

**TOWN OF SUMMERVILLE,
SOUTH CAROLINA**

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

YEAR ENDED DECEMBER 31, 2013

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
TABLE OF CONTENTS
DECEMBER 31, 2013**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Management's Discussion and Analysis.....	4 - 9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15 - 16
Statement of Fiduciary Net Position – Fiduciary Funds.....	17
Notes to Financial Statements	18 - 37
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	
Budgetary Comparison Schedule - General Fund (Unaudited)	38
Note to Budgetary Comparison Schedule - General Fund (Unaudited)	39
OTHER SUPPLEMENTARY FINANCIAL INFORMATION	
Comparative Schedules of Revenues - General Fund	40
Comparative Schedules of Expenditures - General Fund	41
Combining Balance Sheet - Nonmajor Governmental Funds.....	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	43
Schedule of Assessed Property Values, Millage Rates, and Taxes Levied for the Twenty-Five Year Period (Unaudited).....	44
Schedule of Court Fines, Assessments, and Surcharges	45
Schedule of Expenditures of Federal Awards.....	46
Note to Schedule of Expenditures of Federal Awards.....	47
INTERNAL CONTROL AND COMPLIANCE REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 - 49
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	50 - 51
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditors' Results.....	52
Section II – Financial Statements Findings.....	53
Section III – Federal Awards Findings and Questioned Costs	53
Summary Schedule of Prior Audit Findings.....	54

Independent Auditors' Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Summerville, South Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerville, South Carolina, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

Members

Division for CPA Firms, AICPA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule* and the *Notes to the Budgetary Comparison Schedule* on pages 4-9 and 38-39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The statements and schedules listed in the table of contents as other supplementary financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose 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 also not a required part of the basic financial statements.

The *Comparative Schedules of Revenues – General Fund, Comparative Schedules of Expenditures – General Fund, Combining Nonmajor Fund Financial Statements, Schedule of Court Fines, Assessments, and Surcharges*, and the *Schedule of Expenditures of Federal Awards*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Comparative Schedules of Revenues – General Fund, Comparative Schedules of Expenditures – General Fund, Combining Nonmajor Fund Financial Statements, Schedule of Court Fines, Assessments, and Surcharges*, and the *Schedule of Expenditures of Federal Awards* are fairly stated in all material respects in relation to the basic financial statements as a whole.

The *Schedule of Assessed Property Values, Millage Rates, and Taxes Levied for the Twenty-Five Year Period* 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, 2012, which are not presented with the accompanying financial statements. In our report dated May 8, 2013, we expressed unmodified 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 2012 financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 2012 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 partial comparative information presented with the other financial information for 2013, is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.



Summerville, South Carolina
May 14, 2014

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements, and notes.

Financial Highlights

The assets of the Town of Summerville exceeded its liabilities at December 31, 2013 by \$103,970,274. Of this amount, unrestricted net position of \$19,326,460 may be used to meet the government's ongoing obligations to citizens and creditors. The total net position increased by \$5,217,822. The increase in net position was mainly due to an increase in charges for services, property taxes and franchise fees. \$1,359,040 of the franchise fee increase is committed for future major road improvements.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$24,088,665. This is an increase of \$5,910,400 in comparison with the prior year. Of the \$24,088,665, \$15,969,621 is available for spending (unassigned fund balance) on behalf of its citizens.

At the end of the prior fiscal year, assigned and unassigned fund balance for the general fund was \$14,946,572. At the end of 2013, assigned and unassigned fund balance was \$18,706,899.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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), roads and drainage and recreation.

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, 2013**

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 Position. –The table below shows current year Net Position as compared to 2012.

Net Position of Primary Government December 31, 2013 and 2012		
	2013	2012*
Current, Restricted and Other Assets	\$38,854,718	\$32,282,598
Capital Assets, Net	88,871,280	89,071,190
Total Assets	127,725,998	121,353,788
Current and Other Liabilities	5,194,076	4,578,805
Long-Term Liabilities Outstanding	8,558,384	8,226,234
Total Liabilities	13,752,460	12,805,039
Deferred Inflows	10,003,264	9,796,297
Net Position:		
Net Investment in Capital Assets	80,628,682	81,122,807
Restricted	4,015,132	3,060,017
Unrestricted	19,326,460	14,569,628
Total Net Position	\$103,970,274	\$98,752,452

*Liabilities and Deferred Inflows were restated for comparative purposes as a result of the implementation of GASB 65.

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$103,970,274 at the close of the most recent fiscal year.

At December 31, 2013, 77.5 percent of the Town's net position was 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 this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate liabilities.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

An additional portion of the Town's net position (3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (18.6 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

**Changes in Net Position of Primary Government
For the Years Ended December 31, 2013 and 2012**

	2013	2012*
Revenues:		
Program Revenues:		
Charges for Services	\$13,829,710	\$11,714,736
Operating Grants and Contributions	357,082	628,905
Capital Grants and Contributions	39,734	425,034
General Revenues:		
Property Taxes	11,964,933	10,530,621
Other Taxes	6,272,992	4,998,452
Unrestricted Grants and Contributions	1,968,725	1,803,223
Unrestricted revenue from use of monies and property	43,702	71,030
Miscellaneous	149,898	138,318
 Total Revenues	 34,626,776	 30,310,319
 Program Expenses:		
General Government	5,887,519	6,016,464
Public Safety	14,277,789	13,654,356
Roads and Drainage	6,415,952	6,278,853
Recreation	2,433,513	2,351,181
Interest and Fees	394,181	462,750
 Total Expenses	 29,408,954	 28,763,604
 Increase in Net Position	 5,217,822	 1,546,715
Net Position, beginning	98,752,452	97,205,737
Net Position, ending	\$103,970,274	\$98,752,452

* Beginning net position was restated for 2012

Governmental Activities. – Governmental activities increased the Town's net position by \$5,217,822.

Charges for services were the Town's largest program revenue, accounting for \$13,829,710 or 39.94 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 \$11,964,933 of the \$34,626,776 total revenues for governmental activities, or 34.55 percent of total revenues. Another component of general revenues was grants and contributions not restricted to specific programs, which accounted for \$1,968,725 or 5.69 percent of total revenues.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

The public safety program accounted for \$14,277,789 of the \$29,408,954 total expenses for governmental activities, or 48.1 percent of total expenses. The next largest program was roads and drainage, accounting for \$6,415,952 and representing 21.6 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.

