

**TOWN OF FORT MILL  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**



TOWN OF FORT MILL, SOUTH CAROLINA

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**TOWN OF FORT MILL, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**YEAR ENDED SEPTEMBER 30, 2014**

Established

1873

MAYOR

Danny P. Funderburk

TOWN COUNCIL MEMBERS

Ward 1 – Vacant

Ward 2 – Ronald S. Helms

Ward 3 – James L. Huntley, Mayor Pro-Tem

Ward 4 – Thomas A. Adams

At Large – Guynn H. Savage

At Large – Thomas B. Spratt III

TOWN MANAGER

Dennis P. Pieper

FINANCE DIRECTOR

Chantay F. Bouler





## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2014, 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, 2014, 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. ***Pending Implementation of Governmental Accounting Standards Board Statement on Pensions***

As discussed in Note IV.F, the Governmental Accounting Standards Board recently issued Statement No. 68, “*Accounting and Financial Reporting for Pensions*”. This new statement, which will be adopted by the Town for the fiscal year ended September 30, 2015, will require the Town to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and South Carolina Police Officers’ Retirement System. Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the Town’s share of the net pension liability associated with these plans will decrease the Town’s beginning net position by approximately \$8,638,000. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2015 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*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
February 16, 2015

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## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED SEPTEMBER 30, 2014

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

#### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$34,226,000 (*net position*). Of this amount, approximately \$11,984,000 (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 \$5,648,000 (an increase of approximately \$3,629,000 from governmental activities and an increase of approximately \$2,019,000 from business-type activities), as total revenues of approximately \$20,343,000 exceeded total expenses of approximately \$14,695,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$7,997,000, an increase of approximately \$2,214,000 from the prior year. Of this total amount, 61%, or approximately \$4,893,000, 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 \$4,893,000, or 47% of total General Fund expenditures for the year ended September 30, 2014.
- The Town's total capital assets increased by approximately \$1,440,000 (5%) during the current fiscal year, which was largely due to capital additions of approximately \$2,917,000 exceeding depreciation expense of approximately \$1,476,000.
- The Town's long-term obligations decreased by approximately \$373,000 (3%) during the current fiscal year, due to principal payments of approximately \$1,225,000 and compensated absence payments of approximately \$181,000, partially offset by a new \$850,000 lease purchase obligation and compensated absences earned during the year of approximately \$183,000.
- The Town implemented Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65" or "Statement") in fiscal year 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the Town in fiscal year 2013. The Town's only former financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable – property taxes) in its statements of financial position. Under this Statement, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Financial Statements

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

# TOWN OF FORT MILL, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### 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 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 that the Town charges customers to provide. The government-wide financial statements can be found as listed in the table of contents of this report.

#### Fund Financial Statements

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

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

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

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

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**Fund Financial Statements (Continued)**

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

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 liabilities, 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 liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014 and 2013:

**Town's Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and Other Assets	\$ 8,871,371	6,425,844	7,280,960	5,844,795	16,152,331	\$ 12,270,639
Capital Assets	10,563,042	8,746,473	19,753,206	20,129,927	30,316,248	28,876,400
Total Assets	<u>19,434,413</u>	<u>15,172,317</u>	<u>27,034,166</u>	<u>25,974,722</u>	<u>46,468,579</u>	<u>41,147,039</u>
Long-Term Liabilities	2,733,135	2,289,558	7,933,911	8,750,177	10,667,046	11,039,735
Other Liabilities	748,388	558,785	827,220	970,286	1,575,608	1,529,071
Total Liabilities	<u>3,481,523</u>	<u>2,848,343</u>	<u>8,761,131</u>	<u>9,720,463</u>	<u>12,242,654</u>	<u>12,568,806</u>
Net Position:						
Net Investment in						
Capital Assets	8,047,745	6,677,950	11,866,612	11,421,704	19,914,357	18,099,654
Restricted	727,886	652,060	1,600,076	1,581,555	2,327,962	2,233,615
Unrestricted	<u>7,177,259</u>	<u>4,993,964</u>	<u>4,806,347</u>	<u>3,251,000</u>	<u>11,983,606</u>	<u>8,244,964</u>
Total Net Position	<u>\$ 15,952,890</u>	<u>12,323,974</u>	<u>18,273,035</u>	<u>16,254,259</u>	<u>34,225,925</u>	<u>\$ 28,578,233</u>

The Town's total assets increased by approximately \$5,322,000, or 13%, over the prior year. This increase was primarily due to an increase of approximately \$4,122,000 in cash and cash equivalents and approximately \$1,440,000 in capital assets at September 30, 2014.

Total liabilities at September 30, 2014 decreased by approximately \$326,000 from the prior year; this is primarily due to a decrease in long-term liabilities. The Town had scheduled principal payments of approximately \$1,225,000 for long-term obligations partially offset by a new lease purchase issued of \$850,000.

The government's net position increased by approximately \$5,648,000 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 \$34,226,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$19,914,000 or 58%) 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 \$2,328,000 or 7%) 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 \$11,984,000 which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true in the prior fiscal year as well.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

The following table shows the changes in net position for fiscal year 2014 compared to 2013.

**Town's Changes in Net Position**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,456,996	4,733,851	7,351,886	6,753,696	12,808,882	\$ 11,487,547
Operating Grants and Contributions	256,052	254,354	-	-	256,052	254,354
Capital Grants and Contributions	1,045,204	25,000	294,750	170,975	1,339,954	195,975
General Revenues:						
Property Taxes	4,741,814	4,441,159	-	-	4,741,814	4,441,159
Hospitality Taxes	312,233	250,393	-	-	312,233	250,393
Intergovernmental Revenue	348,218	283,039	-	-	348,218	283,039
Other Revenue	499,925	306,103	35,835	37,364	535,760	343,467
Total Revenues	12,660,442	10,293,899	7,682,471	6,962,035	20,342,913	17,255,934
Expenses:						
General Government	1,872,266	1,755,272	-	-	1,872,266	1,755,272
Judicial	113,348	101,347	-	-	113,348	101,347
Public Works	2,240,595	2,438,567	-	-	2,240,595	2,438,567
Public Safety	4,145,028	3,996,655	-	-	4,145,028	3,996,655
Culture and Recreation	1,068,060	927,675	-	-	1,068,060	927,675
Interest and Fiscal Charges	69,096	83,543	-	-	69,096	83,543
Water/Sewer	-	-	5,186,828	5,387,424	5,186,828	5,387,424
Total Expenses	9,508,393	9,303,059	5,186,828	5,387,424	14,695,221	14,690,483
Change in Net Position Before Transfers	3,152,049	990,840	2,495,643	1,574,611	5,647,692	2,565,451
Transfers In (Out)	476,867	466,480	(476,867)	(466,480)	-	-
Change in Net Position	3,628,916	1,457,320	2,018,776	1,108,131	5,647,692	2,565,451
Net Position, Beginning of Year	12,323,974	10,866,654	16,254,259	15,146,128	28,578,233	26,012,782
Net Position, End of Year	\$ 15,952,890	12,323,974	18,273,035	16,254,259	34,225,925	\$ 28,578,233

**Governmental Activities:** Revenues exceeded expenses and transfers in by approximately \$3,629,000 for 2014 for its governmental activities. Revenues and transfers in increased over the prior year by approximately \$2,377,000 (22%) to approximately \$13,137,000, due primarily to an increase in charges for services of approximately \$723,000 (15%), an increase in capital grants and contributions of approximately \$1,020,000, and in increase in general revenues of approximately \$621,000 (12%). Expenses increased by approximately \$205,000 (2%) to approximately \$9,508,000 from the prior year.

