

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

TOWN OF FORT MILL, SOUTH CAROLINA

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TOWN OF FORT MILL, SOUTH CAROLINA

PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2022

Established

1873

MAYOR

Guynn H. Savage

TOWN COUNCIL MEMBERS

Ward 1 – Allen Garrison

Ward 2 – Ronald Helms, Mayor Pro-Tem

Ward 3 – Ben Hudgins

Ward 4 – Chris Moody

At Large – Lisa Cook

At Large – Chris Wolfe

TOWN MANAGER

William D. Broom, II

FINANCE DIRECTOR

Chantay Bouler



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended September 30, 2022, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 87, "Leases". Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 30, 2023 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 solely 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 the effectiveness of the Town's 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
October 30, 2023

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TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022 ("FY 2022" or "2022") compared to the year ended September 30, 2021 ("FY 2021" or "2021"). 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 \$155,557,000. Of this amount, approximately \$42,156,000 (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 \$36,919,000 (an increase of approximately \$30,505,000 from governmental activities and an increase of approximately \$6,414,000 from business-type activities), as total revenues of approximately \$72,617,000 exceeded total expenses of approximately \$35,698,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$49,327,000, an increase of approximately \$11,042,000 from the prior year amount. Of this total amount, 40%, or approximately \$19,930,000, 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 \$19,930,000, or 90% of total General Fund expenditures for 2022.
- The Town's total capital assets increased by approximately \$24,801,000 (19%) during the current fiscal year to approximately \$157,856,000, which was due to capital asset additions of approximately \$28,669,000 and the Town adopting GASB #87 (discussed below) resulting in the recognition of a right-to-use lease asset of approximately \$836,000 as of October 1, 2021, offset by depreciation expense of approximately \$4,441,000 and net disposals of approximately \$263,000.
- The Town's long-term obligations increased by approximately \$1,604,000 (2%) during the current fiscal year to approximately \$68,117,000 due to the Town drawing down approximately \$3,260,000 from the 2019A State Revolving Fund loan and the Town adopting GASB #87 (discussed below) resulting in the recognition of a lease liability of approximately \$836,000 as of October 1, 2021, offset by principal payments of approximately \$2,384,000 and a reduction in debt premiums of \$92,000.
- The Town adopted Governmental Accounting Standards Board Statement No. 87 "*Leases*" ("GASB #87") for FY 2022. GASB #87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB #87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 resulted in no impact to the Town's net position but resulted in the addition of a lease liability and corresponding intangible right-to-use lease asset on the government-wide financial statements of approximately \$836,000 as of October 1, 2021.
- Since 2017, the Town has been distributed too much heavy equipment rental surcharges by the South Carolina Department of Revenue. As a result, the Town reports a liability of approximately \$10,076,000 in the General Fund as of September 30, 2022. Additional information can be found in Note IV.C of the financial statements.

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*.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements

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

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 ten 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, the Capital Projects Fund, and the ARPA 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.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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.

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, 2022

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, 2022 and 2021:

	Town's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$ 61,942,194	50,650,472	38,825,117	37,745,045	100,767,311	\$ 88,395,517
Capital Assets	58,797,348	38,394,172	99,058,766	94,661,373	157,856,114	133,055,545
Total Assets	120,739,542	89,044,644	137,883,883	132,406,418	258,623,425	221,451,062
Deferred Outflows of Resources	2,258,786	3,522,957	415,326	737,813	2,674,112	4,260,770
Liabilities						
Long-Term Liabilities	4,578,102	4,317,646	63,539,355	62,195,545	68,117,457	66,513,191
Net Pension Liability	18,529,242	16,653,745	3,924,290	3,695,777	22,453,532	20,349,522
Other Liabilities	12,497,423	12,239,252	1,880,326	4,252,655	14,377,749	16,491,907
Total Liabilities	35,604,767	33,210,643	69,343,971	70,143,977	104,948,738	103,354,620
Deferred Inflows of Resources	708,733	3,177,297	82,999	541,848	791,732	3,719,145
Net Position						
Net Investment in Capital Assets	54,077,934	33,652,897	36,755,107	33,215,024	90,833,041	66,867,921
Restricted	16,847,064	13,613,571	5,721,125	5,915,865	22,568,189	19,529,436
Unrestricted	15,759,830	8,913,193	26,396,007	23,327,517	42,155,837	32,240,710
Total Net Position	\$ 86,684,828	56,179,661	68,872,239	62,458,406	155,557,067	\$ 118,638,067

The Town's total assets increased by approximately \$37,172,000, or 17%, over the prior year. This increase was primarily due to an increase in capital assets of approximately \$24,801,000 and an increase in current and other assets of approximately \$12,372,000. Total liabilities at September 30, 2022 increased by approximately \$1,594,000 from the prior year. This increase is primarily due to an increase in long-term obligations of approximately \$1,604,000 and an increase in the net pension liability of approximately \$2,104,000, offset by a decrease in other liabilities of approximately \$2,114,000. The changes in deferred outflows and inflows were 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 \$36,919,000 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 \$155,557,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$90,833,000 or 58%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital leases and lease purchases) used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (including capital leases and lease purchases) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town's net position (approximately \$22,568,000 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 (approximately \$42,156,000 or 27%) 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 2022 compared to 2021.

	Town's Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,827,484	6,780,705	16,477,527	15,768,764	23,305,011	\$ 22,549,469
Operating Grants and Contributions	10,736,567	177,905	-	-	10,736,567	177,905
Capital Grants and Contributions	12,911,555	-	3,168,065	1,178,714	16,079,620	1,178,714
General Revenues:						
Property Taxes	12,794,512	11,445,341	-	-	12,794,512	11,445,341
Hospitality & Accommodations Taxes	2,384,313	1,857,664	-	-	2,384,313	1,857,664
Business Licenses	5,551,379	4,517,082	-	-	5,551,379	4,517,082
Intergovernmental Revenue	838,527	600,505	-	-	838,527	600,505
Other Revenue	836,878	781,807	89,770	53,830	926,648	835,637
Total Revenues	52,881,215	26,161,009	19,735,362	17,001,308	72,616,577	43,162,317
Expenses:						
General Government	4,610,957	11,453,415	-	-	4,610,957	11,453,415
Judicial	247,460	242,576	-	-	247,460	242,576
Public Works	4,510,071	4,279,870	-	-	4,510,071	4,279,870
Public Safety	11,960,456	11,744,917	-	-	11,960,456	11,744,917
Culture and Recreation	1,550,024	1,326,660	-	-	1,550,024	1,326,660
Community Development	301,172	112,683	-	-	301,172	112,683
Interest and Fiscal Charges	98,778	90,367	-	-	98,778	90,367
Water/Sewer	-	-	11,597,576	9,689,237	11,597,576	9,689,237
Stormwater	-	-	821,083	945,079	821,083	945,079
Total Expenses	23,278,918	29,250,488	12,418,659	10,634,316	35,697,577	39,884,804
Change in Net Position Before Transfers	29,602,297	(3,089,479)	7,316,703	6,366,992	36,919,000	3,277,513
Transfers In (Out)	902,870	933,014	(902,870)	(933,014)	-	-
Change in Net Position	30,505,167	(2,156,465)	6,413,833	5,433,978	36,919,000	3,277,513
Net Position, Beginning of Year	56,179,661	58,336,126	62,458,406	57,024,428	118,638,067	115,360,554
Net Position, End of Year	\$ 86,684,828	56,179,661	68,872,239	62,458,406	155,557,067	\$ 118,638,067

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Revenues and transfers in exceeded expenses by approximately \$30,505,000 in 2022 for its governmental activities. Revenues and transfers in increased over the prior year by approximately \$26,690,000 to approximately \$53,784,000 primarily due to increases in capital grants and contributions (donated capital assets) of approximately \$12,912,000, operating grants and contributions of approximately \$10,559,000, and property taxes of approximately \$1,349,000 (increase in assessed values). Expenses decreased by approximately \$5,972,000 from the prior year to approximately \$23,279,000 primarily due to recording expenses in the prior year related to the heavy equipment rental surcharge liability previously discussed in the financial highlights section.

Business-Type Activities: Revenues exceeded expenses and transfers out by approximately \$6,414,000 for 2022 for its business-type activities. Revenues increased by approximately \$2,734,000 from the prior year to approximately \$19,735,000 primarily due to increases in capital grants and contributions of approximately \$1,989,000 (donated capital assets) and charges for services of approximately \$709,000 (increase in rates from the prior year). Expenses and transfers out increased by approximately \$1,754,000 to approximately \$13,322,000 primarily due to higher interest on debt and depreciation expense.

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 \$49,327,000, an increase of approximately \$11,042,000 from the prior year amount. Approximately 40% of this total amount (approximately \$19,930,000) 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, firefighters 1%, 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 \$20,067,000. 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 \$19,930,000 represents approximately 90% of total General Fund expenditures for 2022. The net increase in the fund balance of the General Fund was approximately \$5,363,000 during the current year. General Fund revenues increased over the prior year by approximately \$2,063,000 to approximately \$25,445,000 primarily due to increases in tax revenues of approximately \$1,145,000 (increase in assessed values) and fines, fees, licenses and permits of approximately \$832,000 (mostly business licenses). General Fund expenditures decreased by approximately \$6,041,000 from the prior year to \$22,032,000 primarily due to recording expenditures in the prior year related to the heavy equipment rental surcharge liability previously discussed in the financial highlights section.

