

**TOWN OF SUMMERVILLE,
SOUTH CAROLINA**

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

YEAR ENDED DECEMBER 31, 2012

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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, 2012, 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, 2012, 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.

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, and 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, and 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, 2011, which are not presented with the accompanying financial statements. In our report dated June 11, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Summerville, South Carolina's financial statements as a whole. The partial comparative information related to the 2011 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements.

The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 partial comparative information presented with the other financial information for 2012, 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 8, 2013 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.

A handwritten signature in blue ink that reads "Webster Rogus LLP". The signature is written in a cursive, flowing style.

Summerville, South Carolina
May 8, 2013

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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, 2012. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, basic financial statements, and the accompanying notes.

Financial Highlights

The assets of the Town of Summerville exceeded its liabilities at December 31, 2012 by \$98,752,452. Of this amount, unrestricted net position of \$14,569,628 may be used to meet the government's ongoing obligations to citizens and creditors. The total net position increased by \$1,546,715. The increase in net position was mainly due to an increase in charges for services.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,178,265. This is a decrease of \$1,638,460 in comparison with the prior year fund balance, as restated. Of the \$18,178,265, \$13,390,598 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 \$13,086,802. At the end of 2012, assigned and unassigned fund balance was \$14,946,572.

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, 2012**

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 2011.

**Net Position of Primary Government
December 31, 2012 and 2011**

	2012	2011
Current, Restricted and Other Assets	\$32,282,598	\$33,021,076
Capital Assets, net	89,071,190	89,788,203
	121,353,788	122,809,279
Total Assets		
Current and Other Liabilities	14,375,102	13,964,581
Long-Term Liabilities outstanding	8,226,234	11,853,300
	22,601,336	25,817,881
Total Liabilities		
Net Position:		
Invested in Capital Assets, net of related debt	81,122,807	78,040,379
Restricted	3,060,017	6,278,331
Unrestricted	14,569,628	12,887,027
	\$98,752,452	\$97,205,737
Total Net Position, as restated		

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 by \$98,752,452 at the close of the most recent fiscal year.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

At December 31, 2012, 82.4 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.

An additional portion of the Town's net position (3.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (14.5 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, 2012 and 2011**

	2012	2011
Revenues:		
Program Revenues:		
Charges for Services	\$11,714,736	\$10,728,267
Operating Grants and Contributions	628,905	799,856
Capital Grants and Contributions	425,034	409,378
General Revenues:		
Property Taxes	10,530,621	10,606,044
Other Taxes	4,998,452	4,714,797
Unrestricted Grants and Contributions	1,803,223	1,720,761
Unrestricted revenue from use of monies and property	71,030	91,553
Miscellaneous	138,318	80,351
Curtailment of post-employment benefit plan	-	273,002
 Total Revenues	 30,310,319	 29,424,009
 Program Expenses:		
General Government	6,016,464	5,412,757
Public Safety	13,654,356	13,460,950
Roads and Drainage	6,278,853	7,194,563
Recreation	2,351,181	2,428,634
Interest and Fees	462,750	490,135
 Total Expenses	 28,763,604	 28,987,039
 Increase in Net Position	 1,546,715	 436,970
Net Position, beginning, as restated	97,205,737	96,768,767
Net Position, ending	\$98,752,452	\$97,205,737

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

Governmental Activities. – Governmental activities increased the Town's net position by \$1,546,715.

Charges for services were the Town's largest program revenue, accounting for \$11,714,736 or 38.65 percent of total governmental revenues. These charges are for fees related to judicial activity, licenses and permits, garbage fees, and stormwater fees.

Property tax revenues account for \$10,530,621 of the \$30,310,319 total revenues for governmental activities, or 34.74 percent of total revenues. Another component of general revenues was grants and contributions not restricted to specific programs, which accounted for \$1,803,223 or 5.95 percent of total revenues.

The public safety program accounted for \$13,654,356 of the \$28,763,604 total expenses for governmental activities, or 47.5 percent of total expenses. The next largest program was roads and drainage, accounting for \$6,278,853 and representing 21.8 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 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
General Government	\$6,016,464	\$5,412,757	\$2,103,181	\$1,516,865
Public Safety	13,654,356	13,460,950	(11,956,383)	(11,943,243)
Roads and Drainage	6,278,853	7,194,563	(3,697,366)	(4,032,323)
Recreation	2,351,181	2,428,634	(1,981,611)	(2,100,702)
Interest and Fiscal Charges	462,750	490,135	(462,750)	(490,135)
Total Expenses	<u>\$28,763,604</u>	<u>\$28,987,039</u>	<u>\$(15,994,929)</u>	<u>\$(17,049,538)</u>

Charges for services and operating and capital grants of \$12,768,675 (44.0 percent of the total costs of services) were received and used to fund the governmental activities expenses of the Town. The remaining \$16,257,159 in governmental activities expenses is funded by property taxes, unrestricted grants, and other revenue. The general government function received \$8,119,645 in charges for services and operating grants. This amount exceeded general government expenses by \$2,103,181. Roads and drainage received \$2,581,487 in charges for services, operating and capital grants which was 41.1 percent of expenses. 12.4 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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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, 2012, the Town's governmental funds reported a combined ending fund balance of \$18,178,265, a decrease of \$1,638,460 in comparison with the prior year fund balance as restated. Approximately 73.7 percent of this total (\$13,391,023) is unassigned fund balance. Fund balance is categorized in five parts, Nonspendable, Restricted, Committed, Assigned and Unassigned. The total Nonspendable is \$484,597. Restricted is divided into five parts, Public Safety, Tourism, Capital projects, Infrastructure and Stormwater mitigation. The two largest restricted accounts are Tourism and Capital Projects with balances of \$964,042 and \$692,642, respectively.

The general fund is the primary operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$13,796,572 while the total fund balance was \$15,398,367. 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 59.2 percent of total general fund expenditures, while total fund balance represents 66.1 percent of that same amount.

The fund balance of the Town's General Fund increased by \$1,872,829 due primarily to an increase in revenues from business licenses and permit fees and cost containment measures.