**Business-Type Activities:** Revenues exceeded expenses and transfers out by approximately \$2,019,000 for 2014 for the business-type activities. Revenues increased by approximately \$720,000 (10%) to approximately \$7,682,000 from the prior year primarily due to an increase in charges for services. Expenses and transfers out decreased by approximately \$190,000 (3%) to approximately \$5,664,000.

## TOWN OF FORT MILL, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2014

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#### 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 \$7,997,000, an increase of approximately \$2,214,000 from the prior year. Approximately 61% of this total amount (approximately \$4,893,000) 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 \$5,137,000. 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 47% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$1,023,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$1,255,000 or 13% primarily due to an increase over budget in license and permit revenue of approximately \$1,011,000, as well as various other increases over budget in other revenue categories.
- General Fund expenditures were under budgeted expectations by approximately \$698,000 or 6%, primarily due to general government, public works, public safety, and capital outlay expenditures coming in under budget.
- The most significant other financing sources (uses) transactions for 2014 consisted of lease purchase proceeds for \$850,000 (to purchase two fire trucks), a transfer of \$1,000,000 to the Capital Project Fund (in accordance with the Town's fund balance policy) and a transfer of approximately \$462,000 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 \$1,191,000. Highlights for all of the remaining Special Revenue and Capital Projects Funds were as follows:

- A transfer from the General fund of approximately \$1,000,000.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$223,000 (primarily for the purchase of land and a building for a new fire station of approximately \$196,000).

**Proprietary Funds:** The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Net position of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$18,273,000. Factors concerning the operation of this fund have already been addressed in the discussion of the Town's business-type activities.

#### Budgetary Highlights

The Town's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, Capital Projects Fund, and the Gross Revenue Fund (enterprise fund). There were no significant budget amendments made during fiscal year 2014.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014, was approximately \$10,563,000 and \$19,753,000, 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, 2014 and 2013 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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 1,740,717	700,717	605,505	605,505	2,346,222	\$ 1,306,222
Construction in Progress	-	-	104,694	104,694	104,694	104,694
Land Improvements	140,282	158,501	-	-	140,282	158,501
Infrastructure	1,372,749	1,415,006	18,148,071	18,632,760	19,520,820	20,047,766
Buildings & Improvements	4,447,477	4,444,440	514,355	526,922	4,961,832	4,971,362
Equipment	493,040	615,082	248,012	160,747	741,052	775,829
Vehicles	2,368,777	1,412,727	132,569	99,299	2,501,346	1,512,026
<b>Total</b>	<b>\$ 10,563,042</b>	<b>8,746,473</b>	<b>19,753,206</b>	<b>20,129,927</b>	<b>30,316,248</b>	<b>\$ 28,876,400</b>

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$1,278,000.
- Purchase of equipment for approximately \$142,000.
- Purchase of land and building for the Fire Station II for approximately \$40,000 and \$156,000, respectively
- Donation of 25 acres of land from an outside developer for \$1,000,000, a pump station and related equipment from an outside developer for \$275,000 (infrastructure), and a police vehicle from a local agency for approximately \$26,000.
- Depreciation expense of approximately \$1,477,000.

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

**Long-Term Obligations:** As of September 30, 2014, the Town had total bonded debt outstanding of approximately \$8,241,000, of which approximately \$1,389,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$2,161,000 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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 1,389,115	1,520,026	-	-	1,389,115	\$ 1,520,026
Revenue Bonds/Refunding Bonds	-	-	6,852,000	7,532,000	6,852,000	7,532,000
Lease Purchases/Capital Lease	1,126,182	548,497	1,034,594	1,176,223	2,160,776	1,724,720
Compensated Absences	217,838	221,035	47,317	41,954	265,155	262,989
<b>Total</b>	<b>\$ 2,733,135</b>	<b>2,289,558</b>	<b>7,933,911</b>	<b>8,750,177</b>	<b>10,667,046</b>	<b>\$ 11,039,735</b>

The Town's long-term obligations decreased by approximately \$373,000 (3%) during the current year, primarily due to principal payments of approximately \$1,225,000, partially offset by the issuance of a lease purchase of \$850,000.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2014 was approximately \$4,412,000. The legal debt margin was approximately \$3,023,000.

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 has rebounded from the national housing crises and now has returned to peak growth numbers that occurred prior to the economic downturn. Town officials expect to see this trend to continue over the next reporting period and over the next decade.

The Town's revenues and population will continue to increase. The population of Fort Mill has increased by 63.7% since the Census in 2000. This growth rate exceeds the State's population growth rate of 18.9% and the national growth rate of 12.5%.

The average Fort Mill education level is higher than both the State average and the national average. The median household income of \$64,596 exceeds the State average by 44.3%. The median house value is \$193,600 in 2013 and continues to increase for this reporting period. New home permits for 2014 were flat compared to 2013 while average permit valuations increased by 3.2% over prior year.

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

Economic development for the next reporting period will prove to be strong. Significant commercial projects are currently being approved for construction or under construction. Examples of new commercial and economic development projects include: a Hampton Inn and Suites; Harris Teeter; Walmart Neighborhood Market; Lash Group; LPL Financial; and several other outparcel and individual new retail buildings.

Management is forecasting a strong FY 2014-2015 and does not project a downturn based on current investment within the Town and based on approved projects and annexations. Overall, the Town will develop a more diverse tax base from the types of investments that are occurring and the shift to more commercial projects that follow the expansive residential growth.

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

The adopted FY 2014-15 General Fund operating budget is approximately \$11,303,000. Rates associated with the Town's solid waste, business license, and building permit fees remained constant. However, franchise fees increased 2% over prior year for utility companies.

**REQUESTS FOR TOWN INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,191,281	5,984,540	\$ 12,175,821
Cash and Cash Equivalents, Restricted	753,232	1,705,071	2,458,303
Receivables, Net:			
Property Taxes	279,069	-	279,069
Accounts	101,557	803,585	905,142
Other	193,514	34,538	228,052
Internal Balances	1,250,293	(1,250,293)	-
Due From:			
State Government	78,872	-	78,872
Prepaid Expenses	23,553	3,519	27,072
Capital Assets:			
Non-Depreciable	1,740,717	710,199	2,450,916
Depreciable, Net	8,822,325	19,043,007	27,865,332
<b>TOTAL ASSETS</b>	<b>19,434,413</b>	<b>27,034,166</b>	<b>46,468,579</b>
<b>LIABILITIES</b>			
Accounts Payable	441,071	483,299	924,370
Accrued Interest Payable	46,131	104,995	151,126
Accrued Salaries and Fringe Benefits	157,018	37,672	194,690
Other Liabilities	9,899	-	9,899
Unearned Revenues	94,269	201,254	295,523
Non-Current Liabilities:			
Due Within One Year	647,704	883,490	1,531,194
Due in More Than One Year	2,085,431	7,050,421	9,135,852
<b>TOTAL LIABILITIES</b>	<b>3,481,523</b>	<b>8,761,131</b>	<b>12,242,654</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,047,745	11,866,612	19,914,357
Restricted For:			
Debt Service	-	1,600,076	1,600,076
Tourism Related	610,436	-	610,436
Narcotics	59,866	-	59,866
Fire Cushion Fund	57,584	-	57,584
Unrestricted	7,177,259	4,806,347	11,983,606
<b>TOTAL NET POSITION</b>	<b>\$ 15,952,890</b>	<b>18,273,035</b>	<b>\$ 34,225,925</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, 2014