In addition, the fund balances of the Capital Projects Fund, ARPA Fund, and non-major special revenue funds increased by approximately \$5,678,000. Highlights for all of the remaining governmental funds were as follows:

- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$7,375,000.
- The Town had revenues of approximately \$10,523,000 in the ARPA fund from the Coronavirus State and Local Fiscal Recovery Funds program.
- The Town collected approximately \$2,384,000 and \$1,180,000 in accommodation/hospitality taxes and impact fees in 2022, respectively.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2022

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 \$67,193,000. Net position of the Town’s Stormwater Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$1,680,000. 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 General Fund 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 Town had no budget amendments during FY 2022. General Fund revenues were less than budgeted expectations by approximately \$545,000 or 2% primarily due to lower than budgeted intergovernmental revenues (mostly heavy equipment rental surcharges) of approximately \$2,206,000, offset by higher than budgeted fines, fees, licenses and permits revenues of approximately \$1,531,000. General Fund expenditures were less than budgeted expectations by approximately \$5,775,000 or 21%, primarily due to all departments being under budget.

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, 2022, was approximately \$58,797,000 and \$99,059,000, respectively (net of accumulated depreciation). These capital assets include land, construction in progress, land improvements, infrastructure, buildings and improvements, equipment, vehicles, and right-to-use lease - land. The capital assets (net of accumulated depreciation) as of September 30, 2022 and 2021 were as follows:

Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 8,748,279	8,798,279	832,805	832,805	9,581,084	\$ 9,631,084
Construction in Progress	13,843,355	6,553,612	104,693	48,201,597	13,948,048	54,755,209
Land Improvements	604	12,806	-	-	604	12,806
Infrastructure	19,350,932	9,508,047	42,051,962	40,673,729	61,402,894	50,181,776
Buildings & Improvements	11,417,623	9,086,254	53,810,554	2,495,882	65,228,177	11,582,136
Equipment	1,709,963	1,456,822	1,748,445	1,952,479	3,458,408	3,409,301
Vehicles	2,902,265	2,978,352	510,307	504,881	3,412,572	3,483,233
Right-to-Use Lease - Land	824,327	-	-	-	824,327	-
Total	\$ 58,797,348	38,394,172	99,058,766	94,661,373	157,856,114	\$ 133,055,545

Major capital asset events during the current year include:

- Additional construction in progress of approximately \$10,866,000 (water/sewer system, parks, etc.).
- Construction in progress for buildings & improvements placed into service of approximately \$51,663,000.
- Purchase of vehicles for approximately \$749,000.
- Purchase of equipment for approximately \$680,000.
- Additions of infrastructure of approximately \$13,449,000, all of which was donated to the Town.
- Additions of buildings & improvements of approximately \$2,935,000, of which approximately \$2,631,000 was donated to the Town.
- Net disposals of approximately \$263,000.
- Depreciation expense of approximately \$4,441,000.

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, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt: The Town’s long-term debt and lease obligations for its governmental and business-type activities as of September 30, 2022, were approximately \$4,123,000 and \$63,444,000, respectively. These long-term debt and lease obligations include general obligation bonds, revenue bonds, state revolving fund (“SRF”) loan, financed purchases, debt premiums, and leases. The long-term debt and lease obligations as of September 30, 2022 and 2021 were as follows:

Town's Long-Term Debt and Lease Obligations

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 3,027,217	3,411,667	-	-	3,027,217	\$ 3,411,667
Revenue Bonds and SRF Loan	-	-	61,868,437	60,437,598	61,868,437	60,437,598
Financed Purchases	264,583	430,425	-	-	264,583	430,425
Debt Premiums	-	-	1,575,951	1,668,401	1,575,951	1,668,401
Lease Liability	831,785	-	-	-	831,785	-
Total	<u>\$ 4,123,585</u>	<u>3,842,092</u>	<u>63,444,388</u>	<u>62,105,999</u>	<u>67,567,973</u>	<u>\$ 65,948,091</u>

The Town’s long-term debt and lease obligations increased by approximately \$1,620,000 during the current fiscal year due to the Town drawing down approximately \$3,260,000 from the 2019A State Revolving Fund loan and the Town adopting GASB #87 (discussed in the financial highlights section) resulting in the recognition of a lease liability of approximately \$836,000 as of October 1, 2021, offset by principal payments of approximately \$2,384,000 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, 2022 was approximately \$13,591,000. The legal debt margin was approximately \$10,564,000.

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 and saw no slow down due to the pandemic with permits being issued on almost \$232 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 July 1, 2021, the Town had an official Census population estimate of 30,940 residents. The Town’s population had increased just over 26% since the 2020 Census and 186.2% since the 2010 Census. The town’s population is projected to surpass 40,000 residents prior to the end of the decade. 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 97.3% of all residents possessing at least a high school diploma, and 54.8% with a bachelor’s degree or higher. The median household income of \$120,665 exceeds the state median by 107.2%. The median value of all owner-occupied homes was \$340,500 in 2021 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 recovery continues 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. 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, 2022

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, 2023 ("FY 2023") 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 2023 is approximately \$28,578,000. Property tax rates were increased 4 mills; rates associated with the Town's solid waste collections, 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 Chief Financial Officer, 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, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 36,129,926	31,549,526	\$ 67,679,452
Cash and Cash Equivalents, Restricted	17,077,944	7,303,357	24,381,301
Receivables, Net:			
Property Taxes	331,304	-	331,304
Accounts	288,944	1,999,748	2,288,692
Other	596,144	192,807	788,951
Internal Balances	2,225,974	(2,225,974)	-
Due From:			
Federal Government	4,976,317	-	4,976,317
State Government	255,533	-	255,533
Prepaid Expenses	60,108	5,653	65,761
Capital Assets:			
Non-Depreciable	22,591,634	937,498	23,529,132
Depreciable, Net	36,205,714	98,121,268	134,326,982
TOTAL ASSETS	120,739,542	137,883,883	258,623,425
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	2,258,786	415,326	2,674,112
LIABILITIES			
Accounts Payable	1,306,560	1,009,263	2,315,823
Accrued Interest Payable	30,706	477,947	508,653
Accrued Salaries and Fringe Benefits	616,227	29,771	645,998
Customer Deposits	-	197,595	197,595
Retainage Payable	100,000	-	100,000
Due to Other Governments	10,075,674	-	10,075,674
Unearned Revenues	368,256	165,750	534,006
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	908,623	1,756,377	2,665,000
Long-Term Obligations - Due in More Than One Year	3,669,479	61,782,978	65,452,457
Net Pension Liability - Due in More Than One Year	18,529,242	3,924,290	22,453,532
TOTAL LIABILITIES	35,604,767	69,343,971	104,948,738
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	708,733	82,999	791,732
NET POSITION			
Net Investment in Capital Assets	54,077,934	36,755,107	90,833,041
Restricted For:			
Depreciation Reserve/Operations and Maintenance Reserve	-	3,853,937	3,853,937
Debt Service	-	1,867,188	1,867,188
Tourism Related Costs	9,808,885	-	9,808,885
Parks and Recreation	234,960	-	234,960
Firefighters' 1%	228,690	-	228,690
Narcotics	113,654	-	113,654
Capital Projects (Impact Fees)	6,460,875	-	6,460,875
Unrestricted	15,759,830	26,396,007	42,155,837
TOTAL NET POSITION	\$ 86,684,828	68,872,239	\$ 155,557,067

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, 2022

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	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 4,610,957	2,897,212	10,523,294	-	8,809,549		\$ 8,809,549
Judicial	247,460	36,638	-	-	(210,822)		(210,822)
Public Works	4,510,071	2,006,945	-	10,280,655	7,777,529		7,777,529
Public Safety	11,960,456	875,320	32,128	-	(11,053,008)		(11,053,008)
Culture and Recreation	1,550,024	1,011,369	181,145	2,630,900	2,273,390		2,273,390
Community Development	301,172	-	-	-	(301,172)		(301,172)
Interest and Fiscal Charges	98,778	-	-	-	(98,778)		(98,778)
Total Governmental Activities	23,278,918	6,827,484	10,736,567	12,911,555	7,196,688		7,196,688
Business-Type Activities:							
Water/Sewer	11,597,576	15,476,014	-	3,168,065		7,046,503	7,046,503
Stormwater	821,083	1,001,513	-	-		180,430	180,430
Total Business-Type Activities	12,418,659	16,477,527	-	3,168,065		7,226,933	7,226,933
TOTAL - PRIMARY GOVERNMENT	\$ 35,697,577	23,305,011	10,736,567	16,079,620	7,196,688	7,226,933	14,423,621
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					12,794,512	-	12,794,512
Hospitality Taxes					1,786,660	-	1,786,660
Accommodations Taxes					597,653	-	597,653
Business Licenses					5,551,379	-	5,551,379
Intergovernmental Revenue					838,527	-	838,527
Investment Income					17,332	38,465	55,797
Miscellaneous					543,209	-	543,209
Gain on Sale of Capital Assets					249,527	-	249,527
Insurance Recoveries					26,810	51,305	78,115
Transfers In (Out)					902,870	(902,870)	-
Total General Revenues and Transfers					23,308,479	(813,100)	22,495,379
CHANGES IN NET POSITION					30,505,167	6,413,833	36,919,000
NET POSITION, Beginning of Year					56,179,661	62,458,406	118,638,067
NET POSITION, End of Year					\$ 86,684,828	68,872,239	\$ 155,557,067

