

**TOWN OF FORT MILL  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**



TOWN OF FORT MILL, SOUTH CAROLINA

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**TOWN OF FORT MILL, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**YEAR ENDED SEPTEMBER 30, 2015**

Established

1873

MAYOR

Danny Funderburk

TOWN COUNCIL MEMBERS

Ward 1 – James Shirey

Ward 2 – Ronald Helms

Ward 3 – Larry Huntley, Mayor Pro-Tem

Ward 4 – Tom Adams

At Large – Guynn Savage

At Large – Lisa McCarley

TOWN MANAGER

Dennis Pieper

FINANCE DIRECTOR

Chantay Boulter





## 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 the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2015, 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, 2015, 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.

### ***Change in Accounting Principle***

As discussed in Note I.B to the financial statements, in the year ended September 30, 2015 the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” and Governmental Accounting Standards Board Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*”. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the budgetary comparison schedule – General Fund, and the pension plan schedules, 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 March 15, 2016 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  
March 15, 2016

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED SEPTEMBER 30, 2015

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As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended September 30, 2015 ("FY 2015" or "2015") compared to year ended September 30, 2014 ("FY 2014" or "2014"). 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 and the notes to the financial statements to enhance their understanding of the Town's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by approximately \$33,022,000. Of this amount, approximately \$9,795,000 (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 \$7,875,000 (an increase of approximately \$4,215,000 from governmental activities and an increase of approximately \$3,660,000 from business-type activities), as total revenues of approximately \$23,893,000 exceeded total expenses of approximately \$16,017,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$12,081,000, an increase of approximately \$4,084,000 from the prior year. Of this total amount, 60%, or approximately \$7,206,000, 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 \$7,206,000, or 69% of total General Fund expenditures for the year ended September 30, 2015.
- The Town's total capital assets decreased by approximately \$307,000 (1%) during the current fiscal year, which was largely due to net disposals of approximately \$5,000 and depreciation expense of approximately \$1,508,000 exceeding capital additions of approximately \$1,206,000.
- The Town's long-term obligations increased by approximately \$11,019,000 (103%) during the current fiscal year, due to the issuance of new 2015 revenue bonds for \$11,605,000 with a premium of \$742,000 and compensated absences earned during the year of approximately \$225,000 exceeding principal payments of approximately \$1,344,000 and compensated absence payments of approximately \$209,000.
- The Town implemented GASB #68 and GASB #71 in 2015. These Statements require the Town to recognize a net pension liability, deferred outflows of resources (including pension contributions made after the measurement date) and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and presents more extensive note disclosures.

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of October 1, 2014 for its government-wide and enterprise fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the Town's government-wide financial statements as of October 1, 2014 was decreased by approximately \$9,079,000, which consisted of approximately \$7,541,000 for its governmental activities and \$1,538,000 for its business-type activities (Gross Revenue and Stormwater Enterprise Funds), reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the Town's retirement plans.

#### 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*.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2015

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

**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 deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these items 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.

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 and stormwater services that the Town charges customer 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 four 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 funds 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.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**Fund Financial Statements (Continued)**

**Proprietary Funds** – The Town maintains one type of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer system operations and its Stormwater 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 as required supplementary information for the General Fund to demonstrate compliance with its budget. Required pension schedules have been included which provide relevant information regarding the District’s participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents. In addition, the Town has provided other budgetary and supplemental schedules for most of the remaining funds as listed in the table of contents of this report.

Figure A-1 - Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Revenues, expenses, and Changes in Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term.	Only assets and deferred outflows of resources expected to be used and liabilities and deferred inflows of resources that come due during the year or soon, thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2015**

**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, 2015 and 2014:

**Town's Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015 *</b>	<b>2014</b>	<b>2015 *</b>	<b>2014</b>	<b>2015 *</b>	<b>2014</b>
Current and Other Assets	\$ 12,934,652	8,871,371	22,658,086	7,280,960	35,592,738	\$ 16,152,331
Capital Assets	10,435,749	10,563,042	19,573,339	19,753,206	30,009,088	30,316,248
Total Assets	<u>23,370,401</u>	<u>19,434,413</u>	<u>42,231,425</u>	<u>27,034,166</u>	<u>65,601,826</u>	<u>46,468,579</u>
Deferred Outflows of Resources	707,280	-	135,672	-	842,952	-
Long-Term Liabilities	2,253,213	2,733,135	19,438,789	7,933,911	21,692,002	10,667,046
Other Liabilities	9,190,029	748,388	2,530,379	827,220	11,720,408	1,575,608
Total Liabilities	<u>11,443,242</u>	<u>3,481,523</u>	<u>21,969,168</u>	<u>8,761,131</u>	<u>33,412,410</u>	<u>12,242,654</u>
Deferred Inflows of Resources	7,274	-	3,078	-	10,352	-
Net Position:						
Net Investment in						
Capital Assets	8,408,156	8,047,745	12,238,174	11,866,612	20,646,330	19,914,357
Restricted	1,065,645	727,886	1,514,791	1,600,076	2,580,436	2,327,962
Unrestricted	3,153,364	7,177,259	6,641,886	4,806,347	9,795,250	11,983,606
Total Net Position	<u>\$ 12,627,165</u>	<u>15,952,890</u>	<u>20,394,851</u>	<u>18,273,035</u>	<u>33,022,016</u>	<u>\$ 34,225,925</u>

\* The Town implemented GASB #68/71 in FY 2015.

The Town's total assets increased by approximately \$19,133,000, or 41%, over the prior year. This increase was primarily due to an increase of approximately \$19,245,000 in cash and cash equivalents, partially offset by a slight decrease in capital assets. Total liabilities at September 30, 2015 increased by approximately \$21,170,000 from the prior year; this is primarily due to an increase in long-term liabilities (new revenue bond for \$11,605,000) and an increase in the net pension liability (as discussed earlier in the Financial Highlights section). This increase was partially offset by regular principal payments made during the year. The increase in deferred outflows and inflows of resources was due to the Town implementing GASB #68/71 (as discussed earlier in the Financial Highlights section).

The government's net position increased by approximately \$7,875,000 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 \$33,022,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$20,646,000 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 and lease purchases) 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 and lease purchases) 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 \$2,580,000 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 \$9,795,000 which may be used to meet the government's ongoing obligations to citizens and creditors.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

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.

The following table shows the changes in net position for fiscal year 2015 compared to 2014.

	Town's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015 *	2014	2015 *	2014	2015 *	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,205,448	5,456,996	9,411,947	7,351,886	16,617,395	\$ 12,808,882
Operating Grants and Contributions	323,604	256,052	-	-	323,604	256,052
Capital Grants and Contributions	348,902	1,045,204	238,989	294,750	587,891	1,339,954
General Revenues:						
Property Taxes	5,209,066	4,741,814	-	-	5,209,066	4,741,814
Hospitality & Accomodations Taxes	408,439	312,233	-	-	408,439	312,233
Intergovernmental Revenue	325,528	348,218	-	-	325,528	348,218
Other Revenue	362,016	499,925	58,563	35,835	420,579	535,760
Total Revenues	<u>14,183,003</u>	<u>12,660,442</u>	<u>9,709,499</u>	<u>7,682,471</u>	<u>23,892,502</u>	<u>20,342,913</u>
Expenses:						
General Government	2,082,241	1,872,266	-	-	2,082,241	1,872,266
Judicial	111,202	113,348	-	-	111,202	113,348
Public Works	2,182,497	2,240,595	-	-	2,182,497	2,240,595
Public Safety	4,862,742	4,145,028	-	-	4,862,742	4,145,028
Culture and Recreation	1,192,840	1,068,060	-	-	1,192,840	1,068,060
Interest and Fiscal Charges	62,346	69,096	-	-	62,346	69,096
Water/Sewer	-	-	5,338,863	5,186,828	5,338,863	5,186,828
Stormwater	-	-	184,651	-	184,651	-
Total Expenses	<u>10,493,868</u>	<u>9,508,393</u>	<u>5,523,514</u>	<u>5,186,828</u>	<u>16,017,382</u>	<u>14,695,221</u>
Change in Net Position Before Transfers	3,689,135	3,152,049	4,185,985	2,495,643	7,875,120	5,647,692
Transfers In (Out)	526,381	476,867	(526,381)	(476,867)	-	-
Change in Net Position	<u>4,215,516</u>	<u>3,628,916</u>	<u>3,659,604</u>	<u>2,018,776</u>	<u>7,875,120</u>	<u>5,647,692</u>
Net Position, Beginning of Year	15,952,890	12,323,974	18,273,035	16,254,259	34,225,925	28,578,233
Cumulative Change in Accounting Principle - GASB # 68/71	<u>(7,541,241)</u>	<u>-</u>	<u>(1,537,788)</u>	<u>-</u>	<u>(9,079,029)</u>	<u>-</u>
Net Position, Beginning of Year, Restated	<u>8,411,649</u>	<u>12,323,974</u>	<u>16,735,247</u>	<u>16,254,259</u>	<u>25,146,896</u>	<u>28,578,233</u>
Net Position, End of Year	<u>\$ 12,627,165</u>	<u>15,952,890</u>	<u>20,394,851</u>	<u>18,273,035</u>	<u>33,022,016</u>	<u>\$ 34,225,925</u>

\* The Town implemented GASB #68/71 in FY 2015.

