

**TOWN OF FORT MILL  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2007**



TOWN OF FORT MILL, SOUTH CAROLINA

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YEAR ENDED SEPTEMBER 30, 2007

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**TOWN OF FORT MILL, SOUTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS**  
**YEAR ENDED SEPTEMBER 30, 2007**

Established

1873

MAYOR

Charles E. Powers

TOWN COUNCIL MEMBERS

Mayor Pro-Tem – Danny Funderburk

Grady Ervin

Waddell Gibson

Guynn Savage

Ken Starnes

Larry Huntley

TOWN MANAGER

David E. Hudspeth

FINANCE DIRECTOR

Chantay F. Bouler





**GREENE FINNEY & HORTON**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

Members of Town Council  
Town of Fort Mill  
Fort Mill, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules and the schedule of municipal court fines, assessments, and surcharges have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, other budgetary schedule – general fund, and the schedule of detailed revenues, expenses, and changes in fund net assets – final budget and actual – proprietary fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
February 19, 2008

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED SEPTEMBER 30, 2007

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As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2007. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the basic financial statements, the notes to the basic financial statements, and the supplementary information to enhance their understanding of the Town's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$20,618,000 (*net assets*). Of this amount, approximately \$2,799,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by approximately \$2,060,000 (an increase of approximately \$842,000 from governmental activities and an increase of approximately \$1,218,000 from business-type activities), as total revenues of approximately \$12,740,000 exceeded total expenses of approximately \$10,680,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$1,975,000, an increase of approximately \$499,000 from the prior year. Of this total amount, 83%, or approximately \$1,639,000, is available for spending at the government's discretion (*unreserved undesignated fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was approximately \$1,530,000, or 26% of total General Fund expenditures for the year ended September 30, 2007.
- The Town's total capital assets increased by approximately \$1,011,000 (4%) during the current fiscal year, due to capital additions of approximately \$2,161,000, partially offset by depreciation expense and net disposals of approximately \$1,150,000.
- The Town's long-term obligations decreased by approximately \$28,000 (less than 1%) during the current fiscal year, due to approximately \$677,000 in principal payments, partially offset by a new capital lease of approximately \$635,000 and an increase in compensated absences of approximately \$14,000.
- During the prior year, the Town approved a new hospitality tax that became effective October 1, 2006. During 2007, the Town collected approximately \$103,000 in hospitality tax revenue. These funds are restricted for tourism related costs.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information), and the *Compliance Section*.

#### Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide and fund basic financial statements. In addition to the basic financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of the Town.

#### Government-Wide Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Town. The *government-wide basic financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2007

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Government-Wide Basic Financial Statements (Continued)**

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

The government-wide basic financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, judicial, public works, public safety, culture and recreation, and community development. Property taxes, business licenses and permits, and state and federal grant funds finance most of these activities. The business-type activities are water and sewer services that the Town charges customers to provide. The government-wide basic financial statements can be found as listed in the table of contents of this report.

**Fund Basic Financial Statements**

The fund basic financial statements provide a more detailed look at the Town's most significant activities. 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 all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *government activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund basic financial statements.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund. Data from the other two governmental funds are combined into aggregated presentations. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The governmental fund basic financial statements can be found as listed in the table of contents of this report.

**Proprietary Funds** – The Town maintains one type of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide basic financial statements. The Town uses an enterprise fund to account for its Water and Sewer system operations. The proprietary fund basic financial statements can be found as listed in the table of contents of this report.

**Notes to the Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to the basic financial statements can be found as listed in the table of contents of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also includes supplementary information. Regarding the Town's major funds, the Town adopts an annual budget for its General Fund, Capital Projects Fund, and Gross Revenue Fund. A required budgetary comparison schedule has been provided for the General Fund as listed in the table of contents to demonstrate compliance with its budget. In addition, the Town has provided other budgetary and supplemental schedules for the remaining funds as listed in the table of contents of this report.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1 - Major Features of the Town's Government-Wide and Fund Basic Financial Statements			
	Fund Basic Financial Statements		
	Government-Wide Basic Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town (except fiduciary funds) and the Component Unit.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of net assets.</li> <li>▪ Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet.</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of net assets.</li> <li>▪ Statement of revenues, expenses, and changes in net assets.</li> <li>▪ Statement of cash flows.</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for 2007 compared to 2006:

**Town's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 2,460,283	1,852,825	3,951,227	3,291,089	6,411,510	\$ 5,143,914
Capital Assets	6,801,959	6,046,050	20,949,108	20,693,860	27,751,067	26,739,910
Total Assets	<u>9,262,242</u>	<u>7,898,875</u>	<u>24,900,335</u>	<u>23,984,949</u>	<u>34,162,577</u>	<u>31,883,824</u>
Long-Term Liabilities	2,205,501	1,805,705	10,148,777	10,576,374	12,354,278	12,382,079
Other Liabilities	460,879	339,028	728,980	604,396	1,189,859	943,424
Total Liabilities	<u>2,666,380</u>	<u>2,144,733</u>	<u>10,877,757</u>	<u>11,180,770</u>	<u>13,544,137</u>	<u>13,325,503</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,907,584	4,418,236	11,067,056	10,398,520	15,974,640	14,816,756
Restricted Assets	179,353	103,031	1,665,219	1,474,966	1,844,572	1,577,997
Unrestricted	1,508,925	1,232,875	1,290,303	930,693	2,799,228	2,163,568
Total Net Assets	<u>\$ 6,595,862</u>	<u>5,754,142</u>	<u>14,022,578</u>	<u>12,804,179</u>	<u>20,618,440</u>	<u>\$ 18,558,321</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2007**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The Town's assets increased by approximately \$2,279,000, or 7%, over the prior year. This increase was primarily due to an increase in cash and investments of approximately \$1,061,000 (which was attributable to the strong operating performance of the Town's water/sewer operations). In addition, the Town's capital assets at September 30, 2007 increased by approximately \$1,011,000 from the prior year, due to capital asset additions of approximately \$2,161,000, partially offset by depreciation expense and net disposals of approximately \$1,150,000.

Total liabilities at September 30, 2007 increased by approximately \$219,000 from the prior year; this is primarily due an increase in accounts payable related to several significant invoices submitted near year end. In addition, the Town had scheduled principal payments of approximately \$677,000 for long-term obligations partially offset by a new capital lease of approximately \$635,000 and an increase in compensated absences of approximately \$14,000.

The government's net assets increased by approximately \$2,060,000 during the current fiscal year, which is the result of current year revenues exceeding current year expenses. Please see discussion following the next table regarding this increase.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by approximately \$20,618,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (approximately \$15,975,000 or 77%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (approximately \$1,844,000 or 9%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for victims services, tourism related costs, and future debt service payments. The remaining balance is unrestricted net assets of approximately \$2,799,000 which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in net assets for fiscal year 2007 compared to 2006.

	<b>Town's Changes in Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,946,515	2,449,958	5,540,481	4,896,116	8,486,996	\$ 7,346,074
Operating Grants and Contributions	340,378	482,554	-	-	340,378	482,554
Capital Grants and Contributions	170,406	-	627,857	616,403	798,263	616,403
General Revenues:						
Property Taxes	2,546,195	2,222,507	-	-	2,546,195	2,222,507
Hospitality Taxes	102,944	-	-	-	102,944	-
Intergovernmental Revenue	245,745	235,518	-	-	245,745	235,518
Other Revenue	132,407	309,798	86,721	62,278	219,128	372,076
<b>Total Revenues</b>	<b>6,484,590</b>	<b>5,700,335</b>	<b>6,255,059</b>	<b>5,574,797</b>	<b>12,739,649</b>	<b>11,275,132</b>
Expenses:						
General Government	941,685	630,475	-	-	941,685	630,475
Judicial	46,868	42,790	-	-	46,868	42,790
Public Works	1,204,612	2,260,273	-	-	1,204,612	2,260,273
Public Safety	2,839,462	2,307,008	-	-	2,839,462	2,307,008
Culture and Recreation	220,397	239,245	-	-	220,397	239,245
Community Development	306,054	444,075	-	-	306,054	444,075
Interest and Fiscal Charges	83,792	69,393	-	-	83,792	69,393
Water/Sewer	-	-	5,036,660	4,282,529	5,036,660	4,282,529
<b>Total Expenses</b>	<b>5,642,870</b>	<b>5,993,259</b>	<b>5,036,660</b>	<b>4,282,529</b>	<b>10,679,530</b>	<b>10,275,788</b>
Change in Net Assets	841,720	(292,924)	1,218,399	1,292,268	2,060,119	999,344
Net Assets, Beginning of Year	5,754,142	6,047,066	12,804,179	11,511,911	18,558,321	17,558,977
<b>Net Assets, End of Year</b>	<b>\$ 6,595,862</b>	<b>5,754,142</b>	<b>14,022,578</b>	<b>12,804,179</b>	<b>20,618,440</b>	<b>\$ 18,558,321</b>

**Governmental Activities:** Revenues exceeded expenses by approximately \$842,000 for 2007 for the governmental activities. Revenues increased by approximately \$784,000 (14%) to approximately \$6,485,000 from the prior year, due primarily to an increase in program revenue (primarily due to privilege licenses, permits, and operating grants), and hospitality tax revenues of approximately \$103,000 (which were collected for the first time in 2007). Property taxes increased significantly as well (approximately \$324,000 or 15%) from the prior year due to an increase in current real tax revenue. Expenses decreased by approximately \$350,000 (6%) to approximately \$5,643,000 from the prior year, due primarily to decreases in public works expenses related to a large volume of repairs and maintenance expense recorded in the prior fiscal year. General Government expenses increased approximately \$311,000 (49%) due to new salaries/fringes and comprehensive plan. In addition, Public Safety expenses increased approximately \$532,000 (23%) primarily due to significant increases in salary related expenses.