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, 2022

	GENERAL FUND	CAPITAL PROJECTS FUND	ARPA FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 31,106,202	-	5,023,724	-	\$ 36,129,926
Cash and Cash Equivalents, Restricted	-	234,960	-	16,842,984	17,077,944
Receivables, Net:					
Property Taxes	331,304	-	-	-	331,304
Garbage	288,944	-	-	-	288,944
Other	295,922	15,391	-	284,831	596,144
Due From:					
Other Funds	-	2,992,680	-	3,831	2,996,511
Federal Government	-	-	4,976,317	-	4,976,317
State Government	255,533	-	-	-	255,533
Prepaid Expenses	60,108	-	-	-	60,108
TOTAL ASSETS	\$ 32,338,013	3,243,031	10,000,041	17,131,646	\$ 62,712,731
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 563,481	495,829	-	247,250	\$ 1,306,560
Accrued Salaries and Fringe Benefits	616,227	-	-	-	616,227
Retainage Payable	-	100,000	-	-	100,000
Due to Other Funds	498,245	-	-	272,292	770,537
Due to Other Governments	10,075,674	-	-	-	10,075,674
Unearned Revenues	368,256	-	-	-	368,256
TOTAL LIABILITIES	12,121,883	595,829	-	519,542	13,237,254
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property Taxes	148,962	-	-	-	148,962
FUND BALANCES					
Nonspendable - Prepays	60,108	-	-	-	60,108
Restricted For:					
Tourism Related Costs	-	-	-	9,808,885	9,808,885
Parks and Recreation	-	234,960	-	-	234,960
Firefighters' 1%	-	-	-	228,690	228,690
Narcotics	-	-	-	113,654	113,654
Capital Projects (Impact Fees)	-	-	-	6,460,875	6,460,875
Assigned For:					
Capital Projects	-	2,412,242	10,000,041	-	12,412,283
Community Development	77,138	-	-	-	77,138
Unassigned	19,929,922	-	-	-	19,929,922
TOTAL FUND BALANCES	20,067,168	2,647,202	10,000,041	16,612,104	49,326,515
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 32,338,013	3,243,031	10,000,041	17,131,646	\$ 62,712,731

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, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 49,326,515
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.	148,962
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 \$72,446,424, and the accumulated depreciation was \$13,649,076.	58,797,348
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.	(30,706)
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.	(16,979,189)
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 Leases)	(4,123,585)
Compensated Absences	(454,517)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 86,684,828

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, 2022

	GENERAL FUND	CAPITAL PROJECTS FUND	ARPA FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 12,808,651	-	-	2,384,313	\$ 15,192,964
Fines, Fees, Licenses and Permits	8,142,532	-	-	1,179,874	9,322,406
Charges for Service	2,518,500	17,000	-	-	2,535,500
Grants	-	-	10,523,294	-	10,523,294
Intergovernmental	838,527	-	-	-	838,527
Miscellaneous	1,132,544	125,000	-	19,896	1,277,440
Investment Earnings	4,584	9,094	41	3,613	17,332
TOTAL REVENUES	25,445,338	151,094	10,523,335	3,587,696	39,707,463
EXPENDITURES					
Current:					
General Government	4,410,262	-	-	-	4,410,262
Judicial	238,186	-	-	-	238,186
Public Works	3,588,944	-	-	-	3,588,944
Public Safety	10,559,717	-	-	53,189	10,612,906
Culture and Recreation	1,337,328	-	-	-	1,337,328
Community Development	-	-	-	301,172	301,172
Capital Outlay	1,569,849	7,374,543	-	-	8,944,392
Debt Service:					
Principal Retirement	275,638	279,000	-	-	554,638
Interest and Fiscal Charges	52,090	52,526	-	-	104,616
TOTAL EXPENDITURES	22,032,014	7,706,069	-	354,361	30,092,444
EXCESS OF REVENUES OVER EXPENDITURES	3,413,324	(7,554,975)	10,523,335	3,233,335	9,615,019
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	497,154	-	-	-	497,154
Insurance Recoveries	26,810	-	-	-	26,810
Transfers In	1,426,164	-	-	-	1,426,164
Transfers Out	-	-	(523,294)	-	(523,294)
TOTAL OTHER FINANCING SOURCES (USES)	1,950,128	-	(523,294)	-	1,426,834
CHANGES IN FUND BALANCES	5,363,452	(7,554,975)	10,000,041	3,233,335	11,041,853
FUND BALANCES, Beginning of Year	14,703,716	10,202,177	-	13,378,769	38,284,662
FUND BALANCES, End of Year	\$ 20,067,168	2,647,202	10,000,041	16,612,104	\$ 49,326,515

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, 2022

TOTAL CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 11,041,853**

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. (14,140)

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. 554,638

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. 5,838

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. (671,104)

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. 21,037

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. 12,911,555

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. (247,627)

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 \$8,846,383 exceeded depreciation expense of \$1,943,266 in the current period. 6,903,117

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 30,505,167**

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, 2022

	<u>GROSS REVENUE FUND</u>	<u>NON-MAJOR STORMWATER FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 28,562,121	2,987,405	\$ 31,549,526
Cash and Cash Equivalents, Restricted	7,303,357	-	7,303,357
Receivables, Net:			
Accounts	1,999,748	-	1,999,748
Other	124,214	68,593	192,807
Prepaid Expenses	4,397	1,256	5,653
Total Current Assets	<u>37,993,837</u>	<u>3,057,254</u>	<u>41,051,091</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	937,498	-	937,498
Depreciable, Net	97,596,672	524,596	98,121,268
Total Non-Current Assets	<u>98,534,170</u>	<u>524,596</u>	<u>99,058,766</u>
TOTAL ASSETS	<u>136,528,007</u>	<u>3,581,850</u>	<u>140,109,857</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	<u>326,706</u>	<u>88,620</u>	<u>415,326</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	995,523	13,740	1,009,263
Accrued Interest Payable	477,947	-	477,947
Accrued Salaries and Fringe Benefits	23,040	6,731	29,771
Due to Other Funds	1,126,674	1,099,300	2,225,974
Customer Deposits	197,595	-	197,595
Unearned Revenues	165,750	-	165,750
Current Portion of Compensated Absences	60,000	12,000	72,000
Current Portion of Revenue Bonds	1,684,377	-	1,684,377
Total Current Liabilities	<u>4,730,906</u>	<u>1,131,771</u>	<u>5,862,677</u>
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	18,980	3,987	22,967
Revenue Bonds, Less Current Portion	61,760,011	-	61,760,011
Net Pension Liability	3,086,942	837,348	3,924,290
Total Non-Current Liabilities	<u>64,865,933</u>	<u>841,335</u>	<u>65,707,268</u>
TOTAL LIABILITIES	<u>69,596,839</u>	<u>1,973,106</u>	<u>71,569,945</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	<u>65,289</u>	<u>17,710</u>	<u>82,999</u>
NET POSITION			
Net Investment in Capital Assets	36,230,511	524,596	36,755,107
Restricted for Depreciation Reserve/Operations and Maintenance Reserve	3,853,937	-	3,853,937
Restricted for Debt Service	1,867,188	-	1,867,188
Unrestricted	25,240,949	1,155,058	26,396,007
TOTAL NET POSITION	<u>\$ 67,192,585</u>	<u>1,679,654</u>	<u>\$ 68,872,239</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, 2022

	GROSS REVENUE FUND	NON-MAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES			
Water Revenue and Penalties	\$ 6,022,298	-	\$ 6,022,298
Sewer Revenues	5,520,209	-	5,520,209
Riverview Water Sales	374,840	-	374,840
Tega Cay Water Sales	965,228	-	965,228
Water Taps	1,451,244	-	1,451,244
Sewer Taps	1,093,500	-	1,093,500
Stormwater Revenues	-	992,965	992,965
Other Revenues	48,695	8,548	57,243
TOTAL OPERATING REVENUES	15,476,014	1,001,513	16,477,527
OPERATING EXPENSES			
Water	4,706,890	-	4,706,890
Sewer	2,493,654	-	2,493,654
Personnel Expenses	-	516,753	516,753
Contractual Expenses	-	43,083	43,083
Materials and Supplies	-	43,290	43,290
Other Operating Expenses	90,263	84,061	174,324
Depreciation	2,376,554	121,416	2,497,970
TOTAL OPERATING EXPENSES	9,667,361	808,603	10,475,964
OPERATING INCOME	5,808,653	192,910	6,001,563
NON-OPERATING REVENUES (EXPENSES)			
Insurance Recoveries from Casualty	20,365	30,940	51,305
Investment Earnings	38,465	-	38,465
Interest Expense and Fiscal Charges	(1,926,862)	-	(1,926,862)
Gain (Loss) on Disposal of Capital Assets	(3,353)	(12,480)	(15,833)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,871,385)	18,460	(1,852,925)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	3,937,268	211,370	4,148,638
Capital Contributions - Donated Infrastructure	3,168,065	-	3,168,065
Transfers Out	(902,870)	-	(902,870)
CHANGES IN NET POSITION	6,202,463	211,370	6,413,833
NET POSITION, Beginning of Year	60,990,122	1,468,284	62,458,406
NET POSITION, End of Year	\$ 67,192,585	1,679,654	\$ 68,872,239

