

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020**

TOWN OF FORT MILL, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED SEPTEMBER 30, 2020

	<u>Page</u>
Table of Contents	i
Principal Officials	iii
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	14
Statement of Activities	15
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Positions - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to the Financial Statements	23
Required Supplementary Information	
<u>Budgetary Comparison Schedule</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	54
<u>Pension Plan Schedules</u>	
Schedule of the Town's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	55
Schedule of Contributions - South Carolina Retirement System	56
Schedule of the Town's Proportionate Share of the Net Pension Liability - South Carolina Police Officers Retirement System	57
Schedule of Contributions - South Carolina Police Officers Retirement System	58

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL SECTION (CONTINUED)

	<u>Page</u>
Supplementary Information	
<u>Other Budgetary Schedule</u>	
Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balances - Final Budget and Actual - General Fund	60
<u>Combining and Individual Fund Financial Schedules</u>	
Combining Balance Sheet - Non-Major Funds	64
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Funds	65
<u>Other Schedules</u>	
Schedule of Detailed Revenues, Expenses, and Changes in Fund Net Positions - Final Budget and Actuals - Gross Revenue Fund	66
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	69
 <u>COMPLIANCE SECTION</u> 	
Schedule of Expenditures of Federal Awards	73
Notes to the Schedule of Expenditures of Federal Awards	74
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Independent Auditor's Report - Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77
Summary Schedule of Prior Audit Findings	79
Schedule of Findings and Questioned Costs	80
Corrective Action Plan	83

TOWN OF FORT MILL, SOUTH CAROLINA

PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2020

Established

1873

MAYOR

Guynn H. Savage

TOWN COUNCIL MEMBERS

Ward 1 – James Shirey

Ward 2 – Ronald Helms, Mayor Pro-Tem

Ward 3 – Larry Huntley

Ward 4 – Chris Moody

At Large – Lisa Cook

At Large – Trudie Bolin Heemsoth

TOWN MANAGER

William D. Broom, II

FINANCE DIRECTOR

Chantay Bouler



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of Town Council
Town of 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, 2020, 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, 2020, 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.

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GREENVILLE, SC 864.232.0653	MAULDIN, SC 864.232.5204	CHARLESTON, SC 843.735.5805	SPARTANBURG, SC 864.232.5204	ANDERSON, SC 864.225.8713	ASHEVILLE, NC 828.771.0847
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OPEN BY APPOINTMENT ONLY

Heavy Equipment Rental Surcharge

As discussed in Note IV.C, since 2017 the Town has received funds related to a state mandated surcharge on heavy equipment rentals. In 2022, it was discovered that the Town was being remitted one vendor's heavy equipment rental statewide surcharges, some of which should have been remitted to other local governments across the state. The total funds received by the Town during the period of June 2017 through May 2022 totals approximately \$10.6 million. The Town is working with legal counsel and the South Carolina Department of Revenue to determine the amount it will need to pay back but the amount is not measurable at this time. 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, the budgetary comparison schedule, and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are 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 July 29, 2022 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 Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
July 29, 2022

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended September 30, 2020 ("FY 2020" or "2020") compared to the year ended September 30, 2019 ("FY 2019" or "2019"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by approximately \$115,118,000. Of this amount, approximately \$39,499,000 (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 \$14,844,000 (an increase of approximately \$6,684,000 from governmental activities and an increase of approximately \$8,160,000 from business-type activities), as total revenues of approximately \$47,212,000 exceeded total expenses of approximately \$32,368,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$44,596,000, an increase of approximately \$7,723,000 from the prior year. Of this total amount, 41%, or approximately \$18,290,000, 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 \$18,290,000, or 92% of total General Fund expenditures for 2020.
- The Town's total capital assets increased by approximately \$30,717,000 (40%) during the current fiscal year to approximately \$108,176,000, which was due to capital asset additions of approximately \$33,726,000 exceeding depreciation expense of approximately \$2,992,000 and net disposals of approximately \$17,000.
- The Town's long-term obligations increased by approximately \$17,862,000 (48%) during the current fiscal year to approximately \$55,439,000 due to the Town drawing down approximately \$16,095,000 from the 2019A State Revolving Fund loan and the issuance of the 2019 General Obligation bond of \$3,000,000, along with an increase in Compensated Absences of \$137,000 offset by principal payments of approximately \$1,277,000 and a reduction in debt premiums of \$92,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – the *Financial Section* (which includes the MD&A, the financial statements, required supplementary information, and 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 required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the Town's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, judicial, public works, public safety, culture and recreation, and community development. Taxes, business licenses, permits, and intergovernmental revenues finance most of these activities. The business-type activities are water/sewer and stormwater 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 eight 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, as they are major funds. Data from the other non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The governmental funds financial statements can be found as listed in the table of contents of this report.

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 enterprise funds to account for its Water/Sewer and Stormwater operations. The proprietary fund financial statements can be found as listed in the table of contents of this report.

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

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 budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with its budget. Required pension schedules have been included which provide relevant information regarding the Town’s participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents. In addition, the Town has provided other budgetary and supplemental schedules for most of the remaining funds as listed in the table of contents of this report.

Figure A-1 - Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses, and Changes in Fund Net Positions. ▪ Statement of Cash Flows.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows and liabilities and deferred inflows, 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, 2020

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, 2020 and 2019:

	Town's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$ 47,406,608	38,943,587	43,620,112	43,434,632	91,026,720	\$ 82,378,219
Capital Assets	33,094,994	29,203,304	75,080,872	48,256,014	108,175,866	77,459,318
Total Assets	<u>80,501,602</u>	<u>68,146,891</u>	<u>118,700,984</u>	<u>91,690,646</u>	<u>199,202,586</u>	<u>159,837,537</u>
Deferred Outflows of Resources	<u>4,489,155</u>	<u>3,211,179</u>	<u>1,019,418</u>	<u>621,116</u>	<u>5,508,573</u>	<u>3,832,295</u>
Liabilities						
Long-Term Liabilities	4,841,658	1,983,771	50,597,365	35,593,319	55,439,023	37,577,090
Net Pension Liability	19,503,049	16,011,513	4,309,756	3,276,510	23,812,805	19,288,023
Other Liabilities	2,471,710	1,836,080	7,772,556	4,554,246	10,244,266	6,390,326
Total Liabilities	<u>26,816,417</u>	<u>19,831,364</u>	<u>62,679,677</u>	<u>43,424,075</u>	<u>89,496,094</u>	<u>63,255,439</u>
Deferred Inflows of Resources	<u>80,556</u>	<u>116,904</u>	<u>16,297</u>	<u>23,538</u>	<u>96,853</u>	<u>140,442</u>
Net Position						
Net Investment in Capital Assets	31,188,574	27,179,806	27,785,454	24,670,398	58,974,028	51,850,204
Restricted	10,592,596	8,388,995	6,052,160	5,041,190	16,644,756	13,430,185
Unrestricted	16,312,614	15,841,001	23,186,814	19,152,561	39,499,428	34,993,562
Total Net Position	<u>\$ 58,093,784</u>	<u>51,409,802</u>	<u>57,024,428</u>	<u>48,864,149</u>	<u>115,118,212</u>	<u>\$ 100,273,951</u>

The Town's total assets increased by approximately \$39,365,000, or 25%, over the prior year. This increase was primarily due to an increase in cash and cash equivalents of approximately \$8,048,000 and an increase in capital assets of approximately \$30,717,000. Total liabilities at September 30, 2020 increased by approximately \$26,241,000 from the prior year. This increase is primarily due to an increase in long-term obligations of approximately \$17,862,000, an increase in the net pension liability of approximately \$4,524,000, and an increase in accounts and retainage payable of approximately \$3,052,000 (accrued construction payables). The changes in deferred outflows and inflows was primarily due to differences between expected and actual liability/investment, changes in assumptions, and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

The government's net position increased by approximately \$14,844,000 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 and deferred outflows exceeded liabilities and deferred inflows by approximately \$115,118,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$58,974,000 or 51%) 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.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town's net position (approximately \$16,645,000 or 15%) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related costs, future debt service payments, and capital projects (impact fees). The remaining balance is unrestricted net position of approximately \$39,499,000 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.

The following table shows the changes in net position for 2020 compared to 2019.

	Town's Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019*	2020	2019	2020	2019*
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,078,210	6,548,114	15,179,790	14,556,804	21,258,000	\$ 21,104,918
Operating Grants and Contributions	101,147	393,294	-	-	101,147	393,294
Capital Grants and Contributions	869,791	2,233,455	3,976,929	2,605,583	4,846,720	4,839,038
General Revenues:						
Property Taxes	11,445,536	9,860,486	-	-	11,445,536	9,860,486
Hospitality & Accommodations Taxes	1,275,792	1,548,871	-	-	1,275,792	1,548,871
Equipment Rental Fee	2,463,476	2,331,556	-	-	2,463,476	2,331,556
Business Licenses	4,436,843	4,233,988	-	-	4,436,843	4,233,988
Intergovernmental Revenue	523,589	494,606	-	-	523,589	494,606
Other Revenue	764,737	690,577	96,304	193,427	861,041	884,004
Total Revenues	27,959,121	28,334,947	19,253,023	17,355,814	47,212,144	45,690,761
Expenses:						
General Government	4,278,787	3,770,562	-	-	4,278,787	3,770,562
Judicial	244,199	221,758	-	-	244,199	221,758
Public Works	4,060,585	3,812,658	-	-	4,060,585	3,812,658
Public Safety	11,852,842	10,749,410	-	-	11,852,842	10,749,410
Culture and Recreation	1,578,409	2,105,980	-	-	1,578,409	2,105,980
Community Development	117,218	98,994	-	-	117,218	98,994
Interest and Fiscal Charges	135,711	47,067	-	-	135,711	47,067
Water/Sewer	-	-	9,024,032	11,347,730	9,024,032	11,347,730
Stormwater	-	-	1,076,100	822,500	1,076,100	822,500
Total Expenses	22,267,751	20,806,429	10,100,132	12,170,230	32,367,883	32,976,659
Change in Net Position Before Transfers	5,691,370	7,528,518	9,152,891	5,185,584	14,844,261	12,714,102
Transfers In (Out)	992,612	909,854	(992,612)	(909,854)	-	-
Change in Net Position	6,683,982	8,438,372	8,160,279	4,275,730	14,844,261	12,714,102
Net Position, Beginning of Year	51,409,802	42,971,430	48,864,149	44,588,419	100,273,951	87,559,849
Net Position, End of Year	<u>\$ 58,093,784</u>	<u>51,409,802</u>	<u>57,024,428</u>	<u>48,864,149</u>	<u>115,118,212</u>	<u>\$ 100,273,951</u>

*Certain amounts have been reclassified to agree to current year presentation.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Revenues and transfers in exceeded expenses by approximately \$6,684,000 in 2020 for its governmental activities. Revenues and transfers in decreased over the prior year by approximately \$293,000 to approximately \$28,952,000 primarily due to a decrease in capital grants and contributions (donated infrastructure) of approximately \$1,364,000, partially offset by an increase in property tax revenue of approximately \$1,585,000 due to higher assessed values. Expenses increased by approximately \$1,461,000 from the prior year to approximately \$22,268,000 primarily due to higher salaries/benefits (cost of living adjustment, adjustments from compensation study, and merit adjustments) and higher operating costs.

