

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2009**

TOWN OF FORT MILL, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED SEPTEMBER 30, 2009

INTRODUCTORY SECTION

	<u>Page</u>
Table of Contents	i
Principal Officials	iii

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	3

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Assets	12
Statement of Activities	13

Fund Financial Statements

Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20

<i>Notes to the Basic Financial Statements</i>	21
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Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	42
--	----

Other Supplementary Information

Other Budgetary Schedule - General Fund

Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balance - Final Budget and Actual	44
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Combining and Individual Fund Schedules

Combining Balance Sheet - Non-Major Funds	48
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Funds	49

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED SEPTEMBER 30, 2009

FINANCIAL SECTION (CONTINUED)

Other Supplementary Information (Continued)

Other Supplemental Schedules

Schedule of Detailed Revenues, Expenses, and Changes in Fund Net Assets - Final Budget and Actuals - Proprietary Fund	50
Schedule of Municipal Court Fines, Assessments, and Surcharges	53

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	55
Schedule of Findings and Responses	57

TOWN OF FORT MILL, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED SEPTEMBER 30, 2009

Established

1873

MAYOR

Danny Funderburk

TOWN COUNCIL MEMBERS

Mayor Pro-Tem – Larry Huntley

Tom Adams

Ronald Helms

Kerry Mosher

Guynn Savage

Ken Starnes

TOWN MANAGER

David E. Hudspeth

FINANCE DIRECTOR

Chantay F. Bouler



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, 2009, 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, as of September 30, 2009, 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 March 5, 2010, 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 management's discussion and analysis and budgetary comparison schedule for the General Fund, 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
Mauldin, South Carolina
March 5, 2010

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009. 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 \$24,456,000 (*net assets*). Of this amount, approximately \$4,342,000 (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 \$677,000 (an increase of approximately \$966,000 from governmental activities and a decrease of approximately \$289,000 from business-type activities), as total revenues of approximately \$12,277,000 exceeded total expenses of approximately \$11,600,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,251,000, an increase of approximately \$519,000 from the prior year. Of this total amount, 77%, or approximately \$2,498,000, 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 \$2,375,000, or 35% of total General Fund expenditures for the year ended September 30, 2009.
- The Town's total capital assets decreased by approximately \$748,000 (3%) during the current fiscal year, due to depreciation expense of approximately \$1,260,000, partially offset by capital additions of approximately \$512,000.
- The Town's long-term obligations decreased by approximately \$970,000 (8%) during the current fiscal year, due to approximately \$995,000 in principal payments, partially offset by an increase in compensated absences of approximately \$25,000.

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, 2009

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, 2009

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"> ▪ Statement of net assets. ▪ Statement of activities. 	<ul style="list-style-type: none"> ▪ Balance sheet. ▪ Statement of revenues, expenditures, and changes in fund balances. 	<ul style="list-style-type: none"> ▪ Statement of net assets. ▪ Statement of revenues, expenses, and changes in net assets. ▪ Statement of cash flows.
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 2009 compared to 2008:

Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 3,906,257	3,377,731	3,609,399	3,716,745	7,515,656	\$ 7,094,476
Capital Assets	7,161,981	7,243,051	21,620,595	22,287,261	28,782,576	29,530,312
Total Assets	<u>11,068,238</u>	<u>10,620,782</u>	<u>25,229,994</u>	<u>26,004,006</u>	<u>36,298,232</u>	<u>36,624,788</u>
Long-Term Liabilities	1,557,143	2,014,849	9,146,968	9,659,365	10,704,111	11,674,214
Other Liabilities	538,201	599,267	600,321	572,962	1,138,522	1,172,229
Total Liabilities	<u>2,095,344</u>	<u>2,614,116</u>	<u>9,747,289</u>	<u>10,232,327</u>	<u>11,842,633</u>	<u>12,846,443</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,826,984	5,542,301	12,706,839	12,878,937	18,533,823	18,421,238
Restricted Assets	278,314	178,876	1,301,155	1,568,639	1,579,469	1,747,515
Unrestricted	2,867,596	2,285,489	1,474,711	1,324,103	4,342,307	3,609,592
Total Net Assets	<u>\$ 8,972,894</u>	<u>8,006,666</u>	<u>15,482,705</u>	<u>15,771,679</u>	<u>24,455,599</u>	<u>\$ 23,778,345</u>

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town's assets decreased by approximately \$327,000, or 1%, over the prior year. This decrease was primarily due to capital asset depreciation expense of approximately \$1,260,000, partially offset by capital asset additions of approximately \$512,000. This decrease in capital assets was also partially offset by an increase in cash and cash equivalents and an increase in due from state government.

Total liabilities at September 30, 2009 decreased by approximately \$1,004,000 from the prior year; this is primarily due a decrease in long term liabilities. The Town had scheduled principal payments of approximately \$995,000 for long-term obligations partially offset by an increase in compensated absences of approximately \$25,000.

The government's net assets increased by approximately \$677,000 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 \$24,456,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (approximately \$18,534,000 or 76%) 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 \$1,579,000 or 6%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for tourism related costs, and future debt service payments. The remaining balance is unrestricted net assets of approximately \$4,342,000 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, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2009 compared to 2008.

	Town's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,346,387	3,581,262	4,619,998	4,631,003	7,966,385	\$ 8,212,265
Operating Grants and Contributions	67,067	274,836	-	-	67,067	274,836
Capital Grants and Contributions	37,149	205,000	108,921	1,968,040	146,070	2,173,040
General Revenues:						
Property Taxes	3,547,992	2,957,523	-	-	3,547,992	2,957,523
Hospitality Taxes	163,573	137,713	-	-	163,573	137,713
Intergovernmental Revenue	308,334	297,476	-	-	308,334	297,476
Other Revenue	52,256	99,251	25,317	58,998	77,573	158,249
Total Revenues	7,522,758	7,553,061	4,754,236	6,658,041	12,276,994	14,211,102
Expenses:						
General Government	1,001,167	601,199	-	-	1,001,167	601,199
Judicial	95,545	61,085	-	-	95,545	61,085
Public Works	1,791,878	1,863,228	-	-	1,791,878	1,863,228
Public Safety	3,363,683	3,274,653	-	-	3,363,683	3,274,653
Culture and Recreation	264,710	286,628	-	-	264,710	286,628
Community Development	925	6,000	-	-	925	6,000
Interest and Fiscal Charges	59,622	70,464	-	-	59,622	70,464
Water/Sewer	-	-	5,022,210	4,887,940	5,022,210	4,887,940
Total Expenses	6,577,530	6,163,257	5,022,210	4,887,940	11,599,740	11,051,197
Change in Net Assets Before Transfers	945,228	1,389,804	(267,974)	1,770,101	677,254	3,159,905
Transfers In (Out)	21,000	21,000	(21,000)	(21,000)	-	-
Change in Net Assets	966,228	1,410,804	(288,974)	1,749,101	677,254	3,159,905
Net Assets, Beginning of Year	8,006,666	6,595,862	15,771,679	14,022,578	23,778,345	20,618,440
Net Assets, End of Year	\$ 8,972,894	8,006,666	15,482,705	15,771,679	24,455,599	\$ 23,778,345

