

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

TOWN OF FORT MILL, SOUTH CAROLINA

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TOWN OF FORT MILL, SOUTH CAROLINA

PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2011

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

Honorable Mayor and 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, 2011, 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 the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 21, 2012

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

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, 2011. 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 \$24,732,000 (*net assets*). Of this amount, approximately \$4,012,000 (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 \$755,000 (an increase of approximately \$777,000 from governmental activities and a decrease of approximately \$22,000 from business-type activities), as total revenues of approximately \$14,408,000 exceeded total expenses of approximately \$13,653,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,737,000, an increase of approximately \$347,000 from the prior year. Of this total amount, 80%, or approximately \$3,006,000, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$3,006,000, or 38% of total General Fund expenditures for the year ended September 30, 2011.
- The Town's total capital assets decreased by approximately \$212,000 (1%) during the current fiscal year, which was largely due to depreciation expense of approximately \$1,334,000 exceeding capital additions of approximately \$1,124,000.
- The Town's long-term obligations decreased by approximately \$494,000 (5%) during the current fiscal year, due to approximately \$7,578,000 in principal payments and approximately \$141,000 in compensated absence payments, partially offset by new debt of approximately \$7,078,000 and an increase in compensated absences of approximately \$147,000.
- The Town implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB #54") in the current year. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of this statement had no impact on the total fund balance of the Town but it did require that a certain beginning fund balance of the Town be reclassified. The beginning fund balance of the Community Development Fund of approximately \$90,000 was reclassified and included in the General Fund – as this Fund no longer qualify as Special Revenue funds under GASB #54.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Basic Financial Statements (Continued)

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 most of the remaining funds as listed in the table of contents of this report.

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	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.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

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 as of September 30, 2011 and 2010:

Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 4,825,671	\$ 3,952,632	3,155,613	3,453,923	7,981,284	\$ 7,406,555
Capital Assets	7,160,851	7,176,725	20,726,392	20,922,950	27,887,243	28,099,675
Total Assets	<u>11,986,522</u>	<u>11,129,357</u>	<u>23,882,005</u>	<u>24,376,873</u>	<u>35,868,527</u>	<u>35,506,230</u>
Long-Term Liabilities	1,059,645	1,484,393	8,556,154	8,624,927	9,615,799	10,109,320
Other Liabilities	970,715	465,969	549,562	953,851	1,520,277	1,419,820
Total Liabilities	<u>2,030,360</u>	<u>1,950,362</u>	<u>9,105,716</u>	<u>9,578,778</u>	<u>11,136,076</u>	<u>11,529,140</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,346,672	6,053,562	12,383,233	12,519,391	18,729,905	18,572,953
Restricted Assets	566,706	447,400	1,423,417	1,304,071	1,990,123	1,751,471
Unrestricted	3,042,784	2,678,033	969,639	974,633	4,012,423	3,652,666
Total Net Assets	<u>\$ 9,956,162</u>	<u>\$ 9,178,995</u>	<u>14,776,289</u>	<u>14,798,095</u>	<u>24,732,451</u>	<u>\$ 23,977,090</u>

The Town's total assets increased by approximately \$362,000, or 1%, over the prior year. This increase was primarily due to an increase of approximately \$420,000 in the total amount of receivables held by the Town at September 30, 2011, as well as an increase of approximately \$165,000 in cash and cash equivalents, partially offset by a reduction in total capital assets of approximately \$212,000.

Total liabilities at September 30, 2011 decreased by approximately \$393,000 from the prior year; this is primarily due to a decrease in long-term liabilities. The Town had scheduled principal payments and refunding of debt of approximately \$7,458,000 for long-term obligations partially offset by new debt issued of approximately \$7,078,000.

The government's net assets increased by approximately \$755,000 during the current fiscal year as a result of current year revenues exceeding current year expenses. Please see discussion following the next table regarding this increase.

As noted earlier, net assets, over time, may serve as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by approximately \$24,732,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (approximately \$18,730,000 or 76%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital leases) 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 (including capital leases) 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 \$1,990,000 or 8%) 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 \$4,012,000 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 was true in the prior fiscal year as well.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2011 compared to 2010.

Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,715,336	3,253,202	5,367,142	4,991,467	9,082,478	\$ 8,244,669
Operating Grants and Contributions	419,414	113,422	-	-	419,414	113,422
Capital Grants and Contributions	-	29,754	-	26,753	-	56,507
General Revenues:						
Property Taxes	4,175,546	3,955,677	-	-	4,175,546	3,955,677
Hospitality Taxes	199,541	172,299	-	-	199,541	172,299
Intergovernmental Revenue	279,882	273,343	-	-	279,882	273,343
Other Revenue	209,997	72,799	41,164	25,064	251,161	97,863
Total Revenues	8,999,716	7,870,496	5,408,306	5,043,284	14,408,022	12,913,780
Expenses:						
General Government	1,091,094	1,036,257	-	-	1,091,094	1,036,257
Judicial	94,050	98,212	-	-	94,050	98,212
Public Works	2,440,767	2,259,787	-	-	2,440,767	2,259,787
Public Safety	3,888,325	3,670,932	-	-	3,888,325	3,670,932
Culture and Recreation	699,940	507,631	-	-	699,940	507,631
Interest and Fiscal Charges	37,260	47,546	-	-	37,260	47,546
Water/Sewer	-	-	5,401,225	5,771,924	5,401,225	5,771,924
Total Expenses	8,251,436	7,620,365	5,401,225	5,771,924	13,652,661	13,392,289
Change in Net Assets Before Transfers	748,280	250,131	7,081	(728,640)	755,361	(478,509)
Transfers In (Out)	28,887	(44,030)	(28,887)	44,030	-	-
Change in Net Assets	777,167	206,101	(21,806)	(684,610)	755,361	(478,509)
Net Assets, Beginning of Year	9,178,995	8,972,894	14,798,095	15,482,705	23,977,090	24,455,599
Net Assets, End of Year	\$ 9,956,162	9,178,995	14,776,289	14,798,095	24,732,451	\$ 23,977,090

Governmental Activities: Revenues exceeded expenses by approximately \$777,000 for 2011 for its governmental activities. Revenues increased over the prior year by approximately \$1,129,000 (14%) to approximately \$9,000,000, due primarily to an increase in charges for services of approximately \$462,000 (6%), as well as an increase in operating grants and contributions for culture and recreation of approximately \$305,000 (4%). Expenses increased by approximately \$631,000 (8%) to approximately \$8,251,000 from the prior year. Overall, governmental activities operations increased the Town's net assets by approximately \$777,000 in 2011.