Business-Type Activities: Revenues exceeded expenses and transfers out by approximately \$8,160,000 for 2020 for its business-type activities. Revenues increased by approximately \$1,897,000 from the prior year to approximately \$19,253,000 primarily due to an increase in charges for services of approximately \$623,000 due to growth and an increase in capital grants and contributions of approximately \$1,371,000 primarily related to donated capital. Expenses and transfers out decreased by approximately \$1,987,000 to approximately \$11,093,000 primarily due to lower operating expenses.

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 \$44,596,000, an increase of approximately \$7,723,000 from the prior year. Approximately 41% of this total amount (approximately \$18,290,000) constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable related to prepaids, assigned for capital projects and community development, or restricted for either tourism related costs, parks and recreation, narcotics, or capital projects.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$18,432,000. 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 of approximately \$18,290,000 represents approximately 92% of total General Fund expenditures for 2020. The net increase in the fund balance of the General Fund was approximately \$6,357,000 during the current year. General Fund revenues increased over the prior year by approximately \$1,424,000 to approximately \$24,507,000 primarily due to an increase in property tax revenue of approximately \$1,464,000 due to higher assessed values. General Fund expenditures increased by approximately \$1,531,000 from the prior year to \$19,775,000 primarily due to higher salaries/benefits.

In addition, the fund balances of the Capital Projects Fund and non-major special revenue funds increased by approximately \$1,366,000. Highlights for all of the remaining governmental funds were as follows:

- The Town issued a General Obligation Bond for \$3,000,000 in the Capital Projects Fund.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$3,263,000.
- The Town collected approximately \$1,276,000 and \$1,012,000 in accommodation/hospitality taxes and impact fees in 2020, respectively.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

Proprietary Funds: The Town’s proprietary funds provide 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 \$55,600,000. Net position of the Town’s Stormwater Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$1,425,000. Factors concerning the operation of these funds have already been addressed in the discussion of the Town’s business-type activities.

Budgetary Highlights

The Town’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, Capital Projects Fund, and the Gross Revenue Fund (enterprise fund). There were no significant budget amendments made during FY 2020. General Fund revenues exceeded budgeted expectations by approximately \$2,543,000 or 12% primarily due to increases over budget in taxes revenues of approximately \$1,167,000, fines, fees, licenses and permits revenues of approximately \$943,000, and intergovernmental revenues of approximately \$516,000. General Fund expenditures were under budgeted expectations by approximately \$3,719,000 or 16%, primarily due to all departments and capital outlay coming in under budget. The favorable variance to budget is primarily due to unfilled positions and the timing of capital outlay.

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, 2020, was approximately \$33,095,000 and \$75,081,000, respectively (net of accumulated depreciation). These capital assets include land, construction in progress, land improvements, infrastructure, buildings and improvements, equipment, and vehicles. The capital assets (net of accumulated depreciation) as of September 30, 2020 and 2019 were as follows:

Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 8,798,279	8,798,279	832,805	832,805	9,631,084	\$ 9,631,084
Construction in Progress	1,292,905	2,148,921	33,033,678	8,561,858	34,326,583	10,710,779
Land Improvements	31,005	49,205	-	-	31,005	49,205
Infrastructure	9,783,768	9,001,644	36,219,776	33,677,625	46,003,544	42,679,269
Buildings & Improvements	9,245,173	5,494,510	2,568,130	2,640,378	11,813,303	8,134,888
Equipment	1,195,257	872,079	1,837,356	1,911,010	3,032,613	2,783,089
Vehicles	2,748,607	2,838,666	589,127	632,338	3,337,734	3,471,004
Total	\$ 33,094,994	29,203,304	75,080,872	48,256,014	108,175,866	\$ 77,459,318

Major capital asset events during the current year include:

- Additional construction in progress of approximately \$27,448,000 (water/sewer system, fire station, park, etc.).
- Purchase of vehicles for approximately \$545,000.
- Purchase of equipment for approximately \$677,000.
- Additions of infrastructure of approximately \$4,877,000, of which approximately \$4,738,000 was donated to the Town.
- Net disposals of approximately \$17,000.
- Depreciation expense of approximately \$2,992,000.

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt: As of September 30, 2020, the Town had total bonded debt outstanding of approximately \$52,542,000, of which approximately \$3,787,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$593,000 in lease purchase obligations outstanding at year end. The Town's long-term debt obligations as of September 30, 2020 and 2019 were as follows:

Town's Long-Term Debt Obligations

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 3,786,897	886,005	-	-	3,786,897	\$ 886,005
Revenue Bonds and SRF Loan	-	-	48,755,021	33,483,296	48,755,021	33,483,296
Lease Purchases/Capital Lease	592,795	751,769	-	196,334	592,795	948,103
Debt Premiums	-	-	1,760,851	1,853,301	1,760,851	1,853,301
Total	<u>\$ 4,379,692</u>	<u>1,637,774</u>	<u>50,515,872</u>	<u>35,532,931</u>	<u>54,895,564</u>	<u>\$ 37,170,705</u>

The Town's long-term debt obligations increased by approximately \$17,725,000 (48%) during the current fiscal year due to the Town drawing down approximately \$16,095,000 from the 2019A State Revolving Fund loan and the issuance of the 2019 General Obligation bond of \$3,000,000, offset by principal payments of approximately \$1,277,000 and a reduction in debt premiums of \$92,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2020 was approximately \$10,532,000. The legal debt margin was approximately \$6,745,000.

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

ECONOMIC FACTORS

The Town is located within the Charlotte Metropolitan Statistical Area ("MSA") in the Southeastern region of the United States. The Town continues to be one of the fastest growing municipalities in the state, region, and nation. New development in the Town continues to exceed pre-recession levels with permits being issued on over \$233 million worth of construction projects. Town officials expect to see this trend continue over the next reporting period and into the next decade.

The Town's revenues and population will continue to increase. As of April 1, 2020, the Town had an official census population of 24,521 residents. The Town's population has increased 126.8% since the 2010 Census. The town's population is projected to approach 40,000 residents by the year 2040. This growth rate is significantly higher than the growth rates of the state and nation.

The average education level for the Town residents age 25+ is higher than both the state and national average, with 95.7% of all residents possessing at least a high school diploma, and 51.1% with a bachelor's degree or higher. The median household income of \$101,699 exceeds the state median by 85.4%. The median value of all owner-occupied homes was \$305,400 in 2020 and is projected to increase over the coming years.

Economic development activities in the next reporting period are expected to be strong, even as COVID-19 continues to place a burden on activities within our community and others. Major commercial centers continue to see activity within the Town, including a continued revitalization of the historic downtown. One of the Town's newest commercial corridors, Fort Mill Parkway, continued to see new commercial development being permitted with additional inquiries sought frequently given its proximity to large residential centers as well as the proposed Harris Teeter shopping center. Several additional commercial projects are in various stages of approvals within the Town, including an estimated \$170 million, 222,000 square foot hospital. These projects will further expand the Town's commercial tax base.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2020

ECONOMIC FACTORS (CONTINUED)

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

Management is forecasting a strong fiscal year ended September 30, 2021 ("FY 2021") and does not project a downturn based on current and planned investment within the Town even with the impacts of COVID-19. As commercial development continues to follow the expansive residential growth, the Town is expected to develop a larger and more diverse tax base.

NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The adopted General Fund budget for FY 2021 is approximately \$23,838,000. Rates associated with the Town's solid waste collections were unchanged at \$19.00 per customer per month; property tax rates, business license, and building permit fees remained constant.

REQUESTS FOR TOWN INFORMATION

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 200 Tom Hall Street, Fort Mill, South Carolina, 29715.

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BASIC FINANCIAL STATEMENTS

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 31,389,801	24,549,128	\$ 55,938,929
Cash and Cash Equivalents, Restricted	14,313,133	15,556,677	29,869,810
Receivables, Net:			
Property Taxes	527,661	-	527,661
Accounts	237,789	2,788,590	3,026,379
Other	627,542	185,250	812,792
Internal Balances	(534,814)	534,814	-
Due From:			
Federal Government	38,546	-	38,546
State Government	741,846	-	741,846
Prepaid Expenses	65,104	5,653	70,757
Capital Assets:			
Non-Depreciable	10,091,184	33,866,483	43,957,667
Depreciable, Net	23,003,810	41,214,389	64,218,199
TOTAL ASSETS	80,501,602	118,700,984	199,202,586
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	4,489,155	1,019,418	5,508,573
LIABILITIES			
Accounts Payable	857,775	3,969,049	4,826,824
Accrued Interest Payable	42,234	477,947	520,181
Accrued Salaries and Fringe Benefits	894,069	110,488	1,004,557
Customer Deposits	-	189,775	189,775
Other Accrued Expenses	14,509	-	14,509
Retainage Payable	91,136	2,859,547	2,950,683
Unearned Revenues	571,987	165,750	737,737
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	884,600	911,000	1,795,600
Long-Term Obligations - Due in More Than One Year	3,957,058	49,686,365	53,643,423
Net Pension Liability - Due in More Than One Year	19,503,049	4,309,756	23,812,805
TOTAL LIABILITIES	26,816,417	62,679,677	89,496,094
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	80,556	16,297	96,853
NET POSITION			
Net Investment in Capital Assets	31,188,574	27,785,454	58,974,028
Restricted For:			
Restricted for Depreciation Reserve/Operations and Maintenance Reserve	-	3,861,190	3,861,190
Debt Service	-	2,190,970	2,190,970
Tourism Related Costs	5,977,579	-	5,977,579
Parks and Recreation	234,529	-	234,529
Narcotics	59,208	-	59,208
Capital Projects (Impact Fees)	4,321,280	-	4,321,280
Unrestricted	16,312,614	23,186,814	39,499,428
TOTAL NET POSITION	\$ 58,093,784	57,024,428	\$ 115,118,212

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, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 4,278,787	2,968,161	-	-	(1,310,626)		\$ (1,310,626)
Judicial	244,199	40,097	-	-	(204,102)		(204,102)
Public Works	4,060,585	1,675,234	-	869,791	(1,515,560)		(1,515,560)
Public Safety	11,852,842	552,332	31,731	-	(11,268,779)		(11,268,779)
Culture and Recreation	1,578,409	842,386	69,416	-	(666,607)		(666,607)
Community Development	117,218	-	-	-	(117,218)		(117,218)
Interest and Fiscal Charges	135,711	-	-	-	(135,711)		(135,711)
Total Governmental Activities	22,267,751	6,078,210	101,147	869,791	(15,218,603)		(15,218,603)
Business-Type Activities:							
Water/Sewer	9,024,032	14,299,534	-	3,976,929		9,252,431	9,252,431
Stormwater	1,076,100	880,256	-	-		(195,844)	(195,844)
Total Business-Type Activities	10,100,132	15,179,790	-	3,976,929		9,056,587	9,056,587
TOTAL - PRIMARY GOVERNMENT	\$ 32,367,883	21,258,000	101,147	4,846,720	(15,218,603)	9,056,587	(6,162,016)
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					11,445,536	-	11,445,536
Hospitality Taxes					918,968	-	918,968
Accommodations Taxes					356,824	-	356,824
Equipment Rental Fee					2,463,476	-	2,463,476
Business Licenses					4,436,843	-	4,436,843
Intergovernmental Revenue					523,589	-	523,589
Investment Income					120,886	88,966	209,852
Miscellaneous					595,551	-	595,551
Insurance Recoveries					48,300	7,338	55,638
Transfers In (Out)					992,612	(992,612)	-
Total General Revenues and Transfers					21,902,585	(896,308)	21,006,277
CHANGES IN NET POSITION					6,683,982	8,160,279	14,844,261
NET POSITION, Beginning of Year					51,409,802	48,864,149	100,273,951
NET POSITION, End of Year					\$ 58,093,784	57,024,428	\$ 115,118,212