**Governmental Activities:** Revenues exceeded expenses and transfers in by approximately \$4,215,000 for 2015 for its governmental activities. Revenues and transfers increased over the prior year by approximately \$1,572,000 (12%) to approximately \$14,709,000, due primarily to an increase in charges for services of approximately \$1,748,000 (32%) and an increase in general revenues of approximately \$403,000, offset by a decrease in capital grants and contributions. Expenses increased by approximately \$985,000 (10%) from the prior year to approximately \$10,494,000.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**Business-Type Activities:** Revenues exceeded expenses and transfers out by approximately \$3,660,000 for 2015 for the business-type activities. Revenues increased by approximately \$2,027,000 (26%) from the prior year to approximately \$9,709,000 primarily due to an increase in charges for services. Expenses and transfers out decreased by approximately \$386,000 (7%) to approximately \$6,050,000.

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

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

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 \$12,081,000, an increase of approximately \$4,084,000 from the prior year. Approximately 60% of this total amount (approximately \$7,206,000) 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, community development, and vehicles 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 \$7,259,000. 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 69% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$2,122,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$2,593,000 or 24% primarily due to an increase over budget in license and permit revenue of approximately \$1,812,000, property tax revenue of approximately \$386,000, and charges for service of approximately \$172,000.
- General Fund expenditures were under budgeted expectations by approximately \$1,342,000 or 11%, primarily due to general government, judicial, public works, public safety, and capital outlay expenditures coming in under budget.
- The most significant other financing sources (uses) transactions for 2015 consisted of a transfer of \$1,800,000 to the Capital Project Fund (in accordance with the Town's fund balance policy) and a transfer of approximately \$526,000 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 increased by approximately \$1,962,000. Highlights for all of the remaining Special Revenue and Capital Projects Funds were as follows:

- A transfer from the General fund of approximately \$1,800,000 to the Capital Projects Fund.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$25,000.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**Proprietary Funds:** The Town’s proprietary funds 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 \$20,028,000. Net position of the Town’s Stormwater Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$361,000. Factors concerning the operation of these funds 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 2015.

**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, 2015, was approximately \$10,436,000 and \$19,573,000, 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, 2015 and 2014 were as follows:

	<b>Town's Capital Assets</b>					
	(Net of Depreciation)					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 1,920,717	1,740,717	605,505	605,505	2,526,222	\$ 2,346,222
Construction in Progress	-	-	201,646	104,694	201,646	104,694
Land Improvements	122,063	140,282	-	-	122,063	140,282
Infrastructure	1,330,492	1,372,749	17,928,116	18,148,071	19,258,608	19,520,820
Buildings & Improvements	4,297,495	4,447,477	498,680	514,355	4,796,175	4,961,832
Equipment	454,506	493,040	214,072	248,012	668,578	741,052
Vehicles	2,310,476	2,368,777	125,320	132,569	2,435,796	2,501,346
<b>Total</b>	<b>\$ 10,435,749</b>	<b>10,563,042</b>	<b>19,573,339</b>	<b>19,753,206</b>	<b>30,009,088</b>	<b>\$ 30,316,248</b>

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$275,000.
- Purchase of equipment for approximately \$103,000.
- Donation of land from an outside developer for \$180,000.
- Infrastructure additions of approximately \$551,000 for business-type activities.
- Depreciation expense of approximately \$1,508,000.

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**Long-Term Obligations:** As of September 30, 2015, the Town had total bonded debt outstanding of approximately \$19,007,000, of which approximately \$1,253,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$1,659,000 in lease purchases/capital lease outstanding at year end.

**Town's Long-Term Obligations**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
General Obligation Bonds	\$ 1,253,081	1,389,115	-	-	1,253,081	\$ 1,389,115
Revenue Bonds/Refunding Bonds	-	-	17,754,000	6,852,000	17,754,000	6,852,000
Lease Purchases/Capital Lease	774,512	1,126,182	884,104	1,034,594	1,658,616	2,160,776
Debt Premium	-	-	739,416	-	739,416	-
Compensated Absences	225,620	217,838	55,540	47,317	281,160	265,155
Total	<u>\$ 2,253,213</u>	<u>2,733,135</u>	<u>19,433,060</u>	<u>7,933,911</u>	<u>21,686,273</u>	<u>\$ 10,667,046</u>

The Town's long-term obligations increased by approximately \$11,019,000 (103%) during the current fiscal year due to the issuance of new 2015 revenue bonds for \$11,605,000 with a premium of \$742,000 and compensated absences earned during the year of approximately \$225,000 exceeding principal payments of approximately \$1,344,000 and compensated absence payments of approximately \$209,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2015 was approximately \$4,887,000. The legal debt margin was approximately \$3,633,000.

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 within the Charlotte Metropolitan Statistical Area (MSA) in the Southeastern region of the United States. Fort Mill continues to be one of the fastest growing municipalities in the state and region. New development in the Town has returned to pre-recession levels, with more than 1,000 new home permits issued in the last three years, and more than 1 million square feet of commercial development permitted over the last five years. Town officials expect to see this trend continue over the next reporting period and into the next decade.

The Town's revenues and population will continue to increase. As of 2014, Fort Mill had an estimated 13,087 residents. The Town's population has increased by 72.5% since the 2000 Census, and 21.1% since 2010. This growth rate is significantly higher than the growth rates of the state and nation.

The average education level for Fort Mill residents age 25+ is higher than both the state and national average, with 89.4% of all residents possessing at least a high school diploma. The median household income of \$61,100 exceeds the state average by 35.7%. The median value of all owner-occupied homes was \$190,200 in 2014, and is projected to increase over the coming years. New home permits for 2015 increased by 107.9% compared to 2014, while the average value of each new home permit (\$383,210) decreased by 10.4% compared to the previous year.

Economic development activities in the next reporting period are expected to be strong. Significant commercial projects are currently being approved for construction or under construction. Two large commercial projects, the Lash Group and LPL Financial, are expected to be completed over the next twelve months, and will add thousands of new employees in the Town. Additional commercial activity at the Kingsley development, three new hotels, and several other planned commercial projects, will further expand the Town's commercial tax base.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2015**

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**ECONOMIC FACTORS (CONTINUED)**

The Town continues to operate efficiently and effectively with a seasoned professional management team, while maintaining and promoting a healthy pro-business environment. The Town will aggressively pursue opportunities for annexation and economic development, which will further enhance the Town's tax base.

Management is forecasting a strong FY 2015-2016 and does not project a downturn based on current and planned investment within the Town. As commercial development continues to follow the expansive residential growth, the Town is expected to develop a larger, and more diverse tax base.

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

The adopted FY 2015-16 General Fund operating budget is approximately \$13,488,000. Rates associated with the Town's solid waste, business license, and building permit fees remained constant.

**REQUESTS FOR TOWN INFORMATION**

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

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# **BASIC FINANCIAL STATEMENTS**

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,351,468	8,783,600	\$ 19,135,068
Cash and Cash Equivalents, Restricted	1,082,089	13,662,141	14,744,230
Receivables, Net:			
Property Taxes	229,387	-	229,387
Accounts	115,265	924,166	1,039,431
Other	251,001	49,674	300,675
Internal Balances	761,495	(761,495)	-
Due From:			
Federal Government	52,510	-	52,510
State Government	91,437	-	91,437
Capital Assets:			
Non-Depreciable	1,920,717	807,151	2,727,868
Depreciable, Net	8,515,032	18,766,188	27,281,220
<b>TOTAL ASSETS</b>	<b>23,370,401</b>	<b>42,231,425</b>	<b>65,601,826</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	<b>707,280</b>	<b>135,672</b>	<b>842,952</b>
<b>LIABILITIES</b>			
Accounts Payable	327,228	457,246	784,474
Accrued Interest Payable	37,695	104,995	142,690
Accrued Salaries and Fringe Benefits	207,149	53,157	260,306
Other Liabilities	9,899	-	9,899
Unearned Revenues	157,917	199,860	357,777
Net Pension Liabilities	8,450,141	1,720,850	10,170,991
Non-Current Liabilities:			
Due Within One Year	336,003	925,356	1,261,359
Due in More Than One Year	1,917,210	18,507,704	20,424,914
<b>TOTAL LIABILITIES</b>	<b>11,443,242</b>	<b>21,969,168</b>	<b>33,412,410</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	<b>7,274</b>	<b>3,078</b>	<b>10,352</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,408,156	12,238,174	20,646,330
Restricted For:			
Debt Service	-	1,514,791	1,514,791
Tourism Related	838,894	-	838,894
Parks and Recreation	150,139	-	150,139
Narcotics	76,612	-	76,612
Unrestricted	3,153,364	6,641,886	9,795,250
<b>TOTAL NET POSITION</b>	<b>\$ 12,627,165</b>	<b>20,394,851</b>	<b>\$ 33,022,016</b>