Governmental Activities

	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
General Government	\$5,887,519	\$6,016,464	\$3,171,895	\$2,103,181
Public Safety	14,277,789	13,654,356	(12,075,754)	(11,956,383)
Roads and Drainage	6,415,952	6,278,853	(3,862,407)	(3,697,366)
Recreation	2,433,513	2,351,181	(2,021,981)	(1,981,611)
Interest and Fiscal Charges	394,181	462,750	(394,181)	(462,750)
Total Expenses	\$29,408,954	\$28,763,604	\$(15,182,428)	\$(15,994,929)

Charges for services and operating and capital grants of \$14,226,526 (48.4 percent of the total costs of services) were received and used to fund the governmental activities expenses of the Town. The remaining \$15,182,428 in governmental activities expenses is funded by property taxes, unrestricted grants, and other revenue. The general government function received \$9,059,414 in charges for services and operating grants. This amount exceeded general government expenses by \$3,171,895. Roads and drainage received \$2,553,545 in charges for services, operating and capital grants which was 39.8 percent of expenses. \$2,202,035 or 15.4 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, 2013, the Town's governmental funds reported a combined ending fund balance of \$24,088,665, an increase of \$5,910,400 in comparison with the prior year. Approximately 66.3 percent of this total (\$15,969,621) is unassigned fund balance. Fund balance is categorized in five parts, Nonspendable, Restricted, Committed, Assigned and Unassigned. The total Nonspendable is \$472,428. Restricted is divided into five parts, Public Safety, Tourism, Capital projects, Infrastructure and Stormwater mitigation. The two largest restricted accounts are Tourism and Public Safety with balances of \$1,685,053 and \$830,056, respectively.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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 \$16,503,542 while the total fund balance was \$19,155,737. 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 fund expenditures. Unassigned fund balance represents 70.7 percent of total general fund expenditures, while total fund balance represents 82.0 percent of that same amount.

The fund balance of the Town's General Fund increased by \$3,757,370 due primarily to an increase in revenues from property taxes, business licenses, franchise and permit fees along with 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. The original budget of \$24,515,935 for 2013 was not amended.

Although the Town's budget anticipated that expenditures would exceed revenues by \$2,483,681, the actual results from the year show revenues in excess of expenditures of \$1,867,849. Actual local revenues received were \$3,246,783 in excess of anticipated revenues, due primarily to property taxes and franchise fees collected. In addition, overall actual expenditures were under budget by \$1,104,747.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities at December 31, 2013, was \$88,871,280 (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:

- Street Improvements, \$431,665
- Construction in progress of Fire Substation 5, \$1.2 million
- Upgrade 911 System \$500,000, upgrade communication equipment \$500,000
- Purchase of \$433,000 in police vehicles; \$112,995 for a Mack Dump Truck

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

Long-Term Debt. At December 31, 2013, the Town had \$8,156,062 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 \$175,000 during the year. The Town entered into a \$500,000 capital lease agreement for the purchase of communication equipment.

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

Economic Factors and Next Year's Budget

Summerville's financial health continues to be sound and indicators point to an even healthier 2014.

Revenues for the first quarter of 2014 were above budget in these categories – taxes and building permits. Expenditures throughout city departments were under budget.

Summerville's residential and commercial growth continued to grow in 2013 with 250 new home permits for a total construction cost of \$52,117,000. Also, in 2013, Summerville issued 20 commercial permits for a total cost of \$162,582,000. Both residential and commercial construction increased in 2013 from 2012. Residential and commercial construction permits totaled \$253,881,663.

In 2013, the Town contracted with the Lawrence Group, a master planning consultant, to perform a public planning and visioning process for the Town that will result in a Master Plan to include goals and strategies for 'roadmapping' the Town's future development for the next 20-25 years. These plans include the possibility of the establishment of special municipal financing districts that will be further discussed once the plan is finalized in 2014.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

The new interchange at mile marker 197 is expected to break ground in the first quarter of 2015. This new access point into Town via I-26 will provide an opportunity for the Town to construct a new roadway to connect the interchange with N. Maple St. and points further into the Town limits. Eight to nine properties will need to be annexed into the Town in order for the Town to provide this infrastructure. The first four properties are being annexed in May of 2014.

The Nexton development has received a certificate of occupancy for the Town's first Class A office building which contains 100K sq. ft. of office space. MeadWestvaco has relocated into this building for their new headquarters. The 75K sq. ft. South Carolina Research Authority building is now underway at Nexton as is the Carolina Ale House restaurant and The Parks Apartments (240 units). Palmetto Primary Care, a large medical provider in the region, announced the construction and development of a new 38 acre medical and research campus within the Nexton development on lands within the Town limits.

Mellow Mushroom opened their doors in fall 2013 and stated that the Summerville restaurant had the largest opening week of any of the restaurants throughout the chain's locations nationally. The Earthfare grocer announced they would be locating in Summerville and the developer for that parcel annexed the property into the Town in 2013. Construction for this site is expected to begin in 2014. A new multi-tenant building opened in Azalea Square with two new restaurants, a specialty men's clothing store and a personal service business. Plans have been approved for an additional multi-tenant building next to this site and construction has begun (current year 2014). The Medical University of South Carolina began construction on a pediatric urgent care facility in the Oakbrook area and Summerville Medical Hospital (HCA) opened a pediatric emergency room. The Piggly Wiggly grocery store closed its doors within the center of the Town and in its place construction was approved for a new Harris Teeter grocery store that is currently under construction. A dilapidated shopping center with a condemned building was purchased and the developer began working with the Planning Department to develop plans to revitalize and redevelop the property.

The Town's Fire Department began construction of a fifth fire station in the southwestern part of the Town near the Knightsville area. This area is fast growing residentially and the Town anticipates additional properties to be annexed from this area further expanding the Town's jurisdictional limits.

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 \$864 thousand in much needed capital improvements on road resurfacing projects, and the purchase of ten police vehicles.