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	\$ 1,872,266	4,193,831	-	-	2,321,565		\$ 2,321,565
Judicial	113,348	67,881	-	-	(45,467)		(45,467)
Public Works	2,240,595	720,025	-	-	(1,520,570)		(1,520,570)
Public Safety	4,145,028	174,800	26,298	26,400	(3,917,530)		(3,917,530)
Culture and Recreation	1,068,060	300,459	229,754	1,018,804	480,957		480,957
Interest and Fiscal Charges	69,096	-	-	-	(69,096)		(69,096)
<b>Total Governmental Activities</b>	<b>9,508,393</b>	<b>5,456,996</b>	<b>256,052</b>	<b>1,045,204</b>	<b>(2,750,141)</b>		<b>(2,750,141)</b>
Business-Type Activities:							
Water/Sewer	5,186,828	7,351,886	-	294,750		2,459,808	2,459,808
<b>Total Business-Type Activities</b>	<b>5,186,828</b>	<b>7,351,886</b>	<b>-</b>	<b>294,750</b>		<b>2,459,808</b>	<b>2,459,808</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 14,695,221</b>	<b>12,808,882</b>	<b>256,052</b>	<b>1,339,954</b>	<b>(2,750,141)</b>	<b>2,459,808</b>	<b>(290,333)</b>
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					4,741,814	-	4,741,814
Hospitality Taxes					312,233	-	312,233
Intergovernmental Revenue - Unrestricted					348,218	-	348,218
Investment Income					6,124	5,779	11,903
Miscellaneous					359,686	20,000	379,686
Gain on Sale of Capital Assets					21,750	-	21,750
Insurance Proceeds from Casualty					112,365	10,056	122,421
Transfers In (Out)					476,867	(476,867)	-
<b>Total General Revenues and Transfers</b>					<b>6,379,057</b>	<b>(441,032)</b>	<b>5,938,025</b>
<b>CHANGE IN NET POSITION</b>					<b>3,628,916</b>	<b>2,018,776</b>	<b>5,647,692</b>
NET POSITION, Beginning of Year					12,323,974	16,254,259	28,578,233
<b>NET POSITION, End of Year</b>					<b>\$ 15,952,890</b>	<b>18,273,035</b>	<b>\$ 34,225,925</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, 2014

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,648,141	2,543,140	-	\$ 6,191,281
Cash and Cash Equivalents, Restricted	93,995	610,436	48,801	753,232
Receivables, Net:				
Property Taxes	279,069	-	-	279,069
Garbage	101,557	-	-	101,557
Other	136,667	45,782	11,065	193,514
Due From:				
Other Funds	1,949,425	-	-	1,949,425
State Government	78,872	-	-	78,872
Prepaid Expenses	23,553	-	-	23,553
<b>TOTAL ASSETS</b>	<b>\$ 6,311,279</b>	<b>3,199,358</b>	<b>59,866</b>	<b>\$ 9,570,503</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 428,804	12,267	-	\$ 441,071
Accrued Salaries and Fringe Benefits	157,018	-	-	157,018
Due to Other Funds	311,937	387,195	-	699,132
Unearned Revenues	94,269	-	-	94,269
Other Liabilities	9,899	-	-	9,899
<b>TOTAL LIABILITIES</b>	<b>1,001,927</b>	<b>399,462</b>	<b>-</b>	<b>1,401,389</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Property Taxes	172,107	-	-	172,107
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>172,107</b>	<b>-</b>	<b>-</b>	<b>172,107</b>
<b>FUND BALANCES</b>				
Nonspendable - Prepaids	23,553	-	-	23,553
Restricted For:				
Tourism Related Costs	-	610,436	-	610,436
Narcotics	-	-	59,866	59,866
Fire Cushion Fund	57,584	-	-	57,584
Assigned For:				
Capital Projects	-	2,189,460	-	2,189,460
Community Development	102,711	-	-	102,711
Vehicles	60,816	-	-	60,816
Unassigned	4,892,581	-	-	4,892,581
<b>TOTAL FUND BALANCES</b>	<b>5,137,245</b>	<b>2,799,896</b>	<b>59,866</b>	<b>7,997,007</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 6,311,279</b>	<b>3,199,358</b>	<b>59,866</b>	<b>\$ 9,570,503</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, 2014**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 7,997,007</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.	172,107
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$13,895,927, and the accumulated depreciation was \$5,149,454.	10,563,042
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.	(46,131)
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)	(2,515,297)
Compensated Absences	(217,838)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 15,952,890</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, 2014

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Taxes	\$ 4,688,133	312,233	-	\$ 5,000,366
Fines, Fees, Licenses and Permits	4,221,114	-	-	4,221,114
Charges for Service	1,037,582	23,500	-	1,061,082
Grants	-	18,804	-	18,804
Intergovernmental	348,218	-	-	348,218
Miscellaneous	566,892	204,871	18,777	790,540
Investment Earnings	3,527	2,554	42	6,123
<b>TOTAL REVENUES ALL SOURCES</b>	<b><u>10,865,466</u></b>	<b><u>561,962</u></b>	<b><u>18,819</u></b>	<b><u>11,446,247</u></b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,662,629	-	-	1,662,629
Judicial	113,348	-	-	113,348
Public Works	1,836,945	-	-	1,836,945
Public Safety	4,121,699	-	3,246	4,124,945
Culture and Recreation	973,150	-	-	973,150
Capital Outlay	1,298,830	222,816	-	1,521,646
Debt Service:				
Principal Retirement	403,226	-	-	403,226
Interest and Fiscal Charges	57,768	-	-	57,768
<b>TOTAL EXPENDITURES</b>	<b><u>10,467,595</u></b>	<b><u>222,816</u></b>	<b><u>3,246</u></b>	<b><u>10,693,657</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>397,871</u></b>	<b><u>339,146</u></b>	<b><u>15,573</u></b>	<b><u>752,590</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	21,750	-	-	21,750
Insurance Proceeds from Casualty	112,365	-	-	112,365
Lease Purchase	850,000	-	-	850,000
Transfers In	665,798	1,000,000	5,000	1,670,798
Transfers Out	(1,025,000)	(168,931)	-	(1,193,931)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>624,913</u></b>	<b><u>831,069</u></b>	<b><u>5,000</u></b>	<b><u>1,460,982</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>1,022,784</u></b>	<b><u>1,170,215</u></b>	<b><u>20,573</u></b>	<b><u>2,213,572</u></b>
FUND BALANCES, Beginning of Year	4,114,461	1,629,681	39,293	5,783,435
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 5,137,245</u></b>	<b><u>2,799,896</u></b>	<b><u>59,866</u></b>	<b><u>\$ 7,997,007</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**

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

**YEAR ENDED SEPTEMBER 30, 2014**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,213,572**

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.	53,680
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.	403,226
Bond and lease purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases increases long-term liabilities in the Statement of Net Position. This is the amount of proceeds received in the current year.	(850,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in the interest accrued.	(11,328)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.	3,197
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.	1,026,400
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$1,416,498 in the current period exceeded depreciation expense of \$626,329 in the current period.	790,169

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 3,628,916**

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2014

	<u>GROSS REVENUE</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,984,540
Cash and Cash Equivalents, Restricted	1,705,071
Receivables, Net:	
Accounts	803,585
Other	34,538
Due From:	
Other Funds	666,517
Prepaid Expenses	3,519
Total Current Assets	<u>9,197,770</u>
Non-Current Assets:	
Capital Assets:	
Non-Depreciable	710,199
Depreciable, Net	19,043,007
Total Non-Current Assets	<u>19,753,206</u>
<b>TOTAL ASSETS</b>	<b><u>28,950,976</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	483,299
Accrued Interest Payable	104,995
Accrued Salaries and Fringe Benefits	37,672
Due to Other Funds	1,916,810
Unearned Revenues	201,254
Compensated Absences	30,000
Revenue Bonds and Capital Lease	853,490
Total Current Liabilities	<u>3,627,520</u>
Non-Current Liabilities:	
Compensated Absences	17,317
Revenue Bonds and Capital Lease	7,033,104
Total Non-Current Liabilities	<u>7,050,421</u>
<b>TOTAL LIABILITIES</b>	<b><u>10,677,941</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	11,866,612
Restricted For:	
Debt Service	1,600,076
Unassigned	4,806,347
<b>TOTAL NET POSITION</b>	<b><u>\$ 18,273,035</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 FUND

