

**TOWN OF FORT MILL  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2012**



TOWN OF FORT MILL, SOUTH CAROLINA

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YEAR ENDED SEPTEMBER 30, 2012

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**TOWN OF FORT MILL, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**YEAR ENDED SEPTEMBER 30, 2012**

Established

1873

**MAYOR**

Danny Funderburk

**TOWN COUNCIL MEMBERS**

Mayor Pro-Tem – Larry Huntley

Tom Adams

Ronald Helms

Nathan Blythe

Guynn Savage

Tom Spratt

**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, 2012, 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, 2012, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
March 7, 2013

# TOWN OF FORT MILL, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED SEPTEMBER 30, 2012

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As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2012. 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 \$26,013,000 (*net assets*). Of this amount, approximately \$5,669,000 (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 \$1,280,000 (an increase of approximately \$910,000 from governmental activities and an increase of approximately \$370,000 from business-type activities), as total revenues of approximately \$16,331,000 exceeded total expenses of approximately \$15,051,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$6,330,000, an increase of approximately \$2,593,000 from the prior year. Of this total amount, 50%, or approximately \$3,139,000, 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 \$3,139,000, or 34% of total General Fund expenditures for the year ended September 30, 2012.
- The Town's total capital assets decreased by approximately \$530,000 (2%) during the current fiscal year, which was largely due to depreciation expense of approximately \$1,372,000 exceeding capital additions of approximately \$845,000.
- The Town's long-term obligations increased by approximately \$1,177,000 (12%) during the current fiscal year, due to a new general obligation bond of \$1,500,000, a new capital lease of \$817,000, and compensated absences earned during the year of approximately \$172,000, partially offset by approximately \$1,122,000 in principal payments and approximately \$190,000 in compensated absence payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Basic Financial Statements

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

##### Government-Wide Basic Financial Statements

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

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2012

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

#### Fund Basic Financial Statements

The fund basic financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2012**

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

**Fund Basic Financial Statements (Continued)**

Figure A-1 - Major Features of the Town's Government-Wide and Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Fund 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"> <li>▪ Statement of net assets.</li> <li>▪ Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet.</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of net assets.</li> <li>▪ Statement of revenues, expenses, and changes in net assets.</li> <li>▪ Statement of cash flows.</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2012**

**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, 2012 and 2011:

**Town's Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and Other Assets	\$ 7,028,587	4,825,671	3,854,229	3,155,613	10,882,816	\$ 7,981,284
Capital Assets	7,379,724	7,160,851	19,977,887	20,726,392	27,357,611	27,887,243
Total Assets	<u>14,408,311</u>	<u>11,986,522</u>	<u>23,832,116</u>	<u>23,882,005</u>	<u>38,240,427</u>	<u>35,868,527</u>
Long-Term Liabilities	2,917,992	1,059,645	7,874,964	8,556,154	10,792,956	9,615,799
Other Liabilities	623,665	970,715	811,024	549,562	1,434,689	1,520,277
Total Liabilities	<u>3,541,657</u>	<u>2,030,360</u>	<u>8,685,988</u>	<u>9,105,716</u>	<u>12,227,645</u>	<u>11,136,076</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,782,217	6,346,672	12,295,286	12,383,233	18,077,503	18,729,905
Restricted Assets	795,989	566,706	1,469,870	1,423,417	2,265,859	1,990,123
Unrestricted	4,288,448	3,042,784	1,380,972	969,639	5,669,420	4,012,423
Total Net Assets	<u>\$ 10,866,654</u>	<u>9,956,162</u>	<u>15,146,128</u>	<u>14,776,289</u>	<u>26,012,782</u>	<u>\$ 24,732,451</u>

The Town's total assets increased by approximately \$2,372,000, or 7%, over the prior year. This increase was primarily due as an increase of approximately \$2,808,000 in cash and cash equivalents at September 30, 2012, partially offset by a reduction in accounts receivable of approximately \$415,000 and a reduction in total capital assets of approximately \$530,000.

Total liabilities at September 30, 2012 increased by approximately \$1,092,000 from the prior year; this is primarily due to an increase in long-term liabilities. The Town had scheduled principal payments of approximately \$1,122,000 for long-term obligations partially offset by new debt issued of \$2,317,000.

The government's net assets increased by approximately \$1,280,000 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 \$26,013,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (approximately \$18,078,000 or 69%) 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 \$2,266,000 or 9%) 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 \$5,669,000 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, 2012**

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

The following table shows the changes in net assets for fiscal year 2012 compared to 2011.

**Town's Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,964,437	3,715,336	6,170,088	5,367,142	10,134,525	\$ 9,082,478
Operating Grants and Contributions	421,086	419,414	-	-	421,086	419,414
General Revenues:						
Property Taxes	4,219,124	4,175,546	-	-	4,219,124	4,175,546
Hospitality Taxes	245,206	199,541	-	-	245,206	199,541
Intergovernmental Revenue	312,163	279,882	-	-	312,163	279,882
Other Revenue	966,937	209,997	32,233	41,164	999,170	251,161
<b>Total Revenues</b>	<b>10,128,953</b>	<b>8,999,716</b>	<b>6,202,321</b>	<b>5,408,306</b>	<b>16,331,274</b>	<b>14,408,022</b>
Expenses:						
General Government	1,471,867	1,091,094	-	-	1,471,867	1,091,094
Judicial	108,690	94,050	-	-	108,690	94,050
Public Works	2,462,869	2,440,767	-	-	2,462,869	2,440,767
Public Safety	4,222,613	3,888,325	-	-	4,222,613	3,888,325
Culture and Recreation	898,017	699,940	-	-	898,017	699,940
Interest and Fiscal Charges	39,930	37,260	-	-	39,930	37,260
Water/Sewer	-	-	5,846,957	5,401,225	5,846,957	5,401,225
<b>Total Expenses</b>	<b>9,203,986</b>	<b>8,251,436</b>	<b>5,846,957</b>	<b>5,401,225</b>	<b>15,050,943</b>	<b>13,652,661</b>
Change in Net Assets Before Transfers	924,967.00	748,280	355,364	7,081	1,280,331	755,361
Transfers In (Out)	(14,475)	28,887	14,475	(28,887)	-	-
Change in Net Assets	910,492	777,167	369,839	(21,806)	1,280,331	755,361
Net Assets, Beginning of Year	9,956,162	9,178,995	14,776,289	14,798,095	24,732,451	23,977,090
Net Assets, End of Year	<b>\$ 10,866,654</b>	<b>9,956,162</b>	<b>15,146,128</b>	<b>14,776,289</b>	<b>26,012,782</b>	<b>\$ 24,732,451</b>

**Governmental Activities:** Revenues exceeded expenses by approximately \$925,000 for 2012 for its governmental activities. Revenues increased over the prior year by approximately \$1,129,000 (13%) to approximately \$10,129,000, due primarily to an increase in charges for services of approximately \$249,000 (7%), as well as an increase in other revenue of approximately \$757,000 (360%). Expenses increased by approximately \$953,000 (12%) to approximately \$9,204,000 from the prior year. Overall, governmental activities operations increased the Town's net assets by approximately \$910,000 in 2012.