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 POSITION
DECEMBER 31, 2013**

	Governmental Activities
ASSETS	
Cash and investments	\$ 22,960,540
Receivables - net of allowance for uncollectibles	
Property taxes	5,762,001
Accounts	907,423
Temporarily restricted assets	
Accounts receivable	2,233,619
Due from other governments	6,509,333
Inventory	137,892
Prepays	620
Capital assets	
Nondepreciable	6,321,699
Depreciable, net of accumulated depreciation	82,549,581
Loans receivable	
Due within one year	9,374
Due in more than one year	333,916
	127,725,998
TOTAL ASSETS	127,725,998
LIABILITIES	
Accounts payable	1,245,968
Accrued salaries and payroll liabilities	483,410
Unearned revenues	2,247,172
Accrued interest payable	109,434
Due to other governments	240,435
Court bonds payable	76,928
Noncurrent liabilities	
Due within one year	790,729
Due in more than one year	8,558,384
	13,752,460
TOTAL LIABILITIES	13,752,460
DEFERRED INFLOWS OF RESOURCES	
Property taxes billed or received in advance	10,003,264
	10,003,264
TOTAL DEFERRED INFLOWS OF RESOURCES	10,003,264
NET POSITION	
Net investment in capital assets	80,628,682
Restricted for	
Infrastructure	329,869
Public safety	830,056
Capital projects	473,490
Tourism	1,685,053
Stormwater mitigation	696,664
Unrestricted	19,326,460
	80,628,682
TOTAL NET POSITION	\$ 103,970,274

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government					
Administrative	\$ 2,392,011	\$ 7,281,193	\$ 216,456	\$ -	\$ 5,105,638
Planning and annexation	621,012	1,561,765	-	-	940,753
Engineering	368,095	-	-	-	(368,095)
Municipal court	350,186	-	-	-	(350,186)
Maintenance	638,219	-	-	-	(638,219)
Public buildings and grounds	1,517,996	-	-	-	(1,517,996)
Public safety					
Police	6,884,525	1,239,728	-	-	(5,644,797)
Fire	6,446,879	278,166	-	-	(6,168,713)
Communications	946,385	684,141	-	-	(262,244)
Roads and drainage					
Street	5,475,336	1,368,518	140,086	-	(3,966,732)
Stormwater	940,616	1,044,941	-	-	104,325
Recreation	2,433,513	371,258	540	39,734	(2,021,981)
Interest and fees	394,181	-	-	-	(394,181)
Total governmental activities	\$ 29,408,954	\$ 13,829,710	\$ 357,082	\$ 39,734	(15,182,428)
General revenues					
Taxes					
Property, including fee in lieu of taxes					
Franchise					
Other					
Grants and contributions not restricted to specific programs					
Unrestricted revenue from use of money and property					
Miscellaneous					
Total general revenues					
Change in net position					
Net position					
Beginning of year					
End of year					

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, 2013**

	General Fund	Sanitation Fees Fund	Infra- structure Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 17,896,020	\$ -	\$ 1,596,353	\$ 3,468,167	\$ 22,960,540
Receivables - net of allowance for uncollectibles					
Property taxes	5,762,001	-	-	-	5,762,001
Accounts	159,298	273,062	92,556	382,507	907,423
Due from other funds	1,731,548	-	-	-	1,731,548
Due from other governments	5,275,952	983,430	-	249,951	6,509,333
Inventory	114,922	-	-	22,970	137,892
Prepays	-	-	-	620	620
Loans receivable	343,290	-	-	-	343,290
Temporarily restricted assets					
Accounts receivable	-	-	2,233,619	-	2,233,619
TOTAL ASSETS	\$ 31,283,031	\$ 1,256,492	\$ 3,922,528	\$ 4,124,215	\$ 40,586,266
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 868,393	\$ 124,821	\$ -	\$ 252,754	\$ 1,245,968
Accrued salaries and payroll liabilities	456,171	-	-	27,239	483,410
Due to other funds	-	1,645,583	-	85,965	1,731,548
Unearned revenues	13,227	-	2,233,619	326	2,247,172
Due to other governments	240,435	-	-	-	240,435
Court bonds payable	76,928	-	-	-	76,928
TOTAL LIABILITIES	1,655,154	1,770,404	2,233,619	366,284	6,025,461
DEFERRED INFLOWS OF RESOURCES					
Property taxes billed or received in advance	10,003,264	-	-	-	10,003,264
Unavailable revenue - aid to subdivisions	468,876	-	-	-	468,876
TOTAL DEFERRED INFLOWS OF RESOURCES	10,472,140	-	-	-	10,472,140
FUND BALANCES					
Nonspendable	448,838	-	-	23,590	472,428
Restricted for					
Public Safety	-	-	-	830,056	830,056
Tourism	-	-	-	1,685,053	1,685,053
Capital projects	-	-	-	473,490	473,490
Infrastructure	-	-	329,869	-	329,869
Stormwater mitigation	-	-	-	696,664	696,664
Committed for					
Capital projects	-	-	1,359,040	-	1,359,040
Assigned	2,203,357	-	-	69,087	2,272,444
Unassigned	16,503,542	(513,912)	-	(20,009)	15,969,621
TOTAL FUND BALANCES	19,155,737	(513,912)	1,688,909	3,757,931	24,088,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 31,283,031	\$ 1,256,492	\$ 3,922,528	\$ 4,124,215	\$ 40,586,266

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 POSITION
DECEMBER 31, 2013**

Total governmental fund balances	\$	24,088,665
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Amounts reported for governmental activities in the statement of net position 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 \$130,862,249 and the accumulated depreciation is \$41,990,969.		88,871,280
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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	\$	<u>468,876</u>	
			468,876

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	\$	(7,565,000)	
Plus: issuance premium		(86,536)	
Capital leases		(591,062)	
Compensated absences payable		(1,106,515)	
Accrued interest payable		<u>(109,434)</u>	
			<u>(9,458,547)</u>

Net position of governmental activities	\$	<u><u>103,970,274</u></u>
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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, 2013**

