primarily as a result of increases in capital grants and contributions. Expenses for governmental activities increased by \$2,295,057 (5.3%).

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (CONTINUED)**

City of Sumter's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017-as restated	2018	2017-as restated	2018	2017-as restated
Revenues:						
Program Revenues:						
Charges for services	\$ 8,109,364	\$ 7,929,049	\$ 23,166,411	\$ 22,827,222	\$ 31,275,775	\$ 30,756,271
Operating grants and contributions	2,267,893	3,176,857	-	-	2,267,893	3,176,857
Capital grants and contributions	9,520,114	6,255,540	757,170	654,066	10,277,284	6,909,606
Total program revenues	19,897,371	17,361,446	23,923,581	23,481,288	43,820,952	40,842,734
General Revenues:						
Property taxes	9,746,300	9,935,294	-	-	9,746,300	9,935,294
Sales taxes - local option	4,052,214	4,539,418	-	-	4,052,214	4,539,418
Sales taxes - local accommodations and hospitality	3,415,445	3,285,942	-	-	3,415,445	3,285,942
Business and franchise fees	10,733,153	10,017,899	-	-	10,733,153	10,017,899
State shared taxes	999,263	1,025,715	-	-	999,263	1,025,715
Other	468,838	475,461	259,884	337,245	728,722	812,706
Total general revenues	29,415,213	29,279,729	259,884	337,245	29,675,097	29,616,974
Total revenues	49,312,584	46,641,175	24,183,465	23,818,533	73,496,049	70,459,708
Expenses:						
General Government	6,878,117	6,914,238	-	-	6,878,117	6,914,238
Public Safety	24,276,099	22,661,191	-	-	24,276,099	22,661,191
Public Works	6,252,507	6,046,733	-	-	6,252,507	6,046,733
Parks, Recreation and Culture	4,910,697	4,498,693	-	-	4,910,697	4,498,693
Community Development	568,986	542,944	-	-	568,986	542,944
Economic Development	2,452,098	2,408,864	-	-	2,452,098	2,408,864
Interest and other charges	241,549	212,333	-	-	241,549	212,333
Water and sewer services	-	-	23,184,832	22,951,594	23,184,832	22,951,594
Total expenses	45,580,053	43,284,996	23,184,832	22,951,594	68,764,885	66,236,590
Increase in net position before transfers	3,732,531	3,356,179	998,633	866,939	4,731,164	4,223,118
Transfers	1,681,705	1,530,655	(1,681,705)	(1,530,655)	-	-
Increase (decrease) in net position	5,414,236	4,886,834	(683,072)	(663,716)	4,731,164	4,223,118
Net position beginning - as restated	29,721,074	24,834,240	71,858,979	72,522,695	101,580,053	97,356,935
Net position ending	\$ 35,135,310	\$ 29,721,074	\$ 71,175,907	\$ 71,858,979	\$ 106,311,217	\$ 101,580,053

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (CONTINUED)**



Business-Type Activities: Business-type activities decreased the City’s net position during the current year by \$683,072, a .9% decrease, for an ending balance of \$71,175,907. Total expenses were \$23,184,832, an increase of \$233,238 (1.0%) from the previous year’s amount. In addition, Business-type activities report a loss on the disposal of capital assets in the amount of \$146,771 for 2018, which is \$58,144 higher than the loss reported for 2017.

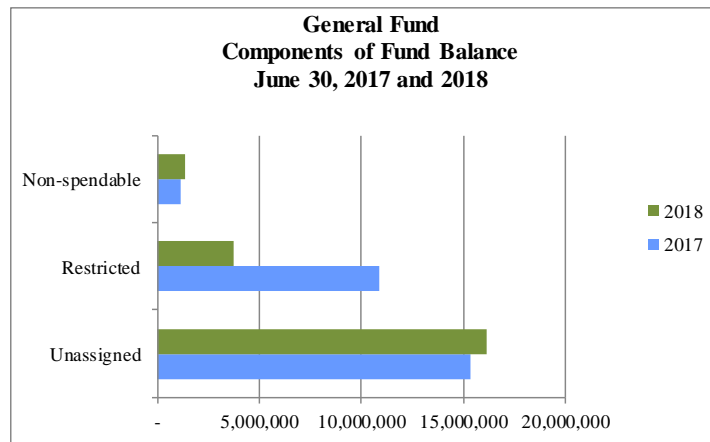
Financial Analysis of the Government’s Funds

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

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

At June 30, 2018, the City’s governmental funds reported combined fund balances of \$21,213,376, a decrease of \$6,131,099 in comparison with the prior year. Approximately 76% of this amount (\$16,135,376) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of fund balance is either non-spendable or restricted to indicate that it is 1) not in spendable form (\$1,340,885) or 2) restricted for particular purposes (\$3,737,115).

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (CONTINUED)**



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,135,376 with a total fund balance of \$21,213,376. 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 27 percent of total general fund expenditures while total fund balance represents 34 percent of that same amount.

The fund balance of the City’s general fund decreased by \$4,930,967 during fiscal year 2018. The decrease is mostly in relation to fiscal year 2018 capital expenditures that were funded with unspent proceeds from debt (bond & capital lease proceeds) which were reported as revenues in the prior year, and included in the general fund’s restricted fund balance at the end of fiscal year 2017. The chart above is an illustration of this change in fund balance. The only portion of fund balance that decreased for fiscal year 2018 was the restricted portion.

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

Unrestricted net position of the water and sewer operations and the storm water operations at the end of the fiscal year was \$8,798,637, an increase of \$1,317,007 from the prior fiscal year’s unrestricted net position, as restated. Total net position decreased by \$683,072. 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 \$10,082,214 (31%) greater compared to the final budget while expenditures were \$13,931,708 more than the final budget. Transfers in were increased by \$240,596 from the original budgeted amount. The positive variance in revenues was primarily a result of an increase in license permits and fees of \$941,247, and local revenues increased \$8,986,595 mainly due to contributions from Sumter County for the new public safety campus, a capital penny sales tax project. Other revenues were \$154,372 due to higher than anticipated miscellaneous revenues. The total of actual expenditures, less expenditures for capital outlay, were less than the final budget amounts. Expenditures in capital outlay were significantly greater than budgeted as a result of expenditures related to the new public safety complex, a capital penny sales tax project.

Capital Assets and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business type activities as of June 30, 2018, was \$184,416,542 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, roads, plants, machinery and equipment, and infrastructure.

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (CONTINUED)**

City of Sumter
Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 12,515,054	\$ 12,552,361	\$ 1,338,672	\$ 1,338,672	\$ 13,853,726	\$ 13,891,033
Works of art	574,760	396,866	-	-	574,760	396,866
Buildings	40,745,549	11,052,415	123,417	135,758	40,868,966	11,188,173
Plants, machinery and equipment	8,059,369	6,870,362	54,722,616	36,850,185	62,781,985	43,720,547
Infrastructure	11,645,483	11,007,063	38,995,645	39,098,061	50,641,128	50,105,124
Construction in progress	3,216,430	15,909,088	12,479,547	20,129,771	15,695,977	36,038,859
Totals	\$ 76,756,645	\$ 57,788,155	\$ 107,659,897	\$ 97,552,447	\$ 184,416,542	\$ 155,340,602

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 \$2,060,517.
- Various network and filing systems and furnishing for public safety complex at a cost of \$1,080,989.
- Construction in progress projects for governmental activities- public safety complex, fire station renovations, a parking garage, and downtown streetscape projects that were placed in service in the amount of \$17,358,659.
- Water plant and various water line, sewer line, stormwater drainage and well improvement projects at a cost of \$5,687,504 that were completed and placed into service for business-type activities.
- Construction in progress for business-type activities included amounts for a new Utility Billing building and a water meter replacement project for a total of \$7,625,554.
- Routine replacement of equipment and vehicles for water and sewer operations at a cost of \$859,722.

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

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$69,013,990. Of this amount, \$7,297,137 of general obligation debt is backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises revenue bonds, capital leases, and notes payable.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 7,297,137	\$ 1,781,443	\$ -	\$ -	\$ 7,297,137	\$ 1,781,443
Tax increment financing bonds	\$ 4,295,000	\$ 4,500,000	\$ -	\$ -	\$ 4,295,000	\$ 4,500,000
Revenue bonds	\$ 262,000	\$ 519,000	\$ -	\$ -	\$ 262,000	\$ 519,000
Notes payable	\$ 513,000	\$ 556,000	\$ -	\$ -	\$ 513,000	\$ 556,000
Capital lease obligations	\$ 4,456,281	\$ 4,275,517	\$ 287,154	\$ 361,953	\$ 4,743,435	\$ 4,637,470
Revenue bonds	\$ -	\$ -	\$ 51,903,418	\$ 54,834,352	\$ 51,903,418	\$ 54,834,352
Total	\$ 16,823,418	\$ 11,631,960	\$ 52,190,572	\$ 55,196,305	\$ 69,013,990	\$ 66,828,265

The City's total debt increased by \$2,185,725 (3.3 percent) during the current fiscal year. The City entered into capital lease agreements in the amount of \$1,407,000 to purchase capital equipment during the year. On June 29, 2018, the city issued its \$6,000,000 General Obligation Bond, Series 2018 to defray costs associated with the public safety complex and a fiber optic cable network.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation of property. The current debt limitation for the City is \$10,924,976 which is in excess of the City's outstanding general obligation debt.

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

**CITY OF SUMTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018 (CONTINUED)**

Economic Factors and Next Year's Budgets and Rates

The revitalization efforts in the downtown area of the Central Business District continue with streetscape improvements, building renovations, and a downtown fiber optic cabling installation.