Overall, governmental activities operations increased the Town's net assets by approximately \$842,000 in 2007.

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2007

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Business-Type Activities:** Revenues exceeded expenses by approximately \$1,218,000 for 2007 for the business-type activities. Revenues increased by approximately \$680,000 (12%) to approximately \$6,255,000 from the prior year due to new construction in the area. Expenses increased by approximately \$754,000 (18%) to approximately \$5,037,000, due primarily to increased cost in the purchase of wholesale water. Overall, business-type activities increased the Town's net assets by approximately \$1,218,000.

#### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$1,975,000, an increase of approximately \$499,000 from the prior year. Approximately 83% of this total amount (approximately \$1,639,000) constitutes unreserved, undesignated fund balances, which is available for spending at the government's discretion. The remainder of the fund balances is designated or reserved for either tourism related costs, capital lease purchases, victims services, or capital projects.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$1,703,000. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved, undesignated fund balance of the General Fund represents approximately 26% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$464,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$340,000 or 6% primarily due to fines, fees, licenses and permits exceeding budgeted revenue by approximately \$324,000. Actual tax revenue was slightly lower than expected (approximately \$79,000 or 3%), but higher than the prior year tax revenue by approximately \$385,000.
- General Fund expenditures exceeded budgeted expectations by approximately 8% or \$425,000. Primarily due higher capital outlay associated with the new capital lease.
- Other financing sources (uses) for 2007 consisted of the proceeds from the new capital lease of \$635,000 (which was used for the purchase of Town equipment), proceeds received from the disposal of capital assets of approximately \$21,000, and transfers to the Capital Projects Fund (to fund current and future construction projects) and the Community Development Fund of approximately \$82,000 and \$15,000, respectively.

In addition, the fund balances of the remaining Special Revenue and Capital Project Funds increased by approximately \$35,000. Highlights for all of the remaining Special Revenue and Capital Project Funds were as follows:

- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$351,000 primarily related to a new soccer field.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2007**

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Proprietary Funds:** The Town's proprietary fund provides the same type of information found in the government-wide basic financial statements but in more detail. Net assets of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$14,023,000. Factors concerning the operation of this fund have already been addressed in the discussion of the Town's business-type activities.

**Budgetary Highlights**

The Town's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, Capital Projects Fund, and the Gross Revenue Fund (enterprise fund). There were no significant budget amendments made during fiscal year 2007.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2007, was approximately \$6,802,000 and \$20,949,000, respectively (net of accumulated depreciation). These capital assets include land, infrastructure, buildings and improvements, equipment, and vehicles.

The capital assets (net of accumulated depreciation) as of September 30, 2007 and 2006, were as follows:

**Town's Capital Assets**  
(Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 669,610	650,215	305,505	305,505	975,115	\$ 955,720
Land Improvements	251,488	-	-	-	251,488	-
Infrastructure	958,841	544,001	20,055,862	19,943,991	21,014,703	20,487,992
Buildings & Improvements	3,007,762	3,105,850	292,600	301,864	3,300,362	3,407,714
Equipment	638,662	689,667	265,479	121,250	904,141	810,917
Vehicles	1,275,596	1,056,317	29,662	21,250	1,305,258	1,077,567
Total	<u>\$ 6,801,959</u>	<u>6,046,050</u>	<u>20,949,108</u>	<u>20,693,860</u>	<u>27,751,067</u>	<u>\$ 26,739,910</u>

Major capital asset events during the current year include:

- Construction of a ball field for approximately \$257,000.
- Purchase of a new equipment, and vehicles for approximately \$668,000.
- Purchased and donated infrastructure capital assets of approximately \$608,000 and \$628,000, respectively.
- Disposal of capital assets of approximately \$3,000.
- Depreciation expense of approximately \$1,147,000.

Additional information on the Town's capital assets can be found in Notes I and III of the Basic Financial Statements.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2007**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Obligations:** As of September 30, 2007, the Town had total bonded indebtedness outstanding of approximately \$9,126,000, of which approximately \$893,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$2,999,000 in capital leases outstanding at year end. Additional information regarding the Town's long-term debt can be found in Note III in the Notes to the Basic Financial Statements.

**Town's Long-Term Obligations**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General Obligation Bonds	\$ 893,434	1,024,868	-	-	893,434	\$ 1,024,868
Revenue Bonds/State Revolving Fund	-	-	8,232,845	8,566,036	8,232,845	8,566,036
Capital Leases	1,120,826	602,946	1,878,313	1,973,686	2,999,139	2,576,632
Compensated Absences	191,241	177,891	37,619	36,652	228,860	214,543
Total	\$ 2,205,501	1,805,705	10,148,777	10,576,374	12,354,278	\$ 12,382,079

The Town's total debt decreased by approximately \$465,000 during the past fiscal year as a result of scheduled principal payments of approximately \$465,000. The Town's capital leases increased approximately \$423,000 due to a new capital lease for approximately \$635,000, partially offset by principal payments of \$212,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2007 was approximately \$2,141,000. The legal debt margin was approximately \$1,248,000.

**ECONOMIC FACTORS**

The Southeast region of the United States has experienced tremendous growth and prosperity over the past decade, particularly the Charlotte Metropolitan Area. Located within this area, Fort Mill has also experienced significant growth within the period. The growth rate is expected to accelerate over the next decade, but may suffer some short term lag because of the nationwide housing down turn.

Fort Mill has been home to the corporate headquarters one of the nation's largest textile manufacturers for over a century. Recently, the town began attracting many other corporate headquarters and commercial offices. Fort Mill now enjoys a diverse employment base that has grown with our residential population.

The Town's climate, natural assets, and economic diversity have combined to reinforce its role within this region for both the state of South Carolina and the Southeastern region of the United States. The Town is recognized as one of the Southeast's most progressive local governments and has amassed a notable record of success. It is characterized by active involvement in support of economic development, provision of high quality services, and a pro-business attitude.

**NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN**

The adopted FY 2007-08 General Fund operating budget is \$5,910,929. The General Fund budget is balanced without an increase in the Town's millage rate or the rates associated with the Town's franchise fees or business licenses. The budget does call for a nominal increase in solid waste fees to adequately fund the related services.

**REQUESTS FOR TOWN INFORMATION**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 112 Confederate Street, Fort Mill, South Carolina, 29715.

# **BASIC FINANCIAL STATEMENTS**

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,268,518	1,651,115	\$ 2,919,633
Cash and Cash Equivalents, Restricted	267,751	620,311	888,062
Investments, Restricted	-	1,177,947	1,177,947
Receivables, Net:			
Property Taxes	106,082	-	106,082
Accounts	59,264	710,272	769,536
Other	256,401	-	256,401
Internal Balances	437,524	(437,524)	-
Due From:			
State Government	64,743	-	64,743
Bond Issuance Costs, Net	-	229,106	229,106
Capital Assets:			
Non-Depreciable	669,610	305,505	975,115
Depreciable, Net	6,132,349	20,643,603	26,775,952
<b>TOTAL ASSETS</b>	<b>9,262,242</b>	<b>24,900,335</b>	<b>34,162,577</b>
<b>LIABILITIES</b>			
Accounts Payable	287,653	419,469	707,122
Accrued Interest Payable	46,633	133,039	179,672
Accrued Salaries and Fringe Benefits	107,700	26,077	133,777
Other Liabilities	9,899	-	9,899
Unearned Revenues	8,994	150,395	159,389
Non-Current Liabilities:			
Due Within One Year	578,625	513,375	1,092,000
Due in More Than One Year	1,626,876	9,635,402	11,262,278
<b>TOTAL LIABILITIES</b>	<b>2,666,380</b>	<b>10,877,757</b>	<b>13,544,137</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,907,584	11,067,056	15,974,640
Restricted For:			
Debt Service	-	1,665,219	1,665,219
Tourism Related	94,762	-	94,762
Victims Services	53,104	-	53,104
Narcotics	31,487	-	31,487
Unrestricted	1,508,925	1,290,303	2,799,228
<b>TOTAL NET ASSETS</b>	<b>\$ 6,595,862</b>	<b>14,022,578</b>	<b>\$ 20,618,440</b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General Government	\$ 941,685	2,219,528	-	-	1,277,843		\$ 1,277,843
Judicial	46,868	109,097	-	-	62,229		62,229
Public Works	1,204,612	380,207	-	-	(824,405)		(824,405)
Public Safety	2,839,462	176,840	40,378	-	(2,622,244)		(2,622,244)
Culture and Recreation	220,397	60,843	-	170,406	10,852		10,852
Community Development	306,054	-	300,000	-	(6,054)		(6,054)
Interest and Fiscal Charges	83,792	-	-	-	(83,792)		(83,792)
<b>Total Governmental Activities</b>	<b>5,642,870</b>	<b>2,946,515</b>	<b>340,378</b>	<b>170,406</b>	<b>(2,185,571)</b>		<b>(2,185,571)</b>
Business-Type Activities:							
Water/Sewer	5,036,660	5,540,481	-	627,857		1,131,678	1,131,678
<b>Total Business-Type Activities</b>	<b>5,036,660</b>	<b>5,540,481</b>	<b>-</b>	<b>627,857</b>		<b>1,131,678</b>	<b>1,131,678</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 10,679,530</b>	<b>8,486,996</b>	<b>340,378</b>	<b>798,263</b>	<b>(2,185,571)</b>	<b>1,131,678</b>	<b>(1,053,893)</b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					2,546,195	-	2,546,195
Hospitality Taxes					102,944	-	102,944
Intergovernmental Revenue - Unrestricted					245,745	-	245,745
Investment Income					38,846	74,721	113,567
Miscellaneous					75,092	12,000	87,092
Gain on Sale of Capital Assets					18,469	-	18,469
<b>Total General Revenues</b>					<b>3,027,291</b>	<b>86,721</b>	<b>3,114,012</b>
<b>CHANGE IN NET ASSETS</b>					<b>841,720</b>	<b>1,218,399</b>	<b>2,060,119</b>
NET ASSETS, Beginning of Year					5,754,142	12,804,179	18,558,321
<b>NET ASSETS, End of Year</b>					<b>6,595,862</b>	<b>14,022,578</b>	<b>\$ 20,618,440</b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,047,797	104,163	116,558	\$ 1,268,518
Cash and Cash Equivalents, Restricted	172,989	94,762	-	267,751
Receivables, Net:				
Property Taxes	106,082	-	-	106,082
Accounts	59,264	-	-	59,264
Other	223,101	30,987	2,313	256,401
Due From:				
Other Funds	517,080	82,000	-	599,080
State Government	64,743	-	-	64,743
<b>TOTAL ASSETS</b>	<b><u>2,191,056</u></b>	<b><u>311,912</u></b>	<b><u>118,871</u></b>	<b><u>2,621,839</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	130,772	148,820	8,061	287,653
Accrued Salaries and Fringe Benefits	107,700	-	-	107,700
Accrued Expenses	-	-	-	-
Due to Other Funds	161,556	-	-	161,556
Deferred and Unearned Revenues	77,679	-	2,313	79,992
Other Liabilities	9,899	-	-	9,899
<b>TOTAL LIABILITIES</b>	<b><u>487,606</u></b>	<b><u>148,820</u></b>	<b><u>10,374</u></b>	<b><u>646,800</u></b>
<b>FUND BALANCES</b>				
Reserved For:				
Tourism Related Costs	-	94,762	-	94,762
Capital Lease Purchases	119,885	-	-	119,885
Victims Services	53,104	-	-	53,104
Unreserved:				
Designated for Capital Projects	-	68,330	-	68,330
Undesignated, Reported In:				
General Fund	1,530,461	-	-	1,530,461
Special Revenue Funds	-	-	108,497	108,497
<b>TOTAL FUND BALANCES</b>	<b><u>1,703,450</u></b>	<b><u>163,092</u></b>	<b><u>108,497</u></b>	<b><u>1,975,039</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,191,056</u></b>	<b><u>311,912</u></b>	<b><u>118,871</u></b>	<b><u>\$ 2,621,839</u></b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2007**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,975,039</b>
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Property taxes in the Statement of Net Assets will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	70,998
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$9,319,977, and the accumulated depreciation was \$2,518,018.	6,801,959
Accrued interest on bonds in governmental accounting was not due and payable in the current period and therefore has not been reported as a liability in the funds.	(46,633)
Long-term liabilities, including debt premiums, are not due or payable in the current period, and therefore are not reported as liabilities in the funds. Governmental fund long-term liabilities at year-end consisted of the following:	
Long-Term Debt (Including Capital Leases)	(2,014,260)
Compensated Absences	<u>(191,241)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 6,595,862</u></u></b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2007

