

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

TOWN OF FORT MILL, SOUTH CAROLINA

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TOWN OF FORT MILL, SOUTH CAROLINA

PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2017

Established

1873

MAYOR

Guyann H. Savage

TOWN COUNCIL MEMBERS

Ward 1 – James T. Shirey

Ward 2 – Ronald S. Helms

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

Ward 4 – David C. Moody

At Large – Etrulia B. Heemsoth

At Large – Lisa E. McCarley

TOWN MANAGER

Dennis P. Pieper

FINANCE DIRECTOR

Chantay F. Boulter



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 March 1, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
March 1, 2018

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017 ("FY 2017" or "2017") compared to the year ended September 30, 2016 ("FY 2016" or "2016"). 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 \$60,183,000. Of this amount, approximately \$23,498,000 (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 \$15,242,000 (an increase of approximately \$5,523,000 from governmental activities and an increase of approximately \$9,719,000 from business-type activities), as total revenues of approximately \$38,294,000 exceeded total expenses of approximately \$23,052,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$22,864,000, an increase of approximately \$5,010,000 from the prior year. Of this total amount, 39%, or approximately \$8,947,000, 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 \$8,947,000, or 58% of total General Fund expenditures for 2017.
- The Town's total capital assets increased by approximately \$14,814,000 (45%) during the current fiscal year, which was largely due to capital asset additions of approximately \$17,025,000 exceeding depreciation expense of approximately \$2,001,000 and net disposals of approximately \$210,000.
- The Town's long-term obligations decreased by approximately \$1,150,000 (5%) during the current fiscal year due to principal payments and amortization of debt premium of approximately \$1,183,000 exceeding an increase in the compensated absence liability of approximately \$33,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – the *Financial Section* (which includes the MD&A, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

Financial Statements

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

Government-Wide Financial Statements

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, judicial, public works, public safety, culture and recreation, and community development. Taxes, business licenses, permits, and intergovernmental revenues finance most of these activities. The business-type activities are water/sewer and stormwater services that the Town charges customers to provide. The government-wide financial statements can be found as listed in the table of contents of this report.

Fund Financial Statements

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

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

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Other Information – In addition to the financial statements and accompanying notes, this report also includes supplementary information. Regarding the Town’s major funds, the Town adopts an annual budget for its General Fund, Capital Projects Fund, and Gross Revenue Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with its budget. Required pension schedules have been included which provide relevant information regarding the Town’s participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents. In addition, the Town has provided other budgetary and supplemental schedules for most of the remaining funds as listed in the table of contents of this report.

Figure A-1 - Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses, and Changes in 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, 2017

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, 2017 and 2016:

	Town's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 23,935,104	18,783,954	22,630,480	26,566,549	46,565,584	\$ 45,350,503
Capital Assets	12,177,777	10,481,271	35,579,168	22,461,451	47,756,945	32,942,722
Total Assets	36,112,881	29,265,225	58,209,648	49,028,000	94,322,529	78,293,225
Deferred Outflows of Resources	3,513,374	2,107,444	467,588	343,345	3,980,962	2,450,789
Liabilities						
Long-Term Liabilities	2,402,668	2,615,279	17,576,815	18,514,443	19,979,483	21,129,722
Net Pension Liability	13,150,675	10,343,033	2,334,689	2,170,201	15,485,364	12,513,234
Other Liabilities	952,479	814,775	1,698,549	1,337,869	2,651,028	2,152,644
Total Liabilities	16,505,822	13,773,087	21,610,053	22,022,513	38,115,875	35,795,600
Deferred Inflows of Resources	3,146	5,018	1,294	2,356	4,440	7,374
Net Position						
Net Investment in Capital Assets	10,042,718	8,393,332	20,386,031	14,979,488	30,428,749	23,372,820
Restricted	5,297,648	3,135,092	959,161	945,967	6,256,809	4,081,059
Unrestricted	7,776,921	6,066,140	15,720,697	11,421,021	23,497,618	17,487,161
Total Net Position	\$ 23,117,287	17,594,564	37,065,889	27,346,476	60,183,176	\$ 44,941,040

The Town's total assets increased by approximately \$16,029,000, or 20%, over the prior year. This increase was primarily due to an increase in cash and cash equivalents of approximately \$506,000 and an increase in capital assets of approximately \$14,814,000. Total liabilities at September 30, 2017 increased by approximately \$2,320,000 from the prior year; this is primarily due to an increase in the net pension liability of approximately \$2,972,000 and an increase in Other Liabilities of approximately \$498,000, partially offset by a decrease in Long-Term Liabilities of approximately \$1,150,000. The changes in deferred outflows and inflows was primarily due to differences between expected and actual liability/investment, changes in assumptions, and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

The government's net position increased by approximately \$15,242,000 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 \$60,183,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net position (approximately \$30,429,000 or 51%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital leases and lease purchases) used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (including capital leases and lease purchases) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town's net position (approximately \$6,257,000 or 10%) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related costs, future debt service payments, and capital projects (impact fees). The remaining balance is unrestricted net position of approximately \$23,498,000 which may be used to meet the government's ongoing obligations to citizens and creditors.

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

The following table shows the changes in net position for 2017 compared to 2016.

	Town's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,359,430	9,100,402	11,543,770	10,757,611	21,903,200	\$ 19,858,013
Operating Grants and Contributions	980,738	287,589	-	-	980,738	287,589
Capital Grants and Contributions	244,377	6,878	5,191,970	2,665,467	5,436,347	2,672,345
General Revenues:						
Property Taxes	6,845,132	5,983,088	-	-	6,845,132	5,983,088
Hospitality & Accommodations Taxes	975,361	465,879	-	-	975,361	465,879
Equipment Rental Fee	1,067,000	-	-	-	1,067,000	-
Intergovernmental Revenue	484,764	493,862	-	-	484,764	493,862
Other Revenue	499,839	468,298	101,961	41,810	601,800	510,108
Total Revenues	21,456,641	16,805,996	16,837,701	13,464,888	38,294,342	30,270,884
Expenses:						
General Government	3,351,771	2,344,973	-	-	3,351,771	2,344,973
Judicial	186,153	120,475	-	-	186,153	120,475
Public Works	2,828,066	2,653,229	-	-	2,828,066	2,653,229
Public Safety	8,150,112	6,103,750	-	-	8,150,112	6,103,750
Culture and Recreation	1,446,908	1,110,176	-	-	1,446,908	1,110,176
Community Development	41,001	-	-	-	41,001	-
Interest and Fiscal Charges	59,622	58,214	-	-	59,622	58,214
Water/Sewer	-	-	6,665,980	5,643,634	6,665,980	5,643,634
Stormwater	-	-	322,593	317,409	322,593	317,409
Total Expenses	16,063,633	12,390,817	6,988,573	5,961,043	23,052,206	18,351,860
Change in Net Position Before Transfers	5,393,008	4,415,179	9,849,128	7,503,845	15,242,136	11,919,024
Transfers In (Out)	129,715	552,220	(129,715)	(552,220)	-	-
Change in Net Position	5,522,723	4,967,399	9,719,413	6,951,625	15,242,136	11,919,024
Net Position, Beginning of Year	17,594,564	12,627,165	27,346,476	20,394,851	44,941,040	33,022,016
Net Position, End of Year	\$ 23,117,287	17,594,564	37,065,889	27,346,476	60,183,176	\$ 44,941,040