	General Fund	Sanitation Fees Fund	Infra- structure Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$11,885,792	\$ -	\$ -	\$ -	\$ 11,885,792
Licenses, permits, and franchise taxes	10,000,979	-	1,314,252	3,881,508	15,196,739
Intergovernmental revenue					
Local revenues	140,000	-	-	-	140,000
State revenues	2,027,578	-	140,086	155,399	2,323,063
Federal revenues	22,214	-	-	882,234	904,448
Police fines	490,799	-	-	73,567	564,366
Fees and service charges					
Sanitation	-	1,357,120	-	-	1,357,120
Stormwater	-	-	-	1,045,771	1,045,771
Recreation	238,689	-	-	-	238,689
Other	51,403	-	-	11,578	62,981
Investment earnings	239,696	-	-	21,059	260,755
Miscellaneous revenues	131,887	-	11,398	443,745	587,030
TOTAL REVENUES	25,229,037	1,357,120	1,465,736	6,514,861	34,566,754
EXPENDITURES					
Current					
General government					
Administrative	1,422,552	-	-	868,978	2,291,530
Planning and annexation	616,866	-	-	-	616,866
Engineering	371,509	-	-	-	371,509
Municipal court	338,560	-	-	-	338,560
Maintenance	596,178	-	-	-	596,178
Public buildings and grounds	735,179	-	-	-	735,179
Public safety					
Police	5,827,151	-	-	457,825	6,284,976
Fire	5,822,033	-	-	233,963	6,055,996
Communications	716,605	-	-	210,598	927,203
Roads and drainage					
Street	2,331,419	1,484,342	-	-	3,815,761
Stormwater	-	-	-	834,482	834,482
Recreation	2,069,669	-	-	15,513	2,085,182
Capital outlay	1,990,579	-	160,428	1,856,522	4,007,529
Debt service					
Principal	203,783	-	-	-	203,783
Interest and fees	319,105	-	-	-	319,105
TOTAL EXPENDITURES	23,361,188	1,484,342	160,428	4,477,881	29,483,839
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,867,849	(127,222)	1,305,308	2,036,980	5,082,915
OTHER FINANCING SOURCES (USES)					
Transfers in	1,393,215	-	-	30,048	1,423,263
Sale of capital assets	26,354	-	-	301,131	327,485
Transfers out	(30,048)	-	-	(1,393,215)	(1,423,263)
Capital lease proceeds	500,000	-	-	-	500,000
TOTAL OTHER FINANCING SOURCES (USES)	1,889,521	-	-	(1,062,036)	827,485
NET CHANGE IN FUND BALANCES	3,757,370	(127,222)	1,305,308	974,944	5,910,400
FUND BALANCE					
Beginning	15,398,367	(386,690)	383,601	2,782,987	18,178,265
Ending	<u>\$19,155,737</u>	<u>\$(513,912)</u>	<u>\$1,688,909</u>	<u>\$ 3,757,931</u>	<u>\$ 24,088,665</u>

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,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Page 1 of 2

Net change in fund balances - total governmental funds	\$	5,910,400
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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	\$	4,007,529	
Depreciation expense		<u>(3,821,107)</u>	186,422

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	\$	(784,413)	
Accumulated depreciation		<u>398,081</u>	(386,332)
Net book value			

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:

State aid to subdivisions	\$	(408,854)	
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Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:

State aid to subdivisions		<u>468,876</u>	60,022
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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 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:

Principal repayments			
Capital leases payable	\$	28,783	
Bonds payable		175,000	
Amortization of bond issuance costs		(87,197)	
Proceeds from capital leases		(500,000)	
Amortization of bond premium		<u>2,002</u>	(381,412)

(Continued)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

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	\$	(1,106,515)	
Prior year		925,118	
Accrued interest expense			
Current year		(109,434)	
Prior year		119,553	
		(171,278)	\$ (171,278)
Change in net position of governmental activities			\$ 5,217,822

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 134,523</u>
Total assets	<u><u>\$ 134,523</u></u>
Liabilities	
Assets held for others	<u>\$ 134,523</u>
Total liabilities	<u><u>\$ 134,523</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, 2013

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. 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 position 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, when applicable, 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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 *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.
3. The *Infrastructure Fund* is a capital projects fund used to account for the acquisition or construction of major infrastructure projects.

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. *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.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. *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. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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. 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.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales, accommodations, and hospitality taxes are recorded when the underlying transaction is made. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

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.

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

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 2012 property tax assessment levied for the 2013 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.

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.D. The long-term portion of the loans receivable is offset by a nonspendable fund balance, which indicates that the loans receivable do not constitute available spending resources even though they are a component of assets.

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. The consumption method of accounting is used to record inventories under which the cost of inventory is recorded as an expenditure when consumed rather than when 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 nonspendable fund balance, 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.

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

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

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 expensed at the time of debt issuance.

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. Deferred Outflows / Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: Property taxes and state aid to subrecipients. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available.

Unearned Revenue

Governmental funds report deferred revenues in the fund financial statements 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.

9. Net Position and Fund Balance

Government-wide Statements

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

- a. Net investment in capital assets - 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 position - 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 position - Consists of all other net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Statements

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 nonspendable, restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

9. Net Position and Fund Balance (Continued)

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form, such as inventory, prepaid insurance or loans receivable, 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, as outlined in enabling legislation (i.e. Hospitality Taxes).

Committed - Amounts constrained to specific purposes pursuant to constraints imposed by formal action (ordinance or resolution) by Town Council itself. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same formal action (ordinance or resolution) that was employed when the funds were originally committed.

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. Council has not delegated such authority as of December 31, 2013. This classification includes the remaining fund balance for all governmental funds except for the General Fund. The Town has assigned \$2,203,357 in the General Fund for subsequent years expenditures.

Unassigned - All amounts not included in other spendable classifications.

Fund Balance Flow Assumption

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

The Town Council's Finance Committee established 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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, 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 Capital Projects	Restricted for Tourism	Restricted for Public Safety	Assigned
General Fund	\$ -	\$ -	\$ -	\$ 1,727,313
Nonmajor Funds	\$ 1,416,040	\$ 7,971	\$ 217,717	\$ -

The excess of encumbrances over restricted fund balance in the nonmajor funds will be funded by future revenues and/or transfers from other funds.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations as follows:

	Budget	Actual	Excess actual expenditures over budget
Street	\$ 2,330,566	\$ 2,331,419	\$ 853
Capital Outlay	\$ 1,608,743	\$ 1,990,579	\$ 381,836
Debt Service - Interest	\$ 315,893	\$ 319,105	\$ 3,212

These over-expenditures were funded by greater than anticipated revenues, issuance of debt, and cost savings in other areas.

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	\$ 513,912	Future revenues and transfers from General Fund
Victims' Advocate	\$ 20,009	Future revenues and cost containment

III. DETAILED NOTES ON ALL ACTIVITIES AND 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's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

As of December 31, 2013, \$6,198,341 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 12 to 84 months, as follows:

12-24 months	\$	46,454
Over 60 months		250,875
		\$ 297,329

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;
Savings and loan association deposits to the extent insured by the Federal Depository Insurance Corporation;
- (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's investment policy states that no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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, 2013, \$16,951,065 of the Town's bank balance of \$17,201,067 was fully insured or collateralized by government investments held by the pledging financial institutions' trust department or agent in the Town's name, the remaining \$250,002 was uninsured and uncollateralized.