The fiscal year 2018-2019 budget was adopted with an appropriation of \$39,065,543 for the general fund. There was no increase in the City's total millage rate for 2018-2019 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'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, 2018

	Business		Total
	Governmental Activities	Type Activities	
Assets			
Cash and cash equivalents	\$ 17,451,033	\$ 7,183,996	\$ 24,635,029
Investments	1,004,317	10,391,860	11,396,177
Receivables, net of allowance for doubtful accounts	5,834,069	4,436,516	10,270,585
Inventories	291,269	-	291,269
Prepaid items	1,428	-	1,428
Property held for resale	1,048,188	325,874	1,374,062
Restricted cash and cash equivalents	2,373,497	4,787,881	7,161,378
Receivables, non-current portion		228,642	228,642
Capital assets not being depreciated	16,306,244	13,818,219	30,124,463
Capital assets, depreciable, net of accumulated depreciation	60,450,401	93,841,678	154,292,079
Total Assets	104,760,446	135,014,666	239,775,112
Deferred Outflows of Resources			
Deferred loss on bond refunding	-	2,120,064	2,120,064
Deferred pension charges	8,086,388	1,675,063	9,761,451
Deferred other post employment benefits charges	481,141	120,285	601,426
Total Deferred Outflows of Resources	8,567,529	3,915,412	12,482,941
Liabilities			
Current liabilities:			
Accounts payable	2,266,993	1,818,645	4,085,638
Retainage payable	308,020	-	308,020
Accrued interest payable	125,807	172,358	298,165
Accrued salaries and payroll withholdings	1,015,854	174,998	1,190,852
Court bonds and confiscated funds payable	269,194	-	269,194
Customer deposits	16,793	349,060	365,853
Unearned revenue	8,988	-	8,988
Noncurrent liabilities:			
Due within one year	3,435,527	3,309,205	6,744,732
Due in more than one year	17,783,987	49,513,352	67,297,339
Net pension liability	39,323,994	9,604,846	48,928,840
Net other post employment benefits liability	11,310,613	2,827,653	14,138,266
Total Liabilities	75,865,770	67,770,117	143,635,887
Deferred Inflows of Resources			
Unavailable revenue - local option sales tax	872,543	-	872,543
Unavailable revenue - grants & contributions	1,400,537	-	1,400,537
Deferred pension credits	36,947	(20,163)	16,784
Deferred other post employment benefits credits	16,868	4,217	21,085
Total Deferred Inflows of Resources	2,326,895	(15,946)	2,310,949
Net Position			
Net investment in capital assets	62,306,724	60,881,625	123,188,349
Restricted for:			
Debt service	-	1,495,645	1,495,645
Community development	325,693	-	325,693
Economic development	709,513	-	709,513
Public safety and law enforcement	328,412	-	328,412
Unrestricted	(28,535,032)	8,798,637	(19,736,395)
Total Net Position	\$ 35,135,310	\$ 71,175,907	\$106,311,217

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government administration	\$ 6,878,117	\$ 85,586	\$ 748,993	\$ -	\$ (6,043,538)	\$ -	\$ (6,043,538)
Public safety and law enforcement	24,276,099	4,518,708	286,788	8,968,328	(10,502,275)	-	(10,502,275)
Public works	6,252,507	2,889,655	498,256	-	(2,864,596)	-	(2,864,596)
Parks, recreation and culture	4,910,697	576,368	-	184,286	(4,150,043)	-	(4,150,043)
Community development	568,986	-	254,831	-	(314,155)	-	(314,155)
Economic development	2,452,098	39,047	479,025	367,500	(1,566,526)	-	(1,566,526)
Interest on long-term debt	241,549	-	-	-	(241,549)	-	(241,549)
Total governmental activities	45,580,053	8,109,364	2,267,893	9,520,114	(25,682,682)	-	(25,682,682)
Business-type activities:							
Water and sewer	23,184,832	23,166,411	-	757,170	-	738,749	738,749
Total business-type activities	23,184,832	23,166,411	-	757,170	-	738,749	738,749
Total	\$ 68,764,885	\$ 31,275,775	\$ 2,267,893	\$ 10,277,284	\$ (25,682,682)	\$ 738,749	\$ (24,943,933)
General revenues:							
Property taxes					9,746,300	-	9,746,300
Sales taxes - local option					4,052,214	-	4,052,214
Sales taxes - local accommodations and hospitality					3,415,445	-	3,415,445
Franchise taxes and business licenses					10,733,153	-	10,733,153
Grants and contributions not restricted to specific programs					999,263	-	999,263
Gain (loss) on sale or disposition of capital assets					138,163	(146,771)	(8,608)
Unrestricted interest income					98,819	275,717	374,536
Other					231,856	130,938	362,794
Transfers					1,681,705	(1,681,705)	-
Total general revenues and transfers					31,096,918	(1,421,821)	29,675,097
Change in net position					5,414,236	(683,072)	4,731,164
Net position - beginning of year as restated					29,721,074	71,858,979	101,580,053
Net position - end of year					\$ 35,135,310	\$ 71,175,907	\$ 106,311,217

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 14,381,987	\$ 3,069,046	\$ 17,451,033
Investments	1,026,127	-	1,026,127
Receivables, net of allowance for doubtful accounts	2,721,478	3,112,591	5,834,069
Due from other funds	2,259,902	-	2,259,902
Restricted cash and cash equivalents	2,373,497	-	2,373,497
Prepaid items	1,428	-	1,428
Inventories	291,269	-	291,269
Property held for resale	1,048,188	-	1,048,188
Total assets	<u>\$ 24,103,876</u>	<u>\$ 6,181,637</u>	<u>\$ 30,285,513</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 1,555,572	\$ 711,421	\$ 2,266,993
Retainage payable	293,724	14,296	308,020
Accrued salaries and payroll withholdings	981,795	34,059	1,015,854
Customer Deposits	588	8,400	8,988
Unearned Revenue	16,793	-	16,793
Escrow for seized funds and bonds	1,043	268,151	269,194
Due to other funds	-	2,259,902	2,259,902
Total liabilities	<u>2,849,515</u>	<u>3,296,229</u>	<u>6,145,744</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	429,229	-	429,229
Unavailable revenue - local option sales tax	872,543	-	872,543
Unavailable revenue - notes & mortgages	98,231	122,253	220,484
Unavailable revenue - grants & contributions	4,600	1,399,537	1,404,137
Total deferred inflows of resources	<u>1,404,603</u>	<u>1,521,790</u>	<u>2,926,393</u>
Fund Balances:			
Nonspendable			
Prepaid items	1,428	-	1,428
Inventories	291,269	-	291,269
Property held for resale	1,048,188	-	1,048,188
Restricted			
Purchase of capital assets	2,373,497	-	2,373,497
Community development	-	325,693	325,693
Economic development	-	709,513	709,513
Public safety and law enforcement	-	328,412	328,412
Unassigned	16,135,376	-	16,135,376
Total fund balances	<u>19,849,758</u>	<u>1,363,618</u>	<u>21,213,376</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,103,876</u>	<u>\$ 6,181,637</u>	<u>\$ 30,285,513</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, 2018

Amounts reported for government activities in the statement of net position are different because:	
Total fund balance of governmental funds (page 20)	21,213,376
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	76,756,645
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	429,228
Mortgages/Contributions	224,084
Unrealized gain/(loss)	(21,810)
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	(4,396,095)
Accrued interest	(125,807)
Bonds and leases payable	(16,823,418)
Net pension liability	(39,323,994)
Net other post employment benefits liability	(11,310,613)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred pension charges	8,086,388
Deferred other post employment benefits charges	481,141
Deferred pension credits	(36,947)
Deferred other post employment benefits credits	(16,868)
Net position of governmental activities (page 18)	<u>\$ 35,135,310</u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property and vehicle and fire fees	\$ 10,157,815	\$ -	\$ 10,157,815
Sales	4,052,214	3,415,445	7,467,659
Licenses, permits, and franchise fees	10,133,291	1,184,026	11,317,317
Intergovernmental revenue			
State and federal governments	999,263	1,442,012	2,441,275
Local governments	13,623,757	-	13,623,757
Charges for services			
Sanitation fees and container rentals	2,839,669	-	2,839,669
Other	596,997	-	596,997
Fines, fees, and forfeitures	284,573	54,347	338,920
Interest income and investment return	89,097	31,532	120,629
Other	217,195	146,092	363,287
Total revenues	<u>42,993,871</u>	<u>6,273,454</u>	<u>49,267,325</u>
Expenditures			
Current			
General government administration	6,083,935	300,624	6,384,559
Public safety and law enforcement	19,316,138	1,203,300	20,519,438
Public works	4,393,312	20,957	4,414,269
Parks, recreation and culture	3,134,753	755,716	3,890,469
Community development	-	255,773	255,773
Economic development	1,177,018	850,665	2,027,683
Debt Service			
Principal retirement-bond obligations	689,306	300,000	989,306
Principal retirement-capital lease obligations	1,226,236	-	1,226,236
Interest and fiscal charges	185,426	37,918	223,344
Capital Outlay			
General government administration	12,569	-	12,569
Public safety	16,401,832	810,217	17,212,049
Public works	1,371,481	-	1,371,481
Parks, recreation and culture	464,165	747,517	1,211,682
Community development	-	-	-
Economic development	4,475,728	524,523	5,000,251
Total expenditures	<u>58,931,899</u>	<u>5,807,210</u>	<u>64,739,109</u>
Excess (deficiency) of revenues over (under) expenditures	(15,938,028)	466,244	(15,471,784)
Other financing sources (uses)			
Transfers in	3,434,580	450,496	3,885,076
Transfers out	(68,500)	(2,134,872)	(2,203,372)
Sale of capital assets	233,981	18,000	251,981
Proceeds from issuance of bonds	6,000,000	-	6,000,000
Proceeds of capital leases	1,407,000	-	1,407,000
Total other financing sources	<u>11,007,061</u>	<u>(1,666,376)</u>	<u>9,340,685</u>
Net change in fund balances	(4,930,967)	(1,200,132)	(6,131,099)
Fund balances, beginning of year	24,780,725	2,563,750	27,344,475
Fund balances, end of year	<u>\$ 19,849,758</u>	<u>\$ 1,363,618</u>	<u>\$ 21,213,376</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, 2018

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) \$ (6,131,099)

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	24,808,032
Depreciation expense not recorded in funds	(6,093,224)
Loss on disposition of capital assets	(113,818)

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

Property taxes	(411,515)
Donated capital assets	367,500
Mortgages/Contributions	(27,078)
Unrealized gain/(loss)	(21,810)

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

Payments on long-term debt	2,215,542
Issuance of long-term debt	(7,407,000)

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

Accrued interest	(18,205)
Compensated absences	(298,809)

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities (1,984,946)

Changes in the City's net other post employment benefits (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities 530,666

Change in net position of governmental activities (page 19) \$ 5,414,236

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
REVENUES				
Taxes				
Property taxes	\$ 14,462,487	\$ 14,462,487	\$ 10,157,815	\$ (4,304,672)
Sales	-	-	4,052,214	4,052,214
Licenses, permits and franchise fees	9,192,044	9,192,044	10,133,291	941,247
Intergovernmental revenue				
State government	928,806	928,806	999,263	70,457
Local governments	4,637,162	4,637,162	13,623,757	8,986,595
Charges for services				
Sanitation fees and container rentals	2,825,938	2,825,938	2,839,669	13,731
Other	444,805	444,805	596,997	152,192
Fines, fees, and forfeitures	338,000	338,000	284,573	(53,427)
Interest income and investment return	20,000	20,000	89,097	69,097
Other	62,415	62,415	217,195	154,780
Total revenues	32,911,657	32,911,657	42,993,871	10,082,214
EXPENDITURES				
General government administration:				
Administration	1,639,672	1,639,672	2,241,714	602,042
City store	84,101	84,101	94,564	10,463
Planning	834,712	850,718	724,651	(126,067)
Business license department	246,547	246,547	186,819	(59,728)
Appropriations to other agencies	311,290	321,290	323,927	2,637
General insurance	657,500	657,500	668,448	10,948
Retiree insurance	865,337	865,337	858,589	(6,748)
Maintenance contracts	709,217	709,217	671,126	(38,091)
Miscellaneous	628,388	506,295	314,097	(192,198)
	5,976,764	5,880,677	6,083,935	203,258
Public Safety and Law Enforcement:				
Police	11,429,124	11,446,074	11,065,469	(380,605)
Fire	6,546,848	6,546,848	6,868,677	321,829
Building inspection	924,474	924,474	763,893	(160,581)
Codes enforcement	406,477	467,803	423,629	(44,174)
Municipal court	218,232	218,232	194,470	(23,762)
	19,525,155	19,603,431	19,316,138	(287,293)
Public Works:				
Construction	614,637	614,637	570,505	(44,132)
Public works	976,939	990,810	1,013,209	22,399
Buildings and grounds maintenance	30,000	30,000	36,320	6,320
Sanitation	2,673,694	2,673,694	2,673,614	(80)
Vehicle maintenance	92,394	92,394	99,664	7,270
	4,387,664	4,401,535	4,393,312	(8,223)