YEAR ENDED SEPTEMBER 30, 2014

	<u>GROSS REVENUE</u>
<b>OPERATING REVENUES</b>	
Water Revenue and Penalties	\$ 2,513,737
Sewer Revenues	2,360,936
York County Water Sales	684,275
Riverview Water Sales	153,722
Tega Cay Water Sales	274,697
Water Taps	609,385
Sewer Taps	724,600
Other Revenues	30,534
<b>TOTAL OPERATING REVENUES</b>	<u><b>7,351,886</b></u>
<b>OPERATING EXPENSES</b>	
Water	2,862,457
Sewer	1,143,489
Other Operating Expenses	32,618
Depreciation	850,577
<b>TOTAL OPERATING EXPENSES</b>	<u><b>4,889,141</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>2,462,745</b></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
York County - Southern Bypass	19,750
Insurance Proceeds from Casualty	10,056
Investment Earnings	5,779
Interest Expense and Fiscal Charges	(297,687)
Tega Cay Water Line Payment	20,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u><b>(242,102)</b></u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>2,220,643</b>
Donated Capital Assets (Infrastructure)	275,000
Transfers Out	(476,867)
<b>CHANGE IN NET POSITION</b>	<u><b>2,018,776</b></u>
NET POSITION, Beginning of Year	<u>16,254,259</u>
<b>NET POSITION, End of Year</b>	<u><b>\$ 18,273,035</b></u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2014

	<b>GROSS REVENUE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Charges for Fees and Services	\$ 7,440,571
Receipts from Other Revenues	201,247
Payments for Personnel Services	(997,674)
Payments for Goods and Services	(3,084,182)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,559,962</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers To Other Funds	226,860
Other Non-Operating Receipts (Payments)	30,056
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>256,916</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Donated Capital Assets (Infrastructure)	275,000
Acquisition of Capital Assets	(473,856)
Bond and Note Payments	(821,629)
Proceeds from York County - Southern Bypass	19,750
Interest Paid on Bonds	(297,687)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,298,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Income Received on Investments	5,779
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,779</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,524,235</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<u>5,165,376</u>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year</b>	<b><u>\$ 7,689,611</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 2,462,745
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	850,577
(Increase) Decrease in Current Assets:	
Receivables	387,862
Prepaid Expenses	(3,519)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(35,208)
Accrued Salaries & Fringe Benefits	(9,928)
Unearned Revenues	(97,930)
Compensated Absences	5,363
Net Cash Provided by Operating Activities	<u>\$ 3,559,962</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, 2014

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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 water and sewer services through its enterprise fund (business-type activity).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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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.

The Town implemented Governmental Accounting Standards Board (defined on pg. 21) Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65") in the year ended September 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the Town in the year ended September 30, 2013. The Town's only financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable property taxes) in its governmental funds financial statements. Under GASB #65, deferred revenue that is not available will no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Generally when both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

*Proprietary Fund Types* are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary Fund types include the following funds:

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

The Town has one major Enterprise Fund:

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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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, 2014**

---

**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, 2014, 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, 2014**

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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, 2014

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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 (government-wide and proprietary funds) and the Balance Sheet (governmental funds) 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 does not currently have any deferred outflows of resources.

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 one type of deferred inflows of resources, which arises only under the modified accrual basis of accounting. This item, *unavailable revenue – property taxes*, is reported only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available

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.).

**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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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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)*

**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. *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.

11. *Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

12. *Comparative Data*

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

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**A. Budgetary Information**

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

1. In early August, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and Council meetings are conducted to inform and obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance by October 1. Any supplemental budgetary appropriations made are subject to the same procedures as the original budget ordinance.
4. The Town Manager is authorized to administer the budget and may transfer appropriated funds between accounts within and between each department without Town Council's prior approval provided the transfer does not alter the total appropriations for either fund. Town Council must approve any revisions that alter the total appropriations of a fund. Department heads are responsible for managing their respective budgets. Department heads are not allowed to make transfers of appropriated funds. The legal level of budgetary authority is at the departmental level.
5. Legally adopted budgets are employed as a management control device during the year for the General Fund, Capital Projects Fund, and Gross Revenue Fund. Expenditures/expenses may not legally exceed appropriations on the fund level. The remaining Special Revenue Funds are not formally budgeted but effective budgetary control is achieved through the various grant documents and appropriate state law.
6. The budgets for the governmental funds are legally adopted on a basis consistent with GAAP. The proprietary fund (Gross Revenue Fund) is legally adopted on the cash basis (which is not consistent with GAAP).
7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council plus encumbrances and funds designated for continuing projects carried over from the preceding year.
8. Encumbrances do not lapse but are brought forward to the new year and added to the budget adopted by Town Council for that year. It is Town policy to close out all encumbrances possible before year-end. The Town had no encumbrances at September 30, 2014.
9. All unencumbered appropriations, except those designated as continuing projects by the Town Manager, lapse at year-end.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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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, 2014, none of the Town's bank balances of approximately \$13,819,000 (which had a carrying value of approximately \$13,804,000) were exposed to custodial credit risk.

*Investments*

As of September 30, 2014, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Unrated*	\$ 830,255	< 1 Year

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service and Fitch Ratings.

\*US Treasury Bills are backed by full faith and trust in the United States Government.

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

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2013, none of the Town's investments were exposed to custodial credit risk. Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments:** The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2014 were related to (a) bond and lease agreements (\$1,695,253), (b) narcotics (\$48,801), (c) hospitality taxes (\$610,435), and (d) other (\$103,813).

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**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, 2014, 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 \$55.2 million for the tax year 2013.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2014 of approximately \$222,000 (net of allowance for uncollectible portion of approximately \$9,000) for the General Fund. Delinquent property taxes of approximately \$46,000 have been recognized as revenue at September 30, 2014 because it was collected within 60 days of year end. Approximately \$66,000 has been recognized as revenue as it was collected by the County during September 2014, and remitted to the Town in October. The remaining delinquent property tax receivable of approximately \$172,000 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 \$105,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$804,000 (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, 2014 (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, 2014

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, 2014, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Receivables	Payables
General Fund	\$ 1,949,425	\$ 311,937
Gross Revenue Fund	666,517	1,916,810
Capital Projects Fund	-	387,195
Totals	\$ 2,615,942	\$ 2,615,942

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, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Funds:</u></b>		
General Fund	\$ 665,798	\$ 1,025,000
Gross Revenue Fund	-	476,867
Capital Projects Fund	1,000,000	168,931
<b><u>Other Non-Major Funds:</u></b>		
Special Revenue Fund - Narcotics Fund	5,000	-
Totals	\$ 1,670,798	\$ 1,670,798

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 \$1,000,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy. In addition, the Town transferred approximately \$462,000 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, 2014**