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, 2022

	GROSS REVENUE FUND	NON-MAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Fees and Services	\$ 14,870,273	992,965	\$ 15,863,238
Receipts from Other Revenues	282,232	1,287	283,519
Payments for Personnel Services	(2,073,600)	(566,066)	(2,639,666)
Payments for Goods and Services	(5,117,332)	(169,108)	(5,286,440)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,961,573</u>	<u>259,078</u>	<u>8,220,651</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers From (To) Other Funds	(2,000,194)	(891,932)	(2,892,126)
Other Non-Operating Receipts (Payments)	20,365	30,940	51,305
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,979,829)</u>	<u>(860,992)</u>	<u>(2,840,821)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(6,032,721)	(33,556)	(6,066,277)
Debt Principal Payments	(1,829,354)	-	(1,829,354)
Borrowing/Proceeds from Debt	3,502,592	-	3,502,592
Interest Paid on Debt	(2,019,311)	-	(2,019,311)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,378,794)</u>	<u>(33,556)</u>	<u>(6,412,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income Received on Investments	38,465	-	38,465
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>38,465</u>	<u>-</u>	<u>38,465</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(358,585)	(635,470)	(994,055)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	36,224,063	3,622,875	39,846,938
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u>\$ 35,865,478</u>	<u>2,987,405</u>	<u>\$ 38,852,883</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 5,808,653	192,910	\$ 6,001,563
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	2,376,554	121,416	2,497,970
Change in Accounts Representing Operating Activities			
Receivables	(320,009)	(7,261)	(327,270)
Deferred Pension Charges	244,480	78,007	322,487
Accounts Payable	45,346	1,326	46,672
Accrued Salaries & Fringe Benefits	(69,077)	(23,279)	(92,356)
Customer Deposits	(3,500)	-	(3,500)
Compensated Absences	7,502	(2,081)	5,421
Net Pension Liability	225,813	2,700	228,513
Deferred Pension Credits	(354,189)	(104,660)	(458,849)
Net Cash Provided by Operating Activities	<u>\$ 7,961,573</u>	<u>259,078</u>	<u>\$ 8,220,651</u>
Non-Cash Capital and Related Financing Activities:			
Donated Capital Assets	\$ 3,168,065	-	\$ 3,168,065
Amortization of Bond Premiums	92,450	-	92,450
Change in Borrowing/Proceeds from Debt Not Yet Received	(242,399)	-	(242,399)
Change in Acquisition of Capital Assets Not Yet Paid For	\$ (2,323,145)	-	\$ (2,323,145)

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, 2022

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, 2022

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 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, 2022

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 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.

Special Revenue 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. The Town has the following special revenue funds:

The **ARPA Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the Town's American Rescue Plan Act ("ARPA") funding.

The Town has the following non-major special revenue funds: Narcotics Fund, Local Accommodations Tax Fund, Fire Impact Fees Fund, Municipal Facilities Impact Fees Fund, Parks & Recreation Impact Fees Fund, Hospitality Tax Fund, and Firefighters' 1% Fund. Some of these funds are budgeted and any remaining fund balance is generally restricted for the purpose of the specific revenue source.

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 funds are made up of two classes: enterprise funds and internal service funds. The Town has two enterprise funds; it does not have any internal service funds.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Town has 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.

Change in Accounting Principle

The Town adopted GASB Statement No. 87, “Leases” (“GASB #87”) for the year ended September 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The adoption of GASB #87 resulted in no impact to the Town’s net position but resulted in the addition of a lease liability and corresponding intangible right-to-use lease asset as of October 1, 2021 on the Town’s government-wide financial statements of approximately \$836,000 for its governmental activities.

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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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)

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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 was (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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Receivables and Payables (Continued)*

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).

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
Right-to-Use Lease - Land	71 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, 2022

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, 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 assets 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 assets 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, 2022

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, 2022

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, 2022

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 budgeted funds are employed as a management control device during the year. 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, 2022

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, 2022.

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, 2022, none of the Town’s bank balances of approximately \$35,603,000 (which had a carrying value of approximately \$35,358,000) were exposed to custodial credit risk.

Investments

As of September 30, 2022, 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	*	\$ 1,111,327	< 1 Year
Overnight repurchase agreements	N/A	UR	55,591,080	< 1 Year
Total			\$ 56,702,407	

(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, 2022, approximately \$55,591,000 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 Freddie Mac 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, 2022

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

A. Deposits and 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, 2022 were related to (a) debt agreements (\$7,303,000), (b) accommodation taxes (\$2,453,000), (c) hospitality taxes (\$7,595,000), (d) impact fees (\$6,457,000), and (e) other (\$572,000).

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, 2022, millage was set at 75.2 mills (75.2 mills in prior year) to cover general Town services and uses. The Town's assessed value of real and personal property was approximately \$169.9 million for the tax year 2021.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2022 of approximately \$331,000 (net of allowance for uncollectible portion of approximately \$6,000) for the General Fund. Delinquent property taxes of approximately \$182,000 have been recognized as revenue at September 30, 2022 because it was collected within 60 days of year end. The remaining delinquent property tax receivable of approximately \$149,000 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 \$289,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$2,000,000 (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, 2022 (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 \$6,021,000 primarily related to intergovernmental revenues, franchise fees, accommodation taxes, and hospitality taxes.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year except for instances in which a fund is holding cash for another fund):

Fund	Receivables	Payables
<u>Major Funds:</u>		
General Fund	\$ -	\$ 498,245
Capital Projects Fund	2,992,680	-
Gross Revenue Fund	-	1,126,674
<u>Other Non-Major Funds:</u>		
Narcotics Fund	-	9,661
Local Accommodations Tax Fund	-	31,022
Fire Impact Fees Fund	760	-
Municipal Facilities Impact Fees Fund	-	542
Parks and Recreation Impact Fees Fund	3,071	-
Hospitality Tax Fund	-	231,067
Stormwater Fund	-	1,099,300
Totals	<u>\$ 2,996,511</u>	<u>\$ 2,996,511</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, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 1,426,164	\$ -
ARPA Fund	-	523,294
Gross Revenue Fund	-	902,870
Totals	<u>\$ 1,426,164</u>	<u>\$ 1,426,164</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 \$903,000 from its Gross Revenue Fund to the General Fund to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund. The Town transferred approximately \$523,000 from its ARPA Fund to the General Fund to cover premium pay recorded in the General Fund.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 8,798,279	-	50,000	-	\$ 8,748,279
Construction in Progress	6,553,612	7,289,743	-	-	13,843,355
Total Capital Assets, Non-Depreciable	15,351,891	7,289,743	50,000	-	22,591,634
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	10,864,858	10,280,655	-	-	21,145,513
Building and Improvements	12,254,644	2,935,425	371,000	-	14,819,069
Equipment	4,123,917	679,905	-	-	4,803,822
Vehicles	7,404,760	572,210	-	-	7,976,970
Right-to-Use Lease - Land*	836,131	-	-	-	836,131
Total Capital Assets, Depreciable	35,757,595	14,468,195	371,000	-	49,854,790
Less: Accumulated Depreciation for:					
Land Improvements	260,479	12,202	-	-	272,681
Infrastructure	1,356,811	437,770	-	-	1,794,581
Building and Improvements	3,168,390	406,429	173,373	-	3,401,446
Equipment	2,667,095	426,764	-	-	3,093,859
Vehicles	4,426,408	648,297	-	-	5,074,705
Right-to-Use Lease - Land*	-	11,804	-	-	11,804
Total Accumulated Depreciation	11,879,183	1,943,266	173,373	-	13,649,076
Total Capital Assets, Depreciable, Net	23,878,412	12,524,929	197,627	-	36,205,714
Governmental Activities Capital Assets, Net	\$ 39,230,303	19,814,672	247,627	-	\$ 58,797,348

*The beginning balance has been adjusted for the implementation of GASB #87 in the year ended September 30, 2022. See note I.B for more details.

Capital asset additions and depreciation expense for the Town’s governmental activities were charged/allocated to functions/programs for the year ended September 30, 2022 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 434,682	\$ 235,429
Public Safety	734,117	749,377
Public Works	10,547,514	776,207
Culture and Recreation	10,041,625	182,253
Totals - Governmental Activities	\$ 21,757,938	\$ 1,943,266

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022, 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	48,201,597	3,565,914	-	(51,662,818)	104,693
Total Capital Assets, Non-Depreciable	49,034,402	3,565,914	-	(51,662,818)	937,498
Capital Assets, Depreciable:					
Infrastructure	60,750,916	3,168,065	-	-	63,918,981
Building and Improvements	2,937,742	-	-	51,662,818	54,600,560
Equipment	3,155,026	-	-	-	3,155,026
Vehicles	1,356,524	177,218	46,315	-	1,487,427
Total Capital Assets, Depreciable	68,200,208	3,345,283	46,315	51,662,818	123,161,994
Less: Accumulated Depreciation for:					
Infrastructure	20,077,187	1,789,832	-	-	21,867,019
Building and Improvements	441,860	348,146	-	-	790,006
Equipment	1,202,547	204,034	-	-	1,406,581
Vehicles	851,643	155,958	30,481	-	977,120
Total Accumulated Depreciation	22,573,237	2,497,970	30,481	-	25,040,726
Total Capital Assets, Depreciable, Net	45,626,971	847,313	15,834	51,662,818	98,121,268
Business-Type Activities Capital Assets, Net	\$ 94,661,373	4,413,227	15,834	-	\$ 99,058,766

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, 2022 as follows:

Function/Program	Capital Asset Additions	Depreciation Expense
Water/Sewer	\$ 6,877,641	\$ 2,376,554
Stormwater	33,556	121,416
Totals	\$ 6,911,197	\$ 2,497,970

The Town has several projects as of September 30, 2022, primarily consisting of ongoing costs for the park upgrades and tennis facility renovations. The Town had remaining commitments on construction contracts of approximately \$1,490,000 at September 30, 2022.

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 2022, the Town received capital asset donations of approximately \$16,080,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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. Financed Purchase 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 and financed purchase obligations nor the interest thereon. Each of the Town’s outstanding debt and financed purchase 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.

The Town leases land and records a lease liability representing the Town’s obligation to make lease payments arising from the lease. The lease liability at the commencement date is based on the present value of the expected lease payments over the lease term. Interest expense is recognized ratably over the lease term.