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Revenues and transfers in exceeded expenses by approximately \$5,523,000 in 2017 for its governmental activities. Revenues and transfers in increased over the prior year by approximately \$4,228,000 (24%) to approximately \$21,586,000, due to an increase in charges for services of approximately \$1,259,000 (14%), an increase in property tax revenue of approximately \$862,000 (14%), an increase in operating Grants and Contributions of approximately \$693,000 (241%), an increase in hospitality and accommodations taxes of approximately \$509,000 (109%), and an increase in all other revenue of approximately \$1,328,000 (137%), partially offset by a decrease in transfers in of approximately \$423,000 (77%). Expenses increased by approximately \$3,673,000 (30%) from the prior year to approximately \$16,064,000.

Business-Type Activities: Revenues exceeded expenses and transfers out by approximately \$9,719,000 for 2017 for its business-type activities. Revenues increased by approximately \$3,373,000 (25%) from the prior year to approximately \$16,838,000 primarily due to an increase in charges for services and an increase in capital contributions. Expenses and transfers out increased by approximately \$605,000 (9%) to approximately \$7,118,000.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$22,864,000, an increase of approximately \$5,010,000 from the prior year. Approximately 39% of this total amount (approximately \$8,947,000) constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable related to prepaids, assigned for capital projects and community development, or restricted for either tourism related costs, parks and recreation, narcotics, or capital projects (impact fees).

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 \$9,079,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. The total unassigned fund balance of the General Fund represents approximately 58% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$1,365,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$3,519,000 or 24% primarily due to an increase over budget in miscellaneous revenues of approximately \$1,326,000, taxes of approximately \$682,000, and fines, fees, licenses, and permits of approximately \$790,000, grant revenues of approximately \$406,000 and charges for services of approximately \$259,000.
- General Fund expenditures were under budgeted expectations by approximately \$1,068,000 or 7%, primarily due to general government, judicial, public safety, and culture and recreation coming in under budget.
- The most significant other financing sources (uses) transactions for 2017 consisted of a transfer of \$3,128,000 to the Capital Projects Fund (in accordance with the Town's fund balance policy) and a transfer of approximately \$626,000 from the Gross Revenue Fund (to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund).

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

In addition, the fund balances of the remaining Special Revenue and Capital Projects Funds increased by approximately \$3,645,000. Highlights for all of the remaining governmental funds were as follows:

- A transfer from the General Fund to the Capital Projects Fund of approximately \$3,128,000.
- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$1,088,000.
- The Town collected approximately \$1,743,000 in impact fees in 2017.

Proprietary Funds: The Town’s proprietary funds provides the same type of information found in the government-wide financial statements but in more detail. Net position of the Town’s Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$35,616,000. Net position of the Town’s Stormwater Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$1,449,000. Factors concerning the operation of these funds have already been addressed in the discussion of the Town’s business-type activities.

Budgetary Highlights

The Town’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, Capital Projects Fund, and the Gross Revenue Fund (enterprise fund). There were no significant budget amendments made during fiscal year 2017.

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, 2017, was approximately \$12,178,000 and \$35,579,000, respectively (net of accumulated depreciation). These capital assets include land, construction in progress, land improvements, infrastructure, buildings and improvements, equipment, and vehicles. The capital assets (net of accumulated depreciation) as of September 30, 2017 and 2016 were as follows:

Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,167,579	1,920,717	605,505	605,505	2,773,084	\$ 2,526,222
Construction in Progress	-	-	7,748,275	982,055	7,748,275	982,055
Land Improvements	85,624	103,844	-	-	85,624	103,844
Infrastructure	1,313,288	1,357,296	26,009,606	19,755,736	27,322,894	21,113,032
Buildings & Improvements	5,271,582	4,155,790	468,251	483,464	5,739,833	4,639,254
Equipment	408,754	633,023	158,472	195,394	567,226	828,417
Vehicles	2,930,950	2,310,601	589,059	439,297	3,520,009	2,749,898
Total	\$ 12,177,777	10,481,271	35,579,168	22,461,451	47,756,945	\$ 32,942,722

Major capital asset events during the current year include:

- Additional construction on water and sewer systems of approximately \$8,341,000.
- Land additions of approximately \$247,000.
- Purchase of vehicles for approximately \$1,335,000.
- Purchase of equipment and other capital assets for approximately \$1,510,000.
- Donations of infrastructure from outside developers of approximately \$5,593,000.
- Disposals of approximately \$210,000.
- Depreciation expense of approximately \$2,001,000.

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, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations: As of September 30, 2017, the Town had total bonded debt outstanding of approximately \$17,354,000, of which approximately \$1,075,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$1,619,000 in lease purchases/capital lease outstanding at year end.

Town's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 1,075,233	1,165,536	-	-	1,075,233	\$ 1,165,536
Revenue Bonds/Refunding Bonds	-	-	16,279,000	17,026,000	16,279,000	17,026,000
Lease Purchases/Capital Lease	1,059,826	1,209,054	558,813	725,748	1,618,639	1,934,802
Debt Premium	-	-	680,065	709,740	680,065	709,740
Compensated Absences	267,609	240,689	58,937	52,955	326,546	293,644
Total	<u>\$ 2,402,668</u>	<u>2,615,279</u>	<u>17,576,815</u>	<u>18,514,443</u>	<u>19,979,483</u>	<u>\$ 21,129,722</u>

The Town's long-term obligations decreased by approximately \$1,150,000 (5%) during the current fiscal year due to principal payments and amortization of debt premium of approximately \$1,183,000 exceeding an increase in the compensated absence liability of approximately \$33,000.