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, 2020

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 23,926,151	7,463,650	-	\$ 31,389,801
Cash and Cash Equivalents, Restricted	-	3,187,491	11,125,642	14,313,133
Receivables, Net:				
Property Taxes	527,661	-	-	527,661
Garbage	237,789	-	-	237,789
Other	444,581	15,641	167,320	627,542
Due From:				
Other Funds	7,294,189	5,618,588	17,656	12,930,433
Federal Government	38,546	-	-	38,546
State Government	741,846	-	-	741,846
Prepaid Expenses	65,104	-	-	65,104
TOTAL ASSETS	<u>\$ 33,275,867</u>	<u>16,285,370</u>	<u>11,310,618</u>	<u>\$ 60,871,855</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 406,575	388,554	62,646	\$ 857,775
Accrued Salaries and Fringe Benefits	894,069	-	-	894,069
Other Accrued Expenses	14,509	-	-	14,509
Retainage Payable	-	91,136	-	91,136
Due to Other Funds	12,575,342	-	889,905	13,465,247
Unearned Revenues	571,987	-	-	571,987
TOTAL LIABILITIES	<u>14,462,482</u>	<u>479,690</u>	<u>952,551</u>	<u>15,894,723</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	381,031	-	-	381,031
FUND BALANCES				
Nonspendable - Prepaids	65,104	-	-	65,104
Restricted For:				
Tourism Related Costs	-	-	5,977,579	5,977,579
Parks and Recreation	-	234,529	-	234,529
Narcotics	-	-	59,208	59,208
Capital Projects (Impact Fees)	-	-	4,321,280	4,321,280
Capital Projects (Unspent Bond Proceeds)	-	2,952,962	-	2,952,962
Assigned For:				
Capital Projects	-	12,618,189	-	12,618,189
Community Development	77,138	-	-	77,138
Unassigned	18,290,112	-	-	18,290,112
TOTAL FUND BALANCES	<u>18,432,354</u>	<u>15,805,680</u>	<u>10,358,067</u>	<u>44,596,101</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 33,275,867</u>	<u>16,285,370</u>	<u>11,310,618</u>	<u>\$ 60,871,855</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

SEPTEMBER 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 44,596,101
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 governmental funds.	381,031
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 \$43,499,599, and the accumulated depreciation was \$10,404,605.	33,094,994
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 governmental funds.	(42,234)
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(15,094,450)
Long-term liabilities, including debt premiums, are not due or payable in the current period, and therefore are not reported as liabilities in the governmental funds. Governmental fund long-term liabilities at year-end consisted of the following:	
Long-Term Debt (including Lease Purchases)	(4,379,692)
Compensated Absences	<u>(461,966)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 58,093,784</u></u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2020

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 11,324,000	-	1,275,792	\$ 12,599,792
Fines, Fees, Licenses and Permits	7,157,350	-	1,011,883	8,169,233
Charges for Service	1,940,482	12,000	-	1,952,482
Grants	69,416	-	-	69,416
Intergovernmental	2,987,065	-	-	2,987,065
Miscellaneous	1,011,419	-	9,203	1,020,622
Investment Earnings	17,640	71,419	31,825	120,884
TOTAL REVENUES	24,507,372	83,419	2,328,703	26,919,494
EXPENDITURES				
Current:				
General Government	3,808,220	-	-	3,808,220
Judicial	222,069	-	-	222,069
Public Works	3,397,129	-	-	3,397,129
Public Safety	9,804,180	-	8,115	9,812,295
Culture and Recreation	1,071,440	-	-	1,071,440
Community Development	-	-	117,218	117,218
Capital Outlay	1,169,848	3,262,539	-	4,432,387
Debt Service:				
Principal Retirement	258,082	-	-	258,082
Interest and Fiscal Charges	44,446	74,613	-	119,059
TOTAL EXPENDITURES	19,775,414	3,337,152	125,333	23,237,899
EXCESS OF REVENUES OVER EXPENDITURES	4,731,958	(3,253,733)	2,203,370	3,681,595
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	48,300	-	-	48,300
Issuance of General Obligation Bond	-	3,000,000	-	3,000,000
Transfers In	1,576,702	-	-	1,576,702
Transfers Out	-	(584,090)	-	(584,090)
TOTAL OTHER FINANCING SOURCES (USES)	1,625,002	2,415,910	-	4,040,912
CHANGES IN FUND BALANCES	6,356,960	(837,823)	2,203,370	7,722,507
FUND BALANCES, Beginning of Year	12,075,394	16,643,503	8,154,697	36,873,594
FUND BALANCES, End of Year	\$ 18,432,354	15,805,680	10,358,067	\$ 44,596,101

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, 2020

TOTAL CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 7,722,507
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.	121,536
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	258,082
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.	(3,000,000)
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 governmental 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. This amount represents the change in accrued interest for the year.	(16,652)
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(2,177,212)
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.	(115,969)
In the Statement of Activities, capital assets donated/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.	869,791
Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(17,355)
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 cash capital asset additions of \$4,313,404 exceeded depreciation expense of \$1,274,150 in the current period.	3,039,254
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,683,982</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 NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	<u>GROSS REVENUE FUND</u>	<u>NON-MAJOR STORMWATER FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 21,659,301	2,889,827	\$ 24,549,128
Cash and Cash Equivalents, Restricted	15,556,677	-	15,556,677
Receivables, Net:			
Accounts	2,788,590	-	2,788,590
Other	117,528	67,722	185,250
Due from Other Funds	7,513,261	13,651	7,526,912
Prepaid Expenses	4,397	1,256	5,653
Total Current Assets	<u>47,639,754</u>	<u>2,972,456</u>	<u>50,612,210</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	33,866,483	-	33,866,483
Depreciable, Net	40,518,836	695,553	41,214,389
Total Non-Current Assets	<u>74,385,319</u>	<u>695,553</u>	<u>75,080,872</u>
TOTAL ASSETS	<u>122,025,073</u>	<u>3,668,009</u>	<u>125,693,082</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	<u>799,244</u>	<u>220,174</u>	<u>1,019,418</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	3,930,600	38,449	3,969,049
Accrued Interest Payable	477,947	-	477,947
Accrued Salaries and Fringe Benefits	84,304	26,184	110,488
Retainage Payable	2,859,547	-	2,859,547
Due to Other Funds	5,542,206	1,449,892	6,992,098
Customer Deposits	189,775	-	189,775
Unearned Revenues	165,750	-	165,750
Current Portion of Compensated Absences	51,000	11,000	62,000
Current Portion of Revenue Bonds	849,000	-	849,000
Total Current Liabilities	<u>14,150,129</u>	<u>1,525,525</u>	<u>15,675,654</u>
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	15,971	3,522	19,493
Revenue Bonds, Less Current Portion	49,666,872	-	49,666,872
Net Pension Liability	3,378,930	930,826	4,309,756
Total Non-Current Liabilities	<u>53,061,773</u>	<u>934,348</u>	<u>53,996,121</u>
TOTAL LIABILITIES	<u>67,211,902</u>	<u>2,459,873</u>	<u>69,671,775</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	<u>12,777</u>	<u>3,520</u>	<u>16,297</u>
NET POSITION			
Net Investment in Capital Assets	27,089,901	695,553	27,785,454
Restricted for Depreciation Reserve/Operations and Maintenance Reserve	3,861,190	-	3,861,190
Restricted for Debt Service	2,190,970	-	2,190,970
Unrestricted	22,457,577	729,237	23,186,814
TOTAL NET POSITION	<u>\$ 55,599,638</u>	<u>1,424,790</u>	<u>\$ 57,024,428</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2020

	GROSS REVENUE FUND	NON-MAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES			
Water Revenue and Penalties	\$ 4,503,848	-	\$ 4,503,848
Sewer Revenues	4,567,227	-	4,567,227
Riverview Water Sales	223,775	-	223,775
Tega Cay Water Sales	847,741	-	847,741
Water Taps	2,685,074	-	2,685,074
Sewer Taps	1,341,441	-	1,341,441
Stormwater Revenues	-	869,568	869,568
Other Revenues	130,428	10,688	141,116
TOTAL OPERATING REVENUES	14,299,534	880,256	15,179,790
OPERATING EXPENSES			
Water	4,919,295	-	4,919,295
Sewer	1,259,372	-	1,259,372
Personnel Expenses	-	753,809	753,809
Contractual Expenses	-	46,054	46,054
Materials and Supplies	-	63,552	63,552
Other Operating Expenses	68,657	100,817	169,474
Depreciation	1,605,763	111,868	1,717,631
TOTAL OPERATING EXPENSES	7,853,087	1,076,100	8,929,187
OPERATING INCOME (LOSS)	6,446,447	(195,844)	6,250,603
NON-OPERATING REVENUES (EXPENSES)			
Grants	108,993	-	108,993
Insurance Recoveries from Casualty	7,338	-	7,338
Investment Earnings	88,966	-	88,966
Interest Expense and Fiscal Charges	(1,170,945)	-	(1,170,945)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(965,648)	-	(965,648)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	5,480,799	(195,844)	5,284,955
Capital Contributions - Donated Infrastructure	3,867,936	-	3,867,936
Transfers Out	(992,612)	-	(992,612)
CHANGES IN NET POSITION	8,356,123	(195,844)	8,160,279
NET POSITION, Beginning of Year	47,243,515	1,620,634	48,864,149
NET POSITION, End of Year	\$ 55,599,638	1,424,790	\$ 57,024,428

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2020

	GROSS REVENUE FUND	NON-MAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Fees and Services	\$ 14,206,606	864,726	\$ 15,071,332
Receipts from Other Revenues	103,793	-	103,793
Payments for Personnel Services	(1,969,776)	(539,400)	(2,509,176)
Payments for Goods and Services	(4,055,847)	(177,947)	(4,233,794)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,284,776</u>	<u>147,379</u>	<u>8,432,155</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers From (To) Other Funds	(4,427,006)	483,338	(3,943,668)
Other Non-Operating Receipts (Payments)	7,338	-	7,338
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(4,419,668)</u>	<u>483,338</u>	<u>(3,936,330)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(21,177,066)	(98,585)	(21,275,651)
Debt and Capital Lease Principal Payments	(1,019,334)	-	(1,019,334)
Borrowing/Proceeds from Debt	15,720,433	-	15,720,433
Proceeds from Grants	108,993	-	108,993
Interest Paid on Debt	(1,263,395)	-	(1,263,395)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,630,369)</u>	<u>(98,585)</u>	<u>(7,728,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income Received on Investments	88,966	-	88,966
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>88,966</u>	<u>-</u>	<u>88,966</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,676,295)	532,132	(3,144,163)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	40,892,273	2,357,695	43,249,968
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	\$ 37,215,978	2,889,827	\$ 40,105,805
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 6,446,447	(195,844)	\$ 6,250,603
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation Expense	1,605,763	111,868	1,717,631
Change in Accounts Representing Operating Activities			
Receivables	2,400	(15,530)	(13,130)
Prepaid Expenses	6,950	1,885	8,835
Deferred Pension Charges	(296,106)	(102,196)	(398,302)
Accounts Payable	(227,783)	30,591	(197,192)
Accrued Salaries & Fringe Benefits	931	7,204	8,135
Customer Deposits	8,465	-	8,465
Compensated Absences	19,222	1,883	21,105
Net Pension Liability	724,777	308,469	1,033,246
Deferred Pension Credits	(6,290)	(951)	(7,241)
Net Cash Provided by Operating Activities	<u>\$ 8,284,776</u>	<u>147,379</u>	<u>\$ 8,432,155</u>
Non-Cash Capital and Related Financing Activities:			
Donated Capital Assets	\$ 3,867,936	-	\$ 3,867,936
Amortization of Bond Premiums	92,450	-	92,450
Change in Borrowing/Proceeds from Debt Not Yet Received	374,292	-	374,292
Change in Acquisition of Capital Assets Not Yet Paid For	\$ 3,398,902	-	\$ 3,398,902