Governmental Activities: Revenues exceeded expenses by approximately \$945,000 for 2009 for the governmental activities. Revenues decreased by approximately \$30,000 (.4%) to approximately \$7,523,000 from the prior year, due primarily to a decrease in program revenue by approximately \$610,000 (15%) and an increase in property taxes of approximately \$590,000 (20%). Expenses increased by approximately \$414,000 (7%) to approximately \$6,578,000 from the prior year, due primarily to salaries and benefits. Overall, governmental activities operations increased the Town's net assets by approximately \$966,000 in 2009.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities: Expenses exceeded revenue by approximately \$268,000 for 2009 for the business-type activities. Revenues decreased by approximately \$1,904,000 (29%) to approximately \$4,754,000 from the prior year primarily due to significant donated capital assets that were received in 2008, but not in 2009. Expenses increased by approximately \$134,000 (3%) to approximately \$5,022,000, due primarily to an increase in wholesale water purchased. Overall, business-type activities decreased the Town's net assets by approximately \$289,000.

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 \$3,251,000, an increase of approximately \$519,000 from the prior year. Approximately 77% of this total amount (approximately \$2,498,000) 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 \$2,375,000. 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 35% of total General Fund expenditures. The net decrease in the fund balance of the General Fund was approximately \$53,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$199,000 or 3% primarily due to tax revenue exceeding budgeted revenues by approximately \$291,000, partially offset by fines, fees, licenses and permits revenue coming in less than budget by approximately \$45,000.
- General Fund expenditures were less than budget by approximately 4% or \$285,000, primarily due to the conservative expense approach of the Town Administrator due to the economic downturn.
- The most significant other financing sources (uses) transactions for 2009 consisted of a transfer of \$550,000 from the General Fund to the Capital Projects fund. This was done in accordance with the Town's fund balance policy.

In addition, the fund balances of the remaining Special Revenue and Capital Project Funds increased by approximately \$572,000. 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 \$273,000 (primarily streetscape work).
- The Capital Projects fund received a transfer from the General Fund for \$550,000 in accordance with the Town's fund balance policy.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2009

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 \$15,483,000. 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 2009.

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, 2009, was approximately \$7,162,000 and \$21,621,000, 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, 2009 and 2008 were as follows:

Town's Capital Assets
(Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 700,717	669,610	305,505	305,505	1,006,222	\$ 975,115
Construction in Progress ("CIP")	23,161	331,155	213,614	103,194	236,775	434,349
Land Improvements	231,377	249,596	-	-	231,377	249,596
Infrastructure	1,584,034	1,187,572	20,583,857	21,313,540	22,167,891	22,501,112
Buildings & Improvements	2,837,453	2,909,674	274,073	283,337	3,111,526	3,193,011
Equipment	763,977	784,021	202,998	231,280	966,975	1,015,301
Vehicles	1,021,262	1,111,423	40,548	50,405	1,061,810	1,161,828
Total	<u>\$ 7,161,981</u>	<u>7,243,051</u>	<u>21,620,595</u>	<u>22,287,261</u>	<u>28,782,576</u>	<u>\$ 29,530,312</u>

Major capital asset events during the current year include:

- Purchase of land for approximately \$31,000.
- Purchase of Vehicles for approximately \$85,000.
- Purchase of Equipment for approximately \$134,000.
- Purchase of Buildings & Improvements for approximately \$27,000.
- Governmental Activities CIP Additions for approximately \$125,000.
- Business-Type Activities CIP Additions for approximately \$110,000.
- Depreciation expense of approximately \$1,260,000.

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, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations: As of September 30, 2009, the Town had total debt outstanding of approximately \$8,056,000, of which approximately \$613,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$2,392,000 in capital leases outstanding at year end.

Town's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 613,275	756,327	-	-	613,275	\$ 756,327
Revenue Bonds/State Revolving Fund	-	-	7,442,453	7,845,330	7,442,453	7,845,330
Capital Leases	721,724	1,064,308	1,669,863	1,776,828	2,391,587	2,841,136
Compensated Absences	222,144	194,214	34,652	37,207	256,796	231,421
Total	\$ 1,557,143	2,014,849	9,146,968	9,659,365	10,704,111	\$ 11,674,214

The Town's long-term obligations decreased by approximately \$970,000 (8%) during the current fiscal year, due to approximately \$995,000 in principal payments, partially offset by an increase in compensated absences of approximately \$25,000.

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, 2009 was approximately \$3,446,000. The legal debt margin was approximately \$2,833,000. Additional information regarding the Town's long-term debt can be found in Note III in the Notes to the basic financial statements.

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 has waned over the last 12 months. The current housing national housing crisis has had a recent impact on the area. Town officials continue to project significant growth throughout the next decade, but growth will be limited for the next several quarters.

Fort Mill has been home to the corporate headquarters of 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 2009-10 General Fund operating budget is \$7,226,030. The General Fund budget was balanced with an increase in the Town's millage rate. Rates associated with the Town's franchise fees, business licenses, building permits and solid waste fees were held constant.