**Business-Type Activities:** Revenues exceeded expenses by approximately \$355,000 for 2012 for the business-type activities. Revenues increased by approximately \$794,000 (15%) to approximately \$6,202,000 from the prior year primarily due to an increase in charges for services. Expenses increased by approximately \$446,000 (8%) to approximately \$5,847,000. Overall, business-type activities increased the Town's net assets by approximately \$370,000.

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

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

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2012

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**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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$6,330,000, an increase of approximately \$2,593,000 from the prior year. Approximately 53% of this total amount (approximately \$3,139,000) constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balances is assigned for capital projects and community development or restricted for either tourism related costs, capital lease purchases, narcotics, fire cushion fund 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 \$3,516,000. 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 37% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$369,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$685,000 or 8% primarily due to an increase over budget in permit revenue of approximately \$463,000, as well as various other increases over budget in other revenue categories.
- General Fund expenditures exceeded budgeted expectations by approximately 10% or \$941,000, primarily due to capital outlay exceeding expectations.
- The most significant other financing sources (uses) transactions for 2012 consisted of Capital Lease proceeds of approximately \$817,000 and a transfer of approximately \$750,000 to the Capital Project Fund. These funds were used to begin work on the Doby Bridge Park and for the purchase of vehicles and equipment. There were also insurance proceeds of approximately \$568,000 that were received from hail storm damage to various structures.

In addition, the fund balances of the remaining Special Revenue and Capital Project Funds increased by approximately \$2,224,000. Highlights for all of the remaining Special Revenue and Capital Project Funds were as follows:

- Proceeds from GO Bond of approximately \$1,500,000 for the construction of Doby Park.
- A transfer from the General fund of approximately \$750,000.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$636,000 (primarily for equipment, vehicles, and construction costs on the Doby Bridge 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 \$15,146,000. 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 2012.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2012**

**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, 2012, was approximately \$7,380,000 and \$19,978,000, 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, 2012 and 2011 were as follows:

	<b>Town's Capital Assets</b>					
	(Net of Depreciation)					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 700,717	700,717	605,505	605,505	1,306,222	\$ 1,306,222
Construction in Progress	122,182	-	104,694	104,694	226,876	104,694
Land Improvements	176,720	194,939	-	-	176,720	194,939
Infrastructure	1,457,263	1,499,520	18,525,394	19,256,773	19,982,657	20,756,293
Buildings and Improvements	2,843,738	2,943,320	539,489	552,056	3,383,227	3,495,376
Equipment	770,518	734,819	106,464	134,430	876,982	869,249
Vehicles	1,308,586	1,087,536	96,341	72,934	1,404,927	1,160,470
<b>Total</b>	<b>\$ 7,379,724</b>	<b>7,160,851</b>	<b>19,977,887</b>	<b>20,726,392</b>	<b>27,357,611</b>	<b>\$ 27,887,243</b>

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$499,000.
- Purchase of equipment for approximately \$224,000.
- Governmental activities CIP additions for approximately \$122,000.
- Depreciation expense of approximately \$1,372,000.

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, 2012, the Town had total bonded debt outstanding of approximately \$8,171,000, of which approximately \$1,646,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$2,353,000 in capital leases outstanding at year end.

**Town's Long-Term Obligations**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
General Obligation Bonds	\$ 1,645,998	308,401	-	-	1,645,998	\$ 308,401
Revenue Bonds/Refunding Bonds	-	-	6,525,000	7,078,000	6,525,000	7,078,000
Capital Leases	1,042,579	505,778	1,310,340	1,436,972	2,352,919	1,942,750
Compensated Absences	229,415	245,466	39,624	41,182	269,039	286,648
<b>Total</b>	<b>\$ 2,917,992</b>	<b>1,059,645</b>	<b>7,874,964</b>	<b>8,556,154</b>	<b>10,792,956</b>	<b>\$ 9,615,799</b>

The Town's long-term obligations increased by approximately \$1,177,000 (12%) during the current year, due to a new general obligation bond of \$1,500,000, a new capital lease of \$817,000, and compensated absences earned during the year of approximately \$172,000, partially offset by approximately \$1,122,000 in principal payments and approximately \$190,000 in compensated absence payments.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2012**

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**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, 2012 was approximately \$3,967,000. The legal debt margin was approximately \$2,321,000.

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 2012-13 General Fund operating budget is approximately \$9,080,000. Rates associated with the Town's franchise, business license, solid waste and building permit fees remained constant.

**REQUESTS FOR TOWN INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,345,919	1,488,282	\$ 5,834,201
Cash and Cash Equivalents, Restricted	1,916,765	1,590,240	3,507,005
Receivables, Net:			
Property Taxes	175,516	-	175,516
Accounts	119,222	855,556	974,778
Other	126,791	24,909	151,700
Internal Balances	257,497	(257,497)	-
Due From:			
State Government	86,877	-	86,877
Bond Issuance Costs, Net	-	152,739	152,739
Capital Assets:			
Non-Depreciable	822,899	710,199	1,533,098
Depreciable, Net	6,556,825	19,267,688	25,824,513
<b>TOTAL ASSETS</b>	<b>14,408,311</b>	<b>23,832,116</b>	<b>38,240,427</b>
<b>LIABILITIES</b>			
Accounts Payable	402,767	437,528	840,295
Accrued Interest Payable	26,787	120,370	147,157
Accrued Salaries and Fringe Benefits	171,366	39,822	211,188
Other Liabilities	9,790	-	9,790
Unearned Revenues	12,955	213,304	226,259
Non-Current Liabilities:			
Due Within One Year	780,054	737,117	1,517,171
Due in More Than One Year	2,137,938	7,137,847	9,275,785
<b>TOTAL LIABILITIES</b>	<b>3,541,657</b>	<b>8,685,988</b>	<b>12,227,645</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,782,217	12,295,286	18,077,503
Restricted For:			
Debt Service	-	1,469,870	1,469,870
Tourism Related	712,255	-	712,255
Narcotics	26,323	-	26,323
Fire Cushion Fund	57,411	-	57,411
Unrestricted	4,288,448	1,380,972	5,669,420
<b>TOTAL NET ASSETS</b>	<b>\$ 10,866,654</b>	<b>15,146,128</b>	<b>\$ 26,012,782</b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