Budgetary Highlights

By state statute, the Town Council adopts the annual operating budget for the Town by the last day of December. For the general fund, there was an additional \$281,938 appropriated expenditures and other financing uses during the year from the original budget to the final budget.

Although the Town's final budget anticipated that expenditures would exceed revenues by \$2,220,892, the actual results from the year show expenditures in excess of revenues of \$424,188. Actual local revenues received were \$614,705 in excess of anticipated revenues, due primarily to property taxes and franchise fees collected. In addition, overall actual expenditures were under budget by \$1,179,999.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities at December 31, 2012, was \$89,071,190 (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, \$1.3 million
- Purchase of E-One Custom Fire truck, \$370,000
- Renovated Old Town Hall to house new Municipal Court, \$120,000
- Purchase of \$532,668 in police vehicles; \$108,213 for a John Deere Cab Tractor

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

Long-Term Debt. At December 31, 2012, the Town had \$7,859,845 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 \$165,000 during the year. The Town's paid off the capital lease obligation for the parking garage.

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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 2013 were above budget in these categories – taxes, local option sales tax and building permits. Expenses throughout city departments were under budget.

Summerville's residential and commercial growth continued to grow in 2012 with 283 new home permits for a total construction cost of \$64,390,899. Also, in 2012, Summerville issued 16 total commercial permits ranging from small renovations to 4 large new commercial developments: 7,000 sq. ft. multitenant building that will have a mix of restaurants and retail businesses; a 56 unit apartment building; and, a 72 unit apartment building. A new urgent care facility opened at the corner of Ladson Road and Midland Parkway and Summerville Medical Center's planned increased number of bed expansion continued to be stalled in a state permitting process that is expected to be resolved in 2013. Due diligence activities by residential and commercial developers increased with residential developers beginning to purchase previously approved lots in planned developments to complete the build out of these individual communities.

The Town worked closely with the SC Parks, Recreation and Tourism Department and the SC Budget and Control office to annex the 3 properties that comprise the Colonial Dorchester State Historic Site along the banks of the Ashley River. That annexation will be finalized in 2013 and the Town plans to work with the Site to bring in additional recreational opportunities and tourists into the Town.

The State Infrastructure Bank approved the plan for a new interchange at mile marker 197 that will be an additional access into Town via I-26 that is anticipated to not only relieve congestion from the N. Main Street corridor but also open the Town to additional commercial development. The Town began reviewing building plans for permits for the first building of the Nexton development of which 400 acres are within the Town's jurisdiction. This building will be a 100,000 sq. ft. Class A office space building and construction will occur in 2013. Plans also were reviewed for a 240 unit apartment complex with construction expected to begin in 2013. Ongoing work with Dorchester County Economic Development and the Charleston Regional Development Alliance to recruit and prepare for commercial development in the Town and region is actively pursued by the Mayor and staff alike.

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 \$1.3 million in much needed capital improvements on road resurfacing projects, taking advantage of moderating construction prices.

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. The town spent \$3.5 million of fund balance to retire the capital lease obligation on the parking garage. 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, 2012**

	Governmental Activities
ASSETS	
Cash and investments	\$ 16,907,498
Receivables - net of allowance for uncollectibles	
Property taxes	6,702,472
Accounts	1,481,690
Temporarily restricted assets	
Accounts receivable	2,163,956
Due from other governments	4,446,260
Inventory	125,343
Deferred charge - issuance cost	87,197
Prepays	17,465
Capital assets	
Nondepreciable	5,272,259
Depreciable, net of accumulated depreciation	83,798,931
Loans receivable	
Due within one year	8,928
Due in more than one year	341,789
	121,353,788
TOTAL ASSETS	121,353,788
LIABILITIES	
Accounts payable	978,593
Accrued salaries and payroll liabilities	401,681
Unearned revenues	11,960,253
Accrued interest payable	119,553
Due to other governments	238,221
Court bonds payable	29,534
Noncurrent liabilities	
Due within one year	647,267
Due in more than one year	8,226,234
	22,601,336
TOTAL LIABILITIES	22,601,336
NET POSITION	
Invested in capital assets, net of related debt	81,122,807
Restricted for	
Infrastructure	338,813
Public safety	408,930
Capital projects	692,642
Tourism	964,042
Stormwater mitigation	655,590
Unrestricted	14,569,628
	98,752,452
TOTAL NET POSITION	\$ 98,752,452

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government					
Administrative	\$ 2,400,805	\$ 6,678,829	\$ 362,474	\$ -	\$ 4,640,498
Planning and annexation	600,225	1,078,342	-	-	478,117
Engineering	377,421	-	-	-	(377,421)
Municipal court	346,389	-	-	-	(346,389)
Maintenance	594,342	-	-	-	(594,342)
Public buildings and grounds	1,697,282	-	-	-	(1,697,282)
Public safety					
Police	6,871,465	770,907	172,156	140,034	(5,788,368)
Fire	5,876,365	66,436	92,525	108,000	(5,609,404)
Communications	906,526	347,915	-	-	(558,611)
Roads and drainage					
Street	5,375,403	1,373,793	-	177,000	(3,824,610)
Stormwater	903,450	1,030,694	-	-	127,244
Recreation	2,351,181	367,820	1,750	-	(1,981,611)
Interest and fees	462,750	-	-	-	(462,750)
Total governmental activities	\$ 28,763,604	\$ 11,714,736	\$ 628,905	\$ 425,034	(15,994,929)
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, as restated					
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, 2012**