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, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 2,741,441	1,559,238	\$ 4,300,679
Cash and Cash Equivalents, Restricted	282,632	1,421,525	1,704,157
Receivables, Net:			
Property Taxes	258,015	-	258,015
Accounts	86,881	681,845	768,726
Other	85,730	15,184	100,914
Internal Balances	375,874	(375,874)	-
Due From:			
State Government	75,684	108,921	184,605
Bond Issuance Costs, Net	-	198,560	198,560
Capital Assets:			
Non-Depreciable	723,878	519,119	1,242,997
Depreciable, Net	6,438,103	21,101,476	27,539,579
TOTAL ASSETS	11,068,238	25,229,994	36,298,232
LIABILITIES			
Accounts Payable	286,523	309,424	595,947
Accrued Interest Payable	26,941	120,370	147,311
Accrued Salaries and Fringe Benefits	211,198	46,259	257,457
Unearned Revenues	13,539	124,268	137,807
Non-Current Liabilities:			
Due Within One Year	623,759	555,467	1,179,226
Due in More Than One Year	933,384	8,591,501	9,524,885
TOTAL LIABILITIES	2,095,344	9,747,289	11,842,633
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,826,982	12,706,839	18,533,821
Restricted For:			
Debt Service	-	1,301,155	1,301,155
Tourism Related	245,518	-	245,518
Narcotics	32,796	-	32,796
Unrestricted	2,867,598	1,474,711	4,342,309
TOTAL NET ASSETS	\$ 8,972,894	15,482,705	\$ 24,455,599

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, 2009

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
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 1,001,167	2,518,943	-	-	1,517,776		\$ 1,517,776
Judicial	95,545	79,155	-	-	(16,390)		(16,390)
Public Works	1,791,878	502,814	-	-	(1,289,064)		(1,289,064)
Public Safety	3,363,683	245,475	19,509	-	(3,098,699)		(3,098,699)
Culture and Recreation	264,710	-	40,218	37,149	(187,343)		(187,343)
Community Development	925	-	7,340	-	6,415		6,415
Interest and Fiscal Charges	59,622	-	-	-	(59,622)		(59,622)
Total Governmental Activities	6,577,530	3,346,387	67,067	37,149	(3,126,927)		(3,126,927)
Business-Type Activities:							
Water/Sewer	5,022,210	4,619,998	-	108,921		(293,291)	(293,291)
Total Business-Type Activities	5,022,210	4,619,998	-	108,921		(293,291)	(293,291)
TOTAL - PRIMARY GOVERNMENT	\$ 11,599,740	7,966,385	67,067	146,070	(3,126,927)	(293,291)	(3,420,218)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,547,992	-	3,547,992
Hospitality Taxes					163,573	-	163,573
Intergovernmental Revenue - Unrestricted					308,334	-	308,334
Investment Income					5,836	5,317	11,153
Miscellaneous					46,420	20,000	66,420
Transfers In (Out)					21,000	(21,000)	-
Total General Revenues					4,093,155	4,317	4,097,472
CHANGE IN NET ASSETS					966,228	(288,974)	677,254
NET ASSETS, Beginning of Year					8,006,666	15,771,679	23,778,345
NET ASSETS, End of Year					8,972,894	15,482,705	\$ 24,455,599

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, 2009

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,182,772	468,582	90,087	\$ 2,741,441
Cash and Cash Equivalents, Restricted	4,019	245,518	33,095	282,632
Receivables, Net:				
Property Taxes	258,015	-	-	258,015
Accounts	86,881	-	-	86,881
Other	70,843	14,887	-	85,730
Due From:				
Other Funds	466,188	-	-	466,188
State Government	51,248	24,436	-	75,684
TOTAL ASSETS	3,119,966	753,423	123,182	3,996,571
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	286,187	35	301	286,523
Accrued Salaries and Fringe Benefits	211,198	-	-	211,198
Due to Other Funds	90,314	-	-	90,314
Deferred and Unearned Revenues	157,419	-	-	157,419
TOTAL LIABILITIES	745,118	35	301	745,454
FUND BALANCES				
Reserved For:				
Tourism Related Costs	-	245,518	-	245,518
Unreserved:				
Designated for Capital Projects	-	507,870	-	507,870
Undesignated, Reported In:				
General Fund	2,374,848	-	-	2,374,848
Special Revenue Funds	-	-	122,881	122,881
TOTAL FUND BALANCES	2,374,848	753,388	122,881	3,251,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,119,966	753,423	123,182	\$ 3,996,571

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, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,251,117
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.	143,880
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 \$10,592,395, and the accumulated depreciation was \$3,430,414.	7,161,981
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.	(26,941)
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	(1,334,999)
Compensated Absences	(222,144)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 8,972,894</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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2009

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 3,487,281	163,573	-	\$ 3,650,854
Fines, Fees, Licenses and Permits	2,584,992	-	-	2,584,992
Charges for Service	515,921	-	-	515,921
Grants	4,750	31,776	-	36,526
Intergovernmental	240,763	62,822	-	303,585
Miscellaneous	337,240	12,713	14,380	364,333
Investment Earnings	5,111	669	56	5,836
TOTAL REVENUES ALL SOURCES	7,176,058	271,553	14,436	7,462,047
EXPENDITURES				
Current:				
General Government	782,362	-	-	782,362
Judicial	95,545	-	-	95,545
Public Works	1,708,983	-	-	1,708,983
Public Safety	3,262,220	-	-	3,262,220
Culture and Recreation	162,234	-	-	162,234
Community Development	-	-	925	925
Capital Outlay	123,696	272,943	-	396,639
Debt Service:				
Principal Retirement	485,636	-	-	485,636
Interest and Fiscal Charges	69,803	-	-	69,803
TOTAL EXPENDITURES	6,690,479	272,943	925	6,964,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	485,579	(1,390)	13,511	497,700
OTHER FINANCING SOURCES (USES)				
Transfers In	21,000	550,000	10,000	581,000
Transfers Out	(560,000)	-	-	(560,000)
TOTAL OTHER FINANCING SOURCES (USES)	(539,000)	550,000	10,000	21,000
NET CHANGE IN FUND BALANCES	(53,421)	548,610	23,511	518,700
FUND BALANCES, Beginning of Year	2,428,269	204,778	99,370	2,732,417
FUND BALANCES, End of Year	\$ 2,374,848	753,388	122,881	\$ 3,251,117

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, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 518,700
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.	60,711
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.	485,636
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.	10,181
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.	(27,930)
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 depreciation expense of \$477,368 exceeded capital asset additions of \$396,298 in the current period.	(81,070)
TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 966,228</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 NET ASSETS - PROPRIETARY FUND

