

**TOWN OF SUMMERVILLE,  
SOUTH CAROLINA**

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**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
OTHER SUPPLEMENTARY FINANCIAL INFORMATION,  
AND INDEPENDENT AUDITORS' REPORTS**

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**YEAR ENDED DECEMBER 31, 2011**

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***Independent Auditors' Report***

Honorable Mayor and Members of Town Council  
***Town of Summerville, South Carolina***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Town of Summerville, South Carolina***, as of and for the year ended December 31, 2011, which collectively comprise the Town of Summerville, South Carolina's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Summerville, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerville, South Carolina, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes I.D.8 and III.J to the financial statements, the Town adopted the provisions of Government Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012, on our consideration of the Town of Summerville, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 3 through 8, 35 through 36 and 37 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.

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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summerville, South Carolina's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Town of Summerville, South Carolina. The Schedule of Court Fines, Assessments, and Surcharges listed in the table of contents under Other Supplementary Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements. The comparative General Fund schedules, the combining nonmajor fund financial statements, and the Schedule of Assessed Property Values, Millage Rates, and Taxes Levied listed as Other Supplementary Financial Information in the table of contents are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, the Schedule of Court Fines, Assessments, and Surcharges, the comparative General Fund Schedules and the combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Assessed Property Values, Millage Rates, and Taxes Levied has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Town of Summerville, South Carolina's basic financial statements for the year ended December 31, 2010, which are not presented with the accompanying financial statements. In our report dated September 9, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summerville, South Carolina's financial statements as a whole. The partial comparative information related to the 2010 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 partial comparative information presented with the other financial information for 2011, is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

*Webster Rogus LLP*

Summerville, South Carolina  
June 11, 2012

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

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As management of the Town of Summerville, South Carolina (the Town), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Summerville for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, basic financial statements, and the accompanying notes.

### **Financial Highlights**

The assets of the Town of Summerville exceeded its liabilities at December 31, 2011 by \$96,991,398. Of this amount, unrestricted net assets of \$12,672,688 may be used to meet the government's ongoing obligations to citizens and creditors. The total net assets increased by \$436,970. The increase in net assets was mainly due to the grants and contributions not restricted to specific programs and the gain on curtailment of other post-employment benefit plan.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$19,602,386. This is an increase of \$2,566,792 in comparison with the prior year. Of the \$19,602,386, \$10,895,086 is available for spending (unassigned fund balance) on behalf of its citizens.

At the end of the prior fiscal year, unreserved, undesignated fund balance for the general fund was \$6,213,823. The implementation of GASB 54 changed the reporting of the fund balance types. Fiscal year end 2010 categorized unreserved fund balance between designated and undesignated. Effective in fiscal year 2011 unrestricted fund balance categories are assigned and unassigned. At the end of 2011, assigned and unassigned fund balance was \$12,862,319.

See note I. D. 8. and III. J. for further information on the implementation of GASB 54.

### **Overview of the Financial Statements**

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

**Government-wide Financial Statements.** – The *government-wide financial statements* provide a broad overview of the Town of Summerville's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town of Summerville's financial position.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and all intergovernmental revenues (*governmental activities*). The governmental activities of the Town of Summerville include general government, public safety (police and fire), planning and annexation, engineering, municipal court, communications, street, parks and playground, maintenance, public buildings and grounds, and stormwater management.

**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 Town, 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 Town of Summerville can be classified as governmental funds.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

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**Governmental Funds.** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. All of the Town's basic services are reported in the governmental funds financial statements, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town of Summerville's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to reconcile the two types of statements.

**Notes to the Financial Statements.** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Budgetary Comparison Schedules.** – The Town adopts an annual appropriated budget for its general fund and some of the nonmajor special revenue funds. The budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

**Other Information.** – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

**Government-wide Financial Analysis**

**Net Assets.** –The table below shows current year Net Assets as compared to 2010.

**Net Assets of Primary Government  
December 31, 2011 and 2010**

	<u>2011</u>	<u>2010*</u>
Current, Restricted and Other Assets	\$ 33,021,076	\$ 29,780,475
Capital Assets, net	89,788,203	91,967,647
Total Assets	<u>122,809,279</u>	<u>121,748,122</u>
Current and Other Liabilities	13,964,581	13,030,881
Long-Term Liabilities outstanding	11,853,300	12,162,813
Total Liabilities	<u>25,817,881</u>	<u>25,193,694</u>
Net Assets:		
Invested in Capital Assets, net of related debt	78,040,379	79,919,807
Restricted	6,278,331	6,202,423
Unrestricted	12,672,688	10,432,198
Total Net Assets	<u>\$ 96,991,398</u>	<u>\$ 96,554,428</u>

\* As restated, See Note III. J.

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$96,991,398 at the close of the most recent fiscal year.

At December 31, 2011, 80.5 percent of the Town's net assets were invested in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Town's net assets (8.58 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (10.95 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

**Changes in Net Assets of Primary Government  
For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010*</b>
Revenues:		
Program Revenues:		
Charges for Services	\$ 10,728,267	\$ 10,788,531
Operating Grants and Contributions	799,856	435,295
Capital Grants and Contributions	409,378	584,723
General Revenues:		
Property Taxes	10,606,044	10,626,786
Other Taxes	4,714,797	4,477,126
Unrestricted Grants and Contributions	1,720,761	1,244,143
Unrestricted revenue from use of monies and property	91,553	118,793
Miscellaneous	80,351	83,037
Curtailment of post-employment benefit plan	273,002	-
Total Revenues	29,424,009	28,358,434
Program Expenses:		
General Government	5,412,757	6,022,554
Public Safety	13,460,950	12,991,321
Roads and Drainage	7,194,563	6,461,590
Recreation	2,428,634	2,490,378
Interest and Fees	490,135	499,853
Other postemployment benefits	-	189,140
Total Expenses	28,987,039	28,654,836
Increase in Net Assets	436,970	(296,402)
Net Assets, beginning, as restated	96,554,428	96,850,830
Net Assets, ending	\$ 96,991,398	\$ 96,554,428

\*As restated. See note III. J.

**Governmental Activities.** – Governmental activities increased the Town's net assets by \$436,970.

Charges for services were the Town's largest program revenue, accounting for \$10,728,267 or 36.46 percent of total governmental revenues. These charges are for fees related to judicial activity, licenses and permits, garbage fees, and stormwater fees.

Property tax revenues account for \$10,606,044 of the \$29,424,009 total revenues for governmental activities, or 36.05 percent of total revenues. Another component of general revenues was grants and contributions not restricted to specific programs, which accounted for \$1,720,761 or 5.85 percent of total revenues.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

The public safety program accounted for \$13,460,950 of the \$28,987,039 total expenses for governmental activities, or 46.43 percent of total expenses. The next largest program was roads and drainage, accounting for \$7,194,563 and representing 24.82 percent of total governmental expenses.

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

<b>Governmental Activities</b>				
	Total Cost of Services 2011	Total Cost of Services 2010*	Net Cost of Services 2011	Net Cost of Services 2010*
General Government	\$ 5,412,757	\$ 6,022,554	\$ 1,516,865	\$ 522,496
Public Safety	13,460,950	12,991,321	(11,943,243)	(10,740,793)
Roads and Drainage	7,194,563	6,461,590	(4,032,323)	(3,754,987)
Recreation	2,428,634	2,490,378	(2,100,702)	(2,184,010)
Interest and Fiscal Charges	490,135	499,853	(490,135)	(499,853)
Other postemployment benefit	-	189,140	-	(189,140)
<b>Total Expenses</b>	<b><u>\$ 28,987,039</u></b>	<b><u>\$ 28,654,836</u></b>	<b><u>\$ (17,049,538)</u></b>	<b><u>\$ (16,846,287)</u></b>

\*As restated. See note III. J.

Charges for services and operating and capital grants of \$11,937,501 (41.2 percent of the total costs of services) were received and used to fund the governmental activities expenses of the Town. The remaining \$17,049,538 in governmental activities expenses is funded by property taxes, unrestricted grants, and other revenue. The general government function received \$6,929,622 in charges for services and operating grants. This amount exceeded general government expenses by \$1,516,865. Roads and drainage received \$2,856,013 in charges for services and grants which was 39.7 percent of expenses. 10.5 percent of public safety expenses were funded by charges for services, operating, and capital grants.

### **Financial Analysis of the Town of Summerville's Funds**

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

**Governmental Funds.** The purpose of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2011, the Town's governmental funds reported a combined ending fund balance of \$19,602,386, an increase of \$2,566,792 in comparison with the prior year. Approximately 67.2 percent of this total (\$11,245,804) is unassigned fund balance. Fund balance is categorized in four parts, Nonspendable, Restricted, Assigned and Unassigned. The total Nonspendable is \$111,018. Restricted is divided into five parts, Public Safety, Tourism, Capital Projects, Infrastructure and Stormwater mitigation. The two largest restricted accounts are Tourism and Capital Projects with balances of \$3,834,240 and \$1,175,162, respectively.

The general fund is the primary operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$11,516,730 while the total fund balance was \$13,525,538. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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fund expenditures. Unassigned fund balance represents 52.77 percent of total general fund expenditures, while total fund balance represents 61.98 percent of that same amount.

The fund balance of the Town's General Fund increased by \$2,131,431 due primarily to an increase in revenues from business licenses and permit fees and cost containment measures.

### **Budgetary Highlights**

By state statute, the Town Council adopts the annual operating budget for the Town by the last day of December. For the general fund, there was an additional \$617,690 appropriated during the year from the original budget to the final budget.