**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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 700,717	1,040,000	-	-	\$ 1,740,717
Total Capital Assets, Non-Depreciable	<u>700,717</u>	<u>1,040,000</u>	<u>-</u>	<u>-</u>	<u>1,740,717</u>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Building and Improvements	5,991,049	155,572	-	-	6,146,621
Equipment	1,995,552	6,907	-	-	2,002,459
Vehicles	3,245,027	1,240,419	368,495	-	4,116,951
Total Capital Assets, Depreciable	<u>13,195,210</u>	<u>1,402,898</u>	<u>368,495</u>	<u>-</u>	<u>14,229,613</u>
Less: Accumulated Depreciation for:					
Land Improvements	114,784	18,219	-	-	133,003
Infrastructure	275,291	42,257	-	-	317,548
Building and Improvements	1,546,609	152,535	-	-	1,699,144
Equipment	1,380,470	128,949	-	-	1,509,419
Vehicles	1,832,300	284,369	368,495	-	1,748,174
Total Accumulated Depreciation	<u>5,149,454</u>	<u>626,329</u>	<u>368,495</u>	<u>-</u>	<u>5,407,288</u>
Total Capital Assets, Depreciable, Net	<u>8,045,756</u>	<u>776,569</u>	<u>-</u>	<u>-</u>	<u>8,822,325</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,746,473</u>	<u>1,816,569</u>	<u>-</u>	<u>-</u>	<u>\$ 10,563,042</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, 2014 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 6,907	\$ 206,209
Public Safety	1,385,789	165,891
Public Works	17,364	173,868
Culture and Recreation	1,032,838	80,361
Totals - Governmental Activities	<u>\$ 2,442,898</u>	<u>\$ 626,329</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	104,694	-	-	-	104,694
<b>Total Capital Assets, Non-Depreciable</b>	<b>710,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,199</b>
Capital Assets, Depreciable:					
Infrastructure	30,231,493	275,000	600	-	30,505,893
Building and Improvements	670,542	-	-	-	670,542
Equipment	571,477	135,541	-	-	707,018
Vehicles	268,757	63,915	-	-	332,672
<b>Total Capital Assets, Depreciable</b>	<b>31,742,269</b>	<b>474,456</b>	<b>600</b>	<b>-</b>	<b>32,216,125</b>
Less: Accumulated Depreciation for:					
Infrastructure	11,598,733	759,089	-	-	12,357,822
Building and Improvements	143,620	12,567	-	-	156,187
Equipment	410,730	48,276	-	-	459,006
Vehicles	169,458	30,645	-	-	200,103
<b>Total Accumulated Depreciation</b>	<b>12,322,541</b>	<b>850,577</b>	<b>-</b>	<b>-</b>	<b>13,173,118</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>19,419,728</b>	<b>(376,121)</b>	<b>600</b>	<b>-</b>	<b>19,043,007</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 20,129,927</b>	<b>(376,121)</b>	<b>600</b>	<b>-</b>	<b>\$ 19,753,206</b>

The cost of capital assets that was purchased under capital lease was approximately \$3,011,000. Accumulated amortization was approximately \$1,643,000, at September 30, 2014. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**E. Long-Term Obligations**

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town. 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, 2014 are as follows:

	Principal Outstanding at Year End
<b><i>General Obligation Bonds</i></b>	
\$657,300 general obligation serial bond issued in December, 1994 (“Series 1995”), due in annual installments of \$53,837 beginning December 2, 1995 through December 2, 2014 which includes interest at 5.251%. The proceeds of this issue were primarily used to build the Town’s fire station.	\$ 51,162
\$1,500,000 general obligation bonds issued in March, 2012 (“Series 2012”), due in annual installments of \$127,017 beginning March 16, 2013 through March 16, 2027 which includes interest at 3.150%. The proceeds from this issue were used to defray the cost of designing and constructing two athletic fields and renovating an existing athletic field.	<u>1,337,953</u>
Total Outstanding General Obligation Bonds	<u>\$ 1,389,115</u>
<b><i>Lease Purchase Obligations</i></b>	
\$817,000 lease purchase was entered into in December 2011, with annual installments of \$280,104 beginning December 21, 2012 through December 21, 2014 which includes interest at 1.420%. The proceeds were primarily used to fund the acquisition of equipment/vehicles.	\$ 276,182
\$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.	<u>850,000</u>
Total Lease Purchase Obligations	<u>\$ 1,126,182</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

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, 2014, 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	\$ 99,793	-	48,631	51,162	\$ 51,162
GOB - Series 2012	1,420,233	-	82,280	1,337,953	84,872
Total Debt	<u>1,520,026</u>	<u>-</u>	<u>130,911</u>	<u>1,389,115</u>	<u>136,034</u>
Lease Purchases:					
2011 Equipment Lease	548,497	-	272,315	276,182	276,182
2013 Pumper Truck	-	850,000	-	850,000	75,488
Total Lease Purchases	<u>548,497</u>	<u>850,000</u>	<u>272,315</u>	<u>1,126,182</u>	<u>351,670</u>
Compensated Absences	221,035	148,317	151,514	217,838	160,000
<b>Total Governmental Activities</b>	<u>\$ 2,289,558</u>	<u>998,317</u>	<u>554,740</u>	<u>2,733,135</u>	<u>\$ 647,704</u>

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. 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, 2014, the Town had approximately \$1,389,000 of bonded debt subject to the 8% limit of approximately \$4,412,000 resulting in an unused legal debt margin of approximately \$3,023,000.

Details on the Town’s business-type activities outstanding debt issues and capital lease as of September 30, 2014 are as follows:

<i>Debt</i>	Principal Outstanding at Year End
\$6,152,000 waterworks and sewer system refunding revenue bonds issued in January, 2011 (“2011 Refunding Bonds”), due in annual installments of \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023, plus interest at approximately 3.550% due semi-annually. The proceeds from this issue were used to advance refund the 1998, 2003A, and 2004 series bonds and to provide funding for further expansion and improvement of the water/sewer system.	\$ 4,685,000

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**E. Long-Term Obligations (Continued)**

	Principal Outstanding at Year End
<i>Debt (Continued)</i>	
\$926,000 waterworks and sewer system refunding and improvement revenue bonds issued in June, 2011 (“2011B Refunding Bonds”), due in annual installments ranging from \$82,000 to \$104,000 beginning December 1, 2011 through December 1, 2020 and semi-annual interest payments at 3.190%. The proceeds from this issuance were used to refund the Town's 2011 series bonds and to expand the Town's water and wastewater system.	\$ 675,000
\$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.	162,000
Total Debt	\$ 6,852,000
<i>Capital Lease Obligation</i>	
\$2,762,550 capital lease was entered into in December, 1992 (“Rock Hill Water Line Lease”), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus an average interest rate of approximately 5.6% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	\$ 1,034,594

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2014, 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	\$ 5,191,000	-	506,000	4,685,000	\$ 520,000
2011B Refunding Bonds	761,000	-	86,000	675,000	89,000
2013A Revenue Bonds	1,330,000	-	-	1,330,000	-
2013B Revenue Bonds	250,000	-	88,000	162,000	94,000
Total Debt	7,532,000	-	680,000	6,852,000	703,000
Capital Lease - Rock Hill Water Line	1,176,223	-	141,629	1,034,594	150,490
Compensated Absences	41,954	35,248	29,885	47,317	30,000
<b>Total Business-Type Activities</b>	<b>\$ 8,750,177</b>	<b>35,248</b>	<b>851,514</b>	<b>7,933,911</b>	<b>\$ 883,490</b>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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

**E. Long-Term Obligations (Continued)**

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt, capital 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, 2014 with a rate of 309%.

**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, 2014:

Year Ended September 30,	Debt		Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2015	\$ 136,034	44,834	351,670	26,107	\$ 558,645
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
2020-2024	527,758	107,327	452,337	36,026	1,123,448
2025-2027	358,247	22,803	-	-	381,050
Totals	<u>\$ 1,389,115</u>	<u>315,956</u>	<u>1,126,182</u>	<u>130,650</u>	<u>\$ 2,961,903</u>
<b><u>Business-Type Activities</u></b>					
2015	\$ 703,000	204,771	150,490	53,245	\$ 1,111,506
2016	728,000	181,183	158,356	44,703	1,112,242
2017	747,000	156,903	166,934	35,729	1,106,566
2018	707,000	133,072	176,230	26,285	1,042,587
2019	695,000	110,198	186,249	16,333	1,007,780
2020-2024	2,804,000	226,014	196,335	5,851	3,232,200
2025-2027	468,000	17,974	-	-	485,974
Totals	<u>\$ 6,852,000</u>	<u>1,030,115</u>	<u>1,034,594</u>	<u>182,146</u>	<u>\$ 9,098,855</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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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, 2013, totaled approximately \$28,412,000. 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, 2013, totaled approximately \$48,279,000. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in the past three fiscal years.