SEPTEMBER 30, 2009

	<u>GROSS REVENUE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,559,238
Cash and Cash Equivalents, Restricted	1,421,525
Receivables, Net:	
Accounts	681,845
Other	15,184
Due From:	
Other Funds	90,314
Due from State	108,921
Total Current Assets	<u>3,877,027</u>
Non-Current Assets:	
Bond Issuance Costs, Net	198,560
Capital Assets:	
Non-Depreciable	519,119
Depreciable, Net	21,101,476
Total Non-Current Assets	<u>21,819,155</u>
TOTAL ASSETS	<u>25,696,182</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	309,424
Accrued Interest Payable	120,370
Accrued Salaries and Fringe Benefits	46,259
Due to Other Funds	466,188
Unearned Revenues	124,268
Compensated Absences	30,000
State Revolving Loans and Capital Leases	525,467
Total Current Liabilities	<u>1,621,976</u>
Non-Current Liabilities:	
Compensated Absences	4,652
State Revolving Loans and Capital Leases	8,586,849
Total Non-Current Liabilities	<u>8,591,501</u>
TOTAL LIABILITIES	<u>10,213,477</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,706,839
Restricted For:	
Debt Service	1,301,155
Unrestricted	1,474,711
TOTAL NET ASSETS	<u>\$ 15,482,705</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 REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2009

	<u>GROSS REVENUE</u>
OPERATING REVENUES	
Water Revenue and Penalties	\$ 1,261,143
Sewer Revenues	1,645,343
York County Water Sales	1,070,983
Riverview Water Sales	166,980
Tega Cay Water Sales	242,828
Water Taps	99,625
Sewer Taps	131,450
Other Revenues	1,646
TOTAL OPERATING REVENUES	<u>4,619,998</u>
OPERATING EXPENSES	
Water	2,673,367
Sewer	1,116,181
Depreciation	782,802
TOTAL OPERATING EXPENSES	<u>4,572,350</u>
OPERATING INCOME (LOSS)	<u>47,648</u>
NON-OPERATING REVENUES (EXPENSES)	
Grants	108,921
Investment Earnings	5,317
Interest Expense and Fiscal Charges	(449,860)
Tega Cay Water Line Payment	20,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(315,622)</u>
INCOME (LOSS) BEFORE TRANSFERS	(267,974)
Transfers Out	(21,000)
CHANGE IN NET ASSETS	<u>(288,974)</u>
NET ASSETS, Beginning of Year	<u>15,771,679</u>
NET ASSETS, End of Year	<u><u>\$ 15,482,705</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, 2009

	GROSS REVENUE
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Charges for Fees and Services	\$ 4,501,053
Receipts from Other Revenues	1,646
Payments for Personal Services	(1,222,071)
Payments for Goods and Services	(2,539,916)
NET CASH PROVIDED BY OPERATING ACTIVITIES	740,712
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers To Other Funds	110,188
Other Non-Operating Receipts (Payments)	20,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	130,188
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(116,136)
Bond and Note Payments	(509,842)
Interest Paid on Bonds	(441,116)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,067,094)
CASH FLOWS FROM INVESTING ACTIVITIES	
Income Received on Investments	5,317
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,317
NET DECREASE IN CASH AND CASH EQUIVALENTS	(190,877)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	3,171,640
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	\$ 2,980,763
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 47,648
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	782,802
(Increase) Decrease in Current Assets:	
Receivables	(121,072)
Prepaid Expenses	
Increase (Decrease) in Current Liabilities:	
Accounts Payable	55,447
Accrued Salaries & Fringe Benefits	19,920
Other Liabilities	(45,251)
Deferred and Unearned Revenues	3,773
Compensated Absences	(2,555)
Net Cash Provided by Operating Activities	\$ 740,712

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, 2009

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, 2009

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.

Generally 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, 2009

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, 2009

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 its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates 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 of deposit 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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), (c), and (f) 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, 2009, 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).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009

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, 2009

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, 2009

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, 2009.
- 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, 2009, none of the Town's bank balances of approximately \$4,799,000 (which had a carrying value of approximately \$4,931,000) were exposed to custodial credit risk.

Investments

As of September 30, 2009, 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	\$ 1,074,256	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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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

A. Deposits and Investments (Continued)

Investments (Continued)

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, 2009, none of the Town's investments were exposed to custodial credit risk. 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, 2009 were related to (a) bond agreements (\$1,421,525), (b) narcotics (\$33,095), (c) hospitality taxes (\$245,518), and donor restrictions (\$4,019).

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, 2009, millage was set at 81.0 mills (same as the prior year) 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, 2009 of approximately \$258,000 (net of allowance for uncollectible portion of approximately \$9,000) for the General Fund. Delinquent property taxes of approximately \$72,000 have been recognized as revenue at September 30, 2009 because it was collected within 60 days of year end. \$42,000 has been recognized as revenue as it was collected by the County during September 2009, and remitted to the Town in October. The remaining amount of approximately \$144,000 has been recorded as deferred revenue on the governmental fund basic financial statements because it was not collected within 60 days of year end.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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

C. Interfund Receivables, Payables, and Transfers

Other Receivables

The Town has other receivables primarily related to its garbage services and water/sewer operations of approximately \$87,000 (net of allowance for uncollectible portion of approximately \$36,000) and \$697,000 (net of allowance for uncollectible portion of approximately \$161,000), 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, 2009 (garbage service receivables are considered available as they are expected to be collected within 60 days of year end).

Interfund Receivables and Payables

The interfund balances at September 30, 2009, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Receivables	Payables
General Fund	\$ 466,188	\$ 90,314
Gross Revenue Fund	90,314	466,188
Totals	<u>\$ 556,502</u>	<u>\$ 556,502</u>

The interfund receivables and payables are primarily the result of the General Fund financing operating expenses for the Gross Revenue Fund.