Although the Town's final budget anticipated that expenditures would exceed revenues by \$1,542,167, the actual results from the year show revenues in excess of expenditures of \$615,264. Actual local revenues received were \$1,676,493 in excess of anticipated revenues, due primarily to property taxes and franchise fees collected. In addition, overall actual expenditures were under budget by \$480,938.

### **Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities at December 31, 2011, was \$89,788,203 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure.

Some of the major capital asset events during the current fiscal year included the following:

- Purchase of land for new Fire Station #5, \$229,863.
- Purchase of replacement generator for Public Safety Complex, \$75,418.
- Purchase of \$409,537 in police vehicles; \$159,539 for a garbage truck; \$148,802 for a pothole patcher.
- Construction of Newington Park (\$273,587) was completed while construction still continues for the improvements to Gahagan and Azalea Parks.

Additional information on the Town's capital assets can be found in Note III.B.

**Long-Term Debt.** At December 31, 2011, the Town had \$11,657,399 in outstanding debt consisting of general obligation bond debt, and capital leases. The Town's general obligation bonded debt issued to fund the Town Hall Annex project decreased by \$160,000 during the year. The Town's capital lease obligation to fund the parking garage decreased by \$286,063. The Town also purchased a Pothole Patcher, through a capital lease, which increased capital leases by \$147,877.

Additional information on the Town's long-term debt can be found in Note III.H.

### **Economic Factors and Next Year's Budget**

Summerville's financial health continues to be sound and indicators point to an even healthier 2013.

Revenues for the first quarter of 2012 were above budget in these categories – taxes, local option sales tax and building permits. Expenses throughout city departments were under budget.

Summerville's residential and commercial growth continued in 2011 with new home permits approaching the near record levels of 2007. In 2011 Summerville issued 150 new home permits and permitted 23 new commercial projects. Town staff continues to meet with developers interested in mid to large scale commercial projects. A new 124 suite congregate care facility, designed for the needs of the elderly, officially opened in the spring and an urgent care facility is under construction at the corner of Ladson Road and Midland Parkway. Summerville Medical Center's planned 30-bed expansion – promising a significant growth in construction jobs, new permanent

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YEAR ENDED DECEMBER 31, 2011**

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high paying health care jobs and increased tax revenues to the town – is awaiting resolution of a protest by a Charleston hospital.

As part of our budget process, Town Council adopted a Fund Balance policy that assures Summerville's financial stability while providing a conservative reserve necessary to accommodate town operations in the event of revenue shortfalls or natural disasters. Through careful money management, Summerville was able to undertake approximately \$2 million in much needed capital improvements on road resurfacing projects, taking advantage of moderating construction prices.

In early 2011, the Town entered into a Planned Unit Development Approval and Development Agreement for 400 acres of the private Nexton (formerly Parks of Berkeley) development owned by MeadWestvaco. The first commercial project of that development, a 100,000 sq. ft. office building, is scheduled for groundbreaking mid to late 2012. The Town continues to work with Dorchester County Economic Development and the Charleston Regional Development Alliance to recruit and prepare for commercial development in the Town and region.

Local Hospitality Tax collections have remained strong. Several new restaurants have opened and some are under construction. This fund will continue to remain strong as we have not seen any negative trend in this particular segment. Town-owned office/retail spaces will continue to generate rental income as we have long-term leases on these properties.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Summerville'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 information should be addressed to Town of Summerville Finance Department, 200 S. Main Street, Summerville, South Carolina 29483.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 17,871,605
Receivables - net of allowance for uncollectibles	
Property taxes	6,461,428
Accounts	1,363,517
Temporarily restricted assets	
Cash and investments	711,604
Accounts receivable	2,046,882
Due from other governments	4,006,746
Inventory	110,988
Deferred charge - issuance cost	89,056
Prepays	30
Capital assets	
Nondepreciable	4,921,674
Depreciable, net of accumulated depreciation	84,866,529
Loans receivable	
Due within one year	8,502
Due in more than one year	350,718
	122,809,279
<b>TOTAL ASSETS</b>	<b>122,809,279</b>
 <b>LIABILITIES</b>	
Accounts payable	810,638
Accrued salaries and payroll liabilities	305,032
Unearned revenues	11,801,405
Accrued interest payable	123,998
Court bonds payable	5,014
Noncurrent liabilities	
Due within one year	880,571
Due in more than one year	11,891,223
	25,817,881
<b>TOTAL LIABILITIES</b>	<b>25,817,881</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	78,040,379
Restricted for	
Infrastructure	129,958
Public safety	398,202
Capital projects	1,175,162
Tourism	3,834,240
Stormwater mitigation	740,769
Unrestricted	12,672,688
	96,991,398
<b>TOTAL NET ASSETS</b>	<b>\$ 96,991,398</b>

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government					
Administrative	\$ 1,995,489	\$ 6,258,604	\$ 24,789	\$ -	\$ 4,287,904
Planning and annexation	751,545	646,229	-	-	(105,316)
Engineering	276,927	-	-	-	(276,927)
Municipal court	399,673	-	-	-	(399,673)
Maintenance	559,775	-	-	-	(559,775)
Public buildings and grounds	1,429,348	-	-	-	(1,429,348)
Public safety					
Police	6,663,935	895,212	238,765	103,151	(5,426,807)
Fire	5,873,823	66,468	4,232	-	(5,803,123)
Communications	923,192	209,879	-	-	(713,313)
Roads and drainage					
Street	6,327,535	1,305,309	530,646	306,227	(4,185,353)
Stormwater	867,028	1,020,058	-	-	153,030
Recreation	2,428,634	326,508	1,424	-	(2,100,702)
Interest and fees	490,135	-	-	-	(490,135)
<b>Total governmental activities</b>	<b>\$ 28,987,039</b>	<b>\$ 10,728,267</b>	<b>\$ 799,856</b>	<b>\$ 409,378</b>	<b>(17,049,538)</b>
General revenues					
Taxes					
Property, including fee in lieu of taxes					
10,606,044					
Franchise					
1,926,580					
Other					
2,788,217					
Grants and contributions not restricted to specific programs					
1,720,761					
Unrestricted revenue from use of money and property					
91,553					
Gain on curtailment of other post-employment benefit plan					
273,002					
Miscellaneous					
80,351					
<b>Total general revenues</b>					
<b>17,486,508</b>					
Change in net assets					
436,970					
Net assets					
Beginning of year, as restated					
96,554,428					
End of year					
<b>\$ 96,991,398</b>					

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	General	Local Accommodations and Hospitality Tax	Sanitation Fees	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 12,201,852	\$ 3,639,771	\$ -	\$ 2,029,982	\$ 17,871,605
Receivables - net of allowance for uncollectibles					
Property taxes	6,461,428	-	-	-	6,461,428
Accounts	518,614	20,036	733,246	91,621	1,363,517
Due from other funds	1,373,892	-	-	-	1,373,892
Due from other governments	3,411,378	-	433,908	161,460	4,006,746
Inventory	88,018	-	-	22,970	110,988
Prepays	-	-	-	30	30
Loans receivable	359,220	-	-	-	359,220
Temporarily restricted assets					
Cash and investments	-	-	-	711,604	711,604
Accounts receivable	-	-	-	2,046,882	2,046,882
<b>TOTAL ASSETS</b>	<b>\$ 24,414,402</b>	<b>\$ 3,659,807</b>	<b>\$ 1,167,154</b>	<b>\$ 5,064,549</b>	<b>\$ 34,305,912</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 424,266	\$ 11	\$ 130,463	\$ 255,898	\$ 810,638
Accrued salaries and payroll liabilities	298,596	-	-	6,436	305,032
Due to other funds	-	-	1,304,467	69,425	1,373,892
Deferred revenues	10,160,988	-	-	2,047,962	12,208,950
Court bonds payable	5,014	-	-	-	5,014
<b>TOTAL LIABILITIES</b>	<b>10,888,864</b>	<b>11</b>	<b>1,434,930</b>	<b>2,379,721</b>	<b>14,703,526</b>
<b>Fund Balances</b>					
Fund balances					
Nonspendable	438,736	-	-	23,000	461,736
Restricted for					
Public Safety	-	-	-	398,202	398,202
Tourism	-	3,659,796	-	174,444	3,834,240
Capital projects	-	-	-	1,175,162	1,175,162
Infrastructure	-	-	-	129,958	129,958
Stormwater mitigation	-	-	-	740,769	740,769
Assigned	1,920,790	-	-	46,443	1,967,233
Unassigned	11,166,012	-	(267,776)	(3,150)	10,895,086
<b>TOTAL FUND BALANCES</b>	<b>13,525,538</b>	<b>3,659,796</b>	<b>(267,776)</b>	<b>2,684,828</b>	<b>19,602,386</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,414,402</b>	<b>\$ 3,659,807</b>	<b>\$ 1,167,154</b>	<b>\$ 5,064,549</b>	<b>\$ 34,305,912</b>

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

Total governmental fund balances	\$	19,602,386
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$125,282,504 and the accumulated depreciation is \$35,494,301.		89,788,203
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Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds.