Business-Type Activities: Revenues exceeded expenses by approximately \$7,000 for 2011 for the business-type activities. Revenues increased by approximately \$365,000 (7%) to approximately \$5,408,000 from the prior year primarily due to an increase in charges for services. Expenses decreased by approximately \$371,000 (6%) to approximately \$5,401,000, due primarily to the purchase of water meters in the prior year, and no such purchase occurring in the current year. Overall, business-type activities decreased the Town's net assets by approximately \$22,000.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

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 \$3,737,000, an increase of approximately \$347,000 from the prior year. Approximately 80% of this total amount (approximately \$3,006,000) constitutes unassigned 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, 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 \$3,147,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. The total unassigned fund balance of the General Fund represents approximately 38% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$212,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$1,044,000 or 14% primarily due to federal grant revenues greater than budget by approximately \$267,000, an increase over budget in permit revenue of approximately \$209,000, tax revenues of approximately \$246,000 more than budgeted, as well as various other increases over budget in other revenue categories.
- General Fund expenditures exceeded budgeted expectations by approximately 4% or \$288,000, primarily due to capital outlay exceeding expectations.
- The most significant other financing sources (uses) transactions for 2011 consisted of a transfer of approximately \$665,000 to the Capital Project Fund. These funds were used to finish the Veterans' Memorial Park and the mausoleum building project and the remainder was transferred to the Capital Projects Fund in line with the Town's fund balance policy for other capital projects.

In addition, the fund balances of the remaining Special Revenue and Capital Project Funds decreased by approximately \$134,000. 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 \$769,000 (primarily for construction costs on the mausoleum and Veterans' Memorial Park).

Proprietary Funds: The Town's proprietary fund provides the same type of information found in the government-wide basic financial statements but in more detail. Net assets of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$14,776,000. 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 2011.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

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, 2011, was approximately \$7,161,000 and \$20,726,000, respectively (net of accumulated depreciation). These capital assets include land, land improvements, infrastructure, buildings and improvements, equipment, and vehicles.

The capital assets (net of accumulated depreciation) as of September 30, 2011 and 2010 were as follows:

Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 700,717	700,717	605,505	305,505	1,306,222	\$ 1,006,222
Construction in Progress	-	164,654	104,694	104,694	104,694	269,348
Land Improvements	194,939	213,158	-	-	194,939	213,158
Infrastructure	1,499,520	1,541,777	19,256,773	19,988,152	20,756,293	21,529,929
Buildings & Improvements	2,943,320	2,736,642	552,056	264,809	3,495,376	3,001,451
Equipment	734,819	678,000	134,430	168,714	869,249	846,714
Vehicles	1,087,536	1,141,777	72,934	91,076	1,160,470	1,232,853
Total	\$ 7,160,851	7,176,725	20,726,392	20,922,950	27,887,243	\$ 28,099,675

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$151,000.
- Purchase of equipment for approximately \$227,000.
- Governmental activities CIP additions for approximately \$146,000 and transfers from CIP to buildings and improvements of \$311,000.
- Purchase of land for approximately \$300,000 for business-type activities
- Purchase of a building for approximately \$300,000 for business-type activities
- Depreciation expense of approximately \$1,334,000.

Additional information on the Town's capital assets can be found in Notes I and III of the basic financial statements.

Long-Term Obligations: As of September 30, 2011, the Town had total debt outstanding of approximately \$7,386,000, of which approximately \$308,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$1,943,000 in capital leases outstanding at year end.

Town's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 308,401	464,065	-	-	308,401	\$ 464,065
Revenue Bonds/Refunding Bonds	-	-	7,078,000	7,030,041	7,078,000	7,030,041
Capital Leases	505,778	778,175	1,436,972	1,556,805	1,942,750	2,334,980
Compensated Absences	245,466	242,153	41,182	38,081	286,648	280,234
Total	\$ 1,059,645	1,484,393	8,556,154	8,624,927	9,615,799	\$ 10,109,320

The Town's long-term obligations decreased by approximately \$494,000 (5%) during the current year, due to approximately \$7,578,000 in principal payments and approximately \$141,000 in compensated absence payments, partially offset by new debt of approximately \$7,078,000 and compensated absences earned during the year of approximately \$147,000.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

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, 2011 was approximately \$3,818,000. The legal debt margin was approximately \$3,510,000.

Additional information regarding the Town's long-term obligations 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 has declined significantly over the last 24-30 months primarily due to the national housing crisis. Town officials expect to experience modest growth over the next few years with the potential for more robust growth as the national economy improves.

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 2011-12 General Fund operating budget is approximately \$8,283,000. Rates associated with the Town's franchise and business license fees remained constant. Solid waste fees decreased approximately 4%, and building permit fees were adjusted upward slightly as the economy continues to recover.

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, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 3,084,011	805,801	\$ 3,889,812
Cash and Cash Equivalents, Restricted	600,205	1,543,787	2,143,992
Receivables, Net:			
Property Taxes	234,278	-	234,278
Accounts	97,142	793,151	890,293
Other	570,395	22,290	592,685
Internal Balances	181,229	(181,229)	-
Due From:			
State Government	58,411	-	58,411
Bond Issuance Costs, Net	-	171,813	171,813
Capital Assets:			
Non-Depreciable	700,717	710,199	1,410,916
Depreciable, Net	6,460,134	20,016,193	26,476,327
TOTAL ASSETS	11,986,522	23,882,005	35,868,527
LIABILITIES			
Accounts Payable	325,330	223,360	548,690
Accrued Interest Payable	16,177	120,370	136,547
Accrued Salaries and Fringe Benefits	151,489	36,717	188,206
Unearned Revenues	477,719	169,115	646,834
Non-Current Liabilities:			
Due Within One Year	562,602	627,632	1,190,234
Due in More Than One Year	497,043	7,928,522	8,425,565
TOTAL LIABILITIES	2,030,360	9,105,716	11,136,076
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,346,672	12,383,233	18,729,905
Restricted For:			
Debt Service	-	1,423,417	1,423,417
Tourism Related	490,997	-	490,997
Narcotics	18,456	-	18,456
Fire Cushion Fund	57,253	-	57,253
Unrestricted	3,042,784	969,639	4,012,423
TOTAL NET ASSETS	\$ 9,956,162	14,776,289	\$ 24,732,451