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Increases	Decreases	Balance 12/31/2013
Capital assets not being depreciated				
Land	\$ 4,829,134	\$ -	\$ -	\$ 4,829,134
Construction in progress	443,125	1,818,779	(769,339)	1,492,565
Total capital assets not being depreciated	5,272,259	1,818,779	(769,339)	6,321,699
Capital assets being depreciated				
Buildings	23,513,013	251,627	(422,438)	23,342,202
Improvements	6,728,619	165,767	-	6,894,386
Infrastructure	75,913,961	627,965	-	76,541,926
Vehicles and rolling equipment	12,743,209	631,037	(361,975)	13,012,271
Furniture and equipment	3,468,072	1,281,693	-	4,749,765
Total capital assets being depreciated	122,366,874	2,958,089	(784,413)	124,540,550
Total Cost	127,639,133	4,776,868	(1,553,752)	130,862,249
Accumulated depreciation				
Buildings	(5,710,592)	(826,577)	61,606	(6,475,563)
Improvements	(2,265,858)	(337,813)	-	(2,603,671)
Infrastructure	(19,984,840)	(1,525,879)	-	(21,510,719)
Vehicles and rolling equipment	(8,685,721)	(1,089,866)	336,475	(9,439,112)
Furniture and equipment	(1,920,932)	(40,972)	-	(1,961,904)
Total accumulated depreciation	(38,567,943)	(3,821,107)	398,081	(41,990,969)
Total capital assets being depreciated, net	83,798,931	(863,018)	(386,332)	82,549,581
Total capital assets	\$ 89,071,190	\$ 955,761	\$ (1,155,671)	\$ 88,871,280

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Capital Assets (Continued)

Current year asset additions are comprised of the following:

Capital outlay - funds statement	\$ 4,007,529
Completed construction in progress	<u>769,339</u>
Total additions	<u><u>\$ 4,776,868</u></u>

Depreciation expense was charged to the functions as follows:

Administrative	\$ 36,660
Engineering	2,551
Municipal court	9,096
Maintenance	43,084
Public buildings and grounds	782,817
Police	537,264
Fire	299,623
Communications	14,609
Street	1,645,655
Stormwater	101,487
Recreation	<u>348,261</u>
Total depreciation expense	<u><u>\$ 3,821,107</u></u>

C. Receivables

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

	General Fund	Sanitation Fees Fund	Infrastructure Fund	Nonmajor Funds
Unrestricted				
Current taxes	\$ 5,863,044	\$ -	\$ -	\$ -
Delinquent taxes	<u>202,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
Taxes	6,065,226	-	-	-
Less - Allowance for uncollectibles	<u>(303,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Taxes, net of allowance	5,762,001	-	-	-
Accounts	<u>159,298</u>	<u>273,062</u>	<u>92,556</u>	<u>382,507</u>
Net unrestricted receivables	<u><u>\$ 5,921,299</u></u>	<u><u>\$ 273,062</u></u>	<u><u>\$ 92,556</u></u>	<u><u>\$ 382,507</u></u>
Restricted				
Non-standard service franchise fees	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,233,619</u></u>	<u><u>\$ -</u></u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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	\$ 350,717	\$ -	\$ 7,427	\$ 343,290	\$ 9,374

E. Interfund Receivables and Payables

The interfund receivables and payables at December 31, 2013, were as follows:

	Receivable Fund	Payable Fund
Major governmental fund		
General	\$ 1,731,548	\$ -
Sanitation fees	-	1,645,583
Nonmajor governmental funds	-	85,965
Total interfund balances	\$ 1,731,548	\$ 1,731,548

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.

F. Transfers from (to) Other Funds

Interfund transfers for the year ended December 31, 2013, consisted of the following:

	Transfers in	Transfers out
Major governmental funds		
General	\$ 1,393,215	\$ 30,048
Nonmajor governmental funds	30,048	1,393,215
Total interfund balances	\$ 1,423,263	\$ 1,423,263

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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. 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 various equipment. Leases are paid from the General Fund.

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, 2013, 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	\$ 7,740,000	\$ -	\$ 175,000	\$ 7,565,000	\$ 180,000
Deferred amounts for issuance premium	88,538	-	2,002	86,536	-
Total bonds payable	7,828,538	-	177,002	7,651,536	180,000
Capital lease obligations	119,845	500,000	28,783	591,062	151,814
Compensated absences payable	925,118	642,692	461,295	1,106,515	458,915
Governmental activity					
Long-term liabilities	<u>\$ 8,873,501</u>	<u>\$1,142,692</u>	<u>\$ 667,080</u>	<u>\$ 9,349,113</u>	<u>\$ 790,729</u>

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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. Long-Term Debt (Continued)

The annual requirements for debt service on general obligation bonds outstanding at December 31, 2013, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 180,000	\$ 308,128	\$ 488,128
2015	190,000	300,034	490,034
2016	200,000	291,503	491,503
2017	210,000	282,534	492,534
2018	215,000	273,237	488,237
2019-23	1,235,000	1,202,690	2,437,690
2024-28	1,540,000	916,862	2,456,862
2029-33	1,915,000	574,500	2,489,500
2034-37	1,880,000	154,400	2,034,400
Subtotal	7,565,000	4,303,888	11,868,888
Plus (less) deferred amounts: Bond premiums	86,536	-	86,536
Total	<u>\$ 7,651,536</u>	<u>\$ 4,303,888</u>	<u>\$ 11,955,424</u>

Capital Lease Obligation

The Town entered into an equipment lease with a regional bank during 2011 for a pothole patcher. Payments are to be made annually at 2.68% for a term of 5 years.

The Town entered into an equipment lease with a regional bank during 2013 for communications equipment. Payments are to be made annually at 1.48% for a term of 5 years.

The future minimum lease obligations as of December 31, 2013, were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 161,654
2015	161,654
2016	161,654
2017	129,659
Total minimum lease payments	614,621
Less amount representing interest	(23,559)
Present value of minimum lease payment	<u>\$ 591,062</u>

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

Equipment	\$ 644,577
Less accumulated depreciation	(33,726)
	<u>\$ 610,851</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. 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, 2013, is \$17,955. Payments are funded from the Town's General Fund.

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

Year ending December 31,	Amount
2014	\$ 7,743
2015	5,986
2016	4,503
2017	2,862
2018	246
Total	\$ 21,340

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.

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. 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, 2013, are not significant.