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 2,541,120	102,944	-	\$ 2,644,064
Fines, Fees, Licenses and Permits	2,272,506	-	-	2,272,506
Charges for Service	395,744	-	-	395,744
Grants	23,815	110,406	300,000	434,221
Intergovernmental	306,587	-	-	306,587
Miscellaneous	277,122	82,805	9,151	369,078
Investment Earnings	35,822	2,446	578	38,846
<b>TOTAL REVENUES ALL SOURCES</b>	<b>5,852,716</b>	<b>298,601</b>	<b>309,729</b>	<b>6,461,046</b>
<b>EXPENDITURES</b>				
Current:				
General Government	844,102	-	-	844,102
Judicial	45,527	-	-	45,527
Public Works	1,551,581	-	-	1,551,581
Public Safety	2,631,249	-	13,361	2,644,610
Culture and Recreation	136,428	-	-	136,428
Community Development	-	-	306,054	306,054
Capital Outlay	424,762	351,154	-	775,916
Debt Service:				
Principal Retirement	248,716	-	-	248,716
Interest and Fiscal Charges	65,730	-	-	65,730
<b>TOTAL EXPENDITURES</b>	<b>5,948,095</b>	<b>351,154</b>	<b>319,415</b>	<b>6,618,664</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(95,379)</b>	<b>(52,553)</b>	<b>(9,686)</b>	<b>(157,618)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Disposal of Capital Assets	21,050	-	-	21,050
Capital Lease	635,162	-	-	635,162
Transfers In	-	82,000	89,648	171,648
Transfers Out	(97,000)	-	(74,648)	(171,648)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>559,212</b>	<b>82,000</b>	<b>15,000</b>	<b>656,212</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>463,833</b>	<b>29,447</b>	<b>5,314</b>	<b>498,594</b>
FUND BALANCES, Beginning of Year	1,239,617	133,645	103,183	1,476,445
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,703,450</b>	<b>163,092</b>	<b>108,497</b>	<b>\$ 1,975,039</b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2007**

---

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 498,594**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in deferred revenues for the year.	5,075
Repayment of bond principal is an expenditure or other financing use in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	248,716
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long-term liabilities in the Statement of Net Assets. This is the proceeds received in the current year.	(635,162)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in the interest accrued.	(18,062)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.	(13,350)
Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(2,581)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation expense in the current period.	758,490

**TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 841,720**

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUND

SEPTEMBER 30, 2007

	<u>GROSS REVENUE</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,651,115
Cash and Cash Equivalents, Restricted	620,311
Investments, Restricted	1,177,947
Receivables, Net:	
Accounts	710,272
Due From:	
Other Funds	79,556
Total Current Assets	<u>4,239,201</u>
Non-Current Assets:	
Bond Issuance Costs, Net	229,106
Capital Assets:	
Non-Depreciable	305,505
Depreciable, Net	20,643,603
Total Non-Current Assets	<u>21,178,214</u>
<b>TOTAL ASSETS</b>	<b><u>25,417,415</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	419,469
Accrued Interest Payable	133,039
Accrued Salaries and Fringe Benefits	26,077
Due to Other Funds	517,080
Unearned Revenues	150,395
Compensated Absences	30,000
Debt and Capital Leases	483,375
Total Current Liabilities	<u>1,759,435</u>
Non-Current Liabilities:	
Compensated Absences	7,619
Debt and Capital Leases	9,627,783
Total Non-Current Liabilities	<u>9,635,402</u>
<b>TOTAL LIABILITIES</b>	<b><u>11,394,837</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	11,067,056
Restricted For:	
Debt Service	1,665,219
Unrestricted	1,290,303
<b>TOTAL NET ASSETS</b>	<b><u>\$ 14,022,578</u></b>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2007

	<u>GROSS REVENUE</u>
<b>OPERATING REVENUES</b>	
Water Revenue and Penalties	\$ 1,523,000
Sewer Revenues	1,687,056
York County Water Sales	1,217,951
Riverview Water Sales	147,129
Tega Cay Water Sales	255,323
Water Taps	282,825
Sewer Taps	426,600
Other Revenues	597
<b>TOTAL OPERATING REVENUES</b>	<u><u>5,540,481</u></u>
<b>OPERATING EXPENSES</b>	
Water	2,987,782
Sewer	816,334
Other Operating Expenses	1,690
Depreciation	739,868
<b>TOTAL OPERATING EXPENSES</b>	<u><u>4,545,674</u></u>
<b>OPERATING INCOME (LOSS)</b>	<u><u>994,807</u></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Donated Capital Assets	627,857
Investment Earnings	74,721
Interest Expense and Fiscal Charges	(490,986)
Tega Cay Water Line Payment	12,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u><u>223,592</u></u>
<b>CHANGE IN NET ASSETS</b>	<b>1,218,399</b>
NET ASSETS, Beginning of Year	<u>12,804,179</u>
<b>NET ASSETS, End of Year</b>	<u><u>\$ 14,022,578</u></u>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2007

	<u>GROSS REVENUE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Charges for Fees and Services	\$ 5,397,120
Receipts from Other Revenues	597
Payments for Personal Services	(980,353)
Payments for Goods and Services	(2,585,876)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,831,488</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers To Other Funds	288,406
Other Non-Operating Receipts (Payments)	12,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>300,406</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(367,259)
Bond and Note Payments	(428,564)
Interest Paid on Bonds	(479,265)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,275,088)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(1,177,947)
Income Received on Investments	74,721
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,103,226)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(246,420)</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<u>2,517,846</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u><b>\$ 2,271,426</b></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 994,807
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	739,868
(Increase) Decrease in Current Assets:	
Receivables	(222,053)
Due from Federal Government	186,984
Prepaid Expenses	2,776
Increase (Decrease) in Current Liabilities:	
Accounts Payable	230,517
Accrued Salaries & Fringe Benefits	5,317
Deferred and Unearned Revenues	(107,695)
Compensated Absences	967
Net Cash Provided by Operating Activities	<u>\$ 1,831,488</u>
Non-Cash Investing, Capital and Financing Activities: Donated Capital Assets	<u>\$ 627,857</u>

The notes to the basic financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

# TOWN OF FORT MILL, SOUTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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The Town of Fort Mill, South Carolina (the "Town") was initially incorporated on February 12, 1873 under the general law for government of municipalities of the State of South Carolina. The original charter was surrendered on October 11, 1907 and the Town accepted incorporation under the provisions of Article II, Chapter XLIX, Code of 1902 and amendments thereto. The Town operates under the Council-Manager form of government pursuant to the Home Rule Statute, Act No. 283 of 1975.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

All activities, including component units, for which the Town is considered financially accountable, have been incorporated into the basic financial statements to form the reporting entity. The Town's basic financial statements include the accounts of all operations, including, but not limited to, general operations and support services, capital projects, and special revenue.

The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the Town. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

1. Determine its budget without the Town having the authority to approve or modify that budget;
2. Levy taxes or set rates or charges without approval by the Town; and
3. Issue bond debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's basic financial statements to be misleading or incomplete. There were no component units required to be included in the Town's basic financial statements.