State aid to subdivisions	\$	406,465	
Federal grant		1,080	
			407,545

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$	(7,905,000)	
Less: deferred charge for issuance cost		89,056	
Plus: issuance premium		(90,425)	
Capital leases		(3,752,399)	
Compensated absences payable		(1,023,970)	
Accrued interest payable		(123,998)	
			(12,806,736)

Net assets of governmental activities	\$	96,991,398
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The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	General	Local		Other Governmental Funds	Total Governmental Funds
		Accommodations and Hospitality Tax	Sanitation Fees		
<b>REVENUES</b>					
Property taxes	\$10,546,604	\$ -	\$ -	\$ -	\$ 10,546,604
Licenses, permits, and franchise taxes	8,506,555	2,595,244	-	471,831	11,573,630
Intergovernmental revenue					
Local revenues	140,000	-	-	-	140,000
State revenues	1,687,617	-	-	1,100,429	2,788,046
Federal revenues	31,867	-	-	180,844	212,711
Police fines	595,633	-	-	78,161	673,794
Fees and service charges					
Sanitation	-	-	1,407,872	-	1,407,872
Stormwater	-	-	-	1,020,058	1,020,058
Recreation	206,772	-	-	-	206,772
Other	90,611	-	-	6,881	97,492
Recovered costs	294,587	-	-	-	294,587
Donations and contributions	-	-	-	104,456	104,456
Revenues from use of monies and property	262,642	-	-	3,559	266,201
Miscellaneous revenues	76,062	11,556	-	1,050	88,668
<b>TOTAL REVENUES</b>	<b>22,438,950</b>	<b>2,606,800</b>	<b>1,407,872</b>	<b>2,967,269</b>	<b>29,420,891</b>
<b>EXPENDITURES</b>					
Current					
General government					
Administrative	1,416,260	343,913	-	187,466	1,947,639
Planning and annexation	764,341	-	-	-	764,341
Engineering	262,072	-	-	-	262,072
Municipal court	399,458	-	-	-	399,458
Maintenance	515,575	-	-	-	515,575
Public buildings and grounds	690,773	-	-	-	690,773
Public safety					
Police	5,659,234	-	-	576,860	6,236,094
Fire	5,506,639	-	-	11,229	5,517,868
Communications	675,413	-	-	205,859	881,272
Roads and drainage					
Street	2,472,007	1,514	1,546,001	707,073	4,726,595
Stormwater	-	-	-	772,040	772,040
Recreation	2,060,302	2,879	-	-	2,063,181
Capital outlay	467,734	252,117	-	676,306	1,396,157
Debt service					
Principal	446,063	-	-	-	446,063
Interest and fees	487,815	-	-	-	487,815
<b>TOTAL EXPENDITURES</b>	<b>21,823,686</b>	<b>600,423</b>	<b>1,546,001</b>	<b>3,136,833</b>	<b>27,106,943</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>615,264</b>	<b>2,006,377</b>	<b>(138,129)</b>	<b>(169,564)</b>	<b>2,313,948</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,554,812	-	258,426	22,801	1,836,039
Sale of capital assets	65,222	-	-	4,600	69,822
Bond issuance costs	-	-	-	-	-
Insurance proceeds	-	-	-	5,661	5,661
Transfers out	(281,228)	(1,523,438)	-	(31,373)	(1,836,039)
Capital lease proceeds	147,877	-	-	-	147,877
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,486,683</b>	<b>(1,523,438)</b>	<b>258,426</b>	<b>1,689</b>	<b>223,360</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,101,947</b>	<b>482,939</b>	<b>120,297</b>	<b>(167,875)</b>	<b>2,537,308</b>
FUND BALANCE - Beginning, as restated	11,394,107	3,176,857	(388,073)	2,852,703	17,035,594
Increase in inventory reserve	29,484	-	-	-	29,484
<b>FUND BALANCE - Ending</b>	<b>\$13,525,538</b>	<b>\$ 3,659,796</b>	<b>\$ (267,776)</b>	<b>\$ 2,684,828</b>	<b>\$ 19,602,386</b>

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

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Net change in fund balances - total governmental funds \$ 2,537,308

Amounts reported for governmental activities in the statement of activities are different because of the following:

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,396,157	
Depreciation expense	<u>(3,638,754)</u>	(2,242,597)

The gain or loss on disposal of capital assets is reported in the statement of activities. Conversely, governmental funds generally do not report any gain or loss on disposal of capital assets.

Cost of capital assets	\$ (533,119)	
Accumulated depreciation	<u>437,372</u>	
Net book value		(95,747)

is reported. Since such contributions result in neither the receipt or the use of current financial resources, they are not reflected in the fund statements. 158,900

Because some revenues will not be collected for several months after the Town's fiscal year ends, they are not considered "available" revenues in the governmental funds.

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:

Grant funds	\$ (130,961)	
State aid to subdivisions	(313,881)	
Sanitation fees	(102,563)	

Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:

Grant funds	1,080	
State aid to subdivisions	<u>406,465</u>	(139,860)

The Town's curtailment of its other post-employment benefits plan resulted in a refund from SCORBET, which was recorded on the fund statements as recovered costs. A portion of the amount refunded was reported in the prior year as an OPEB asset on the statement of net assets, and was therefore not reported on the statement of activities. The gain on curtailment of post-employment benefit plan reported in the current year is the recovered costs reduced by the OPEB asset.

Refund on fund statement	\$ 294,587	
Gain on statement of net assets	<u>(273,002)</u>	(21,585)
Difference		(21,585)

(continued)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

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 the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Issuance of capital lease	\$	(147,877)	
Principal repayments			
Capital leases payable		286,063	
Bonds payable		160,000	
Amortization of bond issuance costs		(1,803)	
Amortization of bond premium		1,830	
		298,213	\$ 298,213

In the fund financial statement, inventories are recognized as an expenditure when purchased. Governmental activities recognize an expense for inventory when consumed. 29,484

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 the governmental funds. The details are as follows:

Compensated absences			
Current year	\$	(1,023,970)	
Prior year		939,171	
Accrued interest expense			
Current year		(123,998)	
Prior year		121,651	
		(87,146)	(87,146)

Change in net assets of governmental activities \$ 436,970

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS –  
FIDUCIARY FUNDS  
DECEMBER 31, 2011**

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	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 160,794</u>
Total assets	<u><u>\$ 160,794</u></u>
Liabilities	
Assets held for others	<u>\$ 160,794</u>
Total liabilities	<u><u>\$ 160,794</u></u>

The accompanying notes to financial statements are an integral part of this financial statement.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The *Town of Summerville, South Carolina* (the Town), operates under a charter originally granted by the State of South Carolina on December 17, 1847. The government is a municipal corporation governed by an elected Mayor and six-member council.

The Town provides the following services: general government (administrative services, planning and annexation, engineering, municipal court, maintenance, and public buildings and grounds), public safety (police, fire, and communications), roads and drainage (street and stormwater), and recreation.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in *GASB Statement No. 14*, which defines a primary government as an entity with a governing body elected in a general election, which is legally separate and fiscally independent. Any entity which does not meet the above criteria is potentially a component unit of a primary government.

A component unit is a legally separate entity for which a primary government is financially accountable by virtue of the fact that either the primary government appoints the governing board and is able to impose its will on the component unit, or the component unit provides financial benefits or imposes a financial burden on the primary government.

The Town is a legally separate and fiscally independent entity whose governing body is a Council whose members are elected in a general election and should, therefore, be considered a primary government. There are no entities which meet the criteria detailed above for inclusion with the Town's financial statements as component units.

**B. Government-wide and Fund Financial Statements**

**1. Government-wide Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 instead as *general revenues*.

**2. Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Town does not have any proprietary funds.

The Town uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

Major Funds

The Town reports the following major governmental funds:

1. The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Local Accommodations & Hospitality Tax Fund* is a special revenue fund used to account for the taxes collected in the tourist related businesses, including restaurants and hotels. The expenditures of these taxes must be related to or for the promotion of tourism.
3. The *Sanitation Fees Fund* is a special revenue fund used to account for solid waste collection fees assessed from the Town's property owners and businesses. The fees are required to be spent on the collection and disposal of solid waste within the Town limits.

Non-major Funds

In addition the Town reports the following non-major fund types:

1. The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees, and economic development.
2. The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital projects.
3. *Fiduciary funds* are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *Agency fund* is custodial in nature and does not involve the measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Measurement focus* is a term used to describe which transactions are recorded within the various financial statements. *Basis of accounting* refers to when transactions are recorded, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for federal and state grant revenue which is considered available if collected within three months. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and for acquisitions under capital leases are reported as other financing sources.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, sales taxes, accommodations taxes, fines and forfeitures, grants, donations, and state-levied locally shared taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. State-levied locally shared taxes are recognized in the year appropriated by the state. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, fines and forfeitures, state-levied locally shared taxes, and certain charges for services, including stormwater and sanitation. Sales and accommodations taxes are recorded when the underlying transaction is made. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When grant funds are received in advance, revenue recognition is deferred until qualifying expenditures are made. Other revenues, including permits, licenses, some franchise taxes, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**D. Assets, Liabilities, and Equity**

**1. Deposits**

The "deposits" classification is used only in the notes, not on the face of the statement of net assets or balance sheet. Deposits include only cash on hand, pooled money market funds, and certificates of deposit.

The Town considers cash and cash equivalents to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

**2. Investments**

Investments, including the Town's investment in the South Carolina Local Government Investment Pool (the Pool), are carried at fair value 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 \$1.00.

The Town has a number of financial instruments, none of which are held for trading purposes. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost.