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, 2011

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	Primary Government Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 1,091,094	2,658,195	-	-	1,567,101		\$ 1,567,101
Judicial	94,050	60,477	-	-	(33,573)		(33,573)
Public Works	2,440,767	608,718	-	-	(1,832,049)		(1,832,049)
Public Safety	3,888,325	165,125	20,958	-	(3,702,242)		(3,702,242)
Culture and Recreation	699,940	222,821	398,456	-	(78,663)		(78,663)
Interest and Fiscal Charges	37,260	-	-	-	(37,260)		(37,260)
Total Governmental Activities	8,251,436	3,715,336	419,414	-	(4,116,686)		(4,116,686)
Business-Type Activities:							
Water/Sewer	5,401,225	5,367,142	-	-		(34,083)	(34,083)
Total Business-Type Activities	5,401,225	5,367,142	-	-		(34,083)	(34,083)
TOTAL - PRIMARY GOVERNMENT	\$ 13,652,661	9,082,478	419,414	-	(4,116,686)	(34,083)	(4,150,769)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,175,546	-	4,175,546
Hospitality Taxes					199,541	-	199,541
Intergovernmental Revenue - Unrestricted					279,882	-	279,882
Investment Income					6,547	4,072	10,619
Miscellaneous					105,464	24,291	129,755
Gain on Sale of Capital Assets					17,468	-	17,468
Insurance Proceeds from Casualty					80,518	12,801	93,319
Transfers In (Out)					28,887	(28,887)	-
Total General Revenues and Transfers					4,893,853	12,277	4,906,130
CHANGE IN NET ASSETS					777,167	(21,806)	755,361
NET ASSETS, Beginning of Year					9,178,995	14,798,095	23,977,090
NET ASSETS, End of Year					\$ 9,956,162	14,776,289	\$ 24,732,451

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, 2011

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 3,001,312	82,699	-	\$ 3,084,011
Cash and Cash Equivalents, Restricted	93,318	490,997	15,890	600,205
Receivables, Net:				
Property Taxes	234,278	-	-	234,278
Garbage	97,142	-	-	97,142
Other	551,240	15,942	3,213	570,395
Due From:				
Other Funds	292,691	13	-	292,704
State Government	58,411	-	-	58,411
TOTAL ASSETS	4,328,392	589,651	19,103	4,937,146
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	309,958	14,725	647	325,330
Accrued Salaries and Fringe Benefits	151,489	-	-	151,489
Due to Other Funds	108,313	3,162	-	111,475
Deferred and Unearned Revenues	611,446	-	-	611,446
TOTAL LIABILITIES	1,181,206	17,887	647	1,199,740
FUND BALANCES				
Restricted For:				
Tourism Related Costs	-	490,997	-	490,997
Narcotics	-	-	18,456	18,456
Fire Cushion Fund	57,253	-	-	57,253
Assigned For:				
Capital Projects	-	80,767	-	80,767
Community Development	83,589	-	-	83,589
Unassigned	3,006,344	-	-	3,006,344
TOTAL FUND BALANCES	3,147,186	571,764	18,456	3,737,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,328,392	589,651	19,103	\$ 4,937,146

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, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,737,406
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.	133,727
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 \$11,461,212, and the accumulated depreciation was \$4,300,361.	7,160,851
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.	(16,177)
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	(814,179)
Compensated Absences	(245,466)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 9,956,162</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, 2011

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 4,160,492	199,541	-	\$ 4,360,033
Fines, Fees, Licenses and Permits	2,675,686	-	-	2,675,686
Charges for Service	840,810	28,250	-	869,060
Grants	272,202	-	-	272,202
Intergovernmental	279,881	-	-	279,881
Miscellaneous	401,460	10,104	11,700	423,264
Investment Earnings	5,655	836	55	6,546
TOTAL REVENUES ALL SOURCES	8,636,186	238,731	11,755	8,886,672
EXPENDITURES				
Current:				
General Government	872,655	-	-	872,655
Judicial	94,050	-	-	94,050
Public Works	1,741,778	-	-	1,741,778
Public Safety	3,662,149	-	17,117	3,679,266
Culture and Recreation	628,952	-	-	628,952
Capital Outlay	411,327	768,993	-	1,180,320
Debt Service:				
Principal Retirement	428,060	-	-	428,060
Interest and Fiscal Charges	43,891	-	-	43,891
TOTAL EXPENDITURES	7,882,862	768,993	17,117	8,668,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	753,324	(530,262)	(5,362)	217,700
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	19,500	-	-	19,500
Insurance Proceeds from Casualty	80,518	-	-	80,518
Transfers In	28,887	665,000	5,000	698,887
Transfers Out	(670,000)	-	-	(670,000)
TOTAL OTHER FINANCING SOURCES (USES)	(541,095)	665,000	5,000	128,905
NET CHANGE IN FUND BALANCES	212,229	134,738	(362)	346,605
FUND BALANCES, Beginning of Year	2,844,872	437,026	108,903	3,390,801
Restatement Due to Implementtion of GASB 54	90,085	-	(90,085)	-
FUND BALANCES, Beginning of Year, Restated	2,934,957	437,026	18,818	3,390,801
FUND BALANCES, End of Year	\$ 3,147,186	571,764	18,456	\$ 3,737,406

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, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 346,605**

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.	15,058
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.	428,061
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.	6,630
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.	(3,313)
Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(2,032)
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 \$537,732 exceeded capital asset additions of \$523,890 in the current period.	(13,842)

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 777,167**

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, 2011

	<u>GROSS REVENUE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 805,801
Cash and Cash Equivalents, Restricted	1,543,787
Receivables, Net:	
Accounts	793,151
Other	22,290
Due From:	
Other Funds	108,300
Total Current Assets	<u>3,273,329</u>
Non-Current Assets:	
Bond Issuance Costs, Net	171,813
Capital Assets:	
Non-Depreciable	710,199
Depreciable, Net	20,016,193
Total Non-Current Assets	<u>20,898,205</u>
TOTAL ASSETS	<u>24,171,534</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	223,360
Accrued Interest Payable	120,370
Accrued Salaries and Fringe Benefits	36,717
Due to Other Funds	289,529
Unearned Revenues	169,115
Compensated Absences	30,000
State Revolving Loans and Capital Leases	597,632
Total Current Liabilities	<u>1,466,723</u>
Non-Current Liabilities:	
Compensated Absences	11,182
State Revolving Loans and Capital Leases	7,917,340
Total Non-Current Liabilities	<u>7,928,522</u>
TOTAL LIABILITIES	<u>9,395,245</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,383,233
Restricted For:	
Debt Service	1,423,417
Unassigned	969,639
TOTAL NET ASSETS	<u>\$ 14,776,289</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, 2011