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Parks, recreation and culture				
Parks	1,085,540	1,085,540	1,135,104	49,564
Gardens	737,452	737,452	780,880	43,428
Tennis	609,742	609,742	575,689	(34,053)
Aquatics	353,367	353,367	328,721	(24,646)
Opera House	207,750	207,750	314,359	106,609
	<u>2,993,851</u>	<u>2,993,851</u>	<u>3,134,753</u>	<u>140,902</u>
Economic Development:				
Downtown revitalization programs	574,703	574,703	530,856	(43,847)
Liberty Center	49,500	49,500	23,715	(25,785)
Hope Centers	686,611	686,611	622,447	(64,164)
	<u>1,310,814</u>	<u>1,310,814</u>	<u>1,177,018</u>	<u>(133,796)</u>
Debt service				
Principal retirement-bond obligations	689,306	689,306	689,306	-
Principal retirement-capital lease obligations	1,298,061	1,298,061	1,226,236	(71,825)
Interest and fiscal charges	196,796	196,796	185,426	(11,370)
	<u>2,184,163</u>	<u>2,184,163</u>	<u>2,100,968</u>	<u>(83,195)</u>
Capital Outlay				
General government administration	-	-	12,569	12,569
Public safety	961,684	5,461,684	16,401,832	10,940,148
Public works	1,419,500	1,419,500	1,371,481	(48,019)
Parks, recreation and culture	-	240,596	464,165	223,569
Economic Development:	-	1,503,940	4,475,728	2,971,788
	<u>2,381,184</u>	<u>8,625,720</u>	<u>22,725,775</u>	<u>14,100,055</u>
Total expenditures	<u>38,759,595</u>	<u>45,000,191</u>	<u>58,931,899</u>	<u>13,931,708</u>
Excess (deficiency) of revenues over (under) expenditures	(5,847,938)	(12,088,534)	(15,938,028)	(3,849,494)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,120,952	3,361,548	3,434,580	73,032
Transfer in from reserves	979,986	979,986	-	(979,986)
Transfers out	(68,500)	(68,500)	(68,500)	-
Sale of capital assets	200,000	200,000	233,981	33,981
Proceeds from issuance of bonds	-	6,000,000	6,000,000	-
Proceeds of capital leases	1,615,500	1,615,500	1,407,000	(208,500)
Total other financing sources (uses)	<u>5,847,938</u>	<u>12,088,534</u>	<u>11,007,061</u>	<u>(1,081,473)</u>
Net change in fund balances	-	-	(4,930,967)	(4,930,967)
Fund balances, beginning of year	24,780,725	24,780,725	24,780,725	-
Fund balances, end of year	<u>24,780,725</u>	<u>24,780,725</u>	<u>19,849,758</u>	<u>(4,930,967)</u>

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

Assets	Enterprise Funds		
	Water and Sewer Fund	Non-major	
		Storm Water Utility Fund	Totals
Current assets:			
Cash and cash equivalents	\$ 6,369,651	\$ 814,345	\$ 7,183,996
Investments	10,391,860	-	10,391,860
Accounts receivable, net of allowance for uncollectibles	3,936,174	500,342	4,436,516
Total current assets	20,697,685	1,314,687	22,012,372
Non-current assets:			
Restricted cash and cash equivalents	4,787,881	-	4,787,881
Accounts receivable, net of allowance for uncollectibles	228,642	-	228,642
Interest in joint venture	-	-	-
Property held for resale	325,874	-	325,874
Capital assets not being depreciated	13,818,219	-	13,818,219
Capital assets, depreciable, net of accumulated depreciation	92,528,355	1,313,323	93,841,678
Total non-current assets	111,688,971	1,313,323	113,002,294
Total assets	132,386,656	2,628,010	135,014,666
Deferred Outflows of Resources			
Deferred loss on bond refunding	2,120,064	-	2,120,064
Deferred pension charges	1,645,228	29,835	1,675,063
Deferred other post employment benefits charges	120,285	-	120,285
Total deferred outflows of resources	3,885,577	29,835	3,915,412
Liabilities			
Current liabilities:			
Accrued interest payable	172,358	-	172,358
Accounts payable	1,790,153	28,492	1,818,645
Accrued payroll	172,670	2,328	174,998
Customer deposits	349,060	-	349,060
Compensated absences payable	174,857	2,099	176,956
Bonds and leases payable - current portion	3,132,249	-	3,132,249
Total current liabilities	5,791,347	32,919	5,824,266
Non-current liabilities:			
Compensated absences payable	449,632	5,397	455,029
Bonds and leases payable	49,058,323	-	49,058,323
Net pension liability	9,454,203	150,643	9,604,846
Net other employment benefits liability	2,827,653	-	2,827,653
Total non-current liabilities	61,789,811	156,040	61,945,851
Total liabilities	67,581,158	188,959	67,770,117
Deferred Inflows of Resources			
Deferred pension credits	(16,079)	(4,084)	(20,163)
Deferred other post employment benefits credits	4,217	-	4,217
Total deferred inflows of resources	(11,862)	(4,084)	(15,946)
Net Position			
Net investment in capital assets	59,568,302	1,313,323	60,881,625
Restricted for debt service	1,495,645	-	1,495,645
Unrestricted	7,638,990	1,159,647	8,798,637
Total net position	\$ 68,702,937	\$ 2,472,970	\$ 71,175,907

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, 2018

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Operating revenue			
Charges for services			
Water	\$ 10,136,856	\$ -	\$ 10,136,856
Sewer	10,702,020	-	10,702,020
Storm water	-	624,161	624,161
Other operating revenue	1,703,374	-	1,703,374
Total operating revenues	<u>22,542,250</u>	<u>624,161</u>	<u>23,166,411</u>
Operating expenses			
Salaries and benefits	6,496,838	139,218	6,636,056
Bad debts	324,301	-	324,301
Utilities	2,218,230	-	2,218,230
Other operating expense	5,756,091	288,771	6,044,862
Depreciation	5,187,878	121,163	5,309,041
Total operating expenses	<u>19,983,338</u>	<u>549,152</u>	<u>20,532,490</u>
Operating income	2,558,912	75,009	2,633,921
Non-operating revenues (expenses)			
Interest expense	(2,067,369)	-	(2,067,369)
Pension expense	(324,016)	(10,493)	(334,509)
Miscellaneous expense	(196,311)	(54,153)	(250,464)
Capital grants	221,522	-	221,522
Interest income and investment return	275,717	-	275,717
Gain (loss) on sale of capital assets	(146,771)	-	(146,771)
Miscellaneous revenue	130,938	-	130,938
Total non-operating revenues (expenses)	<u>(2,106,290)</u>	<u>(64,646)</u>	<u>(2,170,936)</u>
Income before contributions and transfers	452,622	10,363	462,985
Capital contributions	419,648	116,000	535,648
Transfers out	(1,681,705)	-	(1,681,705)
Change in net position	(809,435)	126,363	(683,072)
Total net position, beginning of year as restated	<u>69,512,372</u>	<u>2,346,607</u>	<u>71,858,979</u>
Total net position, end of year	<u>\$ 68,702,937</u>	<u>\$ 2,472,970</u>	<u>\$ 71,175,907</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, 2018

	Enterprise Funds		
	Water and Sewer Fund	Non-major Storm Water Utility Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 22,053,517	\$ 616,868	\$ 22,670,385
Payments to suppliers	(8,246,418)	(269,917)	(8,516,335)
Payments to employees	(6,021,917)	(128,202)	(6,150,119)
Net Cash Flows Provided (Used) by Operating Activities	<u>7,785,182</u>	<u>218,749</u>	<u>8,003,931</u>
Cash Flows from Non-capital Financing Activities			
Other non-operating revenue	352,460	-	352,460
Other non-operating expense	(520,327)	(64,646)	(584,973)
Purchase of property held for resale	(277,141)	-	(277,141)
Transfer to other fund	(1,681,705)	-	(1,681,705)
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	<u>(2,126,713)</u>	<u>(64,646)</u>	<u>(2,191,359)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuance of debt	-	-	-
Proceeds from disposition of capital assets	39,572	-	39,572
Purchase and construction of capital assets	(15,514,917)	-	(15,514,917)
Principal paid on capital debt	(3,005,733)	-	(3,005,733)
Interest paid on capital debt	(1,967,441)	-	(1,967,441)
Net Cash Flows Used by Capital Financing Activities	<u>(20,448,519)</u>	<u>-</u>	<u>(20,448,519)</u>
Cash Flows from Investing Activities			
Interest on cash and cash equivalents	390,581	-	390,581
Net Cash Provided by Investing Activities	<u>390,581</u>	<u>-</u>	<u>390,581</u>
Increase (Decrease) in cash and cash equivalents	(14,399,469)	154,103	(14,245,366)
Cash and cash equivalents, beginning of year	25,557,001	660,242	26,217,243
Cash and cash equivalents, end of year	<u>\$ 11,157,532</u>	<u>\$ 814,345</u>	<u>\$ 11,971,877</u>
Reconciliation of net operating income to net cash provided (used) by operating activities:			
Operating income	\$ 2,558,912	\$ 75,009	2,633,921
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	5,187,878	121,163	5,309,041
Change in current assets and liabilities:			
Increase in accounts receivable	(175,600)	(7,192)	(182,792)
Increase in deferred outflows of resources-pension	(154,448)	(3,514)	(157,962)
Increase in accrued absences	9,231	1,671	10,902
Increase in customer deposits	11,168	-	11,168
Increase (decrease) in accounts payable	(272,097)	18,854	(253,243)
Increase (decrease) in accrued payroll	174	(1,249)	(1,075)
Increase in net pension liability	620,170	14,108	634,278
Decrease in deferred inflows of resources	(206)	(101)	(307)
Net cash provided (used) by operating activities	<u>\$ 7,785,182</u>	<u>\$ 218,749</u>	<u>\$ 8,003,931</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, 2018

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 9,084	\$ 1,882,391
Receivables	-	191,421
Total assets	\$ 9,084	\$ 2,073,812
Liabilities		
Accounts payable	\$ -	\$ 38,385
Unearned revenue	-	-
Due to customers	-	47,150
Due to other organization	-	1,988,277
Total liabilities	-	2,073,812
Net Position		
Held in trust for other purposes	\$ 9,084	\$ -

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, 2018

Additions	
Interest	\$ 80
Contributions	-
Total additions	80
Deductions	
Distributions to beneficiaries	-
Total deductions	-
Change in net position	80
Net position, beginning of year	9,004
Net position, end of year	\$ 9,084

The accompanying notes are an integral part of these statements.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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*.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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

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

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and deferred outflows of resources, and liabilities and deferred inflows of resources, (except for those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The City reports one major governmental fund, the general fund. The **General Fund** is the general operating fund of the City and accounts for all revenues and expenditures of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures, capital improvement costs, and general debt service that are not paid through other funds are paid from the General Fund.