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, 2015

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
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General Government	\$ 2,082,241	5,806,733	-	-	3,724,492		\$ 3,724,492
Judicial	111,202	89,022	-	-	(22,180)		(22,180)
Public Works	2,182,497	781,225	52,510	-	(1,348,762)		(1,348,762)
Public Safety	4,862,742	180,700	26,408	180,000	(4,475,634)		(4,475,634)
Culture and Recreation	1,192,840	347,768	244,686	168,902	(431,484)		(431,484)
Interest and Fiscal Charges	62,346	-	-	-	(62,346)		(62,346)
<b>Total Governmental Activities</b>	<b>10,493,868</b>	<b>7,205,448</b>	<b>323,604</b>	<b>348,902</b>	<b>(2,615,914)</b>		<b>(2,615,914)</b>
Business-Type Activities:							
Water/Sewer	5,338,863	8,675,984	-	238,989		3,576,110	3,576,110
Stormwater	184,651	735,963	-	-		551,312	551,312
<b>Total Business-Type Activities</b>	<b>5,523,514</b>	<b>9,411,947</b>	<b>-</b>	<b>238,989</b>		<b>4,127,422</b>	<b>4,127,422</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 16,017,382</b>	<b>16,617,395</b>	<b>323,604</b>	<b>587,891</b>	<b>(2,615,914)</b>	<b>4,127,422</b>	<b>1,511,508</b>
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					5,209,066	-	5,209,066
Hospitality Taxes					380,126	-	380,126
Accommodations Taxes					28,313	-	28,313
Intergovernmental Revenue - Unrestricted					325,528	-	325,528
Investment Income					8,465	9,289	17,754
Miscellaneous					184,339	33,700	218,039
Gain on Sale of Capital Assets					14,042	-	14,042
Insurance Proceeds from Casualty					155,170	15,574	170,744
Transfers In (Out)					526,381	(526,381)	-
<b>Total General Revenues and Transfers</b>					<b>6,831,430</b>	<b>(467,818)</b>	<b>6,363,612</b>
<b>CHANGE IN NET POSITION</b>					<b>4,215,516</b>	<b>3,659,604</b>	<b>7,875,120</b>
NET POSITION, Beginning of Year, as Previously Reported					15,952,890	18,273,035	34,225,925
Cumulative Change in Accounting Principle - GASB #68/71					(7,541,241)	(1,537,788)	(9,079,029)
NET POSITION, Beginning of Year, Restated					8,411,649	16,735,247	25,146,896
<b>NET POSITION, End of Year</b>					<b>\$ 12,627,165</b>	<b>20,394,851</b>	<b>\$ 33,022,016</b>

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,630,177	3,721,291	-	\$ 10,351,468
Cash and Cash Equivalents, Restricted	32,769	960,719	88,601	1,082,089
Receivables, Net:				
Property Taxes	229,387	-	-	229,387
Garbage	115,265	-	-	115,265
Other	194,121	45,555	11,325	251,001
Due From:				
Other Funds	772,772	1,800	5,000	779,572
Federal Government	52,510	-	-	52,510
State Government	89,187	2,250	-	91,437
<b>TOTAL ASSETS</b>	<b>\$ 8,116,188</b>	<b>4,731,615</b>	<b>104,926</b>	<b>\$ 12,952,729</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 312,711	14,517	-	\$ 327,228
Accrued Salaries and Fringe Benefits	207,149	-	-	207,149
Due to Other Funds	18,077	-	-	18,077
Unearned Revenues	157,917	-	-	157,917
Other Liabilities	9,899	-	-	9,899
<b>TOTAL LIABILITIES</b>	<b>705,753</b>	<b>14,517</b>	<b>-</b>	<b>720,270</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Property Taxes	151,588	-	-	151,588
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>151,588</b>	<b>-</b>	<b>-</b>	<b>151,588</b>
<b>FUND BALANCES</b>				
Restricted For:				
Tourism Related Costs	-	810,580	28,314	838,894
Parks and Recreation	-	150,139	-	150,139
Narcotics	-	-	76,612	76,612
Assigned For:				
Capital Projects	-	3,756,379	-	3,756,379
Community Development	52,503	-	-	52,503
Unassigned	7,206,344	-	-	7,206,344
<b>TOTAL FUND BALANCES</b>	<b>7,258,847</b>	<b>4,717,098</b>	<b>104,926</b>	<b>12,080,871</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,116,188</b>	<b>4,731,615</b>	<b>104,926</b>	<b>\$ 12,952,729</b>

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, 2015**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 12,080,871</b>
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 unavailable in the funds.	151,588
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 \$16,330,222, and the accumulated depreciation was \$5,894,473.	10,435,749
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.	(37,695)
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(7,750,135)
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 Lease Purchases)	(2,027,593)
Compensated Absences	<u>(225,620)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 12,627,165</u></u></b>

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 5,229,585	380,126	28,314	\$ 5,638,025
Fines, Fees, Licenses and Permits	5,842,446	-	-	5,842,446
Charges for Service	1,137,878	33,020	-	1,170,898
Grants	63,916	18,902	-	82,818
Intergovernmental	325,528	-	-	325,528
Miscellaneous	621,096	150,000	15,034	786,130
Investment Earnings	4,138	4,254	73	8,465
<b>TOTAL REVENUES ALL SOURCES</b>	<b>13,224,587</b>	<b>586,302</b>	<b>43,421</b>	<b>13,854,310</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,837,331	-	-	1,837,331
Judicial	108,592	-	-	108,592
Public Works	1,951,808	-	-	1,951,808
Public Safety	4,500,537	-	3,361	4,503,898
Culture and Recreation	1,019,714	-	-	1,019,714
Capital Outlay	466,468	25,000	-	491,468
Debt Service:				
Principal Retirement	487,705	-	-	487,705
Interest and Fiscal Charges	70,781	-	-	70,781
<b>TOTAL EXPENDITURES</b>	<b>10,442,936</b>	<b>25,000</b>	<b>3,361</b>	<b>10,471,297</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,781,651</b>	<b>561,302</b>	<b>40,060</b>	<b>3,383,013</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	19,300	-	-	19,300
Insurance Proceeds from Casualty	155,170	-	-	155,170
Transfers In	1,062,827	1,800,000	5,000	2,867,827
Transfers Out	(1,897,346)	(444,100)	-	(2,341,446)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(660,049)</b>	<b>1,355,900</b>	<b>5,000</b>	<b>700,851</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,121,602</b>	<b>1,917,202</b>	<b>45,060</b>	<b>4,083,864</b>
FUND BALANCES, Beginning of Year	5,137,245	2,799,896	59,866	7,997,007
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,258,847</b>	<b>4,717,098</b>	<b>104,926</b>	<b>\$ 12,080,871</b>

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, 2015**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 4,083,864**

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 unavailable revenues for the year. (20,519)

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. 487,704

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. 8,436

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (208,894)

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. (7,782)

In the Statement of Activities, capital assets contributed by outside parties are reported as revenues. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the governmental funds. 180,000

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. (5,258)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$638,843 exceeded capital asset additions of \$336,808 in the current period. (302,035)

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 4,215,516**

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 FUNDS

SEPTEMBER 30, 2015

	<b>GROSS REVENUE FUND</b>	<b>NONMAJOR STORMWATER FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8,180,281	603,319	\$ 8,783,600
Cash and Cash Equivalents, Restricted	13,658,488	3,653	13,662,141
Receivables, Net:			
Accounts	924,166	-	924,166
Other	35,612	14,062	49,674
Due from Other Funds	13,389	-	13,389
Total Current Assets	<u>22,811,936</u>	<u>621,034</u>	<u>23,432,970</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	807,151	-	807,151
Depreciable, Net	18,766,188	-	18,766,188
Total Non-Current Assets	<u>19,573,339</u>	<u>-</u>	<u>19,573,339</u>
<b>TOTAL ASSETS</b>	<b><u>42,385,275</u></b>	<b><u>621,034</u></b>	<b><u>43,006,309</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	<u>118,892</u>	<u>16,780</u>	<u>135,672</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	439,708	17,538	457,246
Accrued Interest Payable	104,995	-	104,995
Accrued Salaries and Fringe Benefits	40,562	12,595	53,157
Due to Other Funds	747,001	27,883	774,884
Unearned Revenues	199,860	-	199,860
Compensated Absences	35,000	4,000	39,000
Revenue Bonds and Capital Lease	886,356	-	886,356
Total Current Liabilities	<u>2,453,482</u>	<u>62,016</u>	<u>2,515,498</u>
Non-Current Liabilities:			
Compensated Absences	15,076	1,464	16,540
Revenue Bonds and Capital Lease	18,491,164	-	18,491,164
Net Pension Liability	1,508,015	212,835	1,720,850
Total Non-Current Liabilities	<u>20,014,255</u>	<u>214,299</u>	<u>20,228,554</u>
<b>TOTAL LIABILITIES</b>	<b><u>22,467,737</u></b>	<b><u>276,315</u></b>	<b><u>22,744,052</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	<u>2,697</u>	<u>381</u>	<u>3,078</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,238,174	-	12,238,174
Restricted For:			
Debt Service	1,511,138	3,653	1,514,791
Unrestricted	6,284,421	357,465	6,641,886
<b>TOTAL NET POSITION</b>	<b><u>\$ 20,033,733</u></b>	<b><u>361,118</u></b>	<b><u>\$ 20,394,851</u></b>