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
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General Government	\$ 1,471,867	2,845,920	-	-	1,374,053		\$ 1,374,053
Judicial	108,690	84,275	-	-	(24,415)		(24,415)
Public Works	2,462,869	610,753	-	-	(1,852,116)		(1,852,116)
Public Safety	4,222,613	176,368	22,277	-	(4,023,968)		(4,023,968)
Culture and Recreation	898,017	247,121	398,809	-	(252,087)		(252,087)
Interest and Fiscal Charges	39,930	-	-	-	(39,930)		(39,930)
<b>Total Governmental Activities</b>	<b>9,203,986</b>	<b>3,964,437</b>	<b>421,086</b>	<b>-</b>	<b>(4,818,463)</b>		<b>(4,818,463)</b>
Business-Type Activities:							
Water/Sewer	5,846,957	6,170,088	-	-		323,131	323,131
<b>Total Business-Type Activities</b>	<b>5,846,957</b>	<b>6,170,088</b>	<b>-</b>	<b>-</b>		<b>323,131</b>	<b>323,131</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 15,050,943</b>	<b>10,134,525</b>	<b>421,086</b>	<b>-</b>	<b>(4,818,463)</b>	<b>323,131</b>	<b>(4,495,332)</b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,219,124	-	4,219,124
Hospitality Taxes					245,206	-	245,206
Intergovernmental Revenue - Unrestricted					312,163	-	312,163
Investment Income					8,149	3,830	11,979
Miscellaneous					384,401	20,000	404,401
Gain on Sale of Capital Assets					6,218	-	6,218
Insurance Proceeds from Casualty					568,169	8,403	576,572
Transfers In (Out)					(14,475)	14,475	-
<b>Total General Revenues and Transfers</b>					<b>5,728,955</b>	<b>46,708</b>	<b>5,775,663</b>
<b>CHANGE IN NET ASSETS</b>					<b>910,492</b>	<b>369,839</b>	<b>1,280,331</b>
NET ASSETS, Beginning of Year					9,956,162	14,776,289	24,732,451
<b>NET ASSETS, End of Year</b>					<b>\$ 10,866,654</b>	<b>15,146,128</b>	<b>\$ 26,012,782</b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,849,706	1,496,213	-	\$ 4,345,919
Cash and Cash Equivalents, Restricted	319,947	1,576,152	20,666	1,916,765
Receivables, Net:				
Property Taxes	175,516	-	-	175,516
Garbage	119,222	-	-	119,222
Other	101,988	19,146	5,657	126,791
Due From:				
Other Funds	585,817	-	-	585,817
State Government	86,877	-	-	86,877
<b>TOTAL ASSETS</b>	<b><u>\$ 4,239,073</u></b>	<b><u>3,091,511</u></b>	<b><u>26,323</u></b>	<b><u>\$ 7,356,907</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 321,227	81,540	-	\$ 402,767
Accrued Salaries and Fringe Benefits	171,366	-	-	171,366
Due to Other Funds	106,627	221,693	-	328,320
Deferred and Unearned Revenues	114,304	-	-	114,304
Other Liabilities	9,790	-	-	9,790
<b>TOTAL LIABILITIES</b>	<b><u>723,314</u></b>	<b><u>303,233</u></b>	<b><u>-</u></b>	<b><u>1,026,547</u></b>
<b>FUND BALANCES</b>				
Restricted For:				
Tourism Related Costs	-	712,255	-	712,255
Capital Lease Purchases	227,173	-	-	227,173
Narcotics	-	-	26,323	26,323
Fire Cushion Fund	57,411	-	-	57,411
Captial Projects	-	863,897	-	863,897
Assigned For:				
Capital Projects	-	1,212,126	-	1,212,126
Community Development	92,586	-	-	92,586
Unassigned	3,138,589	-	-	3,138,589
<b>TOTAL FUND BALANCES</b>	<b><u>3,515,759</u></b>	<b><u>2,788,278</u></b>	<b><u>26,323</u></b>	<b><u>6,330,360</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,239,073</u></b>	<b><u>3,091,511</u></b>	<b><u>26,323</u></b>	<b><u>\$ 7,356,907</u></b>

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**SEPTEMBER 30, 2012**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 6,330,360</b>
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Property taxes in the Statement of Net Assets will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	101,349
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 \$12,199,191, and the accumulated depreciation was \$4,819,447.	7,379,724
Accrued interest on bonds in governmental accounting was not due and payable in the current period and therefore has not been reported as a liability in the funds.	(26,787)
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	(2,688,577)
Compensated Absences	(229,415)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 10,866,654</u></b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Taxes	\$ 4,251,502	245,206	-	\$ 4,496,708
Fines, Fees, Licenses and Permits	2,895,093	-	-	2,895,093
Charges for Service	870,976	22,000	-	892,976
Grants	211,103	-	-	211,103
Intergovernmental	312,162	-	-	312,162
Miscellaneous	410,595	333,494	26,664	770,753
Investment Earnings	6,217	1,917	15	8,149
<b>TOTAL REVENUES ALL SOURCES</b>	<b><u>8,957,648</u></b>	<b><u>602,617</u></b>	<b><u>26,679</u></b>	<b><u>9,586,944</u></b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,323,214	-	-	1,323,214
Judicial	108,690	-	-	108,690
Public Works	1,857,379	-	-	1,857,379
Public Safety	3,784,899	-	23,812	3,808,711
Culture and Recreation	808,149	-	-	808,149
Capital Outlay	858,966	636,103	-	1,495,069
Debt Service:				
Principal Retirement	442,541	-	-	442,541
Interest and Fiscal Charges	29,381	-	-	29,381
<b>TOTAL EXPENDITURES</b>	<b><u>9,213,219</u></b>	<b><u>636,103</u></b>	<b><u>23,812</u></b>	<b><u>9,873,134</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(255,571)</u></b>	<b><u>(33,486)</u></b>	<b><u>2,867</u></b>	<b><u>(286,190)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	8,450	-	-	8,450
Insurance Proceeds from Casualty	568,169	-	-	568,169
Proceeds from Bond Indebtedness	-	1,500,000	-	1,500,000
Capital Lease	817,000	-	-	817,000
Transfers In	28,887	750,000	5,000	783,887
Transfers Out	(798,362)	-	-	(798,362)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>624,144</u></b>	<b><u>2,250,000</u></b>	<b><u>5,000</u></b>	<b><u>2,879,144</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>368,573</u></b>	<b><u>2,216,514</u></b>	<b><u>7,867</u></b>	<b><u>2,592,954</u></b>
FUND BALANCES, Beginning of Year	<u>3,147,186</u>	<u>571,764</u>	<u>18,456</u>	<u>3,737,406</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 3,515,759</u></b>	<b><u>2,788,278</u></b>	<b><u>26,323</u></b>	<b><u>\$ 6,330,360</u></b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2012

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,592,954**

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.	(32,378)
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.	442,602
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long-term liabilities in the Statement of Net Assets. This is the amount of proceeds received in the current year.	(2,317,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in the interest accrued.	(10,610)
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.	16,051
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.	(2,232)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$801,214 in the current period exceeded depreciation expense of \$580,109 in the current period.	221,105

**TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 910,492**

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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, 2012**