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, 2017 was approximately \$6,375,000. The legal debt margin was approximately \$5,300,000.

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 of Fort Mill ("Fort Mill") is located within the Charlotte Metropolitan Statistical Area ("MSA") in the Southeastern region of the United States. Fort Mill continues to be one of the fastest growing municipalities in the state and region. New development in the Town continues to exceed pre-recession levels; over the last three years, the town has permitted more than 2,300 new residential units, annexed more than 200 existing homes, and permitted just under 1.5 million square feet of new commercial development. 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 2016, Fort Mill had an estimated 15,029 residents. The Town's population has increased 98.1% since the 2000 Census and 39.0% since 2010. The town's population is projected to approach 40,000 residents by the year 2040. This growth rate is significantly higher than the growth rates of the state and nation.

The average education level for Fort Mill residents age 25+ is higher than both the state and national average, with 91.0% of all residents possessing at least a high school diploma, and 36.0% with a bachelor's degree or higher. The median household income of \$66,748 exceeds the state average by 42.3%. The median value of all owner-occupied homes was \$209,100 in 2016, and is projected to increase over the coming years. New single-family home permits for 2017 increased by 36.7% compared to 2016, while the average value of each new home permit (\$363,829) decreased by 4.2% compared to the previous year. The Town did not permit any new apartment units in 2017, compared to 336 units permitted in 2016; however, there are several apartment buildings currently being approved for construction.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2017

ECONOMIC FACTORS (CONTINUED)

Economic development activities in the next reporting period are expected to be strong. Significant commercial projects are currently being approved for construction or are actively under construction. Two large commercial projects, the Lash Group and LPL Financial, were completed in 2016, and generated thousands of new jobs in the Town limits. Additional commercial activity at the Kingsley development (including a significant expansion of Lash Group's headquarters), two planned hotels, a new medical office building, and several other planned commercial projects, will further expand the Town's commercial tax base.

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

Management is forecasting a strong FY 2017-2018 and does not project a downturn based on current and planned investment within the Town. As commercial development continues to follow the expansive residential growth, the Town is expected to develop a larger, and more diverse tax base.

NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The adopted FY 2017-18 General Fund operating budget is approximately \$18,323,000. Rates associated with the Town's solid waste, business license, and building permit fees remained constant.

REQUESTS FOR TOWN INFORMATION

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 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, 2017

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 15,679,478	14,907,219	\$ 30,586,697
Cash and Cash Equivalents, Restricted	5,204,947	8,075,845	13,280,792
Receivables, Net:			
Property Taxes	286,637	-	286,637
Accounts	167,350	1,223,034	1,390,384
Other	293,632	70,598	364,230
Internal Balances	1,655,638	(1,655,638)	-
Due From:			
Federal Government	159,370	-	159,370
State Government	436,499	-	436,499
Prepaid Expenses	51,553	9,422	60,975
Capital Assets:			
Non-Depreciable	2,167,579	8,353,780	10,521,359
Depreciable, Net	10,010,198	27,225,388	37,235,586
TOTAL ASSETS	36,112,881	58,209,648	94,322,529
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	3,513,374	467,588	3,980,962
LIABILITIES			
Accounts Payable	387,319	1,184,816	1,572,135
Accrued Interest Payable	32,847	223,457	256,304
Accrued Salaries and Fringe Benefits	408,726	73,626	482,352
Other Liabilities	9,899	-	9,899
Unearned Revenues	113,688	216,650	330,338
Non-Current Liabilities:			
Net Pension Liability	13,150,675	2,334,689	15,485,364
Long-Term Obligations - Due Within One Year	446,551	992,230	1,438,781
Long-Term Obligations - Due in More Than One Year	1,956,117	16,584,585	18,540,702
TOTAL LIABILITIES	16,505,822	21,610,053	38,115,875
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	3,146	1,294	4,440
NET POSITION			
Net Investment in Capital Assets	10,042,718	20,386,031	30,428,749
Restricted For:			
Debt Service	-	959,161	959,161
Tourism Related Costs	2,222,617	-	2,222,617
Parks and Recreation	203,533	-	203,533
Narcotics	73,584	-	73,584
Capital Projects (Impact Fees)	2,797,914	-	2,797,914
Unrestricted	7,776,921	15,720,697	23,497,618
TOTAL NET POSITION	\$ 23,117,287	37,065,889	\$ 60,183,176

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, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 3,351,771	7,069,351	-	-	3,717,580		\$ 3,717,580
Judicial	186,153	56,690	-	-	(129,463)		(129,463)
Public Works	2,828,066	1,136,306	444,990	-	(1,246,770)		(1,246,770)
Public Safety	8,150,112	655,621	28,231	94,377	(7,371,883)		(7,371,883)
Culture and Recreation	1,446,908	1,441,462	507,517	150,000	652,071		652,071
Community Development	41,001	-	-	-	(41,001)		(41,001)
Interest and Fiscal Charges	59,622	-	-	-	(59,622)		(59,622)
Total Governmental Activities	16,063,633	10,359,430	980,738	244,377	(4,479,088)		(4,479,088)
Business-Type Activities:							
Water/Sewer	6,665,980	10,835,229	-	5,191,970		9,361,219	9,361,219
Stormwater	322,593	708,541	-	-		385,948	385,948
Total Business-Type Activities	6,988,573	11,543,770	-	5,191,970		9,747,167	9,747,167
TOTAL - PRIMARY GOVERNMENT	\$ 23,052,206	21,903,200	980,738	5,436,347	(4,479,088)	9,747,167	5,268,079
General Revenues and Transfers:							
Taxes:							
Property Taxes Levied for General Purposes					6,845,132	-	6,845,132
Hospitality Taxes					624,905	-	624,905
Accommodations Taxes					350,456	-	350,456
Equipment Rental Fee					1,067,000	-	1,067,000
Intergovernmental Revenue - Unrestricted					484,764	-	484,764
Investment Income					17,942	26,652	44,594
Miscellaneous					420,801	-	420,801
Insurance Proceeds from Casualty					61,096	75,309	136,405
Transfers In (Out)					129,715	(129,715)	-
Total General Revenues and Transfers					10,001,811	(27,754)	9,974,057
CHANGES IN NET POSITIONS					5,522,723	9,719,413	15,242,136
NET POSITIONS, Beginning of Year					17,594,564	27,346,476	44,941,040
NET POSITIONS, End of Year					23,117,287	37,065,889	\$ 60,183,176