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 FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	<b>GROSS REVENUE FUND</b>	<b>NONMAJOR STORMWATER FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>OPERATING REVENUES</b>			
Water Revenue and Penalties	\$ 3,008,549	-	\$ 3,008,549
Sewer Revenues	2,552,929	-	2,552,929
York County Water Sales	3	-	3
Riverview Water Sales	171,899	-	171,899
Tega Cay Water Sales	283,161	-	283,161
Water Taps	1,185,235	-	1,185,235
Sewer Taps	1,446,140	-	1,446,140
Stormwater Revenues	-	735,963	735,963
Other Revenues	28,068	-	28,068
<b>TOTAL OPERATING REVENUES</b>	<b>8,675,984</b>	<b>735,963</b>	<b>9,411,947</b>
<b>OPERATING EXPENSES</b>			
Water	2,436,090	-	2,436,090
Sewer	1,386,749	-	1,386,749
Personnel Expenses	-	157,381	157,381
Contractual Expenses	-	3,251	3,251
Materials and Supplies	-	13,298	13,298
Other Operating Expenses	35,369	10,721	46,090
Depreciation	869,569	-	869,569
<b>TOTAL OPERATING EXPENSES</b>	<b>4,727,777</b>	<b>184,651</b>	<b>4,912,428</b>
<b>OPERATING INCOME (LOSS)</b>	<b>3,948,207</b>	<b>551,312</b>	<b>4,499,519</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Insurance Proceeds from Casualty	15,574	-	15,574
Investment Earnings	9,289	-	9,289
Interest Expense and Fiscal Charges	(611,086)	-	(611,086)
Tega Cay Water Line Payment	20,000	-	20,000
Gain on Sale of Capital Assets	13,700	-	13,700
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(552,523)</b>	<b>-</b>	<b>(552,523)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>3,395,684</b>	<b>551,312</b>	<b>3,946,996</b>
Donated Capital Assets (Infrastructure)	238,989	-	238,989
Transfers In	-	92,346	92,346
Transfers Out	(526,381)	(92,346)	(618,727)
<b>CHANGE IN NET POSITION</b>	<b>3,108,292</b>	<b>551,312</b>	<b>3,659,604</b>
NET POSITION, Beginning of Year, as Previously Reported	18,273,035	-	18,273,035
Cumulative Change in Accounting Principle - GASB #68/71	(1,347,594)	(190,194)	(1,537,788)
NET POSITION, Beginning of Year, as Restated	16,925,441	(190,194)	16,735,247
<b>NET POSITION, End of Year</b>	<b>\$ 20,033,733</b>	<b>361,118</b>	<b>\$ 20,394,851</b>

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 FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	<b>GROSS REVENUE FUND</b>	<b>NONMAJOR STORMWATER FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Fees and Services	\$ 8,525,941	735,963	\$ 9,261,904
Receipts from Other Revenues	26,994	(14,062)	12,932
Payments for Personnel Services	(1,043,224)	(133,080)	(1,176,304)
Payments for Goods and Services	(2,805,181)	(9,732)	(2,814,913)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,704,530</u>	<u>579,089</u>	<u>5,283,619</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers To Other Funds	(1,043,062)	27,883	(1,015,179)
Other Non-Operating Receipts (Payments)	35,574	-	35,574
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,007,488)</u>	<u>27,883</u>	<u>(979,605)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(450,713)	-	(450,713)
Proceeds Received from the Disposal of Capital Assets	13,700	-	13,700
Bond and Note Payments	(853,490)	-	(853,490)
Bond Issuance Costs Paid	(349,231)	-	(349,231)
Borrowing/Proceeds from Revenue Bonds	12,346,889	-	12,346,889
Interest Paid on Bonds	(264,328)	-	(264,328)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,442,827</u>	<u>-</u>	<u>10,442,827</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Income Received on Investments	9,289	-	9,289
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,289</u>	<u>-</u>	<u>9,289</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>14,149,158</b>	<b>606,972</b>	<b>14,756,130</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	7,689,611	-	7,689,611
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year</b>	<b><u>\$ 21,838,769</u></b>	<b><u>606,972</u></b>	<b><u>\$ 22,445,741</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 3,948,207	551,312	\$ 4,499,519
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	869,569	-	869,569
(Increase) Decrease in Current Assets:			
Receivables	(121,655)	(14,062)	(135,717)
Prepaid Expenses	3,519	-	3,519
Deferred Pension Charges	(118,892)	(16,780)	(135,672)
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(43,591)	17,538	(26,053)
Accrued Salaries & Fringe Benefits	2,890	12,595	15,485
Unearned Revenues	(1,394)	-	(1,394)
Compensated Absences	2,759	5,464	8,223
Net Pension Liabilities	160,421	22,641	183,062
Deferred Pension Credits	2,697	381	3,078
Net Cash Provided by Operating Activities	<u>\$ 4,704,530</u>	<u>579,089</u>	<u>\$ 5,283,619</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, 2015

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

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The 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 stormwater and water/sewer services through its enterprise funds (business-type activities).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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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.

**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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town, except those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

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

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. These funds do not have a legally adopted budget and any remaining fund balance is generally reserved for the purpose of the specific revenue source. The Narcotics Fund and the Local Accommodations Tax Fund are the Town's only funds which qualify as Special Revenue Funds.

**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.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town has two Enterprise Funds:

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

The *Stormwater Fund, a nonmajor fund*, is used to account for the Town's stormwater drainage operations.

*Significant New Accounting Standards Adopted – Change in Accounting Principle*

The Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB #68”) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (“GASB #71” and collectively “Statements”) in the year ended September 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered. In particular, these Statements require the Town to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (“Plans”), cost-sharing multiple-employer defined benefit pension plans, 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.

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority (“PEBA”) who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of October 1, 2014 for its government-wide and enterprise fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the Town's government-wide financial statements as of October 1, 2014 was decreased by approximately \$9,079,000, which consisted of \$7,541,000 for its governmental activities and \$1,538,000 for its business-type activities (Gross Revenue and Stormwater Enterprise Funds), reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the Town's retirement plans.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Equity**

**1. Cash, Cash Equivalents, and Investments**

**Cash and Cash Equivalents**

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

**Investments**

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (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, 2015**

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

**C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and 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, 2015, 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). If material, prepaid insurance is accounted for using the consumption method (expensed over the periods expected to benefit from the initial payment).

**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, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and 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.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

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 material), 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 discounts. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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 are reported as expenditures.

7. *Deferred Outflows / Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources: The Town reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position (government-wide) and the Balance Sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

In accordance with GAAP, 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, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Equity (Continued)

8. *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.

9. *Net Position*

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

10. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the Town's preceding fiscal year-end.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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

**C. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Equity (Continued)**

**10. Pensions (Continued)**

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**11. 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.

**12. 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

**13. Comparative Data**

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

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

**A. Budgetary Information**

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

1. In early August, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and Council meetings are conducted to inform and obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance by October 1. Any supplemental budgetary appropriations made are subject to the same procedures as the original budget ordinance.
4. The Town Manager is authorized to administer the budget and may transfer appropriated funds between accounts within and between each department without Town Council's prior approval provided the transfer does not alter the total appropriations for either fund. Town Council must approve any revisions that alter the total appropriations of a fund. Department heads are responsible for managing their respective budgets. Department heads are not allowed to make transfers of appropriated funds. The legal level of budgetary authority is at the departmental level.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 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, 2015.
- 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, 2015, none of the Town’s bank balances of approximately \$32,889,000 (which had a carrying value of approximately \$32,959,000) were exposed to custodial credit risk.

*Investments*

As of September 30, 2015, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Unrated*	\$ 920,696	< 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, 2015, 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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

A. Deposits and Investments

*Investments (Continued)*

**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 deposits and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2015 were related to (a) bond and lease agreements (\$13,645,789), (b) narcotics (\$68,458), (c) hospitality taxes (\$810,580), and (d) other (\$219,403).