**3. Receivables and Payables**

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Taxes receivable are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2010 property tax assessment levied for the 2011 fiscal year, which is deferred in the General Fund. The current property tax receivable allowance is equal to one percent of the current property tax levy.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Equity (Continued)**

Accounts receivable of the General Fund are comprised of franchise taxes and reimbursements. Accounts receivable of the Special Revenue Funds are comprised of accommodations tax and stormwater utility fees. Management believes the accounts receivable are all collectible, so no provision for uncollectibles is necessary.

Nonstandard service franchise fees which may only be used for installation of underground utilities are reported as restricted accounts receivable in the Infrastructure Fund.

The loan receivable of the General Fund represents the balance of the amount to be paid by the Chamber of Commerce for the Visitors' Center. See Note III.C.

**4. Inventories and Prepaid Items**

Inventories consist primarily of supplies, fuel, and maintenance parts. Inventories are valued at cost, using the first-in, first-out method. In the Statement of Activities, inventory is recorded as an expense at the time the item is consumed. On the fund statements, inventory is recorded as an expenditure at the time the item is purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Reported inventories and prepaid items are equally offset by a fund balance restriction, which indicates that they do not constitute available spendable resources even though they are a component of assets.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of an item, or add to the value of the asset or materially extend the assets' lives beyond original estimates, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the Town's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	10 – 40 years
Infrastructure	15 – 50 years
Vehicles and rolling equipment	5 – 10 years
Furniture and equipment	5 – 10 years

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Equity (Continued)**

**6. Compensated Absences**

The Town allows employees to accumulate unused sick leave with no limit. Generally, sick leave will not be paid by the Town upon termination. However, if an employee has more than 15 years of continuous full time service, the employee is paid for one-third of accumulated sick leave not to exceed the equivalent of 90 days. Employees are allowed to accumulate up to the equivalent of six weeks of accrued vacation. Upon termination, accumulated vacation will be paid to the employee. All vacation and compensatory pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only to the extent they are payable from current resources and represent matured liabilities, for example, as a result of employee resignations and retirements.

**7. Long-Term Obligations**

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

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

**8. Equity**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - Consists of all other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

*Fund Statements*

The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in December 2011. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Equity (Continued)**

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form, such as inventory or prepaid insurance, or because they are legally or contractually required to be maintained intact – such as a trust.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors – such as a millage adopted by the primary government to pay the Town's debt, or fees assessed by the Town to be used for a specific purpose.

Committed - Amounts constrained to specific purposes by the Council itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action to remove or change the constraint.

Assigned - Amounts the Town intends to use for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority.

Unassigned - All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In the governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less restricted classifications – committed and then assigned fund balances before using unassigned fund balance.

*Fund Balance Policy*

During 2011, Town Council's Finance Committee adopted a minimum fund balance policy for the General Fund. The policy requires the unrestricted fund balance (i.e., committed, assigned and unassigned, combined) at fiscal year end to be at least equal to 20 percent of the prior year General Fund expenditures. In addition, the Finance Committee approved the establishment of a stabilization arrangement providing for disaster and recovery in the amount of \$3,000,000 and capital improvements in the amount of \$500,000.

**E. Accounting Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the Town's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital project funds. At December 31, 2011, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in the governmental fund balances are as follows:

	Encumbrances included in:	
	Restricted for Tourism	Assigned
General Fund	\$ -	\$ 4,289
Local Accommodations and Hospitality Tax Fund	\$ 387,145	\$ -

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2011, expenditures exceeded appropriations as follows:

	Budget	Actual	Excess actual expenditures over budget
Fire	\$ 5,441,066	\$ 5,506,639	\$ 65,573
Street	\$ 2,455,759	\$ 2,472,007	\$ 16,248
Communications	\$ 661,029	\$ 675,413	\$ 14,384
Capital outlay	\$ 317,935	\$ 467,734	\$ 149,799

These over-expenditures were funded by greater than anticipated revenues.

**C. Deficit Fund Equity**

The following funds had deficit fund balances at year-end that are expected to be resolved as indicated:

Fund	Deficit	Resource for Elimination
Special Revenue Fund		
Sanitation Fees	\$ 267,776	Future revenues and transfers from General Fund
Victims' Advocate	\$ 3,150	Future revenues and cost containment

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2011, \$6,168,311 of the Town's investments was in the South Carolina Local Government Investment Pool which has a weighted average maturity of 90 days. The balance of investments was in certificates of deposit with maturities ranging from 6 to 28 months, as follows:

Under 6 months	\$ 1,898,441
6-12 months	124,407
Over 60 months	250,850
	\$ 2,273,698

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. State statutes authorize the Town to invest in the following:

- (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 Depository Insurance Corporation;

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

- (4) Certificates of deposit 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, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
- (5) No-load open or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company, savings and loan association, or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina state statutes authorize the Town to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-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 2a7 of the Investment Company Act of 1940. The reported value of the Town's position in the pool, if any, is the same as the fair value of the pool shares.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2011, the Town's bank balance of \$12,575,084 was fully insured or collateralized by government investments held by the pledging financial institutions' trust department or agent in the Town's name.

***Custodial Credit Risk – Investments***

For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not have a formal investment policy regarding custodial credit risk for investments.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Increases	Decreases	Balance 12/31/2011
Capital assets not being depreciated				
Land	\$ 4,596,771	\$ 229,863	\$ -	\$ 4,826,634
Construction in progress	274,451	315,318	(494,729)	95,040
Total capital assets not being depreciated	<u>4,871,222</u>	<u>545,181</u>	<u>(494,729)</u>	<u>4,921,674</u>
Capital assets being depreciated				
Buildings	23,385,321	32,652	-	23,417,973
Improvements	6,039,697	446,443	-	6,486,140
Infrastructure	74,422,029	211,672	-	74,633,701
Vehicles and rolling equipment	12,256,777	738,420	(533,119)	12,462,078
Furniture and equipment	3,285,520	75,418	-	3,360,938
Total capital assets being depreciated	<u>119,389,344</u>	<u>1,504,605</u>	<u>(533,119)</u>	<u>120,360,830</u>
Total Cost	<u>124,260,566</u>	<u>2,049,786</u>	<u>(1,027,848)</u>	<u>125,282,504</u>
Accumulated depreciation				
Buildings	(4,053,596)	(828,750)	-	(4,882,346)
Improvements	(1,640,135)	(300,656)	-	(1,940,791)
Infrastructure	(16,968,036)	(1,496,594)	-	(18,464,630)
Vehicles and rolling equipment	(7,970,317)	(786,243)	437,372	(8,319,188)
Furniture and equipment	(1,660,835)	(226,511)	-	(1,887,346)
Total accumulated depreciation	<u>(32,292,919)</u>	<u>(3,638,754)</u>	<u>437,372</u>	<u>(35,494,301)</u>
Total capital assets being depreciated, net	<u>87,096,425</u>	<u>(2,134,149)</u>	<u>(95,747)</u>	<u>84,866,529</u>
Total capital assets	<u>\$ 91,967,647</u>	<u>\$ (1,588,968)</u>	<u>\$ (590,476)</u>	<u>\$ 89,788,203</u>

Depreciation expense was charged to the functions as follows:

Administrative	\$ 40,326
Planning and annexation	1,125
Engineering	2,921
Municipal court	1,000
Maintenance	41,695
Public buildings and grounds	738,575
Police	400,694
Fire	289,715
Communications	42,577
Street	1,629,110
Stormwater	93,954
Recreation	357,062
Total depreciation expense	<u>\$ 3,638,754</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Receivables**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, were as follows:

	General	Major Funds	Nonmajor Funds
Unrestricted			
Current taxes	\$ 6,559,953	\$ -	\$ -
Delinquent taxes	208,959	-	-
Taxes	6,768,912	-	-
Less - Allowance for uncollectibles	(307,484)	-	-
Taxes, net of allowance	6,461,428	-	-
Accounts	518,614	753,282	91,621
Net unrestricted receivables	<u>\$ 6,980,042</u>	<u>\$ 753,282</u>	<u>\$ 91,621</u>
Restricted			
Non-standard service franchise fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,046,882</u>

**D. Loans Receivable**

In November 1998, the Town commenced construction of a visitors' center for the Chamber of Commerce. The building was constructed on land owned by Dorchester County. The Chamber, County, and Town entered into a lease-purchase agreement in June 2000 for \$780,000 under which the Chamber will be given the option to purchase the facility at the end of the 30-year lease. The selling price attributable to the building was \$450,000. The terms of the sale require the Chamber to make annual payments, including interest at 5%, to the Town and County for thirty years. The Town is receiving annual principal and interest payments of \$26,538, with the remaining balance of \$121,525 due in May 2029.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Chamber of Commerce	<u>\$ 367,317</u>	<u>\$ -</u>	<u>\$ 8,097</u>	<u>\$ 359,220</u>	<u>\$ 8,502</u>

**E. Interfund Receivables and Payables**

The interfund receivables and payables at December 31, 2011, were as follows:

	Receivable Fund	Payable Fund
Major governmental fund		
General	\$ 1,373,892	\$ -
Sanitation fees	-	1,304,467
Nonmajor governmental funds	-	69,425
Total interfund balances	<u>\$ 1,373,892</u>	<u>\$ 1,373,892</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Transfers from (to) Other Funds**

Interfund transfers for the year ended December 31, 2011, consisted of the following:

	Transfers in	Transfers out
Major governmental funds		
General	\$ 1,554,812	\$ 281,228
Local Accommodations & Hospitality Tax	-	1,523,438
Sanitation fees	258,426	-
Nonmajor governmental funds	22,801	31,373
Total interfund balances	\$ 1,836,039	\$ 1,836,039

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**G. Deferred Revenues**

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At December 31, 2011, the various components of deferred and unearned revenue reported in the financial statements were as follows:

Unearned	
Property taxes receivable	\$ 6,461,428
Property taxes collected in 2011 for 2012 (including amounts held by county treasurer)	3,293,095
Non-standard service franchise fees recorded prior to identification of eligible projects	2,046,882
Total unearned revenues – statement of net assets	11,801,405
Unavailable	
State aid to subdivisions	406,465
Grant funds	1,080
Total deferred revenues – balance sheet	\$ 12,208,950

**H. Long-Term Debt**

The Town has the following forms of long-term indebtedness:

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the General Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Lease Obligations – The Town uses leases to finance the purchase of the parking garage, as well as various equipment. Leases are paid from the General Fund. The primary source of revenue for repayment of leases is a transfer from the Local Accommodations and Hospitality Tax Special Revenue Fund.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund.