Details on the Town’s governmental activities long-term debt and lease obligations for the year ended September 30, 2022 are as follows:

	Outstanding at Year End
<i>General Obligation Bonds</i>	
\$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.	\$ 579,217
\$3,000,000 general obligation bonds (DBP) issued in December, 2019 (“Series 2019”), due in annual installments ranging from \$273,000 to \$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.	2,448,000
Total Outstanding General Obligation Bonds	<u>\$ 3,027,217</u>
<i>Financed Purchase Obligations</i>	
\$850,000 financed 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.	\$ 187,955
\$512,000 financed 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.	76,628
Total Financed Purchase Obligations	<u>\$ 264,583</u>
<i>Lease Liability</i>	
In October 2006, the Town entered into a lease agreement for land used primarily as a parking lot. The lease term ends in August 2092. Monthly payments on the lease are \$2,100. To determine the lease liability the Town used an incremental borrowing rate of 2.50%.	\$ 831,785

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022, for the Town’s governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds:					
GOB - Series 2012 - DBP	\$ 684,667	-	105,450	579,217	\$ 108,772
GOB - Series 2019 - DBP	2,727,000	-	279,000	2,448,000	285,000
Total Bonds	<u>3,411,667</u>	<u>-</u>	<u>384,450</u>	<u>3,027,217</u>	<u>393,772</u>
Financed Purchases:					
2013 Pumper Truck - DBP	278,362	-	90,407	187,955	92,767
2016 Equipment Purchase - DBP	152,063	-	75,435	76,628	76,628
Total Financed Purchases	<u>430,425</u>	<u>-</u>	<u>165,842</u>	<u>264,583</u>	<u>169,395</u>
Lease Liability - Land*	836,131	-	4,346	831,785	4,456
Compensated Absences	475,554	308,759	329,796	454,517	341,000
Total Governmental Activities	<u>\$ 5,153,777</u>	<u>308,759</u>	<u>884,434</u>	<u>4,578,102</u>	<u>\$ 908,623</u>

*The beginning balance has been adjusted for the implementation of GASB #87 in the year ended September 30, 2022. See Note I.B for more details.

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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

E. Long-Term Obligations (Continued)

Details on the Town’s business-type activities long-term debt obligations for the year ended September 30, 2022 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.	\$ 545,000
\$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.	688,000
\$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.	10,930,000
\$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. In the current year the Town made 4 quarterly payments of \$463,486. Over the life of the loan, payments will be due in 120 quarterly installments. Projected payments are \$465,237 which includes interest at approximately 2.70%. Proceeds from this loan are being used for the water pollution control plant expansion.	33,610,437
\$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 upgrade project and (ii) to pay capitalized interest and issuance costs.	16,095,000
Total Revenue Bonds and State Revolving Fund Loans	<u>\$ 61,868,437</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022, 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	\$ 1,060,000	-	515,000	545,000	\$ 545,000
2013A Revenue Bonds - DBP	795,000	-	107,000	688,000	109,000
2015 Revenue Bonds - PT	11,185,000	-	255,000	10,930,000	255,000
2019A SRF - DBP	31,302,598	3,260,193	952,354	33,610,437	775,377
2019B Revenue Bonds - PT	16,095,000	-	-	16,095,000	-
Total Debt	<u>60,437,598</u>	<u>3,260,193</u>	<u>1,829,354</u>	<u>61,868,437</u>	<u>1,684,377</u>
Debt Premiums	1,668,401	-	92,450	1,575,951	-
Compensated Absences	89,546	64,512	59,091	94,967	72,000
Total Business-Type Activities	<u>\$ 62,195,545</u>	<u>3,324,705</u>	<u>1,980,895</u>	<u>63,539,355</u>	<u>\$ 1,756,377</u>

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt. Resources from the Gross Revenue Fund and the Stormwater Fund have been used to liquidate business-type activities 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 each fiscal year as defined) of 120%. The Town maintained a rate covenant exceeding 120% for the year ended September 30, 2022.

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, 2022, the Town had approximately \$3,027,000 of bonded debt subject to the 8% limit of approximately \$13,591,000 resulting in an unused legal debt margin of approximately \$10,564,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022:

Year Ended September 30,	Debt - DBP		Financed Purchases - DBP		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2023	\$ 393,772	65,046	169,395	6,116	4,456	\$ 20,744
2024	402,198	55,784	95,188	2,484	4,569	20,631
2025	411,732	46,303	-	-	4,684	20,516
2026	422,378	36,577	-	-	4,803	20,397
2027	432,137	26,605	-	-	4,924	20,276
2028-2032	965,000	29,649	-	-	26,554	99,446
2033-2037	-	-	-	-	30,086	95,914
2038-2042	-	-	-	-	34,087	91,913
2043-2047	-	-	-	-	38,621	87,379
2048-2052	-	-	-	-	43,757	82,243
2053-2057	-	-	-	-	49,577	76,423
2058-2062	-	-	-	-	56,171	69,829
2063-2067	-	-	-	-	63,642	62,358
2068-2072	-	-	-	-	72,106	53,894
2073-2077	-	-	-	-	81,696	44,304
2078-2082	-	-	-	-	92,562	33,438
2083-2087	-	-	-	-	104,873	21,127
2088-2092	-	-	-	-	114,617	7,183
Totals	<u>\$ 3,027,217</u>	<u>259,964</u>	<u>264,583</u>	<u>8,600</u>	<u>831,785</u>	<u>\$ 928,015</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, 2022:

Year Ended September 30,	Debt - DBP		Debt - PT	
	Principal	Interest	Principal	Interest
<u>Business-Type Activities</u>				
2023	\$ 1,429,377	921,385	255,000	\$ 1,057,694
2024	907,525	888,473	1,045,000	1,029,019
2025	932,250	864,611	1,100,000	975,394
2026	956,568	840,109	1,150,000	922,694
2027	981,494	814,959	1,210,000	870,019
2028-2032	4,803,855	3,692,548	7,400,000	3,464,973
2033-2037	5,358,413	3,016,849	9,025,000	1,953,825
2038-2042	6,130,120	2,245,143	5,840,000	353,200
2043-2047	7,019,959	1,355,304	-	-
2048-2052	6,323,876	369,341	-	-
Totals	<u>\$ 34,843,437</u>	<u>15,008,722</u>	<u>27,025,000</u>	<u>\$ 10,626,818</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2021, totaled approximately \$14,371,000. 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, 2021, totaled approximately \$57,773,000. 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 retirement systems and benefit 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 pension 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 an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The ACFR 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 ACFR of the state.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

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 first-term individuals elected to the South Carolina General Assembly. 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, 2022

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. The Retirement Funding and Administration Act of 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. 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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Pension reform legislation modified the statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

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 two years are as follows:

	SCRS Rates			
	2021		2022	
	10/1-6/30	7/1-9/30	10/1-6/30	7/1-9/30
Employer Rate: ^				
Retirement	15.41%	16.41%	16.41%	17.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%
	<u>15.56%</u>	<u>16.56%</u>	<u>16.56%</u>	<u>17.56%</u>
Employee Rate ^	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
	PORS Rates			
	2021		2022	
	10/1-6/30	7/1-9/30	10/1-6/30	7/1-9/30
Employer Rate: ^				
Retirement	17.84%	18.84%	18.84%	19.84%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%
	<u>18.24%</u>	<u>19.24%</u>	<u>19.24%</u>	<u>20.24%</u>
Employee Rate ^	<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 actual and required contributions to the SCRS and PORS were approximately \$1,053,000 and \$1,085,000, respectively, for the year ended September 30, 2022 and include the nonemployer contributions noted below.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Nonemployer Contributions

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, 2022. 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 September 30, 2022 were approximately \$31,000 and \$30,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

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.

The June 30, 2022 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, 2021. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (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 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

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 2022 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 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 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
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Rate of Return	<u>100.0%</u>		<u>4.79%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>7.04%</u></u>

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, 2022 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	\$ 56,454,779,872	32,212,626,932	\$ 24,242,152,940	57.1%
PORS	\$ 8,937,686,946	5,938,707,767	\$ 2,998,979,179	66.4%

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

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, 2022, the Town reported liabilities of approximately \$12,291,000 and \$10,162,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2021 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, 2022 measurement date, the Town's SCRS proportion was 0.050701 percent, which was a decrease of 0.001206 from its proportion measured as of June 30, 2021. At the June 30, 2022 measurement date, the Town's PORS proportion was 0.338862 percent, which was a decrease of 0.015449 from its proportion measured as of June 30, 2021.

For the year ended September 30, 2022, the Town recognized pension expense of approximately \$1,665,000 and \$1,235,000 for the SCRS and PORS, respectively. At September 30, 2022, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 106,787	\$ 53,564
Change in Assumptions	394,206	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	18,956	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	503,303	206,396
Employer Contributions Subsequent to the Measurement Date	277,570	-
Total SCRS	<u>1,300,822</u>	<u>259,960</u>
PORS:		
Differences Between Expected and Actual Experience	170,505	200,894
Change in Assumptions	423,178	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,688	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	459,631	330,878
Employer Contributions Subsequent to the Measurement Date	289,288	-
Total PORS	<u>1,373,290</u>	<u>531,772</u>
Total SCRS and PORS	<u>\$ 2,674,112</u>	<u>\$ 791,732</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$278,000 and \$289,000 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, 2023. 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
2023	\$ 612,066	372,048	\$ 984,114
2024	178,517	217,109	395,626
2025	(347,837)	(431,937)	(779,774)
2026	320,546	395,010	715,556
Total	<u>\$ 763,292</u>	<u>552,230</u>	<u>\$ 1,315,522</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 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.

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 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town’s proportionate share of the net pension liability of the SCRS	\$ 15,758,751	12,291,135	\$ 9,408,262
Town’s proportionate share of the net pension liability of the PORS	14,170,850	10,162,397	6,881,100
Total	<u>\$ 29,929,601</u>	<u>22,453,532</u>	<u>\$ 16,289,362</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS and PORS. The ACFR 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 \$360,000 to the PEBA as of September 30, 2022, representing required employer and employee contributions for the month of September 2022 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in October 2022.