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, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 7,234,857	8,444,621	-	\$ 15,679,478
Cash and Cash Equivalents, Restricted	-	1,929,587	3,275,360	5,204,947
Receivables, Net:				
Property Taxes	286,637	-	-	286,637
Garbage	167,350	-	-	167,350
Other	139,801	61,965	91,866	293,632
Due From:				
Other Funds	1,730,567	1,588	9,223	1,741,378
Federal Government	159,370	-	-	159,370
State Government	436,499	-	-	436,499
Prepaid Expenses	51,553	-	-	51,553
TOTAL ASSETS	\$ 10,206,634	10,437,761	3,376,449	\$ 24,020,844
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 366,802	20,517	-	\$ 387,319
Accrued Salaries and Fringe Benefits	408,726	-	-	408,726
Due to Other Funds	77,352	-	8,388	85,740
Unearned Revenues	113,688	-	-	113,688
Other Liabilities	9,899	-	-	9,899
TOTAL LIABILITIES	976,467	20,517	8,388	1,005,372
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	151,588	-	-	151,588
TOTAL DEFERRED INFLOWS OF RESOURCES	151,588	-	-	151,588
FUND BALANCES				
Nonspendable - Prepaids	51,553	-	-	51,553
Restricted For:				
Tourism Related Costs	-	1,726,054	496,563	2,222,617
Parks and Recreation	-	203,533	-	203,533
Narcotics	-	-	73,584	73,584
Capital Projects (Impact Fees)	-	-	2,797,914	2,797,914
Assigned For:				
Capital Projects	-	8,487,657	-	8,487,657
Community Development	80,138	-	-	80,138
Unassigned	8,946,888	-	-	8,946,888
TOTAL FUND BALANCES	9,078,579	10,417,244	3,368,061	22,863,884
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,206,634	10,437,761	3,376,449	\$ 24,020,844

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, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 22,863,884**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Property taxes in the Statement of Net Position will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	151,588
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$19,416,812, and the accumulated depreciation was \$7,239,035.	12,177,777
Accrued interest on bonds in governmental accounting was not due and payable in the current period and therefore has not been reported as a liability in the funds.	(32,847)
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.	(9,640,447)
Long-term liabilities, including debt premiums, are not due or payable in the current period, and therefore are not reported as liabilities in the funds. Governmental fund long-term liabilities at year-end consisted of the following:	
Long-Term Debt (including Lease Purchases)	(2,135,059)
Compensated Absences	<u>(267,609)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 23,117,287</u></u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 6,845,132	624,905	350,456	\$ 7,820,493
Fines, Fees, Licenses and Permits	6,650,444	-	1,742,824	8,393,268
Charges for Service	1,630,627	19,000	-	1,649,627
Grants	774,991	-	-	774,991
Intergovernmental	484,764	-	-	484,764
Miscellaneous	1,986,826	50,000	23,257	2,060,083
Investment Earnings	7,514	7,710	2,718	17,942
TOTAL REVENUES	18,380,298	701,615	2,119,255	21,201,168
EXPENDITURES				
Current:				
General Government	2,306,399	-	-	2,306,399
Judicial	170,658	-	-	170,658
Public Works	2,975,209	-	-	2,975,209
Public Safety	6,825,104	-	29,456	6,854,560
Culture and Recreation	1,184,372	-	-	1,184,372
Community Development	-	-	41,001	41,001
Capital Outlay	1,574,830	1,087,628	381,265	3,043,723
Debt Service:				
Principal Retirement	239,531	-	-	239,531
Interest and Fiscal Charges	62,997	-	-	62,997
TOTAL EXPENDITURES	15,339,100	1,087,628	451,722	16,878,450
EXCESS OF REVENUES OVER EXPENDITURES	3,041,198	(386,013)	1,667,533	4,322,718
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds from Casualty	61,096	-	-	61,096
Transfers In	1,405,768	3,127,652	5,000	4,538,420
Transfers Out	(3,142,652)	(754,651)	(14,860)	(3,912,163)
TOTAL OTHER FINANCING SOURCES (USES)	(1,675,788)	2,373,001	(9,860)	687,353
CHANGES IN FUND BALANCES	1,365,410	1,986,988	1,657,673	5,010,071
FUND BALANCES, Beginning of Year	7,713,169	8,430,256	1,710,388	17,853,813
FUND BALANCES, End of Year	\$ 9,078,579	10,417,244	3,368,061	\$ 22,863,884

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, 2017

TOTAL CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,010,071**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Repayment of bond principal is an expenditure or other financing use in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 239,531

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in the interest accrued. 3,375

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. (1,399,840)

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. (26,920)

In the Statement of Activities, capital assets contributed by outside parties are reported as revenues. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the governmental funds. 194,377

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. (180,433)

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 \$2,564,751 exceeded depreciation expense of \$882,189 in the current period. 1,682,562

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 5,522,723**

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, 2017

	<u>GROSS REVENUE FUND</u>	<u>NONMAJOR STORMWATER FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 13,779,189	1,128,030	\$ 14,907,219
Cash and Cash Equivalents, Restricted	8,075,845	-	8,075,845
Receivables, Net:			
Accounts	1,223,034	-	1,223,034
Other	55,973	14,625	70,598
Due from Other Funds	40,807	185	40,992
Prepaid Expenses	6,281	3,141	9,422
Total Current Assets	<u>23,181,129</u>	<u>1,145,981</u>	<u>24,327,110</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	8,353,780	-	8,353,780
Depreciable, Net	26,530,626	694,762	27,225,388
Total Non-Current Assets	<u>34,884,406</u>	<u>694,762</u>	<u>35,579,168</u>
TOTAL ASSETS	<u>58,065,535</u>	<u>1,840,743</u>	<u>59,906,278</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	<u>410,515</u>	<u>57,073</u>	<u>467,588</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,179,676	5,140	1,184,816
Accrued Interest Payable	223,457	-	223,457
Accrued Salaries and Fringe Benefits	59,811	13,815	73,626
Due to Other Funds	1,557,810	138,820	1,696,630
Unearned Revenues	216,650	-	216,650
Current Portion of Compensated Absences	39,600	4,400	44,000
Current Portion of Revenue Bonds and Capital Lease	948,230	-	948,230
Total Current Liabilities	<u>4,225,234</u>	<u>162,175</u>	<u>4,387,409</u>
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	13,873	1,064	14,937
Revenue Bonds and Capital Lease, Less Current Portion	16,569,648	-	16,569,648
Net Pension Liability	2,049,717	284,972	2,334,689
Total Non-Current Liabilities	<u>18,633,238</u>	<u>286,036</u>	<u>18,919,274</u>
TOTAL LIABILITIES	<u>22,858,472</u>	<u>448,211</u>	<u>23,306,683</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	<u>1,136</u>	<u>158</u>	<u>1,294</u>
NET POSITION			
Net Investment in Capital Assets	19,691,269	694,762	20,386,031
Restricted for Debt Service	959,161	-	959,161
Unrestricted	14,966,012	754,685	15,720,697
TOTAL NET POSITION	<u>\$ 35,616,442</u>	<u>1,449,447</u>	<u>\$ 37,065,889</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, 2017