#### *Related Organizations*

##### Fort Mill Housing Authority

The Fort Mill Housing Authority (the "Authority") is administered by a five member Board of Directors (the "Board"). Members of the Board which are appointed by the Mayor for a five year fixed term are made up of community leaders (who are not Town officials). The Town's responsibility does not extend beyond the Mayor making these appointments. The Authority does not have a significant operational or financial relationship with the Town.

#### *Major Operations*

The Town's major governmental operations include general government, judicial, public works, public safety (police and fire protection), culture and recreation, and community development. In addition, the Town provides water and sewer services through its enterprise fund (business-type activity).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). 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 Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide basic financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the Proprietary Fund's basic financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide basic financial statements are prepared using a different measurement focus from the manner in which governmental fund basic financial statements are prepared (see further detail below). Governmental fund basic financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Governmental fund basic 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. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes 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 payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund basic financial statements report detailed information about the Town. The focus of governmental and enterprise fund basic financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

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

The Town's major and non-major governmental fund types are as follows:

The *General Fund, a major fund*, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

The *Capital Projects Fund, a major fund*, is used to account for financial resources expended for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). These funds are also used to carry on specified ongoing major improvement projects or major equipment acquisitions usually spanning more than one fiscal year. This is a budgeted fund.

The *Special Revenue Funds, non-major funds*, are used to account for the proceeds of designated specific revenue sources (other than major capital projects) that are restricted by law or administrative actions to expenditures for specified purposes. These funds do not have a legally adopted budget and any remaining fund balance is generally reserved for the purpose of the specific revenue source.

Narcotics Fund

Community Development

*Proprietary Fund Types* are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Town has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

*Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town has one major Enterprise Fund:

The **Gross Revenue Fund, a budgeted fund**, is used to account for the Town's water and sewer operations.

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

**Cash and Cash Equivalents**

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents.

**Investments**

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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

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

**1. Cash, Cash Equivalents, and Investments (Continued)**

**Investments (Continued)**

- (f) No load open-end 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 or 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, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices.

The Town currently or in the past year has used the following investments:

- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.

Certain cash, cash equivalents, and investments of the Town may be legally restricted from time to time. The major type of restrictions were (a) those imposed by the revenue source (victims services, hospitality tax, narcotics, etc.) and (b) bond indenture requirements which require the establishment of accounts/funds for (1) maximum annual principal and interest payments (unless a surety bond was provided) and (2) the next succeeding principal and accrued interest payment.

**2. Receivables and Payables**

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers. Town management determines the classification of amounts recorded as subsidies or advances. To the extent that certain transactions between funds had not been paid or received as of September 30, 2007, balances of interfund amounts or payables have been recorded. Internal service funds are used to record charges to all Town departments as operating revenue. All Town funds record these payments to the internal service funds as operating expenditures or expenses.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality taxes, sanitation, sewer, parking, and other fees and charges.

**3. Inventories and Prepaids**

Inventories and prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid). If significant amounts of inventories or prepaid items exist in the governmental funds, the Town records these amounts in the balance sheet.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund basic financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective fund basic financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Because the Town was a phase III entity (governments with total annual revenue of less than \$10 million based on a government's total annual revenues in the first fiscal year ending after June 15, 1999) it was not required to report infrastructure retroactively by GASB #34. In accordance with GASB #34, the Town has recorded all infrastructure assets since implementing GASB #34 in fiscal year 2004. These assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend capital assets' lives are not capitalized. The Town maintains a minimum capitalization threshold of \$5,000 for all capital assets.

Interest costs during construction are not capitalized in the Town's governmental funds but are capitalized for qualified property in the Town's proprietary fund (if material). Interest costs on tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. Interest costs are not capitalized on assets acquired or constructed with gifts and grants that are restricted by the donor or grantor to acquisition of those capital assets. Interest costs are not capitalized for small projects or those for which the construction period is less than six months.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental Activities/ Business-Type Activities
Infrastructure	10-50 years
Buildings and Improvements	10-50 years
Equipment	5-10 years
Vehicles	5-20 years

5. Compensated Absences

The Town's vacation policy allows the accumulation of leave between 10 and 25 days annually, based upon length of service. Employees terminating or retiring are paid for accumulated vacation up to a maximum of 30 days based on their hourly rate of pay earned at the time of termination or retirement as well as accumulated compensatory time. The Town does not have a policy limiting the amount of compensatory time an employee can accumulate and be paid out.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide basic financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund basic financial statements. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or terminations.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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

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

**6. *Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the Proprietary Fund basic financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, non-current portion of capital leases, compensated absences, contractually required pension contributions, special termination benefits and other miscellaneous long-term obligations that will be paid from governmental funds are reported as a liability in the fund basic financial statements only to the extent that they are due and payable.

In the government-wide basic financial statements long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts (if any), as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund basic 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 premiums.

**7. *Fund Balance***

In the fund basic financial statements, the Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations of fund balance represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure. Fund balance reserves can be established for, but not limited to the following: prepaids, inventory, non-current receivables, prior year appropriations, grant projects, debt service, capital projects and special revenue programs. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

**8. *Net Assets***

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets are classified as invested in capital assets net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt/capital leases which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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

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

**9. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

**10. Accounting Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**11. Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

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

**A. Budgetary Information**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In early August, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and Council meetings are conducted to inform and obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance by October 1. Any supplemental budgetary appropriations made are subject to the same procedures as the original budget ordinance.
4. The Town Manager is authorized to administer the budget and may transfer appropriated funds between accounts within and between each department without Town Council's prior approval provided the transfer does not alter the total appropriations for either fund. Town Council must approve any revisions that alter the total appropriations of a fund. Department heads are responsible for managing their respective budgets. Department heads are not allowed to make transfers of appropriated funds. The legal level of budgetary authority is at the departmental level.
5. Legally adopted budgets are employed as a management control device during the year for the General Fund, Capital Projects Fund, and Gross Revenue Fund. Expenditures/expenses may not legally exceed appropriations on the fund level. The remaining Special Revenue Funds are not formally budgeted but effective budgetary control is achieved through the various grant documents and appropriate state law.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

6. The budgets for the governmental funds are legally adopted on a basis consistent with GAAP. The proprietary fund (Gross Revenue Fund) is legally adopted on the cash basis (which is not consistent with GAAP).
7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council plus encumbrances and funds designated for continuing projects carried over from the preceding year.
8. Encumbrances do not lapse but are brought forward to the new year and added to the budget adopted by Town Council for that year. It is Town policy to close out all encumbrances possible before year-end. The Town had no encumbrances at September 30, 2007.
9. All unencumbered appropriations, except those designated as continuing projects by the Town Manager, lapse at year-end.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2007, approximately \$3,711,000 of the Town's bank balances of approximately \$4,011,000 (which had a carrying value of \$3,807,695) were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Town.

*Investments*

As of September 30, 2007, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
Treasury Money Market Fund - Open Ended	AAAm, Aaa	\$ 1,177,947	less than 90 days

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service and Fitch Ratings.

**Interest Rate Risk:** The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2007, none of the Town's investments were exposed to custodial credit risk.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

A. Deposits and Investments (Continued)

*Investments (Continued)*

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments:** The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2007 were related to (a) bond agreements (\$1,798,258), (b) victim’s services (\$53,104), (c) narcotics (\$33,546), (d) capital lease purchases (\$119,885), and (e) hospitality taxes (\$94,762).

B. Property Taxes and Other Receivables

*Property Taxes*

Real Property taxes are levied on October 1 on the assessed valuations of property located in York County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2-March 16	10% of tax
March 17 and thereafter	15 % of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by York County. Property tax revenue is recognized when collected by the County Treasurer's Office. Assessed values for real estate are established annually by the York County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. For the year ended September 30, 2007, millage was set at 81.0 mills to cover general Town services and uses.

Based on information provided by the York County Treasurer’s Office, the Town has recorded uncollected, property taxes at September 30, 2007 of \$106,082 (net of allowance for uncollectible portion of \$3,084) for the General Fund. Delinquent property taxes of \$3,023 have been recognized as revenue at December 31, 2006 because it is expected to be collected within 60 days of year end. The remaining amount of \$70,998 has been recorded as deferred revenue on the governmental fund basic financial statements because it is not expected to be collected within 60 days of year end.

*Other Receivables*

The Town has other receivables primarily related to its garbage services and water/sewer operations of \$59,264 (net of allowance for uncollectible portion of \$36,258) and \$709,971 (net of allowance for uncollectible portion of \$161,236), respectively. The services that generate the garbage and water/sewer receivables are provided and billed each month and are considered due as of September 30, 2007 (garbage service receivables are considered available as they are expected to be collected within 60 days of year end).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

The interfund balances at September 30, 2007, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Net Receivables	Net Payables
General Fund	\$ 517,080	\$ 161,556
Gross Revenue Fund	79,556	517,080
Capital Projects Fund	82,000	-
Totals	<u>\$ 678,636</u>	<u>\$ 678,636</u>

The interfund receivables and payables are primarily the result of the General Fund financing operating expenses for the Gross Revenue Fund. The outstanding receivable in the Capital Projects Fund was due to Town Council approving a transfer from the General Fund of monies to finish projects such as the new soccer fields.