	<u>GROSS REVENUE</u>
OPERATING REVENUES	
Water Revenue and Penalties	\$ 1,859,661
Sewer Revenues	1,950,123
York County Water Sales	1,002,170
Riverview Water Sales	137,872
Tega Cay Water Sales	267,145
Water Taps	65,340
Sewer Taps	62,310
Other Revenues	22,521
TOTAL OPERATING REVENUES	<u>5,367,142</u>
OPERATING EXPENSES	
Water	3,212,670
Sewer	996,879
Depreciation	796,558
TOTAL OPERATING EXPENSES	<u>5,006,107</u>
OPERATING INCOME (LOSS)	<u>361,035</u>
NON-OPERATING REVENUES (EXPENSES)	
Insurance Proceeds from Casualty	12,801
Investment Earnings	4,072
Interest Expense and Fiscal Charges	(395,118)
Tega Cay Water Line Payment	20,000
Gain on Sale of Capital Assets	4,291
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(353,954)</u>
INCOME (LOSS) BEFORE TRANSFERS	7,081
Transfers Out	(28,887)
CHANGE IN NET ASSETS	<u>(21,806)</u>
NET ASSETS, Beginning of Year	14,798,095
NET ASSETS, End of Year	<u><u>\$ 14,776,289</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, 2011

	<u>GROSS REVENUE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Charges for Fees and Services	\$ 5,381,841
Receipts from Other Revenues	13,120
Payments for Personal Services	(1,192,075)
Payments for Goods and Services	(3,465,964)
	<u>736,922</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers To Other Funds	(132,721)
Other Non-Operating Receipts (Payments)	32,801
	<u>(99,920)</u>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(600,000)
Proceeds Received from the Disposal of Properties	4,291
Bond and Note Payments	(71,874)
Interest Paid on Bonds	(376,732)
	<u>(1,044,315)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Income Received on Investments	4,072
	<u>4,072</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(403,241)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<u>2,752,829</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u>\$ 2,349,588</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 361,035
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	796,558
(Increase) Decrease in Current Assets:	
Receivables	(12,571)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(430,771)
Accrued Salaries & Fringe Benefits	(20,820)
Deferred and Unearned Revenues	40,390
Compensated Absences	3,101
Net Cash Provided by Operating Activities	<u><u>\$ 736,922</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

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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), and culture and recreation. 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, 2011

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 all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when 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, 2011

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. The Narcotics Fund is the Town's only fund which qualifies as a Special Revenue Fund.

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, 2011

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (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.
- (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, 2011, 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

3. Inventories and Prepaids

Inventories and prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid).

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

5. *Compensated Absences (Continued)*

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.

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. *Net Assets and Fund Balance*

Government-Wide and Proprietary Fund Statements

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Net Assets and Fund Balance (Continued)

Governmental Fund Statements

The Town implemented GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB 54”) in the current year. The objective of GASB 54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarify the existing governmental fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The implementation of this statement had no impact on the Town’s total governmental funds’ fund balance, but it did require certain beginning fund balances to be reclassified. The beginning fund balance for the Community Development Special Revenue Fund of \$90,085 was reclassified to the General Fund as the Community Development Special Revenue Fund no longer qualifies as a Special Revenue Fund under GASB 54; this is now included in the General Fund.

The Town classifies governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Board, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Board is the only party that has the right to make assignments of fund balance for the Town at this time.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town currently has a fund balance policy which states that the Town should maintain a General Fund balance of approximately 25% to 30% of the current year’s General Fund operating budget.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Net Assets and Fund Balance (Continued)

Governmental Fund Statements (Continued)

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available to be expended unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. 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.

9. 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.

10. 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 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.
- 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, 2011.
- 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, 2011, none of the Town's bank balances of approximately \$5,429,000 (which had a carrying value of approximately \$5,237,000) were exposed to custodial credit risk.

Investments

As of September 30, 2011, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Unrated*	\$ 797,000	< 1 Year

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service and Fitch Ratings.
*US Treasury Bills are backed by full faith and trust in the United States Government.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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

A. Deposits and Investments (Continued)

Investments (Continued)

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2011, 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, 2011 were related to (a) bond and lease agreements (\$1,533,872), (b) narcotics (\$15,890), (c) hospitality taxes (\$482,177), and (d) other (\$112,053).

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, 2011, millage was set at 86.0 mills compared to 86.0 mills in 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, 2011 of approximately \$234,000 (net of allowance for uncollectible portion of approximately \$7,000) for the General Fund. Delinquent property taxes of approximately \$31,000 have been recognized as revenue at September 30, 2011 because it was collected within 60 days of year end. Approximately \$70,000 has been recognized as revenue as it was collected by the County during September 2011, and remitted to the Town in October. The remaining amount of approximately \$133,000 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, 2011

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

B. Property Taxes and Other Receivables (Continued)

Other Receivables

The Town has other receivables primarily related to its garbage services and water/sewer operations of approximately \$97,000 (net of allowance for uncollectible portion of approximately \$36,000) and \$793,000 (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, 2011 (garbage service receivables are considered available as they are expected to be collected within 60 days of year end).

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

The interfund balances at September 30, 2011, 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	\$ 292,691	\$ 108,313
Gross Revenue Fund	108,300	289,529
Capital Projects Fund	13	3,162
Totals	<u>\$ 401,004</u>	<u>\$ 401,004</u>

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2011, consisted of the following:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 28,877	\$ 670,000
Gross Revenue Fund	-	28,877
Capital Projects Fund	665,000	-
Other Non-Major Funds:		
Special Revenue Fund- Narcotics	5,000	-
Totals	<u>\$ 698,877</u>	<u>\$ 698,877</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers (Continued)

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 \$665,000 from the General Fund to the Capital Projects Fund for the completion of the Veterans' Memorial Park, the mausoleum building project, and for other various improvements around the Town. Of the \$665,000 transferred, \$500,000 was transferred to the Capital Projects Fund in line with the Town's fund balance policy. The other \$165,000 was a budgeted transfer to aid the completion of various building and repair projects in the Town.

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 700,717	-	-	-	\$ 700,717
Construction In Progress	164,654	145,987	-	(310,641)	-
Total Capital Assets, Non-Depreciable	<u>865,371</u>	<u>145,987</u>	<u>-</u>	<u>(310,641)</u>	<u>700,717</u>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Buildings and Improvements	3,950,737	-	-	310,641	4,261,378
Equipment	1,589,190	226,697	6,116	-	1,809,771
Vehicles	2,722,319	151,206	147,761	-	2,725,764
Total Capital Assets Depreciable	<u>10,225,828</u>	<u>377,903</u>	<u>153,877</u>	<u>310,641</u>	<u>10,760,495</u>
Less: Accumulated Depreciation for:					
Land Improvements	60,127	18,219	-	-	78,346
Infrastructure	148,520	42,257	-	-	190,777
Buildings and Improvements	1,214,095	103,963	-	-	1,318,058
Equipment	911,190	169,878	6,116	-	1,074,952
Vehicles	1,580,542	203,415	145,729	-	1,638,228
Total Accumulated Depreciation	<u>3,914,474</u>	<u>537,732</u>	<u>151,845</u>	<u>-</u>	<u>4,300,361</u>
Total Capital Assets, Depreciable, Net	<u>6,311,354</u>	<u>(159,829)</u>	<u>2,032</u>	<u>310,641</u>	<u>6,460,134</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,176,725</u>	<u>(13,842)</u>	<u>2,032</u>	<u>-</u>	<u>\$ 7,160,851</u>