In addition, the City reports one nonmajor governmental fund type, the special revenue fund. The **Special Revenue Fund**, is used to account for the proceeds of designated specific revenue sources that are restricted by law or administrative actions to expenditures for specified purposes. Special revenue funds consist of the following:

USDA Rural Business	Firemen's Fund	Narcotics Fund
HUD Section 108	Empowerment Zone	Victim's Assistance
Federal/State Grants	Main Street Society	Emergency 911
Community Development Block Grants	Local Hospitality Fee	Hospitality Fee Revenue Bond
CDBG HOME	State Accommodations Tax	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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's proprietary funds include two *enterprise funds* which are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that 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, 2018

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 71 percent of outstanding property taxes at June 30, 2018.

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

future period are recorded as prepaid items in both the government-wide and the fund financial statements.

Real Estate Held for Resale

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

Restricted Assets

Certain proceeds of general fund bonds and capital leases and enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. If both restricted and unrestricted resources are to be used for the same purpose, it is the government's policy to first use restricted resources. At year end the City reports restricted cash in the amount of \$7,161,378.

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. 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

Historically, the City has capitalized interest incurred (net of interest earned for tax exempt debt) in its proprietary funds during the construction of qualifying assets, however, during fiscal year 2018, the City adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires construction period interest to be recognized as an expense during the period it is incurred. Accordingly, during the year ended June 30, 2018, there was no capitalized interest incurred by the Water and Sewer Enterprise Fund. In the past, the City has not capitalized interest on fixed assets used in governmental activities. As such, the implementation of GASB Statement No. 89 does not affect the City's governmental activities. For more information on GASB Statement No. 89, see Note V, E.

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

property taxes which did not meet the ‘availability’ criteria under the modified accrual basis of accounting (collected within 60 days after fiscal year end).

Compensated Absences

City employees may accumulate up to 90 days of earned but unused sick leave, but the City does not pay employees separating from service for unused sick leave. In lieu of overtime compensation, the City may credit employees with compensatory time at the rate of 1^{1/2} hours for each overtime hour worked. Employees who are scheduled to work on a holiday may receive an alternate day off to be scheduled by their supervisor or receive holiday pay. There is no cap on accrued compensatory or holiday time/pay. Exempt employees are not eligible for compensatory or holiday time/pay. All City employees are eligible for paid vacation. Fire suppression employees may carry forward a maximum of 900 unused vacation hours from one year to the next, and other employees may carry forward up to 600 such hours. Employees who terminate employment with the City prior to retirement can be paid for up to 24 days of unused vacation, provided they work a two week notice and have not been discharged for disciplinary reasons. In the year of their retirement from service with the City, employees may use up to 30 days of annual leave and be paid for up to 45 days of unused annual leave. All compensatory, holiday, and vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only when they mature because an employee resigns or retires.

Long-term obligations

In the government-wide financial statements and proprietary funds statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position at the face amount of the debt issued. In accordance with GASB 68, *Accounting and Financial Reporting for Pension Plans*, the City reports its share of the net pension liability in relation to the two cost-sharing, multiple-employer defined benefit pension plans that it participates in, which are administered by the South Carolina Public Employee Benefit Authority (PEBA).

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

Property Taxes

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

Net Position

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

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

Governmental Fund Balances

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

classifications are as follows:

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

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

Use of Estimates

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

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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 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. Other Post-Employment Benefits

Other Post-Employment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see note IV. D for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GASB Statement No. 75.

H. Capital Contributions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the Local Hospitality fund by \$742,846. The over-expenditures were funded by revenue, which exceeded budgeted amounts by \$194,961, and by fund balance in the amount of \$547,885. In the Local Accommodations fund, expenditures exceeded appropriations by \$56,125. The over-expenditures were funded by revenue, which exceeded budgeted amounts by \$90,888.

III. ACCOUNTING CHANGES

A. Restatement of Beginning Net Position

Implementation of GASB Statement No. 75

For fiscal year 2018, the City made prior period adjustments due to the adoption of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The adjustment will reflect a decrease to Net Position as a result of the recognition of the net OPEB liability in the government-wide financial statements and proprietary funds statements (see note VI for more information).

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash Deposits

As of June 30, 2018, the carrying amount of the government's bank deposits was \$10,234,545 and the respective bank balances totaled \$11,526,976. Of the total bank balances, \$3,203,028 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$8,323,948 was collateralized with securities held by the financial institutions in the government's name.

Investments

As of June 30, 2018, in accordance with South Carolina law applicable to local government deposits and investments, the government had the following investments:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

Investment	Maturities	Fair Value
Insured or registered, or held by the government or its agent in the government's name:		
U.S. Treasury / Agency Securities		
\$1,000,000 Federal Home Loan Banks bond 1.25%	04/28/2021	\$ 978,430
\$2,000,000 Federal Home Loan Mortgage Corporation bond 1.25%	06/30/2021	1,962,540
\$8,000,000 Federal Home Loan Mortgage Corporation bond 1.125%	06/30/2021	7,804,320
Other:		
Federated Treasury Obligation Fund #398	Short-term	1,495,645
Fidelity Prime Fund Daily Money Class	1 to 180 days	117,639
Corporate Bonds	Short-term	625,000
Investment in South Carolina Pooled Investment Fund		<u>21,242,845</u>
		<u>\$ 34,226,419</u>

The City's investments also include a life insurance contract on the life of an employee. At year end, this contract had a cash surrender value of \$25,887.

South Carolina Pooled Investment Fund

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

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 over time will adversely affect the fair value of an

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

investment. The City holds \$11,000,000 in face value of U.S. Treasury/Agency debt securities (bonds) that are set to mature in 2021. The City hedges its interest rate risk by investing in 'step up' bonds, which provide periodic increases to 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 30 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:

	General Fund	Special Revenue Fund	Water and Sewer Fund	Total
Current:				
Taxes				
Property	\$ 1,432,235	\$ -	\$ -	\$ 1,432,235
Sales and franchise	-	420,204	-	420,204
Intergovernmental	1,072,421	2,053,134	491,699	3,617,254
Accounts	1,163,767	-	3,168,233	4,332,000
Unbilled receivables	-	-	1,061,347	1,061,347
Loans and notes	98,231	639,253	45,000	782,484
Interest	-	-	52,833	52,833
Other	-	-	228,205	228,205
Non-current:				
Notes	-	-	228,642	228,642
Other	-	-	-	-
Gross receivables	3,766,654	3,112,591	5,275,959	12,155,204
Less, allowance for uncollectibles	(1,045,176)	-	(610,801)	(1,655,977)
Net total receivables	<u>\$ 2,721,478</u>	<u>\$ 3,112,591</u>	<u>\$ 4,665,158</u>	<u>\$ 10,499,227</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 \$8,988 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, 2018 was as follows:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 12,552,361	\$ 37,766	\$ 75,073	\$ -	\$ 12,515,054
Works of Art	396,866	177,894	-	-	574,760
Construction in progress	15,909,088	20,306,084	-	(32,998,742)	3,216,430
Total capital assets not being depreciated	<u>28,858,315</u>	<u>20,521,744</u>	<u>75,073</u>	<u>(32,998,742)</u>	<u>16,306,244</u>
Capital assets being depreciated:					
Infrastructure	33,389,231	739,475	-	1,541,255.67	35,669,962
Buildings and improvements	24,334,267	142,964	-	31,457,486	55,934,717
Motor vehicles and outdoor equipment	22,388,674	2,690,359	650,528	-	24,428,505
Office equipment	4,408,990	1,080,990	-	-	5,489,980
Total capital assets being depreciated	<u>84,521,162</u>	<u>4,653,788</u>	<u>650,528</u>	<u>32,998,742</u>	<u>121,523,164</u>
Less accumulated depreciation for:					
Infrastructure	22,382,168	1,642,311	-	-	24,024,479
Buildings and improvements	13,281,852	1,907,316	-	-	15,189,168
Motor vehicles and outdoor equipment	16,185,381	1,990,980	611,783	-	17,564,578
Office equipment	3,741,921	552,617	-	-	4,294,538
Total accumulated depreciation	<u>55,591,322</u>	<u>6,093,224</u>	<u>611,783</u>	<u>-</u>	<u>61,072,763</u>
Total capital assets being depreciated, net	<u>28,929,840</u>	<u>(1,439,436)</u>	<u>38,745</u>	<u>32,998,742</u>	<u>60,450,401</u>
Governmental activities capital assets, net	<u>\$ 57,788,155</u>	<u>\$ 19,082,308</u>	<u>\$ 113,818</u>	<u>\$ -</u>	<u>\$ 76,756,645</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,338,672	-	-	-	\$ 1,338,672
Construction in progress	20,129,771	12,289,637	-	(19,939,861)	12,479,547
Total capital assets not being depreciated	<u>21,468,443</u>	<u>12,289,637</u>	<u>-</u>	<u>(19,939,861)</u>	<u>13,818,219</u>
Capital assets being depreciated:					
Buildings	493,653	-	-	-	493,653
Plants and improvements	71,789,659	731,350	-	19,275,414	91,796,423
Distribution and collection system	58,327,295	815,143	4,823,628	-	54,318,810
Wells and tanks	5,757,563	367,641	510,288	664,447	6,279,363
Machinery and equipment	13,720,516	1,311,146	38,234	-	14,993,428
Total capital assets being depreciated	<u>150,088,686</u>	<u>3,225,280</u>	<u>5,372,150</u>	<u>19,939,861</u>	<u>167,881,677</u>
Less accumulated depreciation for:					
Buildings	357,895	12,341	-	-	370,236
Plants and improvements	38,630,011	2,169,799	-	-	40,799,810
Distribution and collection system	20,938,219	1,498,214.91	4,823,628	-	17,612,806
Wells and tanks	4,048,578	371,401	430,257	-	3,989,722
Machinery and equipment	10,029,979	1,257,286	19,840	-	11,267,425
Total accumulated depreciation	<u>74,004,682</u>	<u>5,309,042</u>	<u>5,273,725</u>	<u>-</u>	<u>74,039,999</u>
Total capital assets being depreciated, net	<u>76,084,004</u>	<u>(2,083,762)</u>	<u>98,425</u>	<u>19,939,861</u>	<u>93,841,678</u>
Business-type activities capital assets, net	<u>\$ 97,552,447</u>	<u>\$ 10,205,875</u>	<u>\$ 98,425</u>	<u>\$ -</u>	<u>\$ 107,659,897</u>