Interfund Transfers

Interfund transfers for the year ended September 30, 2009, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 21,000	\$ 560,000
Capital Projects Fund	550,000	-
Gross Revenue Fund	-	21,000
<u>Other Non-Major Funds:</u>		
Special Revenue Fund - Community Development Fund	10,000	-
Totals	<u>\$ 581,000</u>	<u>\$ 581,000</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. The Town transferred \$550,000 from the General Fund to the Capital Projects Fund for miscellaneous projects during 2009 and for future projects in 2010. These were unbudgeted transfers that were approved by the Town Council during the year.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 669,610	31,107	-	-	\$ 700,717
Construction In Progress	331,155	125,309	-	(433,303)	23,161
Total Capital Assets, Non-Depreciable	1,000,765	156,416	-	(433,303)	723,878
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,256,994	-	-	433,303	1,690,297
Buildings and Improvements	3,923,509	27,228	-	-	3,950,737
Equipment	1,406,209	127,820	-	-	1,534,029
Vehicles	2,335,335	84,834	-	-	2,420,169
Total Capital Assets Depreciable	9,195,332	239,882	-	433,303	9,868,517
Less: Accumulated Depreciation for:					
Land Improvements	23,689	18,219	-	-	41,908
Infrastructure	69,422	36,841	-	-	106,263
Buildings and Improvements	1,013,835	99,449	-	-	1,113,284
Equipment	622,188	147,864	-	-	770,052
Vehicles	1,223,912	174,995	-	-	1,398,907
Total Accumulated Depreciation	2,953,046	477,368	-	-	3,430,414
Total Capital Assets, Depreciable, Net	6,242,286	(237,486)	-	433,303	6,438,103
Governmental Activities Capital Assets, Net	\$ 7,243,051	(81,070)	-	-	\$ 7,161,981

The cost of equipment recorded under capital lease was approximately \$1,574,000. Accumulated amortization was approximately \$1,037,000 at September 30, 2009. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Capital asset additions and depreciation expense for the Town’s Governmental Activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 29,389	\$ 206,711
Public Safety	94,307	95,855
Public Works	272,602	77,991
Culture and Recreation	-	96,811
Totals - Governmental Activities	\$ 396,298	\$ 477,368

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 305,505	-	-	\$ 305,505
Construction in Progress	103,194	110,420	-	213,614
Total Capital Assets, Non-Depreciable	<u>408,699</u>	<u>110,420</u>	<u>-</u>	<u>519,119</u>
Capital Assets, Depreciable				
Infrastructure	29,235,568	-	-	29,235,568
Buildings and Improvements	370,542	-	-	370,542
Equipment	475,079	5,716	-	480,795
Vehicles	162,578	-	-	162,578
Total Capital Assets, Depreciable	<u>30,243,767</u>	<u>5,716</u>	<u>-</u>	<u>30,249,483</u>
Less: Accumulated Depreciation for:				
Infrastructure	7,922,028	729,683	-	8,651,711
Buildings and Improvements	87,205	9,264	-	96,469
Equipment	243,799	33,998	-	277,797
Vehicles	112,173	9,857	-	122,030
Total Accumulated Depreciation	<u>8,365,205</u>	<u>782,802</u>	<u>-</u>	<u>9,148,007</u>
Total Capital Assets, Depreciable, Net	<u>21,878,562</u>	<u>(777,086)</u>	<u>-</u>	<u>21,101,476</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,287,261</u>	<u>(666,666)</u>	<u>-</u>	<u>\$ 21,620,595</u>

The cost of capital assets that was purchased under capital lease was approximately \$3,473,000. Accumulated amortization was approximately \$1,181,000 at September 30, 2009. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009 are as follows:

	<u>Principal Outstanding at Year End</u>
<i>General Obligation Bonds</i>	
\$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.	\$ 271,235
\$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.	<u>342,040</u>
Total Outstanding General Obligation Bonds	<u>\$ 613,275</u>
<i>Capital Lease Obligations</i>	
\$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”).	\$ 323,593
\$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”).	219,622
\$235,000 capital lease was entered into in March 2008, with annual installments of \$62,648 beginning March 4, 2009 through March 4, 2012 which includes interest at 2.620%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of portable radios.	<u>178,509</u>
Total Capital Lease Obligations	<u>\$ 721,724</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009, for the Town’s governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GOB - Series 1995	\$ 308,910	-	37,675	271,235	\$ 39,628
GOB - Series 2002	447,417	-	105,377	342,040	109,582
Total Debt	756,327	-	143,052	613,275	149,210
Capital Leases:					
Ladder Truck	398,062	-	74,469	323,593	76,956
2006 Equipment Lease	431,246	-	211,624	219,622	219,622
2008 Equipment Lease	235,000	-	56,491	178,509	57,971
Total Capital Leases	1,064,308	-	342,584	721,724	354,549
Compensated Absences	194,214	145,517	117,587	222,144	120,000
Total Governmental Activities	\$ 2,014,849	145,517	603,223	1,557,143	\$ 623,759

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, 2009, the Town had approximately \$613,000 of bonded debt subject to the 8% limit of approximately \$3,446,000 resulting in an unused legal debt margin of approximately \$2,833,000.

Details on the Town’s business-type activities outstanding debt issues and capital leases as of September 30, 2009 are as follows:

Revenue Bonds	Principal Outstanding at Year End
\$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.	\$ 4,455,000

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<i>State Water Pollution Control Revolving Fund Loans ("State Revolving Loan")</i>	
\$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.	\$ 322,278
\$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.	446,014
\$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.	2,219,161
Total State Water Pollution Control Revolving Fund Loans ("State Revolving Loan")	\$ 2,987,453
<i>Capital Lease Obligations</i>	
\$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.	\$ 1,669,863

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2009, for the Town's business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
State Revolving Loans:					
2001	\$ 345,272	-	22,994	322,278	\$ 17,776
2003	469,287	-	23,273	446,014	24,158
2004	2,320,771	-	101,610	2,219,161	105,475
Total State Revolving Loans	3,135,330	-	147,877	2,987,453	147,409
1998 Revenue Bonds	4,710,000	-	255,000	4,455,000	265,000
Total Debt	7,845,330	-	402,877	7,442,453	412,409
Capital Lease - Rock Hill Water Line	1,776,828	-	106,965	1,669,863	113,058
Compensated Absences	37,207	31,149	33,704	34,652	30,000
Total Business-Type Activities	\$ 9,659,365	31,149	543,546	9,146,968	\$ 555,467

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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 did not meet the rate covenant for the year ended September 30, 2009. The Town had already taken steps to address this for fiscal year 2010 (raised rates and is conducting a rate study).