	General Fund	Local Accommodations and Hospitality Tax Fund	Sanitation Fees Fund	Infra- structure Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$14,199,629	\$ 448,867	\$ -	\$ 338,813	\$ 1,920,189	\$ 16,907,498
Receivables - net of allowance for uncollectibles						
Property taxes	6,702,472	-	-	-	-	6,702,472
Accounts	183,286	272,772	740,112	44,788	240,732	1,481,690
Due from other funds	1,668,497	-	-	-	-	1,668,497
Due from other governments	3,511,109	-	491,538	-	443,613	4,446,260
Inventory	102,373	-	-	-	22,970	125,343
Prepays	7,633	-	-	-	9,832	17,465
Loans receivable	350,717	-	-	-	-	350,717
Temporarily restricted assets						
Accounts receivable	-	-	-	2,163,956	-	2,163,956
TOTAL ASSETS	\$26,725,716	\$ 721,639	\$1,231,650	\$2,547,557	\$ 2,637,336	\$ 33,863,898
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 474,410	\$ 1,738	\$ 122,918	\$ -	\$ 379,527	\$ 978,593
Accrued salaries and payroll liabilities	380,033	-	-	-	21,648	401,681
Due to other funds	-	-	1,495,422	-	173,075	1,668,497
Deferred revenues	10,205,151	-	-	2,163,956	-	12,369,107
Due to other governments	238,221	-	-	-	-	238,221
Court bonds payable	29,534	-	-	-	-	29,534
TOTAL LIABILITIES	11,327,349	1,738	1,618,340	2,163,956	574,250	15,685,633
Fund Balances						
Fund balances						
Nonspendable	451,795	-	-	-	32,802	484,597
Restricted for						
Public Safety	-	-	-	-	408,930	408,930
Tourism	-	719,901	-	-	244,141	964,042
Capital projects	-	-	-	-	692,642	692,642
Infrastructure	-	-	-	338,813	-	338,813
Stormwater mitigation	-	-	-	-	645,794	645,794
Committed for						
Capital projects	-	-	-	44,788	-	44,788
Assigned	1,150,000	-	-	-	57,636	1,207,636
Unassigned	13,796,572	-	(386,690)	-	(18,859)	13,391,023
TOTAL FUND BALANCES	15,398,367	719,901	(386,690)	383,601	2,063,086	18,178,265
TOTAL LIABILITIES AND FUND BALANCES	\$26,725,716	\$ 721,639	\$1,231,650	\$2,547,557	\$ 2,637,336	\$ 33,863,898

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, 2012**

Total governmental fund balances	\$	18,178,265
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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 \$127,639,133 and the accumulated depreciation is \$38,567,943.		89,071,190
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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>408,854</u>	
			408,854

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	\$	(7,740,000)	
Less: deferred charge for issuance cost		87,197	
Plus: issuance premium		(88,538)	
Capital leases		(119,845)	
Compensated absences payable		(925,118)	
Accrued interest payable		<u>(119,553)</u>	
			<u>(8,905,857)</u>

Net position of governmental activities	\$	<u><u>98,752,452</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, 2012**

	Local					Total Governmental Funds
	General Fund	Accommodations and Hospitality Tax Fund	Sanitation Fees Fund	Infra- structure Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$10,451,463	\$ -	\$ -	\$ -	\$ -	\$ 10,451,463
Licenses, permits, and franchise taxes	9,232,988	2,708,354	-	44,789	792,845	12,778,976
Intergovernmental revenue						
Local revenues	140,000	-	-	-	-	140,000
State revenues	1,879,992	-	-	177,000	564,627	2,621,619
Federal revenues	19,534	-	-	-	656,023	675,557
Police fines	476,117	-	-	-	59,195	535,312
Fees and service charges						
Sanitation	-	-	1,341,939	-	-	1,341,939
Stormwater	-	-	-	-	1,031,442	1,031,442
Recreation	234,961	-	-	-	-	234,961
Other	44,121	-	-	-	12,122	56,243
Revenues from use of monies and property	258,590	-	-	-	3,235	261,825
Miscellaneous revenues	138,520	9,300	-	31,854	-	179,674
TOTAL REVENUES	22,876,286	2,717,654	1,341,939	253,643	3,119,489	30,309,011
EXPENDITURES						
Current						
General government						
Administrative	1,400,340	400,588	-	-	556,423	2,357,351
Planning and annexation	599,323	-	-	-	-	599,323
Engineering	355,307	-	-	-	-	355,307
Municipal court	357,347	-	-	-	-	357,347
Maintenance	550,095	-	-	-	-	550,095
Public buildings and grounds	903,772	-	-	-	-	903,772
Public safety						
Police	5,936,857	-	-	-	514,964	6,451,821
Fire	5,550,650	-	-	-	49,889	5,600,539
Communications	697,911	-	-	-	192,278	890,189
Roads and drainage						
Street	2,260,907	-	1,460,853	-	-	3,721,760
Stormwater	-	-	-	-	808,407	808,407
Recreation	1,981,851	8,060	-	-	-	1,989,911
Capital outlay	2,187,788	432,507	-	-	565,333	3,185,628
Debt service						
Principal	193,032	3,604,522	-	-	-	3,797,554
Interest and fees	327,294	139,929	-	-	-	467,223
TOTAL EXPENDITURES	23,302,474	4,585,606	1,460,853	-	2,687,294	32,036,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(426,188)	(1,867,952)	(118,914)	253,643	432,195	(1,727,216)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,250,725	-	-	-	30,230	2,280,955
Sale of capital assets	64,167	-	-	-	10,234	74,401
Transfers out	(30,230)	(1,286,282)	-	-	(964,443)	(2,280,955)
TOTAL OTHER FINANCING SOURCES (USES)	2,284,662	(1,286,282)	-	-	(923,979)	74,401
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,858,474	(3,154,234)	(118,914)	253,643	(491,784)	(1,652,815)
FUND BALANCE						
Beginning, as restated	13,525,538	3,874,135	(267,776)	129,958	2,554,870	19,816,725
Change in inventory reserve	14,355	-	-	-	-	14,355
Ending	\$15,398,367	\$ 719,901	\$(386,690)	\$383,601	\$ 2,063,086	\$ 18,178,265

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, 2012**

Page 1 of 2

Net change in fund balances - total governmental funds \$ (1,652,815)

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	\$ 3,185,628	
Depreciation expense	<u>(3,855,642)</u>	(670,014)

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	\$ (889,861)	
Accumulated depreciation	<u>782,000</u>	(107,861)
Net book value		

The Statement of Activities reports gains and losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on the trade-in of capital assets.