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

Governmental activities:		
General government	\$	263,718
Public safety		2,527,635
Public works		1,724,587
Parks, recreation and culture		927,033
Community development		305,533
Economic development		344,719
Total depreciation expense - governmental activities	\$	<u>6,093,225</u>
Business-type activities:		
Water and sewer services	\$	5,309,042
Total depreciation expense - business type activities	\$	<u>5,309,042</u>

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	\$ 206,562	\$ 2,709,075	\$ 2,502,513
Aquatics Center Building Expansion	88,440	98,603	10,163
Downtown Wayfinding Project	82,800	130,200	47,400
Shaw/Sumter Welcome Center	1,453,388	2,547,600	1,094,212
Lemira School Area Park	51,913	100,000	48,087
Memorial Park Construction	167,906	983,025	815,119
Public Services Storefront	89,065	114,000	24,935
Fiber Network Design	73,166	1,500,000	1,426,834
Energy Efficient Equipment	1,003,190	1,335,000	331,810
<i>Total Governmental</i>	<u>\$ 3,216,430</u>	<u>\$ 9,517,503</u>	<u>\$ 6,301,073</u>
<i>Business-type Activities</i>			
Utility Billing Dept. Building	\$ 957,015	\$ 3,110,262	\$ 2,153,247
Water Meter Upgrade/Install	11,309,473	13,161,617	1,852,144
Well Rehab-Well #2 Waterplant #2	73,715	155,715	82,000
Well Rehab-Well #1-3, Waterplant #1	35,000	143,000	108,000
Pump Station/Force Main-Mayesville System	104,344	245,670	141,326
<i>Total Business-type Activities</i>	<u>\$ 12,479,547</u>	<u>\$ 16,816,264</u>	<u>\$ 4,336,717</u>
	<u>\$ 15,695,977</u>	<u>\$ 26,333,767</u>	<u>\$ 10,637,790</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, 2018.

E. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018, 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, 2018

Summary of changes in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,781,443	\$ 6,000,000	\$ 484,306	\$ 7,297,137	\$ 499,708
Tax increment financing bonds	4,500,000	-	205,000	4,295,000	200,000
Revenue bonds	519,000	-	257,000	262,000	262,000
Notes payable	556,000	-	43,000	513,000	46,000
Capital leases	4,275,517	1,407,000	1,226,236	4,456,281	1,196,911
Compensated absences	4,097,288	1,970,865	1,672,057	4,396,096	1,230,908
Governmental activity long-term liabilities	<u>\$ 15,729,248</u>	<u>\$ 9,377,865</u>	<u>\$ 3,887,599</u>	<u>\$ 21,219,514</u>	<u>\$ 3,435,527</u>
Business-type activities:					
Revenue bonds	\$ 54,834,352	\$ -	\$ 2,930,934	\$ 51,903,418	\$ 3,055,963
Capital leases	361,953	-	74,799	287,154	76,286
Compensated absences	621,083	303,568	292,666	631,985	176,956
Business-type activity long-term liabilities	<u>\$ 55,817,388</u>	<u>\$ 303,568</u>	<u>\$ 3,298,399</u>	<u>\$ 52,822,557</u>	<u>\$ 3,309,205</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	\$ 245,000
\$1,000,000 Series 2011, payable in annual installments of \$112,501 including interest at 2.31%, maturing July 2021	424,906
\$1,500,000 Series 2012, payable in annual installments of \$165,006 including interest at 2.07%, maturing September 2021	627,231
\$6,000,000 Series 2018, payable in annual installments varying from \$647,460 to \$648,362 including interest at 2.98%, maturing July 15, 2029	6,000,000
Total General Obligation Bonds	<u>\$ 7,297,137</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>\$ 4,295,000</u>
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Revenue Bonds

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

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

\$1,734,000 Hospitality Fee Revenue Bond, Series 2011, payable in semi-annual installments varying from \$2,672 to \$264,672 including interest at 2.04%, maturing August 2018, collateralized by assignment of hospitality fee revenue	<u>\$ 262,000</u>
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The City has also issued revenue bonds to finance construction and expansion of the water and sewer system. These bonds are secured by liens on and pledges of water and sewer revenue net of system operating and maintenance costs. Water and sewer revenue bonds outstanding at year end were as follows:

\$815,000 Series 2000, payable in annual installments of \$65,768 including interest at 5.29%, maturing June 2020	\$ 121,781
\$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.	-
\$7,018,000 Series 2010, payable in annual installments varying from \$714,820 to \$931,636 including interest at 2.99%	931,637
\$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>50,850,000</u>
Total Revenue Bonds Payable	<u>\$ 51,903,418</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>\$ 513,000</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:

Year Ending June 30,	Governmental Activities	Business-Type Activities	Totals
2019	\$ 1,286,795	\$ 81,256	\$ 1,368,051
2020	1,025,413	81,257	1,106,670
2021	830,251	81,257	911,508
2022	538,758	54,116	592,874
2023	407,844	-	407,844
Thereafter	688,470	-	688,470
Total minimum lease payments	4,777,531	297,886	5,075,417
Less: amount representing interest	(321,250)	(10,732)	(331,982)
Present value of minimum lease payments	<u>\$ 4,456,281</u>	<u>\$ 287,154</u>	<u>\$ 4,743,435</u>

The assets acquired through capital leases are as follows:

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

	Governmental Activities	Business-type Activities	Totals
Asset:			
Motor vehicles and outdoor equipment	\$ 9,844,991	-	\$ 9,844,991
Less: accumulated depreciation	(4,706,281)	-	(4,706,281)
Total	<u>\$ 5,138,710</u>	<u>\$ -</u>	<u>\$ 5,138,710</u>

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	
Governmental Activities						
2019	807,709	161,975	969,684	1,196,908	89,887	2,256,479
2020	977,227	304,648	1,281,875	955,421	69,992	2,307,288
2021	1,144,866	275,282	1,420,148	779,723	50,528	2,250,399
2022	1,172,335	245,078	1,417,413	504,124	34,634	1,956,171
2023	923,000	214,068	1,137,068	385,176	22,668	1,544,912
2024-2028	4,917,000	668,422	5,585,422	526,439	50,905	6,162,766
2029-2031	2,425,000	80,074	2,505,074	108,490	2,636	2,616,200
Total	<u>\$ 12,367,137</u>	<u>\$ 1,949,547</u>	<u>\$ 14,316,684</u>	<u>\$ 4,456,281</u>	<u>\$ 321,250</u>	<u>\$ 19,094,215</u>
Business-Type Activities						
2019	3,055,963	1,843,023	4,898,986	76,284	4,972	4,980,242
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	2,330,000	1,545,400	3,875,400	-	-	3,875,400
2024-2028	12,895,000	6,471,783	19,366,783	-	-	19,366,783
2029-2033	15,235,000	4,131,775	19,366,775	-	-	19,366,775
2034-2038	6,795,000	2,038,125	8,833,125	-	-	8,833,125
2039-2042	4,965,000	337,000	5,302,000	-	-	5,302,000
Total	<u>\$ 51,903,418</u>	<u>\$ 21,424,844</u>	<u>\$ 73,328,262</u>	<u>\$ 287,154</u>	<u>\$ 10,732</u>	<u>\$ 73,626,148</u>

F. Inter-fund Receivables and Payables

Inter-fund balances arise because the City utilizes a cash pool to maximize potential interest earnings. Inter-fund balances at June 30, 2018, were:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grants Fund	\$ 1,645,456
General Fund	HUD Section 8 Loans Fund	127,206
General Fund	Community Development Block Grant Fund	20,511
General Fund	State Accommodations Tax Fund	436,591
General Fund	Victim's Assistance	30,138
		<u>\$ 2,259,902</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

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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, 2018, consisted of the following:

Transfer out:	Transfer In:			
	General Fund	Nonmajor Governmental Fund	Water and Sewer Enterprise	Nonmajor Enterprise Fund
General fund	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental funds	1,752,875	450,496	-	2,203,371
Water and sewer enterprise fund	1,681,705	-	-	1,681,705
Nonmajor enterprise fund	-	-	-	-
	<u>\$ 3,434,580</u>	<u>\$ 450,496</u>	<u>\$ -</u>	<u>\$ 3,885,076</u>

V. OTHER INFORMATION

A. Risk Management

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

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

B. Employee Retirement Systems

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple- employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and 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

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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 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. The PEBA board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer

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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.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates for fiscal year 2018 are as follows:

SCRS

Employee Class Two	9.00 % of earnable compensation
Employee Class Three	9.00 % of earnable compensation

PORS

Employee Class Two	9.75 % of earnable compensation
Employee Class Three	9.75 % of earnable compensation

Required employer contribution rates for fiscal year 2018 are as follows:

SCRS

Employee Class Two	13.41 % of earnable compensation
Employee Class Three	13.41 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employee Class Two	15.84 % of earnable compensation
Employee Class Three	15.84 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

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Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. Net pension liability totals as of June 30, 2017, for SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
SCRS	48,244,437,494	25,732,829,268	22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

The total pension liability is calculated by the systems' actuary, and the plans' fiduciary net position is reported in the systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the systems' notes to the financial statements and required supplementary information. Liability calculations performed by the systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan's funding requirements.

At June 30, 2018, the City reported a liability of \$30,282,841 for the SCRS and \$18,645,999 for the PORS for a total of \$48,928,840 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 organizations, actuarially determined. At June 30, 2017, the City's proportion was 0.134521% for the SCRS, which is an increase of .001920% from its proportion measured as of June 30, 2016. At June 30, 2017 the City's portion was .68062% for the PORS, which is an increase of .01101% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a pension expense of \$2,456,738. At June 30, 2018, 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	301,270	16,784
Change in assumptions	3,542,412	-
Net difference between projected and actual earnings on pension plan investments	1,509,788	-
Changes in proportionate share and difference between City contributions and proportionate share of contributions	1,067,939	-
City Contributions subsequent to measurement date	3,340,042	-
Total	<u>9,761,451</u>	<u>16,784</u>

The amount of \$3,340,042 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, 2019. 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:

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<u>June 30.</u>	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2018	948,977	909,361	1,858,338
2019	1,401,876	1,207,128	2,609,004
2020	981,947	870,554	1,852,501
2021	(113,123)	197,905	84,782
	3,219,677	3,184,948	6,404,625

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.