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, 2009:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2010	\$ 149,210	27,892	354,551	23,787	\$ 555,440
2011	155,664	21,439	139,015	11,396	327,514
2012	162,402	14,701	143,231	7,180	327,514
2013	46,205	7,668	84,927	2,837	141,637
2014	48,631	5,242	-	-	53,873
2015	51,163	2,688	-	-	53,851
Totals	\$ 613,275	79,630	721,724	45,200	\$ 1,459,829
<u>Business-Type Activities</u>					
2010	\$ 412,409	319,207	113,058	90,644	\$ 935,318
2011	439,003	301,175	119,833	83,906	943,917
2012	454,987	282,078	126,632	76,789	940,486
2013	471,197	262,001	134,117	69,274	936,589
2014	492,640	240,951	141,630	61,342	936,563
2015 - 2019	2,663,671	853,503	838,259	176,294	4,531,727
2020 - 2024	2,370,718	262,507	196,334	5,851	2,835,410
2025	137,828	2,592	-	-	140,420
Totals	\$ 7,442,453	2,524,014	1,669,863	564,100	\$ 12,200,430

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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, 2009, the Town made premium payments totaling approximately \$150,000. 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, 2008, totaled approximately \$24,365,000. 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, 2009, the Town made premium payments totaling approximately \$99,000. 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, 2008, totaled approximately \$25,069,000. 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 \$3,756,000 of the Town’s approximately \$3,934,000 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, 2009

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 \$28,000 and \$83,000 respectively for the year ended September 30, 2009. 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 11.05% of gross earnings under PORS and 9.39% 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
\$ 1,699,206	\$ 2,091,642

Total payroll for 2009 for all Town employees was approximately \$3,932,000. 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
2009	\$ 196,405	100%	\$ 187,762	100%
2008	177,074	100%	167,051	100%
2007	\$ 152,609	100%	\$ 139,779	100%

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

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 ten 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 has already engaged an actuary to determine the impact of adopting this Statement will have on the Town. The actuary's preliminary valuation based on the present design of the OPEB plan would result in an actuarial accrued liability of approximately \$80,000 with an estimated annual required contribution of approximately \$13,000.

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 38% of total water sales for the year ended September 30, 2009. 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 2014.

G. Subsequent Events

Millage Increase

Town Council approved a 5 mill increase (increased to 86 mills from 81 mills) for the next property tax year.

Debt Issuances

In February 2010, the Town authorized the execution of a lease purchase agreement in an amount not to exceed \$411,000 at a rate of 2.69% per annum fixed payable in three annual payment of \$144,436 commencing February 23, 2011. This lease purchase will be used to purchase vehicles and equipment.

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, 2009

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,196,000	3,196,000	3,487,281	\$ 291,281
Fines, Fees, Licenses and Permits:	2,630,200	2,630,200	2,584,992	(45,208)
Charges For Services	510,000	510,000	515,921	5,921
Grants	-	-	4,750	4,750
Intergovernmental	276,986	276,986	240,763	(36,223)
Miscellaneous	344,000	344,000	337,240	(6,760)
Investment Earnings	20,000	20,000	5,111	(14,889)
TOTAL REVENUES ALL SOURCES	6,977,186	6,977,186	7,176,058	198,872
EXPENDITURES				
Current:				
General Government	840,754	840,754	782,362	58,392
Judicial	95,914	95,914	95,545	369
Public Works	1,744,238	1,744,238	1,708,983	35,255
Public Safety	3,373,152	3,373,152	3,262,220	110,932
Culture and Recreation	166,253	166,253	162,234	4,019
Capital Outlay	220,700	220,700	123,696	97,004
Debt Service:				
Principal Retirement	534,175	534,175	485,636	48,539
Interest and Fiscal Charges	-	-	69,803	(69,803)
TOTAL EXPENDITURES	6,975,186	6,975,186	6,690,479	284,707
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,000	2,000	485,579	483,579
OTHER FINANCING SOURCES (USES)				
Proceeds from the Disposal of Capital Assets	8,000	8,000	-	(8,000)
Transfers In	-	-	21,000	21,000
Transfers Out	(10,000)	(10,000)	(560,000)	(550,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000)	(2,000)	(539,000)	(537,000)
NET CHANGE IN FUND BALANCE	-	-	(53,421)	(53,421)
FUND BALANCE, Beginning of Year	2,428,269	2,428,269	2,428,269	-
FUND BALANCE, End of Year	\$ 2,428,269	2,428,269	2,374,848	\$ (53,421)

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.

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, 2009

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes:			
Current Property Taxes	\$ 2,785,000	3,115,247	\$ 330,247
Current Vehicle Taxes	375,000	341,571	(33,429)
Delinquent Taxes	2,000	(43,367)	(45,367)
Prior Years, Including Penalties and Execution Fees	5,000	42,235	37,235
Housing Authority in Lieu of Taxes	29,000	31,595	2,595
Total Taxes	<u>3,196,000</u>	<u>3,487,281</u>	<u>291,281</u>
Fines, Fees, Licenses, and Permits:			
Privilege Licenses	2,000,000	2,054,454	54,454
Duke Power in Lieu of Taxes	160,000	172,862	12,862
York Electric in Lieu of Taxes	75,000	85,866	10,866
Fines and Penalties	115,000	79,155	(35,845)
Permits	280,200	192,655	(87,545)
Total Fines, Fees, Licenses, and Permits	<u>2,630,200</u>	<u>2,584,992</u>	<u>(45,208)</u>
Charges for Services:			
Garbage Revenue	475,000	482,704	7,704
Grave Openings	20,000	20,110	110
Assembly Center Fees	15,000	13,107	(1,893)
Total Charges for Services	<u>510,000</u>	<u>515,921</u>	<u>5,921</u>
Grant Revenues:			
Capital Grant	-	4,750	4,750
Total Grant Revenues	<u>-</u>	<u>4,750</u>	<u>4,750</u>
Intergovernmental Revenues:			
State Shared Revenue	261,367	221,235	(40,132)
Manufacturer's Depreciation Reimbursement	150	206	56
Merchants Inventory Tax	15,469	15,469	-
Parks	-	3,853	3,853
Total Intergovernmental Revenues	<u>276,986</u>	<u>240,763</u>	<u>(36,223)</u>
Miscellaneous:			
School Resource Officers	275,000	231,095	(43,905)
York County Fire Protection	18,000	19,009	1,009
Springfest	30,000	40,218	10,218
Other	21,000	46,918	25,918
Total Miscellaneous	<u>\$ 344,000</u>	<u>337,240</u>	<u>\$ (6,760)</u>