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.

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 2021, the DOR 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 a misallocation of past funds. 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 Town worked with legal counsel and DOR and determined that the Town owed DOR approximately \$8,818,000 for overpayments received. In September 2023, the Town agreed to a payment schedule with DOR. An initial payment of approximately \$1,912,000 is due October 1, 2023 with five subsequent yearly payments of approximately \$1,381,000 due August 1 of 2024, 2025, 2026, 2027, and 2028. The Town also was required to pay back approximately \$1,257,000 to York County in January 2023. The Town has recorded a liability in its General Fund for the amounts owed.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (CONTINUED)

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 \$8,305,000 of the Town’s approximately \$12,603,000 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$20,500 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 \$38,000 and \$160,000, respectively, for the year ended September 30, 2022. 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 \$965,000 under agreements entered into by York County.

F. Subsequent Events

In November 2022, the Town awarded a bid for new playground equipment at Walter Y. Elisha Park for approximately \$415,000.

In November 2022, the Town awarded a bid for the Archie Street lift station improvements project for approximately \$1,071,000.

In April 2023, the Town was awarded a grant from the South Carolina Infrastructure Investment Program of approximately \$6,620,000 from the SC Rural Infrastructure Authority.

In May 2023, the Town purchased property on Banks Road for approximately \$3,481,000.

In June 2023, the Town was allocated approximately \$25,000,000 from the state of South Carolina for a new Operations Center.

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, 2022

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 12,665,000	12,665,000	12,808,651	\$ 143,651
Fines, Fees, Licenses and Permits	6,611,200	6,611,200	8,142,532	1,531,332
Charges For Services	2,465,000	2,465,000	2,518,500	53,500
Intergovernmental	3,044,113	3,044,113	838,527	(2,205,586)
Miscellaneous	1,199,147	1,199,147	1,132,544	(66,603)
Investment Earnings	5,500	5,500	4,584	(916)
TOTAL REVENUES	25,989,960	25,989,960	25,445,338	(544,622)
EXPENDITURES				
Current:				
General Government	6,848,580	6,848,580	4,410,262	2,438,318
Judicial	272,962	272,962	238,186	34,776
Public Works	4,456,446	4,456,446	3,588,944	867,502
Public Safety	11,681,169	11,681,169	10,559,717	1,121,452
Culture and Recreation	1,867,408	1,867,408	1,337,328	530,080
Capital Outlay	2,353,181	2,353,181	1,569,849	783,332
Debt Service:				
Principal Retirement	275,639	275,639	275,638	1
Interest and Fiscal Charges	52,089	52,089	52,090	(1)
TOTAL EXPENDITURES	27,807,474	27,807,474	22,032,014	5,775,460
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,817,514)	(1,817,514)	3,413,324	5,230,838
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	10,000	10,000	497,154	487,154
Insurance Recoveries	10,000	10,000	26,810	16,810
Transfers In	1,797,514	1,797,514	1,426,164	(371,350)
TOTAL OTHER FINANCING SOURCES (USES)	1,817,514	1,817,514	1,950,128	132,614
CHANGES IN FUND BALANCES	-	-	5,363,452	5,363,452
FUND BALANCES, Beginning of Year	14,703,716	14,703,716	14,703,716	-
FUND BALANCES, End of Year	\$ 14,703,716	14,703,716	20,067,168	\$ 5,363,452

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 NINE FISCAL YEARS

	Year Ended September 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.050701%	0.051907%	0.050255%	0.044675%	0.039328%	0.035588%	0.031794%	0.030520%	0.028883%
Town's Proportionate Share of the Net Pension Liability	\$ 12,291,135	11,233,398	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	\$ 6,037,361	5,867,642	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 as a Percentage of its Covered Payroll	203.58%	191.45%	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	57.06%	60.75%	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 (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 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 NINE FISCAL YEARS

	Year Ended September 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,052,626	928,926	894,279	734,123	574,049	433,629	350,962	321,943	\$ 282,776
Contributions in Relation to the Contractually Required Contribution									
Contributions from the Town	1,021,220	897,520	862,873	702,717	542,643	433,629	350,962	321,943	282,776
Contributions from the State	31,406	31,406	31,406	31,406	31,406	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 6,260,987	5,882,744	5,747,293	4,959,544	4,162,656	3,600,233	3,134,263	2,941,829	\$ 2,647,317
Contributions as a Percentage of Covered Payroll	16.81%	15.79%	15.56%	14.80%	13.79%	12.04%	11.20%	10.94%	10.68%

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 NINE FISCAL YEARS

	Year Ended September 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.33886%	0.35431%	0.33085%	0.31707%	0.31033%	0.27281%	0.22559%	0.20109%	0.19145%
Town's Proportionate Share of the Net Pension Liability	\$ 10,162,397	9,116,124	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	\$ 5,362,815	5,327,739	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 as a Percentage of its Covered Payroll	189.50%	171.11%	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	66.45%	70.37%	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 (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 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 NINE FISCAL YEARS

	Year Ended September 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,084,730	997,158	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	1,055,161	967,589	892,064	789,699	692,855	552,991	421,206	342,355	305,395
Contributions from the State	29,569	29,569	29,569	29,569	29,569	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 5,563,601	5,399,521	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	19.50%	18.47%	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, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current Property Taxes	\$ 11,500,000	11,498,398	\$ (1,602)
Current Vehicle Taxes	1,100,000	1,233,054	133,054
Prior Years, Including Penalties and Execution Fees	30,000	33,787	3,787
Housing Authority in Lieu of Taxes	35,000	43,412	8,412
Total Taxes	12,665,000	12,808,651	143,651
Fines, Fees, Licenses, and Permits:			
Business Licenses	4,000,000	5,551,379	1,551,379
Duke Power in Lieu of Taxes	450,000	459,797	9,797
York Electric in Lieu of Taxes	735,000	762,289	27,289
Fines and Penalties	48,000	36,638	(11,362)
Permits	1,378,200	1,332,429	(45,771)
Total Fines, Fees, Licenses, and Permits	6,611,200	8,142,532	1,531,332
Charges for Services:			
Garbage Revenue	2,016,000	1,975,895	(40,105)
Athletics Revenue	419,000	511,555	92,555
Grave Openings	30,000	31,050	1,050
Total Charges for Services	2,465,000	2,518,500	53,500
Intergovernmental Revenues:			
State Shared Revenue	2,833,234	622,015	(2,211,219)
State Accommodations Taxes	37,000	43,135	6,135
Manufacturer's Depreciation Reimbursement	900	398	(502)
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	157,510	157,510	-
Total Intergovernmental Revenues	3,044,113	838,527	(2,205,586)
Miscellaneous:			
School Resource Officers	676,079	501,060	(175,019)
York County Fire Protection	33,318	32,128	(1,190)
Spring Festival	150,000	181,145	31,145
Credit Card Convenience Fee	60,000	145,717	85,717
Other	279,750	272,494	(7,256)
Total Miscellaneous	1,199,147	1,132,544	(66,603)
Investment Earnings:			
Investment Earnings	5,500	4,584	(916)
Total Investment Earnings	5,500	4,584	(916)
TOTAL REVENUES	\$ 25,989,960	25,445,338	\$ (544,622)

(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, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	\$ 74,027	68,247	\$ 5,780
Operating Expenditures	2,062,327	365,503	1,696,824
Community Promotions	6,000	-	6,000
Miscellaneous	500	-	500
Total Town Council	<u>2,142,854</u>	<u>433,750</u>	<u>1,709,104</u>
Administration:			
Personnel Services	2,689,363	2,601,926	87,437
Operating Expenditures	2,016,363	1,374,586	641,777
Capital Outlay	602,432	283,409	319,023
Total Administration	<u>5,308,158</u>	<u>4,259,921</u>	<u>1,048,237</u>
Total General Government	<u>7,451,012</u>	<u>4,693,671</u>	<u>2,757,341</u>
Judicial:			
Municipal Court:			
Personnel Services	222,106	200,464	21,642
Operating Expenditures	50,856	37,722	13,134
Capital Outlay	15,000	-	15,000
Total Municipal Court	<u>287,962</u>	<u>238,186</u>	<u>49,776</u>
Total Judicial	<u>287,962</u>	<u>238,186</u>	<u>49,776</u>
Public Works:			
Administration:			
Personnel Services	144,459	144,444	15
Operating Expenditures	53,391	28,878	24,513
Capital Outlay	110,000	-	110,000
Total Administration	<u>307,850</u>	<u>173,322</u>	<u>134,528</u>
Sanitation:			
Personnel Services	293,315	307,536	(14,221)
Operating Expenditures	1,062,228	1,089,220	(26,992)
Total Sanitation	<u>\$ 1,355,543</u>	<u>\$ 1,396,756</u>	<u>\$ (41,213)</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, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 1,007,577	786,455	\$ 221,122
Operating Expenditures	276,185	128,467	147,718
Capital Outlay	100,525	73,637	26,888
Total Building and Grounds	<u>1,384,287</u>	<u>988,559</u>	<u>395,728</u>
Street Department:			
Personnel Services	562,859	450,356	112,503
Operating Expenditures	802,629	445,636	356,993
Capital Outlay	283,000	267,386	15,614
Total Street Department	<u>1,648,488</u>	<u>1,163,378</u>	<u>485,110</u>
Garage and Vehicle:			
Personnel Services	154,773	168,352	(13,579)
Operating Expenditures	99,030	39,600	59,430
Total Garage and Vehicle	<u>253,803</u>	<u>207,952</u>	<u>45,851</u>
Total Public Works	<u>4,949,971</u>	<u>3,929,967</u>	<u>1,020,004</u>
Public Safety:			
Police Department:			
Personnel Services	5,725,112	5,385,817	339,295
Operating Expenditures	1,630,811	1,213,856	416,955
Capital Outlay	989,724	770,881	218,843
Total Police Department	<u>8,345,647</u>	<u>7,370,554</u>	<u>975,093</u>
Fire Department:			
Personnel Services	3,554,716	3,411,403	143,313
Operating Expenditures	770,530	548,641	221,889
Capital Outlay	172,000	135,083	36,917
Total Fire Department	<u>4,497,246</u>	<u>4,095,127</u>	<u>402,119</u>
Total Public Safety	<u>12,842,893</u>	<u>11,465,681</u>	<u>1,377,212</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	760,633	715,362	45,271
Operating Expenditures	1,106,775	621,966	484,809
Capital Outlay	80,500	39,453	41,047
Total Cultural and Recreation	<u>\$ 1,947,908</u>	<u>1,376,781</u>	<u>\$ 571,127</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, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 275,639	275,638	\$ 1
Interest and Fiscal Charges	52,089	52,090	(1)
Total Debt Service	<u>327,728</u>	<u>327,728</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>27,807,474</u>	 <u>22,032,014</u>	 <u>5,775,460</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(1,817,514)</u>	 <u>3,413,324</u>	 <u>5,230,838</u>
 OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	10,000	497,154	487,154
Insurance Recoveries	10,000	26,810	16,810
Transfers In	1,797,514	1,426,164	(371,350)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,817,514</u>	<u>1,950,128</u>	<u>132,614</u>
 CHANGES IN FUND BALANCES	 -	 5,363,452	 5,363,452
 FUND BALANCES, Beginning of Year	 <u>14,703,716</u>	 <u>14,703,716</u>	 <u>-</u>
 FUND BALANCES, End of Year	 <u>\$ 14,703,716</u>	 <u>20,067,168</u>	 <u>\$ 5,363,452</u>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2022