**Health Plan**

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

**B. Contingent Liabilities and Commitments**

*Grants*

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

**C. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$3,345,000 of the Town's approximately \$5,121,000 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$15,000 per year.

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The Town contributes ten dollars per pay period to each employee chosen to participate. Employer and employee contributions were approximately \$18,000 and \$97,000 respectively for the year ended September 30, 2014. 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, 2014**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans**

*South Carolina Retirement and Police Officer's Retirement System*

Full time employees of the Town are covered under two different retirement plans. Town employees, except for fire and police department employees participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. Town police officers and firemen participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan.

Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the South Carolina Code of Laws and are administered by the South Carolina Public Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing to the South Carolina Public Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The PORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen.

Group life insurance benefits equal to one year's salary may be paid to a beneficiary after one year of service and a lump sum payment of up to \$6,000 based upon years of service.

Both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings.

Employees covered under PORS are required to contribute 8.41% of salary as of year end. Employees covered under SCRS are required to contribute 8.0% of salary as of year end. The Town is required to contribute 13.41% of gross earnings under PORS and 10.90% under SCRS as of year end. Employees have the option of not participating in the retirement plans. Current year payrolls covered under both systems are as follows:

PORS	SCRS
\$ 2,350,328	\$ 2,647,317

Total payroll for 2014 for all Town employees was approximately \$5,121,000. The Town's contributions equaled the amount required. The retirement contributions made by the Town for the current year and each of the two preceding years are as follows:

Year Ended September 30,	SCRS Contributions		SCPORS Contributions	
	Required	% Contributed	Required	% Contributed
2014	\$ 282,776	100%	\$ 305,395	100%
2013	265,384	100%	271,421	100%
2012	\$ 231,281	100%	\$ 250,819	100%

**TOWN OF FORT MILL, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2014**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Other Postemployment Benefits**

Effective May 12, 2014, Town Council rescinded any previous adoptions of resolutions and/or policies that allow retirees access to medical insurance coverage through the Town of Fort Mill's group plan. Thus, the Town has no exposure to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB #45") at year end.

**F. Pending Implementation of GASB Statement on Pensions**

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

In particular, the Town will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the Town's governmental funds.

The Town has been in communications with the PEBA on the effect of implementing GASB #68 as it relates to the SCRS and SCPORS. Based on recent information provided by the PEBA, it is estimated that the Town's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the Town's beginning unrestricted net position for the year ended September 30, 2015 by approximately \$8,638,000.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 4,638,500	4,638,500	4,688,133	\$ 49,633
Fines, Fees, Licenses and Permits	3,210,100	3,210,100	4,221,114	1,011,014
Charges For Services	969,900	969,900	1,037,582	67,682
Grants	6,000	6,000	-	(6,000)
Intergovernmental	318,009	318,009	348,218	30,209
Miscellaneous	463,060	463,060	566,892	103,832
Investment Earnings	5,000	5,000	3,527	(1,473)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>9,610,569</b>	<b>9,610,569</b>	<b>10,865,466</b>	<b>1,254,897</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,862,495	1,862,495	1,662,629	199,866
Judicial	116,489	116,489	113,348	3,141
Public Works	1,965,621	1,965,621	1,836,945	128,676
Public Safety	4,405,110	4,405,110	4,121,699	283,411
Culture and Recreation	947,984	947,984	973,150	(25,166)
Capital Outlay	1,421,898	1,421,898	1,298,830	123,068
Debt Service:				
Principal Retirement	388,773	388,773	403,226	(14,453)
Interest and Fiscal Charges	57,354	57,354	57,768	(414)
<b>TOTAL EXPENDITURES</b>	<b>11,165,724</b>	<b>11,165,724</b>	<b>10,467,595</b>	<b>698,129</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,555,155)</b>	<b>(1,555,155)</b>	<b>397,871</b>	<b>1,953,026</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Disposal of Capital Assets	10,000	10,000	21,750	11,750
Insurance Proceeds from Casualty	-	-	112,365	112,365
Lease Purchase	850,000	850,000	850,000	-
Transfers In	705,155	705,155	665,798	(39,357)
Transfers Out	(10,000)	(10,000)	(1,025,000)	(1,015,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,555,155</b>	<b>1,555,155</b>	<b>624,913</b>	<b>(930,242)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>1,022,784</b>	<b>1,022,784</b>
FUND BALANCE, Beginning of Year	4,114,461	4,114,461	4,114,461	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 4,114,461</b>	<b>4,114,461</b>	<b>5,137,245</b>	<b>\$ 1,022,784</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.