	GROSS REVENUE FUND	NONMAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES			
Water Revenue and Penalties	\$ 3,466,493	-	\$ 3,466,493
Sewer Revenues	2,903,298	-	2,903,298
Riverview Water Sales	207,587	-	207,587
Tega Cay Water Sales	495,967	-	495,967
Water Taps	1,787,587	-	1,787,587
Sewer Taps	1,938,400	-	1,938,400
Stormwater Revenues	-	705,400	705,400
Other Revenues	35,897	3,141	39,038
TOTAL OPERATING REVENUES	10,835,229	708,541	11,543,770
OPERATING EXPENSES			
Water	3,503,718	-	3,503,718
Sewer	1,437,242	-	1,437,242
Personnel Expenses	-	168,570	168,570
Contractual Expenses	-	15,695	15,695
Materials and Supplies	-	23,094	23,094
Other Operating Expenses	44,644	22,213	66,857
Depreciation	1,025,905	93,021	1,118,926
TOTAL OPERATING EXPENSES	6,011,509	322,593	6,334,102
OPERATING INCOME (LOSS)	4,823,720	385,948	5,209,668
NON-OPERATING REVENUES (EXPENSES)			
Insurance Proceeds from Casualty	35,839	39,470	75,309
Investment Earnings	26,652	-	26,652
Interest Expense and Fiscal Charges	(654,471)	-	(654,471)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(591,980)	39,470	(552,510)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	4,231,740	425,418	4,657,158
Capital Contributions - Donated Infrastructure	5,592,561	-	5,592,561
Capital Contributions - Cash	95,951	-	95,951
Transfers In	-	238,627	238,627
Transfers Out	(864,884)	-	(864,884)
CHANGES IN NET POSITIONS	9,055,368	664,045	9,719,413
NET POSITIONS, Beginning of Year	26,561,074	785,402	27,346,476
NET POSITIONS, End of Year	\$ 35,616,442	1,449,447	\$ 37,065,889

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, 2017

	GROSS REVENUE FUND	NONMAJOR STORMWATER FUND	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Fees and Services	\$ 10,649,547	705,400	\$ 11,354,947
Receipts from Other Revenues	125,334	3,888	129,222
Payments for Personnel Services	(1,188,344)	(163,788)	(1,352,132)
Payments for Goods and Services	(3,396,970)	(60,125)	(3,457,095)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,189,567</u>	<u>485,375</u>	<u>6,674,942</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers From (To) Other Funds	(555,133)	51,727	(503,406)
Other Non-Operating Receipts (Payments)	35,839	39,470	75,309
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(519,294)</u>	<u>91,197</u>	<u>(428,097)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(8,475,293)	(198,055)	(8,673,348)
Bond and Note Payments	(913,935)	-	(913,935)
Interest Paid on Bonds	(695,650)	-	(695,650)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,084,878)</u>	<u>(198,055)</u>	<u>(10,282,933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income Received on Investments	26,652	-	26,652
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>26,652</u>	<u>-</u>	<u>26,652</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,387,953)	378,517	(4,009,436)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	26,242,987	749,513	26,992,500
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	<u>\$ 21,855,034</u>	<u>1,128,030</u>	<u>\$ 22,983,064</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 4,823,720	385,948	\$ 5,209,668
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	1,025,905	93,021	1,118,926
Capital Contributions - Cash	95,951	-	95,951
Change in Accounts Representing Operating Activities			
Receivables	(163,769)	747	(163,022)
Prepaid Expenses	(1,890)	(2,040)	(3,930)
Deferred Pension Charges	(109,635)	(14,608)	(124,243)
Accounts Payable	359,078	2,917	361,995
Accrued Salaries & Fringe Benefits	(243)	2,962	2,719
Unearned Revenues	7,470	-	7,470
Compensated Absences	5,982	-	5,982
Net Pension Liabilities	147,927	16,561	164,488
Deferred Pension Credits	(929)	(133)	(1,062)
Net Cash Provided by Operating Activities	<u>\$ 6,189,567</u>	<u>485,375</u>	<u>\$ 6,674,942</u>
Non-Cash Capital and Related Financing Activities:			
Donated Capital Assets	<u>\$ 5,592,561</u>	<u>-</u>	<u>\$ 5,592,561</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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's responsibility does not extend beyond the Mayor making these appointments. The Authority does not have a significant operational or financial relationship with the Town.

Major Operations

The Town's major governmental operations include general government, judicial, public works, public safety (police and fire protection), 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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, 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 considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. These funds do not have a legally adopted budget and any remaining fund balance is generally reserved for the purpose of the specific revenue source. The Town has the following special revenue funds: Narcotics Fund, Local Accommodations Tax Fund, Fire Impact Fees Fund, Municipal Facilities Impact Fees Fund, and Parks & Recreation Impact Fees Fund.

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town has two Enterprise Funds:

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

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

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

Investments

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

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

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

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

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

Certain cash, cash equivalents, and investments of the Town may be legally restricted from time to time. The major type of restrictions were (a) those imposed by the revenue source (i.e. hospitality tax, impact fees, narcotics, etc.) and (b) bond indenture requirements which require the establishment of accounts/funds for (1) maximum annual principal and interest payments (unless a surety bond was provided), (2) the next succeeding principal and accrued interest payment, and (3) unspent lease and bond proceeds.