(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, 2009

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 20,000	5,111	\$ (14,889)
Total Investment Earnings	20,000	5,111	(14,889)
 TOTAL REVENUES ALL SOURCES	 6,977,186	 7,176,058	 198,872
 EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	9,707	6,412	3,295
Operating Expenditures	72,157	87,904	(15,747)
Community Promotions	2,000	3,242	(1,242)
Miscellaneous	500	1,508	(1,008)
Total Town Council	84,364	99,066	(14,702)
Administration:			
Personnel Services	318,490	303,802	14,688
Operating Expenditures	437,900	379,494	58,406
Capital Outlay	75,000	29,389	45,611
Total Administration	831,390	712,685	118,705
 Total General Government	 915,754	 811,751	 104,003
 Judicial:			
Municipal Court:			
Personnel Services	85,134	84,318	816
Operating Expenditures	10,780	11,227	(447)
Capital Outlay	46,000	-	46,000
Total Judicial	141,914	95,545	46,369
 Public Works:			
Administration:			
Personnel Services	56,707	59,631	(2,924)
Operating Expenditures	83,376	31,874	51,502
Total Administration	140,083	91,505	48,578
Sanitation:			
Personnel Services	241,605	231,631	9,974
Operating Expenditures	264,150	268,257	(4,107)
Total Sanitation	\$ 505,755	499,888	\$ 5,867

(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, 2009

	FINAL BUDGET	ACTUAL	VARIANCE
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 459,673	484,872	\$ (25,199)
Operating Expenditures	107,800	103,416	4,384
Total Building and Grounds	<u>567,473</u>	<u>588,288</u>	<u>(20,815)</u>
Street Department:			
Personnel Services	150,698	150,790	(92)
Operating Expenditures	264,100	281,417	(17,317)
Capital Outlay	16,200	-	16,200
Total Street Department	<u>430,998</u>	<u>432,207</u>	<u>(1,209)</u>
Garage and Vehicle:			
Personnel Services	52,599	54,901	(2,302)
Operating Expenditures	63,530	42,194	21,336
Total Garage and Vehicle	<u>116,129</u>	<u>97,095</u>	<u>19,034</u>
Total Public Works	<u>1,760,438</u>	<u>1,708,983</u>	<u>51,455</u>
Public Safety:			
Police Department:			
Personnel Services	2,207,675	2,176,632	31,043
Operating Expenditures	491,800	419,313	72,487
Capital Outlay	55,000	66,955	(11,955)
Total Police Department	<u>2,754,475</u>	<u>2,662,900</u>	<u>91,575</u>
Fire Department:			
Personnel Services	512,877	514,045	(1,168)
Operating Expenditures	160,800	152,230	8,570
Capital Outlay	28,500	27,352	1,148
Total Fire Department	<u>702,177</u>	<u>693,627</u>	<u>8,550</u>
Total Public Safety	<u>3,456,652</u>	<u>3,356,527</u>	<u>100,125</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	69,431	73,157	(3,726)
Operating Expenditures	96,822	89,077	7,745
Total Cultural and Recreation	<u>\$ 166,253</u>	<u>162,234</u>	<u>\$ 4,019</u>

(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, 2009

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 534,175	485,636	\$ 48,539
Interest and Fiscal Charges	-	69,803	(69,803)
Total Debt Service	<u>534,175</u>	<u>555,439</u>	<u>(21,264)</u>
TOTAL EXPENDITURES	<u>6,975,186</u>	<u>6,690,479</u>	<u>284,707</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,000</u>	<u>485,579</u>	<u>483,579</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Disposal of Capital Assets	8,000	-	(8,000)
Transfers In	-	21,000	21,000
Transfers Out	(10,000)	(560,000)	(550,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,000)</u>	<u>(539,000)</u>	<u>(537,000)</u>
NET CHANGE IN FUND BALANCE	-	(53,421)	(53,421)
FUND BALANCE, Beginning of Year	<u>2,428,269</u>	<u>2,428,269</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 2,428,269</u>	<u>2,374,848</u>	<u>\$ (53,421)</u>

TOWN OF FORT MILL, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOAL</u>
	<u>NARCOTICS</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>NON-MAJOR FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ -	90,087	\$ 90,087
Cash and Cash Equivalents, Restricted	33,095	-	33,095
TOTAL ASSETS	<u>33,095</u>	<u>90,087</u>	<u>123,182</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	299	2	301
TOTAL LIABILITIES	<u>299</u>	<u>2</u>	<u>301</u>
FUND BALANCES			
Unreserved - Undesignated	32,796	90,085	122,881
TOTAL FUND BALANCES	<u>32,796</u>	<u>90,085</u>	<u>122,881</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,095</u>	<u>90,087</u>	<u>\$ 123,182</u>

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS		TOTAL NON-MAJOR FUNDS
	NARCOTICS	COMMUNITY DEVELOPMENT	
REVENUES			
Miscellaneous	\$ 14,380	-	\$ 14,380
Investment Earnings	56	-	56
TOTAL REVENUES ALL SOURCES	14,436	-	14,436
EXPENDITURES			
Current:			
Community Development	-	925	925
TOTAL EXPENDITURES	-	925	925
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,436	(925)	13,511
OTHER FINANCING SOURCES (USES)			
Transfers In	-	10,000	10,000
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	10,000
NET CHANGE IN FUND BALANCES	14,436	9,075	23,511
FUND BALANCES, Beginning of Year	18,360	81,010	99,370
FUND BALANCES, End of Year	\$ 32,796	90,085	\$ 122,881

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, 2009

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
OPERATING REVENUES					
Water Revenue and Penalties	\$ 1,284,998	1,261,143	-	1,261,143	\$ (23,855)
Sewer Revenues	1,650,000	1,645,343	-	1,645,343	(4,657)
York County Water Sales	1,108,246	1,070,983	-	1,070,983	(37,263)
Riverview Water Sales	139,479	166,980	-	166,980	27,501
Tega Cay Water Sales	220,916	242,828	-	242,828	21,912
Water Taps	190,000	99,625	-	99,625	(90,375)
Sewer Taps	300,000	131,450	-	131,450	(168,550)
Other Revenues	1,000	1,646	-	1,646	646
TOTAL OPERATING REVENUES	4,894,639	4,619,998	-	4,619,998	(274,641)
OPERATING EXPENSES					
Water:					
Water Purchases	1,604,468	1,325,421	-	1,325,421	279,047
Salaries	797,940	736,382	-	736,382	61,558
Fringe Benefits	150,445	149,984	-	149,984	461
Material and Supplies	99,000	104,831	-	104,831	(5,831)
Electricity	2,000	1,915	-	1,915	85
Permits	12,500	15,217	-	15,217	(2,717)
Insurance	12,759	10,858	-	10,858	1,901
Water Meter Replacement	24,000	30,083	-	30,083	(6,083)
Equipment Repairs	9,000	9,107	-	9,107	(107)
Postage	15,000	22,504	-	22,504	(7,504)
Gas, Oil, and Grease	16,000	11,358	-	11,358	4,642
Street Maintenance	100,000	105,476	-	105,476	(5,476)
Miscellaneous	2,000	3,175	-	3,175	(1,175)
Auto Repairs	9,000	5,394	-	5,394	3,606
Uniforms	8,300	8,014	-	8,014	286
Telephone	11,000	9,867	-	9,867	1,133
Travel/Training	5,000	4,432	-	4,432	568
Membership/Dues	900	1,825	-	1,825	(925)
Advertising	2,200	1,333	-	1,333	867
Professional Services	30,000	72,269	-	72,269	(42,269)
Hydrant Repairs	20,000	19,566	-	19,566	434
Pre-Employment Expense	1,000	25	-	25	975
Contracted services	-	4,455	-	4,455	(4,455)
Employee Assistance	250	224	-	224	26
Building Maintenance	1,500	-	-	-	1,500
Capital Outlay	71,325	19,652	-	19,652	51,673
	\$ 3,005,587	2,673,367	-	2,673,367	\$ 332,220