60,862

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

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

Grant funds	\$ (1,080)	
State aid to subdivisions	(406,465)	

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

State aid to subdivisions	<u>408,854</u>	1,309
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**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, 2012**

Page 2 of 2

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal repayments		
Capital leases payable	\$	3,632,554
Bonds payable		165,000
Amortization of bond issuance costs		(1,859)
Amortization of bond premium		1,887
		3,797,582
	\$	3,797,582

In the fund financial statement, inventories are recognized as an expenditure when purchased. Governmental activities recognize an expense for inventory when consumed.	14,355
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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	\$	(925,118)
Prior year		1,023,970
Accrued interest expense		
Current year		(119,553)
Prior year		123,998
		103,297
	\$	1,546,715

Change in net position of governmental activities

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, 2012**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 163,592</u>
Total assets	<u><u>\$ 163,592</u></u>
Liabilities	
Assets held for others	<u>\$ 163,592</u>
Total liabilities	<u><u>\$ 163,592</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, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

1. Government-wide Statements

The government-wide financial statements (i.e., the statement of net 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, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Town does not have any proprietary funds.

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Funds

The Town reports the following major governmental funds:

1. The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Local Accommodations & Hospitality Tax Fund* is a special revenue fund used to account for the taxes collected in the tourist related businesses, including restaurants and hotels. The expenditures of these taxes must be related to or for the promotion of tourism.
3. The *Sanitation Fees Fund* is a special revenue fund used to account for solid waste collection fees assessed from the Town's property owners and businesses. The fees are required to be spent on the collection and disposal of solid waste within the Town limits.
4. 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. The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital projects.
3. *Fiduciary funds* are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *Agency fund* is custodial in nature and does not involve the measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and for acquisitions under capital leases are reported as other financing sources.

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

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

D. Assets, Liabilities, and Equity

1. Deposits

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

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

2. Investments

Investments, including the Town's investment in the South Carolina Local Government Investment Pool (the Pool), are carried at fair value based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

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

TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 2011 property tax assessment levied for the 2012 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.C. 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. In the Statement of Activities, inventory is recorded as an expense at the time the item is consumed. On the fund statements, inventory is recorded as an expenditure at the time the item is purchased.

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

Reported inventories and prepaid items are equally offset by a 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, 2012**

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. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 does not have any items that qualify for reporting in this category.

7. 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.

8. Long-Term Obligations

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

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

9. Equity

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net 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."

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:

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, 2012. This classification includes the remaining fund balance for all governmental funds except for the General Fund. The Town has assigned \$1,150,000 in the General Fund for subsequent years expenditures.

Unassigned - All amounts not included in other spendable classifications.

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

9. Equity (Continued)

Fund Balance Policy

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

E. Accounting Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital project funds. At December 31, 2012, 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	Assigned
General Fund	\$ -	\$ -	\$ 643,808
Major Funds	\$ -	\$ 29,343	\$ -
Nonmajor Funds	\$ 1,182,606	\$ -	\$ -

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations as follows:

	Budget	Actual	Excess actual expenditures over budget
Administration	\$ 1,390,336	\$ 1,400,340	\$ 10,004
Maintenance	\$ 539,464	\$ 550,095	\$ 10,631
Public buildings and grounds	\$ 857,800	\$ 903,772	\$ 45,972
Communications	\$ 685,660	\$ 697,911	\$ 12,251

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

C. Deficit Fund Equity

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

Fund	Deficit	Resource for Elimination
Special Revenue Fund		
Sanitation Fees	\$ 386,690	Future revenues and transfers from General Fund
Victims' Advocate	\$ 18,859	Future revenues and cost containment

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest Rate Risk

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

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

As of December 31, 2012, \$6,185,734 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	255,275
	\$ 301,729

Credit Risk

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

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and loan association deposits to the extent insured by the Federal Depository Insurance Corporation;

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

- (4) Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
- (5) No-load open or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company, savings and loan association, or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina state statutes authorize the Town to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the Town's position in the pool, if any, is the same as the fair value of the pool shares.

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2012, the Town's bank balance of \$10,845,992 was fully insured or collateralized by government investments held by the pledging financial institutions' trust department or agent in the Town's name.

Custodial Credit Risk – Investments

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Increases	Decreases	Balance 12/31/2012
Capital assets not being depreciated				
Land	\$ 4,826,634	\$ 2,500	\$ -	\$ 4,829,134
Construction in progress	95,040	443,125	(95,040)	443,125
Total capital assets not being depreciated	<u>4,921,674</u>	<u>445,625</u>	<u>(95,040)</u>	<u>5,272,259</u>
Capital assets being depreciated				
Buildings	23,417,973	95,040	-	23,513,013
Improvements	6,486,140	242,479	-	6,728,619
Infrastructure	74,633,701	1,280,260	-	75,913,961
Vehicles and rolling equipment	12,462,078	1,170,992	(889,861)	12,743,209
Furniture and equipment	3,360,938	107,134	-	3,468,072
Total capital assets being depreciated	<u>120,360,830</u>	<u>2,895,905</u>	<u>(889,861)</u>	<u>122,366,874</u>
Total Cost	<u>125,282,504</u>	<u>3,341,530</u>	<u>(984,901)</u>	<u>127,639,133</u>
Accumulated depreciation				
Buildings	(4,882,346)	(828,246)	-	(5,710,592)
Improvements	(1,940,791)	(325,067)	-	(2,265,858)
Infrastructure	(18,464,630)	(1,520,210)	-	(19,984,840)
Vehicles and rolling equipment	(8,319,188)	(1,148,533)	782,000	(8,685,721)
Furniture and equipment	(1,887,346)	(33,586)	-	(1,920,932)
Total accumulated depreciation	<u>(35,494,301)</u>	<u>(3,855,642)</u>	<u>782,000</u>	<u>(38,567,943)</u>
Total capital assets being depreciated, net	<u>84,866,529</u>	<u>(959,737)</u>	<u>(107,861)</u>	<u>83,798,931</u>
Total capital assets	<u>\$ 89,788,203</u>	<u>\$ (514,112)</u>	<u>\$ (202,901)</u>	<u>\$ 89,071,190</u>