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, 2020

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. The Council is composed of a Mayor and six Council members. The Mayor and two Council members are elected at-large and four Council members are elected on a single member ward basis. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

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 does not have the ability to impose its will on the Authority as its 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), culture and recreation, and community development. In addition, the Town provides water/sewer and stormwater services through its enterprise funds (business-type activities).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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 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, fees, and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user 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 Funds’ financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise fees, licenses, permits, 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 generally 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 lease purchases/capital leases are reported as other financing sources.

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The **Special Revenue Funds, non-major funds** and budgeted 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. Some of these funds are budgeted and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The Town has the following special revenue funds: Narcotics Fund, Local Accommodations Tax Fund, Fire Impact Fees Fund, Municipal Facilities Impact Fees Fund, Parks & Recreation Impact Fees Fund, and Hospitality Tax 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 user fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary Fund types include the following funds:

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town has two Enterprise Funds:

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

The *Stormwater Fund, a non-major fund* and a budgeted fund, is used to account for the Town's stormwater drainage operations.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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)

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices.

The Town currently or in the past year has used the following investments:

- US securities are generally treasury notes, treasury bonds, treasury bills, and related securities which are debt obligations of the U.S. government (lending money to the federal government for a specified period of time). These debt obligations are backed by the "full faith and credit" of the government, and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments.
- Overnight repurchase agreements which are collateralized by U.S. securities or by securities issued from public government-sponsored organizations.

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 (i.e. accommodation tax, hospitality tax, impact fees, etc.) and (b) bond indenture requirements (i.e. debt service, depreciation reserve, etc.)

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 have not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). 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 are accounted for using the consumption method (expensed when consumed).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 estimated acquisition value (as estimated by the Town) at the date of donation. 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 Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" ("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.

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

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

5. Compensated Absences

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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*

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, non-current portion of lease purchases/capital leases, compensated absences, contractually required pension contributions, special termination benefits and other miscellaneous long-term obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due and payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts (if material) are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

7. *Deferred Outflows/Inflows of Resources*

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Council, 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 Council 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 of resources and liabilities and deferred inflows of resources 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 borrowings which have not been spent are 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of June 30th of the Town's current fiscal year.

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

11. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. 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.

13. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances 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.

14. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 8. Encumbrances lapse but are generally 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, 2020.

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, 2020, none of the Town’s bank balances of approximately \$34,658,000 (which had a carrying value of approximately \$34,510,000) were exposed to custodial credit risk.

Investments

As of September 30, 2020, the Town had the following investments and maturities:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
US Treasury Bills	Level 1	*	\$ 1,099,777	< 1 Year
Overnight repurchase agreements	N/A	UR	50,198,731	< 1 Year
Total			\$ 51,298,508	

(1) See Note I.C.11 for details of the Town’s fair value hierarchy.

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

*US Treasury Bills are not considered to have credit risk. Credit ratings for these investments have not been disclosed.

N/A – Not Applicable

UR – Unrated

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, 2020, approximately \$50,199,000 of the Town’s investments were exposed to custodial credit risk because the securities were uninsured, unregistered and were being held by the counterparty’s agent but not in the Town’s name.

Credit Risk for Investments: 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. The Town has cash management overnight repurchase agreements which are collateralized by Fannie Mae securities which comprise approximately 98% of the Town’s total investments.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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

A. Deposits and Investments (Continued)

Investments (Continued)

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2020 were related to (a) bond and lease agreements (\$18,510,000), (b) accommodation taxes (\$1,751,000), (c) hospitality taxes (\$4,395,000), (d) impact fees (\$4,921,000), and (e) other (\$293,000).

B. Receivables and Unavailable Revenues

Property Taxes and Unavailable Revenues

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, 2020, millage was set at 86.0 mills (same as prior year) to cover general Town services and uses. The Town's assessed value of real and personal property was approximately \$131.7 million for the tax year 2020.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2020 of approximately \$528,000 (net of allowance for uncollectible portion of approximately \$17,000) for the General Fund. Delinquent property taxes of approximately \$147,000 have been recognized as revenue at September 30, 2020 because it was collected within 60 days of year end. The remaining delinquent property tax receivable of approximately \$381,000 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 receivables primarily related to its garbage services and water/sewer operations of approximately \$238,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$2,789,000 (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, 2020 (garbage service receivables are considered available as they are expected to be collected within 60 days of year-end). The Town also has other receivables of approximately \$813,000 primarily related to franchise fees, accommodation taxes, and hospitality taxes.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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, 2020, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Receivables	Payables
<u>Major Funds:</u>		
General Fund	\$ 7,294,189	\$ 12,575,342
Capital Projects Fund	5,618,588	-
Gross Revenue Fund	7,513,261	5,542,206
<u>Other Non-Major Funds:</u>		
Narcotics Fund	-	9,661
Local Accommodations Tax Fund	7,905	67,032
Fire Impact Fees Fund	760	603,407
Municipal Facilities Impact Fees Fund	781	1,323
Parks and Recreation Impact Fees Fund	7,682	4,611
Hospitality Tax Fund	528	203,871
Stormwater Fund	13,651	1,449,892
Totals	<u>\$ 20,457,345</u>	<u>\$ 20,457,345</u>

The interfund receivables and payables are primarily the result of the General Fund collecting the revenues and financing operating and capital expenditures/expenses for the other funds.

Interfund Transfers

Interfund transfers for the year ended September 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 1,576,702	\$ -
Capital Projects Fund	-	584,090
Gross Revenue Fund	-	992,612
Totals	<u>\$ 1,576,702</u>	<u>\$ 1,576,702</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town transferred approximately \$584,000 from its Capital Projects Fund to the General Fund to cover capital expenditures. In addition, the Town transferred approximately \$993,000 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, 2020

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, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 8,798,279	-	-	-	\$ 8,798,279
Construction in Progress	2,148,921	2,976,202	-	(3,832,218)	1,292,905
Total Capital Assets, Non-Depreciable	10,947,200	2,976,202	-	(3,832,218)	10,091,184
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	9,814,209	1,008,991	-	41,658	10,864,858
Building and Improvements	8,134,325	178,648	-	3,790,560	12,103,533
Equipment	2,978,907	578,651	-	-	3,557,558
Vehicles	6,213,457	440,703	44,979	-	6,609,181
Total Capital Assets, Depreciable	27,414,183	2,206,993	44,979	3,832,218	33,408,415
Less: Accumulated Depreciation for:					
Land Improvements	224,080	18,200	-	-	242,280
Infrastructure	812,565	268,525	-	-	1,081,090
Building and Improvements	2,639,815	218,545	-	-	2,858,360
Equipment	2,106,828	255,473	-	-	2,362,301
Vehicles	3,374,791	513,407	27,624	-	3,860,574
Total Accumulated Depreciation	9,158,079	1,274,150	27,624	-	10,404,605
Total Capital Assets, Depreciable, Net	18,256,104	932,843	17,355	3,832,218	23,003,810
Governmental Activities Capital Assets, Net	\$ 29,203,304	3,909,045	17,355	-	\$ 33,094,994

Capital asset additions and depreciation expense for the Town’s governmental activities were charged/allocated to functions/programs for the year ended September 30, 2020 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 138,844	\$ 153,897
Public Safety	2,678,937	499,757
Public Works	1,265,109	511,840
Culture and Recreation	1,100,305	108,656
Totals - Governmental Activities	\$ 5,183,195	\$ 1,274,150

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 832,805	-	-	-	\$ 832,805
Construction in Progress	8,561,858	24,471,820	-	-	33,033,678
Total Capital Assets, Non-Depreciable	9,394,663	24,471,820	-	-	33,866,483
Capital Assets, Depreciable:					
Infrastructure	50,861,768	3,867,936	-	-	54,729,704
Building and Improvements	2,937,742	-	-	-	2,937,742
Equipment	2,762,641	98,585	-	-	2,861,226
Vehicles	1,186,691	104,148	-	-	1,290,839
Total Capital Assets, Depreciable	57,748,842	4,070,669	-	-	61,819,511
Less: Accumulated Depreciation for:					
Infrastructure	17,184,143	1,325,785	-	-	18,509,928
Building and Improvements	297,364	72,248	-	-	369,612
Equipment	851,631	172,239	-	-	1,023,870
Vehicles	554,353	147,359	-	-	701,712
Total Accumulated Depreciation	18,887,491	1,717,631	-	-	20,605,122
Total Capital Assets, Depreciable, Net	38,861,351	2,353,038	-	-	41,214,389
Business-Type Activities Capital Assets, Net	\$ 48,256,014	26,824,858	-	-	\$ 75,080,872

Capital asset additions and depreciation expense from the Town’s business-type activities were charged/allocated to functions/programs for the year ended September 30, 2020 as follows:

Function/Program	Capital Asset Additions	Depreciation Expense
Water/Sewer	\$ 28,443,904	\$ 1,605,763
Stormwater	98,585	111,868
Totals	\$ 28,542,489	\$ 1,717,631

The cost of capital assets that were purchased under capital lease was approximately \$3,011,000. Accumulated amortization was approximately \$2,095,000 at September 30, 2020. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

The Town has several projects as of September 30, 2020, primarily consisting of ongoing costs for the park upgrades, water tank and water line improvements, and the sewer treatment expansion project. The Town had remaining commitments on construction contracts of approximately \$24,799,000 at September 30, 2020.

The Town’s governmental and business-type activities receive from time-to-time donated capital assets (generally street and water/sewer infrastructure) from subdivisions/projects that are given to the Town from various parties. In 2020, the Town received infrastructure donations of approximately \$4,738,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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

E. Long-Term Obligations

The Town issues bonds to provide for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith 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 revenue bonds, lease purchase obligations, and capital lease obligations nor the interest thereon.

