

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

TOWN OF FORT MILL, SOUTH CAROLINA

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TOWN OF FORT MILL, SOUTH CAROLINA

PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2013

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 AUDITOR'S REPORT

Honorable Mayor and Members of Town Council
Town of Fort Mill
Fort Mill, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The 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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 24, 2014

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013. 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 financial statements, the notes to the 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 \$28,578,000 (*net position*). Of this amount, approximately \$8,245,000 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by approximately \$2,565,000 (an increase of approximately \$1,457,000 from governmental activities and an increase of approximately \$1,108,000 from business-type activities), as total revenues of approximately \$17,256,000 exceeded total expenses of approximately \$14,691,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$5,783,000, a decrease of approximately \$547,000 from the prior year. Of this total amount, 69%, or approximately \$3,970,000, 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 \$3,970,000, or 42% of total General Fund expenditures for the year ended September 30, 2013.
- The Town's total capital assets increased by approximately \$1,519,000 (6%) during the current fiscal year, which was largely due to capital additions of approximately \$2,998,000 exceeding depreciation expense of approximately \$1,471,000 and net disposals of approximately \$8,000.
- The Town's long-term obligations increased by approximately \$247,000 (2%) during the current fiscal year, due to new revenue bonds of \$1,580,000 and compensated absences earned during the year of approximately \$183,000, partially offset by approximately \$1,327,000 in principal payments and approximately \$189,000 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 financial statements, required supplementary information, and other supplementary information), and the *Compliance Section*.

Financial Statements

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

Government-Wide Financial Statements

The financial statements include two kinds of statements that present different views of the Town. The *government-wide 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 Position* presents information on all of the Town's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

The government-wide 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, and culture and recreation. 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 financial statements can be found as listed in the table of contents of this report.

Fund Financial Statements

The fund 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 Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund. Data from the other governmental fund is provided in the form of combining schedules elsewhere in this report. The governmental funds financial statements can be found as listed in the table of contents of this report.

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

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

Other Information – In addition to the 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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 position as of September 30, 2013 and 2012:

Town's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 6,425,844	7,028,587	5,844,795	3,854,229	12,270,639	\$ 10,882,816
Capital Assets	8,746,473	7,379,724	20,129,927	19,977,887	28,876,400	27,357,611
Total Assets	<u>15,172,317</u>	<u>14,408,311</u>	<u>25,974,722</u>	<u>23,832,116</u>	<u>41,147,039</u>	<u>38,240,427</u>
Long-Term Liabilities	2,289,558	2,917,992	8,750,177	7,874,964	11,039,735	10,792,956
Other Liabilities	558,785	623,665	970,286	811,024	1,529,071	1,434,689
Total Liabilities	<u>2,848,343</u>	<u>3,541,657</u>	<u>9,720,463</u>	<u>8,685,988</u>	<u>12,568,806</u>	<u>12,227,645</u>
Net Position:						
Net Investment in						
Capital Assets	6,677,950	5,782,217	11,421,704	12,295,286	18,099,654	18,077,503
Restricted	652,060	795,989	1,581,555	1,469,870	2,233,615	2,265,859
Unrestricted	4,993,964	4,288,448	3,251,000	1,380,972	8,244,964	5,669,420
Total Net Position	<u>\$ 12,323,974</u>	<u>10,866,654</u>	<u>16,254,259</u>	<u>15,146,128</u>	<u>28,578,233</u>	<u>\$ 26,012,782</u>

The Town's total assets increased by approximately \$2,907,000, or 8%, over the prior year. This increase was primarily due to an increase of approximately \$1,171,000 in cash and cash equivalents, approximately \$1,519,000 in capital assets, and approximately \$217,000 in receivables and other assets at September 30, 2013.

Total liabilities at September 30, 2013 increased by approximately \$341,000 from the prior year; this is primarily due to an increase in long-term liabilities. The Town had scheduled principal payments of approximately \$1,327,000 for long-term obligations partially offset by new debt issued of \$1,580,000.

The government's net position increased by approximately \$2,565,000 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 position, over time, may serve as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by approximately \$28,578,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$18,100,000 or 63%) 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 position (approximately \$2,234,000 or 8%) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related costs and future debt service payments. The remaining balance is unrestricted net position of approximately \$8,245,000 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 position, 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, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net position for fiscal year 2013 compared to 2012.

	Town's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,733,851	3,964,437	6,753,696	6,170,088	11,487,547	\$ 10,134,525
Operating Grants and Contributions	254,354	421,086	-	-	254,354	421,086
Capital Grants and Contributions	25,000	-	170,975	-	195,975	-
General Revenues:						
Property Taxes	4,441,159	4,219,124	-	-	4,441,159	4,219,124
Hospitality Taxes	250,393	245,206	-	-	250,393	245,206
Intergovernmental Revenue	283,039	312,163	-	-	283,039	312,163
Other Revenue	306,103	966,937	37,364	32,233	343,467	999,170
Total Revenues	10,293,899	10,128,953	6,962,035	6,202,321	17,255,934	16,331,274
Expenses:						
General Government	1,755,272	1,471,867	-	-	1,755,272	1,471,867
Judicial	101,347	108,690	-	-	101,347	108,690
Public Works	2,438,567	2,462,869	-	-	2,438,567	2,462,869
Public Safety	3,996,655	4,222,613	-	-	3,996,655	4,222,613
Culture and Recreation	927,675	898,017	-	-	927,675	898,017
Interest and Fiscal Charges	83,543	39,930	-	-	83,543	39,930
Water/Sewer	-	-	5,387,424	5,846,957	5,387,424	5,846,957
Total Expenses	9,303,059	9,203,986	5,387,424	5,846,957	14,690,483	15,050,943
Change in Net Position Before Transfers	990,840	924,967	1,574,611	355,364	2,565,451	1,280,331
Transfers In (Out)	466,480	(14,475)	(466,480)	14,475	-	-
Change in Net Position	1,457,320	910,492	1,108,131	369,839	2,565,451	1,280,331
Net Position, Beginning of Year	10,866,654	9,956,162	15,146,128	14,776,289	26,012,782	24,732,451
Net Position, End of Year	\$ 12,323,974	10,866,654	16,254,259	15,146,128	28,578,233	\$ 26,012,782

Governmental Activities: Revenues exceeded expenses and transfers in by approximately \$1,457,000 for 2013 for its governmental activities. Revenues and transfers in increased over the prior year by approximately \$646,000 (6%) to approximately \$10,760,000, due primarily to an increase in charges for services of approximately \$769,000 (19%). Expenses slightly increased by approximately \$99,000 (1%) to approximately \$9,303,000 from the prior year.