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). Subsidies are also recorded as transfers. Town management determines the classification of amounts recorded as subsidies or advances. To the extent that certain transactions between funds have not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality taxes, sanitation, water, sewer, and other fees and charges.

3. Inventories and Prepaids

Inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

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

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

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

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

5. Compensated Absences

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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 capital leases, compensated absences, contractually required pension contributions, special termination benefits and other miscellaneous long-term obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due and payable.

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

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

7. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the Statement of Net Position (government-wide and proprietary funds) and the Balance Sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. 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, 2017

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, 2017

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, 2017

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 departmental level.
5. Legally adopted budgets are employed as a management control device during the year for the General Fund, Capital Projects Fund, Gross Revenue Fund, and Stormwater Fund. Expenditures/expenses may not legally exceed appropriations on the fund level. The remaining Special Revenue Funds are not formally budgeted but effective budgetary control is achieved through the various grant documents and appropriate state law.
6. The budgets for the governmental funds are legally adopted on a basis consistent with GAAP. The proprietary fund (Gross Revenue Fund) is legally adopted on the cash basis (which is not consistent with GAAP).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council.
- 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, 2017.

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, 2017, none of the Town’s bank balances of approximately \$22,821,000 (which had a carrying value of approximately \$21,676,000) were exposed to custodial credit risk.

Investments

As of September 30, 2017, 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	*	\$ 1,091,659	< 1 Year
Overnight repurchase agreements	N/A	UR	20,209,475	< 1 Year
Total			\$ 21,301,134	

(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.

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, 2017, approximately \$20,209,000 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.

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 had a cash management repurchase agreement invested in FNMA (Fannie Mae) Real Estate Mortgage Investment Conduits that comprised approximately 95% of the Town’s total investments.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

A. Deposits and Investments (Continued)

Investments (Continued)

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2017 were related to (a) bond and lease agreements (\$8,076,000), (b) narcotics (\$70,000), (c) hospitality taxes (\$1,726,000), (d) impact fees (\$2,792,000), and (e) other (\$617,000).

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, 2017, millage was set at 86.0 mills (86.0 mills in the prior year) to cover general Town services and uses. The Town's assessed value of real and personal property was approximately \$79.7 million for the tax year 2017.

Based on information provided by the York County Treasurer's Office, the Town has recorded uncollected property taxes at September 30, 2017 of approximately \$287,000 (net of allowance for uncollectible portion of approximately \$8,000) for the General Fund. Delinquent property taxes of approximately \$2,000 have been recognized as revenue at September 30, 2017 because it was collected within 60 days of year end. Approximately \$133,000 has been recognized as revenue as it was collected by the County during September 2017, and remitted to the Town in October 2017. The remaining delinquent property tax receivable of approximately \$152,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements because it was not collected within 60 days of year end.

Other Receivables

The Town has other receivables primarily related to its garbage services and water/sewer operations of approximately \$167,000 (net of allowance for uncollectible portion of approximately \$3,000) and \$1,223,000 (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, 2017 (garbage service receivables are considered available as they are expected to be collected within 60 days of year-end).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017, consisted of the following net individual fund receivables and payables (all of which are expected to be paid within one year):

Fund	Receivables	Payables
General Fund	\$ 1,730,567	\$ 77,352
Capital Projects Fund	1,588	-
Gross Revenue Fund	40,807	1,557,810
Stormwater Fund	185	138,820
Accommodations Tax Fund	-	4,828
Fire Impact Fees Fund	760	2,951
Municipal Impact Fees Fund	781	153
Parks and Rec Impact Fees Fund	7,682	456
Totals	<u>\$ 1,782,370</u>	<u>\$ 1,782,370</u>

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2017, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 1,405,768	\$ 3,142,652
Capital Projects Fund	3,127,652	754,651
Gross Revenue Fund	-	864,884
<u>Other Non-Major Funds:</u>		
Enterprise Fund - Stormwater	238,627	-
Special Revenue Fund - Narcotics Fund	5,000	-
Special Revenue Fund- Accommodations Tax	-	14,860
Totals	<u>\$ 4,777,047</u>	<u>\$ 4,777,047</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds. The Town transferred approximately \$3,128,000 from the General Fund to the Capital Projects Fund in line with the Town's fund balance policy to support future capital projects. In addition, the Town transferred approximately \$626,000 from the Gross Revenue Fund to the General Fund to cover indirect costs incurred in the General Fund related to the Gross Revenue Fund. The Town also transferred a capital asset from the Gross Revenue Fund to the Stormwater Fund at a net value of approximately \$239,000. Other balances are composed of activity between the General Fund and other funds in the normal course of operating.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 1,920,717	246,862	-	-	\$ 2,167,579
Total Capital Assets, Non-Depreciable	<u>1,920,717</u>	<u>246,862</u>	<u>-</u>	<u>-</u>	<u>2,167,579</u>
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,760,233	-	-	-	1,760,233
Building and Improvements	6,151,885	1,384,104	-	-	7,535,989
Equipment	2,397,526	91,820	331,340	-	2,158,006
Vehicles	4,502,172	1,036,342	16,794	-	5,521,720
Total Capital Assets, Depreciable	<u>15,085,101</u>	<u>2,512,266</u>	<u>348,134</u>	<u>-</u>	<u>17,249,233</u>
Less: Accumulated Depreciation for:					
Land Improvements	169,441	18,220	-	-	187,661
Infrastructure	402,937	44,008	-	-	446,945
Building and Improvements	1,996,095	268,312	-	-	2,264,407
Equipment	1,764,503	135,656	150,907	-	1,749,252
Vehicles	2,191,571	415,993	16,794	-	2,590,770
Total Accumulated Depreciation	<u>6,524,547</u>	<u>882,189</u>	<u>167,701</u>	<u>-</u>	<u>7,239,035</u>
Total Capital Assets, Depreciable, Net	<u>8,560,554</u>	<u>1,630,077</u>	<u>180,433</u>	<u>-</u>	<u>10,010,198</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,481,271</u>	<u>1,876,939</u>	<u>180,433</u>	<u>-</u>	<u>\$ 12,177,777</u>