Each of the Town’s outstanding debt, lease purchase, and capital lease obligations are either direct borrowings/placements (“DBP”) or publicly traded (“PT”). Obligations through DBP are generally secured/collateralized by the underlying assets and contain provisions that in an event of default (a) outstanding amounts can become immediately due if the Town is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

Details on the Town’s governmental activities outstanding debt and lease purchase obligations as of September 30, 2020 are as follows:

	Outstanding at Year End
General Obligation Bonds	
\$1,500,000 general obligation bonds (DBP) 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.	\$ 786,897
\$3,000,000 general obligation bonds (DBP) issued in December, 2019 (“Series 2019”), due in annual installments ranging from \$273,000 and \$328,000 beginning December 1, 2020 through December 1, 2029 which includes interest at 2.03%. The proceeds from this issue were used to defray the cost of designing and constructing recreational facilities.	3,000,000
Total Outstanding General Obligation Bonds	<u>\$ 3,786,897</u>
Lease Purchase Obligations	
\$850,000 lease purchase (DBP) 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.	\$ 366,470
\$512,000 lease purchase (DBP) was entered into in July 2016, with annual installments of \$77,838 beginning July 20, 2017 through July 20, 2023 which includes interest at 1.580%. The proceeds were primarily used to fund the acquisition of equipment/vehicles.	226,325
Total Lease Purchase Obligations	<u>\$ 592,795</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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

E. Long-Term Obligations (Continued)

Details on the Town’s governmental activities outstanding debt and lease purchase obligations as of September 30, 2020 are as follows:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds:					
GOB - Series 2012 - DBP	\$ 886,005	-	99,108	786,897	\$ 102,230
GOB - Series 2019 - DBP	-	3,000,000	-	3,000,000	273,000
Total Bonds	<u>886,005</u>	<u>3,000,000</u>	<u>99,108</u>	<u>3,786,897</u>	<u>375,230</u>
Lease Purchases:					
2013 Pumper Truck - DBP	452,337	-	85,867	366,470	88,108
2016 Equipment Lease - DBP	299,432	-	73,107	226,325	74,262
Total Lease Purchases	<u>751,769</u>	<u>-</u>	<u>158,974</u>	<u>592,795</u>	<u>162,370</u>
Compensated Absences	345,997	338,595	222,626	461,966	347,000
Total Governmental Activities	<u>\$ 1,983,771</u>	<u>3,338,595</u>	<u>480,708</u>	<u>4,841,658</u>	<u>\$ 884,600</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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

E. Long-Term Obligations (Continued)

Details on the Town’s business-type activities outstanding debt obligations as of September 30, 2020 are as follows:

	Outstanding at Year End
<i>Revenue Bonds and State Revolving Fund Loans</i>	
\$6,152,000 waterworks and sewer system refunding revenue bonds (DBP) issued in January, 2011 (“2011 Refunding Bonds”), due in annual installments ranging from \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023 and semi-annual interest payments at 3.550%. The proceeds from this issuance were used to advance refund the 1998, 2003A, and 2004 series bonds and to provide funding for further expansion and improvement of the water/sewer system.	\$ 1,565,000
\$926,000 waterworks and sewer system refunding and improvement revenue bonds (DBP) 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.	104,000
\$1,330,000 water and wastewater system revenue bonds (DBP) 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.	900,000
\$11,605,000 water and wastewater system improvement revenue bonds (PT) issued in August, 2015 (“2015 Revenue Bonds”), due in annual installments ranging from \$65,000 to \$885,000 beginning December 1, 2017 through December 1, 2040 and semi-annual interest payments ranging from 2.000% to 5.000%. The proceeds from this issuance were used to finance certain improvements to the Town's water and wastewater system.	11,320,000
\$35,000,000 South Carolina water pollution control revolving fund loan (DBP) approved in October 2018 (“2019A SRF”). The Town is currently drawing down on this state revolving fund (“SRF”) loan and when the final drawdown has been made, the loan payments will be due in 120 equal quarterly installments of \$465,237 which includes interest at approximately 2.70%. The current balance and amount that has been drawn down as of September 30, 2020 is \$18,771,021. Proceeds from this loan are being used for the water pollution control plant expansion.	18,771,021
\$16,095,000 waterworks and sewer system improvement revenue bonds (PT) issued in April 2019 (“2019B Revenue Bonds”), due in annual installments ranging from \$720,000 to \$1,275,000 beginning December 1, 2023 through December 1, 2038 and semi-annual interest payments from 3.0% to 5.0%. The proceeds from this issuance were used to (i) finance a portion of the costs of certain improvements and additions to waterworks and sewer facilities and a meter up grade project and (ii) to pay capitalized interest and issuance costs.	16,095,000
Total Revenue Bonds and State Revolving Fund Loans	<u>\$ 48,755,021</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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, 2020, for the Town’s business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
2011 Refunding Bonds - DBP	\$ 2,065,000	-	500,000	1,565,000	\$ 505,000
2011B Refunding Bonds - DBP	204,000	-	100,000	104,000	104,000
2013A Revenue Bonds - DBP	1,003,000	-	103,000	900,000	105,000
2015 Revenue Bonds - PT	11,440,000	-	120,000	11,320,000	135,000
2019A SRF - DBP	2,676,296	16,094,725	-	18,771,021	-
2019B Revenue Bonds - PT	16,095,000	-	-	16,095,000	-
Total Debt	<u>33,483,296</u>	<u>16,094,725</u>	<u>823,000</u>	<u>48,755,021</u>	<u>849,000</u>
1992 RH Water Line Lease - DBP	196,334	-	196,334	-	-
Debt Premiums	1,853,301	-	92,450	1,760,851	-
Compensated Absences	60,388	61,635	40,530	81,493	62,000
Total Business-Type Activities	<u><u>\$ 35,593,319</u></u>	<u><u>16,156,360</u></u>	<u><u>1,152,314</u></u>	<u><u>50,597,365</u></u>	<u><u>\$ 911,000</u></u>

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 maintained a rate covenant of approximately 300% for the year ended September 30, 2020.

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, 2020, the Town had approximately \$3,787,000 of bonded debt subject to the 8% limit of approximately \$10,532,000 resulting in an unused legal debt margin of approximately \$6,745,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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

E. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements (including lease purchases) to maturity by year for the Town's governmental activities as of September 30, 2020:

Year Ended September 30,	Debt - DBP		Lease Purchases - DBP		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2021	\$ 375,230	82,916	162,370	13,141	\$ 633,657
2022	384,450	74,093	165,842	9,668	634,053
2023	393,772	65,046	169,395	6,117	634,330
2024	402,198	55,784	95,188	2,484	555,654
2025	411,732	46,303	-	-	458,035
2026-2030	1,819,515	92,831	-	-	1,912,346
Totals	<u>\$ 3,786,897</u>	<u>416,973</u>	<u>592,795</u>	<u>31,410</u>	<u>\$ 4,828,075</u>

Presented below is a summary of debt service requirements to maturity by year for the Town's business-type activities as of September 30, 2020:

Year Ended September 30,	Debt - DBP		Debt - PT		Totals
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2021	\$ 714,000	64,356	135,000	1,072,469	\$ 1,985,825
2022	1,034,283	545,244	255,000	1,065,344	2,899,871
2023	1,077,528	513,132	255,000	1,057,694	2,903,354
2024	546,079	489,816	1,045,000	1,029,019	3,109,914
2025	560,946	475,813	1,100,000	975,394	3,112,153
2026-2030	2,778,370	2,160,542	6,575,000	4,046,320	15,560,232
2031-2035	2,773,523	1,801,224	8,395,000	2,587,616	15,557,363
2036-2040	3,172,959	1,401,788	8,770,000	913,075	14,257,822
2041-2045	3,629,922	944,825	885,000	17,696	5,477,443
2046-2050	4,152,695	422,051	-	-	4,574,746
2051	899,716	15,233	-	-	914,949
Totals	<u>\$ 21,340,021</u>	<u>8,834,024</u>	<u>27,415,000</u>	<u>12,764,627</u>	<u>\$ 70,353,672</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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 audited financial statements at December 31, 2019, totaled approximately \$14,253,000. 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 audited financial statements at December 31, 2019, totaled approximately \$62,792,000. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Plan

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

B. Retirement Plans

The Town participates in the State of South Carolina’s retirement plans. The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“Systems”) five defined benefit plans. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the System’ Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Descriptions

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

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

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

Plan Benefits

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS ("Plans") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Additionally, the PEBA Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates					
	2018		2019		2020	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate: ^						
Retirement	13.41%	14.41%	14.41%	15.41%	15.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>13.56%</u>	<u>14.56%</u>	<u>14.56%</u>	<u>15.56%</u>	<u>15.56%</u>	<u>15.56%</u>
Employee Rate ^	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
	PORS Rates					
	2018		2019		2020	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate: ^						
Retirement	15.84%	16.84%	16.84%	17.84%	17.84%	17.84%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	<u>16.24%</u>	<u>17.24%</u>	<u>17.24%</u>	<u>18.24%</u>	<u>18.24%</u>	<u>18.24%</u>
Employee Rate ^	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

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

Year Ended September 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2020	\$ 894,279	100%	\$ 921,633	100%
2019	734,123	100%	819,268	100%
2018	\$ 574,049	100%	\$ 722,424	100%

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2020. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the Town were approximately \$31,000 and \$30,000 for the SCRS and PORS, respectively. The Town recognized contributions (on-behalf benefits) from the State in the same amount for the year ended September 30, 2020. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

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

Year Ended September 30,	SCRS Payroll	PORS Payroll	Total Payroll
2020	\$ 5,754,293	5,052,814	\$ 10,807,107
2019	4,959,544	4,688,218	9,647,762
2018	\$ 4,162,656	4,386,070	\$ 7,354,608

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation (previous report was for period ending June 30, 2015).

The June 30, 2020 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2019. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.80%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>8.05%</u></u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2020 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	26,292,418,682	\$ 25,551,769,081	50.7%
PORS	\$ 8,046,386,629	4,730,174,642	\$ 3,316,211,987	58.8%

The TPL is calculated by the Systems’ actuary, and each Plans’ fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans’ funding requirements.

At September 30, 2020, the Town reported liabilities of approximately \$12,841,000 and \$10,972,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2019 that was projected forward to the measurement date. The Town’s proportion of the NPL were based on a projection of the Town’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2020 measurement date, the Town’s SCRS proportion was 0.050255 percent, which was an increase of 0.00558 from its proportion measured as of June 30, 2019. At the June 30, 2020 measurement date, the Town’s PORS proportion was 0.330850 percent, which was an increase of 0.01378 from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Town recognized pension expense of approximately \$2,406,000 and \$2,215,000 for the SCRS and PORS, respectively. At September 30, 2020, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 148,169	\$ 48,558
Change in Assumptions	15,732	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	944,572	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	1,720,119	-
Employer Contributions Subsequent to the Measurement Date	208,810	-
Total SCRS	<u>3,037,402</u>	<u>48,558</u>
PORS:		
Differences Between Expected and Actual Experience	233,171	48,295
Change in Assumptions	133,891	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,123,477	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	769,646	-
Employer Contributions Subsequent to the Measurement Date	210,986	-
Total PORS	<u>2,471,171</u>	<u>48,295</u>
Total SCRS and PORS	<u>\$ 5,508,573</u>	<u>\$ 96,853</u>

Approximately \$209,000 and \$211,000 that were reported as deferred outflows of resources related to the Town’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended September 30,	SCRS	PORS	Total
2021	\$ 987,116	891,379	\$ 1,878,495
2022	908,250	555,850	1,464,100
2023	643,635	458,931	1,102,566
2024	241,033	305,730	546,763
Total	<u>\$ 2,780,034</u>	<u>2,211,890</u>	<u>\$ 4,991,924</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Sensitivity Analysis

The following table presents the sensitivity of the Town's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability of the SCRS	\$ 15,914,984	12,841,112	\$ 10,274,392
Town's proportionate share of the net pension liability of the PORS	14,524,675	10,971,693	8,118,877
Total	<u>\$ 30,439,659</u>	<u>23,812,805</u>	<u>\$ 18,393,269</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Comprehensive Annual Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plans

The Town reported a payable of approximately \$218,000 to the PEBA as of September 30, 2020, representing required employer and employee contributions for the month of September 2020 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in October 2020.