The June 30, 2017 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement Systems Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
	3.0% to 12.5%	3.5% to 9.5%
Projected salary increases	(varies by service)	(varies by service)
Includes inflation at	2.25%	2.25%
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. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows:

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<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC males multiplied by 92%	2016 PRSC females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC males multiplied by 100%	2016 PRSC females multiplied by 111%
Public Safety and Firefighters	2016 PRSC males multiplied by 125%	2016 PRSC females multiplied by 111%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market assumptions. 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 at the beginning of the 2017 fiscal year. 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 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.07%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITS)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		.
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	92.00%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

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Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 7.25 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 (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	1.00% Decrease	Current Discount Rate	1.00 % Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
System			
SCRS	\$ 39,030,422	\$ 30,282,841	\$ 24,975,114
PORS	\$ 25,175,645	\$ 18,645,999	\$ 13,502,683

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, 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 single-employer defined benefit postemployment healthcare plan (the Plan) provides medical insurance to eligible retirees. Spouses and dependents are not covered. In accordance with the City's personnel policy, lifetime benefits are provided for retirees who retired on or before July 1, 2008, with at least 20 years of City service. Employees who retire after July 1, 2008, 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 City Council. The contributions are neither guaranteed nor mandatory. City Council has retained the right to modify its payments for retiree health care benefits.

As of December 31, 2017, the most recent measurement date for the Plan, there were 684 covered participants; 132 members were retirees receiving benefits and 552 were active participants.

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The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), 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. SC ORBET 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 during budget preparation, prior to the start of the fiscal year that the calculated contribution relates to. The contributions required to support the Plan are determined following a level funding approach, and consist of a normal contribution and an actuarial accrued liability contribution. The actuarial accrued liability is determined using the “entry age normal” method. Under this method, the accrued liability is the difference between the present value of expected future benefits payable and the present value of expected future normal cost. The normal contribution is determined using the “entry age normal” method. Under this method a calculation is made for OPEB benefits to determine the uniform and constant percentage rate of employer contribution. This contribution will be applied to the compensation of the average new member during the entire period of his/her anticipated covered service, ceasing when both the member and spouse are no longer members of the plan. This contribution would be required in addition to the contributions of the member to meet the cost of all benefits payable on his/her behalf.

Net OPEB Liability

The City’s net OPEB liability of \$14,138,266 was measured as of December 31, 2017, and was determined by an actuarial valuation as of January 1, 2017.

Actuarial Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary increases, including wage inflation	
SCRS	3.00%-7.00%
PORS	3.50%-9.50%
Investment rate of return	4.75% (includes inflation at 2.25%)
Discount rate	4.75%
Healthcare cost trend rate	
Pre-Medicare	7.50% initially, decreasing to 5.00% by 2023
Medicare	5.50% initially, decreasing to 5.00% by 2020
Mortality Assumptions	RP-2014 Mortality Tables for Employees with a 95% multiplier
Active Participation/Marriage	100% of all active employees assumed to be married with female spouses assumed to be 3 years younger
Coverage Elections	
25 or more years of service	100% will elect coverage
less than 25 years of service	20% will elect coverage

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.

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Target Allocation

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Fixed Income	94.3%
Equity Funds	0.0%
Cash and Cash Equivalents	5.7%
Total	<u>100.0%</u>

Discount Rate

The discount rate used to measure the total OPEB liability as of the measurement date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- * Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- * Active employees do not explicitly contribute to the Plan.
- * In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- * Projected assets do not include employer contributions that fund the estimated service cost of future employees.
- * Cash flows occur mid-year.

Based on these assumptions, the Plan's fiduciary net position was projected to not be depleted.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the City's OPEB liability to changes in the discount rate, calculated using the discount rate of 4.75%, as well as what it would be if it were calculated using a discount rate that is 1 percentage-point lower (3.75%) or 1 percentage-point higher (5.75%) than the current rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$16,409,574	\$14,138,266	\$12,196,690

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates:

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

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Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$11,872,964	\$14,138,266	\$16,857,243

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The total OPEB liability is based upon an actuarial valuation performed as of the valuation date, January 1, 2017. Because this is the first year under GASB 74, an expected total OPEB liability as of December 31, 2016 is determined using standard roll back techniques. An expected total OPEB liability is determined as of December 31, 2017 using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of January 1, 2017, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). The procedure used to determine the total OPEB liability, as of December 31, 2017, is shown in the following table:

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of December 31, 2016	\$ 18,080,296	\$ 3,835,954	\$ 14,244,342
Changes for the year:			
Service Cost at the end of the year*	356,731	-	356,731
Interest on TOL and Cash Flows	842,497	-	842,497
Change in benefit terms	-	-	-
Difference between expected and actual experience	(24,237)	-	(24,237)
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	1,185,811	(1,185,811)
Contributions - non-employer	-	-	-
Net investment income	-	109,139	(109,139)
Benefit payments and implicit subsidy credit	(695,119)	(695,119)	-
Plan administrative expenses	-	(13,883)	13,883
Other	-	-	-
Net changes	\$ 479,872	\$ 585,948	\$ (106,076)
Balance as of December 31, 2017	\$ 18,560,168	\$ 4,421,902	\$ 14,138,266

*The service cost includes interest for the year

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,033,410. As of June 30, 2018 the City reports deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,085
Net difference between projected and actual earnings on plan investments	67,410	-
City Contributions subsequent to the measurement date	534,016	-
Total	\$ 601,426	\$ 21,085

The amount of \$534,016 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. The remaining deferred outflows/inflows of resources will be recognized as a component of OPEB expense as follows:

Year ended June 30,	Total
2019	\$ 13,700
2020	13,700
2021	13,700
2022	13,702
2023	(3,152)
Thereafter	(5,325)
	\$ 46,325

E. Impact of Recently Issued Accounting Principles

GASB Statement No. 89

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). This statement effectively revises the guidance for recognition of construction period interest by requiring it to be recognized as an expense, during the period it is incurred. GASB 89 is not effective until reporting periods beginning after December 15, 2019, however, management has elected for early adoption and implementation. Accordingly, during the year ended June 30, 2018, the City did not capitalize any interest incurred during the construction of fixed assets.

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 are 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 has taken 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 has taken effect for fiscal years beginning after June 15, 2017. As such, the City has implemented GASB 75 for the year ended June 30, 2018. GASB 74 and 75 are requiring all 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 are several other changes in the liability valuation and related accounting disclosures as reflected in note IV.

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 OF SUMTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

City's June 30, 2018, 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.

F. 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.

G. Subsequent Events

Management has evaluated subsequent events through February 6, 2019, the date the financial statements were available to be issued.

VI. PRIOR PERIOD ADJUSTMENTS

Restatement of Beginning Net Position

With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City made adjustments to beginning net position for its proprietary funds statements and both governmental and business-type activities of the government-wide financial statements. The following table reflects the adjustments that make up the restatement of beginning net position:

	Governmental	Proprietary Funds / Business-Type	Total
	Activities	Activities	
Net Position, June 30, 2017, as previously reported	\$ 41,116,548	\$ 74,707,847	\$ 115,824,395
Decrease resulting from recognition of net			
OPEB liability related to GASB Statement No. 75	(11,395,474)	(2,848,868)	(14,244,342)
Net Position, July 1, 2017, as restated	<u>\$ 29,721,074</u>	<u>\$ 71,858,979</u>	<u>\$ 101,580,053</u>

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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, 2018**

Schedule of Employer’s Proportionate Share of Net Pension Liability

	2018		2017		2016		2015		2014	
	SCRS	PORS	SCRS	PORS	SCRS	PORS	SCRS	PORS	SCRS	PORS
Proportion of the Net Pension Liability	0.134521%	0.680620%	0.132601%	0.669610%	0.130615%	0.66206%	0.128281%	0.63586%	0.128281%	0.63586%
Proportionate Share of the Net Pension Liability	30,282,841	18,645,999	28,323,378	16,984,488	24,771,764	14,429,661	22,085,735	12,173,040	23,009,035	13,181,162
Covered-Employee Payroll (A)	13,579,671	9,158,752	12,833,429	8,543,885	12,246,749	8,202,053	11,777,703	7,877,669	10,956,667	7,398,493
Proportionate Share of the Net Pension Liability as a percentage of Covered-Employee Payroll	223.00%	203.59%	220.70%	198.79%	202.27%	175.93%	187.52%	154.53%	210.00%	178.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.3%	60.9%	52.90%	60.40%	57.00%	64.60%	59.90%	67.50%	56.39%	62.98%

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/PORS for the year ended June 30, of the preceeding year.

The City implemented GASB #68 during the year ended June 30, 2015. Information before the year ended June 30, 2014 is not readily available.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

Schedule of Employer Contributions to SCRS

Fiscal Year	SCRS	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution ¹	Contractually Required Contribution ²	Contribution Deficiency (Excess)	Covered Employee Payroll	Covered Employee Payroll	
2014	\$ 1,248,437	\$ 1,248,437	-	\$ 11,777,703	10.60%	
2015	1,334,896	1,334,896	-	12,246,749	10.90%	
2016	1,419,377	1,419,377	-	12,833,429	11.06%	
2017	1,569,810	1,569,810	-	13,579,671	11.56%	
2018	1,894,471	1,894,471	-	13,971,026	13.56%	

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

¹ Contribution rate multiplied by the covered employee payroll

² Actual employer contributions remitted to SCRS

**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, 2018**

Schedule of Employer Contributions to PORS

<i>PORS</i> Fiscal Year	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution ¹	Contractually Required Contribution ²	Contribution Deficiency (Excess)	Covered Employee Payroll	Covered Employee Payroll
2014	\$ 1,011,493	\$ 1,011,493	\$ -	\$ 7,877,669	12.84%
2015	1,099,895	1,099,895	-	8,202,053	13.41%
2016	1,173,930	1,173,930	-	8,543,885	13.74%
2017	1,304,206	1,304,206	-	9,158,752	14.24%
2018	1,503,252	1,503,252	-	9,256,478	16.24%

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

¹ Contribution rate multiplied by the covered employee payroll

² Actual employer contributions remitted to PORS

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
For the Year Ended June 30, 2018

Change in Benefit Terms

No changes were made to the benefit terms during the fiscal year ended June 30, 2017 (the measurement year).

Changes of Assumptions

Actuarial assumptions utilized during the fiscal year ended June 30, 2017 (the measurement year) included a discount rate of 7.25% and inflation of 2.25%. The prior assumptions included a discount rate of 7.5% and inflation of 2.75%.

CITY OF SUMTER, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION-SCHEDULE OF CHANGES IN
THE NET OPEB LIABILITY AND RELATED RATIOS
For the year ended June 30, 2018

<u>Year Ending December 31 (measurement date)</u>	<u>2017</u>
Total OPEB Liability	
Service Cost at end of year	\$ 356,731
Interest on the Total OPEB Liability	842,497
Changes of benefit terms	-
Difference between expected and actual experience	(24,237)
Changes of assumptions or other inputs	-
Benefit payments*	<u>(695,119)</u>
Net change in Total OPEB Liability	479,872
Total OPEB Liability-beginning	<u>18,080,296</u>
Total OPEB Liability-ending (a)	\$ 18,560,168
Plan Fiduciary Net Position	
Contributions - employer**	\$ 1,185,811
Net investment income	109,139
Benefit payments*	(695,119)
Administrative expense	<u>(13,883)</u>
Net change in Plan Fiduciary Net Position	585,948
Plan Fiduciary Net Position - beginning	<u>3,835,954</u>
Plan Fiduciary Net Position - ending (b)	<u>4,421,902</u>
Net OPEB Liability - ending (a) - (b)	\$ 14,138,266
Plan Fiduciary Net Position as a percentage of total OPEB Liability	23.82%
Covered Payroll*	\$ 20,932,094
Net OPEB Liability as a percentage of covered payroll	67.54%

* Benefit payments are net of participant contributions and include a payment of \$94,000 for the implicit subsidy based on the guidance in illustration B-1 of GASB Implementation Guide No. 2017-2, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". Benefit payments include \$601,119 paid outside of the Trust.