Business-Type Activities: Revenues exceeded expenses and transfers out by approximately \$1,108,000 for 2013 for the business-type activities. Revenues increased by approximately \$760,000 (12%) to approximately \$6,962,000 from the prior year primarily due to an increase in charges for services. Expenses and transfers out slightly decreased by approximately \$21,000 (less than 1%) to approximately \$5,387,000.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 \$5,783,000, a decrease of approximately \$547,000 from the prior year. Approximately 69% of this total amount (approximately \$3,970,000) 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, narcotics, or fire cushion fund.

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 \$4,115,000. 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 42% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$599,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$969,000 or 11% primarily due to an increase over budget in license and permit revenue of approximately \$857,000, as well as various other increases over budget in other revenue categories.
- General Fund expenditures were under budgeted expectations by approximately \$185,000 or 2%, primarily due to general government and public safety expenditures coming in under budget, partially offset by capital outlay expenditures exceeding expectations.
- The most significant other financing sources (uses) transactions for 2013 consisted of a transfer of approximately \$600,000 to the Capital Project Fund (to help cover construction costs on Doby Bridge Park) and a transfer of approximately \$423,000 from the Gross Revenue Fund (to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund).

In addition, the fund balances of the remaining Special Revenue and Capital Projects Funds decreased by approximately \$1,146,000. Highlights for all of the remaining Special Revenue and Capital Projects Funds were as follows:

- A transfer from the General fund of approximately \$600,000.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$1,951,000 (primarily for construction costs on the Doby Bridge Park and culvert repairs on Somerton Drive).

Proprietary Funds: The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Net position of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$16,254,000. 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 2013.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013, was approximately \$8,746,000 and \$20,130,000, 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, 2013 and 2012 were as follows:

	Town's Capital Assets					
	(Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 700,717	700,717	605,505	605,505	1,306,222	\$ 1,306,222
Construction in Progress	-	122,182	104,694	104,694	104,694	226,876
Land Improvements	158,501	176,720	-	-	158,501	176,720
Infrastructure	1,415,006	1,457,263	18,632,760	18,525,394	20,047,766	19,982,657
Buildings & Improvements	4,444,440	2,843,738	526,922	539,489	4,971,362	3,383,227
Equipment	615,082	770,518	160,747	106,464	775,829	876,982
Vehicles	1,412,727	1,308,586	99,299	96,341	1,512,026	1,404,927
Total	\$ 8,746,473	7,379,724	20,129,927	19,977,887	28,876,400	\$ 27,357,611

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$398,000.
- Purchase of equipment for approximately \$132,000.
- Water and sewer system infrastructure additions of approximately \$860,000.
- Governmental activities CIP additions for approximately \$1,607,000 related to Doby Bridge Park.
- Depreciation expense of approximately \$1,471,000.

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

Long-Term Obligations: As of September 30, 2013, the Town had total bonded debt outstanding of approximately \$9,052,000, of which approximately \$1,520,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$1,725,000 in capital leases outstanding at year end.

Town's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 1,520,026	1,645,998	-	-	1,520,026	\$ 1,645,998
Revenue Bonds/Refunding Bonds	-	-	7,532,000	6,525,000	7,532,000	6,525,000
Capital Leases	548,497	1,042,579	1,176,223	1,310,340	1,724,720	2,352,919
Compensated Absences	221,035	229,415	41,954	39,624	262,989	269,039
Total	\$ 2,289,558	2,917,992	8,750,177	7,874,964	11,039,735	\$ 10,792,956

The Town's long-term obligations increased by approximately \$247,000 (2%) during the current year, primarily due to two new revenue bonds of \$1,580,000, partially offset by approximately \$1,327,000 in principal payments.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013 was approximately \$4,124,000. The legal debt margin was approximately \$2,604,000.

Additional information regarding the Town's long-term obligations can be found in Note III in the Notes to the financial statements.

ECONOMIC FACTORS

Fort Mill is located near the Charlotte Metropolitan Area in the Southeastern region of the United States. Fort Mill has rebounded from the national housing crises and now has returned to peak growth numbers that occurred prior to the economic downturn. Town officials expect to see this trend to continue over the next reporting period and over the next decade.

The Town's revenues and population will continue to increase. The population of Fort Mill has increased by 42.9% since the Census in 2000. This growth rate exceeds the State's population growth rate of 15.29% and the national growth rate of 9.71%.

The average Fort Mill education level is higher than both the State average and the national average. The median household income of \$66,915 exceeds the State average by 20.34%. The median house value is \$180,300 in 2012 and continues to increase for this reporting period. Permits for 2013 increased by 8% while permit valuations increased by 72% over prior year.

The Town continues to operate efficiently and effectively with a seasoned professional management team while maintaining and promoting a healthy pro-business atmosphere. The Town will aggressively pursue annexation opportunities and economic development opportunities. This will provide new and increased revenues.

Economic development for the next reporting period will prove to be strong. Significant commercial projects are currently being approved for construction or under construction. Examples of new commercial and economic development projects include: a Hampton Inn and Suites; Harris Teeter; Family Dollar; 97-unit upscale downtown apartment complex and several other outparcel and individual new retail buildings.

Management is forecasting a strong FY 2013-2014 and does not project a downturn based on current investment within the Town and based on approved projects and annexations. Overall, the Town will develop a more diverse tax base from the types of investments that are occurring and the shift to more commercial projects that follow the expansive residential growth.

NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The adopted FY 2013-14 General Fund operating budget is approximately \$10,654,000. Rates associated with the Town's franchise, business license, and building permit fees remained constant. However, solid waste fees increased 12% over prior year.

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 POSITION

SEPTEMBER 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 4,657,505	3,478,826	\$ 8,136,331
Cash and Cash Equivalents, Restricted	689,339	1,686,550	2,375,889
Receivables, Net:			
Property Taxes	206,713	-	206,713
Accounts	91,186	1,020,734	1,111,920
Other	180,723	205,251	385,974
Internal Balances	546,566	(546,566)	-
Due From:			
State Government	53,812	-	53,812
Capital Assets:			
Non-Depreciable	700,717	710,199	1,410,916
Depreciable, Net	8,045,756	19,419,728	27,465,484
TOTAL ASSETS	15,172,317	25,974,722	41,147,039
LIABILITIES			
Accounts Payable	304,440	518,507	822,947
Accrued Interest Payable	34,803	104,995	139,798
Accrued Salaries and Fringe Benefits	193,897	47,600	241,497
Other Liabilities	9,899	-	9,899
Unearned Revenues	15,746	299,184	314,930
Non-Current Liabilities:			
Due Within One Year	563,226	851,630	1,414,856
Due in More Than One Year	1,726,332	7,898,547	9,624,879
TOTAL LIABILITIES	2,848,343	9,720,463	12,568,806
NET POSITION			
Net Investment in Capital Assets	6,677,950	11,421,704	18,099,654
Restricted For:			
Debt Service	-	1,581,555	1,581,555
Tourism Related	555,269	-	555,269
Narcotics	39,293	-	39,293
Fire Cushion Fund	57,498	-	57,498
Unrestricted	4,993,964	3,251,000	8,244,964
TOTAL NET POSITION	\$ 12,323,974	16,254,259	\$ 28,578,233