Current year asset additions are comprised of the following:

Capital outlay - funds statement	\$ 3,185,628
Completed construction in progress	95,040
Vehicles - trade in values	<u>60,862</u>
Total additions	<u>\$ 3,341,530</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (Continued)

Depreciation expense was charged to the functions as follows:

Administrative	\$ 37,789
Engineering	2,374
Municipal court	6,593
Maintenance	42,523
Public buildings and grounds	793,510
Police	531,143
Fire	332,160
Communications	14,609
Street	1,655,093
Stormwater	90,539
Recreation	<u>349,309</u>
Total depreciation expense	<u><u>\$ 3,855,642</u></u>

C. Receivables

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

	General Fund	Local Accommodations and Hospitality Tax Fund	Sanitation Fees Fund	Infrastructure Fund	Nonmajor Funds
Unrestricted					
Current taxes	\$ 6,801,425	\$ -	\$ -	\$ -	\$ -
Delinquent taxes	219,465	-	-	-	-
Taxes	7,020,890	-	-	-	-
Less - Allowance for uncollectibles	(318,418)	-	-	-	-
Taxes, net of allowance	6,702,472	-	-	-	-
Accounts	183,286	272,772	740,112	44,788	240,732
Net unrestricted receivables	<u>\$ 6,885,758</u>	<u>\$ 272,772</u>	<u>\$ 740,112</u>	<u>\$ 44,788</u>	<u>\$ 240,732</u>
Restricted					
Non-standard service franchise fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,163,956</u>	<u>\$ -</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL 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	\$ 359,220	\$ -	\$ 8,503	\$ 350,717	\$ 8,928

E. Interfund Receivables and Payables

The interfund receivables and payables at December 31, 2012, were as follows:

	Receivable Fund	Payable Fund
Major governmental fund		
General	\$ 1,668,497	\$ -
Sanitation fees	-	1,495,422
Nonmajor governmental funds	-	173,075
Total interfund balances	\$ 1,668,497	\$ 1,668,497

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, 2012, consisted of the following:

	Transfers in	Transfers out
Major governmental funds		
General	\$ 2,250,725	\$ 30,230
Local Accommodations & Hospitality Tax	-	1,286,282
Nonmajor governmental funds	30,230	964,443
Total interfund balances	\$ 2,280,955	\$ 2,280,955

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, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Deferred Revenues

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At December 31, 2012, the various components of deferred and unearned revenue reported in the financial statements were as follows:

Unearned	
Current property taxes receivable	\$ 6,702,472
Property taxes collected in 2012 for 2013 (including amounts held by county treasurer)	3,093,825
Non-standard service franchise fees recorded prior to identification of eligible projects	2,163,956
Total unearned revenues – statement of net position	11,960,253
Unavailable	
State aid to subdivisions	408,854
Total deferred revenues – balance sheet	\$ 12,369,107

H. Long-Term Debt

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

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

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

During the year ended December 31, 2012, 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	\$ 7,905,000	\$ -	\$ 165,000	\$ 7,740,000	\$ 175,000
Deferred amounts for issuance premium	90,425	-	1,887	88,538	-
Total bonds payable	7,995,425	-	166,887	7,828,538	175,000
Capital lease obligations	3,752,399	-	3,632,554	119,845	28,783
Compensated absences payable	1,023,970	419,240	518,092	925,118	443,484
Governmental activity Long-term liabilities	<u>\$12,771,794</u>	<u>\$ 419,240</u>	<u>\$4,317,533</u>	<u>\$ 8,873,501</u>	<u>\$ 647,267</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.

The annual requirements for debt service on general obligation bonds outstanding at December 31, 2012, are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 175,000	\$ 315,893	\$ 490,893
2014	180,000	308,128	488,128
2015	190,000	300,034	490,034
2016	200,000	291,503	491,503
2017	210,000	282,534	492,534
2018-22	1,180,000	1,258,428	2,438,428
2023-27	1,475,000	975,861	2,450,861
2028-32	1,830,000	649,400	2,479,400
2033-37	2,300,000	238,000	2,538,000
Subtotal	7,740,000	4,619,781	12,359,781
Plus (less) deferred amounts: Bond premiums	88,538	-	88,538
Total	<u>\$ 7,828,538</u>	<u>\$ 4,619,781</u>	<u>\$ 12,448,319</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long-Term Debt (Continued)

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 future minimum lease obligations as of December 31, 2012, were as follows:

Year ending December 31,	Amount
2013	\$ 31,995
2014	31,995
2015	31,995
2016	31,995
Total minimum lease payments	127,980
Less amount representing interest	(8,135)
Present value of minimum lease payment	\$ 119,845

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

Equipment	\$ 148,802
Less accumulated depreciation	(25,850)
	\$ 122,952

I. Operating Leases

The Town participates in certain leases accounted for as operating leases. The Town is obligated under lease agreements with various parties for the rental of office equipment. Rental expense associated with the leases for the year ended December 31, 2012, is \$28,443. 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
2013	\$ 19,237
2014	9,006
2015	7,249
2016	5,766
2017	3,392
2018	210
Total	\$ 44,860

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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Equity Restatement

Correction of an Error

Fund balance in the Local Accommodations and Hospitality Fund was restated to recognize local hospitality tax revenue when the underlying transaction occurred rather than when the payment was received.

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

Government-Wide Financial Statements

Net position as originally presented (December 31, 2011)	\$ 96,991,398
Correction of an error	
Understated accounts receivable and revenue	214,339
Net position as restated (December 31, 2011)	\$ 97,205,737

Fund Financial Statements

Local Accommodations and Hospitality Tax Funds	
Fund balance as originally presented (December 31, 2011)	\$ 3,659,796
Correction of an error	
Understated accounts receivable and revenue	214,339
Net assets as restated (December 31, 2011)	\$ 3,874,135

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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

IV. OTHER INFORMATION

B. Contingent Liabilities (Continued)

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

Unemployment Compensation. The Town makes payments to the South Carolina Employment Security Commission on a reimbursement basis for costs incurred in the administration of the state unemployment compensation statutes. Claims incurred but not reported at December 31, 2012, are not significant.