** Employer contribution includes \$601,119 paid outside of the Trust and \$94,000 due to the implicit subsidy.

**CITY OF SUMTER, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF
 EMPLOYER CONTRIBUTIONS TO OPEB
 For the year ended June 30, 2018**

<u>Year Ending December 31 (measurement date)</u>	<u>2017</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 1,113,512
Contributions in relation to the ADEC	<u>1,185,811</u>
Annual contribution deficiency (excess)	\$ (72,299)
 Covered payroll*	 \$ 20,932,094
 Actual contributions as a percentage of covered payroll	 5.67%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal the covered payroll from the most recent valuation.

CITY OF SUMTER, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
Year Ended June 30, 2018

Change of Benefit Terms:

December 31, 2017 (Valuation Date: January 1, 2017)

- None

Changes to Assumptions or other inputs:

December 31, 2017 (Valuation Date: January 1, 2017)

- None

OTHER SUPPLEMENTARY INFORMATION

**CITY OF SUMTER, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018**

	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
ASSETS										
Cash and cash equivalents	\$ 252,418	\$ -	\$ 39,109	\$ 40,181	\$ -	\$ -	\$ 155,417	\$ 12,671	\$ 258,404	\$ 96,790
Receivables, net of allowance for doubtful accounts	50,942	517,000	71,312	-	1,998,365	47,387	-	-	-	-
Total assets	<u>\$ 303,360</u>	<u>\$ 517,000</u>	<u>\$ 110,421</u>	<u>\$ 40,181</u>	<u>\$ 1,998,365</u>	<u>\$ 47,387</u>	<u>\$ 155,417</u>	<u>\$ 12,671</u>	<u>\$ 258,404</u>	<u>\$ 96,790</u>
LIABILITIES										
Liabilities										
Accounts payable	\$ -	\$ 52,220	\$ 48	\$ -	\$ 37,751	\$ 8,023	\$ 7,650	\$ -	\$ -	\$ -
Accrued compensation and benefits	-	-	-	-	651	10,396	-	-	-	-
Due to other funds	-	127,206	-	-	1,645,456	20,511	-	-	-	-
Unearned Revenue	-	-	-	-	-	8,400	-	-	-	-
Escrow for seized funds and deposits	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>179,426</u>	<u>48</u>	<u>-</u>	<u>1,683,858</u>	<u>47,330</u>	<u>7,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>50,941</u>	<u>-</u>	<u>71,312</u>	<u>-</u>	<u>1,399,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES										
Restricted	252,419	337,574	39,061	40,181	(1,085,030)	57	147,767	12,671	258,404	96,790
Total fund balances	<u>252,419</u>	<u>337,574</u>	<u>39,061</u>	<u>40,181</u>	<u>(1,085,030)</u>	<u>57</u>	<u>147,767</u>	<u>12,671</u>	<u>258,404</u>	<u>96,790</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 303,360</u>	<u>\$ 517,000</u>	<u>\$ 110,421</u>	<u>\$ 40,181</u>	<u>\$ 1,998,365</u>	<u>\$ 47,387</u>	<u>\$ 155,417</u>	<u>\$ 12,671</u>	<u>\$ 258,404</u>	<u>\$ 96,790</u>

Continued

CITY OF SUMTER, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
ASSETS								
Cash and cash equivalents	\$ 917,459	\$ -	\$ 672,756	\$ 243,891	\$ -	\$ 376,516	\$ 3,434	\$ 3,069,046
Receivables, net of allowance for doubtful accounts	274,394	7,380	61,238	-	-	84,573	-	3,112,591
Total assets	<u>\$ 1,191,853</u>	<u>\$ 7,380</u>	<u>\$ 733,994</u>	<u>\$ 243,891</u>	<u>\$ -</u>	<u>\$ 461,089</u>	<u>\$ 3,434</u>	<u>\$ 6,181,637</u>
LIABILITIES								
Liabilities								
Accounts payable	\$ 532,550	\$ 9,759	\$ 758	\$ 12,075	\$ 1,836	\$ 63,047	\$ -	\$ 725,717
Accrued compensation and benefits	-	18,255	-	-	2,719	2,038	-	34,059
Due to other funds	-	436,591	-	-	30,138	-	-	2,259,902
Unearned Revenue	-	-	-	-	-	-	-	8,400
Escrow for seized funds and deposits	-	-	-	268,151	-	-	-	268,151
Total liabilities	<u>532,550</u>	<u>464,605</u>	<u>758</u>	<u>280,226</u>	<u>34,693</u>	<u>65,085</u>	<u>-</u>	<u>3,296,229</u>
DEFERRED INFLOWS OF RESOURCES								
	-	-	-	-	-	-	-	1,521,790
FUND BALANCES								
Restricted	659,303	(457,225)	733,236	(36,335)	(34,693)	396,004	3,434	1,363,618
Total fund balances	<u>659,303</u>	<u>(457,225)</u>	<u>733,236</u>	<u>(36,335)</u>	<u>(34,693)</u>	<u>396,004</u>	<u>3,434</u>	<u>1,363,618</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,191,853</u>	<u>\$ 7,380</u>	<u>\$ 733,994</u>	<u>\$ 243,891</u>	<u>\$ -</u>	<u>\$ 461,089</u>	<u>\$ 3,434</u>	<u>\$ 6,181,637</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, 2018

	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
REVENUES										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	-	-	21,895
Intergovernmental revenue	-	-	175	-	667,610	254,831	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Interest income	1,976	29,226	5	-	-	-	207	-	-	-
Rent and miscellaneous	24,024	-	5,454	-	-	-	36,647	1,467	-	-
Total revenues	26,000	29,226	5,634	-	667,610	254,831	36,854	1,467	-	21,895
EXPENDITURES										
Current										
General government administration	-	-	-	-	300,624	-	-	-	-	-
Public safety	-	-	-	-	158,428	-	-	-	-	-
Public works	-	-	-	-	20,957	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	89,441	-	-	-	-	-
Community development	-	-	327	-	-	255,446	-	-	-	-
Economic development	-	-	3,569	-	61,908	-	122	3,873	-	-
Debt service										
Bond principal	-	43,000	-	-	-	-	-	-	257,000	-
Interest and fiscal charges	-	29,952	-	-	-	-	-	-	7,966	-
Capital outlay										
Public safety	-	-	-	-	-	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	105,616	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	72,952	3,896	-	736,974	255,446	122	3,873	264,966	-
Excess (deficiency) of revenues over (under) expenditures	26,000	(43,726)	1,738	-	(69,364)	(615)	36,732	(2,406)	(264,966)	21,895
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	45,530	-	-	-	264,966	-
Transfers out	-	-	-	-	-	-	(31,532)	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	45,530	-	(31,532)	-	264,966	-
Net change in fund balances	26,000	(43,726)	1,738	-	(23,834)	(615)	5,200	(2,406)	-	21,895
Fund balances, beginning of year	226,419	381,300	37,323	40,181	(1,061,196)	672	142,567	15,077	258,404	74,895
Fund balances, end of year	\$ 252,419	\$ 337,574	\$ 39,061	\$ 40,181	\$ (1,085,030)	\$ 57	\$ 147,767	\$ 12,671	\$ 258,404	\$ 96,790

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, 2018

	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Narcotics Fund	Victim's Assistance Fund	E911 Fund	Firemen's Fund	Total
REVENUES								
Sales taxes	\$ 2,839,557	\$ -	\$ 575,888	\$ -	\$ -	\$ -	\$ -	\$ 3,415,445
Licenses, permits and fees	-	-	-	-	-	1,162,131	-	1,184,026
Intergovernmental revenue	-	380,477	-	-	-	-	138,919	1,442,012
Fines and forfeitures	-	-	-	19,342	35,005	-	-	54,347
Interest income	-	-	-	39	-	79	-	31,532
Rent and miscellaneous	78,000	500	-	-	-	-	-	146,092
Total revenues	2,917,557	380,977	575,888	19,381	35,005	1,162,210	138,919	6,273,454
EXPENDITURES								
Current								
General government administration	-	-	-	-	-	-	-	300,624
Public safety	-	-	-	94,082	71,911	741,115	137,764	1,203,300
Public works	-	-	-	-	-	-	-	20,957
Parks, recreation and culture	579,955	81,770	4,550	-	-	-	-	755,716
Community development	-	-	-	-	-	-	-	255,773
Economic development	113,695	610,897	56,601	-	-	-	-	850,665
Debt service								
Bond principal	-	-	-	-	-	-	-	300,000
Interest and fiscal charges	-	-	-	-	-	-	-	37,918
Capital outlay								
Public safety	-	-	-	7,484	-	802,733	-	810,217
Parks, recreation and culture	589,174	-	52,727	-	-	-	-	747,517
Community development	-	-	-	-	-	-	-	-
Economic development	524,523	-	-	-	-	-	-	524,523
Total expenditures	1,807,347	692,667	113,878	101,566	71,911	1,543,848	137,764	5,807,210
Excess (deficiency) of revenues over (under) expenditures	1,110,210	(311,690)	462,010	(82,185)	(36,906)	(381,638)	1,155	466,244
OTHER FINANCING SOURCES (USES)								
Transfers in	-	140,000	-	-	-	-	-	450,496
Transfers out	(1,676,093)	-	(427,247)	-	-	-	-	(2,134,872)
Sale of capital assets	18,000	-	-	-	-	-	-	18,000
Proceeds of revenue bonds payable	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,658,093)	140,000	(427,247)	-	-	-	-	(1,666,376)
Net change in fund balances	(547,883)	(171,690)	34,763	(82,185)	(36,906)	(381,638)	1,155	(1,200,132)
Fund balances, beginning of year	1,207,186	(285,535)	698,473	45,850	2,213	777,642	2,279	2,563,750
Fund balances, end of year	\$ 659,303	\$ (457,225)	\$ 733,236	\$ (36,335)	\$ (34,693)	\$ 396,004	\$ 3,434	\$ 1,363,618