B. Receivables and Deferred Inflows of Resources

*Property Taxes and Deferred Inflow of Resources*

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, 2015, millage was set at 86.0 mills compared to 86.0 mills in the prior year to cover general Town services and uses. The Town's assessed value of real and personal property was approximately \$61.1 million for the tax year 2014.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2015 of approximately \$156,000 (net of allowance for uncollectible portion of approximately \$7,000) for the General Fund. Delinquent property taxes of approximately \$5,000 have been recognized as revenue at September 30, 2015 because it was collected within 60 days of year end. Approximately \$73,000 has been recognized as revenue as it was collected by the County during September 2015, and remitted to the Town in October. The remaining delinquent property tax receivable of approximately \$151,000 has been recorded as unavailable revenue (component of deferred inflows of resources) 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 \$116,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$924,000 (net of allowance for uncollectible portion of approximately \$41,000), 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, 2015 (garbage service receivables are considered available as they are expected to be collected within 60 days of year end).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

The interfund balances at September 30, 2015, 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	\$ 772,772	\$ 18,077
Gross Revenue Fund	13,389	747,001
Stormwater Fund	-	27,883
Special Revenue Fund	5,000	-
Capital Projects Fund	1,800	-
Totals	<u>\$ 792,961</u>	<u>\$ 792,961</u>

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

*Interfund Transfers*

Interfund transfers for the year ended September 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Funds:</u></b>		
General Fund	\$ 1,062,827	\$ 1,897,346
Gross Revenue Fund	-	526,381
Capital Projects Fund	1,800,000	444,100
<b><u>Other Non-Major Funds:</u></b>		
Special Revenue Fund - Narcotics Fund	5,000	-
Enterprise Fund - Stormwater	92,346	92,346
Totals	<u>\$ 2,960,173</u>	<u>\$ 2,960,173</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. The Town transferred \$1,800,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy. In addition, the Town transferred approximately \$512,000 from the Gross Revenue Fund to the General Fund to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**D. Capital Assets**

Capital asset activity for the Town’s governmental activities for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 1,740,717	180,000	-	-	\$ 1,920,717
Total Capital Assets, Non-Depreciable	<u>1,740,717</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>1,920,717</u>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Building and Improvements	6,146,621	-	-	-	6,146,621
Equipment	2,002,459	88,378	13,234	-	2,077,603
Vehicles	4,116,951	248,430	143,682	-	4,221,699
Total Capital Assets, Depreciable	<u>14,229,613</u>	<u>336,808</u>	<u>156,916</u>	<u>-</u>	<u>14,409,505</u>
Less: Accumulated Depreciation for:					
Land Improvements	133,003	18,219	-	-	151,222
Infrastructure	317,548	42,257	-	-	359,805
Building and Improvements	1,699,144	149,982	-	-	1,849,126
Equipment	1,509,419	121,654	7,976	-	1,623,097
Vehicles	1,748,174	306,731	143,682	-	1,911,223
Total Accumulated Depreciation	<u>5,407,288</u>	<u>638,843</u>	<u>151,658</u>	<u>-</u>	<u>5,894,473</u>
Total Capital Assets, Depreciable, Net	<u>8,822,325</u>	<u>(302,035)</u>	<u>5,258</u>	<u>-</u>	<u>8,515,032</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,563,042</u>	<u>(122,035)</u>	<u>5,258</u>	<u>-</u>	<u>\$ 10,435,749</u>

Capital asset additions and depreciation expense for the Town’s Governmental Activities were charged/allocated to functions/programs for the year ended September 30, 2015 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 60,816	\$ 193,516
Public Safety	315,899	201,428
Public Works	98,870	162,243
Culture and Recreation	41,223	81,656
Totals - Governmental Activities	<u>\$ 516,808</u>	<u>\$ 638,843</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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

**D. Capital Assets (Continued)**

Capital asset activity for the Town’s business-type activities for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	104,694	96,952	-	-	201,646
<b>Total Capital Assets, Non-Depreciable</b>	<b>710,199</b>	<b>96,952</b>	<b>-</b>	<b>-</b>	<b>807,151</b>
Capital Assets, Depreciable:					
Infrastructure	30,505,893	551,255	-	-	31,057,148
Building and Improvements	670,542	-	-	-	670,542
Equipment	707,018	14,550	-	-	721,568
Vehicles	332,672	26,945	67,405	-	292,212
<b>Total Capital Assets, Depreciable</b>	<b>32,216,125</b>	<b>592,750</b>	<b>67,405</b>	<b>-</b>	<b>32,741,470</b>
Less: Accumulated Depreciation for:					
Infrastructure	12,357,822	771,210	-	-	13,129,032
Building and Improvements	156,187	15,675	-	-	171,862
Equipment	459,006	48,490	-	-	507,496
Vehicles	200,103	34,194	67,405	-	166,892
<b>Total Accumulated Depreciation</b>	<b>13,173,118</b>	<b>869,569</b>	<b>67,405</b>	<b>-</b>	<b>13,975,282</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>19,043,007</b>	<b>(276,819)</b>	<b>-</b>	<b>-</b>	<b>18,766,188</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 19,753,206</b>	<b>(179,867)</b>	<b>-</b>	<b>-</b>	<b>\$ 19,573,339</b>

The cost of capital assets that was purchased under capital lease was approximately \$3,011,000. Accumulated amortization was approximately \$1,719,000, at September 30, 2015. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

The Town has an ongoing construction project as of September 30, 2015, for renovations and improvements to their wastewater treatment plant. Total remaining commitments on these contracts were approximately \$896,000 at September 30, 2015.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

**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. Lease Purchase and 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 lease purchases as of September 30, 2015 are as follows:

	Principal Outstanding at Year End
<b><i>General Obligation Bonds</i></b>	
\$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.	\$ 1,253,081

<b><i>Lease Purchase Obligations</i></b>	
\$850,000 lease purchase was entered into in December 2013, with annual installments of \$97,673 beginning December 11, 2014 through December 11, 2023 which includes interest at 2.610%. The proceeds were primarily used to fund the acquisition of a fire pumper truck.	\$ 774,512

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2015, for the Town’s governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GOB - Series 1995	\$ 51,162	-	51,162	-	\$ -
GOB - Series 2012	1,337,953	-	84,872	1,253,081	87,545
<b>Total Debt</b>	1,389,115	-	136,034	1,253,081	87,545
Lease Purchases:					
2011 Equipment Lease	276,182	-	276,182	-	-
2013 Pumper Truck	850,000	-	75,488	774,512	77,458
<b>Total Lease Purchases</b>	1,126,182	-	351,670	774,512	77,458
Compensated Absences	217,838	178,949	171,167	225,620	171,000
<b>Total Governmental Activities</b>	\$ 2,733,135	178,949	658,871	2,253,213	\$ 336,003

Resources from the General Fund have been used to liquidate the governmental activities debt, lease purchase 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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

E. Long-Term Obligations (Continued)

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, 2015, the Town had approximately \$1,253,000 of bonded debt subject to the 8% limit of approximately \$4,887,000 resulting in an unused legal debt margin of approximately \$3,633,000.

Details on the Town's business-type activities outstanding debt issues and capital lease as of September 30, 2015 are as follows:

	Principal Outstanding at Year End
<b>Debt</b>	
\$6,152,000 waterworks and sewer system refunding revenue bonds issued in January, 2011 ("2011 Refunding Bonds"), due in annual installments ranging from \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023 and semi-annual interest payments at 3.550%. The proceeds from this issuance 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.	\$ 4,165,000
\$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.	586,000
\$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.	68,000
\$11,605,000 water and wastewater system improvement revenue bonds issued in August, 2015 ("2015 Revenue Bonds"), due in annual installments ranging from \$65,000 to \$885,000 beginning December 1, 2017 through December 1, 2040 and semi-annual interest payments ranging from 2.000% to 5.000%. The proceeds from this issuance were used to finance certain improvements to the Town's water and wastewater system.	11,605,000
Total Debt	<u>\$ 17,754,000</u>
<b>Capital Lease Obligation</b>	
\$2,762,550 capital lease was entered into in December, 1992 ("Rock Hill Water Line Lease"), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus an average interest rate of approximately 5.6% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u>\$ 884,104</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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, 2015, for the Town’s business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
2011 Refunding Bonds	\$ 4,685,000	-	520,000	4,165,000	\$ 540,000
2011B Refunding Bonds	675,000	-	89,000	586,000	92,000
2013A Revenue Bonds	1,330,000	-	-	1,330,000	28,000
2013B Revenue Bonds	162,000	-	94,000	68,000	68,000
2015 Revenue Bonds	-	11,605,000	-	11,605,000	-
Total Debt	6,852,000	11,605,000	703,000	17,754,000	728,000
Capital Lease - Rock Hill Water Line	1,034,594	-	150,490	884,104	158,356
Debt Premium - 2015 Revenue Bonds	-	741,889	2,473	739,416	-
Compensated Absences	47,317	46,287	38,064	55,540	39,000
<b>Total Business-Type Activities</b>	<b>\$ 7,933,911</b>	<b>12,393,176</b>	<b>894,027</b>	<b>19,433,060</b>	<b>\$ 925,356</b>

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt, capital lease, 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, 2015 with a rate of approximately 468%.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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

E. Long-Term Obligations (Continued)

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, 2015:

Year Ended September 30,	Debt		Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2016	\$ 87,545	39,472	77,458	20,215	\$ 224,690
2017	90,303	36,714	79,480	18,193	224,690
2018	93,147	33,870	81,554	16,119	224,690
2019	96,081	30,936	83,683	13,990	224,690
2020	99,108	27,909	85,867	11,806	224,690
2021-2025	544,382	90,703	366,470	24,220	1,025,775
2026-2030	242,515	11,518	-	-	254,033
Totals	<u>\$ 1,253,081</u>	<u>271,122</u>	<u>774,512</u>	<u>104,543</u>	<u>\$ 2,403,258</u>
<b><u>Business-Type Activities</u></b>					
2016	\$ 728,000	558,723	158,356	44,703	\$ 1,489,782
2017	747,000	649,347	166,934	35,729	1,599,010
2018	772,000	624,866	176,230	26,285	1,599,381
2019	795,000	599,342	186,249	16,333	1,596,924
2020	823,000	572,769	196,335	5,851	1,597,955
2021-2025	3,525,000	2,464,568	-	-	5,989,568
2026-2030	2,519,000	1,996,385	-	-	4,515,385
2031-2035	3,065,000	1,447,316	-	-	4,512,316
2036-2040	3,895,000	615,100	-	-	4,510,100
2041	885,000	17,696	-	-	902,696
Totals	<u>\$ 17,754,000</u>	<u>9,546,112</u>	<u>884,104</u>	<u>128,901</u>	<u>\$ 28,313,117</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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**IV. OTHER INFORMATION**

**A. Risk Management**

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

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town pays a bi-annual premium to SCMIRF for its general insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2014, totaled approximately \$21,590,000. 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 a quarterly premium to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2014, totaled approximately \$52,879,000. 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. Retirement Plans**

The Town participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the South Carolina Retirement Systems’ Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits’ link on PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

*Plan Description*

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public Commissions, and political subdivisions.

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Benefits (Continued)*

- **PORS** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, 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 eligible compensation as follows for the past three years:

	SCRS Rates					
	2013		2014		2015	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	10.45%	10.45%	10.45%	10.75%	10.75%	10.91%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>10.90%</u>	<u>11.06%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.16%</u>
	PORS Rates					
	2013		2014		2015	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	11.90%	12.44%	12.44%	13.01%	13.01%	13.34%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	<u>12.30%</u>	<u>12.84%</u>	<u>12.84%</u>	<u>13.41%</u>	<u>13.41%</u>	<u>13.74%</u>
Employee Rate	<u>7.00%</u>	<u>7.84%</u>	<u>7.84%</u>	<u>8.41%</u>	<u>8.41%</u>	<u>8.74%</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Contributions (Continued)*

The required contributions and percentages of amounts contributed by the Town to the Plans for the past three years were as follows:

Year Ended September 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2015	\$ 321,943	100%	\$ 342,355	100%
2014	282,776	100%	305,395	100%
2013	\$ 265,384	100%	\$ 271,421	100%

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

Year Ended September 30,	SCRS Payroll	PORS Payroll	Total Payroll
2015	\$ 2,941,829	2,536,274	\$ 5,478,103
2014	2,647,317	2,350,328	4,997,645
2013	\$ 2,503,623	2,181,000	\$ 4,684,623

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2015, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	25,131,828,101	\$ 18,965,482,129	56.99%
PORS	\$ 6,151,321,222	3,971,824,838	\$ 2,179,496,384	64.57%

At September 30, 2015, the Town reported a total net pension liability of approximately \$10,171,000, which consisted of approximately \$5,788,000 and \$4,383,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2014 that was projected forward to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2015, the Town's SCRS proportion was 0.030520 percent, which was an increase of 0.001637 from its proportion measured as of June 30, 2014. At June 30, 2015, the Town's PORS proportion was 0.20109 percent, which was an increase of 0.00964 from its proportion measured as of June 30, 2014.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

For the year ended September 30, 2015, the Town recognized pension expense of approximately \$492,000 and \$432,000 for the SCRS and PORS, respectively. At September 30, 2015, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 102,838	\$ 10,351
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	38,743	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	226,028	-
Town's Contributions Subsequent to the Measurement Date	88,740	-
Total SCRS	<u>456,349</u>	<u>10,351</u>
PORS:		
Differences Between Expected and Actual Experience	86,866	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	47,955	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	158,500	-
Town's Contributions Subsequent to the Measurement Date	93,282	-
Total PORS	<u>386,603</u>	<u>-</u>
Total SCRS and PORS	<u>\$ 842,952</u>	<u>\$ 10,351</u>

Approximately \$89,000 and \$93,000 that was reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2016	\$ 96,218	55,385	\$ 151,603
2017	96,218	55,385	151,603
2018	60,895	51,548	112,443
2019	103,927	131,003	234,930
Total	<u>\$ 357,258</u>	<u>293,321</u>	<u>\$ 650,579</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission (“RSIC”) in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Actuarial Assumptions and Methods (Continued)*

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	<u>100.0%</u>		<u>6.00%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>8.75%</u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans (Continued)**

*Sensitivity Analysis*

The following table presents the sensitivity of the Town’s proportionate share of the net pension liability of the Plans as of June 30, 2015 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1 percent point lower (6.5 percent) or 1 percent point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability of the SCRS	\$ 7,297,348	5,788,265	\$ 4,523,462
Town's proportionate share of the net pension liability of the PORS	\$ 5,970,298	4,382,727	\$ 2,963,525

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA’s Retirement Benefits’ website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

*Payable to Plans*

The Town reported a payable of approximately \$44,000 and \$44,000 to the PEBA as of September 30, 2015, representing required employer and employee contributions for the month of September 2015 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Fringe Benefits on the financial statements and were paid in October 2015.

**C. 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.

**D. 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 \$4,285,000 of the Town’s approximately \$6,482,000 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 \$10 per pay period to each employee chosen to participate. Employer and employee contributions were approximately \$22,000 and \$100,000 respectively for the year ended September 30, 2015. 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, 2015**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Postemployment Benefits Other Than Pensions**

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 implemented GASB #45 in fiscal year 2010. This implementation had no impact as the Town currently does not provide any OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

# **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, 2015

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 4,844,000	4,844,000	5,229,585	\$ 385,585
Fines, Fees, Licenses and Permits	4,030,367	4,030,367	5,842,446	1,812,079
Charges For Services	966,000	966,000	1,137,878	171,878
Grants	-	-	63,916	63,916
Intergovernmental	318,779	318,779	325,528	6,749
Miscellaneous	467,460	467,460	621,096	153,636
Investment Earnings	5,000	5,000	4,138	(862)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>10,631,606</b>	<b>10,631,606</b>	<b>13,224,587</b>	<b>2,592,981</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,202,743	2,202,743	1,837,331	365,412
Judicial	130,556	130,556	108,592	21,964
Public Works	2,113,910	2,113,910	1,951,808	162,102
Public Safety	5,225,872	5,225,872	4,500,537	725,335
Culture and Recreation	994,720	994,720	1,019,714	(24,994)
Capital Outlay	577,200	577,200	466,468	110,732
Debt Service:				
Principal Retirement	469,355	469,355	487,705	(18,350)
Interest and Fiscal Charges	70,732	70,732	70,781	(49)
<b>TOTAL EXPENDITURES</b>	<b>11,785,088</b>	<b>11,785,088</b>	<b>10,442,936</b>	<b>1,342,152</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>    REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,153,482)</b>	<b>(1,153,482)</b>	<b>2,781,651</b>	<b>3,935,133</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	10,000	10,000	19,300	9,300
Insurance Proceeds from Casualty	35,601	35,601	155,170	119,569
Transfers In	1,135,227	1,135,227	1,062,827	(72,400)
Transfers Out	(102,346)	(102,346)	(1,897,346)	(1,795,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,078,482</b>	<b>1,078,482</b>	<b>(660,049)</b>	<b>(1,738,531)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>2,121,602</b>	<b>2,196,602</b>
FUND BALANCE, Beginning of Year	5,137,245	5,137,245	5,137,245	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 5,062,245</b>	<b>5,062,245</b>	<b>7,258,847</b>	<b>\$ 2,196,602</b>

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST TWO FISCAL YEARS**

---

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Town's Proportion of the Net Pension Liability (Asset)	0.030520%	0.028883%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,788,265	\$ 4,972,695
Town's Covered-Employee Payroll	\$ 2,859,756	\$ 2,625,432
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	202.40%	189.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the year presented. Only two years of data were available; thus, only two years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST TWO FISCAL YEARS**

---

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 321,943	\$ 282,776
Contributions in Relation to the Contractually Required Contribution:	321,943	282,776
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 2,941,829	\$ 2,647,317
Contributions as a Percentage of Covered-Employee Payroll:	10.94%	10.68%

**Notes to Schedule:**

Only two years of data were available; thus, only two years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

**LAST TWO FISCAL YEARS**

---

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Town's Proportion of the Net Pension Liability (Asset)	0.20109%	0.19145%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,382,727	\$ 3,665,229
Town's Covered-Employee Payroll	\$ 2,491,219	\$ 2,301,374
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	175.93%	159.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	67.55%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the year presented. Only two years of data were available; thus, only two years were presented.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

**LAST TWO FISCAL YEARS**

---

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 342,355	\$ 305,395
Contributions in Relation to the Contractually Required Contribution:	342,355	305,395
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 2,536,274	\$ 2,350,328
Contributions as a Percentage of Covered-Employee Payroll:	13.50%	12.99%

**Notes to Schedule:**

Only two years of data were available; thus, only two years were presented.