# **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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Taxes:</b>			
Current Property Taxes	\$ 4,150,000	4,039,347	\$ (110,653)
Current Vehicle Taxes	425,000	588,374	163,374
Delinquent Taxes	2,000	-	(2,000)
Prior Years, Including Penalties and Execution Fees	25,000	18,107	(6,893)
Housing Authority in Lieu of Taxes	36,500	42,305	5,805
<b>Total Taxes</b>	<b>4,638,500</b>	<b>4,688,133</b>	<b>49,633</b>
<b>Fines, Fees, Licenses, and Permits:</b>			
Privilege Licenses	2,150,000	2,742,208	592,208
Duke Power in Lieu of Taxes	185,000	209,850	24,850
York Electric in Lieu of Taxes	160,000	165,071	5,071
Fines and Penalties	90,000	67,881	(22,119)
Permits	625,100	1,036,104	411,004
<b>Total Fines, Fees, Licenses, and Permits</b>	<b>3,210,100</b>	<b>4,221,114</b>	<b>1,011,014</b>
<b>Charges for Services:</b>			
Garbage Revenue	694,400	689,700	(4,700)
Athletics Revenue	230,500	300,459	69,959
Cemetery Lots	-	5	5
Grave Openings	30,000	30,325	325
Assembly Center Fees	15,000	17,093	2,093
<b>Total Charges for Services</b>	<b>969,900</b>	<b>1,037,582</b>	<b>67,682</b>
<b>Grant Revenues:</b>			
State Grant	6,000	-	(6,000)
<b>Total Grant Revenues</b>	<b>6,000</b>	<b>-</b>	<b>(6,000)</b>
<b>Intergovernmental Revenues:</b>			
State Shared Revenue	233,240	263,386	30,146
Manufacturer's Depreciation Reimbursement	300	326	26
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	69,000	69,037	37
<b>Total Intergovernmental Revenues</b>	<b>318,009</b>	<b>348,218</b>	<b>30,209</b>
<b>Miscellaneous:</b>			
School Resource Officers	158,000	156,023	(1,977)
York County Fire Protection	28,060	26,298	(1,762)
Spring Festival	200,000	229,754	29,754
Credit Card Convenience Fee	20,000	30,197	10,197
Other	57,000	124,620	67,620
<b>Total Miscellaneous</b>	<b>\$ 463,060</b>	<b>566,892</b>	<b>\$ 103,832</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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Investment Earnings:</b>			
Investment Earnings	\$ 5,000	3,527	\$ (1,473)
<b>Total Investment Earnings</b>	<b>5,000</b>	<b>3,527</b>	<b>(1,473)</b>
 <b>TOTAL REVENUES ALL SOURCES</b>	 <b>9,610,569</b>	 <b>10,865,466</b>	 <b>1,254,897</b>
 <b>EXPENDITURES</b>			
<b>General Government:</b>			
Town Council:			
Personnel Services	25,638	25,311	327
Operating Expenditures	240,667	213,274	27,393
Community Promotions	6,000	2,944	3,056
Miscellaneous	1,000	94	906
Total Town Council	<u>273,305</u>	<u>241,623</u>	<u>31,682</u>
Administration:			
Personnel Services	1,037,577	967,973	69,604
Operating Expenditures	551,613	453,033	98,580
Capital Outlay	92,800	11,719	81,081
Total Administration	<u>1,681,990</u>	<u>1,432,725</u>	<u>249,265</u>
<b>Total General Government</b>	<b>1,955,295</b>	<b>1,674,348</b>	<b>280,947</b>
 <b>Judicial:</b>			
Municipal Court:			
Personnel Services	88,785	79,485	9,300
Operating Expenditures	27,704	33,863	(6,159)
Total Municipal Court	<u>116,489</u>	<u>113,348</u>	<u>3,141</u>
<b>Total Judicial</b>	<b>116,489</b>	<b>113,348</b>	<b>3,141</b>
 <b>Public Works:</b>			
Administration:			
Personnel Services	65,988	52,361	13,627
Operating Expenditures	40,604	34,988	5,616
Capital Outlay	425	581	(156)
Total Administration	<u>107,017</u>	<u>87,930</u>	<u>19,087</u>
Sanitation:			
Personnel Services	170,719	167,221	3,498
Operating Expenditures	264,950	276,309	(11,359)
Capital Outlay	10,000	8,682	1,318
Total Sanitation	<u>\$ 445,669</u>	<u>452,212</u>	<u>\$ (6,543)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Public Works (Continued):</b>			
Building and Grounds:			
Personnel Services	\$ 539,864	513,765	\$ 26,099
Operating Expenditures	136,988	115,509	21,479
Capital Outlay	7,500	6,907	593
Total Building and Grounds	<u>684,352</u>	<u>636,181</u>	<u>48,171</u>
Storm Water Maintenance:			
Personnel Services	80,090	82,033	(1,943)
Operating Expenditures	68,569	52,397	16,172
Capital Outlay	20,000	-	20,000
Total Street Department	<u>168,659</u>	<u>134,430</u>	<u>34,229</u>
Street Department:			
Personnel Services	113,785	109,052	4,733
Operating Expenditures	387,054	343,019	44,035
Capital Outlay	10,000	8,682	1,318
Total Street Department	<u>510,839</u>	<u>460,753</u>	<u>50,086</u>
Garage and Vehicle:			
Personnel Services	64,331	60,685	3,646
Operating Expenditures	32,679	29,606	3,073
Total Garage and Vehicle	<u>97,010</u>	<u>90,291</u>	<u>6,719</u>
<b>Total Public Works</b>	<b><u>2,013,546</u></b>	<b><u>1,861,797</u></b>	<b><u>151,749</u></b>
<b>Public Safety:</b>			
Police Department:			
Personnel Services	2,598,109	2,455,027	143,082
Operating Expenditures	504,999	471,880	33,119
Capital Outlay	93,502	85,922	7,580
Total Police Department	<u>3,196,610</u>	<u>3,012,829</u>	<u>183,781</u>
Fire Department:			
Personnel Services	1,091,087	1,003,730	87,357
Operating Expenditures	210,915	191,062	19,853
Capital Outlay	1,139,471	1,128,301	11,170
Total Fire Department	<u>2,441,473</u>	<u>2,323,093</u>	<u>118,380</u>
<b>Total Public Safety</b>	<b><u>5,638,083</u></b>	<b><u>5,335,922</u></b>	<b><u>302,161</u></b>
<b>Cultural and Recreation:</b>			
Recreation:			
Personnel Services	354,780	361,902	(7,122)
Operating Expenditures	593,204	611,248	(18,044)
Capital Outlay	48,200	48,036	164
<b>Total Cultural and Recreation</b>	<b><u>\$ 996,184</u></b>	<b><u>1,021,186</u></b>	<b><u>\$ (25,002)</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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
<b>Debt Service:</b>			
Principal Retirement	\$ 388,773	403,226	\$ (14,453)
Interest and Fiscal Charges	57,354	57,768	(414)
<b>Total Debt Service</b>	<u>446,127</u>	<u>460,994</u>	<u>(14,867)</u>
<b>TOTAL EXPENDITURES</b>	<u>11,165,724</u>	<u>10,467,595</u>	<u>698,129</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,555,155)</u>	<u>397,871</u>	<u>1,953,026</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Disposal of Capital Assets	10,000	21,750	11,750
Insurance Proceeds from Casualty	-	112,365	112,365
Lease Purchase	850,000	850,000	-
Transfers In	705,155	665,798	(39,357)
Transfers Out	(10,000)	(1,025,000)	(1,015,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,555,155</u>	<u>624,913</u>	<u>(930,242)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>1,022,784</u>	<u>1,022,784</u>
FUND BALANCE, Beginning of Year	<u>4,114,461</u>	<u>4,114,461</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 4,114,461</u>	<u>5,137,245</u>	<u>\$ 1,022,784</u>

**TOWN OF FORT MILL, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**SEPTEMBER 30, 2014**

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	<u>SPECIAL REVENUE</u>	<u>TOAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents, Restricted	\$ 48,801	\$ 48,801
Receivables, Net:		
Other	11,065	11,065
<b>TOTAL ASSETS</b>	<u><u>59,866</u></u>	<u><u>59,866</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Restricted	59,866	59,866
TOTAL FUND BALANCES	<u>59,866</u>	<u>59,866</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 59,866</u></u>	<u><u>\$ 59,866</u></u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2014**

	<u>SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR FUNDS</u>
	<u>NARCOTICS</u>	
<b>REVENUES</b>		
Miscellaneous	\$ 18,777	\$ 18,777
Investment Earnings	42	42
<b>TOTAL REVENUES ALL SOURCES</b>	<u>18,819</u>	<u>18,819</u>
<b>EXPENDITURES</b>		
Current:		
Public Safety	3,246	3,246
<b>TOTAL EXPENDITURES</b>	<u>3,246</u>	<u>3,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>15,573</u>	<u>15,573</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	5,000	5,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>20,573</b>	<b>20,573</b>
FUND BALANCES, Beginning of Year	<u>39,293</u>	<u>39,293</u>
<b>FUND BALANCES, End of Year</b>	<u>\$ 59,866</u>	<u>\$ 59,866</u>