Construction Commitments. At December 31, 2013, the Town had a construction commitment related to the resurfacing of roads for approximately \$848,000.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

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.

E. Defined Benefit Pension Plans

South Carolina Retirement and Police Officers' Retirement System

Plan Description – South Carolina Retirement System

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent Town employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plans (Continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Funding Policy – South Carolina Retirement System

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 10.60%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45% and .15% for the incidental death. The Town's actual contributions to the SCRS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death	
	Rate*	Contribution	Rate	Contribution
2013	10.450%	\$ 516,346	0.15%	\$ 7,411
*2012	10.450%	\$ 482,797	0.15%	\$ 7,305
*2011	9.385%	\$ 472,501	0.15%	\$ 7,612

* Rate changes were effective July 1st falling within the fiscal year end.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plans (Continued)

Plan Description – South Carolina Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Funding Policy – South Carolina Police Officers Retirement System

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 12.84%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death program and .20% for the accidental death program. The Town's actual contributions to the PORS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2013	12.440%	\$ 869,687	0.20%	\$ 14,291	0.20%	\$ 14,291
*2012	11.900%	\$ 798,170	0.20%	\$ 13,724	0.20%	\$ 13,724
*2011	11.363%	\$ 768,229	0.20%	\$ 13,660	0.20%	\$ 13,660

* Rate changes were effective July 1st falling within the fiscal year end.

The amounts paid by the Town for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plans (Continued)

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plans. Under Title 9 of the South Carolina Code of Laws, the Town's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Town recognizes no contingent liability for unfunded costs associated with participation in the plans.

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 a fixed amount per month, determined by management, until reaching the age of 65. Management calculated the cost to cover the obligation to the remaining participants by multiplying this fixed amount by the number of months to the attainment of age 65 for each participant, a period ranging from 1 to 12 years. Management did not reduce the calculation for the present value of a series of future payments, deeming such adjustment to be immaterial. Management estimates the liability for postemployment costs to be \$223,203, which is fully funded in an irrevocable trust administered by the South Carolina Other Retirement Benefits Employer Trust, and is therefore not reported as a liability of the Town.

G. Nonmonetary Transactions

During the year ended December 31, 2013, the Town received water and sewer services with an estimated value of \$34,828 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.

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. OTHER INFORMATION (CONTINUED)

H. Property Taxes and Fees (Continued)

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

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", intends to improve financial reporting for most governments that provide their employees with pension benefits. The statement is effective for financial statements for periods beginning after June 15, 2014. The Town will implement the new guidance with the 2015 financial statements. The Town has not yet quantified the impact of implementation of this statement, but such implementation is expected to have a significant impact on the government-wide financial statements.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", intends to improve accounting and financial reporting of combinations and disposals of government operations of US state and local governments. The statement is effective for financial statements for periods beginning after December 15, 2013. The Town will implement the new guidance with the 2014 financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", intends to enhance comparability of financial statements among governments by requiring consistent reporting and enhanced information disclosed about a government's obligations and risk exposure extending from nonexchange financial guarantees. The statement is effective for financial statements for periods beginning after June 15, 2013. The Town will implement the new guidance with the 2014 financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68", addresses an issue regarding application of the transition provisions in Statement No. 68 "Accounting and Financial Reporting for Pensions". This statement intends to improve financial reporting by eliminating the source of a potentially significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The statement is effective for financial statements for periods beginning after June 15, 2014. The Town will implement the new guidance with the 2015 financial statements.

Except for the implementation of GASB Statement No. 68, management has not yet determined the impact implementation of these standards will have on the Town's financial statements, if any.

J. Subsequent Events

Subsequent to year end Council approved the following transactions:

- * The purchase of police vehicles and related equipment in the amount of approximately \$619,000, to be paid from capital projects funds.
- * The purchase of vehicles and equipment for various departments in the amount of approximately \$345,000 to be paid from capital projects funds.
- * The rehabilitation of roads in the amount of approximately \$637,000 to be paid from capital projects fees.

Management has evaluated subsequent events through May 14, 2014, 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, 2013**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 10,296,500	\$ 11,885,792	\$ 1,589,292
Licenses, permits, and franchise taxes	8,692,192	10,000,979	1,308,787
Intergovernmental revenue			
Local revenues	350,302	140,000	(210,302)
State revenues	1,642,160	2,027,578	385,418
Federal revenues	24,000	22,214	(1,786)
Police fines	509,500	490,799	(18,701)
Fees and service charges			
Recreation	214,600	238,689	24,089
Other	43,200	51,403	8,203
Investment earnings	194,800	239,696	44,896
Miscellaneous revenues	15,000	131,887	116,887
TOTAL REVENUES	<u>21,982,254</u>	<u>25,229,037</u>	<u>3,246,783</u>
EXPENDITURES			
Current			
General government			
Administrative	1,658,508	1,422,552	235,956
Planning and annexation	677,711	616,866	60,845
Engineering	394,238	371,509	22,729
Municipal court	366,734	338,560	28,174
Maintenance	630,781	596,178	34,603
Public buildings and grounds	762,799	735,179	27,620
Public safety			
Police	6,386,480	5,827,151	559,329
Fire	6,092,501	5,822,033	270,468
Communications	729,007	716,605	12,402
Roads and drainage			
Street	2,330,566	2,331,419	(853)
Recreation	2,272,983	2,069,669	203,314
Capital outlay	1,608,743	1,990,579	(381,836)
Debt service			
Principal	238,991	203,783	35,208
Interest	315,893	319,105	(3,212)
TOTAL EXPENDITURES	<u>24,465,935</u>	<u>23,361,188</u>	<u>1,104,747</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,483,681)</u>	<u>1,867,849</u>	<u>4,351,530</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,358,681	1,393,215	34,534
Sale of capital assets	25,000	26,354	1,354
Transfers out	(50,000)	(30,048)	19,952
Capital lease proceeds	-	500,000	500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,333,681</u>	<u>1,889,521</u>	<u>555,840</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,150,000)</u>	<u>3,757,370</u>	<u>\$ 4,907,370</u>
FUND BALANCE			
Beginning		<u>15,398,367</u>	
Ending		<u>\$ 19,155,737</u>	

See accompanying note to the budgetary comparison schedule – general fund (unaudited)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO THE BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

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.