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 1,755,272	3,605,434	-	-	1,850,162		\$ 1,850,162
Judicial	101,347	75,652	-	-	(25,695)		(25,695)
Public Works	2,438,567	597,349	25,000	-	(1,816,218)		(1,816,218)
Public Safety	3,996,655	161,922	24,505	-	(3,810,228)		(3,810,228)
Culture and Recreation	927,675	293,494	204,849	25,000	(404,332)		(404,332)
Interest and Fiscal Charges	83,543	-	-	-	(83,543)		(83,543)
Total Governmental Activities	9,303,059	4,733,851	254,354	25,000	(4,289,854)		(4,289,854)
Business-Type Activities:							
Water/Sewer	5,387,424	6,753,696	-	170,975		1,537,247	1,537,247
Total Business-Type Activities	5,387,424	6,753,696	-	170,975		1,537,247	1,537,247
TOTAL - PRIMARY GOVERNMENT	\$ 14,690,483	11,487,547	254,354	195,975	(4,289,854)	1,537,247	(2,752,607)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,441,159	-	4,441,159
Hospitality Taxes					250,393	-	250,393
Intergovernmental Revenue - Unrestricted					283,039	-	283,039
Investment Income					6,578	4,362	10,940
Miscellaneous					263,123	20,000	283,123
Gain on Sale of Capital Assets					29,442	-	29,442
Insurance Proceeds from Casualty					6,960	13,002	19,962
Transfers In (Out)					466,480	(466,480)	-
Total General Revenues and Transfers					5,747,174	(429,116)	5,318,058
CHANGE IN NET POSITION					1,457,320	1,108,131	2,565,451
NET POSITION, Beginning of Year					10,866,654	15,146,128	26,012,782
NET POSITION, End of Year					\$ 12,323,974	16,254,259	\$ 28,578,233

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

TOWN OF FORT MILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 3,208,703	1,448,802	-	\$ 4,657,505
Cash and Cash Equivalents, Restricted	95,808	555,269	38,262	689,339
Receivables, Net:				
Property Taxes	206,713	-	-	206,713
Garbage	91,186	-	-	91,186
Other	158,258	21,434	1,031	180,723
Due From:				
Other Funds	1,211,556	-	-	1,211,556
State Government	53,812	-	-	53,812
TOTAL ASSETS	\$ 5,026,036	2,025,505	39,293	\$ 7,090,834
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 293,789	10,651	-	\$ 304,440
Accrued Salaries and Fringe Benefits	193,897	-	-	193,897
Due to Other Funds	279,817	385,173	-	664,990
Deferred and Unearned Revenues	134,173	-	-	134,173
Other Liabilities	9,899	-	-	9,899
TOTAL LIABILITIES	911,575	395,824	-	1,307,399
FUND BALANCES				
Restricted For:				
Tourism Related Costs	-	555,269	-	555,269
Narcotics	-	-	39,293	39,293
Fire Cushion Fund	57,498	-	-	57,498
Assigned For:				
Capital Projects	-	1,074,412	-	1,074,412
Community Development	87,011	-	-	87,011
Unassigned	3,969,952	-	-	3,969,952
TOTAL FUND BALANCES	4,114,461	1,629,681	39,293	5,783,435
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,026,036	2,025,505	39,293	\$ 7,090,834

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

TOWN OF FORT MILL, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,783,435
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes in the Statement of Net Position 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.	118,427
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 \$13,895,927, and the accumulated depreciation was \$5,149,454.	8,746,473
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.	(34,803)
Long-term liabilities, including debt premiums, are not due or payable in the current period, and therefore are not reported as liabilities in the funds. Governmental fund long-term liabilities at year-end consisted of the following:	
Long-Term Debt (including Capital Leases)	(2,068,523)
Compensated Absences	(221,035)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 12,323,974</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 4,424,081	250,393	-	\$ 4,674,474
Fines, Fees, Licenses and Permits	3,651,633	-	-	3,651,633
Charges for Service	904,398	11,500	-	915,898
Grants	29,400	25,000	-	54,400
Intergovernmental	283,039	-	-	283,039
Miscellaneous	645,821	-	8,576	654,397
Investment Earnings	4,357	2,192	29	6,578
TOTAL REVENUES ALL SOURCES	<u>9,942,729</u>	<u>289,085</u>	<u>8,605</u>	<u>10,240,419</u>
EXPENDITURES				
Current:				
General Government	1,542,504	-	-	1,542,504
Judicial	101,347	-	-	101,347
Public Works	1,950,234	-	-	1,950,234
Public Safety	3,736,887	-	635	3,737,522
Culture and Recreation	819,651	-	-	819,651
Capital Outlay	500,122	1,951,223	-	2,451,345
Debt Service:				
Principal Retirement	622,510	-	-	622,510
Interest and Fiscal Charges	73,071	-	-	73,071
TOTAL EXPENDITURES	<u>9,346,326</u>	<u>1,951,223</u>	<u>635</u>	<u>11,298,184</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>596,403</u>	<u>(1,662,138)</u>	<u>7,970</u>	<u>(1,057,765)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	37,400	-	-	37,400
Insurance Proceeds from Casualty	6,960	-	-	6,960
Transfers In	562,939	600,000	5,000	1,167,939
Transfers Out	(605,000)	(96,459)	-	(701,459)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,299</u>	<u>503,541</u>	<u>5,000</u>	<u>510,840</u>
NET CHANGE IN FUND BALANCES	<u>598,702</u>	<u>(1,158,597)</u>	<u>12,970</u>	<u>(546,925)</u>
FUND BALANCES, Beginning of Year	<u>3,515,759</u>	<u>2,788,278</u>	<u>26,323</u>	<u>6,330,360</u>
FUND BALANCES, End of Year	<u>\$ 4,114,461</u>	<u>1,629,681</u>	<u>39,293</u>	<u>\$ 5,783,435</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's 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, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (546,925)**