*Interfund Transfers*

Interfund transfers for the year ended September 30, 2007, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Funds:</u></b>		
General Fund	\$ -	\$ 97,000
Capital Projects Fund	82,000	-
<b><u>Other Non-Major Funds:</u></b>		
Special Revenue Fund - Narcotics Fund	35,118	39,530
Special Revenue Fund - Community Development Fund	54,530	35,118
Totals	<u>\$ 171,648</u>	<u>\$ 171,648</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. Town Council approved a transfer of \$82,000 at year end to fund the final costs associated with the new soccer fields.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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

**D. Capital Assets**

Capital asset activity for the Town’s governmental activities for the year ended September 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 650,215	19,395	-	\$ 669,610
Total Capital Assets, Non-Depreciable	<u>650,215</u>	<u>19,395</u>	<u>-</u>	<u>669,610</u>
Capital Assets, Depreciable:				
Land Improvements	-	257,485	-	257,485
Infrastructure	569,242	430,808	-	1,000,050
Buildings and Improvements	3,923,509	-	-	3,923,509
Equipment	1,094,618	64,855	12,666	1,146,807
Vehicles	1,950,784	393,032	21,300	2,322,516
Total Capital Assets Depreciable	<u>7,538,153</u>	<u>1,146,180</u>	<u>33,966</u>	<u>8,650,367</u>
Less: Accumulated Depreciation for:				
Land Improvements	-	5,997	-	5,997
Infrastructure	25,241	15,968	-	41,209
Buildings and Improvements	817,659	98,088	-	915,747
Equipment	404,951	113,279	10,085	508,145
Vehicles	894,467	173,753	21,300	1,046,920
Total Accumulated Depreciation	<u>2,142,318</u>	<u>407,085</u>	<u>31,385</u>	<u>2,518,018</u>
Total Capital Assets, Depreciable, Net	<u>5,395,835</u>	<u>739,095</u>	<u>2,581</u>	<u>6,132,349</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,046,050</u>	<u>758,490</u>	<u>2,581</u>	<u>\$ 6,801,959</u>

The cost of equipment recorded under capital lease was approximately \$1,405,000. Accumulated amortization was approximately \$293,000 at September 30, 2007. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Depreciation expense for the Town’s Governmental Activities was charged to functions/programs as follows:

Functions/Programs	Amount
Governmental Activities:	
General Government	\$ 120,178
Public Safety	133,475
Public Works	70,922
Recreation	82,510
Total Depreciation Expense - Governmental Activities	<u>\$ 407,085</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

D. Capital Assets (Continued)

Capital asset activity for the Town’s business-type activities for the year ended September 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Non-Depreciable				
Land	\$ 305,505	-	-	\$ 305,505
Construction in Progress	-	-	-	-
Total Capital Assets, Non-Depreciable	<u>305,505</u>	<u>-</u>	<u>-</u>	<u>305,505</u>
Capital Assets, Depreciable				
Infrastructure	26,462,380	805,148	-	27,267,528
Buildings and Improvements	370,542	-	-	370,542
Equipment	304,109	170,970	-	475,079
Vehicles	128,209	18,998	-	147,207
Total Capital Assets, Depreciable	<u>27,265,240</u>	<u>995,116</u>	<u>-</u>	<u>28,260,356</u>
Less: Accumulated Depreciation for:				
Infrastructure	6,518,389	693,277	-	7,211,666
Buildings and Improvements	68,678	9,264	-	77,942
Equipment	182,859	26,741	-	209,600
Vehicles	106,959	10,586	-	117,545
Total Accumulated Depreciation	<u>6,876,885</u>	<u>739,868</u>	<u>-</u>	<u>7,616,753</u>
Total Capital Assets, Depreciable, Net	<u>20,388,355</u>	<u>255,248</u>	<u>-</u>	<u>20,643,603</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,693,860</u>	<u>255,248</u>	<u>-</u>	<u>\$ 20,949,108</u>

The cost of capital assets that was purchased under capital lease was approximately \$3,122,000. Accumulated amortization was approximately \$1,152,000 at September 30, 2007. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

The Town receives from time to time donated infrastructure for new subdivisions/projects that are given to the Town from various developers. In 2007, the Town received approximately \$628,000 in donated infrastructure primarily related to several new subdivisions. The value of the infrastructure was based on actual cost provided to the Town by the contractor.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

E. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town. Capital Lease obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of capital lease obligations nor the interest thereon.

Details on the Town’s governmental activities outstanding debt issues and capital leases as of September 30, 2007 are as follows:

	Principal Outstanding at Year End
<b><i>General Obligation Bonds</i></b>	
\$657,300 general obligation serial bond issued in December, 1994 (“Series 1995”), due in annual installments of \$53,837 beginning December 2, 1995 through December 2, 2014 which includes interest at 5.251%. The proceeds of this issue were primarily used to build the Town’s fire station.	\$344,683
\$1,000,000 general obligation refunding serial bonds issued in July, 2002 (“Series 2002”), due in annual installments of \$123,230 beginning July 2, 2003 through July 2, 2012 which includes interest at 3.990%. The proceeds from this issue were used to defray the cost of constructing additions and renovations to the Fort Mill Town Hall.	548,751
Total Outstanding General Obligation Bonds	<u>\$893,434</u>
<b><i>Capital Lease Obligations</i></b>	
\$735,823 capital lease was entered into in June 2003, with annual installments of \$87,764 beginning June 17, 2004 through June 17, 2013 which includes interest at 3.340%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of a ladder truck (“Ladder Truck”).	\$ 470,124
\$45,000 capital lease was entered into in July 2005, with annual installments of \$16,108 beginning July 19, 2006 through June 19, 2008 which includes interest at 3.650%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of a dump truck (“Dump Truck”).	15,540
\$635,162 capital lease was entered into in December 2006, with annual installments of \$227,925 beginning December 20, 2007 through December 20, 2009 which includes interest at 3.780%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of equipment/vehicles (“Equipment/Vehicles Lease”).	635,162
Total Outstanding Capital Lease Obligations	<u>\$1,120,826</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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

**E. Long-Term Obligations (Continued)**

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2007, for the Town's governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GOB - Series 1995	\$ 378,671	-	33,988	344,683	\$ 35,773
GOB - Series 2002	646,197	-	97,446	548,751	101,334
Total Debt	<u>1,024,868</u>	<u>-</u>	<u>131,434</u>	<u>893,434</u>	<u>137,107</u>
Capital Leases:					
Ladder Truck	539,857	-	69,733	470,124	72,062
Recycling Truck	32,555	-	32,555	-	-
Dump Truck	30,534	-	14,994	15,540	15,540
Equipment/Vehicles Lease	-	635,162	-	635,162	203,916
Total Capital Leases	<u>602,946</u>	<u>635,162</u>	<u>117,282</u>	<u>1,120,826</u>	<u>291,518</u>
Compensated Absences	177,891	203,165	189,815	191,241	150,000
<b>Total Governmental Activities</b>	<u>\$ 1,805,705</u>	<u>838,327</u>	<u>438,531</u>	<u>2,205,501</u>	<u>\$ 578,625</u>

Resources from the General Fund have been used to liquidate the governmental activities debt, capital lease obligations, and compensated absence liabilities.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of September 30, 2007, the Town had approximately \$893,000 of bonded debt subject to the 8% limit of approximately \$2,141,000 resulting in an unused legal debt margin of approximately \$1,248,000.

Details on the Town's business-type activities outstanding debt issues and capital leases as of September 30, 2007 are as follows:

<b>Revenue Bonds</b>	Principal Outstanding at Year End
<p>\$6,375,000 waterworks and sewer refunding and improvement revenue bonds issued in June, 1998 ("1998 Revenue Bonds"), due in annual installments of \$80,000 to \$360,000 beginning December 1, 1998 through December 1, 2022, plus interest at approximately 4.966% due semi-annually. The proceeds from this issue were used to advance refund the 1988 and 1991 bonds and to provide funding for further expansion and improvement of the water/sewer system.</p>	<u>\$4,955,000</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<b><i>State Water Pollution Control Revolving Fund Loans (“State Revolving Loan”)</i></b>	
\$490,037 revolving fund loan issued in September, 2001 (“2001 State Revolving Loan”), due in quarterly installments of \$8,695 beginning October 1, 2001 through January 1, 2021 which includes interest at 3.5%. The proceeds from this issue were used to fund an expansion to the wastewater treatment plant.	\$ 367,479
\$568,708 revolving fund loan issued in December, 2004 (“2003 State Revolving Loan”), due in quarterly installments of \$12,101 to \$10,137 beginning March 1, 2004 through December 1, 2023, which includes interest at 3.75%. The proceeds from this issue were used to fund the Tega Cay and Banks Street Water line extensions.	491,707
\$2,625,993 revolving fund loan issued in May, 2004 (“2004 State Revolving Loan”), due in quarterly installments of \$48,526 beginning September 1, 2005 through May 1, 2025, which includes interest at 3.75%. The proceeds from this issue were used to fund an expansion to the wastewater treatment plant.	2,418,659
Total Outstanding State Revolving Loans	<u>\$3,277,845</u>

***Capital Lease Obligations***

\$2,762,550 capital lease was entered into in December, 1992 (“Rock Hill Water Line Lease”), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus interest at approximately 5.643% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u>\$1,878,313</u>
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Presented below is a summary of changes in long-term obligations for the year ended September 30, 2007, for the Town’s business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
State Revolving Loans:					
2001	\$ 388,925	-	21,446	367,479	\$ 16,582
2003	513,306	-	21,599	491,707	22,420
2004	2,508,805	-	90,146	2,418,659	97,888
Total State Revolving Loans	3,411,036	-	133,191	3,277,845	136,890
1998 Revenue Bonds	5,155,000	-	200,000	4,955,000	245,000
Total Debt	8,566,036	-	333,191	8,232,845	381,890
Capital Lease - Rock Hill Water Line	1,973,686	-	95,373	1,878,313	101,485
Compensated Absences	36,652	39,974	39,007	37,619	30,000
<b>Total Business-Type Activities</b>	<b>\$ 10,576,374</b>	<b>39,974</b>	<b>467,571</b>	<b>10,148,777</b>	<b>\$ 513,375</b>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

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

E. Long-Term Obligations (Continued)

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt, capital leases, and compensated absence liabilities.