Construction Commitments. At December 31, 2012 the Town had a construction commitment related to the construction of a new fire station for approximately \$1,203,000.

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 Plan

South Carolina Retirement and Police Officers' Retirement System

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

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

IV. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

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

	January through June 2012	July through December 2012
SCRS, Local Government	9.385% of salary	10.45% of salary
PORS, Class II	11.363% of salary	11.90% of salary

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

The Town's contributions to SCRS for the years ended December 31, 2012, 2011, and 2010, were \$490,100, \$480,082, and \$470,984, respectively. The Town's contributions to PORS for the years ended December 31, 2012, 2011, and 2010, were \$825,620, \$795,549, \$748,024, respectively. All employer contributions are equal to the required contributions for each year.

F. Postemployment Benefits other than Pensions

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

As a result, there remains no requirement to recognize other postemployment benefit (OPEB) cost or annual required contribution for current employees, and no covered payroll for the year. The six remaining participants will be eligible to receive a fixed amount, determined by management, per month 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 13 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 \$262,230, which is fully funded in an irrevocable trust administered by 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, 2012, the Town received water and sewer services with an estimated value of \$41,925 from Summerville Commissioners of Public Works (CPW) in exchange for the Town maintaining CPW's rights-of-way.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

IV. OTHER INFORMATION (CONTINUED)

H. Property Taxes and Fees

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

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

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

I. Pending GASB Statements

GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The Town will implement the new requirements for the 2013 financial statements.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, intends to improve financial reporting by clarifying the appropriate use of the financial statement elements “deferred outflows of resources” and “deferred inflows of resources” to ensure consistency in financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. The Town will implement the new guidance with the 2013 financial statements.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, intends to improve financial reporting by resolving conflicting guidance in previous pronouncements regarding the accounting and presentation of risk financing activities, operating leases and certain loan transactions. The statement is effective for financial statements for periods beginning after December 15, 2012. The Town will implement the new guidance with the 2013 financial 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.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

IV. OTHER INFORMATION (CONTINUED)

I. Pending GASB Statements (Continued)

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.

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 equipment in the amount of \$214,600, to be paid from capital projects funds.
- * The purchase of a vehicle and equipment in the amount of \$21,641 to be paid from local accommodations and hospitality tax funds.
- * The purchase of recreation and parks improvements in the amount of \$42,000 to be paid from impact fees.

Management has evaluated subsequent events through May 8, 2013, 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, 2012**

	Original Budget	Final Budget	Actual	Variance - with Final Budget
REVENUES				
Property taxes	\$ 10,014,555	\$ 10,245,319	\$ 10,451,463	\$ 206,144
Licenses, permits, and franchise taxes	7,950,700	9,000,037	9,232,988	232,951
Intergovernmental revenue				
Local revenues	140,000	140,000	140,000	-
State revenues	1,452,800	1,682,300	1,879,992	197,692
Federal revenues	32,000	32,000	19,534	(12,466)
Police fines	790,000	566,669	476,117	(90,552)
Fees and service charges				
Recreation	180,500	222,800	234,961	12,161
Other	41,000	41,050	44,121	3,071
Revenues from use of monies and property	255,000	257,000	258,590	1,590
Miscellaneous revenues	14,577	74,406	138,520	64,114
TOTAL REVENUES	20,871,132	22,261,581	22,876,286	614,705
EXPENDITURES				
Current				
General government				
Administrative	1,887,173	1,390,336	1,400,340	(10,004)
Planning and annexation	629,619	630,161	599,323	30,838
Engineering	411,868	365,093	355,307	9,786
Municipal court	424,583	366,059	357,347	8,712
Maintenance	547,706	539,464	550,095	(10,631)
Public buildings and grounds	732,800	857,800	903,772	(45,972)
Public safety				
Police	6,035,319	6,084,086	5,936,857	147,229
Fire	5,679,224	5,669,200	5,550,650	118,550
Communications	669,890	685,660	697,911	(12,251)
Roads and drainage				
Street	2,371,656	2,337,419	2,260,907	76,512
Recreation	2,193,593	2,205,295	1,981,851	223,444
Capital outlay	2,710,654	2,831,574	2,187,788	643,786
Debt service				
Principal	193,032	193,032	193,032	-
Interest	327,294	327,294	327,294	-
TOTAL EXPENDITURES	24,814,411	24,482,473	23,302,474	1,179,999
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,943,279)	(2,220,892)	(426,188)	1,794,704
OTHER FINANCING SOURCES (USES)				
Transfers in	1,997,488	2,205,020	2,250,725	45,705
Sale of capital assets	25,000	65,872	64,167	(1,705)
Transfers out	-	(50,000)	(30,230)	19,770
TOTAL OTHER FINANCING SOURCES (USES)	2,022,488	2,220,892	2,284,662	63,770
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (1,920,791)	\$ -	1,858,474	\$ 1,858,474
FUND BALANCE				
Beginning			13,525,538	
Increase in inventory reserve			14,355	
Ending			\$ 15,398,367	