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.	17,078
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 Position.	620,054
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.	(8,016)
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.	8,380
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.	(7,958)
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 \$2,020,932 in the current period exceeded depreciation expense of \$646,225 in the current period.	1,374,707

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,457,320**

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2013

	<u>GROSS REVENUE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,478,826
Cash and Cash Equivalents, Restricted	1,686,550
Receivables, Net:	
Accounts	1,020,734
Other	205,251
Due From:	
Other Funds	634,397
Total Current Assets	<u>7,025,758</u>
Non-Current Assets:	
Capital Assets:	
Non-Depreciable	710,199
Depreciable, Net	19,419,728
Total Non-Current Assets	<u>20,129,927</u>
TOTAL ASSETS	<u>27,155,685</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	518,507
Accrued Interest Payable	104,995
Accrued Salaries and Fringe Benefits	47,600
Due to Other Funds	1,180,963
Unearned Revenues	299,184
Compensated Absences	30,000
Revenue Bonds and Capital Leases	821,630
Total Current Liabilities	<u>3,002,879</u>
Non-Current Liabilities:	
Compensated Absences	11,954
Revenue Bonds and Capital Leases	7,886,593
Total Non-Current Liabilities	<u>7,898,547</u>
TOTAL LIABILITIES	<u>10,901,426</u>
NET POSITION	
Net Investment in Capital Assets	11,421,704
Restricted For:	
Debt Service	1,581,555
Unassigned	3,251,000
TOTAL NET POSITION	<u>\$ 16,254,259</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2013

	<u>GROSS REVENUE</u>
OPERATING REVENUES	
Water Revenue and Penalties	\$ 2,145,358
Sewer Revenues	2,213,178
York County Water Sales	1,056,953
Riverview Water Sales	151,649
Tega Cay Water Sales	241,503
Water Taps	429,040
Sewer Taps	495,930
Other Revenues	20,085
TOTAL OPERATING REVENUES	<u>6,753,696</u>
OPERATING EXPENSES	
Water	2,869,306
Sewer	1,132,516
Other Operating Expenses	27,185
Depreciation	824,722
TOTAL OPERATING EXPENSES	<u>4,853,729</u>
OPERATING INCOME (LOSS)	<u>1,899,967</u>
NON-OPERATING REVENUES (EXPENSES)	
York County - Southern Bypass	170,975
Insurance Proceeds from Casualty	13,002
Investment Earnings	4,362
Interest Expense and Fiscal Charges	(533,695)
Tega Cay Water Line Payment	20,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(325,356)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,574,611</u>
Transfers Out	(466,480)
CHANGE IN NET POSITION	<u>1,108,131</u>
NET POSITION, Beginning of Year	<u>15,146,128</u>
NET POSITION, End of Year	<u><u>\$ 16,254,259</u></u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2013

	GROSS REVENUE
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Charges for Fees and Services	\$ 6,654,313
Receipts from Other Revenues	(160,257)
Payments for Personal Services	(920,857)
Payments for Goods and Services	(3,017,063)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,556,136</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers To Other Funds	(177,411)
Other Non-Operating Receipts (Payments)	33,002
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(144,409)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(976,762)
Bond and Note Payments	872,883
Bond Issuance Costs Paid	(102,529)
Proceeds from York County - Southern Bypass	170,975
Interest Paid on Bonds	(293,802)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(329,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Income Received on Investments	4,362
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,362</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,086,854
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<u>3,078,522</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u>\$ 5,165,376</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,899,967
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	824,722
(Increase) Decrease in Current Assets:	
Receivables	(345,520)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	80,979
Accrued Salaries & Fringe Benefits	7,778
Deferred and Unearned Revenues	85,880
Compensated Absences	2,330
Net Cash Provided by Operating Activities	<u>\$ 2,556,136</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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 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.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) 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. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

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 FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements (i.e., the Statement of Net Position 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 financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the Proprietary Fund’s 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 financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Town implemented GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” (“GASB #63”) in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB’s 2007 Concepts Statement No. 4, “*Elements of Financial Statements*”. In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the Town had no deferred outflows or inflows of resources at September 30, 2013, the Town’s implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 financial statements report detailed information about the Town. The focus of governmental and enterprise fund 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.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

Investments

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity (Continued)

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

Investments (Continued)

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, 2013, 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.

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 Position, but are not reported in the fund 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 Position and in the respective fund financial statements.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity (Continued)

4. Capital Assets (Continued)

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

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

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

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

5. Compensated Absences

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations*

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund 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 financial statements only to the extent that they are due and payable.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. 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 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 Position and Fund Balance*

Government-Wide and Proprietary Fund Statements

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

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.).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity (Continued)

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

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.

9. *Accounting Estimates*

The preparation of 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 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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.
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, 2013.
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, 2013, none of the Town's bank balances of approximately \$9,732,000 (which had a carrying value of approximately \$9,687,000) were exposed to custodial credit risk.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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

A. Deposits and Investments (Continued)

Investments

As of September 30, 2013, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Unrated*	\$ 824,999	< 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, 2013, 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, 2013 were related to (a) bond and lease agreements (\$1,675,901), (b) narcotics (\$38,262), (c) hospitality taxes (\$548,326), and (d) other (\$113,400).

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, 2013, millage was set at 86.0 mills compared to 86.0 mills in the prior year to cover general Town services and uses.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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

B. Property Taxes and Other Receivables (Continued)

Based on information provided by the York County Treasurer’s Office, the Town has recorded uncollected property taxes at September 30, 2013 of approximately \$170,000 (net of allowance for uncollectible portion of approximately \$7,000) for the General Fund. Delinquent property taxes of approximately \$45,000 have been recognized as revenue at September 30, 2013 because it was collected within 60 days of year end. Approximately \$43,000 has been recognized as revenue as it was collected by the County during September 2013, and remitted to the Town in October. The remaining amount of approximately \$118,000 has been recorded as deferred revenue on the governmental fund 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 \$91,000 (net of allowance for uncollectible portion of approximately \$36,000) and \$1,021,000 (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, 2013 (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, 2013, 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	\$ 1,211,556	\$ 279,817
Gross Revenue Fund	634,397	1,180,963
Capital Projects Fund	-	385,173
Totals	\$ 1,845,953	\$ 1,845,953

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2013, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 562,939	\$ 605,000
Gross Revenue Fund	-	466,480
Capital Projects Fund	600,000	96,459
<u>Other Non-Major Funds:</u>		
Special Revenue Fund - Narcotics Fund	5,000	-
Totals	\$ 1,167,939	\$ 1,167,939

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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

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

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. The Town transferred \$600,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy. In addition, the Town transferred approximately \$423,000 from the Gross Revenue Fund to the General Fund to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund.