There were no budget amendments during 2013.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMPARATIVE SCHEDULES OF REVENUES -
GENERAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
REVENUES		
Property taxes	\$ 11,885,792	\$ 10,451,463
Licenses, permits, and franchise taxes	10,000,979	9,232,988
Intergovernmental revenue		
Local revenues	140,000	140,000
State revenues	2,027,578	1,879,992
Federal revenues	22,214	19,534
Police fines	490,799	476,117
Fees and service charges		
Recreation	238,689	234,961
Other	51,403	44,121
Investment earnings	239,696	258,590
Miscellaneous revenues	131,887	138,520
	<u> </u>	<u> </u>
TOTAL REVENUES	<u><u>\$ 25,229,037</u></u>	<u><u>\$ 22,876,286</u></u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMPARATIVE SCHEDULES OF EXPENDITURES -
GENERAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Personnel	Operating	Total	Personnel	Operating	Total
CURRENT						
General Government						
Administrative	\$ 1,067,870	\$ 354,682	\$ 1,422,552	\$ 1,021,030	\$ 379,310	\$ 1,400,340
Planning and annexation	575,277	41,589	616,866	542,992	56,331	599,323
Engineering	353,896	17,613	371,509	344,135	11,172	355,307
Municipal court	309,694	28,866	338,560	327,107	30,240	357,347
Maintenance	511,159	85,019	596,178	468,061	82,034	550,095
Public building and grounds	-	735,179	735,179	-	903,772	903,772
Public Safety						
Police	5,213,704	613,447	5,827,151	5,262,081	674,776	5,936,857
Fire	5,346,823	475,210	5,822,033	5,082,072	468,578	5,550,650
Communications	658,550	58,055	716,605	637,736	60,175	697,911
Roads and Drainage						
Street	1,268,535	1,062,884	2,331,419	1,283,027	977,880	2,260,907
Recreation	1,538,420	531,249	2,069,669	1,468,942	512,909	1,981,851
CAPITAL OUTLAY	-	1,990,579	1,990,579	-	2,187,788	2,187,788
DEBT SERVICE						
Principal	-	203,783	203,783	-	193,032	193,032
Interest and fees	-	319,105	319,105	-	327,294	327,294
	<u>\$ 16,843,928</u>	<u>\$ 6,517,260</u>	<u>\$ 23,361,188</u>	<u>\$ 16,437,183</u>	<u>\$ 6,865,291</u>	<u>\$ 23,302,474</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds				
	Local Accommodations and Hospitality Tax Fund	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax
ASSETS					
Cash and investments	\$ 1,299,077	\$ 205,709	\$ 124,263	\$ 620,523	\$ 43,608
Accounts receivable	284,234	-	-	-	-
Due from other governments	-	-	-	-	59,661
Prepays	-	-	-	-	-
Inventory	-	-	-	-	-
TOTAL ASSETS	\$ 1,583,311	\$ 205,709	\$ 124,263	\$ 620,523	\$ 103,269
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,527	\$ 1,981	\$ 68,947	\$ 147,033	\$ -
Accrued salaries and payroll liabilities	-	-	-	-	-
Due to other funds	-	2,217	-	-	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	1,527	4,198	68,947	147,033	-
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted for					
Public safety	-	201,511	55,316	-	-
Tourism	1,581,784	-	-	-	103,269
Capital projects	-	-	-	473,490	-
Stormwater mitigation	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCE	1,581,784	201,511	55,316	473,490	103,269
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,583,311	\$ 205,709	\$ 124,263	\$ 620,523	\$ 103,269

E911 Fund	Victims' Advocate	Public Safety	CDBG Grant	Farmers Market	Stormwater	Total Nonmajor Governmental Funds
\$ 446,998	\$ -	\$ 21,025	\$ -	\$ 69,087	\$ 637,877	\$ 3,468,167
15,129	-	693	-	-	82,451	382,507
104,295	-	85,995	-	-	-	249,951
-	-	620	-	-	-	620
-	-	-	-	-	22,970	22,970
<u>\$ 566,422</u>	<u>\$ -</u>	<u>\$ 108,333</u>	<u>\$ -</u>	<u>\$ 69,087</u>	<u>\$ 743,298</u>	<u>\$ 4,124,215</u>
\$ 11,602	\$ 1,505	\$ 5,483	\$ -	\$ -	\$ 14,676	\$ 252,754
-	3,869	14,382	-	-	8,988	27,239
-	14,635	69,113	-	-	-	85,965
-	-	326	-	-	-	326
<u>11,602</u>	<u>20,009</u>	<u>89,304</u>	<u>-</u>	<u>-</u>	<u>23,664</u>	<u>366,284</u>
-	-	620	-	-	22,970	23,590
554,820	-	18,409	-	-	-	830,056
-	-	-	-	-	-	1,685,053
-	-	-	-	-	-	473,490
-	-	-	-	-	696,664	696,664
-	-	-	-	69,087	-	69,087
-	(20,009)	-	-	-	-	(20,009)
<u>554,820</u>	<u>(20,009)</u>	<u>19,029</u>	<u>-</u>	<u>69,087</u>	<u>719,634</u>	<u>3,757,931</u>
<u>\$ 566,422</u>	<u>\$ -</u>	<u>\$ 108,333</u>	<u>\$ -</u>	<u>\$ 69,087</u>	<u>\$ 743,298</u>	<u>\$ 4,124,215</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds				
	Local	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax
	Accommodations and Hospitality Tax Fund				
REVENUES					
Licenses, permits, and franchise taxes	\$ 2,852,759	\$ -	\$ -	\$ 788,353	\$ -
Intergovernmental revenue					
State	-	-	20,796	-	134,603
Federal	-	168,991	-	-	-
Police fines	-	-	-	-	-
Fees and service charges					
Stormwater	-	-	-	-	-
Other	-	-	-	-	-
Revenues from use of monies and property	1,639	15,160	73	1,224	284
Miscellaneous revenues	-	-	-	-	-
Total local revenues	2,854,398	184,151	20,869	789,577	134,887
EXPENDITURES					
Current					
Administrative	445,767	-	-	-	206,465
Police	-	28,195	57,601	-	-
Fire	-	-	-	10,000	-
Communications	-	-	-	-	-
Stormwater	-	-	-	-	-
Recreation	15,513	-	-	-	-
Capital outlay	517,618	35,899	-	998,729	-
TOTAL EXPENDITURES	978,898	64,094	57,601	1,008,729	206,465
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,875,500	120,057	(36,732)	(219,152)	(71,578)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Proceeds from sale of assets	300,000	-	1,131	-	-
Transfers out	(1,313,617)	(10,304)	-	-	(69,294)
TOTAL OTHER FINANCING SOURCES (USES)	(1,013,617)	(10,304)	1,131	-	(69,294)
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	861,883	109,753	(35,601)	(219,152)	(140,872)
FUND BALANCE					
Beginning	719,901	91,758	90,917	692,642	244,141
Ending	\$ 1,581,784	\$ 201,511	\$ 55,316	\$ 473,490	\$ 103,269