The cost of equipment recorded under capital lease was approximately \$1,832,000, and the related accumulated amortization was approximately \$1,307,000 as of September 30, 2011. 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, 2011

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

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for the Town's Governmental Activities were charged/allocated to functions/programs for the year ended September 30, 2011 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 21,543	\$ 213,950
Public Safety	227,880	124,014
Public Works	269,905	105,036
Culture and Recreation	4,562	94,732
Totals - Governmental Activities	<u>\$ 523,890</u>	<u>\$ 537,732</u>

Capital asset activity for the Town's business-type activities for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 305,505	300,000	-	-	\$ 605,505
Construction in Progress	104,694	-	-	-	104,694
Total Capital Assets, Non-Depreciable	<u>410,199</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>710,199</u>
Capital Assets, Depreciable:					
Infrastructure	29,371,242	-	-	-	29,371,242
Buildings and Improvements	370,542	300,000	-	-	670,542
Equipment	480,795	-	-	-	480,795
Vehicles	227,608	-	28,042	-	199,566
Total Capital Assets, Depreciable	<u>30,450,187</u>	<u>300,000</u>	<u>28,042</u>	<u>-</u>	<u>30,722,145</u>
Less: Accumulated Depreciation for:					
Infrastructure	9,383,090	731,379	-	-	10,114,469
Buildings and Improvements	105,733	12,753	-	-	118,486
Equipment	312,081	34,284	-	-	346,365
Vehicles	136,532	18,142	28,042	-	126,632
Total Accumulated Depreciation	<u>9,937,436</u>	<u>796,558</u>	<u>28,042</u>	<u>-</u>	<u>10,705,952</u>
Total Capital Assets, Depreciable, Net	<u>20,512,751</u>	<u>(496,558)</u>	<u>-</u>	<u>-</u>	<u>20,016,193</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,922,950</u>	<u>(196,558)</u>	<u>-</u>	<u>-</u>	<u>\$ 20,726,392</u>

The cost of capital assets that was purchased under capital lease was approximately \$3,538,000. Accumulated amortization was approximately \$1,367,000 at September 30, 2011. 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, 2011

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, 2011 are as follows:

	Principal Outstanding at Year End
General Obligation Bonds	
\$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.	\$ 189,898
\$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.	118,503
Total Outstanding General Obligation Bonds	<u>\$ 308,401</u>
Capital Lease Obligations	
\$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”).	\$ 167,110
\$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.	61,048
\$411,000 capital lease was entered into in February 2010, with annual installments of \$144,436 beginning February 23, 2011 through February 23, 2013 which includes interest at 2.690%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of equipment/vehicles.	277,620
Total Capital Lease Obligations	<u>\$ 505,778</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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, 2011, 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	\$ 231,607	-	41,709	189,898	\$ 43,900
GOB - Series 2002	232,458	-	113,955	118,503	118,503
Total Debt	<u>464,065</u>	<u>-</u>	<u>155,664</u>	<u>308,401</u>	<u>162,403</u>
Capital Leases:					
Ladder Truck	246,637	-	79,527	167,110	82,183
2008 Equipment Lease	120,538	-	59,490	61,048	61,048
2010 Equipment Lease	411,000	-	133,380	277,620	136,968
Total Capital Leases	<u>778,175</u>	<u>-</u>	<u>272,397</u>	<u>505,778</u>	<u>280,199</u>
Compensated Absences	242,153	127,667	124,354	245,466	120,000
Total Governmental Activities	<u>\$ 1,484,393</u>	<u>127,667</u>	<u>552,415</u>	<u>1,059,645</u>	<u>\$ 562,602</u>

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of September 30, 2011, the Town had approximately \$308,000 of bonded debt subject to the 8% limit of approximately \$3,818,000 resulting in an unused legal debt margin of approximately \$3,510,000.

Details on the Town’s business-type activities outstanding debt issues and capital leases as of September 30, 2011 are as follows:

<i>Refunding Bonds</i>	Principal Outstanding at Year End
\$6,152,000 waterworks and sewer system refunding revenue bonds issued in January, 2011 (“2011 Refunding Bonds”), due in annual installments of \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023, plus interest at approximately 3.550% due semi-annually. The proceeds from this issue were used to advance refund the 1998, 2003A, and 2004 series bonds and to provide funding for further expansion and improvement of the water/sewer system.	\$ 6,152,000

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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

E. Long-Term Obligations (Continued)

	<u>Principal Outstanding at Year End</u>
<i>Refunding Bonds (Continued)</i>	
\$926,000 waterworks and sewer system refunding and improvement revenue bonds issued in June, 2011 (“2011B Refunding Bonds”), due in annual installments ranging from \$82,000 to \$104,000 beginning December 1, 2012 through December 1, 2021 and semi-annual interest payments at 3.190%. The proceeds from this issuance were used to refund the Town's 2011 series bonds and to expand the Town's waterworks and sewer system.	<u>\$ 926,000</u>
Total State Water Pollution Control Revolving Fund Loans (“State Revolving Loan”)	<u><u>\$ 7,078,000</u></u>

Capital Lease Obligations

\$2,762,550 capital lease was entered into in December, 1992 (“Rock Hill Water Line Lease”), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus an average interest rate of approximately 5.6% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u><u>\$ 1,436,972</u></u>
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Presented below is a summary of changes in long-term obligations for the year ended September 30, 2011, 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	\$ 304,499	-	304,499	-	\$ -
2003	421,856	-	421,856	-	-
2004	2,113,686	-	2,113,686	-	-
Total State Revolving Loans	2,840,041	-	2,840,041	-	-
1998 Revenue Bonds	4,190,000	-	4,190,000	-	-
2011 Refunding Bonds	-	6,152,000	-	6,152,000	471,000
2011B Refunding Bonds	-	926,000	-	926,000	82,000
Total Debt	7,030,041	7,078,000	7,030,041	7,078,000	553,000
Capital Lease - Rock Hill Water Line	1,556,805	-	119,833	1,436,972	126,632
Compensated Absences	38,081	19,845	16,744	41,182	30,000
Total Business-Type Activities	\$ 8,624,927	7,097,845	7,166,618	8,556,154	\$ 709,632

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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

E. Long-Term Obligations (Continued)

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

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

In addition, the bond ordinance also contains various negative, affirmative, and administrative covenants as defined in the bond ordinance. Of particular importance is the requirement that the Town maintain a rate covenant (net earnings to annual principal and interest requirements for qualified debt for the each fiscal year as defined) of 120%. The Town met the rate covenant for the year ended September 30, 2011 with a rate of 147%.