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended September 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 700,717	-	-	-	\$ 700,717
Construction in Progress	122,182	1,607,489	-	(1,729,671)	-
Total Capital Assets, Non-Depreciable	822,899	1,607,489	-	(1,729,671)	700,717
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Building and Improvements	4,261,378	-	-	1,729,671	5,991,049
Equipment	2,033,435	41,600	79,483	-	1,995,552
Vehicles	3,117,877	371,843	244,693	-	3,245,027
Total Capital Assets, Depreciable	11,376,272	413,443	324,176	1,729,671	13,195,210
Less: Accumulated Depreciation for:					
Land Improvements	96,565	18,219	-	-	114,784
Infrastructure	233,034	42,257	-	-	275,291
Building and Improvements	1,417,640	128,969	-	-	1,546,609
Equipment	1,262,917	196,616	79,063	-	1,380,470
Vehicles	1,809,291	260,164	237,155	-	1,832,300
Total Accumulated Depreciation	4,819,447	646,225	316,218	-	5,149,454
Total Capital Assets, Depreciable, Net	6,556,825	(232,782)	7,958	-	8,045,756
Governmental Activities Capital Assets, Net	\$ 7,379,724	1,374,707	7,958	-	\$ 8,746,473

The cost of equipment recorded under capital lease was approximately \$2,508,000, and the related accumulated amortization was approximately \$1,482,000, as of September 30, 2013. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for the Town's Governmental Activities were charged/allocated to functions/programs for the year ended September 30, 2013 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 11,777	\$ 220,382
Public Safety	99,414	133,545
Public Works	272,429	178,803
Culture and Recreation	1,637,312	113,495
Totals - Governmental Activities	<u>\$ 2,020,932</u>	<u>\$ 646,225</u>

Capital asset activity for the Town's business-type activities for the year ended September 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	104,694	-	-	-	104,694
Total Capital Assets, Non-Depreciable	<u>710,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,199</u>
Capital Assets, Depreciable:					
Infrastructure	29,371,242	860,251	-	-	30,231,493
Building and Improvements	670,542	-	-	-	670,542
Equipment	480,795	90,682	-	-	571,477
Vehicles	242,928	25,829	-	-	268,757
Total Capital Assets, Depreciable	<u>30,765,507</u>	<u>976,762</u>	<u>-</u>	<u>-</u>	<u>31,742,269</u>
Less: Accumulated Depreciation for:					
Infrastructure	10,845,848	752,885	-	-	11,598,733
Building and Improvements	131,053	12,567	-	-	143,620
Equipment	374,331	36,399	-	-	410,730
Vehicles	146,587	22,871	-	-	169,458
Total Accumulated Depreciation	<u>11,497,819</u>	<u>824,722</u>	<u>-</u>	<u>-</u>	<u>12,322,541</u>
Total Capital Assets, Depreciable, Net	<u>19,267,688</u>	<u>152,040</u>	<u>-</u>	<u>-</u>	<u>19,419,728</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,977,887</u>	<u>152,040</u>	<u>-</u>	<u>-</u>	<u>\$ 20,129,927</u>

The cost of capital assets that was purchased under capital lease was approximately \$3,581,000. Accumulated amortization was approximately \$1,563,000, at September 30, 2013. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013 are as follows:

	Principal Outstanding at Year End
<i>General Obligation Bonds</i>	
\$657,300 general obligation serial bond issued in December, 1994 (“Series 1995”), due in annual installments of \$53,837 beginning December 2, 1995 through December 2, 2014 which includes interest at 5.251%. The proceeds of this issue were primarily used to build the Town’s fire station.	\$ 99,793
\$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>1,420,233</u>
Total Outstanding General Obligation Bonds	<u>\$ 1,520,026</u>
<i>Capital Lease Obligations</i>	
\$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>\$ 548,497</u>
Total Capital Lease Obligations	<u>\$ 548,497</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013, for the Town's governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GOB - Series 1995	\$ 145,998	-	46,205	99,793	\$ 48,631
GOB - Series 2012	1,500,000	-	79,767	1,420,233	82,280
Total Debt	1,645,998	-	125,972	1,520,026	130,911
Capital Leases:					
Ladder Truck	84,927	-	84,927	-	-
2010 Equipment Lease	140,652	-	140,652	-	-
2011 Equipment Lease	817,000	-	268,503	548,497	272,315
Total Capital Leases	1,042,579	-	494,082	548,497	272,315
Compensated Absences	229,415	155,325	163,705	221,035	160,000
Total Governmental Activities	\$ 2,917,992	155,325	783,759	2,289,558	\$ 563,226

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, 2013, the Town had approximately \$1,520,000 of bonded debt subject to the 8% limit of approximately \$4,124,000 resulting in an unused legal debt margin of approximately \$2,604,000.

Details on the Town's business-type activities outstanding debt issues and capital leases as of September 30, 2013 are as follows:

<i>Debt</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 FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<i>Debt (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, 2011 through December 1, 2020 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 water and wastewater system.	\$ 761,000
\$1,330,000 water and wastewater system revenue bonds issued in April, 2013 (“2013A Revenue Bonds”), due in annual installments ranging from \$28,000 to \$120,000 beginning December 1, 2015 through December 1, 2027 and semi-annual interest payments at 1.900%. The proceeds from this issuance were used to finance certain improvements and extensions to the Town's water and wastewater system.	1,330,000
\$250,000 water and wastewater system revenue bonds issued in April, 2013 (“2013B Revenue Bonds”), due in annual installments ranging from \$68,000 to \$94,000 beginning December 1, 2013 through December 1, 2015 and semi-annual interest payments at 2.000%. The proceeds from this issuance were used to finance certain improvements to the Town's water and wastewater system.	250,000
Total Debt	\$ 7,532,000

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.	\$ 1,176,223
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Presented below is a summary of changes in long-term obligations for the year ended September 30, 2013, for the Town’s business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
2011 Refunding Bonds	\$ 5,681,000	-	490,000	5,191,000	\$ 506,000
2011B Refunding Bonds	844,000	-	83,000	761,000	86,000
2013A Revenue Bonds	-	1,330,000	-	1,330,000	-
2013B Revenue Bonds	-	250,000	-	250,000	88,000
Total Debt	6,525,000	1,580,000	573,000	7,532,000	680,000
Capital Lease - Rock Hill Water Line	1,310,340	-	134,117	1,176,223	141,630
Compensated Absences	39,624	27,994	25,664	41,954	30,000
Total Business-Type Activities	\$ 7,874,964	1,607,994	732,781	8,750,177	\$ 851,630

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013 with a rate of 298%.