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Over (Under)
Revenue				
Water revenue	\$ 10,229,000	\$ 10,229,000	\$ 10,136,856	\$ (92,144)
Sewer revenue	10,766,000	10,766,000	10,702,020	(63,980)
Other operating revenue	1,316,130	1,316,130	1,703,374	387,244
Grants	-	-	221,522	221,522
Capital grants & contributions	-	-	419,648	419,648
Interest income and investment return	11,611	11,611	275,717	264,106
Gain (loss) on sale of capital assets	-	-	(146,771)	(146,771)
Miscellaneous	100,000	100,000	130,938	30,938
Appropriation from net position	112,114	712,114	-	(712,114)
	<u>22,534,855</u>	<u>23,134,855</u>	<u>23,443,304</u>	<u>308,449</u>
Expenses				
Salaries and benefits	\$ 6,704,976	\$ 6,704,976	\$ 6,496,838	\$ (208,138)
Bad debts	400,000	400,000	324,301	(75,699)
Utilities	2,188,250	2,188,250	2,218,230	29,980
Other operating expense	7,613,317	8,213,317	5,756,091	(2,457,226)
Pension expense	150,000	150,000	324,016	174,016
Depreciation	1,365,932	1,365,932	5,187,878	3,821,946
Interest expense	2,001,849	2,001,849	2,067,369	65,520
Miscellaneous	178,826	178,826	196,311	17,485
Transfers	1,681,705	1,681,705	1,681,705	-
Capital Reserve	250,000	250,000	-	(250,000)
Capital expenditures			15,514,917	15,514,917
	<u>22,534,855</u>	<u>23,134,855</u>	<u>39,767,656</u>	<u>16,632,801</u>
Operating Income	<u>\$ -</u>	<u>\$ -</u>	<u>(16,324,352)</u>	<u>\$ (16,324,352)</u>
Reconciliation to change in net position:				
Capital expenditures			<u>15,514,917</u>	
Change in net position			<u>\$ (809,435)</u>	

CITY OF SUMTER, SOUTH CAROLINA
WATER AND SEWER FUND – DEBT COVERAGE RATIO – REQUIRED BY LENDER
For the Year Ended June 30, 2018

Operating revenue	22,542,250
Operating expenses exclusive of depreciation	<u>(14,795,460)</u>
Net revenue available for debt service	7,746,790
Debt service requirement	
Principal	2,930,934
Interest	<u>1,967,440</u>
Total	<u>4,898,374</u>
Revenue bond coverage for the year ended June 30, 2018	<u><u>1.58</u></u>

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, 2018

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
Assets					
Cash and cash equivalents	\$ 3,200	\$ 517	\$ 1,491	\$ 3,876	\$ 9,084
Total assets	3,200	517	1,491	3,876	9,084
Liabilities					
	-	-	-	-	-
Net position held in trust for other purposes	\$ 3,200	\$ 517	\$ 1,491	\$ 3,876	\$ 9,084

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE
TRUST FUNDS
For the Year Ended June 30, 2018

	Nell O'Donnell Fund	George Reardon Fund	Ella Tuomey Fund	Emergency Responders Trust Fund	Total
ADDITIONS					
Interest	\$ 61	\$ 4	\$ 11	\$ 4	\$ 80
Contributions	-	-	-	-	-
Total additions	61	4	11	4	80
DEDUCTIONS					
Distributions to beneficiaries	-	-	-	-	-
Total deductions	-	-	-	-	-
Change in net position	61	4	11	4	80
Net position, beginning of year	3,139	513	1,480	3,872	9,004
Net position, end of year	\$ 3,200	\$ 517	\$ 1,491	\$ 3,876	\$ 9,084

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, 2018

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
CHDO Fund					
Assets					
Cash and cash equivalents	\$ 631,474	\$ 141,801	\$ (208,692)		\$ 564,583
Receivables	-	189,801	(141,801)		48,000
	<u>\$ 631,474</u>	<u>\$ 331,602</u>	<u>\$ (350,493)</u>		<u>\$ 612,583</u>
Liabilities					
Accounts payable	\$ -	\$ 208,692	\$ (208,692)		\$ -
Due to other organization	631,474	122,910	(141,801)		612,583
	<u>\$ 631,474</u>	<u>\$ 331,602</u>	<u>\$ (350,493)</u>		<u>\$ 612,583</u>
Sumter Green Fund					
Assets					
Cash and cash equivalents	\$ 213,275	\$ 87,408	\$ (37,165)		\$ 263,518
Accounts receivable	1,000	87,408	(88,408)		-
	<u>\$ 214,275</u>	<u>\$ 174,816</u>	<u>\$ (125,573)</u>		<u>\$ 263,518</u>
Liabilities					
Accounts payable	\$ 875	\$ 37,397	\$ (37,365)		\$ 907
Unearned revenue	800	-	(800)		-
Due to other organization	212,600	137,419	(87,408)		262,611
	<u>\$ 214,275</u>	<u>\$ 174,816</u>	<u>\$ (125,573)</u>		<u>\$ 263,518</u>
Swan Fund					
Assets					
Cash and cash equivalents	\$ 326	\$ -	\$ -		\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 326</u>
Liabilities					
Due to other organization	\$ 326	\$ -	\$ -		\$ 326
	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 326</u>
Support of Shaw Fund					
Assets					
Cash and cash equivalents	\$ 294,097	\$ 38,000	\$ (27,189)		\$ 304,908
	<u>\$ 294,097</u>	<u>\$ 38,000</u>	<u>\$ (27,189)</u>		<u>\$ 304,908</u>
Liabilities					
Accounts payable	\$ -	\$ 29,349	\$ (27,189)		\$ 2,160
Due to other organization	294,097	8,651	-		302,748
	<u>\$ 294,097</u>	<u>\$ 8,651</u>	<u>\$ -</u>		<u>\$ 304,908</u>
Dalzell Water District Fund					
Assets					
Cash and cash equivalents	\$ 622,846	\$ 480,192	\$ (421,316)		\$ 681,722
Receivables	62,765	578,723	(549,951)		91,537
	<u>\$ 685,611</u>	<u>\$ 1,058,915</u>	<u>\$ (971,267)</u>		<u>\$ 773,259</u>
Liabilities					
Accounts payable	\$ 2,425	\$ 419,834	\$ (411,995)		\$ 10,264
Due to customers	45,600	-	(4,500)		41,100
Due to other organization	637,586	639,081	(554,772)		721,895
	<u>\$ 685,611</u>	<u>\$ 1,058,915</u>	<u>\$ (971,267)</u>		<u>\$ 773,259</u>

Continued

CITY OF SUMTER, SOUTH CAROLINA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance				Balance
	Beginning of Year	Additions	Deductions		End of Year
Oswego Water District Fund					
Assets					
Cash and cash equivalents	\$ 110,661	\$ 466,765	\$ (510,092)		\$ 67,334
Receivables	43,792	523,208	(515,116)		51,884
	<u>\$ 154,453</u>	<u>\$ 989,973</u>	<u>\$ (1,025,208)</u>		<u>\$ 119,218</u>
Liabilities					
Accounts payable	\$ 83,104	\$ 193,669	\$ (251,719)		\$ 25,054
Due to customers	-	6,050	-		6,050
Due to other organization	71,349	790,254	(773,489)		88,114
	<u>\$ 154,453</u>	<u>\$ 989,973</u>	<u>\$ (1,025,208)</u>		<u>\$ 119,218</u>
Total Agency Funds					
Assets					
Cash and cash equivalents	\$ 1,872,679	\$ 1,214,166	\$ (1,204,454)		\$ 1,882,391
Receivables	107,557	1,379,140	(1,295,276)		191,421
	<u>\$ 1,980,236</u>	<u>\$ 2,593,306</u>	<u>\$ (2,499,730)</u>		<u>\$ 2,073,812</u>
Liabilities					
Accounts payable	\$ 86,404	\$ 888,941	\$ (936,960)		\$ 38,385
Unearned revenue	800	-	(800)		-
Due to customers	45,600	6,050	(4,500)		47,150
Due to other organization	1,847,432	1,698,315	(1,557,470)		1,988,277
	<u>\$ 1,980,236</u>	<u>\$ 2,593,306</u>	<u>\$ (2,499,730)</u>		<u>\$ 2,073,812</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, 2018

	<u>2017</u>	<u>2018</u>
Court fines, assessments and surcharges:		
Collected	\$ 711,407	\$ 535,754
Remitted to State Treasurer	<u>(384,266)</u>	<u>(288,953)</u>
Retained by the City	<u>\$ 327,141</u>	<u>\$ 246,801</u>
Fines, assessments and surcharges retained by the City:		
General fund	\$ 282,197	\$ 211,796
Victims advocate services	<u>44,944</u>	<u>35,005</u>
Total assessments and surcharges retained by the City	<u>\$ 327,141</u>	<u>\$ 246,801</u>
Funds allocated to victims advocate service special revenue fund		
Carryover from prior year	\$ 19,560	\$ 1,880
Surcharges and assessments retained current year	44,944	35,005
Expenditures for victims advocate services	<u>(62,624)</u>	<u>(71,578)</u>
Total (over) under expenditure of victims advocate service special revenue funds	<u>\$ 1,880</u>	<u>\$ (34,693)</u>

REGULATORY SECTION

CITY OF SUMTER, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defense Pass Through Program			
Department of Homeland Security			
Federal Emergency Management Agency Pass-through Program From			
South Carolina Emergency Mangement Division	97.036	FEMA-4241-DR-SC	24,371
	97.036	FEMA-4346-DR-SC	87,818
			<u>112,189</u>
Total Department of Defense			<u>112,189</u>
Department of the Interior National Park Service Pass-through Program From			
SC Department of Archives & History	15.904	P16AF00010	11,806
Land and Water Conservation Fund	15.916	45-01118	31,082
Total Department of Interior			<u>42,888</u>
Department of Housing and Urban Development Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-45-0011	135,701
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-45-0011	76,269
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-45-0011	42,861
			<u>254,831</u>
Department of Housing and Urban Development Pass-through Programs From:			
Santee Lynches Regional Council of Governments			
HOME Investment Partnership Program	14.239	M12DC450206	8,685
HOME Investment Partnership Program	14.239	M13DC450206	52,662
HOME Investment Partnership Program	14.239	M14DC450206	560
			<u>61,907</u>
Total Department of Housing and Urban Development			<u>316,738</u>
Department of Justice Direct Programs:			
Bullet Proof Vest Partnership Program	16.607	2017BUBX17088490	7,069
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015DJBX0724	9,728
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016DJBX0683	29,600
Department of Justice Pass-through Programs From:			
South Carolina Department of Public Safety			
Violence Against Women/Jessica Gonzales Victim Advocate	16.588	1K16017	3,938
Victims of Crime	16.575	1V17009	21,959
Total Department of Justice			<u>72,294</u>
Department of Transportation Pass-through Programs From:			
South Carolina Department of Transportation			
Federal Transit-Metropolitan Planning Grants			
Total Department of Transportation	20.205		229,480
Total Expenditures of Federal Awards			<u>\$ 773,589</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, 2018

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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 *the Uniform Guidance* and/or 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	\$61,907

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February 6, 2019

**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, 2018, 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 February 6, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Camden, South Carolina

SHEHEEN, HANCOCK & GODWIN, LLP

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February 6, 2019

**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, 2019. 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, 2018.


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
Camden, South Carolina

CITY OF SUMTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

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 Grants/Entitlement Grants

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, 2018

There were no prior year audit findings.