	<b>GROSS REVENUE</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,488,282
Cash and Cash Equivalents, Restricted	1,590,240
Receivables, Net:	
Accounts	855,556
Other	24,909
Due From:	
Other Funds	297,726
Total Current Assets	<u>4,256,713</u>
Non-Current Assets:	
Bond Issuance Costs, Net	152,739
Capital Assets:	
Non-Depreciable	710,199
Depreciable, Net	19,267,688
Total Non-Current Assets	<u>20,130,626</u>
<b>TOTAL ASSETS</b>	<b><u>24,387,339</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	437,528
Accrued Interest Payable	120,370
Accrued Salaries and Fringe Benefits	39,822
Due to Other Funds	555,223
Unearned Revenues	213,304
Compensated Absences	30,000
State Revolving Loans and Capital Leases	707,117
Total Current Liabilities	<u>2,103,364</u>
Non-Current Liabilities:	
Compensated Absences	9,624
State Revolving Loans and Capital Leases	7,128,223
Total Non-Current Liabilities	<u>7,137,847</u>
<b>TOTAL LIABILITIES</b>	<b><u>9,241,211</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	12,295,286
Restricted For:	
Debt Service	1,469,870
Unassigned	1,380,972
<b>TOTAL NET ASSETS</b>	<b><u>\$ 15,146,128</u></b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2012

	<u>GROSS REVENUE</u>
<b>OPERATING REVENUES</b>	
Water Revenue and Penalties	\$ 2,098,086
Sewer Revenues	2,081,440
York County Water Sales	1,151,065
Riverview Water Sales	142,075
Tega Cay Water Sales	267,293
Water Taps	193,481
Sewer Taps	222,105
Other Revenues	14,543
<b>TOTAL OPERATING REVENUES</b>	<b><u>6,170,088</u></b>
<b>OPERATING EXPENSES</b>	
Water	3,695,932
Sewer	994,357
Other Operating Expenses	28,181
Depreciation	791,867
<b>TOTAL OPERATING EXPENSES</b>	<b><u>5,510,337</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>659,751</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Insurance Proceeds from Casualty	8,403
Investment Earnings	3,830
Interest Expense and Fiscal Charges	(336,620)
Tega Cay Water Line Payment	20,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(304,387)</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>355,364</b>
Transfers In	43,362
Transfers Out	(28,887)
<b>CHANGE IN NET ASSETS</b>	<b>369,839</b>
NET ASSETS, Beginning of Year	<u>14,776,289</u>
<b>NET ASSETS, End of Year</b>	<b><u>\$ 15,146,128</u></b>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2012

	<b>GROSS REVENUE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Charges for Fees and Services	\$ 6,137,329
Receipts from Other Revenues	11,924
Payments for Personal Services	(1,172,410)
Payments for Goods and Services	(3,330,345)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,646,498</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers To Other Funds	90,743
Other Non-Operating Receipts (Payments)	28,403
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>119,146</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(43,362)
Bond and Note Payments	(679,632)
Interest Paid on Bonds	(317,546)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,040,540)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Income Received on Investments	3,830
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,830</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>728,934</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<u>2,349,588</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u><u>\$ 3,078,522</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 659,751
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	791,867
(Increase) Decrease in Current Assets:	
Receivables	(65,024)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	214,168
Accrued Salaries & Fringe Benefits	3,105
Deferred and Unearned Revenues	44,189
Compensated Absences	(1,558)
Net Cash Provided by Operating Activities	<u><u>\$ 1,646,498</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, 2012**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

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

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

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

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

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town’s basic financial statements to be misleading or incomplete.

There were no component units required to be included in the Town’s basic financial statements.

***Related Organizations***

**Fort Mill Housing Authority**

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

***Major Operations***

The Town’s major governmental operations include general government, judicial, public works, public safety (police and fire protection), 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, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). The effect of interfund activity has been removed from these statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

**Governmental fund basic financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers 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, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The *General Fund, a major fund* and a budgeted 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 (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned 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.

The *Capital Projects Fund, a major fund* and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to 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.

The *Special Revenue Funds, non-major funds*, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. 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, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Town has one major Enterprise Fund:

The *Gross Revenue Fund, a major fund* and 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, 2012**

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

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

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

**Investments (Continued)**

- (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 in (out). 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, 2012, balances of interfund amounts or payables have been recorded.

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, water, sewer, and other fees and charges.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

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, 2012**

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**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, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. *Net Assets and Fund Balance (Continued)*

**Governmental Fund Statements**

In accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB 54”), the Town classifies its 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.

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.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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

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

**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.
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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 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, 2012.
- 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, 2012, none of the Town’s bank balances of approximately \$8,729,000 (which had a carrying value of approximately \$8,523,000) were exposed to custodial credit risk.

*Investments*

As of September 30, 2012, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Unrated*	\$ 818,000	< 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.

**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, 2012, 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, 2012 were related to (a) bond and lease agreements (\$2,670,726), (b) narcotics (\$20,666), (c) hospitality taxes (\$689,583), and (d) other (\$126,030).

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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

**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, 2012, 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, 2012 of approximately \$176,000 (net of allowance for uncollectible portion of approximately \$5,000) for the General Fund. Delinquent property taxes of approximately \$27,000 have been recognized as revenue at September 30, 2012 because it was collected within 60 days of year end. Approximately \$47,000 has been recognized as revenue as it was collected by the County during September 2012, and remitted to the Town in October. The remaining amount of approximately \$101,000 has been recorded as deferred revenue on the governmental fund basic financial statements because it was not collected within 60 days of year end.

*Other Receivables*

The Town has other receivables primarily related to its garbage services and water/sewer operations of approximately \$119,000 (net of allowance for uncollectible portion of approximately \$36,000) and \$856,000 (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, 2012 (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, 2012, 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	\$ 585,817	\$ 106,627
Gross Revenue Fund	297,726	555,223
Capital Projects Fund	-	221,693
Totals	\$ 883,543	\$ 883,543

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

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

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

*Interfund Transfers*

Interfund transfers for the year ended September 30, 2012, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Funds:</u></b>		
General Fund	\$ 28,887	\$ 798,362
Gross Revenue Fund	43,362	28,887
Capital Projects Fund	750,000	-
<b><u>Other Non-Major Funds:</u></b>		
Special Revenue Fund - Narcotics Fund	-	-
Special Revenue Fund - Community Development Fund	-	-
Special Revenue Fund - Narcotics	5,000	-
Totals	\$ 827,249	\$ 827,249

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.

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 \$750,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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

**D. Capital Assets**

Capital asset activity for the Town’s governmental activities for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 700,717	-	-	-	\$ 700,717
Construction in Progress	-	122,182	-	-	122,182
<b>Total Capital Assets, Non-Depreciable</b>	<b>700,717</b>	<b>122,182</b>	<b>-</b>	<b>-</b>	<b>822,899</b>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Building and Improvements	4,261,378	-	-	-	4,261,378
Equipment	1,809,771	223,664	-	-	2,033,435
Vehicles	2,725,764	455,368	63,255	-	3,117,877
<b>Total Capital Assets, Depreciable</b>	<b>10,760,495</b>	<b>679,032</b>	<b>63,255</b>	<b>-</b>	<b>11,376,272</b>
Less: Accumulated Depreciation for:					
Land Improvements	78,346	18,219	-	-	96,565
Infrastructure	190,777	42,257	-	-	233,034
Building and Improvements	1,318,058	99,582	-	-	1,417,640
Equipment	1,074,952	187,965	-	-	1,262,917
Vehicles	1,638,228	232,086	61,023	-	1,809,291
<b>Total Accumulated Depreciation</b>	<b>4,300,361</b>	<b>580,109</b>	<b>61,023</b>	<b>-</b>	<b>4,819,447</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>6,460,134</b>	<b>98,923</b>	<b>2,232</b>	<b>-</b>	<b>6,556,825</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,160,851</b>	<b>221,105</b>	<b>2,232</b>	<b>-</b>	<b>\$ 7,379,724</b>