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, 2013:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2014	\$ 130,911	49,979	272,315	7,789	\$ 460,994
2015	136,034	44,834	276,182	3,922	460,972
2016	87,545	39,472	-	-	127,017
2017	90,303	36,714	-	-	127,017
2018	93,147	33,870	-	-	127,017
2019-2023	511,641	123,444	-	-	635,085
2024-2027	470,445	37,622	-	-	508,067
Totals	<u>\$ 1,520,026</u>	<u>365,935</u>	<u>548,497</u>	<u>11,711</u>	<u>\$ 2,446,169</u>
<u>Business-Type Activities</u>					
2014	\$ 680,000	230,620	141,630	61,342	\$ 1,113,592
2015	703,000	204,771	150,490	53,245	1,111,506
2016	728,000	181,183	158,356	44,703	1,112,242
2017	747,000	156,903	166,934	35,729	1,106,566
2018	707,000	133,072	176,230	26,285	1,042,587
2019 - 2023	3,388,000	326,266	382,583	22,184	4,119,033
2024 - 2028	579,000	27,920	-	-	606,920
Totals	<u>\$ 7,532,000</u>	<u>1,260,735</u>	<u>1,176,223</u>	<u>243,488</u>	<u>\$ 10,212,446</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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, 2013, the Town made premium payments totaling approximately \$118,000. 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, 2012, totaled approximately \$29,180,000. 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, 2013, the Town made premium payments totaling approximately \$77,000. 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, 2012, totaled approximately \$49,467,000. 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 \$3,041,000 of the Town’s approximately \$4,781,000 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 ten 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, 2013. There were no significant changes in plan provisions during the current year.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans

South Carolina Retirement and Police Officer's Retirement System

The Town non-public safety employees participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. The City's sworn police officers and firefighting personnel (public safety) 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 SCRS and SCPORS (collectively the "Plans") provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the Plans to the newly created South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

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 and as amended by the PEBA. 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 7.84% of salary. Employees covered under SCRS are required to contribute 7.5% of salary as of year end. The Town is required to contribute 12.84% of gross earnings under SCPORS and 10.60% 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
	\$ 2,181,000	\$ 2,503,623

Total payroll for fiscal year 2013 for all Town employees was approximately \$4,781,000. 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
2013	\$ 265,384	100%	\$ 271,421	100%
2012	231,281	100%	250,819	100%
2011	\$ 223,313	100%	\$ 236,841	100%

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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* ("GASB #45"). GASB #45 establishes standards for the measurement, recognition and display of Other Postemployment 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 GASB #45 in fiscal year 2011. No liability or expenditure is recorded as of September 30, 2013 because the amount determined in their actuarial valuation of OPEB as of July 1, 2012 was immaterial (actuarial accrued liability of approximately \$128,000 and annual required contribution for fiscal year 2013 of approximately \$20,000). While immaterial, the Town does plan on making the annual required contributions in future years.

F. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB #68"), was issued by the GASB in June 2012. The primary objective of GASB #68 is to improve accounting and financial reporting by state and local governments for pensions. 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 GASB #68 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, the Town will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) 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 GASB #68 has not been determined at this time, but it is anticipated that it will materially decrease the Town's unrestricted net position. GASB #68 is required to be implemented by the Town no later than the fiscal year ending September 30, 2015.

G. Subsequent Event

In December 2013, the Town entered into a lease purchase agreement with a local bank for \$850,000 related to the purchase of a pumper fire truck. The truck will be financed over a 10 year period at an interest rate of 2.61%.

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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, 2013

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 4,459,000	4,459,000	4,424,081	\$ (34,919)
Fines, Fees, Licenses and Permits:	2,795,100	2,795,100	3,651,633	856,533
Charges For Services	816,850	816,850	904,398	87,548
Grants	201,126	201,126	29,400	(171,726)
Intergovernmental	280,069	280,069	283,039	2,970
Miscellaneous	416,500	416,500	645,821	229,321
Investment Earnings	5,000	5,000	4,357	(643)
TOTAL REVENUES ALL SOURCES	8,973,645	8,973,645	9,942,729	969,084
EXPENDITURES				
Current:				
General Government	1,718,586	1,718,586	1,542,504	176,082
Judicial	97,709	97,709	101,347	(3,638)
Public Works	2,020,065	2,020,065	1,950,234	69,831
Public Safety	3,949,038	3,949,038	3,736,887	212,151
Culture and Recreation	786,304	786,304	819,651	(33,347)
Capital Outlay	309,940	309,940	500,122	(190,182)
Debt Service:				
Principal Retirement	577,674	577,674	622,510	(44,836)
Interest and Fiscal Charges	71,767	71,767	73,071	(1,304)
TOTAL EXPENDITURES	9,531,083	9,531,083	9,346,326	184,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(557,438)	(557,438)	596,403	1,153,841
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	10,000	10,000	37,400	27,400
Insurance Proceeds from Casualty	-	-	6,960	6,960
Transfers In	557,438	557,438	562,939	5,501
Transfers Out	(10,000)	(10,000)	(605,000)	(595,000)
TOTAL OTHER FINANCING SOURCES (USES)	557,438	557,438	2,299	(555,139)
NET CHANGE IN FUND BALANCE	-	-	598,702	598,702
FUND BALANCE, Beginning of Year	3,515,759	3,515,759	3,515,759	-
FUND BALANCE, End of Year	\$ 3,515,759	3,515,759	4,114,461	\$ 598,702

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.

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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current Property Taxes	\$ 4,000,000	3,880,280	\$ (119,720)
Current Vehicle Taxes	395,000	492,356	97,356
Delinquent Taxes	2,000	(4,712)	(6,712)
Prior Years, Including Penalties and Execution Fees	30,000	19,551	(10,449)
Housing Authority in Lieu of Taxes	32,000	36,606	4,606
Total Taxes	4,459,000	4,424,081	(34,919)
Fines, Fees, Licenses, and Permits:			
Privilege Licenses	2,000,000	2,438,460	438,460
Duke Power in Lieu of Taxes	185,000	184,523	(477)
York Electric in Lieu of Taxes	125,000	151,316	26,316
Fines and Penalties	75,000	75,652	652
Permits	410,100	801,682	391,582
Total Fines, Fees, Licenses, and Permits	2,795,100	3,651,633	856,533
Charges for Services:			
Garbage Revenue	575,000	563,249	(11,751)
Athletics Revenue	196,850	289,095	92,245
Cemetery Lots	-	2,363	2,363
Grave Openings	30,000	34,100	4,100
Assembly Center Fees	15,000	15,591	591
Total Charges for Services	816,850	904,398	87,548
Grant Revenues:			
Capital Grant	195,126	-	(195,126)
Federal Grant	-	25,000	25,000
State Grant	6,000	4,400	(1,600)
Total Grant Revenues	201,126	29,400	(171,726)
Intergovernmental Revenues:			
State Shared Revenue	200,000	200,318	318
Manufacturer's Depreciation Reimbursement	200	291	91
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	64,400	66,961	2,561
Total Intergovernmental Revenues	280,069	283,039	2,970
Miscellaneous:			
School Resource Officers	153,000	153,346	346
York County Fire Protection	22,000	24,505	2,505
Spring Festival	200,000	204,849	4,849
Other	41,500	263,121	221,621
Total Miscellaneous	\$ 416,500	645,821	\$ 229,321