Certain proceeds from the issuance of the Revenue Bonds as well as revenues generated by water/sewer operations are restricted by the bond ordinance for construction, payment of operating, and other expenses, or are set aside as reserves to ensure repayment of the bonds. Certain other assets are accumulated and restricted in accordance with the bond ordinance for the purposes of paying interest and principal payments and for the purpose of maintaining reserve funds at the required levels.

In addition, the bond ordinance also contains various negative, affirmative, and administrative covenants as defined in the bond ordinance. Of particular importance is the requirement that the Town maintain a rate covenant (net earnings to annual principal and interest requirements for qualified debt for the each fiscal year as defined) of 120%. The Town met the rate covenant for the year ended September 30, 2007.

Debt Service Requirements to Maturity

Presented below is a summary of debt service requirements to maturity by year for the Town’s governmental and business-type activities as of September 30, 2007:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2008	\$ 137,107	39,995	291,518	40,278	\$ 508,898
2009	143,029	34,074	286,093	29,596	492,792
2010	149,211	27,892	296,579	19,110	492,792
2011	155,664	21,439	79,527	8,238	264,868
2012	162,401	14,702	82,183	5,581	264,867
2013 - 2015	146,022	15,598	84,926	2,837	249,383
Totals	\$ 893,434	153,700	1,120,826	105,640	\$ 2,273,600
<b><u>Business-Type Activities</u></b>					
2008	\$ 381,890	352,378	101,485	103,079	\$ 938,832
2009	402,678	336,208	106,965	97,023	942,874
2010	418,236	319,208	113,058	90,644	941,146
2011	439,003	301,174	119,833	83,906	943,916
2012	454,987	282,078	126,632	76,789	940,486
2013 - 2017	2,587,889	1,087,531	751,527	264,293	4,691,240
2018 - 2022	2,651,835	495,804	558,813	48,468	3,754,920
2023 - 2025	896,327	38,216	-	-	934,543
Totals	\$ 8,232,845	3,212,597	1,878,313	764,202	\$ 14,087,957

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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**IV. OTHER INFORMATION**

**A. Risk Management**

**Participation in Public Entity Risk Pools for Property and Casualty Insurance**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended September 30, 2007, the Town made premium payments totaling approximately \$151,767. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$16,798,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The Town pays an annual premium to SCMIT. In the year ended September 30, 2007, the Town made premium payments totaling approximately \$88,633. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$6,049,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

**Health Plan**

The Town maintains a fully insured health insurance program for Town employees. The Town pays a premium each month to the insurer and the insurance provider pays all covered claims.

**B. Contingent Liabilities and Commitments**

**Grants**

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

**C. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan (“401(k) Plan”), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission (“Commission”). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$3,023,488 of the Town’s \$3,225,400 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$15,000 per year.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

**IV. OTHER INFORMATION (CONTINUED)**

**C. Deferred Compensation Plan (Continued)**

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The Town contributes five dollars per week to each employee chosen to participate. Employer and Employee contributions were approximately \$21,695 and \$82,595 respectively for the year ended September 30, 2007. There were no significant changes in plan provisions during the current year.

**D. Retirement Plans**

*South Carolina Retirement and Police Officer's Retirement System*

Full time employees of the Town are covered under two different retirement plans. Town employees, except for fire and police department employees participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. Town police officers and firemen participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan.

Both the SCRS and the SCPORS 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 South Carolina Code of Laws and thus only the State of South Carolina has authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The PORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen.

Group life insurance benefits equal to one year's salary may be paid to a beneficiary after one year of service and a lump sum payment of up to \$6,000 based upon years of service.

Both employees and the Town are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings. Employees covered under PORS are required to contribute 6.5% of salary. Employees covered under SCRS are required to contribute 6.5% of salary as of year end. The Town is required to contribute 10.3% of gross earnings under PORS and 8.05% under SCRS as of year end. Employees have the option of not participating in the retirement plans. Current year payrolls covered under both systems are as follows:

	PORS	SCRS
\$	1,298,850	\$ 1,795,281

Total payroll for 2007 for all Town employees was approximately \$3,198,083. The Town's contributions equaled the amount required. The retirement contributions made by the Town for the current year and each of the two preceding years are as follows:

Year Ended September 30,	SCRS Contributions		SCPORS Contributions	
	Required	% Contributed	Required	% Contributed
2007	\$ 152,609	100%	\$ 139,779	100%
2006	127,477	100%	111,894	100%
2005	\$ 108,634	100%	\$ 100,575	100%

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Other Postemployment Benefits**

Upon retirement from the Town, employees who meet certain eligibility requirements have the option to retain health and dental insurance through the Town by paying 100% of the employee premium. To be eligible, an employee must retire and qualify for full retirement with the SCRS or PORS, or a combination of both with a minimum of 10 years of service with the Town. The Town's retiree health insurance coverage is established and can only be changed by Town Council. The cost of this benefit is financed on a pay-as-you-go basis. Current expenditures are included in the overall health care costs of the Town and cannot be reasonably separated or estimated. Presently there is one participant.

In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("Statement"). This Statement establishes standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Town is required to adopt this Statement in fiscal year 2010 and is in the process of determining the impact of adopting this Statement will have on the Town. Management is not able at this present time to quantify the Town's OPEB liability under this Statement.

**F. Economic Dependency**

The Town's Gross Revenue Fund purchases all its water, used for resale, from the City of Rock Hill, South Carolina. The Town entered into an agreement with the City of Rock Hill whereby the City of Rock Hill will sell the Town through the year 2014 at the City of Rock Hill's prevailing wholesale rate.

One water customer accounted for approximately 28% of total water sales for the year ended September 30, 2007. In December 1998, the Town entered into a water service agreement with this customer whereby this customer will purchase a minimum of 200,000 gallons of water per day through the year 2008.

# **REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2007

	<b>GENERAL FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Taxes	\$ 2,620,000	2,620,000	2,541,120	\$ (78,880)
Fines, Fees, Licenses and Permits:	1,948,400	1,948,400	2,272,506	324,106
Charges For Services	397,000	397,000	395,744	(1,256)
Grants	-	-	23,815	23,815
Intergovernmental	311,795	311,795	306,587	(5,208)
Miscellaneous	225,580	225,580	277,122	51,542
Investment Earnings	10,000	10,000	35,822	25,822
<b>TOTAL REVENUES ALL SOURCES</b>	<b>5,512,775</b>	<b>5,512,775</b>	<b>5,852,716</b>	<b>339,941</b>
<b>EXPENDITURES</b>				
Current:				
General Government	804,905	804,905	844,102	(39,197)
Judicial	42,920	42,920	45,527	(2,607)
Public Works	1,501,830	1,501,830	1,551,581	(49,751)
Public Safety	2,617,605	2,617,605	2,631,249	(13,644)
Culture and Recreation	140,266	140,266	136,428	3,838
Capital Outlay	83,650	83,650	424,762	(341,112)
Debt Service:				
Principal Retirement	331,799	331,799	248,716	83,083
Interest and Fiscal Charges	-	-	65,730	(65,730)
<b>TOTAL EXPENDITURES</b>	<b>5,522,975</b>	<b>5,522,975</b>	<b>5,948,095</b>	<b>(425,120)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,200)</b>	<b>(10,200)</b>	<b>(95,379)</b>	<b>(85,179)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Disposal of Capital Assets	10,000	10,000	21,050	11,050
Capital Lease	-	-	635,162	635,162
Transfers Out	(15,000)	(15,000)	(97,000)	(82,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>559,212</b>	<b>564,212</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(15,200)</b>	<b>(15,200)</b>	<b>463,833</b>	<b>479,033</b>
FUND BALANCE, Beginning of Year	1,239,617	1,239,617	1,239,617	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,224,417</b>	<b>1,224,417</b>	<b>1,703,450</b>	<b>\$ 479,033</b>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. The original and revised budget reflects the use of \$15,200 of accumulated fund balance from prior years, appropriated for current year expenditures.