E911 Fund	Victims' Advocate	Public Safety	CDBG Grant	Farmers Market	Stormwater	Total Nonmajor Governmental Funds
\$ 240,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,881,508
-	-	-	-	-	-	155,399
-	-	496,787	216,456	-	-	882,234
-	73,567	-	-	-	-	73,567
-	-	-	-	-	1,045,771	1,045,771
-	-	-	-	11,578	-	11,578
-	-	2,516	-	163	-	21,059
443,745	-	-	-	-	-	443,745
684,141	73,567	499,303	216,456	11,741	1,045,771	6,514,861
-	-	-	216,456	290	-	868,978
-	74,717	297,312	-	-	-	457,825
-	-	223,963	-	-	-	233,963
210,598	-	-	-	-	-	210,598
-	-	-	-	-	834,482	834,482
-	-	-	-	-	-	15,513
128,176	-	5,885	-	-	170,215	1,856,522
338,774	74,717	527,160	216,456	290	1,004,697	4,477,881
345,367	(1,150)	(27,857)	-	11,451	41,074	2,036,980
-	-	30,048	-	-	-	30,048
-	-	-	-	-	-	301,131
-	-	-	-	-	-	(1,393,215)
-	-	30,048	-	-	-	(1,062,036)
345,367	(1,150)	2,191	-	11,451	41,074	974,944
209,453	(18,859)	16,838	-	57,636	678,560	2,782,987
\$ 554,820	\$ (20,009)	\$ 19,029	\$ -	\$ 69,087	\$ 719,634	\$ 3,757,931

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF ASSESSED PROPERTY VALUES, MILLAGE RATES, AND TAXES LEVIED
FOR THE TWENTY-FIVE YEAR PERIOD (UNAUDITED)
DECEMBER 31, 1989 THROUGH DECEMBER 31, 2013**

Year Ended December 31,	Assessed Property Values				Millage Rate		
	Real Estate	Personal Property	Vehicles	Total Property	Total Millage Rate	General Purposes	Debt Service Fund
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	-
2012	145,699,991	12,958,316	16,515,498	175,173,805	62.40	62.40	-
2013	147,709,863	12,370,338	17,562,378	177,642,579	62.40	62.40	-

* Exclusive of vehicle taxes (1989 - 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, 2013**

REVENUES		
Collections		
Fines		\$ 490,799
Assessments and surcharges		742,939
		1,233,738
Total collections		1,233,738
Fines retained by Town for general fund		(490,799)
Assessments and surcharges remitted to state treasurer		(669,372)
		(1,160,171)
Total funds not required to be retained for Victims' Assistance Program		(1,160,171)
REVENUES RETAINED BY TOWN FOR VICTIMS' ASSISTANCE PROGRAM		73,567
EXPENDITURES		
Salaries and related benefits		72,547
Audit fees		1,000
Miscellaneous		1,170
		74,717
TOTAL PROGRAM EXPENDITURES		74,717
DEFICIENCY OF REVENUES OVER EXPENDITURES		(1,150)
BALANCES CARRIED FORWARD		
Beginning of year		(18,859)
		(18,859)
End of year		\$ (20,009)
		\$ (20,009)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-11-MC-45-0013	\$ 30,108
Community Development Block Grant	14.218	B-12-MC-45-0013	186,216
Community Development Block Grant	14.218	B-13-MC-45-0013	132
Total CFDA # 14.218 and Total U.S Department of Housing and Urban Development			216,456
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607	2012-BU-BX-120-623-92	5,019
Bulletproof Vest Partnership Program	16.607	2013-BU-BX-130-677-37	1,355
Subtotal CFDA # 16.607			6,374
Public Safety Partnership and Community Policing Grant	16.710	2010-UM-WX-0279	111,873
Joint Law Enforcement Operations	16.111	N/A	22,214
Federal Equitable Sharing Program	16.922	ORI #SC01802	74,399
Subtotal Direct Programs U.S. Department of Justice			214,860
Passed through S.C. Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant	16.738	1G12022	24,318
Edward Byrne Memorial Justice Assistance Grant	16.738	1G09040	22,726
Subtotal Passed through S.C. Department of Public Safety			47,044
Total U.S. Department of Justice			261,904
U.S. Department of Transportation			
Passed through SC Department of Public Safety			
State and Community Highway Safety	20.600	2H13014	90,153
State and Community Highway Safety	20.600	PT-2014-HS-14-14	30,267
Total CFDA # 20.600 and Total U.S. Department of Transportation			120,420
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-07236	166,021
Passed through SC Law Enforcement Division			
Homeland Security Grant Program	97.067	11SHSP34	23,229
Homeland Security Grant Program	97.067	12SHSP29	21,880
Homeland Security Grant Program	97.067	13SHSP41	273
Subtotal CFDA # 97.067 and Passed through SC Law Enforcement Division			45,382
Total U.S. Department of Homeland Security			211,403
Total Expenditures of Federal Awards			\$ 810,183

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

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 modified 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.

B. Subrecipients

Of the federal expenditures presented in the Schedule, the Town provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant	\$37,392

INTERNAL CONTROL AND COMPLIANCE REPORTS

***Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Summerville, South Carolina, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Town of Summerville, South Carolina's basic financial statements, and have issued our report thereon dated May 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Members

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

Members

Division for CPA Firms, AICPA

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Wilbetta Rogers LLP".

Summerville, South Carolina
May 14, 2014

***Independent Auditors' Report on Compliance For
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

Report on Compliance for Each Major Federal Program

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 the Town's major federal programs for the year ended December 31, 2013. Town of Summerville, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, ***Town of Summerville, South Carolina*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Members

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NC Association of Certified Public Accountants

Members

Division for CPA Firms, AICPA

Report on Internal Control Over Compliance

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

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

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

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

Webster Rogus LLP

Summerville, South Carolina
May 14, 2014

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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>
14.218	Community Development Block Grant

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

Auditee qualified as low-risk auditee? X yes no

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

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		

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013**

None