The cost of equipment recorded under capital lease was approximately \$2,322,000, and the related accumulated amortization was approximately \$1,339,000 as of September 30, 2012. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Capital asset additions and depreciation expense for the Town’s Governmental Activities were charged/allocated to functions/programs for the year ended September 30, 2012 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 65,557	\$ 215,255
Public Safety	77,272	135,162
Public Works	658,385	136,568
Culture and Recreation	-	93,124
<b>Totals - Governmental Activities</b>	<b>\$ 801,214</b>	<b>\$ 580,109</b>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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

**D. Capital Assets (Continued)**

Capital asset activity for the Town’s business-type activities for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	104,694	-	-	-	104,694
<b>Total Capital Assets, Non-Depreciable</b>	<b>710,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,199</b>
Capital Assets, Depreciable:					
Infrastructure	29,371,242	-	-	-	29,371,242
Building and Improvements	670,542	-	-	-	670,542
Equipment	480,795	-	-	-	480,795
Vehicles	199,566	43,362	-	-	242,928
<b>Total Capital Assets, Depreciable</b>	<b>30,722,145</b>	<b>43,362</b>	<b>-</b>	<b>-</b>	<b>30,765,507</b>
Less: Accumulated Depreciation for:					
Infrastructure	10,114,469	731,379	-	-	10,845,848
Building and Improvements	118,486	12,567	-	-	131,053
Equipment	346,365	27,966	-	-	374,331
Vehicles	126,632	19,955	-	-	146,587
<b>Total Accumulated Depreciation</b>	<b>10,705,952</b>	<b>791,867</b>	<b>-</b>	<b>-</b>	<b>11,497,819</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>20,016,193</b>	<b>(748,505)</b>	<b>-</b>	<b>-</b>	<b>19,267,688</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 20,726,392</b>	<b>(748,505)</b>	<b>-</b>	<b>-</b>	<b>\$ 19,977,887</b>

The cost of capital assets that was purchased under capital lease was approximately \$3,581,000. Accumulated amortization was approximately \$1,465,000 at September 30, 2012. 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, 2012**

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**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. Revenue Bonds are obligations of the Town that are secured by revenue from a specific source. 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, 2012 are as follows:

	<u>Principal Outstanding at Year End</u>
<b><i>General Obligation Bonds</i></b>	
\$657,300 general obligation serial bond issued in December, 1994 (“Series 1995”), due in annual installments of \$53,837 beginning December 2, 1995 through December 2, 2014 which includes interest at 5.251%. The proceeds of this issue were primarily used to build the Town’s fire station.	\$ 145,998
\$1,500,000 general obligation bonds issued in March, 2012 (“Series 2012”), due in annual installments of \$127,017 beginning March 16, 2013 through March 16, 2027 which includes interest at 3.150%. The proceeds from this issue were used to defray the cost of designing and constructing two athletic fields and renovating an existing athletic field.	<u>1,500,000</u>
Total Outstanding General Obligation Bonds	<u><u>\$ 1,645,998</u></u>
<b><i>Capital Lease Obligations</i></b>	
\$735,823 capital lease was entered into in June 2003, with annual installments of \$87,764 beginning June 17, 2004 through June 17, 2013 which includes interest at 3.340%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of a ladder truck (“Ladder Truck”).	\$ 84,927
\$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.	140,652
\$817,000 capital lease was entered into in December 2011, with annual installments of \$280,104 beginning December 21, 2012 through December 21, 2014 which includes interest at 1.420%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of equipment/vehicles.	<u>817,000</u>
Total Capital Lease Obligations	<u><u>\$ 1,042,579</u></u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

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, 2012, for the Town’s governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GOB - Series 1995	\$ 189,898	-	43,900	145,998	\$ 46,205
GOB - Series 2002	118,503	-	118,503	-	-
GOB - Series 2012	-	1,500,000	-	1,500,000	79,767
<b>Total Debt</b>	<b>308,401</b>	<b>1,500,000</b>	<b>162,403</b>	<b>1,645,998</b>	<b>125,972</b>
Capital Leases:					
Ladder Truck	167,110	-	82,183	84,927	84,927
2008 Equipment Lease	61,048	-	61,048	-	-
2010 Equipment Lease	277,620	-	136,968	140,652	140,652
2011 Equipment Lease	-	817,000	-	817,000	268,503
<b>Total Capital Leases</b>	<b>505,778</b>	<b>817,000</b>	<b>280,199</b>	<b>1,042,579</b>	<b>494,082</b>
Compensated Absences	245,466	146,348	162,399	229,415	160,000
<b>Total Governmental Activities</b>	<b>\$ 1,059,645</b>	<b>2,463,348</b>	<b>605,001</b>	<b>2,917,992</b>	<b>\$ 780,054</b>

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, 2012, the Town had approximately \$1,646,000 of bonded debt subject to the 8% limit of approximately \$3,967,000 resulting in an unused legal debt margin of approximately \$2,321,000.

Details on the Town’s business-type activities outstanding debt issues and capital leases as of September 30, 2012 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.	\$ 5,681,000

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

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>844,000</u>
Total Bond Refundings	<u><u>\$ 6,525,000</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>\$ 1,310,340</u></u>
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Presented below is a summary of changes in long-term obligations for the year ended September 30, 2012, for the Town’s business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
2011 Refunding Bonds	\$ 6,152,000	-	471,000	5,681,000	\$ 490,000
2011B Refunding Bonds	926,000	-	82,000	844,000	83,000
Total Debt	7,078,000	-	553,000	6,525,000	573,000
Capital Lease - Rock Hill Water Line	1,436,972	-	126,632	1,310,340	134,117
Compensated Absences	41,182	26,161	27,719	39,624	30,000
<b>Total Business-Type Activities</b>	<b>\$ 8,556,154</b>	<b>26,161</b>	<b>707,351</b>	<b>7,874,964</b>	<b>\$ 737,117</b>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

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, 2012 with a rate of 182%.