# **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, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Taxes:</b>			
Current Property Taxes	\$ 4,300,000	4,533,939	\$ 233,939
Current Vehicle Taxes	480,000	640,147	160,147
Delinquent Taxes	2,000	693	(1,307)
Prior Years, Including Penalties and Execution Fees	25,000	14,207	(10,793)
Housing Authority in Lieu of Taxes	37,000	40,599	3,599
<b>Total Taxes</b>	<b>4,844,000</b>	<b>5,229,585</b>	<b>385,585</b>
<b>Fines, Fees, Licenses, and Permits:</b>			
Privilege Licenses	2,600,000	2,739,471	139,471
Duke Power in Lieu of Taxes	282,100	385,717	103,617
York Electric in Lieu of Taxes	253,167	201,918	(51,249)
Fines and Penalties	70,000	89,022	19,022
Permits	825,100	2,426,318	1,601,218
<b>Total Fines, Fees, Licenses, and Permits</b>	<b>4,030,367</b>	<b>5,842,446</b>	<b>1,812,079</b>
<b>Charges for Services:</b>			
Garbage Revenue	638,000	739,975	101,975
Athletics Revenue	283,000	336,363	53,363
Cemetery Lots	-	10	10
Grave Openings	30,000	41,250	11,250
Assembly Center Fees	15,000	20,280	5,280
<b>Total Charges for Services</b>	<b>966,000</b>	<b>1,137,878</b>	<b>171,878</b>
<b>Grant Revenues:</b>			
Federal Grant	-	52,510	52,510
State Grant	-	11,406	11,406
<b>Total Grant Revenues</b>	<b>-</b>	<b>63,916</b>	<b>63,916</b>
<b>Intergovernmental Revenues:</b>			
State Shared Revenue	233,240	226,366	(6,874)
State Accommodations Taxes	-	13,643	13,643
Manufacturer's Depreciation Reimbursement	300	279	(21)
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	69,770	69,771	1
<b>Total Intergovernmental Revenues</b>	<b>318,779</b>	<b>325,528</b>	<b>6,749</b>
<b>Miscellaneous:</b>			
School Resource Officers	161,160	165,667	4,507
York County Fire Protection	26,300	26,408	108
Spring Festival	200,000	244,686	44,686
Credit Card Convenience Fee	20,000	53,435	33,435
Other	60,000	130,900	70,900
<b>Total Miscellaneous</b>	<b>\$ 467,460</b>	<b>621,096</b>	<b>\$ 153,636</b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Investment Earnings:</b>			
Investment Earnings	\$ 5,000	4,138	\$ (862)
<b>Total Investment Earnings</b>	<b>5,000</b>	<b>4,138</b>	<b>(862)</b>
 <b>TOTAL REVENUES ALL SOURCES</b>	 <b>10,631,606</b>	 <b>13,224,587</b>	 <b>2,592,981</b>
 <b>EXPENDITURES</b>			
<b>General Government:</b>			
Town Council:			
Personnel Services	25,951	24,858	1,093
Operating Expenditures	303,316	216,400	86,916
Community Promotions	6,000	3,299	2,701
Miscellaneous	1,000	-	1,000
Total Town Council	336,267	244,557	91,710
Administration:			
Personnel Services	1,279,636	1,098,295	181,341
Operating Expenditures	586,840	494,479	92,361
Capital Outlay	23,450	60,816	(37,366)
Total Administration	1,889,926	1,653,590	236,336
<b>Total General Government</b>	<b>2,226,193</b>	<b>1,898,147</b>	<b>328,046</b>
 <b>Judicial:</b>			
Municipal Court:			
Personnel Services	86,576	85,227	1,349
Operating Expenditures	43,980	23,365	20,615
Total Municipal Court	130,556	108,592	21,964
<b>Total Judicial</b>	<b>130,556</b>	<b>108,592</b>	<b>21,964</b>
 <b>Public Works:</b>			
Administration:			
Personnel Services	45,857	46,041	(184)
Operating Expenditures	37,643	30,070	7,573
Total Administration	83,500	76,111	7,389
Sanitation:			
Personnel Services	172,439	157,465	14,974
Operating Expenditures	266,150	304,310	(38,160)
Total Sanitation	\$ 438,589	461,775	\$ (23,186)

(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, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Public Works (Continued):</b>			
Building and Grounds:			
Personnel Services	\$ 616,363	578,306	\$ 38,057
Operating Expenditures	141,360	170,302	(28,942)
Capital Outlay	110,000	98,869	11,131
Total Building and Grounds	<u>867,723</u>	<u>847,477</u>	<u>20,246</u>
Street Department:			
Personnel Services	197,163	174,927	22,236
Operating Expenditures	446,552	346,017	100,535
Capital Outlay	87,000	-	87,000
Total Street Department	<u>730,715</u>	<u>520,944</u>	<u>209,771</u>
Garage and Vehicle:			
Personnel Services	106,175	76,570	29,605
Operating Expenditures	60,208	53,343	6,865
Capital Outlay	24,000	14,457	9,543
Total Garage and Vehicle	<u>190,383</u>	<u>144,370</u>	<u>46,013</u>
<b>Total Public Works</b>	<b><u>2,310,910</u></b>	<b><u>2,050,677</u></b>	<b><u>260,233</u></b>
<b>Public Safety:</b>			
Police Department:			
Personnel Services	2,937,437	2,755,229	182,208
Operating Expenditures	568,501	443,268	125,233
Capital Outlay	195,800	159,999	35,801
Total Police Department	<u>3,701,738</u>	<u>3,358,496</u>	<u>343,242</u>
Fire Department:			
Personnel Services	1,448,074	1,073,335	374,739
Operating Expenditures	271,860	228,705	43,155
Capital Outlay	41,050	30,318	10,732
Total Fire Department	<u>1,760,984</u>	<u>1,332,358</u>	<u>428,626</u>
<b>Total Public Safety</b>	<b><u>5,462,722</u></b>	<b><u>4,690,854</u></b>	<b><u>771,868</u></b>
<b>Cultural and Recreation:</b>			
Recreation:			
Personnel Services	379,278	381,513	(2,235)
Operating Expenditures	615,442	638,201	(22,759)
Capital Outlay	119,900	116,466	3,434
<b>Total Cultural and Recreation</b>	<b><u>\$ 1,114,620</u></b>	<b><u>1,136,180</u></b>	<b><u>\$ (21,560)</u></b>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2015

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Debt Service:</b>			
Principal Retirement	\$ 469,355	487,705	\$ (18,350)
Interest and Fiscal Charges	70,732	70,781	(49)
<b>Total Debt Service</b>	<u>540,087</u>	<u>558,486</u>	<u>(18,399)</u>
 <b>TOTAL EXPENDITURES</b>	 <u><b>11,785,088</b></u>	 <u><b>10,442,936</b></u>	 <u><b>1,342,152</b></u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u><b>(1,153,482)</b></u>	 <u><b>2,781,651</b></u>	 <u><b>3,935,133</b></u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Disposal of Capital Assets	10,000	19,300	9,300
Insurance Proceeds from Casualty	35,601	155,170	119,569
Transfers In	1,135,227	1,062,827	(72,400)
Transfers Out	(102,346)	(1,897,346)	(1,795,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,078,482</u>	<u>(660,049)</u>	<u>(1,738,531)</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 <u><b>(75,000)</b></u>	 <u><b>2,121,602</b></u>	 <u><b>2,196,602</b></u>
 FUND BALANCE, Beginning of Year	 <u>5,137,245</u>	 <u>5,137,245</u>	 <u>-</u>
 <b>FUND BALANCE, End of Year</b>	 <u><b>\$ 5,062,245</b></u>	 <u><b>7,258,847</b></u>	 <u><b>\$ 2,196,602</b></u>

**TOWN OF FORT MILL, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**SEPTEMBER 30, 2015**

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	<u>LOCAL ACCOMMODATIONS TAX</u>	
<b>ASSETS</b>			
Cash and Cash Equivalents, Restricted	\$ 68,458	20,143	\$ 88,601
Receivables, Net:			
Other	3,154	8,171	11,325
Due From:			
Other Funds	5,000	-	5,000
<b>TOTAL ASSETS</b>	<u><b>76,612</b></u>	<u><b>28,314</b></u>	<u><b>104,926</b></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	76,612	28,314	104,926
TOTAL FUND BALANCES	<u>76,612</u>	<u>28,314</u>	<u>104,926</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 76,612</b></u>	<u><b>28,314</b></u>	<u><b>\$ 104,926</b></u>