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, 2011:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2012	\$ 162,403	14,701	280,199	14,648	\$ 471,951
2013	46,205	7,668	225,579	6,621	286,073
2014	48,631	5,242	-	-	53,873
2015	51,162	2,688	-	-	53,850
Totals	<u>\$ 308,401</u>	<u>30,299</u>	<u>505,778</u>	<u>21,269</u>	<u>\$ 865,747</u>
<u>Business-Type Activities</u>					
2012	\$ 553,000	236,955	126,632	76,789	\$ 993,376
2013	573,000	218,578	134,117	69,274	994,969
2014	592,000	198,203	141,630	61,342	993,175
2015	609,000	177,201	150,490	53,245	989,936
2016	632,000	155,499	158,356	44,703	990,558
2017 - 2021	3,059,000	452,022	725,747	84,198	4,320,967
2022 - 2026	1,060,000	38,163	-	-	1,098,163
Totals	<u>\$ 7,078,000</u>	<u>1,476,621</u>	<u>1,436,972</u>	<u>389,551</u>	<u>\$ 10,381,144</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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, 2011, the Town made premium payments totaling approximately \$120,000. 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, 2010, totaled approximately \$28,528,000. 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, 2011, the Town made premium payments totaling approximately \$68,000. 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, 2010, totaled approximately \$40,789,000. 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

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 \$3,080,000 of the Town's approximately \$4,373,000 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.

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 \$19,000 and \$87,000 respectively for the year ended September 30, 2011. 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 for all active employees, and non-working retirees are also eligible for coverage of \$2,000, \$4,000, or \$6,000 based on their 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

South Carolina Retirement and Police Officer's Retirement System (Continued)

Employees covered under SCPORS 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 11.763% of gross earnings under SCPORS and 9.535% 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
\$	2,043,496	\$ 2,368,964

Total payroll for 2011 for all Town employees was approximately \$4,373,000. 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
2011	\$ 223,313	100%	\$ 236,841	100%
2010	209,585	100%	203,411	100%
2009	\$ 196,405	100%	\$ 187,762	100%

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 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 adopted Statement No. 45 in fiscal year 2011. No liability or expenditure is recorded as of September 30, 2011 due to the fact that the current OPEB plan requires retirees to pay the full cost of an age adjusted retiree rate rather than a blended group rate.

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 water through the year 2014 at the City of Rock Hill's prevailing wholesale rate.

One water customer accounted for approximately 30% of total water sales for the year ended September 30, 2011. 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

G. Subsequent Events

Debt Issuances

In December 2011 the Town entered into an installment purchase contract for \$817,000, which is to be used for vehicle and equipment purchases for both the General Fund and the Gross Revenue Fund. The proceeds allocated to the General Fund will be used to purchase three new vehicles for the police department, three pickup trucks for buildings and grounds, a backup street loader/sweeper for the street department, and a fully automated trash truck for the sanitation department. The proceeds allocated to the Gross Revenue Fund will be used to purchase a new vehicle for water/sewer administration and a new vehicle for the waste water treatment plant.

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, 2011

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,914,000	3,914,000	4,160,492	\$ 246,492
Fines, Fees, Licenses and Permits:	2,366,100	2,366,100	2,675,686	309,586
Charges For Services	750,000	750,000	840,810	90,810
Grants	6,200	6,200	272,202	266,002
Intergovernmental	255,019	255,019	279,881	24,862
Miscellaneous	295,700	295,700	401,460	105,760
Investment Earnings	5,000	5,000	5,655	655
TOTAL REVENUES ALL SOURCES	7,592,019	7,592,019	8,636,186	1,044,167
EXPENDITURES				
Current:				
General Government	874,896	874,896	872,655	2,241
Judicial	108,052	108,052	94,050	14,002
Public Works	1,821,835	1,821,835	1,741,778	80,057
Public Safety	3,657,205	3,657,205	3,662,149	(4,944)
Culture and Recreation	529,668	529,668	628,952	(99,284)
Capital Outlay	160,300	160,300	411,327	(251,027)
Debt Service:				
Principal Retirement	401,384	401,384	428,060	(26,676)
Interest and Fiscal Charges	41,679	41,679	43,891	(2,212)
TOTAL EXPENDITURES	7,595,019	7,595,019	7,882,862	(287,843)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,000)	(3,000)	753,324	756,324
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	3,000	3,000	19,500	16,500
Insurance Proceeds from Casualty	-	-	80,518	80,518
Transfers In	-	-	28,887	28,887
Transfers Out	-	-	(670,000)	(670,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,000	3,000	(541,095)	(544,095)
NET CHANGE IN FUND BALANCE	-	-	212,229	212,229
FUND BALANCE, Beginning of Year	2,844,872	2,844,872	2,844,872	-
Prior Period Adjustments	90,085	90,085	90,085	-
FUND BALANCE, Beginning of Year, Restated	2,934,957	2,934,957	2,934,957	-
FUND BALANCE, End of Year	\$ 2,934,957	2,934,957	3,147,186	\$ 212,229

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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current Property Taxes	\$ 3,600,000	3,760,114	\$ 160,114
Current Vehicle Taxes	278,000	354,091	76,091
Delinquent Taxes	2,000	(27,590)	(29,590)
Prior Years, Including Penalties and Execution Fees	5,000	41,698	36,698
Housing Authority in Lieu of Taxes	29,000	32,179	3,179
Total Taxes	3,914,000	4,160,492	246,492
Fines, Fees, Licenses, and Permits:			
Privilege Licenses	1,900,000	1,998,736	98,736
Duke Power in Lieu of Taxes	170,000	189,285	19,285
York Electric in Lieu of Taxes	120,000	122,550	2,550
Fines and Penalties	80,000	60,477	(19,523)
Permits	96,100	304,638	208,538
Total Fines, Fees, Licenses, and Permits	2,366,100	2,675,686	309,586
Charges for Services:			
Garbage Revenue	538,000	566,518	28,518
Athletics Revenue	157,000	217,356	60,356
Cemetery Lots	-	506	506
Grave Openings	40,000	42,200	2,200
Assembly Center Fees	15,000	14,230	(770)
Total Charges for Services	750,000	840,810	90,810
Grant Revenues:			
Federal Grant	-	266,737	266,737
State Grant (Parks, Recreation, & Tourism)	6,200	5,465	(735)
Total Grant Revenues	6,200	272,202	266,002
Intergovernmental Revenues:			
State Shared Revenue	175,000	199,804	24,804
Manufacturer's Depreciation Reimbursement	150	187	37
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	64,400	64,421	21
Total Intergovernmental Revenues	255,019	279,881	24,862
Miscellaneous:			
School Resource Officers	153,000	153,425	425
York County Fire Protection	19,200	20,958	1,758
Spring Festival	65,000	131,719	66,719
Other	28,500	95,358	66,858
Fund Balance Appropriation	30,000	-	(30,000)
Total Miscellaneous	\$ 295,700	401,460	\$ 105,760