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, 2012:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2013	\$ 125,972	54,918	494,082	6,621	\$ 681,593
2014	130,911	50,009	272,315	-	453,235
2015	136,034	44,834	276,182	-	457,050
2016	87,545	39,472	-	-	127,017
2017	90,303	36,714	-	-	127,017
2018-2022	496,016	139,069	-	-	635,085
2023-2027	579,217	69,870	-	-	649,087
Totals	<u>\$ 1,645,998</u>	<u>434,886</u>	<u>1,042,579</u>	<u>6,621</u>	<u>\$ 3,130,084</u>
<b><u>Business-Type Activities</u></b>					
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	649,000	133,096	166,934	35,729	984,759
2018 - 2022	2,925,000	347,415	558,813	48,469	3,879,697
2023 - 2027	545,000	9,674	-	-	554,674
Totals	<u>\$ 6,525,000</u>	<u>1,239,666</u>	<u>1,310,340</u>	<u>312,762</u>	<u>\$ 9,387,768</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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**IV. OTHER INFORMATION**

**A. Risk Management**

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

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended September 30, 2012, the Town made premium payments totaling approximately \$100,000. 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, 2011, totaled approximately \$29,608,000. 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, 2012, the Town made premium payments totaling approximately \$74,000. 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, 2011, totaled approximately \$45,904,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

**Health Plan**

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

**B. Contingent Liabilities and Commitments**

**Grants**

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

**C. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan (“401(k) Plan”), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission (“Commission”). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$3,016,000 of the Town’s approximately \$4,584,000 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 \$18,000 and \$86,000 respectively for the year ended September 30, 2012. There were no significant changes in plan provisions during the current year.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

**IV. OTHER INFORMATION (CONTINUED)**

**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.

Employees covered under SCPORS are required to contribute 7.0% of salary. Employees covered under SCRS are required to contribute 7.0% of salary as of year end. The Town is required to contribute 12.30% of gross earnings under SCPORS and 10.45% 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
\$ 2,106,035	\$ 2,352,679

Total payroll for fiscal year 2012 for all Town employees was approximately \$4,584,000. 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
2012	\$ 231,281	100%	\$ 250,819	100%
2011	223,313	100%	236,841	100%
2010	\$ 209,585	100%	\$ 203,411	100%

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Other Postemployment Benefits**

Upon retirement from the Town, employees who meet certain eligibility requirements have the option to retain health and dental insurance through the Town by paying 100% of the 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, 2012 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 20% of total water sales for the year ended September 30, 2012. In December 1998, the Town entered into a water service agreement with this customer whereby this customer will purchase a minimum of 200,000 gallons of water per day through the year 2014.

**G. Pending Implementation of GASB Statements on Pensions**

GASB Statement No. 67, *Financial Reporting for Pension Plans* ("GASB #67"), and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB #68"), collectively the "Statements", were issued by the GASB in June 2012. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions and pension plans. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that these new Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered.

In particular, these Statements will provide new guidance on the calculation of the net pension liability and on the use of appropriate actuarial assumptions for the Town's Pension Plan. It will also require the Town to report a net pension liability for its participation in the SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Assets) and present more extensive note disclosures. In general, it should not have a significant impact on the Town's governmental funds.

The effect of implementation of these Statements has not been determined at this time, but it is anticipated that they will materially decrease the Town's net assets. GASB #67 and GASB #68 are required to be implemented by the Town no later than the fiscal years ending June 30, 2014 and June 30, 2015, respectively.

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# **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, 2012

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 4,272,000	4,272,000	4,251,502	\$ (20,498)
Fines, Fees, Licenses and Permits:	2,431,713	2,431,713	2,895,093	463,380
Charges For Services	735,200	735,200	870,976	135,776
Grants	212,492	212,492	211,103	(1,389)
Intergovernmental	280,656	280,656	312,162	31,506
Miscellaneous	335,500	335,500	410,595	75,095
Investment Earnings	5,000	5,000	6,217	1,217
<b>TOTAL REVENUES ALL SOURCES</b>	<b>8,272,561</b>	<b>8,272,561</b>	<b>8,957,648</b>	<b>685,087</b>
<b>EXPENDITURES</b>				
Current:				
General Government	998,199	998,199	1,323,214	(325,015)
Judicial	108,868	108,868	108,690	178
Public Works	1,938,332	1,938,332	1,857,379	80,953
Public Safety	3,801,876	3,801,876	3,784,899	16,977
Culture and Recreation	618,241	618,241	808,149	(189,908)
Capital Outlay	363,981	363,981	858,966	(494,985)
Debt Service:				
Principal Retirement	415,206	415,206	442,541	(27,335)
Interest and Fiscal Charges	27,858	27,858	29,381	(1,523)
<b>TOTAL EXPENDITURES</b>	<b>8,272,561</b>	<b>8,272,561</b>	<b>9,213,219</b>	<b>(940,658)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(255,571)</b>	<b>(255,571)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	10,000	10,000	8,450	(1,550)
Insurance Proceeds from Casualty	-	-	568,169	568,169
Capital Lease	-	-	817,000	817,000
Transfers In	-	-	28,887	28,887
Transfers Out	(10,000)	(10,000)	(798,362)	(788,362)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>624,144</b>	<b>624,144</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>368,573</b>	<b>368,573</b>
FUND BALANCE, Beginning of Year	3,147,186	3,147,186	3,147,186	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 3,147,186</b>	<b>3,147,186</b>	<b>3,515,759</b>	<b>\$ 368,573</b>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

# **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, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Taxes:</b>			
Current Property Taxes	\$ 3,900,000	3,813,630	\$ (86,370)
Current Vehicle Taxes	325,000	406,999	81,999
Delinquent Taxes	2,000	(27,817)	(29,817)
Prior Years, Including Penalties and Execution Fees	10,000	25,976	15,976
Housing Authority in Lieu of Taxes	35,000	32,714	(2,286)
<b>Total Taxes</b>	<b>4,272,000</b>	<b>4,251,502</b>	<b>(20,498)</b>
<b>Fines, Fees, Licenses, and Permits:</b>			
Privilege Licenses	1,903,613	2,111,288	207,675
Duke Power in Lieu of Taxes	185,000	195,263	10,263
York Electric in Lieu of Taxes	125,000	142,190	17,190
Fines and Penalties	65,000	84,275	19,275
Permits	153,100	362,077	208,977
<b>Total Fines, Fees, Licenses, and Permits</b>	<b>2,431,713</b>	<b>2,895,093</b>	<b>463,380</b>
<b>Charges for Services:</b>			
Garbage Revenue	520,000	581,467	61,467
Athletics Revenue	170,200	247,121	76,921
Cemetery Lots	-	(100)	(100)
Grave Openings	30,000	29,286	(714)
Assembly Center Fees	15,000	13,202	(1,798)
<b>Total Charges for Services</b>	<b>735,200</b>	<b>870,976</b>	<b>135,776</b>
<b>Grant Revenues:</b>			
Federal Grant	212,492	211,103	(1,389)
<b>Total Grant Revenues</b>	<b>212,492</b>	<b>211,103</b>	<b>(1,389)</b>
<b>Intergovernmental Revenues:</b>			
State Shared Revenue	200,000	231,612	31,612
Manufacturer's Depreciation Reimbursement	187	196	9
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	65,000	64,885	(115)
<b>Total Intergovernmental Revenues</b>	<b>280,656</b>	<b>312,162</b>	<b>31,506</b>
<b>Miscellaneous:</b>			
School Resource Officers	153,000	149,705	(3,295)
York County Fire Protection	21,000	22,277	1,277
Spring Festival	130,000	187,706	57,706
Other	31,500	50,907	19,407
<b>Total Miscellaneous</b>	<b>\$ 335,500</b>	<b>410,595</b>	<b>\$ 75,095</b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Investment Earnings:</b>			
Investment Earnings	\$ 5,000	6,217	\$ 1,217
<b>Total Investment Earnings</b>	<b>5,000</b>	<b>6,217</b>	<b>1,217</b>
 <b>TOTAL REVENUES ALL SOURCES</b>	 <b>8,272,561</b>	 <b>8,957,648</b>	 <b>685,087</b>
 <b>EXPENDITURES</b>			
<b>General Government:</b>			
Town Council:			
Personnel Services	17,919	17,565	354
Operating Expenditures	143,900	208,059	(64,159)
Community Promotions	4,200	3,508	692
Miscellaneous	350	65	285
Total Town Council	166,369	229,197	(62,828)
Administration:			
Personnel Services	586,647	591,679	(5,032)
Operating Expenditures	245,183	502,338	(257,155)
Capital Outlay	4,200	5,904	(1,704)
Total Administration	836,030	1,099,921	(263,891)
<b>Total General Government</b>	<b>1,002,399</b>	<b>1,329,118</b>	<b>(326,719)</b>
 <b>Judicial:</b>			
Municipal Court:			
Personnel Services	89,368	82,897	6,471
Operating Expenditures	19,500	25,793	(6,293)
Capital Outlay	27,000	-	27,000
Total Municipal Court	135,868	108,690	27,178
<b>Total Judicial</b>	<b>135,868</b>	<b>108,690</b>	<b>27,178</b>
 <b>Public Works:</b>			
Administration:			
Personnel Services	61,319	51,882	9,437
Operating Expenditures	30,850	36,796	(5,946)
Capital Outlay	-	22,365	(22,365)
Total Administration	92,169	111,043	(18,874)
Sanitation:			
Personnel Services	158,696	244,482	(85,786)
Operating Expenditures	252,200	273,011	(20,811)
Capital Outlay	-	166,113	(166,113)
Total Sanitation	\$ 410,896	683,606	\$ (272,710)