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, 2012**

A. Summary of Significant Accounting Policies

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

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

Supplementary appropriations in the General Fund amounted to decreased expenditures and other financing uses of \$281,938 and increased revenues and other financing sources of \$1,638,853. The budget amendment was funded by greater than expected revenues.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMPARATIVE SCHEDULES OF REVENUES -
GENERAL FUND
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
REVENUES		
Property taxes	\$ 10,451,463	\$ 10,546,604
Licenses, permits, and franchise taxes	9,232,988	8,506,555
Intergovernmental revenue		
Local revenues	140,000	140,000
State revenues	1,879,992	1,687,617
Federal revenues	19,534	31,867
Police fines	476,117	595,633
Fees and service charges		
Recreation	234,961	206,772
Other	44,121	90,611
Recovered costs	-	294,587
Revenues from use of monies and property	258,590	262,642
Miscellaneous revenues	138,520	76,062
	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 22,876,286</u>	<u>\$ 22,438,950</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMPARATIVE SCHEDULES OF EXPENDITURES -
GENERAL FUND
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	Personnel	Operating	Total	Personnel	Operating	Total
CURRENT						
General Government						
Administrative	\$ 1,021,030	\$ 379,310	\$ 1,400,340	\$ 1,112,953	\$ 303,307	\$ 1,416,260
Planning and annexation	542,992	56,331	599,323	678,899	85,442	764,341
Engineering	344,135	11,172	355,307	248,699	13,373	262,072
Municipal court	327,107	30,240	357,347	339,099	60,359	399,458
Maintenance	468,061	82,034	550,095	439,979	75,596	515,575
Public building and grounds	-	903,772	903,772	-	690,773	690,773
Public Safety						
Police	5,262,081	674,776	5,936,857	5,033,943	625,291	5,659,234
Fire	5,082,072	468,578	5,550,650	5,030,162	476,477	5,506,639
Communications	637,736	60,175	697,911	624,967	50,446	675,413
Roads and Drainage						
Street	1,283,027	977,880	2,260,907	1,423,145	1,048,862	2,472,007
Recreation	1,468,942	512,909	1,981,851	1,548,254	512,048	2,060,302
CAPITAL OUTLAY	-	2,187,788	2,187,788	-	467,734	467,734
DEBT SERVICE						
Principal	-	193,032	193,032	-	446,063	446,063
Interest and fees	-	327,294	327,294	-	487,815	487,815
	<u>\$ 16,437,183</u>	<u>\$ 6,865,291</u>	<u>\$ 23,302,474</u>	<u>\$ 16,480,100</u>	<u>\$ 5,343,586</u>	<u>\$ 21,823,686</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue Funds					
	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax	E911 Fund	Victims' Advocate
ASSETS						
Cash and investments	\$ 99,794	\$ 112,708	\$ 693,627	\$ 205,433	\$ 55,231	\$ -
Accounts receivable	-	-	-	-	158,711	-
Due from other governments	-	-	-	38,708	-	-
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
TOTAL ASSETS	\$ 99,794	\$ 112,708	\$ 693,627	\$ 244,141	\$ 213,942	\$ -
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 4,328	\$ 21,791	\$ 985	\$ -	\$ 4,489	\$ 1,894
Accrued salaries and payroll liabilities	-	-	-	-	-	1,743
Due to other funds	3,708	-	-	-	-	15,222
TOTAL LIABILITIES	8,036	21,791	985	-	4,489	18,859
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted for						
Public safety	91,758	90,917	-	-	209,453	-
Tourism	-	-	-	244,141	-	-
Capital projects	-	-	692,642	-	-	-
Stormwater mitigation	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(18,859)
TOTAL FUND BALANCE	91,758	90,917	692,642	244,141	209,453	(18,859)
TOTAL LIABILITIES AND FUND BALANCE	\$ 99,794	\$ 112,708	\$ 693,627	\$ 244,141	\$ 213,942	\$ -

				Capital Projects	
Public Safety	CDBG Grant	Farmers Market	Stormwater	Building Fund	Total Nonmajor Governmental Funds
\$ 35,879	\$ -	\$ 57,636	\$ 659,881	\$ -	\$ 1,920,189
216	-	-	81,805	-	240,732
276,375	128,530	-	-	-	443,613
36	-	-	9,796	-	9,832
-	-	-	22,970	-	22,970
<u>\$ 312,506</u>	<u>\$ 128,530</u>	<u>\$ 57,636</u>	<u>\$ 774,452</u>	<u>\$ -</u>	<u>\$ 2,637,336</u>
\$ 130,869	\$ 128,058	\$ -	\$ 87,113	\$ -	\$ 379,527
11,126	-	-	8,779	-	21,648
153,673	472	-	-	-	173,075
<u>295,668</u>	<u>128,530</u>	<u>-</u>	<u>95,892</u>	<u>-</u>	<u>574,250</u>
36	-	-	32,766	-	32,802
16,802	-	-	-	-	408,930
-	-	-	-	-	244,141
-	-	-	-	-	692,642
-	-	-	645,794	-	645,794
-	-	57,636	-	-	57,636
-	-	-	-	-	(18,859)
<u>16,838</u>	<u>-</u>	<u>57,636</u>	<u>678,560</u>	<u>-</u>	<u>2,063,086</u>
<u>\$ 312,506</u>	<u>\$ 128,530</u>	<u>\$ 57,636</u>	<u>\$ 774,452</u>	<u>\$ -</u>	<u>\$ 2,637,336</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2012**

	Special Revenue Funds					
	Federal Equitable Sharing	State Drug Fund	Impact Fees	State Accom- modations Tax	E911 Fund	Victims' Advocate
REVENUES						
Licenses, permits, and franchise taxes	\$ -	\$ -	\$ 444,930	\$ -	\$ 347,915	\$ -
Intergovernmental revenue						
State	-	62,905	-	301,010	-	-
Federal	12,313	-	-	-	-	-
Police fines	-	-	-	-	-	59,195
Fees and service charges						
Stormwater	-	-	-	-	-	-
Other	-	-	-	-	-	-
Revenues from use of monies and property	14	11	1,832	461	-	-
Total local revenues	12,327	62,916	446,762	301,471	347,915	59,195
EXPENDITURES						
Current						
Administrative	-	-	-	192,974	-	-
Police	54,671	62,448	805	-	-	74,904
Fire	-	-	-	-	-	-
Communications	-	-	-	-	192,278	-
Stormwater	-	-	-	-	-	-
Capital outlay	46,281	-	216,873	-	-	-
TOTAL EXPENDITURES	100,952	62,448	217,678	192,974	192,278	74,904
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(88,625)	468	229,084	108,497	155,637	(15,709)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Proceeds from sale of assets	3,535	6,699	-	-	-	-
Transfers out	(4,759)	-	-	(38,800)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,224)	6,699	-	(38,800)	-	-
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(89,849)	7,167	229,084	69,697	155,637	(15,709)
FUND BALANCE						
Beginning	181,607	83,750	463,558	174,444	53,816	(3,150)
Ending	\$ 91,758	\$ 90,917	\$ 692,642	\$ 244,141	\$ 209,453	\$ (18,859)