(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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 5,000	5,655	\$ 655
Total Investment Earnings	5,000	5,655	655
 TOTAL REVENUES ALL SOURCES	 7,592,019	 8,636,186	 1,044,167
 EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	17,718	18,973	(1,255)
Operating Expenditures	117,350	93,603	23,747
Community Promotions	3,500	5,217	(1,717)
Miscellaneous	350	76	274
Total Town Council	<u>138,918</u>	<u>117,869</u>	<u>21,049</u>
Administration:			
Personnel Services	528,828	518,754	10,074
Operating Expenditures	207,150	236,032	(28,882)
Capital Outlay	3,500	7,976	(4,476)
Total Administration	<u>739,478</u>	<u>762,762</u>	<u>(23,284)</u>
Total General Government	878,396	880,631	(2,235)
 Judicial:			
Municipal Court:			
Personnel Services	88,932	83,833	5,099
Operating Expenditures	19,120	10,217	8,903
Capital Outlay	1,300	-	1,300
Total Municipal Court	<u>109,352</u>	<u>94,050</u>	<u>15,302</u>
Total Judicial	109,352	94,050	15,302
 Public Works:			
Administration:			
Personnel Services	59,314	59,402	(88)
Operating Expenditures	58,964	44,162	14,802
Capital Outlay	2,600	2,734	(134)
Total Administration	<u>120,878</u>	<u>106,298</u>	<u>14,580</u>
Sanitation:			
Personnel Services	247,646	220,257	27,389
Operating Expenditures	234,385	245,304	(10,919)
Capital Outlay	9,000	9,000	-
Total Sanitation	<u>\$ 491,031</u>	<u>474,561</u>	<u>\$ 16,470</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, 2011

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 519,789	503,144	\$ 16,645
Operating Expenditures	149,443	149,516	(73)
Capital Outlay	20,000	44,590	(24,590)
Total Building and Grounds	<u>689,232</u>	<u>697,250</u>	<u>(8,018)</u>
Street Department:			
Personnel Services	112,348	102,071	10,277
Operating Expenditures	333,690	337,897	(4,207)
Total Street Department	<u>446,038</u>	<u>439,968</u>	<u>6,070</u>
Garage and Vehicle:			
Personnel Services	56,504	56,269	235
Operating Expenditures	27,152	23,756	3,396
Total Garage and Vehicle	<u>83,656</u>	<u>80,025</u>	<u>3,631</u>
Total Public Works	<u>1,830,835</u>	<u>1,798,102</u>	<u>32,733</u>
Public Safety:			
Police Department:			
Personnel Services	2,339,811	2,263,563	76,248
Operating Expenditures	490,848	548,990	(58,142)
Capital Outlay	91,000	173,034	(82,034)
Total Police Department	<u>2,921,659</u>	<u>2,985,587</u>	<u>(63,928)</u>
Fire Department:			
Personnel Services	678,709	693,383	(14,674)
Operating Expenditures	147,837	156,213	(8,376)
Capital Outlay	33,300	155,847	(122,547)
Total Fire Department	<u>859,846</u>	<u>1,005,443</u>	<u>(145,597)</u>
Total Public Safety	<u>3,781,505</u>	<u>3,991,030</u>	<u>(209,525)</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	220,780	215,902	4,878
Operating Expenditures	308,888	413,050	(104,162)
Capital Outlay	22,200	18,146	4,054
Total Cultural and Recreation	<u>\$ 551,868</u>	<u>647,098</u>	<u>\$ (95,230)</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 401,384	428,060	\$ (26,676)
Interest and Fiscal Charges	41,679	43,891	(2,212)
Total Debt Service	<u>443,063</u>	<u>471,951</u>	<u>(28,888)</u>
 TOTAL EXPENDITURES	 <u>7,595,019</u>	 <u>7,882,862</u>	 <u>(287,843)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(3,000)</u>	 <u>753,324</u>	 <u>756,324</u>
 OTHER FINANCING SOURCES (USES)			
Proceeds from Disposal of Capital Assets	3,000	19,500	16,500
Insurance Proceeds from Casualty	-	80,518	80,518
Transfers In	-	28,887	28,887
Transfers Out	-	(670,000)	(670,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,000</u>	<u>(541,095)</u>	<u>(544,095)</u>
 NET CHANGE IN FUND BALANCE	 -	 212,229	 212,229
 FUND BALANCE, Beginning of Year	 <u>2,844,872</u>	 <u>2,844,872</u>	 <u>-</u>
Restatement Due to Implementation of GASB 54	90,085	90,085	-
FUND BALANCE, Beginning of Year, Restated	<u>2,934,957</u>	<u>2,934,957</u>	<u>-</u>
 FUND BALANCE, End of Year	 <u>\$ 2,934,957</u>	 <u>3,147,186</u>	 <u>\$ 212,229</u>

TOWN OF FORT MILL, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2011

	<u>SPECIAL REVENUE</u>	<u>TOAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
ASSETS		
Cash and Cash Equivalents, Restricted	\$ 15,890	\$ 15,890
Receivables, Net:		
Other	3,213	3,213
TOTAL ASSETS	<u><u>19,103</u></u>	<u><u>19,103</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	647	647
TOTAL LIABILITIES	<u>647</u>	<u>647</u>
FUND BALANCES		
Restricted	18,456	18,456
TOTAL FUND BALANCES	<u>18,456</u>	<u>18,456</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 19,103</u></u>	<u><u>\$ 19,103</u></u>

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2011

	<u>SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
REVENUES		
Miscellaneous	\$ 11,700	\$ 11,700
Investment Earnings	55	55
TOTAL REVENUES ALL SOURCES	<u>11,755</u>	<u>11,755</u>
EXPENDITURES		
Current:		
Public Safety	17,117	17,117
TOTAL EXPENDITURES	<u>17,117</u>	<u>17,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,362)</u>	<u>(5,362)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	5,000	5,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	(362)	(362)
FUND BALANCES, Beginning of Year	<u>18,818</u>	<u>18,818</u>
FUND BALANCES, End of Year	<u>\$ 18,456</u>	<u>\$ 18,456</u>