(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, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Public Works (Continued):</b>			
Building and Grounds:			
Personnel Services	\$ 590,515	476,825	\$ 113,690
Operating Expenditures	163,700	122,372	41,328
Capital Outlay	20,000	48,868	(28,868)
Total Building and Grounds	<u>774,215</u>	<u>648,065</u>	<u>126,150</u>
Storm Water Maintenance:			
Personnel Services	34,769	561	34,208
Operating Expenditures	52,950	21,965	30,985
Capital Outlay	27,500	6,096	21,404
Total Street Department	<u>115,219</u>	<u>28,622</u>	<u>86,597</u>
Street Department:			
Personnel Services	109,113	107,087	2,026
Operating Expenditures	337,300	265,980	71,320
Capital Outlay	-	256,481	(256,481)
Total Street Department	<u>446,413</u>	<u>629,548</u>	<u>(183,135)</u>
Garage and Vehicle:			
Personnel Services	58,720	56,339	2,381
Operating Expenditures	28,700	183,668	(154,968)
Capital Outlay	12,000	10,315	1,685
Total Garage and Vehicle	<u>99,420</u>	<u>250,322</u>	<u>(150,902)</u>
<b>Total Public Works</b>	<b><u>1,938,332</u></b>	<b><u>2,351,206</u></b>	<b><u>(412,874)</u></b>
<b>Public Safety:</b>			
Police Department:			
Personnel Services	2,332,927	2,286,615	46,312
Operating Expenditures	560,000	571,221	(11,221)
Capital Outlay	243,581	236,209	7,372
Total Police Department	<u>3,136,508</u>	<u>3,094,045</u>	<u>42,463</u>
Fire Department:			
Personnel Services	747,499	762,989	(15,490)
Operating Expenditures	161,450	164,074	(2,624)
Capital Outlay	59,200	123,026	(63,826)
Total Fire Department	<u>968,149</u>	<u>1,050,089</u>	<u>(81,940)</u>
<b>Total Public Safety</b>	<b><u>4,104,657</u></b>	<b><u>4,144,134</u></b>	<b><u>(39,477)</u></b>
<b>Cultural and Recreation:</b>			
Recreation:			
Personnel Services	219,641	225,556	(5,915)
Operating Expenditures	398,600	582,593	(183,993)
Capital Outlay	30,000	-	30,000
<b>Total Cultural and Recreation</b>	<b><u>\$ 648,241</u></b>	<b><u>808,149</u></b>	<b><u>\$ (159,908)</u></b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Debt Service:</b>			
Principal Retirement	\$ 415,206	442,541	\$ (27,335)
Interest and Fiscal Charges	27,858	29,381	(1,523)
<b>Total Debt Service</b>	<u>443,064</u>	<u>471,922</u>	<u>(28,858)</u>
<b>TOTAL EXPENDITURES</b>	<u><b>8,272,561</b></u>	<u><b>9,213,219</b></u>	<u><b>(940,658)</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(255,571)</u>	<u>(255,571)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Disposal of Capital Assets	10,000	8,450	(1,550)
Insurance Proceeds from Casualty	-	568,169	568,169
Capital Lease	-	817,000	817,000
Transfers In	-	28,887	28,887
Transfers Out	(10,000)	(798,362)	(788,362)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>624,144</u>	<u>624,144</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u><b>368,573</b></u>	<u><b>368,573</b></u>
FUND BALANCE, Beginning of Year	<u>3,147,186</u>	<u>3,147,186</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ 3,147,186</b></u>	<u><b>3,515,759</b></u>	<u><b>\$ 368,573</b></u>

**TOWN OF FORT MILL, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**SEPTEMBER 30, 2012**

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	<u>SPECIAL REVENUE</u>	<u>TOAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents, Restricted	\$ 20,666	\$ 20,666
Receivables, Net:		
Other	5,657	5,657
<b>TOTAL ASSETS</b>	<u><u>26,323</u></u>	<u><u>26,323</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Restricted	26,323	26,323
<b>TOTAL FUND BALANCES</b>	<u>26,323</u>	<u>26,323</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 26,323</u></u>	<u><u>\$ 26,323</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, 2012

	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
<b>REVENUES</b>		
Miscellaneous	\$ 26,664	\$ 26,664
Investment Earnings	15	15
<b>TOTAL REVENUES ALL SOURCES</b>	<u>26,679</u>	<u>26,679</u>
<b>EXPENDITURES</b>		
Current:		
Public Safety	23,812	23,812
<b>TOTAL EXPENDITURES</b>	<u>23,812</u>	<u>23,812</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,867</u>	<u>2,867</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	5,000	5,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,867</b>	<b>7,867</b>
FUND BALANCES, Beginning of Year	18,456	18,456
<b>FUND BALANCES, End of Year</b>	<u>\$ 26,323</u>	<u>\$ 26,323</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, 2012