***Changes in Long-Term Liabilities***

During the year ended December 31, 2011, the following changes occurred in long-term liabilities of the Town.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds payable					
General obligation bonds	\$ 8,065,000	\$ -	\$ 160,000	\$ 7,905,000	\$ 165,000
Deferred amounts					
for issuance premium	92,255	-	1,830	90,425	-
Total bonds payable	8,157,255	-	161,830	7,995,425	165,000
Capital project lease obligation	3,890,585	147,877	286,063	3,752,399	326,002
Compensated absences payable	939,173	591,287	506,490	1,023,970	389,569
Governmental activity					
Long-term liabilities	\$12,987,013	\$ 739,164	\$ 954,383	\$12,771,794	\$ 880,571

***General Obligation Bonds***

The Town issued \$8,500,000 of Series 2007 general obligation bonds during 2007. The bonds bear interest rates of 3.85% to 4.75%, and mature December 31, 2037.

The annual requirements for debt service on general obligation bonds outstanding at December 31, 2011, are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 165,000	\$ 323,330	\$ 488,330
2013	175,000	315,893	490,893
2014	180,000	308,128	488,128
2015	190,000	300,034	490,034
2016	200,000	291,503	491,503
2017-21	1,130,000	1,312,091	2,442,091
2022-26	1,415,000	1,033,132	2,448,132
2027-31	1,750,000	721,000	2,471,000
2032-36	2,200,000	328,000	2,528,000
2037	500,000	10,000	510,000
Subtotal	7,905,000	4,943,111	12,848,111
Plus (less) deferred amounts:			
Bond premiums	90,425	-	90,425
Total	\$ 7,995,425	\$ 4,943,111	\$ 12,938,536

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

***Capital Project Lease Obligation***

The Town entered into a Project Lease with a regional bank on November 30, 2006. The Bank additionally entered into a Base Lease on the same date whereby the Bank leases from the Town the parcel of real property on which the Town has constructed a garage. The Town has financed a portion of the cost of improvements by the application of Base Lease Rent. A Town ordinance was duly enacted by the Town Council on November 8, 2006. In consideration of the financing of the Project, the Town received \$4,925,000 on November 30, 2006. Payments are to be made semi-annually at 4.12% for a term of 15 years. The first payment was due May 31, 2007, with the final payment due November 30, 2021.

The Town entered into an Equipment Lease with a regional bank on April 28, 2011 for a pothole patcher. The Town received \$147,877 on April 28, 2011. Payments are to be made annually at 2.68% for a term of 5 years. The first payment is due on April 28, 2012.

The future minimum lease obligations as of December 31, 2011, were as follows:

Year ending December 31,	Amount
2012	\$ 475,433
2013	475,433
2014	475,433
2015	475,433
2016	475,434
2017-2021	2,205,192
Total minimum lease payments	4,582,358
Less amount representing interest	(829,959)
Present value of minimum lease payment	\$ 3,752,399

The carrying value of the assets acquired through capital leases are as follows:

Building and equipment	\$ 5,621,466
Less accumulated depreciation	(476,816)
	\$ 5,144,650

**I. Operating Leases**

The Town participates in certain leases accounted for as operating leases. The Town is obligated under lease agreements with various parties for the rental of office equipment. Rental expense associated with the leases for the year ended December 31, 2011, is \$7,806. Payments are funded from the Town's General Fund.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Operating Leases (Continued)**

Future minimum lease payments required for the remaining terms under the non-cancelable operating leases are as follows:

Year ending December 31,	Amount
2012	\$ 3,240
2013	3,240
2014	3,240
2015	1,620
Total	\$ 11,340

In addition to the above, the Town holds other agreements with various parties for the rental of equipment and office space. These leases run on a month-to-month basis and are cancelable by either party.

**J. Equity Restatement**

Changes in Accounting Policy

As a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which clarified the types of activities permitted by the various fund types, and the criteria under which separate funds may be maintained, management combined a number of similar fund types, transferred the activity for others to the General Fund and re-characterized the fund established to account for the Fireman's 1% funds to an agency fund.

In addition, management has determined that non-standard service franchise fees set aside by the local electric utility provider for construction of underground electrical lines should be reported as deferred revenues until such time as qualifying projects are undertaken. Increases in the amounts set aside by the utility have previously been reported as current revenue.

Correction of an Error

Fund balance in the Sanitation Fees Fund was restated to recognize the expense incurred for collection fees in the prior year, which was not recorded until the current year.

The effect of these changes on the Government-Wide and Governmental Fund Financial statements is as follows:

***Government-Wide Financial Statements***

Net assets as originally presented (December 31, 2010)	\$ 97,765,449
Change in accounting policy	
Implementation of GASB 54 -	
reclassify Fireman's 1% Fund to Agency Fund	(146,647)
Defer revenue recognition of non-standard service franchise fees	(934,727)
Correction of an error	
Understated accounts payable	(129,647)
Net assets as restated (December 31, 2010)	\$ 96,554,428

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Equity Restatement (Continued)**

***Fund Financial Statements***

Fund name	Fund balance as originally presented	Change in accounting policy			Fund balance as restated
		Implementation of GASB 54	Defer non- standard service franchise fees	Correction of an error	
General	\$ 11,043,035	\$ 351,072	\$ -	\$ -	\$ 11,394,107
Saul Alexander	11,930	(11,930)	-	-	-
Cuthbert Memorial	1,309	(1,309)	-	-	-
H. Jessen Landing Picnic	3,585	(3,585)	-	-	-
Debt Service	334,248	(334,248)	-	-	-
General Fund	11,394,107	-	-	-	11,394,107
Local Hospitality Tax	3,067,294	(3,067,294)	-	-	-
Local Accommodations Tax	109,563	(109,563)	-	-	-
Local Accommodations and Hospitality	-	3,176,857	-	-	3,176,857
Local Accommodations and Hospitality Major Fund	3,176,857	-	-	-	3,176,857
Sanitation Fees Major Fund	(258,426)	-	-	(129,647)	(388,073)
Nonmajor Funds					
Impact Fees - Residential	579,271	(579,271)	-	-	-
Impact Fees - Commercial	84,785	(84,785)	-	-	-
Total Impact Fees	-	664,056	-	-	664,056
Impact Fees Fund	664,056	-	-	-	664,056
Local Law Enforcement Block Grant	938	(938)	-	-	-
Community COPS Grant	509	(509)	-	-	-
Traffic Enforcement Grant	8,194	(8,194)	-	-	-
Local Police Grant	48,939	(48,939)	-	-	-
Fire Training Grant	17,060	(17,060)	-	-	-
FEMA Fire Grant	64	(64)	-	-	-
SLED Fire Grant	(134,103)	134,103	-	-	-
Public Safety	-	(58,399)	-	-	(58,399)
Public Safety Fund	(58,399)	-	-	-	(58,399)
Non-Standard Service	934,727	-	(934,727)	-	-
CTC Local Paving	(6,732)	6,732	-	-	-
Major Road Repairs	150,146	(150,146)	-	-	-
CTC SCDOT Paving	25,975	(25,975)	-	-	-
Infrastructure	-	169,389	-	-	169,389
Infrastructure Fund	1,104,116	-	(934,727)	-	169,389
<u>All other funds</u>					
State Accommodations	173,521	-	-	-	173,521
Federal Equitable Sharing	526,407	-	-	-	526,407
State Drug	68,114	-	-	-	68,114
Town Hall Building	711,206	-	-	-	711,206
E911	49,796	-	-	-	49,796
Victims' Advocate	8,086	-	-	-	8,086
CDBG Grant	(14,900)	-	-	-	(14,900)
Farmers Market	39,706	-	-	-	39,706
Stormwater	515,721	-	-	-	515,721
* Fireman's 1%	146,647	(146,647)	-	-	-
Total nonmajor governmental funds	3,934,077	(146,647)	(934,727)	-	2,852,703
Total Fund Balance	\$ 18,246,615	\$ (146,647)	\$ (934,727)	\$ (129,647)	\$ 17,035,594

\* Reclassify Fireman's 1% Fund to Agency Fund

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**IV. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of losses related to torts including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the South Carolina Municipal Insurance and Risk Financing Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to the Municipal Insurance and Risk Financing Fund for its general insurance. The South Carolina Municipal Insurance and Risk Financing Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The Town did not have any significant reductions in insurance coverage from prior years, and there were no settlements which exceeded insurance coverage for any of the past three years.

**B. Contingent Liabilities**

**Grants.** Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Litigation.** The Town is party to various legal proceedings which normally occur in governmental operations. These lawsuits involve issues related to annexation. In the opinion of the Town management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the Town's financial position.