# **OTHER SUPPLEMENTARY INFORMATION**

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2007

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current Property Taxes	\$ 2,225,000	2,129,111	\$ (95,889)
Current Vehicle Taxes	360,000	338,276	(21,724)
Delinquent Taxes	2,000	33,741	31,741
Prior Years, Including Penalties and Execution Fees	5,000	11,278	6,278
Housing Authority in Lieu of Taxes	28,000	28,714	714
<b>Total Taxes</b>	<b><u>2,620,000</u></b>	<b><u>2,541,120</u></b>	<b><u>(78,880)</u></b>
<b>Fines, Fees, Licenses, and Permits:</b>			
Privilege Licenses	1,400,000	1,652,290	252,290
Duke Power in Lieu of Taxes	135,000	156,835	21,835
York Electric in Lieu of Taxes	38,000	47,962	9,962
Fines and Penalties	75,000	109,097	34,097
Permits	300,400	306,322	5,922
<b>Total Fines, Fees, Licenses, and Permits</b>	<b><u>1,948,400</u></b>	<b><u>2,272,506</u></b>	<b><u>324,106</u></b>
<b>Charges for Services:</b>			
Garbage Revenue	365,000	363,977	(1,023)
Cemetery Lots	4,000	4,800	800
Grave Openings	22,000	16,230	(5,770)
Assembly Center Fees	6,000	10,737	4,737
<b>Total Charges for Services</b>	<b><u>397,000</u></b>	<b><u>395,744</u></b>	<b><u>(1,256)</u></b>
<b>Grant Revenues:</b>			
Forensics Grant	-	23,815	23,815
<b>Total Grant Revenues</b>	<b><u>-</u></b>	<b><u>23,815</u></b>	<b><u>23,815</u></b>
<b>Intergovernmental Revenues:</b>			
State Shared Revenue	228,826	230,109	1,283
Manufacturer's Depreciation Reimbursement	7,500	166	(7,334)
Merchants Inventory Tax	15,469	15,469	-
Parks	60,000	60,843	843
<b>Total Intergovernmental Revenues</b>	<b><u>311,795</u></b>	<b><u>306,587</u></b>	<b><u>(5,208)</u></b>
<b>Miscellaneous:</b>			
York County Natural Gas Authority	40,000	40,583	583
School Resource Officers	155,000	167,689	12,689
York County Fire Protection	15,580	16,563	983
Other	15,000	52,287	37,287
<b>Total Miscellaneous</b>	<b><u>\$ 225,580</u></b>	<b><u>277,122</u></b>	<b><u>\$ 51,542</u></b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Investment Earnings:</b>			
Investment Earnings	\$ 10,000	35,822	\$ 25,822
<b>Total Investment Earnings</b>	<b>10,000</b>	<b>35,822</b>	<b>25,822</b>
 <b>TOTAL REVENUES ALL SOURCES</b>	 <b>5,512,775</b>	 <b>5,852,716</b>	 <b>339,941</b>
 <b>EXPENDITURES</b>			
<b>General Government:</b>			
Town Council:			
Personnel Services	4,894	(1,174)	6,068
Operating Expenditures	221,866	233,971	(12,105)
Community Promotions	1,500	1,601	(101)
Miscellaneous	500	265	235
Total Town Council	228,760	234,663	(5,903)
Administration:			
Personnel Services	312,447	282,574	29,873
Operating Expenditures	263,698	326,865	(63,167)
Capital Outlay	-	59,167	(59,167)
Total Administration	576,145	668,606	(92,461)
<b>Total General Government</b>	<b>804,905</b>	<b>903,269</b>	<b>(98,364)</b>
 <b>Judicial:</b>			
Municipal Court:			
Personnel Services	18,479	30,678	(12,199)
Operating Expenditures	24,441	14,849	9,592
Capital Outlay	3,500	1,341	2,159
<b>Total Judicial</b>	<b>46,420</b>	<b>46,868</b>	<b>(448)</b>
 <b>Public Works:</b>			
Administration:			
Personnel Services	90,533	84,215	6,318
Operating Expenditures	35,086	35,629	(543)
Total Administration	125,619	119,844	5,775
Sanitation:			
Personnel Services	178,923	173,566	5,357
Operating Expenditures	234,648	244,333	(9,685)
Capital Outlay	-	123,581	(123,581)
Total Sanitation	\$ 413,571	541,480	\$ (127,909)

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Public Works (Continued):</b>			
Building and Grounds:			
Personnel Services	\$ 424,465	404,014	\$ 20,451
Operating Expenditures	85,596	79,930	5,666
Total Building and Grounds	<u>510,061</u>	<u>483,944</u>	<u>26,117</u>
Street Department:			
Personnel Services	139,285	144,431	(5,146)
Operating Expenditures	215,627	292,810	(77,183)
Capital Outlay	-	18,550	(18,550)
Total Street Department	<u>354,912</u>	<u>455,791</u>	<u>(100,879)</u>
Garage and Vehicle:			
Personnel Services	48,668	48,877	(209)
Operating Expenditures	48,999	43,776	5,223
Total Garage and Vehicle	<u>97,667</u>	<u>92,653</u>	<u>5,014</u>
<b>Total Public Works</b>	<b><u>1,501,830</u></b>	<b><u>1,693,712</u></b>	<b><u>(191,882)</u></b>
<b>Public Safety:</b>			
Police Department:			
Personnel Services	1,714,587	1,681,236	33,351
Operating Expenditures	331,332	337,953	(6,621)
Capital Outlay	25,200	130,896	(105,696)
Total Police Department	<u>2,071,119</u>	<u>2,150,085</u>	<u>(78,966)</u>
Fire Department:			
Personnel Services	429,458	442,693	(13,235)
Operating Expenditures	142,228	169,367	(27,139)
Capital Outlay	17,450	62,942	(45,492)
Total Fire Department	<u>589,136</u>	<u>675,002</u>	<u>(85,866)</u>
<b>Total Public Safety</b>	<b><u>2,660,255</u></b>	<b><u>2,825,087</u></b>	<b><u>(164,832)</u></b>
<b>Cultural and Recreation:</b>			
Recreation:			
Personnel Services	58,121	60,162	(2,041)
Operating Expenditures	82,145	76,266	5,879
Capital Outlay	37,500	28,285	9,215
<b>Total Cultural and Recreation</b>	<b><u>\$ 177,766</u></b>	<b><u>164,713</u></b>	<b><u>\$ 13,053</u></b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2007

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Debt Service:</b>			
Principal Retirement	\$ 331,799	248,716	\$ 83,083
Interest and Fiscal Charges	-	65,730	(65,730)
<b>Total Debt Service</b>	<u>331,799</u>	<u>314,446</u>	<u>17,353</u>
<b>TOTAL EXPENDITURES</b>	<u><b>5,522,975</b></u>	<u><b>5,948,095</b></u>	<u><b>(425,120)</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>(10,200)</b></u>	<u><b>(95,379)</b></u>	<u><b>(85,179)</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Disposal of Capital Assets	10,000	21,050	11,050
Capital Lease	-	635,162	635,162
Transfers Out	(15,000)	(97,000)	(82,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,000)</u>	<u>559,212</u>	<u>564,212</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><b>(15,200)</b></u>	<u><b>463,833</b></u>	<u><b>479,033</b></u>
FUND BALANCE, Beginning of Year	<u>1,239,617</u>	<u>1,239,617</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ 1,224,417</b></u>	<u><b>1,703,450</b></u>	<u><b>\$ 479,033</b></u>

**TOWN OF FORT MILL, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**SEPTEMBER 30, 2007**

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOAL</u>
	<u>NARCOTICS</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>NON-MAJOR FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 33,546	83,012	\$ 116,558
Cash and Cash Equivalents, Restricted	-	-	-
Receivables, Net:			
Other	-	2,313	2,313
<b>TOTAL ASSETS</b>	<b><u>33,546</u></b>	<b><u>85,325</u></b>	<b><u>118,871</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	2,059	6,002	8,061
Deferred and Unearned Revenues	-	2,313	2,313
<b>TOTAL LIABILITIES</b>	<b><u>2,059</u></b>	<b><u>8,315</u></b>	<b><u>10,374</u></b>
<b>FUND BALANCES</b>			
Unreserved - Undesignated	31,487	77,010	108,497
<b>TOTAL FUND BALANCES</b>	<b><u>31,487</u></b>	<b><u>77,010</u></b>	<b><u>108,497</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 33,546</u></b>	<b><u>85,325</u></b>	<b><u>\$ 118,871</u></b>

TOWN OF FORT MILL, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR FUNDS

YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS		TOTAL NON-MAJOR FUNDS
	NARCOTICS	COMMUNITY DEVELOPMENT	
<b>REVENUES</b>			
Grants	\$ -	300,000	\$ 300,000
Miscellaneous	9,151	-	9,151
Investment Earnings	578	-	578
<b>TOTAL REVENUES ALL SOURCES</b>	<b>9,729</b>	<b>300,000</b>	<b>309,729</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	13,361	-	13,361
Community Development	-	306,054	306,054
<b>TOTAL EXPENDITURES</b>	<b>13,361</b>	<b>306,054</b>	<b>319,415</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,632)</b>	<b>(6,054)</b>	<b>(9,686)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	35,118	54,530	89,648
Transfers Out	(39,530)	(35,118)	(74,648)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,412)</b>	<b>19,412</b>	<b>15,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(8,044)</b>	<b>13,358</b>	<b>5,314</b>
FUND BALANCES, Beginning of Year	39,531	63,652	103,183
<b>FUND BALANCES, End of Year</b>	<b>\$ 31,487</b>	<b>77,010</b>	<b>\$ 108,497</b>

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
FINAL BUDGET AND ACTUALS

YEAR ENDED SEPTEMBER 30, 2007

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>OPERATING REVENUES</b>					
Water Revenue and Penalties	\$ 1,221,500	1,523,000	-	1,523,000	\$ 301,500
Sewer Revenues	1,550,000	1,687,056	-	1,687,056	137,056
York County Water Sales	718,200	1,217,951	-	1,217,951	499,751
Riverview Water Sales	119,900	147,129	-	147,129	27,229
Tega Cay Water Sales	206,000	255,323	-	255,323	49,323
Water Taps	250,000	282,825	-	282,825	32,825
Sewer Taps	300,000	426,600	-	426,600	126,600
Other Revenues	2,000	597	-	597	(1,403)
<b>TOTAL OPERATING REVENUES</b>	<b>4,367,600</b>	<b>5,540,481</b>	<b>-</b>	<b>5,540,481</b>	<b>1,172,881</b>
<b>OPERATING EXPENSES</b>					
Water:					
Water Purchases	1,308,413	1,802,936	-	1,802,936	(494,523)
Salaries	574,224	576,261	-	576,261	(2,037)
Fringe Benefits	117,311	103,765	-	103,765	13,546
Material and Supplies	75,700	120,473	-	120,473	(44,773)
Electricity	2,500	1,283	-	1,283	1,217
Permits	12,500	10,519	-	10,519	1,981
Insurance	8,012	8,012	-	8,012	-
Water Meter Replacement	25,000	84,291	-	84,291	(59,291)
Equipment Repairs	7,500	4,636	-	4,636	2,864
Other Repairs	4,000	-	-	-	4,000
Postage	10,000	13,216	-	13,216	(3,216)
Gas, Oil, and Grease	11,000	11,840	-	11,840	(840)
Street Maintenance	90,000	96,837	-	96,837	(6,837)
Miscellaneous	2,000	8,525	-	8,525	(6,525)
Auto Repairs	6,500	4,762	-	4,762	1,738
Uniforms	6,800	6,523	-	6,523	277
Water and Heat	1,000	-	-	-	1,000
Telephone	9,500	10,475	-	10,475	(975)
Travel/Training	2,500	504	-	504	1,996
Transportation	-	18,998	(18,998)	-	(18,998)
Membership/Dues	1,200	1,188	-	1,188	12
Advertising	1,000	2,166	-	2,166	(1,166)
Professional Services	22,500	69,575	-	69,575	(47,075)
Hydrant Repairs	20,000	13,225	-	13,225	6,775
Pre-Employment Expense	3,000	224	-	224	2,776
Contracted services	5,000	11,482	-	11,482	(6,482)
Employee Assistance	230	216	-	216	14
Building Maintenance	1,500	1,166	-	1,166	334
Capital Outlay	71,400	43,813	(20,131)	23,682	27,587
<b>\$ 2,400,290</b>	<b>3,026,911</b>	<b>(39,129)</b>	<b>2,987,782</b>	<b>\$ (626,621)</b>	