	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	FIREFIGHTERS' 1% FUND	
ASSETS								
Cash and Cash Equivalents, Restricted	\$ 108,683	2,453,389	667,494	846,084	4,943,471	7,595,173	228,690	\$ 16,842,984
Receivables, Net:								
Other	14,632	110,879	408	-	129	158,783	-	284,831
Due From:								
Other Funds	-	-	760	-	3,071	-	-	3,831
TOTAL ASSETS	\$ 123,315	2,564,268	668,662	846,084	4,946,671	7,753,956	228,690	\$ 17,131,646
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ -	227,000	-	-	-	20,250	-	\$ 247,250
Due to Other Funds	9,661	31,022	-	542	-	231,067	-	272,292
TOTAL LIABILITIES	9,661	258,022	-	542	-	251,317	-	519,542
FUND BALANCES								
Restricted for:								
Tourism Related Costs	-	2,306,246	-	-	-	7,502,639	-	9,808,885
Firefighters' 1%	-	-	-	-	-	-	228,690	228,690
Narcotics	113,654	-	-	-	-	-	-	113,654
Capital Projects (Impact Fees)	-	-	668,662	845,542	4,946,671	-	-	6,460,875
TOTAL FUND BALANCES	113,654	2,306,246	668,662	845,542	4,946,671	7,502,639	228,690	16,612,104
TOTAL LIABILITIES AND FUND BALANCES	\$ 123,315	2,564,268	668,662	846,084	4,946,671	7,753,956	228,690	\$ 17,131,646

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, 2022

	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	FIREFIGHTERS' 1% FUND	
REVENUES								
Taxes	\$ -	597,653	-	-	-	1,786,660	-	\$ 2,384,313
Fines, Fees, Licenses and Permits	-	-	354,364	325,697	499,813	-	-	1,179,874
Miscellaneous	19,896	-	-	-	-	-	-	19,896
Investment Earnings	53	1,271	-	6	2,283	-	-	3,613
TOTAL REVENUES	19,949	598,924	354,364	325,703	502,096	1,786,660	-	3,587,696
EXPENDITURES								
Current:								
Public Safety	-	-	-	-	-	-	53,189	53,189
Community Development	-	301,172	-	-	-	-	-	301,172
TOTAL EXPENDITURES	-	301,172	-	-	-	-	53,189	354,361
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,949	297,752	354,364	325,703	502,096	1,786,660	(53,189)	3,233,335
CHANGES IN FUND BALANCES	19,949	297,752	354,364	325,703	502,096	1,786,660	(53,189)	3,233,335
FUND BALANCES, Beginning of Year	93,705	2,008,494	314,298	519,839	4,444,575	5,715,979	281,879	13,378,769
FUND BALANCES, End of Year	\$ 113,654	2,306,246	668,662	845,542	4,946,671	7,502,639	228,690	\$ 16,612,104

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, 2022

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING REVENUES					
Water Revenue and Penalties	\$ 5,725,660	6,022,298	-	6,022,298	\$ 296,638
Sewer Revenues	5,864,500	5,520,209	-	5,520,209	(344,291)
Riverview Water Sales	271,730	374,840	-	374,840	103,110
Tega Cay Water Sales	1,051,100	965,228	-	965,228	(85,872)
Water Taps	789,888	1,451,244	-	1,451,244	661,356
Sewer Taps	979,200	1,093,500	-	1,093,500	114,300
Other Revenues	41,062	48,695	-	48,695	7,633
TOTAL OPERATING REVENUES	14,723,140	15,476,014	-	15,476,014	752,874
OPERATING EXPENSES					
Water:					
Water Purchases	2,873,204	2,518,075	-	2,518,075	355,129
Salaries	898,452	756,591	-	756,591	141,861
Fringe Benefits	380,329	286,304	-	286,304	94,025
Pension Expense	-	-	60,289	60,289	-
Material and Supplies	240,900	164,322	-	164,322	76,578
Electricity	1,800	1,937	-	1,937	(137)
Permits	15,550	-	-	-	15,550
Water Meter Replacement	570,000	302,708	-	302,708	267,292
Equipment Repairs	20,000	21,139	-	21,139	(1,139)
Postage	55,500	60,405	-	60,405	(4,905)
Gas, Oil, and Grease	31,000	37,988	-	37,988	(6,988)
Street Maintenance	100,000	153,016	-	153,016	(53,016)
Miscellaneous	296,699	4,516	-	4,516	292,183
Auto Repairs	14,500	8,237	-	8,237	6,263
Uniforms	19,685	9,054	-	9,054	10,631
Water and Heat	1,300	953	-	953	347
Telephone	23,560	16,323	-	16,323	7,237
Travel/Training	26,500	11,939	-	11,939	14,561
Transportation	136,000	143,662	(143,662)	-	(7,662)
Membership/Dues	34,470	27,562	-	27,562	6,908
Advertising	4,000	1,046	-	1,046	2,954
Professional Services	252,000	134,120	-	134,120	117,880
Hydrant Repairs	60,000	4,059	-	4,059	55,941
Pre-Employment Expense	1,000	66	-	66	934
Contracted Services	235,000	59,223	-	59,223	175,777
Rentals	5,000	765	-	765	4,235
Building Maintenance	12,500	3,615	-	3,615	8,885
Service Contracts	71,545	62,638	-	62,638	8,907
Computer Expenses	20,000	-	-	-	20,000
Capital Outlay	25,000	-	-	-	25,000
	\$ 6,425,494	4,790,263	(83,373)	4,706,890	\$ 1,635,231

(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, 2022

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING EXPENSES (CONTINUED)					
Sewer:					
Salaries	\$ 798,231	697,264	-	697,264	\$ 100,967
Fringe Benefits	336,987	271,866	-	271,866	65,121
Pension Expense	-	-	55,815	55,815	-
Electricity	255,000	286,130	-	286,130	(31,130)
Equipment Repairs	120,000	39,612	-	39,612	80,388
Material and Supplies	136,200	92,454	-	92,454	43,746
Electricity Lift Station	100,000	73,673	-	73,673	26,327
Alum	35,000	50,186	-	50,186	(15,186)
Professional Services	146,000	49,890	-	49,890	96,110
Contracted Services	97,000	39,135	-	39,135	57,865
Chemicals	50,000	44,213	-	44,213	5,787
Lab Supplies	20,000	7,008	-	7,008	12,992
Gas, Oil, and Grease	31,000	48,320	-	48,320	(17,320)
Service Contracts	10,300	236	-	236	10,064
Auto Repairs	15,000	7,983	-	7,983	7,017
Telephone	32,980	22,835	-	22,835	10,145
Uniforms	15,730	8,469	-	8,469	7,261
Travel/Training	18,500	9,081	-	9,081	9,419
Transportation	210,000	146,121	-	146,121	63,879
Miscellaneous	2,500	329	-	329	2,171
Water and Heat	9,100	5,285	-	5,285	3,815
Building/Grounds Maintenance	6,000	4,717	-	4,717	1,283
Lime	30,000	31,297	-	31,297	(1,297)
Membership/Dues	8,735	4,212	-	4,212	4,523
Landfill Fees	192,000	315,454	-	315,454	(123,454)
Rental	8,000	1,640	-	1,640	6,360
Permits	4,500	2,167	-	2,167	2,333
Pump Station Repairs	200,000	77,071	-	77,071	122,929
York County Sewer Processing	135,000	87,401	-	87,401	47,599
Capital Outlay	6,545,384	3,565,993	(3,565,914)	79	2,979,391
Pump Station Monitoring	24,000	13,711	-	13,711	10,289
	<u>9,593,147</u>	<u>6,003,753</u>	<u>(3,510,099)</u>	<u>2,493,654</u>	<u>3,589,394</u>
Other Operating Expenses	70,000	90,263	-	90,263	(20,263)
Depreciation	-	-	2,376,554	2,376,554	-
TOTAL OPERATING EXPENSES	<u>16,088,641</u>	<u>10,884,279</u>	<u>(1,216,918)</u>	<u>9,667,361</u>	<u>5,204,362</u>
OPERATING INCOME (LOSS)	\$ (1,365,501)	4,591,735	1,216,918	5,808,653	\$ 5,957,236