**Unemployment Compensation.** The Town makes payments to the South Carolina Employment Security Commission on a reimbursement basis for costs incurred in the administration of the state unemployment compensation statutes. Claims incurred but not reported at December 31, 2011, are not significant.

**C. Deferred Compensation Plan**

**Internal Revenue Code Section 457 Plan.** The Town offers a deferred compensation plan (the Plan) to all its employees under a plan administered by the ICMA Retirement Corporation. The Plan was established in accordance with Internal Revenue Code Section 457. There are no required employer contributions to the Plan. The Plan permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries and are not subject to claims of the employer's general creditors.

**D. Defined Contribution Plan**

**Internal Revenue Code Section 401(k) Plan.** The Town also offers its employees participation in a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k). All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**IV. OTHER INFORMATION (CONTINUED)**

**E. Defined Benefit Pension Plan**

***South Carolina Retirement and Police Officers' Retirement System***

**Plan Description.** The Town contributes to both the South Carolina Retirement System (SCRS) and to the South Carolina Police Officers' Retirement System (SCPORS), which are cost-sharing multiple-employer defined benefit pension plans administered by the Retirement Division of the State Budget and Control Board. Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System is issued and publicly available on the internet at [www.retirement.sc.gov](http://www.retirement.sc.gov), or by writing the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

**Funding Policy.** Employees participating in the plans are required to contribute at a rate of 6.50% of their salary. Employers are required to contribute at the following actuarially determined rates:

	January through June 2011	July through December 2011
SCRS, Local Government	9.24% of salary	9.38% of salary
PORS, Class II	11.13% of salary	11.36% of salary

In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. Participating employers under the Police Officers Retirement System also contribute .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for their participants.

The Town's contributions to SCRS for the years ended December 31, 2011, 2010, and 2009, were \$480,082, \$470,984, and \$449,903, respectively. The Town's contributions to PORS for the years ended December 31, 2011, 2010, and 2009, were \$795,549, \$748,024, and \$699,384, respectively. All employer contributions are equal to the required contributions for each year.

**F. Postemployment Benefits other than Pensions**

**Plan Description.** In prior years the Town sponsored a single-employer defined benefit healthcare plan (the Plan) that provided medical and dental insurance for retirees. Employees became eligible when they qualified for the SCRS or PORS and had 12 years of service with the Town. The Plan was approved each year by Town Council, and the contribution requirements of the Town and Plan members were established and amended by Council. These contributions were neither guaranteed nor mandatory. Council retained the right to unilaterally modify its payments toward retiree healthcare benefits. During 2011, Council exercised that right. The plan was curtailed at the end of 2011, continuing coverage for those individuals who had retired, or announced their retirement date, prior to December 31, 2011, but providing no coverage to any employees retiring after that date.

As a result, there remains no requirement to recognize other postemployment benefit (OPEB) cost or annual required contribution for current employees, and no covered payroll for the year. The six remaining participants will be eligible to receive benefits of \$385 per month until reaching the age of 65. Management calculated the cost to cover the obligation to the remaining participants by multiplying \$385 by the number of months to the attainment of age 65 for each participant, a period ranging from 2 to 14 years. Management did not reduce the calculation for the present value of a series of future payments, deeming such adjustment to be immaterial. Since the Plan had been funded on an ongoing basis, the trust fund was over-funded by approximately \$295,000. Management requested and received a refund of the excess funding in the amount of \$294,587, which is reported in the General Fund as recovered costs. The recovered costs, net of an OPEB asset amounting to \$21,585, are reported on the statement of activities as a gain on curtailment of other post-employment benefit plan.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Nonmonetary Transactions**

During the year ended December 31, 2011, the Town received water and sewer services with an estimated value of \$52,941 from Summerville Commissioners of Public Works (CPW) in exchange for the Town maintaining CPW's rights-of-way.

**H. Property Taxes and Fees**

Property taxes attach as an enforceable lien on property as of January 1 of the current year. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty in accordance with the dates set for payment of Dorchester, Berkeley, and Charleston County taxes (by January 15 of the following year). Penalty dates and rates are the same as that established by Dorchester, Berkeley, and Charleston County Councils (January 16 - 3 percent, February 2 - an additional 7 percent, and March 16 - an additional 5 percent). If taxes are not paid by March 15, they are turned over to the delinquent tax office for collection. Dorchester, Berkeley, and Charleston counties bill and collect current and delinquent property taxes under contractual agreements with the Town. Town tax revenues are recognized in the period for which they are levied; therefore, revenue recognition is deferred. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license is up for renewal and are, therefore, recognized when cash is received by the Town. The taxpayer must provide proof of payment to the Highway Department before the vehicle license will be renewed.

The Town has imposed upon all improved property in the town limits a sanitation collection fee, to be billed annually by the County Auditor on the property tax bill and collected by the County Treasurer in the same manner as provided for property taxes. Revenue is recognized when fees are received during the current calendar year or within 60 days subsequent to year-end.

The Town has a stormwater utility fee billed monthly by the Summerville Commissioners of Public Works (CPW) on the water bill and collected by CPW in the same manner as provided for monthly water billings. Revenue is recognized when fees are billed by CPW.

**I. Pending GASB Statements**

In June 2011, the GASB issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and in April 2012, the GASB issued Statements No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections—2012*. The effect of implementation of these statements, all of which are effective for the Town's year ending December 2013, on the financial statements has not been determined.

**J. Subsequent Events**

Subsequent to year end Council approved the following transactions:

- \* The purchase of police vehicles and equipment in the amount of \$22,611, to be paid from confiscated drug funds.
- \* The purchase of police vehicles and equipment in the amount of \$103,806, to be paid from confiscated drug funds.

Management has evaluated subsequent events through June 11, 2012, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S  
DISCUSSION AND ANALYSIS (UNAUDITED)**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance - with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 9,283,440	\$ 9,894,060	\$ 10,546,604	\$ 652,544
Licenses, permits, and franchise taxes	7,791,700	7,862,700	8,506,555	643,855
Intergovernmental revenue				
Local revenues	140,000	140,000	140,000	-
State revenues	1,355,353	1,512,997	1,687,617	174,620
Federal revenues	32,000	32,000	31,867	(133)
Police fines	800,000	800,000	595,633	(204,367)
Fees and service charges				
Recreation	160,500	160,500	206,772	46,272
Other	78,200	78,200	90,611	12,411
Recovered costs	-	-	294,587	294,587
Revenues from use of monies and property	247,000	267,000	262,642	(4,358)
Miscellaneous revenues	15,000	15,000	76,062	61,062
<b>TOTAL REVENUES</b>	<b>19,903,193</b>	<b>20,762,457</b>	<b>22,438,950</b>	<b>1,676,493</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Administrative	1,450,508	1,450,508	1,416,260	34,248
Planning and annexation	751,057	788,379	764,341	24,038
Engineering	288,647	289,994	262,072	27,922
Municipal court	409,110	409,110	399,458	9,652
Maintenance	539,197	541,282	515,575	25,707
Public buildings and grounds	704,000	704,000	690,773	13,227
<b>Public safety</b>				
Police	5,641,206	5,736,226	5,659,234	76,992
Fire	5,370,556	5,441,066	5,506,639	(65,573)
Communications	661,029	661,029	675,413	(14,384)
<b>Roads and drainage</b>				
Street	2,402,003	2,455,759	2,472,007	(16,248)
Recreation	2,267,853	2,296,457	2,060,302	236,155
Other postemployment benefit	244,000	244,000	-	244,000
Capital outlay	247,315	317,935	467,734	(149,799)
<b>Debt service</b>				
Principal	462,781	462,781	446,063	16,718
Interest	506,098	506,098	487,815	18,283
<b>TOTAL EXPENDITURES</b>	<b>21,945,360</b>	<b>22,304,624</b>	<b>21,823,686</b>	<b>480,938</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,042,167)</b>	<b>(1,542,167)</b>	<b>615,264</b>	<b>2,157,431</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,571,919	1,571,919	1,554,812	(17,107)
Sale of capital assets	20,000	20,000	65,222	45,222
Transfers out	(50,000)	(308,426)	(281,228)	27,198
Capital lease proceeds	-	-	147,877	147,877
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,541,919</b>	<b>1,283,493</b>	<b>1,486,683</b>	<b>203,190</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (500,248)</b>	<b>\$ (258,674)</b>	<b>2,101,947</b>	<b>\$ 2,360,621</b>
<b>FUND BALANCE</b>				
Beginning			11,394,107	
Increase in inventory reserve			29,484	
Ending			<b>\$ 13,525,538</b>	

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2011**

**A. Summary of Significant Accounting Policies**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end. In October of each year, all departments of the Town submit requests for appropriations to the Mayor, in his capacity as Town Administrator, so that a budget may be prepared. On the second Tuesday of November, the proposed budget is presented to the Town's Council for review. The Council holds public hearings and a final budget must be adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor. The legal level of budgetary control is the function level.

Supplementary appropriations in the General Fund amounted to \$617,690. The budget amendment was funded by greater than expected revenues.