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2014

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>OPERATING REVENUES</b>					
Water Revenue and Penalties	\$ 2,580,230	2,513,737	-	2,513,737	\$ (66,493)
Sewer Revenues	2,448,530	2,360,936	-	2,360,936	(87,594)
York County Water Sales	20,000	684,275	-	684,275	664,275
Riverview Water Sales	150,000	153,722	-	153,722	3,722
Tega Cay Water Sales	261,330	274,697	-	274,697	13,367
Water Taps	242,000	609,385	-	609,385	367,385
Sewer Taps	300,000	724,600	-	724,600	424,600
Other Revenues	1,000	30,534	-	30,534	29,534
<b>TOTAL OPERATING REVENUES</b>	<b>6,003,090</b>	<b>7,351,886</b>	<b>-</b>	<b>7,351,886</b>	<b>1,348,796</b>
<b>OPERATING EXPENSES</b>					
Water:					
Water Purchases	1,200,000	1,215,757	-	1,215,757	(15,757)
Salaries	475,473	417,964	-	417,964	57,509
Fringe Benefits	156,850	135,698	-	135,698	21,152
Material and Supplies	150,000	163,371	-	163,371	(13,371)
Electricity	5,100	3,656	-	3,656	1,444
Permits	12,500	15,560	-	15,560	(3,060)
Water Meter Replacement	10,000	13,176	-	13,176	(3,176)
Equipment Repairs	10,000	891	-	891	9,109
Postage	35,000	34,266	-	34,266	734
Gas, Oil, and Grease	21,000	21,796	-	21,796	(796)
Street Maintenance	100,000	100,199	-	100,199	(199)
Miscellaneous	1,000	1,182	-	1,182	(182)
Auto Repairs	10,000	6,894	-	6,894	3,106
Uniforms	10,200	7,647	-	7,647	2,553
Water and Heat	1,000	1,267	-	1,267	(267)
Telephone	14,000	15,070	-	15,070	(1,070)
Travel/Training	6,900	2,697	-	2,697	4,203
Transportation	38,000	35,432	(35,432)	-	2,568
Membership/Dues	2,487	2,384	-	2,384	103
Advertising	4,000	1,139	-	1,139	2,861
Professional Services	255,000	194,489	-	194,489	60,511
Hydrant Repairs	20,000	20,000	-	20,000	-
Pre-Employment Expense	500	-	-	-	500
Lease Agreement	6,100	5,300	-	5,300	800
Contracted Services	80,000	60,961	-	60,961	19,039
Building Maintenance	1,500	2,879	-	2,879	(1,379)
Service Contracts	1,828	1,818	-	1,818	10
Capital Outlay	472,950	471,389	(54,993)	416,396	1,561
<b>\$ 3,101,388</b>	<b>2,952,882</b>	<b>(90,425)</b>	<b>2,862,457</b>	<b>\$ 148,506</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, 2014

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 334,199	325,458	-	325,458	\$ 8,741
Fringe Benefits	112,674	113,989	-	113,989	(1,315)
Electricity	87,250	75,832	-	75,832	11,418
Equipment Repairs	51,000	47,634	-	47,634	3,366
Material and Supplies	85,700	75,920	-	75,920	9,780
Electricity Lift Station	52,000	59,307	-	59,307	(7,307)
Alum	40,000	23,590	-	23,590	16,410
Professional Services	48,800	49,185	-	49,185	(385)
Contracted Services	114,000	93,852	-	93,852	20,148
Chemicals	30,000	20,357	-	20,357	9,643
Lab Supplies	5,000	3,864	-	3,864	1,136
Gas, Oil, and Grease	24,000	22,640	-	22,640	1,360
Service Contracts	5,000	420	-	420	4,580
Natural Gas	300	209	-	209	91
Auto Repairs	11,000	7,936	-	7,936	3,064
Telephone	5,000	4,723	-	4,723	277
Uniforms	8,600	6,669	-	6,669	1,931
Travel/Training	6,500	3,885	-	3,885	2,615
Transportation	25,000	28,483	(28,483)	-	(3,483)
Miscellaneous	184,387	(5,708)	-	(5,708)	190,095
Water and Heat	3,500	958	-	958	2,542
Building/Grounds Maintenance	11,000	1,128	-	1,128	9,872
Lime	19,250	5,443	-	5,443	13,807
Membership/Dues	1,478	670	-	670	808
Landfill Fees	83,000	95,326	-	95,326	(12,326)
Permits	3,500	2,805	-	2,805	695
Pump Station Repairs	90,000	93,296	-	93,296	(3,296)
Machinery and Equipment	182,500	84,850	(80,548)	4,302	97,650
Pump Station Monitoring	17,000	9,799	-	9,799	7,201
	<u>1,641,638</u>	<u>1,252,520</u>	<u>(109,031)</u>	<u>1,143,489</u>	<u>389,118</u>
Other Operating Expenses	30,000	32,618	-	32,618	(2,618)
Depreciation	-	-	850,577	850,577	-
TOTAL OPERATING EXPENSES	<u>4,773,026</u>	<u>4,238,020</u>	<u>651,121</u>	<u>4,889,141</u>	<u>535,006</u>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 1,230,064</b>	<b>3,113,866</b>	<b>(651,121)</b>	<b>2,462,745</b>	<b>\$ 1,883,802</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, 2014

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
York County - Southern Bypass	\$ -	19,750	-	19,750	\$ 19,750
Insurance Proceeds from Casualty	-	10,056	-	10,056	10,056
Investment Earnings	5,000	5,779	-	5,779	779
Debt Service	(1,133,707)	(312,553)	14,866	(297,687)	821,154
Tega Cay Water Line Payment	20,000	20,000	-	20,000	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,108,707)</u>	<u>(256,968)</u>	<u>14,866</u>	<u>(242,102)</u>	<u>851,739</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>121,357</b>	<b>2,856,898</b>	<b>(636,255)</b>	<b>2,220,643</b>	<b>2,735,541</b>
Donated Capital Assets	-	-	275,000	275,000	-
Transfers Out	(521,357)	(476,867)	-	(476,867)	44,490
<b>CHANGE IN NET POSITION</b>	<b>(400,000)</b>	<b>2,380,031</b>	<b>(361,255)</b>	<b>2,018,776</b>	<b>2,780,031</b>
NET POSITION, Beginning of Year	<u>16,254,259</u>	<u>16,254,259</u>	<u>-</u>	<u>16,254,259</u>	<u>-</u>
<b>NET POSITION, End of Year</b>	<b><u>\$ 15,854,259</u></b>	<b><u>18,634,290</u></b>	<b><u>(361,255)</u></b>	<b><u>18,273,035</u></b>	<b><u>\$ 2,780,031</u></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	\$ (850,577)
- Capital Asset Additions	199,456
- Donated Capital Assets (Infrastructure)	275,000
- Principal Payments on Debt and Capital Leases	14,866
Total GAAP Adjustments	<u><u>\$ (361,255)</u></u>

**TOWN OF FORT MILL, SOUTH CAROLINA**

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

**YEAR ENDED SEPTEMBER 30, 2014**

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**Court Fines, Assessments, and Surcharges**

Court Fines, Assessments, and Surcharges Collected	\$	180,641
Court Fines, Assessments, and Surcharges Retained by the Town		(77,238)
<b>Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer</b>	<b>\$</b>	<b>103,403</b>

**Victim Assistance Fund**

<b>Funds Available for Carryforward, Beginning of Year</b>	\$	-
Court Assessments Allocated to Victim Assistance Fund		10,512
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(10,512)
<b>Funds Available for Carryforward, End of Year</b>	<b>\$</b>	<b>-</b>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 16, 2015.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-1 to be a material weakness.

**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*.

**Town's Response to the Finding**

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
February 16, 2015

**TOWN OF FORT MILL, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED SEPTEMBER 30, 2014**

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**2014-1: LACK OF MANAGEMENT REVIEW OR MONITORING**

**Condition and Context:** The Town does not have an adequate review or monitoring process in place over various significant accounts and thus, has resulted in significant audit adjustments. We noted the following specific areas:

- 1) Garbage receivable / revenue
- 2) Water customer deposits liability
- 3) Water and Sewer receivables / revenues

**Criteria:** In order to ensure that transactions are recorded timely, accurately, and in accordance with GAAP, management must have an adequate system for reviewing and monitoring transactions and account balances.

**Effect:** Transactions may not be recorded properly, timely, and in accordance with GAAP. There is a higher risk that material misstatements (due to error or fraud) in the financial statements could go undetected and that the governing body may not receive accurate monthly financial reporting.

**Cause:** The Town has had significant turnover in their finance staff during the year making it difficult to maintain and monitor balance sheet accounts.

**Recommendation:** We would recommend that the Town implement a system to review and monitor significant trial balance accounts:

- 1) The Finance Director should review the general ledger for all funds at least monthly.
- 2) All balance sheet accounts should be reconciled and reviewed on a regular basis. At a minimum, all bank accounts, should be reconciled and reviewed monthly.

**Response:** The Town acknowledges that, due to limited staff, there was a lack of monitoring of various significant trial balance accounts and is implementing measures to remedy this matter.