C. Contingent Liabilities and Commitments

Grants

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

Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of applicable insurance coverage, are immaterial.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities and Commitments (Continued)

COVID-19 Pandemic Impacts

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, and in March 2020, classified the outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens. If the pandemic continues for a long period of time, it may have a material adverse effect on the Town's future results of operations, net position/fund balance and liquidity.

Heavy Equipment Rental Surcharge

Since 2017, the Town has received funds from the South Carolina Department of Revenue ("DOR") related to a state mandated surcharge on heavy equipment rentals. The DOR has in the past collected the surcharge from the heavy equipment rental vendors in Fort Mill and then remitted it in quarterly payments to the Town. In 2022, the DOR has changed its procedure, remitting the funds directly to York County ("County"). The County then distributes the funds to the Town. This change in procedure has uncovered what York County believed to be a misallocation of past funds. The County claimed that the Town should not have received all of the funds remitted to the Town, instead those funds should have been allocated between the Town, the County, and the Fort Mill School District. After further investigation it was discovered that the Town was being remitted one heavy equipment rental vendors statewide surcharges that should have been remitted to other local governments across the state. The total funds received by the Town during the period of June 2017 and May 2022 totals approximately \$10,599,000. The Town is working with legal counsel and DOR to determine the amount it will need to pay back but the amount is not measurable at this time.

D. Deferred Compensation Plan

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission. 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 \$9,113,000 of the Town's approximately \$11,015,000 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$19,500 per year. Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The Town contributes \$10 per pay period to each employee chosen to participate. Employer and employee contributions were approximately \$42,000 and \$192,000, respectively, for the year ended September 30, 2020. There were no significant changes in plan provisions during the current year.

E. Tax Abatements

Town's Tax Abatements

The Town does not have any of its own tax abatement agreements.

York County Tax Abatements

The Town's property tax revenues were reduced by approximately \$1,207,000 under agreements entered into by York County.

F. Subsequent Events

In December 2021, the Town sold a building for approximately \$500,000.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2020

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 10,157,500	10,157,500	11,324,000	\$ 1,166,500
Fines, Fees, Licenses and Permits	6,214,200	6,214,200	7,157,350	943,150
Charges For Services	1,949,050	1,949,050	1,940,482	(8,568)
Grants	360,000	360,000	69,416	(290,584)
Intergovernmental	2,471,410	2,471,410	2,987,065	515,655
Miscellaneous	806,549	806,549	1,011,419	204,870
Investment Earnings	5,500	5,500	17,640	12,140
TOTAL REVENUES	21,964,209	21,964,209	24,507,372	2,543,163
EXPENDITURES				
Current:				
General Government	4,752,131	4,752,131	3,808,220	943,911
Judicial	239,724	239,724	222,069	17,655
Public Works	4,136,393	4,136,393	3,397,129	739,264
Public Safety	10,763,837	10,763,837	9,804,180	959,657
Culture and Recreation	1,346,855	1,346,855	1,071,440	275,415
Capital Outlay	1,925,565	1,925,565	1,169,848	755,717
Debt Service:				
Principal Retirement	286,082	286,082	258,082	28,000
Interest and Fiscal Charges	44,446	44,446	44,446	-
TOTAL EXPENDITURES	23,495,033	23,495,033	19,775,414	3,719,619
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,530,824)	(1,530,824)	4,731,958	6,262,782
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	10,000	10,000	-	(10,000)
Insurance Recoveries	10,000	10,000	48,300	38,300
Transfers In	1,510,824	1,510,824	1,576,702	65,878
TOTAL OTHER FINANCING SOURCES (USES)	1,530,824	1,530,824	1,625,002	94,178
CHANGES IN FUND BALANCES	-	-	6,356,960	6,356,960
FUND BALANCES, Beginning of Year	12,075,394	12,075,394	12,075,394	-
FUND BALANCES, End of Year	\$ 12,075,394	12,075,394	18,432,354	\$ 6,356,960

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

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SEVEN FISCAL YEARS

	Year Ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset)	0.050255%	0.044675%	0.039328%	0.035588%	0.031794%	0.030520%	0.028883%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,841,112	10,201,105	8,812,054	8,011,431	6,791,150	5,788,265	\$ 4,972,695
Town's Covered Payroll	\$ 5,606,661	4,717,537	4,075,429	3,590,592	3,074,149	2,859,756	\$ 2,625,432
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	229.03%	216.24%	216.22%	223.12%	220.91%	202.40%	189.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the year presented. The Town implemented GASB #68/71 during the year ended September 30, 2015. Information before 2014 is not available. The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	Year Ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 894,279	734,123	574,049	433,629	350,962	321,943	\$ 282,776
Contributions in Relation to the Contractually Required Contribution	862,873	702,717	542,643	433,629	350,962	321,943	282,776
Contributions from the Town	31,406	31,406	31,406	-	-	-	-
Contributions from the State	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ 5,747,293	4,959,544	4,162,656	3,600,233	3,134,263	2,941,829	\$ 2,647,317
Town's Covered Payroll	15.56%	14.80%	13.79%	12.04%	11.20%	10.94%	10.68%
Contributions as a Percentage of Covered Payroll							

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended September 30, 2015. Information before 2014 is not available.

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SEVEN FISCAL YEARS

	Year Ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset)	0.33085%	0.31707%	0.31033%	0.27281%	0.22559%	0.20109%	0.19145%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,971,693	9,086,918	8,793,446	7,473,933	5,722,084	4,382,727	\$ 3,665,229
Town's Covered Payroll	\$ 4,997,980	4,598,913	4,291,889	3,673,932	2,876,001	2,491,219	\$ 2,301,374
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	219.52%	197.59%	204.89%	203.43%	198.96%	175.93%	159.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the year presented.
The Town implemented GASB #68/71 during the year ended September 30, 2015. Information before 2014 is not available.
The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	Year Ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 921,633	819,268	722,424	552,991	421,206	342,355	\$ 305,395
Contributions in Relation to the Contractually Required Contribution							
Contributions from the Town	892,064	789,699	692,855	552,991	421,206	342,355	305,395
Contributions from the State	29,569	29,569	29,569	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 5,052,814	4,688,218	4,386,070	3,754,375	3,035,051	2,536,274	\$ 2,350,328
Contributions as a Percentage of Covered Payroll	18.24%	17.48%	16.47%	14.73%	13.88%	13.50%	12.99%

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended September 30, 2015. Information before 2014 is not available.

SUPPLEMENTARY INFORMATION

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current Property Taxes	\$ 9,250,500	10,060,397	\$ 809,897
Current Vehicle Taxes	850,000	1,159,351	309,351
Prior Years, Including Penalties and Execution Fees	12,000	58,664	46,664
Housing Authority in Lieu of Taxes	45,000	45,588	588
Total Taxes	10,157,500	11,324,000	1,166,500
Fines, Fees, Licenses, and Permits:			
Business Licenses	3,700,000	4,436,843	736,843
Duke Power in Lieu of Taxes	425,000	458,363	33,363
York Electric in Lieu of Taxes	650,000	710,479	60,479
Fines and Penalties	60,000	40,097	(19,903)
Permits	1,379,200	1,511,568	132,368
Total Fines, Fees, Licenses, and Permits	6,214,200	7,157,350	943,150
Charges for Services:			
Garbage Revenue	1,500,000	1,645,359	145,359
Athletics Revenue	419,000	263,598	(155,402)
Cemetery Lots	50	-	(50)
Grave Openings	30,000	29,875	(125)
Assembly Center Fees	-	1,650	1,650
Total Charges for Services	1,949,050	1,940,482	(8,568)
Grant Revenues:			
Federal Grant	300,000	69,416	(230,584)
State Grant	60,000	-	(60,000)
Total Grant Revenues	360,000	69,416	(290,584)
Intergovernmental Revenues:			
State Shared Revenue	2,263,000	2,775,121	512,121
State Accommodations Taxes	37,000	40,451	3,451
Manufacturer's Depreciation Reimbursement	600	683	83
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	155,341	155,341	-
Total Intergovernmental Revenues	2,471,410	2,987,065	515,655
Miscellaneous:			
School Resource Officers	285,542	384,135	98,593
York County Fire Protection	30,000	31,731	1,731
Spring Festival	200,000	-	(200,000)
Credit Card Convenience Fee	60,000	113,093	53,093
Other	231,007	482,460	251,453
Total Miscellaneous	\$ 806,549	1,011,419	\$ 204,870

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 5,500	17,640	\$ 12,140
Total Investment Earnings	5,500	17,640	12,140
 TOTAL REVENUES	 21,964,209	 24,507,372	 2,543,163
 EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	65,410	71,486	(6,076)
Operating Expenditures	684,887	579,035	105,852
Community Promotions	6,000	-	6,000
Miscellaneous	500	93	407
Total Town Council	<u>756,797</u>	<u>650,614</u>	<u>106,183</u>
Administration:			
Personnel Services	2,385,663	2,237,423	148,240
Operating Expenditures	1,609,671	920,183	689,488
Capital Outlay	224,000	61,221	162,779
Total Administration	<u>4,219,334</u>	<u>3,218,827</u>	<u>1,000,507</u>
Total General Government	4,976,131	3,869,441	1,106,690
 Judicial:			
Municipal Court:			
Personnel Services	190,730	182,894	7,836
Operating Expenditures	48,994	39,175	9,819
Total Municipal Court	<u>239,724</u>	<u>222,069</u>	<u>17,655</u>
Total Judicial	239,724	222,069	17,655
 Public Works:			
Administration:			
Personnel Services	135,227	135,271	(44)
Operating Expenditures	48,841	32,623	16,218
Capital Outlay	240,000	-	240,000
Total Administration	<u>424,068</u>	<u>167,894</u>	<u>256,174</u>
Sanitation:			
Personnel Services	279,327	279,581	(254)
Operating Expenditures	850,957	866,123	(15,166)
Total Sanitation	<u>\$ 1,130,284</u>	<u>1,145,704</u>	<u>\$ (15,420)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 851,884	783,932	\$ 67,952
Operating Expenditures	239,875	128,099	111,776
Capital Outlay	111,500	109,289	2,211
Total Building and Grounds	<u>1,203,259</u>	<u>1,021,320</u>	<u>181,939</u>
Street Department:			
Personnel Services	529,528	524,648	4,880
Operating Expenditures	631,555	428,838	202,717
Capital Outlay	112,700	110,841	1,859
Total Street Department	<u>1,273,783</u>	<u>1,064,327</u>	<u>209,456</u>
Garage and Vehicle:			
Personnel Services	146,149	147,108	(959)
Operating Expenditures	423,050	70,906	352,144
Total Garage and Vehicle	<u>569,199</u>	<u>218,014</u>	<u>351,185</u>
Total Public Works	<u>4,600,593</u>	<u>3,617,259</u>	<u>983,334</u>
Public Safety:			
Police Department:			
Personnel Services	5,287,189	5,094,176	193,013
Operating Expenditures	1,413,523	1,124,775	288,748
Capital Outlay	796,665	719,933	76,732
Total Police Department	<u>7,497,377</u>	<u>6,938,884</u>	<u>558,493</u>
Fire Department:			
Personnel Services	3,466,635	3,052,340	414,295
Operating Expenditures	596,490	532,889	63,601
Capital Outlay	129,700	126,011	3,689
Total Fire Department	<u>4,192,825</u>	<u>3,711,240</u>	<u>481,585</u>
Total Public Safety	<u>11,690,202</u>	<u>10,650,124</u>	<u>1,040,078</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	690,244	667,175	23,069
Operating Expenditures	656,611	404,265	252,346
Capital Outlay	311,000	42,553	268,447
Total Cultural and Recreation	<u>\$ 1,657,855</u>	<u>1,113,993</u>	<u>\$ 543,862</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2020