				Capital Projects		Total
Public Safety	CDBG Grant	Farmers Market	Stormwater	Building Fund		Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 792,845
200,712	-	-	-	-		564,627
281,236	362,474	-	-	-		656,023
-	-	-	-	-		59,195
-	-	-	1,031,442	-		1,031,442
-	-	12,122	-	-		12,122
815	-	46	-	56		3,235
482,763	362,474	12,168	1,031,442	56		3,119,489
-	362,474	975	-	-		556,423
322,136	-	-	-	-		514,964
49,889	-	-	-	-		49,889
-	-	-	-	-		192,278
-	-	-	808,407	-		808,407
193,965	-	-	108,214	-		565,333
565,990	362,474	975	916,621	-		2,687,294
(83,227)	-	11,193	114,821	56		432,195
30,230	-	-	-	-		30,230
-	-	-	-	-		10,234
(9,224)	-	-	(200,000)	(711,660)		(964,443)
21,006	-	-	(200,000)	(711,660)		(923,979)
(62,221)	-	11,193	(85,179)	(711,604)		(491,784)
79,059	-	46,443	763,739	711,604		2,554,870
\$ 16,838	\$ -	\$ 57,636	\$ 678,560	\$ -		\$ 2,063,086

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF ASSESSED PROPERTY VALUES, MILLAGE RATES, AND TAXES LEVIED
FOR THE TWENTY-FIVE YEAR PERIOD (UNAUDITED)
DECEMBER 31, 1988 THROUGH DECEMBER 31, 2012**

Year Ended December 31,	Assessed Property Values				Total		Millage Rate		Debt Service Fund
	Real Estate	Personal Property	Vehicles	Total Property	Millage Rate	General Purposes			
1988	\$ 19,675,420	* \$ 3,705,640	\$ -	\$ 23,381,060	75.0	75.0	-	-	
1989	19,783,700	* 3,740,480	-	23,524,180	85.0	75.0	10.0	10.0	
1990	21,381,490	* 4,256,310	-	25,637,800	85.0	75.0	10.0	10.0	
1991 **	35,222,570	* 4,886,480	-	40,109,050	73.0	66.0	7.0	7.0	
1992	34,924,800	* 6,411,370	-	41,336,170	73.0	66.0	7.0	7.0	
1993	35,948,140	6,286,570	6,797,700	49,032,410	73.0	66.0	7.0	7.0	
1994	37,504,840	7,225,160	7,969,180	52,699,180	73.0	66.0	7.0	7.0	
1995 **	38,082,810	7,313,950	8,627,360	54,024,120	83.0	75.0	8.0	8.0	
1996 ***	38,059,900	7,462,650	9,585,650	55,108,200	83.0	75.0	8.0	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	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	-	-	

* Exclusive of vehicle taxes (1988 - 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, 2012**

REVENUES	
Collections	
Fines	\$ 476,117
Assessments and surcharges	<u>666,753</u>
Total collections	<u>1,142,870</u>
Fines retained by Town for general fund	(476,117)
Assessments and surcharges remitted to state treasurer	<u>(607,558)</u>
Total funds not required to be retained for Victims' Assistance Program	<u>(1,083,675)</u>
REVENUES RETAINED BY TOWN FOR VICTIMS' ASSISTANCE PROGRAM	<u>59,195</u>
EXPENDITURES	
Salaries and related benefits	67,903
Audit fees	1,000
Miscellaneous	<u>6,001</u>
TOTAL PROGRAM EXPENDITURES	<u>74,904</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(15,709)
BALANCES CARRIED FORWARD	
Beginning of year	<u>(3,150)</u>
End of year	<u>\$ (18,859)</u>

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012**

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-10-MC-45-0013	\$ 220,103
Community Development Block Grant	14.218	B-11-MC-45-0013	141,834
Community Development Block Grant	14.218	B-12-MC-45-0013	536
Total CFDA # 14.218 and Total U.S Department of Housing and Urban Development			<u>362,473</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607	2011-BU-BX-110-572-50	3,619
Bulletproof Vest Partnership Program	16.607	2012-BU-BX-120-623-92	927
Subtotal CFDA # 16.607			<u>4,546</u>
Public Safety Partnership and Community Policing Grant	16.710	2010-UM-WX-0279	104,978
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0752	11,058
Federal Equitable Sharing Program	16.922	ORI #SC01802	105,711
Subtotal Direct Programs U.S. Department of Justice			<u>226,293</u>
Passed through S.C. Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant	16.738	1G12022	52,654
DEA Task Force Agreement	16.999		13,509
Subtotal Passed through S.C. Department of Public Safety			<u>66,163</u>
Total U.S. Department of Justice			<u>292,456</u>
U.S. Department of Transportation			
Passed through SC Department of Public Safety			
State and Community Highway Safety	20.600	2H12018	76,787
State and Community Highway Safety	20.600	2H13014	30,320
Total CFDA # 20.600 and Total U.S. Department of Transportation			<u>107,107</u>
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant	97.044	EMW-2011-FO-10144	108,000
Passed through SC Law Enforcement Division			
Homeland Security Grant Program	97.067	9SHSP14	21,955
Homeland Security Grant Program	97.067	11SHSP34	70,570
Subtotal CFDA # 97.067 and Passed through SC Law Enforcement Division			<u>92,525</u>
Total U.S. Department of Homeland Security			<u>200,525</u>
Total Expenditures of Federal Awards			<u>\$ 962,561</u>

See note to schedule of expenditures of federal awards.

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012**

A. Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

**Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited, 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, 2012, 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 8, 2013.

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.

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

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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

Webster Rojas LLP

Summerville, South Carolina
May 8, 2013

***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, 2012. 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, 2012.

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.



Summerville, South Carolina
May 8, 2013

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
16.710	Public Safety Partnership and Community Policing Grant
97.044	Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? ___ yes X no

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

Section II - Financial Statements Findings

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
None		

Section III - Federal Awards Findings and Questioned Costs

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
None		

**TOWN OF SUMMERVILLE, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2012**

None