(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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 5,000	4,357	\$ (643)
Total Investment Earnings	5,000	4,357	(643)
 TOTAL REVENUES ALL SOURCES	 8,973,645	 9,942,729	 969,084
 EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	25,661	25,664	(3)
Operating Expenditures	297,738	224,783	72,955
Community Promotions	6,000	5,356	644
Miscellaneous	500	971	(471)
Total Town Council	329,899	256,774	73,125
Administration:			
Personnel Services	973,214	926,461	46,753
Operating Expenditures	415,473	359,269	56,204
Capital Outlay	7,500	7,792	(292)
Total Administration	1,396,187	1,293,522	102,665
Total General Government	1,726,086	1,550,296	175,790
 Judicial:			
Municipal Court:			
Personnel Services	49,209	45,504	3,705
Operating Expenditures	48,500	55,843	(7,343)
Total Municipal Court	97,709	101,347	(3,638)
Total Judicial	97,709	101,347	(3,638)
 Public Works:			
Administration:			
Personnel Services	62,910	76,888	(13,978)
Operating Expenditures	38,491	35,130	3,361
Total Administration	101,401	112,018	(10,617)
Sanitation:			
Personnel Services	257,859	223,447	34,412
Operating Expenditures	237,070	293,577	(56,507)
Capital Outlay	26,000	248,768	(222,768)
Total Sanitation	\$ 520,929	765,792	\$ (244,863)

(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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 532,756	528,888	\$ 3,868
Operating Expenditures	152,800	144,507	8,293
Capital Outlay	18,300	16,789	1,511
Total Building and Grounds	<u>703,856</u>	<u>690,184</u>	<u>13,672</u>
Storm Water Maintenance:			
Personnel Services	70,179	49,945	20,234
Operating Expenditures	54,150	13,734	40,416
Capital Outlay	49,500	29,268	20,232
Total Street Department	<u>173,829</u>	<u>92,947</u>	<u>80,882</u>
Street Department:			
Personnel Services	114,915	108,109	6,806
Operating Expenditures	339,850	360,184	(20,334)
Capital Outlay	4,000	88	3,912
Total Street Department	<u>458,765</u>	<u>468,381</u>	<u>(9,616)</u>
Garage and Vehicle:			
Personnel Services	60,335	58,551	1,784
Operating Expenditures	30,950	26,615	4,335
Capital Outlay	-	1,391	(1,391)
Total Garage and Vehicle	<u>91,285</u>	<u>86,557</u>	<u>4,728</u>
Total Public Works	<u>2,050,065</u>	<u>2,215,879</u>	<u>(165,814)</u>
Public Safety:			
Police Department:			
Personnel Services	2,472,617	2,350,781	121,836
Operating Expenditures	483,000	408,686	74,314
Capital Outlay	238,740	201,866	36,874
Total Police Department	<u>3,194,357</u>	<u>2,961,333</u>	<u>233,024</u>
Fire Department:			
Personnel Services	836,321	806,976	29,345
Operating Expenditures	157,100	170,444	(13,344)
Capital Outlay	33,700	24,819	8,881
Total Fire Department	<u>1,027,121</u>	<u>1,002,239</u>	<u>24,882</u>
Total Public Safety	<u>4,221,478</u>	<u>3,963,572</u>	<u>257,906</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	233,387	247,584	(14,197)
Operating Expenditures	552,917	572,067	(19,150)
Total Cultural and Recreation	<u>\$ 786,304</u>	<u>819,651</u>	<u>\$ (33,347)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 577,674	622,510	\$ (44,836)
Interest and Fiscal Charges	71,767	73,071	(1,304)
Total Debt Service	649,441	695,581	(46,140)
TOTAL EXPENDITURES	9,531,083	9,346,326	184,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(557,438)	596,403	1,153,841
OTHER FINANCING SOURCES (USES)			
Proceeds from Disposal of Capital Assets	10,000	37,400	27,400
Insurance Proceeds from Casualty	-	6,960	6,960
Transfers In	557,438	562,939	5,501
Transfers Out	(10,000)	(605,000)	(595,000)
TOTAL OTHER FINANCING SOURCES (USES)	557,438	2,299	(555,139)
NET CHANGE IN FUND BALANCE	-	598,702	598,702
FUND BALANCE, Beginning of Year	3,515,759	3,515,759	-
FUND BALANCE, End of Year	\$ 3,515,759	4,114,461	\$ 598,702

TOWN OF FORT MILL, SOUTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR FUNDS
SEPTEMBER 30, 2013

	<u>SPECIAL REVENUE</u>	<u>TOAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
ASSETS		
Cash and Cash Equivalents, Restricted	\$ 38,262	\$ 38,262
Receivables, Net:		
Other	1,031	1,031
TOTAL ASSETS	<u><u>39,293</u></u>	<u><u>39,293</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Restricted	39,293	39,293
TOTAL FUND BALANCES	<u>39,293</u>	<u>39,293</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 39,293</u></u>	<u><u>\$ 39,293</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, 2013

	<u>SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
REVENUES		
Miscellaneous	\$ 8,576	\$ 8,576
Investment Earnings	29	29
TOTAL REVENUES ALL SOURCES	<u>8,605</u>	<u>8,605</u>
EXPENDITURES		
Current:		
Public Safety	635	635
TOTAL EXPENDITURES	<u>635</u>	<u>635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,970</u>	<u>7,970</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	5,000	5,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	12,970	12,970
FUND BALANCES, Beginning of Year	<u>26,323</u>	<u>26,323</u>
FUND BALANCES, End of Year	<u>\$ 39,293</u>	<u>\$ 39,293</u>