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 286,082	258,082	\$ 28,000
Interest and Fiscal Charges	44,446	44,446	-
Total Debt Service	<u>330,528</u>	<u>302,528</u>	<u>28,000</u>
 TOTAL EXPENDITURES	 <u>23,495,033</u>	 <u>19,775,414</u>	 <u>3,719,619</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(1,530,824)</u>	 <u>4,731,958</u>	 <u>6,262,782</u>
 OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	10,000	-	(10,000)
Insurance Recoveries	10,000	48,300	38,300
Transfers In	1,510,824	1,576,702	65,878
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,530,824</u>	<u>1,625,002</u>	<u>94,178</u>
 CHANGES IN FUND BALANCES	 -	 6,356,960	 6,356,960
 FUND BALANCES, Beginning of Year	 <u>12,075,394</u>	 <u>12,075,394</u>	 <u>-</u>
 FUND BALANCES, End of Year	 <u>\$ 12,075,394</u>	 <u>18,432,354</u>	 <u>\$ 6,356,960</u>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2020

	SPECIAL REVENUE FUNDS						TOAL NON-MAJOR FUNDS
	NARCOTICS FUND	LOCAL ACCOMM- ODATIONS TAX FUND	FIRE IMPACT FEES FUND	MUNICIPAL FACILITIES IMPACT FEES FUND	PARKS & RECREATION IMPACT FEES FUND	HOSPITALITY TAX FUND	
ASSETS							
Cash and Cash Equivalents, Restricted	\$ 58,777	1,750,776	763,619	281,338	3,875,904	4,395,228	\$ 11,125,642
Receivables, Net:							
Other	10,092	64,322	408	-	129	92,369	167,320
Due From:							
Other Funds	-	7,905	760	781	7,682	528	17,656
TOTAL ASSETS	\$ 68,869	1,823,003	764,787	282,119	3,883,715	4,488,125	\$ 11,310,618
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ -	42,396	-	-	-	20,250	\$ 62,646
Due to Other Funds	9,661	67,032	603,407	1,323	4,611	203,871	889,905
TOTAL LIABILITIES	9,661	109,428	603,407	1,323	4,611	224,121	952,551
FUND BALANCES							
Restricted for:							
Tourism Related Costs	-	1,713,575	-	-	-	4,264,004	5,977,579
Narcotics	59,208	-	-	-	-	-	59,208
Capital Projects (Impact Fees)	-	-	161,380	280,796	3,879,104	-	4,321,280
TOTAL FUND BALANCES	59,208	1,713,575	161,380	280,796	3,879,104	4,264,004	10,358,067
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,869	1,823,003	764,787	282,119	3,883,715	4,488,125	\$ 11,310,618

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

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

YEAR ENDED SEPTEMBER 30, 2020

	SPECIAL REVENUE FUNDS						TOTAL NON-MAJOR FUNDS
	NARCOTICS FUND	LOCAL ACCOMM- ODATIONS TAX FUND	FIRE IMPACT FEES FUND	MUNICIPAL FACILITIES IMPACT FEES FUND	PARKS & RECREATION IMPACT FEES FUND	HOSPITALITY TAX FUND	
REVENUES							
Taxes	\$ -	356,824	-	-	-	918,968	\$ 1,275,792
Fines, Fees, Licenses and Permits	-	-	158,994	274,101	578,788	-	1,011,883
Miscellaneous	9,203	-	-	-	-	-	9,203
Investment Earnings	201	8,880	3,487	72	19,185	-	31,825
TOTAL REVENUES	9,404	365,704	162,481	274,173	597,973	918,968	2,328,703
EXPENDITURES							
Current:							
Public Safety	8,115	-	-	-	-	-	8,115
Community Development	-	117,218	-	-	-	-	117,218
TOTAL EXPENDITURES	8,115	117,218	-	-	-	-	125,333
CHANGES IN FUND BALANCES	1,289	248,486	162,481	274,173	597,973	918,968	2,203,370
FUND BALANCES, Beginning of Year	57,919	1,465,089	(1,101)	6,623	3,281,131	3,345,036	8,154,697
FUND BALANCES, End of Year	\$ 59,208	1,713,575	161,380	280,796	3,879,104	4,264,004	\$ 10,358,067

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITIONS
FINAL BUDGET AND ACTUALS - GROSS REVENUE FUND

YEAR ENDED SEPTEMBER 30, 2020

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING REVENUES					
Water Revenue and Penalties	\$ 4,618,410	4,503,848	-	4,503,848	\$ (114,562)
Sewer Revenues	4,404,300	4,567,227	-	4,567,227	162,927
Riverview Water Sales	219,710	223,775	-	223,775	4,065
Tega Cay Water Sales	881,900	847,741	-	847,741	(34,159)
Water Taps	687,280	2,685,074	-	2,685,074	1,997,794
Sewer Taps	852,000	1,341,441	-	1,341,441	489,441
Other Revenues	37,199	130,428	-	130,428	93,229
TOTAL OPERATING REVENUES	11,700,799	14,299,534	-	14,299,534	2,598,735
OPERATING EXPENSES					
Water:					
Water Purchases	2,223,800	2,420,558	-	2,420,558	(196,758)
Salaries	759,395	758,378	-	758,378	1,017
Fringe Benefits	311,557	299,097	-	299,097	12,460
Pension Expense	-	-	224,426	224,426	-
Material and Supplies	175,480	181,775	-	181,775	(6,295)
Electricity	4,000	5,444	-	5,444	(1,444)
Permits	15,550	1,000	-	1,000	14,550
Water Meter Replacement	456,000	321,985	-	321,985	134,015
Equipment Repairs	20,000	2,575	-	2,575	17,425
Postage	60,000	54,136	-	54,136	5,864
Gas, Oil, and Grease	25,000	23,947	-	23,947	1,053
Street Maintenance	100,000	56,099	-	56,099	43,901
Miscellaneous	465,450	45,877	-	45,877	419,573
Auto Repairs	11,000	10,402	-	10,402	598
Uniforms	15,632	11,614	-	11,614	4,018
Water and Heat	2,500	4,045	-	4,045	(1,545)
Telephone	17,760	18,485	-	18,485	(725)
Travel/Training	26,300	5,358	-	5,358	20,942
Transportation	103,000	104,148	(104,148)	-	(1,148)
Membership/Dues	27,170	25,932	-	25,932	1,238
Advertising	4,000	-	-	-	4,000
Professional Services	257,000	74,409	-	74,409	182,591
Hydrant Repairs	60,000	3,819	-	3,819	56,181
Pre-Employment Expense	1,000	20	-	20	980
Contracted Services	655,000	304,082	-	304,082	350,918
Rentals	5,000	4,393	-	4,393	607
Building Maintenance	6,500	3,538	-	3,538	2,962
Service Contracts	60,745	51,294	-	51,294	9,451
Computer Expenses	8,000	6,607	-	6,607	1,393
Capital Outlay	2,466,557	1,826,162	(1,826,162)	-	640,395
\$	8,343,396	6,625,179	(1,705,884)	4,919,295	\$ 1,718,217

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITIONS
FINAL BUDGET AND ACTUALS - GROSS REVENUE FUND

YEAR ENDED SEPTEMBER 30, 2020

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING EXPENSES (CONTINUED)					
Sewer:					
Salaries	\$ 713,460	652,339	-	652,339	\$ 61,121
Fringe Benefits	305,459	280,115	-	280,115	25,344
Pension Expense	-	-	197,955	197,955	-
Electricity	175,000	138,171	-	138,171	36,829
Equipment Repairs	70,000	139,874	-	139,874	(69,874)
Material and Supplies	123,500	80,351	-	80,351	43,149
Electricity Lift Station	96,000	82,112	-	82,112	13,888
Alum	35,000	22,253	-	22,253	12,747
Professional Services	141,000	28,312	-	28,312	112,688
Contracted Services	123,000	41,707	-	41,707	81,293
Chemicals	50,000	32,436	-	32,436	17,564
Lab Supplies	15,000	12,412	-	12,412	2,588
Gas, Oil, and Grease	27,000	23,181	-	23,181	3,819
Service Contracts	10,000	-	-	-	10,000
Auto Repairs	8,000	6,842	-	6,842	1,158
Telephone	17,800	12,311	-	12,311	5,489
Uniforms	15,037	10,482	-	10,482	4,555
Travel/Training	17,500	1,764	-	1,764	15,736
Transportation	10,000	27,320	-	27,320	(17,320)
Miscellaneous	4,000	562	-	562	3,438
Water and Heat	4,100	562	-	562	3,538
Building/Grounds Maintenance	11,000	654	-	654	10,346
Lime	30,000	16,873	-	16,873	13,127
Membership/Dues	8,585	4,154	-	4,154	4,431
Landfill Fees	192,000	99,659	-	99,659	92,341
Rental	5,000	2,626	-	2,626	2,374
Permits	3,500	-	-	-	3,500
Pump Station Repairs	150,000	77,133	-	77,133	72,867
York County Sewer Processing	110,000	123,060	-	123,060	(13,060)
Computer Expenses	5,000	1,414	-	1,414	3,586
Capital Outlay	19,942,014	21,775,482	(22,645,658)	(870,176)	(1,833,468)
Pump Station Monitoring	24,000	12,914	-	12,914	11,086
	<u>22,441,955</u>	<u>23,707,075</u>	<u>(22,447,703)</u>	<u>1,259,372</u>	<u>(1,265,120)</u>
Other Operating Expenses	66,553	68,657	-	68,657	(2,104)
Depreciation	-	-	1,605,763	1,605,763	-
TOTAL OPERATING EXPENSES	<u>30,851,904</u>	<u>30,400,911</u>	<u>(22,547,824)</u>	<u>7,853,087</u>	<u>450,993</u>
OPERATING INCOME (LOSS)	<u>\$ (19,151,105)</u>	<u>(16,101,377)</u>	<u>22,547,824</u>	<u>6,446,447</u>	<u>\$ 3,049,728</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITIONS
FINAL BUDGET AND ACTUALS - GROSS REVENUE FUND