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, 2011

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
OPERATING REVENUES					
Water Revenue and Penalties	\$ 2,164,414	1,859,661	-	1,859,661	\$ (304,753)
Sewer Revenues	2,561,496	1,950,123	-	1,950,123	(611,373)
York County Water Sales	1,121,353	1,002,170	-	1,002,170	(119,183)
Riverview Water Sales	151,885	137,872	-	137,872	(14,013)
Tega Cay Water Sales	291,006	267,145	-	267,145	(23,861)
Water Taps	100,000	65,340	-	65,340	(34,660)
Sewer Taps	125,000	62,310	-	62,310	(62,690)
Other Revenues	122,360	22,521	-	22,521	(99,839)
TOTAL OPERATING REVENUES	6,637,514	5,367,142	-	5,367,142	(1,270,372)
OPERATING EXPENSES					
Water:					
Water Purchases	1,621,807	1,684,212	-	1,684,212	(62,405)
Salaries	615,784	620,955	-	620,955	(5,171)
Fringe Benefits	214,968	199,401	-	199,401	15,567
Material and Supplies	111,200	149,753	-	149,753	(38,553)
Electricity	5,600	5,877	-	5,877	(277)
Permits	12,500	11,116	-	11,116	1,384
Insurance	12,287	10,058	-	10,058	2,229
Water Meter Replacement	-	23,404	-	23,404	(23,404)
Equipment Repairs	10,000	9,899	-	9,899	101
Postage	37,400	28,923	-	28,923	8,477
Gas, Oil, and Grease	17,500	21,757	-	21,757	(4,257)
Street Maintenance	100,000	87,901	-	87,901	12,099
Miscellaneous	11,000	17,825	-	17,825	(6,825)
Auto Repairs	9,750	20,077	-	20,077	(10,327)
Uniforms	8,650	8,321	-	8,321	329
Water and Heat	1,660	1,039	-	1,039	621
Telephone	18,500	19,937	-	19,937	(1,437)
Travel/Training	12,150	11,468	-	11,468	682
Membership/Dues	6,160	4,832	-	4,832	1,328
Advertising	2,500	2,046	-	2,046	454
Professional Services	356,800	210,370	-	210,370	146,430
Hydrant Repairs	20,000	4,500	-	4,500	15,500
Pre-Employment Expense	650	14	-	14	636
Contracted Services	55,000	26,421	-	26,421	28,579
Employee Assistance	306	266	-	266	40
Building Maintenance	11,400	11,794	-	11,794	(394)
Service Contracts	14,151	17,289	-	17,289	(3,138)
Capital Outlay	858,300	3,215	-	3,215	855,085
	\$ 4,146,023	3,212,670	-	3,212,670	\$ 933,353

(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, 2011

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 263,120	263,740	-	263,740	\$ (620)
Fringe Benefits	93,882	90,260	-	90,260	3,622
Electricity	72,126	65,779	-	65,779	6,347
Equipment Repairs	45,000	45,996	-	45,996	(996)
Material and Supplies	71,000	27,785	-	27,785	43,215
Electricity Lift Station	48,000	44,485	-	44,485	3,515
Alum	32,703	29,230	-	29,230	3,473
Professional Services	43,200	30,938	-	30,938	12,262
Insurance	31,422	18,998	-	18,998	12,424
Contracted Services	65,500	65,598	-	65,598	(98)
Chemicals	20,000	15,561	-	15,561	4,439
Lab Supplies	5,000	4,969	-	4,969	31
Gas, Oil, and Grease	17,000	22,104	-	22,104	(5,104)
Service Contracts	5,000	3,114	-	3,114	1,886
Natural Gas	10,000	93	-	93	9,907
Auto Repairs	7,000	11,272	-	11,272	(4,272)
Telephone	5,000	4,066	-	4,066	934
Uniforms	8,200	5,227	-	5,227	2,973
Travel/Training	4,200	3,187	-	3,187	1,013
Miscellaneous	1,500	-	-	-	1,500
Water and Heat	3,500	1,026	-	1,026	2,474
Building/Grounds Maintenance	11,000	6,061	-	6,061	4,939
Lime	19,550	7,764	-	7,764	11,786
Membership/Dues	1,000	260	-	260	740
Landfill Fees	75,000	64,770	-	64,770	10,230
Rental	-	-	-	-	-
Permits	3,500	2,330	-	2,330	1,170
Pump Station Repairs	40,000	131,771	-	131,771	(91,771)
Machinery and Equipment	119,000	19,959	-	19,959	99,041
Capital Outlay	-	-	-	-	-
Pump Station Monitoring	16,000	10,388	-	10,388	5,612
Employee Assistance	150	148	-	148	2
	<u>1,137,553</u>	<u>996,879</u>	<u>-</u>	<u>996,879</u>	<u>140,674</u>
Depreciation	-	-	796,558	796,558	-
TOTAL OPERATING EXPENSES	<u>5,283,576</u>	<u>4,209,549</u>	<u>796,558</u>	<u>5,006,107</u>	<u>1,074,027</u>
OPERATING INCOME (LOSS)	\$ 1,353,938	1,157,593	(796,558)	361,035	\$ (196,345)

(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, 2011

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
NON-OPERATING REVENUES (EXPENSES)					
Insurance Proceeds from Casualty	\$ -	12,801	-	12,801	\$ 12,801
Investment Earnings	5,000	4,072	-	4,072	(928)
Debt Service	(1,378,938)	(424,005)	28,887	(395,118)	954,933
Tega Cay Water Line Payment	20,000	20,000	-	20,000	-
Gain (Loss) on Sale of Capital Assets	-	4,291	-	4,291	4,291
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,353,938)	(382,841)	28,887	(353,954)	971,097
INCOME (LOSS) BEFORE TRANSFERS	-	774,752	(767,671)	7,081	774,752
Transfers Out	-	(28,887)	-	(28,887)	(28,887)
CHANGE IN NET ASSETS	-	745,865	(767,671)	(21,806)	745,865
NET ASSETS, End of Year	\$ 14,798,095	15,543,960	(767,671)	14,776,289	\$ 745,865

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	\$ (796,558)
- Principal Payments on Debt and Capital Leases	28,887
Total GAAP Adjustments	<u>\$ (767,671)</u>

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED SEPTEMBER 30, 2011

Court Fines, Assessments, and Surcharges

Court Fines, Assessments, and Surcharges Collected	\$	167,175
Court Fines, Assessments, and Surcharges Retained by the Town		(69,782)
Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer	\$	97,393

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	-
Court Assessments Allocated to Victim Assistance Fund		9,606
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(9,606)
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*

Honorable Mayor and 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, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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

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

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*.

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 21, 2012

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