Capital asset additions and depreciation expense for the Town’s governmental activities were charged/allocated to functions/programs for the year ended September 30, 2017 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 271,923	\$ 279,658
Public Safety	343,474	301,730
Public Works	1,901,918	177,594
Culture and Recreation	47,436	123,207
Donated Assets - Public Safety	94,377	-
Donated Assets - Recreation	100,000	-
Totals - Governmental Activities	<u>\$ 2,759,128</u>	<u>\$ 882,189</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 605,505	-	-	-	\$ 605,505
Construction in Progress	982,055	8,341,015	-	(1,574,795)	7,748,275
Total Capital Assets, Non-Depreciable	1,587,560	8,341,015	-	(1,574,795)	8,353,780
Capital Assets, Depreciable:					
Infrastructure	33,722,615	5,592,561	-	1,574,795	40,889,971
Building and Improvements	670,542	-	-	-	670,542
Equipment	753,085	33,637	-	-	786,722
Vehicles	684,900	298,696	29,266	-	954,330
Total Capital Assets, Depreciable	35,831,142	5,924,894	29,266	1,574,795	43,301,565
Less: Accumulated Depreciation for:					
Infrastructure	13,966,879	913,486	-	-	14,880,365
Building and Improvements	187,078	15,213	-	-	202,291
Equipment	557,691	70,559	-	-	628,250
Vehicles	245,603	119,668	-	-	365,271
Total Accumulated Depreciation	14,957,251	1,118,926	-	-	16,076,177
Total Capital Assets, Depreciable, Net	20,873,891	4,805,968	29,266	-	27,225,388
Business-Type Activities Capital Assets, Net	\$ 22,461,451	13,146,983	29,266	-	\$ 35,579,168

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, 2017 as follows:

Function/Program	Capital Asset Additions	Depreciation Expense
Water/Sewer	\$ 14,067,854	\$ 1,025,905
Stormwater	198,055	93,021
Totals	\$ 14,265,909	\$ 1,118,926

The cost of capital assets that was purchased under capital lease was approximately \$3,011,000. Accumulated amortization was approximately \$1,869,000 at September 30, 2017. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

The Town has several ongoing construction projects as of September 30, 2017, primarily consisting of renovations and improvements to their water and sewer systems. Total remaining commitments on construction contracts was approximately \$2,478,000 at September 30, 2017.

The Town’s governmental and business-type activities receive from time to time donated capital assets (generally water and sewer infrastructure) from subdivisions/projects that are given to the Town from various parties. In 2017, the Town received infrastructure donations of approximately \$5,592,000, primarily in donated water and sewer lines and also received cash capital contributions of approximately \$96,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

E. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town. Lease Purchase and Capital Lease obligations are special obligations of the Town payable from the general revenues of the Town. Revenue Bonds are obligations of the Town that are secured by revenue from a specific source. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds or lease purchase capital lease obligations nor the interest thereon.

Details on the Town’s governmental activities outstanding debt and lease purchase issues as of September 30, 2017 are as follows:

	Principal Outstanding at Year End
General Obligation Bonds	
\$1,500,000 general obligation bonds issued in March, 2012 (“Series 2012”), due in annual installments of \$127,017 beginning March 16, 2013 through March 16, 2027 which includes interest at 3.150%. The proceeds from this issue were used to defray the cost of designing and constructing two athletic fields and renovating an existing athletic field.	\$ 1,075,233
Lease Purchase Obligations	
\$850,000 lease purchase was entered into in December 2013, with annual installments of \$97,673 beginning December 11, 2014 through December 11, 2023 which includes interest at 2.610%. The proceeds were primarily used to fund the acquisition of a fire pumper truck.	617,574
\$512,000 lease purchase 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.	442,252
Total Lease Purchase Obligations	\$ 1,059,826

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2017, for the Town’s governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GOB - Series 2012	\$ 1,165,536	-	90,303	1,075,233	\$ 93,147
Total Debt	1,165,536	-	90,303	1,075,233	93,147
Lease Purchases:					
2013 Pumper Truck	697,054	-	79,480	617,574	81,554
2016 Equipment Lease	512,000	-	69,748	442,252	70,850
Total Lease Purchases	1,209,054	-	149,228	1,059,826	152,404
Compensated Absences	240,689	215,214	188,294	267,609	201,000
Total Governmental Activities	\$ 2,615,279	215,214	427,825	2,402,668	\$ 446,551

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

E. Long-Term Obligations (Continued)

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of September 30, 2017, the Town had approximately \$1,075,000 of bonded debt subject to the 8% limit of approximately \$6,375,000 resulting in an unused legal debt margin of approximately \$5,300,000.

Details on the Town’s business-type activities outstanding debt issues and capital lease as of September 30, 2017 are as follows:

	<u>Principal Outstanding at Year End</u>
<i>Debt</i>	
\$6,152,000 waterworks and sewer system refunding revenue bonds issued in January, 2011 (“2011 Refunding Bonds”), due in annual installments ranging from \$471,000 to \$555,000 beginning December 1, 2012 through December 1, 2023 and semi-annual interest payments at 3.550%. The proceeds from this issuance were used to advance refund the 1998, 2003A, and 2004 series bonds and to provide funding for further expansion and improvement of the water/sewer system.	\$ 3,070,000
\$926,000 waterworks and sewer system refunding and improvement revenue bonds issued in June, 2011 (“2011B Refunding Bonds”), due in annual installments ranging from \$82,000 to \$104,000 beginning December 1, 2011 through December 1, 2020 and semi-annual interest payments at 3.190%. The proceeds from this issuance were used to refund the Town's 2011 series bonds and to expand the Town's water and wastewater system.	400,000
\$1,330,000 water and wastewater system revenue bonds issued in April, 2013 (“2013A Revenue Bonds”), due in annual installments ranging from \$28,000 to \$120,000 beginning December 1, 2015 through December 1, 2027 and semi-annual interest payments at 1.900%. The proceeds from this issuance were used to finance certain improvements and extensions to the Town's water and wastewater system.	1,204,000
\$11,605,000 water and wastewater system improvement revenue bonds issued in August, 2015 (“2015 Revenue Bonds”), due in annual installments ranging from \$65,000 to \$885,000 beginning December 1, 2017 through December 1, 2040 and semi-annual interest payments ranging from 2.000% to 5.000%. The proceeds from this issuance were used to finance certain improvements to the Town's water and wastewater system.	11,605,000
Total Debt	<u>\$ 16,279,000</u>
<i>Capital Lease Obligation</i>	
\$2,762,550 capital lease was entered into in December, 1992 (“Rock Hill Water Line Lease”), due in annual installments of \$101,919 to \$202,185 beginning December 1, 1993 through December 1, 2019, plus an average interest rate of approximately 5.6% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u>\$ 558,813</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017, 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	\$ 3,625,000	-	555,000	3,070,000	\$ 510,000
2011B Refunding Bonds	494,000	-	94,000	400,000	97,000
2013A Revenue Bonds	1,302,000	-	98,000	1,204,000	100,000
2015 Revenue Bonds	11,605,000	-	-	11,605,000	65,000
Total Debt	<u>17,026,000</u>	<u>-</u>	<u>747,000</u>	<u>16,279,000</u>	<u>772,000</u>
Capital Lease - Rock Hill Water Line	725,748	-	166,935	558,813	176,230
Debt Premium - 2015 Revenue Bonds	709,740	-	29,675	680,065	-
Compensated Absences	52,955	47,274	41,292	58,937	44,000
Total Business-Type Activities	<u><u>\$ 18,514,443</u></u>	<u><u>47,274</u></u>	<u><u>984,902</u></u>	<u><u>17,576,815</u></u>	<u><u>\$ 992,230</u></u>