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2013

	GROSS REVENUE				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING REVENUES					
Water Revenue and Penalties	\$ 2,248,693	2,145,358	-	2,145,358	\$ (103,335)
Sewer Revenues	2,275,329	2,213,178	-	2,213,178	(62,151)
York County Water Sales	1,120,000	1,056,953	-	1,056,953	(63,047)
Riverview Water Sales	174,051	151,649	-	151,649	(22,402)
Tega Cay Water Sales	280,000	241,503	-	241,503	(38,497)
Water Taps	145,000	429,040	-	429,040	284,040
Sewer Taps	180,000	495,930	-	495,930	315,930
Other Revenues	1,000	20,085	-	20,085	19,085
TOTAL OPERATING REVENUES	6,424,073	6,753,696	-	6,753,696	329,623
OPERATING EXPENSES					
Water:					
Water Purchases	1,990,855	1,611,045	-	1,611,045	379,810
Salaries	457,019	412,508	-	412,508	44,511
Fringe Benefits	152,709	137,845	-	137,845	14,864
Material and Supplies	105,750	116,340	-	116,340	(10,590)
Electricity	5,100	3,611	-	3,611	1,489
Permits	12,500	15,281	-	15,281	(2,781)
Water Meter Replacement	10,000	20,731	-	20,731	(10,731)
Equipment Repairs	10,000	2,893	-	2,893	7,107
Postage	35,000	34,647	-	34,647	353
Gas, Oil, and Grease	19,000	20,877	-	20,877	(1,877)
Street Maintenance	100,000	73,830	-	73,830	26,170
Miscellaneous	1,000	1,962	-	1,962	(962)
Auto Repairs	9,000	14,592	-	14,592	(5,592)
Uniforms	8,225	7,346	-	7,346	879
Water and Heat	1,000	865	-	865	135
Telephone	14,000	11,848	-	11,848	2,152
Travel/Training	6,200	4,231	-	4,231	1,969
Membership/Dues	1,740	1,526	-	1,526	214
Advertising	4,000	1,185	-	1,185	2,815
Professional Services	90,000	316,858	-	316,858	(226,858)
Hydrant Repairs	20,000	-	-	-	20,000
Pre-Employment Expense	500	220	-	220	280
Lease Agreement	6,100	4,814	-	4,814	1,286
Contracted Services	60,000	20,165	-	20,165	39,835
Building Maintenance	1,500	1,663	-	1,663	(163)
Service Contracts	3,747	4,407	-	4,407	(660)
Capital Outlay	282,300	978,949	(950,933)	28,016	(696,649)
	\$ 3,407,245	3,820,239	(950,933)	2,869,306	\$ (412,994)

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2013

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 300,608	287,657	-	287,657	\$ 12,951
Fringe Benefits	100,078	92,955	-	92,955	7,123
Electricity	87,250	67,719	-	67,719	19,531
Equipment Repairs	50,000	41,391	-	41,391	8,609
Material and Supplies	65,000	51,455	-	51,455	13,545
Electricity Lift Station	48,000	51,686	-	51,686	(3,686)
Alum	40,000	31,964	-	31,964	8,036
Professional Services	48,800	20,546	-	20,546	28,254
Contracted Services	174,000	208,000	-	208,000	(34,000)
Chemicals	20,000	16,861	-	16,861	3,139
Lab Supplies	5,000	4,312	-	4,312	688
Gas, Oil, and Grease	24,000	18,387	-	18,387	5,613
Service Contracts	5,000	1,345	-	1,345	3,655
Natural Gas	10,000	64	-	64	9,936
Auto Repairs	7,000	5,497	-	5,497	1,503
Telephone	5,000	3,844	-	3,844	1,156
Uniforms	7,150	4,241	-	4,241	2,909
Travel/Training	4,200	1,196	-	1,196	3,004
Transportation	55,000	25,829	(25,829)	-	29,171
Miscellaneous	172,946	36,605	-	36,605	136,341
Water and Heat	3,500	850	-	850	2,650
Building/Grounds Maintenance	11,000	2,790	-	2,790	8,210
Lime	19,250	4,123	-	4,123	15,127
Membership/Dues	1,000	230	-	230	770
Landfill Fees	75,000	89,407	-	89,407	(14,407)
Permits	3,500	2,255	-	2,255	1,245
Pump Station Repairs	50,000	74,775	-	74,775	(24,775)
Machinery and Equipment	95,000	-	-	-	95,000
Computer Expenses	1,500	1,133	-	1,133	367
Pump Station Monitoring	17,000	11,228	-	11,228	5,772
	<u>1,505,782</u>	<u>1,158,345</u>	<u>(25,829)</u>	<u>1,132,516</u>	<u>347,437</u>
Other Operating Expenses	31,844	27,185	-	27,185	4,659
Depreciation	-	-	824,722	824,722	-
TOTAL OPERATING EXPENSES	<u>4,944,871</u>	<u>5,005,769</u>	<u>(152,040)</u>	<u>4,853,729</u>	<u>(60,898)</u>
OPERATING INCOME (LOSS)	\$ 1,479,202	1,747,927	152,040	1,899,967	\$ 268,725

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2013

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
NON-OPERATING REVENUES (EXPENSES)					
York County - Southern Bypass	\$ -	170,975	-	170,975	\$ 170,975
Insurance Proceeds from Casualty	-	13,002	-	13,002	13,002
Investment Earnings	5,000	4,362	-	4,362	(638)
Debt Service	(1,043,223)	(577,426)	43,731	(533,695)	465,797
Tega Cay Water Line Payment	20,000	20,000	-	20,000	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,018,223)	(369,087)	43,731	(325,356)	649,136
INCOME (LOSS) BEFORE TRANSFERS	460,979	1,378,840	195,771	1,574,611	917,861
Transfers Out	(460,979)	(466,480)	-	(466,480)	(5,501)
CHANGE IN NET POSITION	-	912,360	195,771	1,108,131	912,360
NET POSITION, Beginning of Year	15,146,128	15,146,128	-	15,146,128	-
NET POSITION, End of Year	\$ 15,146,128	16,058,488	195,771	16,254,259	\$ 912,360

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 financial statements as follows:

- Depreciation Expense	\$ (824,722)
- Capital Asset Additions	976,762
- Principal Payments on Debt and Capital Leases	43,731
Total GAAP Adjustments	\$ 195,771

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED SEPTEMBER 30, 2013

Court Fines, Assessments, and Surcharges

Court Fines, Assessments, and Surcharges Collected	\$	218,627
Court Fines, Assessments, and Surcharges Retained by the Town		(89,601)
Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer	\$	129,026

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	-
Court Assessments Allocated to Victim Assistance Fund		13,913
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(13,913)
Funds Available for Carryforward, End of Year	\$	-

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of Town Council
Town of Fort Mill
Fort Mill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 24, 2014