**B. Budget Reconciliation**

In order to comply with the requirements of GASB 54, the activity previously reported in a debt service fund is now reported in the General Fund. In order for the budgetary comparison schedule to be meaningful the following changes were made in presentation of the original and final budgets:

	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>
Original budget as adopted	\$ 20,976,481	\$ 573,040
Presentation adjustment		
Plus:		
Debt service principal	462,781	-
Debt service interest	506,098	-
Less:		
Transfers Out	-	968,879
Original budget as presented	<u>\$ 21,945,360</u>	<u>\$ 1,541,919</u>
Final budget as adopted	\$ 21,335,745	\$ 314,614
Presentation adjustment		
Plus:		
Debt service principal	462,781	-
Debt service interest	506,098	-
Less:		
Transfers Out	-	968,879
Final budget as presented	<u>\$ 22,304,624</u>	<u>\$ 1,283,493</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
(UNAUDITED)  
YEAR ENDED DECEMBER 31, 2011**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2011	\$ 261,690	\$ 261,690	\$ -	100%	\$ -	N/A
7/1/2009	\$ 169,500	\$ 1,794,100	\$ 1,624,600	9%	\$ 10,830,300	15%
7/1/2007	\$ -	\$ 1,399,000	\$ 1,399,000	0%	\$ 8,580,000	16%

**OTHER SUPPLEMENTARY FINANCIAL INFORMATION**

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
COMPARATIVE SCHEDULES OF REVENUES -  
GENERAL FUND  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010 As restated *
REVENUES		
Property taxes	\$ 10,546,604	\$ 10,547,763
Licenses, permits, and franchise taxes	8,506,555	7,978,239
Intergovernmental revenue		
Local revenues	140,000	140,000
State revenues	1,687,617	1,389,109
Federal revenues	31,867	17,460
Police fines	595,633	878,626
Fees and service charges		
Recreation	206,772	164,225
Other	90,611	103,882
Recovered costs	294,587	-
Revenues from use of monies and property	262,642	288,461
Miscellaneous revenues	76,062	102,276
	\$ 22,438,950	\$ 21,610,041
TOTAL REVENUES		

\* Prior year revenues were restated in accordance with the provisions of GASB 54. See footnote III. J. for further information.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
COMPARATIVE SCHEDULES OF EXPENDITURES -  
GENERAL FUND  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	Year Ended December 31, 2011			Year Ended December 31, 2010, as restated*		
	Personnel	Operating	Total	Personnel	Operating	Total
<b>CURRENT</b>						
<b>General Government</b>						
Administrative	\$ 1,112,953	\$ 303,307	\$ 1,416,260	\$ 1,162,235	\$ 343,504	\$ 1,505,739
Planning and annexation	678,899	85,442	764,341	674,493	102,890	777,383
Engineering	248,699	13,373	262,072	257,379	17,251	274,630
Municipal court	339,099	60,359	399,458	350,775	52,296	403,071
Maintenance	439,979	75,596	515,575	415,911	92,950	508,861
Public building and grounds	-	690,773	690,773	-	731,921	731,921
<b>Public Safety</b>						
Police	5,033,943	625,291	5,659,234	5,055,342	615,734	5,671,076
Fire	5,030,162	476,477	5,506,639	4,938,328	421,443	5,359,771
Communications	624,967	50,446	675,413	634,237	49,853	684,090
<b>Roads and Drainage</b>						
Street	1,423,145	1,048,862	2,472,007	1,419,497	879,759	2,299,256
Recreation	1,548,254	512,048	2,060,302	1,652,588	509,809	2,162,397
<b>Other post - employment benefit</b>						
	-	-	-	210,725	-	210,725
<b>CAPITAL OUTLAY</b>	-	467,734	467,734	-	836,963	836,963
<b>DEBT SERVICE</b>						
Principal	-	446,063	446,063	-	424,631	424,631
Interest and fees	-	487,815	487,815	-	506,029	506,029
	<u>\$ 16,480,100</u>	<u>\$ 5,343,586</u>	<u>\$ 21,823,686</u>	<u>\$ 16,771,510</u>	<u>\$ 5,585,033</u>	<u>\$ 22,356,543</u>

\* Prior year expenditures were restated in accordance with the provisions of GASB 54. See footnote III. J. for further information.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	Special Revenue Funds					
	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax	E911 Fund	Victims' Advocate
<b>ASSETS</b>						
Cash and investments	\$ 192,335	\$ 104,459	\$ 624,585	\$ 133,921	\$ 29,436	\$ -
Accounts receivable	-	-	-	-	11,081	-
Due from other governments	-	-	-	40,523	15,724	-
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Restricted assets						
Cash and investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 192,335</b>	<b>\$ 104,459</b>	<b>\$ 624,585</b>	<b>\$ 174,444</b>	<b>\$ 56,241</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 10,728	\$ 20,709	\$ 161,027	\$ -	\$ 2,425	\$ 813
Accrued salaries and payroll liabilities	-	-	-	-	-	62
Due to other funds	-	-	-	-	-	2,275
Deferred revenues	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>10,728</b>	<b>20,709</b>	<b>161,027</b>	<b>-</b>	<b>2,425</b>	<b>3,150</b>
<b>FUND BALANCE</b>						
Nonspendable	-	-	-	-	-	-
Restricted for						
Public safety	181,607	83,750	-	-	53,816	-
Tourism	-	-	-	174,444	-	-
Capital projects	-	-	463,558	-	-	-
Infrastructure	-	-	-	-	-	-
Stormwater mitigation	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(3,150)
<b>TOTAL FUND BALANCE</b>	<b>181,607</b>	<b>83,750</b>	<b>463,558</b>	<b>174,444</b>	<b>53,816</b>	<b>(3,150)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 192,335</b>	<b>\$ 104,459</b>	<b>\$ 624,585</b>	<b>\$ 174,444</b>	<b>\$ 56,241</b>	<b>\$ -</b>

				Capital Projects		Total
Public Safety	CDBG Grant	Farmers Market	Stormwater	Building Fund	Infrastructure Fund	Nonmajor Governmental Funds
\$ 78,021	\$ -	\$ 46,443	\$ 684,092	\$ -	\$ 136,690	\$ 2,029,982
-	-	-	80,540	-	-	91,621
82,764	22,449	-	-	-	-	161,460
30	-	-	-	-	-	30
-	-	-	22,970	-	-	22,970
-	-	-	-	711,604	-	711,604
-	-	-	-	-	2,046,882	2,046,882
<u>\$ 160,815</u>	<u>\$ 22,449</u>	<u>\$ 46,443</u>	<u>\$ 787,602</u>	<u>\$ 711,604</u>	<u>\$ 2,183,572</u>	<u>\$ 5,064,549</u>
\$ 15,566	\$ 20,767	\$ -	\$ 23,863	\$ -	\$ -	\$ 255,898
6,374	-	-	-	-	-	6,436
58,736	1,682	-	-	-	6,732	69,425
1,080	-	-	-	-	2,046,882	2,047,962
<u>81,756</u>	<u>22,449</u>	<u>-</u>	<u>23,863</u>	<u>-</u>	<u>2,053,614</u>	<u>2,379,721</u>
30	-	-	22,970	-	-	23,000
79,029	-	-	-	-	-	398,202
-	-	-	-	-	-	174,444
-	-	-	-	711,604	-	1,175,162
-	-	-	-	-	129,958	129,958
-	-	-	740,769	-	-	740,769
-	-	46,443	-	-	-	46,443
-	-	-	-	-	-	(3,150)
<u>79,059</u>	<u>-</u>	<u>46,443</u>	<u>763,739</u>	<u>711,604</u>	<u>129,958</u>	<u>2,684,828</u>
<u>\$ 160,815</u>	<u>\$ 22,449</u>	<u>\$ 46,443</u>	<u>\$ 787,602</u>	<u>\$ 711,604</u>	<u>\$ 2,183,572</u>	<u>\$ 5,064,549</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	Special Revenue Funds					
	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax	E911 Fund	Victims' Advocate
<b>REVENUES</b>						
Licenses, permits, and franchise taxes	\$ -	\$ -	\$ 261,952	\$ -	\$ 209,879	\$ -
Intergovernmental revenue						
State	-	46,832	-	192,973	-	-
Federal	28,958	-	-	-	-	-
Police fines	-	-	-	-	-	78,161
Fees and service charges						
Stormwater	-	-	-	-	-	-
Other	-	-	-	-	-	-
Donations and contributions	-	-	-	-	-	-
Revenues from use of monies and property	124	28	2,077	445	-	-
Miscellaneous revenues	-	-	-	-	-	-
Total local revenues	<u>29,082</u>	<u>46,860</u>	<u>264,029</u>	<u>193,418</u>	<u>209,879</u>	<u>78,161</u>
<b>EXPENDITURES</b>						
Current						
Administrative	-	-	-	161,122	-	-
Police	197,380	31,224	-	-	-	95,058
Fire	-	-	-	-	-	-
Communications	-	-	-	-	205,859	-
Street	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-
Capital outlay	181,102	-	464,527	-	-	-
TOTAL EXPENDITURES	<u>378,482</u>	<u>31,224</u>	<u>464,527</u>	<u>161,122</u>	<u>205,859</u>	<u>95,058</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(349,400)</u>	<u>15,636</u>	<u>(200,498)</u>	<u>32,296</u>	<u>4,020</u>	<u>(16,897)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Proceeds from sale of assets	4,600	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	5,661
Transfers out	-	-	-	(31,373)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,600</u>	<u>-</u>	<u>-</u>	<u>(31,373)</u>	<u>-</u>	<u>5,661</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(344,800)</u>	<u>15,636</u>	<u>(200,498)</u>	<u>923</u>	<u>4,020</u>	<u>(11,236)</u>
<b>FUND BALANCE</b>						
Beginning	526,407	68,114	664,056	173,521	49,796	8,086
Ending	<u>\$ 181,607</u>	<u>\$ 83,750</u>	<u>\$ 463,558</u>	<u>\$ 174,444</u>	<u>\$ 53,816</u>	<u>\$ (3,150)</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011**