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
FINAL BUDGET AND ACTUALS

YEAR ENDED SEPTEMBER 30, 2007

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 224,565	224,992	-	224,992	\$ (427)
Fringe Benefits	79,766	81,619	-	81,619	(1,853)
Electricity	60,000	64,145	-	64,145	(4,145)
Equipment Repairs	17,500	13,996	-	13,996	3,504
Material and Supplies	50,000	42,528	-	42,528	7,472
Electricity Lift Station	30,000	28,211	-	28,211	1,789
Alum	25,000	20,270	-	20,270	4,730
Professional Services	32,000	53,582	-	53,582	(21,582)
Insurance	21,990	21,990	-	21,990	-
Contract Labor	13,500	31,490	-	31,490	(17,990)
Chemicals	15,000	14,435	-	14,435	565
Lab Supplies	4,000	2,429	-	2,429	1,571
Gas, Oil, and Grease	14,500	14,306	-	14,306	194
Service Contracts	4,000	3,691	-	3,691	309
Natural Gas	10,000	121	-	121	9,879
Auto Repairs	5,500	5,184	-	5,184	316
Telephone	5,000	4,334	-	4,334	666
Uniforms	7,500	6,902	-	6,902	598
Travel/Training	4,200	1,726	-	1,726	2,474
Transportation	33,450	7,378	(7,378)	-	26,072
Miscellaneous	348,855	376,688	(300,621)	76,067	(27,833)
Water and Heat	3,500	938	-	938	2,562
Building Maintenance	12,500	2,028	-	2,028	10,472
Lime	17,000	12,029	-	12,029	4,971
Membership/Dues	1,000	250	-	250	750
Landfill Fees	70,000	44,511	-	44,511	25,489
Permits	3,500	2,280	-	2,280	1,220
Pump Station Repairs	25,000	40,750	-	40,750	(15,750)
Machinery and Equipment	-	20,131	(20,131)	-	(20,131)
Pump Station Monitoring	7,500	1,390	-	1,390	6,110
Employee Assistance	250	140	-	140	110
	<u>1,146,576</u>	<u>1,144,464</u>	<u>(328,130)</u>	<u>816,334</u>	<u>2,112</u>
Other Operating Expenses	5,517	1,690	-	1,690	3,827
Depreciation	-	-	739,868	739,868	-
<b>TOTAL OPERATING EXPENSES</b>	<u>3,552,383</u>	<u>4,173,065</u>	<u>372,609</u>	<u>4,545,674</u>	<u>(620,682)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 815,217</u>	<u>1,367,416</u>	<u>(372,609)</u>	<u>994,807</u>	<u>\$ 552,199</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
FINAL BUDGET AND ACTUALS

YEAR ENDED SEPTEMBER 30, 2007

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Donated Capital Assets	\$ -	-	627,857	627,857	\$ -
Investment Earnings	20,000	74,721	-	74,721	54,721
Debt Service	(944,217)	(62,422)	(428,564)	(490,986)	881,795
Tega Cay Water Line Payment	12,000	12,000	-	12,000	-
Gain (Loss) on Sale of Capital Assets	1,000	-	-	-	(1,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(911,217)</b>	<b>24,299</b>	<b>199,293</b>	<b>223,592</b>	<b>935,516</b>
<b>CHANGE IN NET ASSETS</b>	<b>(96,000)</b>	<b>1,391,715</b>	<b>(173,316)</b>	<b>1,218,399</b>	<b>1,487,715</b>
NET ASSETS, Beginning of Year	12,804,179	12,804,179	-	12,804,179	-
<b>NET ASSETS, End of Year</b>	<b>\$ 12,708,179</b>	<b>14,195,894</b>	<b>(173,316)</b>	<b>14,022,578</b>	<b>\$ 1,487,715</b>

Note: The above budgetary information has been prepared on the Town's budgetary basis (cash basis), which is not consistent with accounting principles generally accepted in the United States of America ("GAAP").

The actual budgetary basis results have been adjusted to reflect GAAP adjustments to tie to the basic financial statements as follows:

- Depreciation Expense	\$ (739,868)
- Capital Asset Additions	367,259
- Donated Capital Assets (Infrastructure)	627,857
- Principal Payments on Debt and Capital Leases	(428,564)
<b>Total GAAP Adjustments</b>	<b>\$ (173,316)</b>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES**

**YEAR ENDED SEPTEMBER 30, 2007**

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**Court Fines and Assessments**

Court Fines and Assessments Collected	\$ 285,121
Court Fines and Assessments Retained by the City	(126,026)
<b>Total Court Fines and Assessments Remitted to the State Treasurer</b>	<b><u>159,095</u></b>

**Victim Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	63,500
Court Assessments Allocated to Victim Assistance Fund	18,085
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)	(28,480)
<b>Funds Available for Carryforward, End of Year</b>	<b><u>\$ 53,105</u></b>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of Town Council  
Town of Fort Mill  
Fort Mill, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina, (the “Town”) as of and for the year ended September 30, 2007, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain weaknesses in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider items 2007-1 through 2007-3 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2007-1 through 2007-3 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town in a separate letter dated February 19, 2008.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express not opinion on them.

This report is intended solely for the information and use of management, Town Council, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
February 19, 2008

**TOWN OF FORT MILL, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED SEPTEMBER 30, 2007**

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**2007-1: Internal Controls over the Annual Financial Reporting Process**

**Condition:** The Town does not have adequate internal controls over its annual financial reporting process that would allow for the Town to prevent or detect material misstatements in the basic financial statements. Instead, the Town has chosen to use its external independent auditors as its internal control for the annual financial reporting process, from the recording of various receivables and payables on the modified accrual basis to the conversion to the full accrual basis that is used for the government-wide financial statements.

**Criteria:** The Town should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements from the day-to-day transactions through to the reporting of those transactions in its annual financial statements.

**Cause:** The limited resources available at the Town.

**Effect:** There is a higher risk that material misstatements in the basic financial statements will go undetected.

**Recommendation:** The Town should consider the cost/benefit factors related to providing adequate internal controls over its annual financial reporting process.

**Response:** The Town will continue to evaluate the cost/benefit factors of providing adequate internal controls over its annual financial reporting process. Currently, the Town believes it is most cost beneficial to use its external auditors to prepare the annual financial statements.

**2007-2: Lack of Segregation of Duties in Payroll, Human Resource, and Accounts Payable**

**Condition:** There is a lack of segregation of duties in the Payroll, Human Resource, and Accounts Payable operations.

**Criteria:** A segregation of accounting duties should exist that provides reasonable assurance for the prevention or early detection of fraud.

**Effect:** Due to the lack of segregation of accounting duties, the risk of fraud increases significantly.

**Cause:** The same person administers all human resource and payroll functions, such as the input of employee salary data, input of new employees, preparation of payroll disbursements, and actual payroll disbursements. In addition, this person can add new vendors and prepares all accounts payable disbursements.

**Recommendations:** We recommend the Town consider hiring an accountant or bookkeeper; this person could help eliminate the segregation of duties by being responsible for part of the payroll and accounts payable functions. In the interim, we recommend the Town consider the following recommendations:

- The Finance Director produces and approves a payroll pre-list prior to the generation of payroll checks. In addition, immediately after the disbursement of payroll checks the amount disbursed should be checked against the previously approved payroll register.
- Once invoices have been reviewed and checks printed, the Finance Director should account for the numerical sequence of all checks. The checks should then be submitted to the Town manager for his signature. The Town manager should not return these checks once he has signed them; they should be mailed by his office.

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2007

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**2007-2: Lack of Segregation of Duties in Payroll, Human Resource, and Accounts Payable (Continued)**

**Response:** The Town acknowledges that further segregation of duties is necessary. However, current staffing does not allow for this. In the interim, the Town Manger will look into additional security measures relating to employee access to payroll. The Finance Director will increase review of check activity to provide better oversight. Additionally, the Town will continue to review staffing levels in order to provide better segregation of duties in payroll and accounts payable.

**2007-3: Procurement/Purchasing Procedures Were Not Being Followed**

**Condition:** During our testing of disbursements we noted the Town was not following its own procurement/purchasing policy regarding documenting approvals before disbursements are made.

**Criteria:** The Town should follow its own procurement/purchasing policy regarding disbursement approvals.

**Effect:** The Town has a higher risk for inappropriate or fraudulent disbursements that could materially affect the financial reporting process.

**Cause:** Lack of complying with the Town's procurement/purchasing policy regarding disbursements.

**Recommendation:** We recommend that the Town should take the necessary steps to ensure all parties involved in the procurement/purchasing process follow the Town's established policies.

**Response:** The Town Manager has informed department heads and supervisors of the appropriate steps that must be taken to ensure current procurement/purchasing processes are followed. This primarily includes verification and documentation of purchases/invoices. In addition, the Town will evaluate current policies and consider appropriate revisions and/or additions.