(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, 2009

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 294,930	258,051	-	258,051	\$ 36,879
Fringe Benefits	115,743	95,019	-	95,019	20,724
Electricity	65,000	59,182	-	59,182	5,818
Equipment Repairs	31,500	41,919	-	41,919	(10,419)
Material and Supplies	65,500	53,022	-	53,022	12,478
Electricity Lift Station	31,000	43,827	-	43,827	(12,827)
Alum	25,000	32,398	-	32,398	(7,398)
Professional Services	37,000	27,940	-	27,940	9,060
Insurance	24,387	30,176	-	30,176	(5,789)
Contract Labor	5,500	37,653	-	37,653	(32,153)
Chemicals	20,000	12,659	-	12,659	7,341
Lab Supplies	5,000	4,548	-	4,548	452
Gas, Oil, and Grease	25,850	10,936	-	10,936	14,914
Service Contracts	5,000	5,020	-	5,020	(20)
Natural Gas	10,000	122	-	122	9,878
Auto Repairs	8,000	7,700	-	7,700	300
Telephone	5,000	4,428	-	4,428	572
Uniforms	7,320	7,166	-	7,166	154
Travel/Training	4,200	1,339	-	1,339	2,861
Miscellaneous	501,500	381,728	(116,136)	265,592	119,772
Water and Heat	3,500	1,121	-	1,121	2,379
Building Maintenance	11,000	1,775	-	1,775	9,225
Lime	17,000	18,174	-	18,174	(1,174)
Membership/Dues	1,000	280	-	280	720
Landfill Fees	75,000	76,190	-	76,190	(1,190)
Permits	3,500	215	-	215	3,285
Pump Station Repairs	30,000	9,229	-	9,229	20,771
Machinery and Equipment	35,000	2,645	-	2,645	32,355
Pump Station Monitoring	5,000	7,716	-	7,716	(2,716)
Employee Assistance	250	139	-	139	111
	<u>1,468,680</u>	<u>1,232,317</u>	<u>(116,136)</u>	<u>1,116,181</u>	<u>236,363</u>
Depreciation	-	-	782,802	782,802	-
TOTAL OPERATING EXPENSES	<u>4,474,267</u>	<u>3,905,684</u>	<u>666,666</u>	<u>4,572,350</u>	<u>568,583</u>
OPERATING INCOME (LOSS)	<u>\$ 420,372</u>	<u>714,314</u>	<u>(666,666)</u>	<u>47,648</u>	<u>\$ 293,942</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, 2009

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
NON-OPERATING REVENUES (EXPENSES)					
Grants	\$ -	108,921		108,921	\$ 108,921
Investment Earnings	40,000	5,317	-	5,317	(34,683)
Debt Service	(972,372)	(470,860)	21,000	(449,860)	501,512
Tega Cay Water Line Payment	12,000	20,000	-	20,000	8,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(920,372)	(336,622)	21,000	(315,622)	583,750
INCOME (LOSS) BEFORE TRANSFERS	(500,000)	377,692	(645,666)	(267,974)	877,692
Transfers Out	-	(21,000)	-	(21,000)	(21,000)
CHANGE IN NET ASSETS	(500,000)	356,692	(645,666)	(288,974)	856,692
NET ASSETS, Beginning of Year	15,771,679	15,771,679	-	15,771,679	-
NET ASSETS, End of Year	\$ 15,271,679	16,128,371	(645,666)	15,482,705	\$ 856,692

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	\$ (782,802)
- Capital Asset Additions	116,136
- Principal Payments on Debt and Capital Leases	21,000
Total GAAP Adjustments	\$ (645,666)

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED SEPTEMBER 30, 2009

Court Fines and Assessments

Court Fines and Assessments Collected	\$	245,210
Court Fines and Assessments Retained by the City		(109,836)
Total Court Fines and Assessments Remitted to the State Treasurer	\$	135,374

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	53,105
Court Assessments Allocated to Victim Assistance Fund		15,901
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(69,006)
Funds Available for Carryforward, End of Year	\$	-

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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, 2009, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 5, 2010. 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 deficiencies 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 2009-1 through 2009-2 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 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 item 2009-1 described in the accompanying schedule of findings and responses to be a material weakness.

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 objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated March 5, 2010.

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 no opinion on them.

This report is intended solely for the information and use of the management, Town Council, and others within the entity 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
Mauldin, South Carolina
March 5, 2010

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2009

2009-1: 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 perform these functions related to its annual financial reporting process and to prepare the Town's annual financial statements.
-

2009-2: REVIEW AND MONITORING PROCESS

- Condition:** The Town should improve its review and monitoring process of significant accounts that would help detect misstatements on a timely basis.
- Criteria:** The Town should have an adequate review and monitoring process in place so that material misstatements are discovered and corrected by the Town's Finance staff on a timely basis.
- Cause:** Time constraints due to the implementation of new accounting software.
- Effect:** There is a higher risk that material misstatements in the basic financial statements will go undetected.
- Recommendation:** The Town should implement procedures to ensure that the Finance staff reviews and monitors the transactions, balances and trends of the Town on a periodic basis. For example, they should perform regular analytical reviews that would detect significant fluctuations when considering financial and operational amounts, taking into effect both quantitative and qualitative factors.
- Response:** The Town will consider the recommendation as it continues to assess its financial processes.
-