(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, 2022

	GROSS REVENUE FUND				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
NON-OPERATING REVENUES (EXPENSES)					
Grants	\$ 500,000	-	-	-	\$ (500,000)
Insurance Recoveries from Casualty	5,000	20,365	-	20,365	15,365
Investment Earnings	20,000	38,465	-	38,465	18,465
Debt Service - Payments and Fiscal Charges	(3,850,868)	(3,756,216)	1,829,354	(1,926,862)	94,652
Debt Service - Debt Issuance	6,032,483	3,260,193	(3,260,193)	-	(2,772,290)
Gain (Loss) on Disposal of Capital Assets	-	-	(3,353)	(3,353)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,706,615	(437,193)	(1,434,192)	(1,871,385)	(3,143,808)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,341,114	4,154,542	(217,274)	3,937,268	2,813,428
Capital Contributions - Donated Infrastructure	-	-	3,168,065	3,168,065	-
Transfers Out	(1,626,114)	(902,870)	-	(902,870)	723,244
CHANGES IN NET POSITIONS	(285,000)	3,251,672	2,950,791	6,202,463	3,536,672
NET POSITIONS, Beginning of Year	60,990,122	60,990,122	-	60,990,122	-
NET POSITIONS, End of Year	\$ 60,705,122	64,241,794	2,950,791	67,192,585	\$ 3,536,672

Note: The Town budgeted expected use of net position of \$285,000.

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	\$ (2,376,554)
- Capital Asset Additions Included in Budgetary Basis	3,709,576
- Donated Capital Assets (Infrastructure)	3,168,065
- Gain (Loss) on Disposal of Capital Assets	(3,353)
- Principal Payments on Debt	1,829,354
- Borrowings on Debt Issuances	(3,260,193)
- Pension Expense - Net Change in NPL and Related Items	(116,104)
Total GAAP Adjustments	\$ 2,950,791

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULE

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

YEAR ENDED SEPTEMBER 30, 2022

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			\$ 90,987	\$ 90,987
Court fines and assessments remitted to State Treasurer			(40,263)	(40,263)
Total Court Fines and Assessments retained			50,724	50,724
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			837	837
Assessments retained			4,253	4,253
Total Surcharges and Assessments retained for victim services			\$ 5,090	\$ 5,090

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	4,253		4,253
Victim Service Surcharges Retained by City/County Treasurer	837		837
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)	5,090		5,090
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			
Operating Expenditures			
Victim Service Contract(s):			
(1) York County	5,090		5,090
(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)	5,090		5,090
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, 2022

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US ENVIRONMENTAL PROTECTION AGENCY			
Pass-through South Carolina Rural Infrastructure Authority: Capitalization Grants for Clean Water State Revolving Funds - Loan	66.458	1-213-19-336-09	\$ 3,044,295
TOTAL US ENVIRONMENTAL PROTECTION AGENCY			3,044,295
US DEPARTMENT OF TREASURY			
Direct: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	10,523,294
TOTAL US DEPARTMENT OF TREASURY			10,523,294
GRAND TOTAL			\$ 13,567,589

Note: There were no expenditures to subrecipients for the year ended September 30, 2022.

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, 2022

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, 2022. 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 \$33,610,437 at September 30, 2022, of which \$11,514,289 is federal. Expenditures of \$3,044,295 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*.



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 30, 2023.

Report on 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) as a basis for designing 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 a 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on 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 financial statements. 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 the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

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
October 30, 2023



**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

Opinion on Each Major Federal Program

We have audited the Town of Fort Mill, South Carolina’s (the “Town”) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the Town complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“*Government Auditing Standards*”); 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”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
October 30, 2023

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TOWN OF FORT MILL, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2022

2021-001: PERFORMING BANK RECONCILIATIONS

- Condition:** During the fiscal year 2021 (“FY 2021”) 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 2021 by the COVID-19 pandemic which 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.
- Status:** Management continued to work toward getting caught up. However, the Town had a similar finding in the current year as it relates to performing formal bank reconciliations.
-

2021-002: RECORDING OF RETAINAGE LIABILITIES

- Condition:** In connection with preparing for the FY 2021 audit, two misstatements were identified related to retainage liabilities which resulted in several audit adjustments.
- Criteria:** The Town should have adequate internal controls in place to ensure that all retainage liabilities are properly recorded.
- Context, Cause and Effect:** The Town did not initially record retainage liabilities for two construction projects. These misstatements were due to oversight by Town personnel. The Town was impacted in FY 2021 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.
- Status:** This finding was not addressed as there were significant audit adjustments related to retainage liabilities in the current year and the Town had a similar finding.

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

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? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X 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)? X Yes No

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
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

Section II – Current Year Financial Statement Findings

2022-001: PERFORMING BANK RECONCILIATIONS

- Condition:** During the fiscal year 2022 (“FY 2022”) 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 and FY 2021 by the COVID-19 pandemic which 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. In FY 2022 the Town was working toward getting caught up from these delays.
- 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 88 in this audit report.
-

2022-002: PROPER RECORDING OF ACCRUALS

- Condition:** In connection with preparing for the FY 2022 audit, several misstatements were identified related to receivables, accounts payable, retainage liabilities, and accrued liabilities which resulted in audit adjustments.
- Criteria:** The Town should have adequate internal controls in place to ensure that all accruals are recorded in accordance with generally accepted accounting principles.
- Context, Cause and Effect:** The Town initially did not properly record receivables, accounts payable, retainage liabilities, and accrued liabilities. These misstatements were due to oversight by Town personnel. The Town was impacted in FY 2020 and FY 2021 by the COVID-19 pandemic which 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. In FY 2022 the Town was working toward getting caught up from these delays. 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 accruals are properly recorded.
- Response:** The Town agrees with this finding and will adhere to the corrective action plan on page 88 in this audit report.

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

Section III – Current Year Federal Award Findings and Questioned Costs

Federal Agency: US Department of Treasury
Pass-Through Agency: N/A – Direct Program
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund
Assistance Listing Number 21.027
Pass-Through Grantor’s Award Numbers and Years: N/A
Repeat Comment from Prior Year? No

2022-003: 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 Coronavirus State and Local Fiscal Recovery Fund (American Rescue Plan Act) revenues.

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

Context, Cause and Effect: The Town did not initially record a receivable for the replacement of lost revenue claimed on the report to the US Department of Treasury during FY 2022. This misstatement was due to oversight by Town personnel. The Town was impacted in FY 2020 and FY 2021 by the COVID-19 pandemic which 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. In FY 2022 the Town was working toward getting caught up from these delays. This error was corrected when we brought it 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 are properly recorded.

Response: The Town agrees with this finding and will adhere to the corrective action plan on page 88 in this audit report.

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

Section III – Current Year Federal Award Findings and Questioned Costs (Continued)

Federal Agency: US Department of Treasury
Pass-Through Agency: N/A – Direct Program
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund
Assistance Listing Number 21.027
Pass-Through Grantor’s Award Numbers and Years: N/A
Repeat Comment from Prior Year? No

2022-004: Reporting

Questioned Costs
\$0

Condition: In our single audit testing it was identified that the quarterly Project and Expenditure Report for quarter 1 of 2022 for the Coronavirus State and Local Fiscal Recovery Fund (American Rescue Plan Act) was not timely submitted to the US Department of Treasury.

Criteria: The Town should have adequate internal controls in place to ensure that grant reports are timely submitted.

Context, Cause and Effect: The Town did not timely submit the quarter 1 of 2022 Project and Expenditure Report to the US Department of Treasury during FY 2022. This was due to oversight by Town personnel. The Town was impacted in FY 2020 and FY 2021 by the COVID-19 pandemic which 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. In FY 2022 the Town was working toward getting caught up from these delays. When reports for grant programs are not timely filed the Town is not in compliance with grant requirements.

Recommendation: The Town should develop a process to ensure that grant reports are submitted timely.

Response: The Town agrees with this finding and will adhere to the corrective action plan on page 88 in this audit report.

TOWN OF FORT MILL, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2022



Financial Statement Findings

Finding: 2022-001

Contact Person: Eric Davis, Assistant Town Manager / Chief Financial Officer, ecdavis@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, 2024

Finding: 2022-002

Contact Person: Eric Davis, Assistant Town Manager / Chief Financial Officer, ecdavis@fortmillsc.gov

Corrective Action: The Town understands the need to identify and record accruals properly. Finance will perform an in-depth review of the balance sheet to ensure that accrual balances are properly stated.

Proposed Completion Date: September 30, 2024

Federal Award Findings and Questioned Costs

Finding: 2022-003

Contact Person: Eric Davis, Assistant Town Manager / Chief Financial Officer, ecdavis@fortmillsc.gov

Corrective Action: The Town understands the need to identify and record grant related accruals properly. Finance will perform an in-depth review of the balance sheet to ensure that grant-related accrual balances are properly stated.

Proposed Completion Date: September 30, 2024

Finding: 2022-004

Contact Person: Eric Davis, Assistant Town Manager / Chief Financial Officer, ecdavis@fortmillsc.gov

Corrective Action: The Town understands the need to timely submit reports for grant programs and will review the reporting requirements for all grant programs to ensure that reports are timely submitted.

Proposed Completion Date: September 30, 2024