Public Safety	CDBG Grant	Farmers Market	Stormwater	Capital Projects Funds		Total Nonmajor Governmental Funds
				Building Fund	Infrastructure Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,831
182,651	-	-	-	-	677,973	1,100,429
127,097	24,789	-	-	-	-	180,844
-	-	-	-	-	-	78,161
-	-	-	1,020,058	-	-	1,020,058
-	-	6,881	-	-	-	6,881
104,456	-	-	-	-	-	104,456
76	-	411	-	398	-	3,559
50	-	1,000	-	-	-	1,050
<u>414,330</u>	<u>24,789</u>	<u>8,292</u>	<u>1,020,058</u>	<u>398</u>	<u>677,973</u>	<u>2,967,269</u>
-	24,789	1,555	-	-	-	187,466
253,198	-	-	-	-	-	576,860
11,229	-	-	-	-	-	11,229
-	-	-	-	-	-	205,859
-	-	-	-	-	707,073	707,073
-	-	-	772,040	-	-	772,040
20,346	-	-	-	-	10,331	676,306
<u>284,773</u>	<u>24,789</u>	<u>1,555</u>	<u>772,040</u>	<u>-</u>	<u>717,404</u>	<u>3,136,833</u>
<u>129,557</u>	<u>-</u>	<u>6,737</u>	<u>248,018</u>	<u>398</u>	<u>(39,431)</u>	<u>(169,564)</u>
7,901	14,900	-	-	-	-	22,801
-	-	-	-	-	-	4,600
-	-	-	-	-	-	5,661
-	-	-	-	-	-	(31,373)
<u>7,901</u>	<u>14,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689</u>
137,458	14,900	6,737	248,018	398	(39,431)	(167,875)
(58,399)	(14,900)	39,706	515,721	711,206	169,389	2,852,703
<u>\$ 79,059</u>	<u>\$ -</u>	<u>\$ 46,443</u>	<u>\$ 763,739</u>	<u>\$ 711,604</u>	<u>\$ 129,958</u>	<u>\$ 2,684,828</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
SCHEDULE OF ASSESSED PROPERTY VALUES, MILLAGE RATES, AND TAXES LEVIED  
FOR THE TWENTY-FIVE YEAR PERIOD (UNAUDITED)  
DECEMBER 31, 1987 THROUGH DECEMBER 31, 2011**

Year Ended December 31,	Assessed Property Values				Millage Rate		
	Real Estate	Personal Property	Vehicles	Total Property	Total Millage Rate	General Purposes	Debt Service Fund
1987	\$ 16,487,710	* \$ 4,017,630	\$ -	\$ 20,505,340	75.0	75.0	-
1988	19,675,420	* 3,705,640	-	23,381,060	75.0	75.0	-
1989	19,783,700	* 3,740,480	-	23,524,180	85.0	75.0	10.0
1990	21,381,490	* 4,256,310	-	25,637,800	85.0	75.0	10.0
1991 **	35,222,570	* 4,886,480	-	40,109,050	73.0	66.0	7.0
1992	34,924,800	* 6,411,370	-	41,336,170	73.0	66.0	7.0
1993	35,948,140	6,286,570	6,797,700	49,032,410	73.0	66.0	7.0
1994	37,504,840	7,225,160	7,969,180	52,699,180	73.0	66.0	7.0
1995 **	38,082,810	7,313,950	8,627,360	54,024,120	83.0	75.0	8.0
1996 ***	38,059,900	7,462,650	9,585,650	55,108,200	83.0	75.0	8.0
1997	39,548,633	7,833,160	10,480,528	57,862,321	83.0	83.0	-
1998	40,295,070	7,630,958	10,978,834	58,904,862	83.0	83.0	-
1999	41,443,010	7,623,280	11,062,410	60,128,700	83.0	83.0	-
2000 **	50,697,740	8,795,783	13,394,489	72,888,012	80.0	80.0	-
2001	51,895,380	9,841,160	14,389,919	76,126,459	80.0	80.0	-
2002	54,656,460	10,015,800	15,387,060	80,059,320	80.0	80.0	-
2003	60,199,180	10,050,025	15,094,210	85,343,415	80.0	80.0	-
2004	64,019,030	11,203,840	14,927,374	90,150,244	80.0	80.0	-
2005 **	98,931,020	11,741,020	15,438,520	126,110,560	56.1	56.1	-
2006	105,013,390	11,809,740	15,634,746	132,457,876	56.1	56.1	-
2007	107,703,367	11,790,460	16,710,730	136,204,557	56.1	56.1	-
2008	114,346,587	12,737,410	15,990,175	143,074,172	67.48	63.73	3.75
2009	145,628,791	11,814,395	15,122,935	172,566,121	62.40	62.40	-
2010 **	144,917,837	13,623,542	12,778,168	171,319,547	62.40	62.40	-
2011	144,791,127	13,102,224	14,825,335	172,718,686	62.40	62.40	-

\* Exclusive of vehicle taxes (1987 - 1992).

\*\* Reassessment in accordance with Act 208 of South Carolina General Assembly.

\*\*\* Debt Service millage includes both Debt Service and Capital Projects.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS,  
AND SURCHARGES  
YEAR ENDED DECEMBER 31, 2011**

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<b>REVENUES</b>	
Collections	
Fines	\$ 595,633
Assessments and surcharges	<u>854,856</u>
Total collections	<u>1,450,489</u>
Fines retained by Town for general fund	(595,633)
Assessments and surcharges remitted to state treasurer	<u>(776,695)</u>
Total funds not required to be retained for Victims' Assistance Program	<u>(1,372,328)</u>
REVENUES RETAINED BY TOWN FOR VICTIMS' ASSISTANCE PROGRAM	<u>78,161</u>
 <b>EXPENDITURES</b>	
Salaries and related benefits	81,496
Audit fees	1,000
Miscellaneous	<u>12,562</u>
TOTAL PROGRAM EXPENDITURES	<u>95,058</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(16,897)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>	
Insurance proceeds	<u>5,661</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,661</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(11,236)
 <b>BALANCES CARRIED FORWARD</b>	
Beginning of year	<u>8,086</u>
End of year	<u><u>\$ (3,150)</u></u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-10-MC-45-0013	\$ 24,595
Community Development Block Grant	14.218	B-11-MC-45-0013	<u>194</u>
	Total 14.218		<u>24,789</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-1290	15,663
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2557	<u>13,024</u>
	Total 16.738		28,687
Federal Equitable Sharing Program	16.000	ORI #SC01802	378,482
Bulletproof Vest Partnership Program	16.607	2011-BU-BX-110-572-50	1,672
Public Safety Partnership and Community Policing Grant	16.710	2010-UM-WX-0279	92,681
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-0664	4,566
DEA Task Force Agreement	16.999		<u>26,979</u>
			<u>533,067</u>
<b>U.S. Department of Transportation</b>			
Passed through SC Department of Public Safety State and Community Highway Safety	20.600	2H12018	<u>43,405</u>
<b>U.S. Department of Homeland Security</b>			
Passed through SC Law Enforcement Division			
Homeland Security Grant Program	97.067	8SHSP41	1,559
Homeland Security Grant Program	97.067	9SHSP14	<u>9,550</u>
	Total 97.067		<u>11,109</u>
			<u>\$ 612,370</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2011**

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**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Summerville, South Carolina, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INTERNAL CONTROL AND COMPLIANCE REPORTS**

**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**

Honorable Mayor and Members of Town Council  
**Town of Summerville, South Carolina**  
Summerville, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Town of Summerville, South Carolina**, as of and for the year ended December 31, 2011, which collectively comprise Town of Summerville, South Carolina's basic financial statements and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Town of Summerville, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Summerville, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Summerville, South Carolina's internal control over financial reporting.

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

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

Honorable Mayor and Members of Town Council  
Town of Summerville, South Carolina  
Page Two

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of Town of Summerville, South Carolina in a separate letter dated June 11, 2012.

This report is intended solely for the information and use of the finance committee, management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Summerville, South Carolina  
June 11, 2012

***Independent Auditors' Report on Compliance with Requirements  
that Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133***

Honorable Mayor and Members of Town Council  
**Town of Summerville, South Carolina**  
Summerville, South Carolina

**Compliance**

We have audited **Town of Summerville, South Carolina's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Summerville, South Carolina's major federal programs for the year ended December 31, 2011. The Town of Summerville, 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Summerville, South Carolina's management. Our responsibility is to express an opinion on Town of Summerville, South Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Summerville, 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. Our audit does not provide a legal determination of Town of Summerville, South Carolina's compliance with those requirements.

In our opinion, Town of Summerville, South Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Internal Control Over Compliance**

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

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

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

This report is intended solely for the information and use of the finance committee, management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Summerville, South Carolina  
June 11, 2012

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ 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 that are not considered to be material weakness(es)? \_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.000	Federal Equitable Sharing Program

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

Auditee qualified as low-risk auditee? \_\_\_ yes   X   no

**TOWN OF SUMMERVILLE, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

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**Section II - Financial Statements Findings**

Ref #	Department/ Program/Grant	Finding/Noncompliance
None		

**Section III - Federal Awards Findings and Questioned Costs**

Ref #	Department/ Program/Grant	Finding/Noncompliance
None		