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL REVENUE FUNDS		TOTAL NON-MAJOR FUNDS
	NARCOTICS	LOCAL ACCOMMODATIONS TAX	
<b>REVENUES</b>			
Taxes	\$ -	28,314	\$ 28,314
Miscellaneous	15,034	-	15,034
Investment Earnings	73	-	73
<b>TOTAL REVENUES ALL SOURCES</b>	<b>15,107</b>	<b>28,314</b>	<b>43,421</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	3,361	-	3,361
<b>TOTAL EXPENDITURES</b>	<b>3,361</b>	<b>-</b>	<b>3,361</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,746</b>	<b>28,314</b>	<b>40,060</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	5,000	-	5,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>16,746</b>	<b>28,314</b>	<b>45,060</b>
FUND BALANCES, Beginning of Year	59,866	-	59,866
<b>FUND BALANCES, End of Year</b>	<b>\$ 76,612</b>	<b>28,314</b>	<b>\$ 104,926</b>

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, 2015

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>OPERATING REVENUES</b>					
Water Revenue and Penalties	\$ 2,454,289	3,008,549	-	3,008,549	\$ 554,260
Sewer Revenues	2,416,791	2,552,929	-	2,552,929	136,138
York County Water Sales	-	3	-	3	3
Riverview Water Sales	159,120	171,899	-	171,899	12,779
Tega Cay Water Sales	297,024	283,161	-	283,161	(13,863)
Water Taps	762,000	1,185,235	-	1,185,235	423,235
Sewer Taps	900,000	1,446,140	-	1,446,140	546,140
Other Revenues	1,000	28,068	-	28,068	27,068
<b>TOTAL OPERATING REVENUES</b>	<b>6,990,224</b>	<b>8,675,984</b>	<b>-</b>	<b>8,675,984</b>	<b>1,685,760</b>
<b>OPERATING EXPENSES</b>					
Water:					
Water Purchases	1,300,000	1,177,699	-	1,177,699	122,301
Salaries	458,640	391,186	-	391,186	67,454
Fringe Benefits	153,632	129,963	-	129,963	23,669
Pension Expense	-	-	22,095	22,095	-
Material and Supplies	73,750	84,047	-	84,047	(10,297)
Electricity	3,315	4,153	-	4,153	(838)
Permits	12,500	3,887	-	3,887	8,613
Water Meter Replacement	85,000	95,064	-	95,064	(10,064)
Equipment Repairs	10,000	5,272	-	5,272	4,728
Postage	35,000	37,188	-	37,188	(2,188)
Gas, Oil, and Grease	23,000	15,124	-	15,124	7,876
Street Maintenance	100,000	85,783	-	85,783	14,217
Miscellaneous	1,000	186	-	186	814
Auto Repairs	10,000	8,587	-	8,587	1,413
Uniforms	10,200	7,442	-	7,442	2,758
Water and Heat	1,200	1,268	-	1,268	(68)
Telephone	11,890	13,866	-	13,866	(1,976)
Travel/Training	7,500	2,118	-	2,118	5,382
Membership/Dues	2,946	2,242	-	2,242	704
Advertising	4,000	1,061	-	1,061	2,939
Professional Services	980,000	95,341	-	95,341	884,659
Hydrant Repairs	24,000	28,270	-	28,270	(4,270)
Pre-Employment Expense	-	25	-	25	(25)
Lease Agreement	3,430	4,315	-	4,315	(885)
Contracted Services	46,000	43,715	-	43,715	2,285
Building Maintenance	6,500	2,648	-	2,648	3,852
Service Contracts	3,828	3,666	-	3,666	162
Capital Outlay	4,470,500	482,145	(312,266)	169,879	3,988,355
<b>\$ 7,837,831</b>	<b>2,726,261</b>	<b>(290,171)</b>	<b>2,436,090</b>	<b>\$ 5,111,570</b>	

(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, 2015

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 417,790	388,605	-	388,605	\$ 29,185
Fringe Benefits	152,887	139,119	-	139,119	13,768
Pension Expense	-	-	22,131	22,131	-
Electricity	87,250	84,549	-	84,549	2,701
Equipment Repairs	51,000	77,008	-	77,008	(26,008)
Material and Supplies	95,000	67,607	-	67,607	27,393
Electricity Lift Station	60,000	64,786	-	64,786	(4,786)
Alum	35,000	18,269	-	18,269	16,731
Professional Services	55,600	33,681	-	33,681	21,919
Contracted Services	86,000	82,385	-	82,385	3,615
Chemicals	30,000	22,029	-	22,029	7,971
Lab Supplies	5,000	4,169	-	4,169	831
Gas, Oil, and Grease	26,000	15,961	-	15,961	10,039
Service Contracts	-	219	-	219	(219)
Natural Gas	300	59	-	59	241
Auto Repairs	11,200	3,150	-	3,150	8,050
Telephone	5,000	4,046	-	4,046	954
Uniforms	9,900	10,568	-	10,568	(668)
Travel/Training	8,200	6,787	-	6,787	1,413
Transportation	41,600	41,495	(41,495)	-	105
Miscellaneous	1,223,702	92,254	-	92,254	1,131,448
Water and Heat	3,500	940	-	940	2,560
Building/Grounds Maintenance	11,000	1,797	-	1,797	9,203
Lime	12,000	9,307	-	9,307	2,693
Membership/Dues	1,210	685	-	685	525
Landfill Fees	85,000	129,436	-	129,436	(44,436)
Permits	3,500	2,255	-	2,255	1,245
Pump Station Repairs	90,000	83,325	-	83,325	6,675
Machinery and Equipment	7,900	7,900	-	7,900	-
Capital Outlay	10,000	-	-	-	10,000
Pump Station Monitoring	17,000	13,722	-	13,722	3,278
	<u>2,642,539</u>	<u>1,406,113</u>	<u>(19,364)</u>	<u>1,386,749</u>	<u>1,236,426</u>
Other Operating Expenses	31,500	35,369	-	35,369	(3,869)
Depreciation	-	-	869,569	869,569	-
TOTAL OPERATING EXPENSES	<u>10,511,870</u>	<u>4,167,743</u>	<u>560,034</u>	<u>4,727,777</u>	<u>6,344,127</u>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (3,521,646)</b>	<b>4,508,241</b>	<b>(560,034)</b>	<b>3,948,207</b>	<b>\$ 8,029,887</b>

(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, 2015

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Insurance Proceeds from Casualty	\$ 10,633	15,574	-	15,574	\$ 4,941
Investment Earnings	5,000	9,289	-	9,289	4,289
Debt Service - Payments and Fiscal Charges	(1,149,206)	(1,464,576)	853,490	(611,086)	(315,370)
Debt Service - Bond Proceeds	5,234,000	11,605,000	(11,605,000)	-	6,371,000
Tega Cay Water Line Payment	20,000	20,000	-	20,000	-
Gain (Loss) on Sale of Capital Assets	-	13,700	-	13,700	13,700
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,120,427	10,198,987	(10,751,510)	(552,523)	6,078,560
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>598,781</b>	<b>14,707,228</b>	<b>(11,311,544)</b>	<b>3,395,684</b>	<b>14,108,447</b>
Donated Capital Assets	-	-	238,989	238,989	-
Transfers Out	(598,781)	(526,381)	-	(526,381)	72,400
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>14,180,847</b>	<b>(11,072,555)</b>	<b>3,108,292</b>	<b>14,180,847</b>
NET POSITION, Beginning of Year, as Previously Reported	18,273,035	18,273,035	-	18,273,035	-
Cumulative Change in Accounting Principle - GASB #68/71	(1,347,594)	(1,347,594)	-	(1,347,594)	-
NET POSITION, Beginning of Year, Restated	16,925,441	16,925,441	-	16,925,441	-
<b>NET POSITION, End of Year</b>	<b>\$ 16,925,441</b>	<b>31,106,288</b>	<b>(11,072,555)</b>	<b>20,033,733</b>	<b>\$ 14,180,847</b>

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

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

- Depreciation Expense	\$ (869,569)
- Capital Asset Additions	353,761
- Donated Capital Assets (Infrastructure)	238,989
- Principal Payments on Debt and Capital Leases	853,490
- Borrowings on Revenue Bonds	(11,605,000)
- Pension Expense - Net Change in NPL and Related Items	(44,226)
Total GAAP Adjustments	<u>\$ (11,072,555)</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2015**

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**Court Fines, Assessments, and Surcharges**

Court Fines, Assessments, and Surcharges Collected	\$ 247,442
Court Fines, Assessments, and Surcharges Retained by the Town	(101,811)
<b>Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer</b>	<b>\$ 145,631</b>

**Victim Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	\$ -
Court Assessments Allocated to Victim Assistance Fund	12,853
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)	(12,853)
<b>Funds Available for Carryforward, End of Year</b>	<b>\$ -</b>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 15, 2016.

**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.

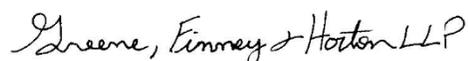
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
March 15, 2016