YEAR ENDED SEPTEMBER 30, 2020

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
NON-OPERATING REVENUES (EXPENSES)					
Grants	\$ -	108,993		108,993	\$ 108,993
Insurance Recoveries from Casualty	-	7,338	-	7,338	7,338
Investment Earnings	12,860	88,966	-	88,966	76,106
Debt Service - Payments and Fiscal Charges	(3,111,521)	(2,190,279)	1,019,334	(1,170,945)	921,242
Debt Service - Debt Issuance	21,000,000	16,094,725	(16,094,725)	-	(4,905,275)
TOTAL NON-OPERATING REVENUES (EXPENSES)	17,901,339	14,109,743	(15,075,391)	(965,648)	(3,791,596)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,249,766)	(1,991,634)	7,472,433	5,480,799	(741,868)
Capital Contributions - Donated Infrastructure	-	-	3,867,936	3,867,936	-
Transfers Out	(1,310,790)	(992,612)	-	(992,612)	318,178
CHANGES IN NET POSITIONS	(2,560,556)	(2,984,246)	11,340,369	8,356,123	(423,690)
NET POSITIONS, Beginning of Year	47,243,515	47,243,515	-	47,243,515	-
NET POSITIONS, End of Year	\$ 44,682,959	44,259,269	11,340,369	55,599,638	\$ (423,690)

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	\$ (1,605,763)
- Capital Asset Additions Included in Budgetary Basis	24,575,968
- Donated Capital Assets (Infrastructure)	3,867,936
- Principal Payments on Debt and Capital Leases	1,019,334
- Borrowings on Debt Issuances	(16,094,725)
- Pension Expense - Net Change in NPL and Related Items	(422,381)
Total GAAP Adjustments	\$ 11,340,369

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULE

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED SEPTEMBER 30, 2020

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 92,662	\$ 92,662
Court fines and assessments remitted to State Treasurer			(41,808)	(41,808)
Total Court Fines and Assessments retained			50,854	50,854
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			672	672
Assessments retained			4,090	4,090
Total Surcharges and Assessments retained for victim services			\$ 4,762	\$ 4,762

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ -		\$ -
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	4,090		4,090
Victim Service Surcharges Retained by City/County Treasurer	672		672
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	4,762		4,762
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			
Operating Expenditures			
Victim Service Contract(s):			
(1) York County	4,762		4,762
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	4,762		4,762
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ -		\$ -

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COMPLIANCE SECTION

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TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
<u>US ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-through South Carolina Rural Infrastructure Authority: Capitalization Grants for Clean Water State Revolving Funds - Loan	66.458	1-213-19-336-09	\$ 6,300,079
TOTAL US ENVIRONMENTAL PROTECTION AGENCY			<u>6,300,079</u>
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Pass-through South Carolina Department of Public Safety Fort Mill Police Department Traffic Safety Unit	20.600	PT-2019-HS-38-19	52,036
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>52,036</u>
<u>US DEPARTMENT OF TREASURY</u>			
Pass-through State of South Carolina: COVID-19 - Coronavirus Relief Fund	21.019	SA-0677	17,380
TOTAL US DEPARTMENT OF TREASURY			<u>17,380</u>
GRAND TOTAL			<u>\$ 6,369,495</u>

Note: There were no expenditures to subrecipients for the year ended September 30, 2020.

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the Town of Fort Mill, South Carolina (the “Town”) for the year ended September 30, 2020. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the Town’s financial statements.

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures are generally reported in the Town’s financial statements as expenditures in the General Fund and Special Revenue Funds and as expenses and/or capital assets additions in the Town’s enterprise funds.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. INDIRECT COST RATE

The Town has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

F. OUTSTANDING LOAN BALANCE

The Capitalization Grants for Clean Water State Revolving Funds – Loan federal award amount as listed in the Schedule is comprised of a state revolving fund loan and has an outstanding balance of approximately \$18,771,021 at September 30, 2020, of which \$7,203,539 is federal. Expenditures of \$6,300,079 are reported in the accompany Schedule for the current year and are in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



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, 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, 2020, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated July 29, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as 2020-001 and 2020-002, that we consider to be material weaknesses.

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 Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
July 29, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Fort Mill, South Carolina’s (the “Town”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended September 30, 2020. The Town’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Town’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a material weakness.

The Town's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
July 29, 2022

TOWN OF FORT MILL, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2020

2019-001: RECORDING OF CAPITAL ASSETS

Repeat Finding from the Prior Year? Yes

Condition: In connection with preparing for the fiscal year 2019 (“FY 2019”) audit, several misstatements were identified primarily related to missing donated capital assets. In addition, there were significant client adjusting entries made to the proprietary fund capital assets after the initial trial balance was received.

Criteria: The Town should have adequate internal controls in place to ensure that all donated capital assets are properly valued at their estimated acquisition value and recorded/tracked in a timely manner. The Town should also have adequate internal controls in place to ensure that capital asset activity is properly recorded in the initial trial balance.

Context, Cause and Effect: The Town converted to a new accounting software during fiscal year 2018 (“FY 2018”) and also had some turnover in its accounting staff. These changes made the year end close process more difficult to complete in a timely manner. The finance staff was also not aware of certain donated capital assets and/or did not receive supporting documentation supporting their estimated acquisition value.

Status: Management made significant progress on the prior year recommendation to address the above finding as no significant misstatements were identified.

2019-002: PERFORMING BANK RECONCILIATIONS

Repeat Finding from the Prior Year? No

Condition: When we arrived on site for the FY 2019 audit, we found that some of the bank reconciliations (primarily operating accounts) had not been done for a long time (as the Town was experiencing challenges with the implementation of the new accounting system). Timely completion of bank reconciliations is a fundamental internal control that can help prevent accounting errors and fraud.

Criteria: The Town should have adequate internal controls in place to ensure that all bank reconciliations are being prepared and reviewed in a timely manner.

Context, Cause and Effect: The Town converted to a new accounting software during FY 2018 and also had some turnover in its accounting staff. These changes made the year end close process more difficult to complete in a timely manner.

Status: The Town addressed the turnover in its accounting staff and worked toward gaining a better understanding of the new financial software. However, the Town had a similar finding in the current year as it relates to performing formal bank reconciliations. See page 81 for further details.

TOWN OF FORT MILL, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?	<u> X </u> Yes	<u> </u> No
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Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds - Loan

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

Section II – Current Year Financial Statement Findings

2020-001: PERFORMING BANK RECONCILIATIONS

- Condition:** During the fiscal year 2020 (“FY 2020”) audit, we found that formal bank reconciliations (primarily operating accounts) had not been prepared timely. Timely completion of the formal bank reconciliations is an important and fundamental internal control that can help prevent accounting errors and fraud.
- Criteria:** The Town should have adequate internal controls in place to ensure that all bank reconciliations are being prepared and reviewed in a timely manner.
- Context, Cause and Effect:** The Town was impacted in FY 2020 by the COVID-19 pandemic and played a part in the delays as staff were stretched in performance of their job duties as they were assisting with the job duties of others who were unavailable to work; as well as additional duties brought on by federal assistance programs. The Town was also working toward better understanding and utilization of the new financial software.
- Recommendation:** The Town needs to prioritize ensuring that formal bank reconciliations are being prepared and reviewed in a timely manner. Bank reconciliations should be completed within a few days of obtaining the bank statement at month end and should be reviewed by someone who was not involved in the reconciliation process. Both the preparer and reviewer should sign and date the reconciliation after each process is complete.
- Response:** The Town agrees with this finding and will adhere to the corrective action plan on page 83 in this audit report.
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2020-002: RECORDING OF RECEIVABLES

- Condition:** In connection with preparing for the FY 2020 audit, several misstatements were identified related to receivables which resulted in several audit adjustments.
- Criteria:** The Town should have adequate internal controls in place to ensure that all receivables are properly recorded.
- Context, Cause and Effect:** The Town did not initially record a receivable or related liability for a state revolving fund loan drawdown that was for reimbursement of capital project costs that were incurred during FY 2020. The Town also recorded several receipts to accounts receivable even though a related receivable and revenue had not been previously recorded. These misstatements were due to oversight by Town personnel. The Town was impacted in FY 2020 by the COVID-19 pandemic as staff were stretched in performance of their job duties as they were assisting with the job duties of others who were unavailable to work; as well as additional duties brought on by federal assistance programs. These errors were corrected when we brought them to the Town’s attention. When transactions are not recorded properly or to the appropriate accounting period, there is a higher risk that material misstatements (due to error or fraud) in the financial statements will go undetected.
- Recommendation:** The Town should develop a process to ensure that receivable balances are properly recorded and reconciled.
- Response:** The Town agrees with this finding and will adhere to the corrective action plan on page 83 in this audit report.

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

Section III – Current Year Federal Award Findings and Questioned Costs

Federal Agency: US Environmental Protection Agency
Pass-Through Agency: South Carolina Rural Infrastructure Authority
Capitalization Grants For Clean Water State Revolving Funds
Assistance Listing Number 66.458
Pass-Through Grantor’s Award Numbers and Years: 1-213-19-336-09
Repeat Comment from Prior Year? No

2020-003: ACTIVITIES ALLOWED/ALLOWABLE COSTS

Questioned Costs
\$0

Condition: In our single audit testing a misstatement was identified related to the accounting of the Town’s state revolving fund loan.

Criteria: The Town should have adequate internal controls in place to ensure that grants and loans are properly accounted for.

Context, Cause and Effect: The Town did not initially record a receivable or related liability for a state revolving fund loan drawdown that was for reimbursement of capital project costs that were incurred during FY 2020. These misstatements were due to oversight by Town personnel. The Town was impacted in FY 2020 by the COVID-19 pandemic as staff were stretched in performance of their job duties as they were assisting with the job duties of others who were unavailable to work; as well as additional duties brought on by federal assistance programs. These errors were corrected when we brought them to the Town’s attention. When transactions are not recorded properly or to the appropriate accounting period, there is a higher risk that material misstatements (due to error or fraud) will go undetected.

Recommendation: The Town should develop a process to ensure that grants and loans are properly recorded.

Response: The Town agrees with this finding and will adhere to the corrective action plan on page 83 in this audit report.



TOWN OF FORT MILL, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2020

Financial Statement Findings

Finding: 2020-001

Contact Person: Chantay Bouler, Finance Director, cbouler@fortmillsc.gov

Corrective Action: The Town recognizes the importance of timely bank reconciliations and does not take this practice lightly. We have acquired a better working knowledge of our new financial system and are using its features to assist us with this process in a more structured way.

Proposed Completion

Date: September 30, 2022

Finding: 2020-002

Contact Person: Chantay Bouler, Finance Director, cbouler@fortmillsc.gov

Corrective Action: The Town understands the need to identify and record receivables. Finance will perform an in-depth review of the balance sheet and receipts that come in after the fiscal year to ensure that receivable balances are properly stated.

Proposed Completion

Date: September 30, 2022

Federal Award Findings and Questioned Costs

Finding: 2020-003

Contact Person: Chantay Bouler, Finance Director, cbouler@fortmillsc.gov

Corrective Action: The Town understands the need to identify and record receivables and the related liability for federal loans. Finance will perform an in-depth review of the balance sheet and receipts that come in after the fiscal year to ensure that receivable and the related liability balances are properly stated for federal loans.

Proposed Completion

Date: September 30, 2022