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>OPERATING REVENUES</b>					
Water Revenue and Penalties	\$ 2,380,855	2,098,086	-	2,098,086	\$ (282,769)
Sewer Revenues	2,463,024	2,081,440	-	2,081,440	(381,584)
York County Water Sales	1,120,000	1,151,065	-	1,151,065	31,065
Riverview Water Sales	150,000	142,075	-	142,075	(7,925)
Tega Cay Water Sales	280,000	267,293	-	267,293	(12,707)
Water Taps	80,000	193,481	-	193,481	113,481
Sewer Taps	100,000	222,105	-	222,105	122,105
Other Revenues	1,000	14,543	-	14,543	13,543
<b>TOTAL OPERATING REVENUES</b>	<b>6,574,879</b>	<b>6,170,088</b>	<b>-</b>	<b>6,170,088</b>	<b>(404,791)</b>
<b>OPERATING EXPENSES</b>					
Water:					
Water Purchases	1,546,409	1,913,120	-	1,913,120	(366,711)
Salaries	644,797	633,351	-	633,351	11,446
Fringe Benefits	200,436	187,907	-	187,907	12,529
Material and Supplies	113,100	115,790	-	115,790	(2,690)
Electricity	5,600	8,671	-	8,671	(3,071)
Permits	15,000	15,281	-	15,281	(281)
Insurance	11,146	-	-	-	11,146
Water Meter Replacement	10,000	-	-	-	10,000
Equipment Repairs	10,000	7,017	-	7,017	2,983
Postage	37,400	32,122	-	32,122	5,278
Gas, Oil, and Grease	19,500	22,053	-	22,053	(2,553)
Street Maintenance	100,000	86,687	-	86,687	13,313
Miscellaneous	16,259	16,818	-	16,818	(559)
Auto Repairs	9,450	7,460	-	7,460	1,990
Uniforms	9,775	7,444	-	7,444	2,331
Water and Heat	1,660	1,796	-	1,796	(136)
Telephone	18,800	23,443	-	23,443	(4,643)
Travel/Training	14,800	11,251	-	11,251	3,549
Transportation	-	22,365	(22,365)	-	(22,365)
Membership/Dues	6,510	5,522	-	5,522	988
Advertising	2,800	2,750	-	2,750	50
Professional Services	118,690	223,199	-	223,199	(104,509)
Hydrant Repairs	20,000	31,125	-	31,125	(11,125)
Pre-Employment Expense	650	27	-	27	623
Contracted Services	20,000	7,325	-	7,325	12,675
Building Maintenance	11,400	125,588	-	125,588	(114,188)
Service Contracts	21,510	16,234	-	16,234	5,276
Capital Outlay	647,022	193,951	-	193,951	453,071
	<b>\$ 3,632,714</b>	<b>3,718,297</b>	<b>(22,365)</b>	<b>3,695,932</b>	<b>\$ (85,583)</b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2012

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 270,309	265,363	-	265,363	\$ 4,946
Fringe Benefits	87,125	87,336	-	87,336	(211)
Electricity	72,126	85,701	-	85,701	(13,575)
Equipment Repairs	50,000	36,782	-	36,782	13,218
Material and Supplies	65,000	30,485	-	30,485	34,515
Electricity Lift Station	48,000	50,756	-	50,756	(2,756)
Alum	32,703	32,481	-	32,481	222
Professional Services	43,200	30,364	-	30,364	12,836
Insurance	21,720	3,250	-	3,250	18,470
Contracted Services	64,000	42,346	-	42,346	21,654
Chemicals	20,000	14,656	-	14,656	5,344
Lab Supplies	5,000	3,071	-	3,071	1,929
Gas, Oil, and Grease	18,000	18,995	-	18,995	(995)
Service Contracts	5,000	348	-	348	4,652
Natural Gas	10,000	64	-	64	9,936
Auto Repairs	7,000	3,645	-	3,645	3,355
Telephone	5,000	3,986	-	3,986	1,014
Uniforms	7,350	5,231	-	5,231	2,119
Travel/Training	4,200	1,028	-	1,028	3,172
Transportation	1,200	20,997	(20,997)	-	(19,797)
Miscellaneous	970,580	50	-	50	970,530
Water and Heat	3,500	619	-	619	2,881
Building/Grounds Maintenance	11,000	8,339	-	8,339	2,661
Lime	19,250	10,797	-	10,797	8,453
Membership/Dues	1,000	105	-	105	895
Landfill Fees	75,000	71,021	-	71,021	3,979
Permits	3,500	2,255	-	2,255	1,245
Pump Station Repairs	40,000	89,438	-	89,438	(49,438)
Machinery and Equipment	85,000	85,926	-	85,926	(926)
Pump Station Monitoring	16,000	9,919	-	9,919	6,081
	<u>2,061,763</u>	<u>1,015,354</u>	<u>(20,997)</u>	<u>994,357</u>	<u>1,046,409</u>
Other Operating Expenses	-	28,181	-	28,181	(28,181)
Depreciation	-	-	791,867	791,867	-
TOTAL OPERATING EXPENSES	<u>5,694,477</u>	<u>4,761,832</u>	<u>748,505</u>	<u>5,510,337</u>	<u>932,645</u>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 880,402</b>	<b>1,408,256</b>	<b>(748,505)</b>	<b>659,751</b>	<b>\$ 527,854</b>

(Continued)

NON-OPERATING REVENUES (EXPENSES)

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, 2012

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
York County - Southern Bypass	\$ 121,360	-	-	-	\$ (121,360)
Insurance Proceeds from Casualty	-	8,403	-	8,403	8,403
Investment Earnings	5,000	3,830	-	3,830	(1,170)
Debt Service	(1,026,762)	(365,507)	28,887	(336,620)	661,255
Tega Cay Water Line Payment	20,000	20,000	-	20,000	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(880,402)</b>	<b>(333,274)</b>	<b>28,887</b>	<b>(304,387)</b>	<b>547,128</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>-</b>	<b>1,074,982</b>	<b>(719,618)</b>	<b>355,364</b>	<b>1,074,982</b>
Transfers In	-	43,362	-	43,362	43,362
Transfers Out	-	(28,887)	-	(28,887)	(28,887)
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>1,089,457</b>	<b>(719,618)</b>	<b>369,839</b>	<b>1,089,457</b>
NET ASSETS, Beginning of Year	14,776,289	14,776,289	-	14,776,289	-
<b>NET ASSETS, End of Year</b>	<b>\$ 14,776,289</b>	<b>15,865,746</b>	<b>(719,618)</b>	<b>15,146,128</b>	<b>\$ 1,089,457</b>

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

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

- Depreciation Expense	\$ (791,867)
- Capital Asset Additions	43,362
- Principal Payments on Debt and Capital Leases	28,887
<b>Total GAAP Adjustments</b>	<b>\$ (719,618)</b>

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2012**

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**Court Fines, Assessments, and Surcharges**

Court Fines, Assessments, and Surcharges Collected	\$	230,869
Court Fines, Assessments, and Surcharges Retained by the Town		(97,246)
<b>Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer</b>	<b>\$</b>	<b>133,623</b>

**Victim Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	\$	-
Court Assessments Allocated to Victim Assistance Fund		12,972
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(12,972)
<b>Funds Available for Carryforward, End of Year</b>	<b>\$</b>	<b>-</b>

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

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, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 7, 2013. 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

Management of the Town is responsible for establishing and maintaining effective 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  
March 7, 2013