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt, capital lease, and compensated absence liabilities.

Certain proceeds from the issuance of the Revenue Bonds as well as revenues generated by water/sewer operations are restricted by the bond ordinance for construction, payment of operating, and other expenses, or are set aside as reserves to ensure repayment of the bonds. Certain other assets are accumulated and restricted in accordance with the bond ordinance for the purposes of paying interest and principal payments and for the purpose of maintaining reserve funds at the required levels.

In addition, the bond ordinance also contains various negative, affirmative, and administrative covenants as defined in the bond ordinance. Of particular importance is the requirement that the Town maintain a rate covenant (net earnings to annual principal and interest requirements for qualified debt for the each fiscal year as defined) of 120%. The Town well exceeded the rate covenant for the year ended September 30, 2017 (354%).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

E. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

Presented below is a summary of debt service requirements to maturity by year for the Town’s governmental and business-type activities as of September 30, 2017:

Year Ended September 30,	Debt		Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2018	\$ 93,147	33,870	152,404	23,106	\$ 302,527
2019	96,081	30,936	155,653	19,858	302,528
2020	99,108	27,909	158,974	16,537	302,528
2021	102,230	24,787	162,370	13,141	302,528
2022	105,450	21,567	165,842	9,668	302,527
2023-2027	579,217	55,867	264,583	8,601	908,268
Totals	<u>\$ 1,075,233</u>	<u>194,936</u>	<u>1,059,826</u>	<u>90,911</u>	<u>\$ 2,420,906</u>
<u>Business-Type Activities</u>					
2018	\$ 772,000	624,866	176,230	26,285	\$ 1,599,381
2019	795,000	599,342	186,249	16,333	1,596,924
2020	823,000	572,768	196,334	5,851	1,597,953
2021	849,000	545,875	-	-	1,394,875
2022	877,000	516,971	-	-	1,393,971
2023-2027	2,758,000	2,250,185	-	-	5,008,185
2028-2032	2,705,000	1,807,738	-	-	4,512,738
2033-2037	3,370,000	1,143,000	-	-	4,513,000
2038-2041	3,330,000	277,296	-	-	3,607,296
Totals	<u>\$ 16,279,000</u>	<u>8,338,041</u>	<u>558,813</u>	<u>48,469</u>	<u>\$ 25,224,323</u>

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town pays a bi-annual premium to SCMIRF for its general insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2016, totaled approximately \$9,434,000. 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The Town pays a quarterly premium to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2016, totaled approximately \$50,507,000. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Plan

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

B. Retirement Plans

The Town participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (“RSIC”) as co-trustees of the Retirement Trust Funds.

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

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 allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership

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

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

Plan Benefits

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

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

Plan Contributions

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act of 2017 increases employer contribution rates to 13.56 percent for the SCRS and 16.24 percent for the PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

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

	SCRS Rates					
	2015		2016		2017	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	10.75%	10.91%	10.91%	11.41%	11.41%	13.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>10.90%</u>	<u>11.06%</u>	<u>11.06%</u>	<u>11.56%</u>	<u>11.56%</u>	<u>13.56%</u>
Employee Rate	<u>8.00%</u>	<u>8.16%</u>	<u>8.16%</u>	<u>8.66%</u>	<u>8.66%</u>	<u>9.00%</u>
	PORS Rates					
	2015		2016		2017	
	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30	10/1 - 6/30	7/1 - 9/30
Employer Rate:						
Retirement	13.01%	13.34%	13.34%	13.84%	13.84%	15.84%
Incidental Death Benefit	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	<u>13.41%</u>	<u>13.74%</u>	<u>13.74%</u>	<u>14.24%</u>	<u>14.24%</u>	<u>16.24%</u>
Employee Rate	<u>8.41%</u>	<u>8.74%</u>	<u>8.74%</u>	<u>9.24%</u>	<u>9.24%</u>	<u>9.75%</u>

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

Year Ended September 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2017	\$ 433,629	100%	\$ 552,991	100%
2016	350,962	100%	421,206	100%
2015	\$ 321,943	100%	\$ 342,355	100%

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

Year Ended September 30,	SCRS Payroll	PORS Payroll	Total Payroll
2017	\$ 3,600,233	3,754,375	\$ 7,354,608
2016	3,134,263	3,035,051	6,169,314
2015	\$ 2,941,829	2,536,274	\$ 5,478,103

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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 as of July 1, 2015.

The June 30, 2017, total pension liability, net pension liability, and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for the SCRS and PORS.

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

* Includes inflation at 2.25%.

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 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 2017 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 table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.07%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2017 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	\$ 48,244,437,494	25,732,829,268	\$ 22,511,608,226	53.3%
PORS	\$ 7,013,684,001	4,274,123,178	\$ 2,739,560,823	60.9%

The total pension liability is calculated by the Systems’ actuary, and each plan’s 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, 2017, the Town reported liabilities of approximately \$8,011,000 and \$7,474,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2016 that was projected forward to the measurement date. The Town’s proportion of the net pension liabilities were based on a projection of the Town’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2017 measurement date, the Town’s SCRS proportion was 0.035588 percent, which was an increase of 0.003794 from its proportion measured as of June 30, 2016. At the June 30, 2017 measurement date, the Town’s PORS proportion was 0.27281 percent, which was an increase of 0.04722 from its proportion measured as of June 30, 2016.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

For the year ended September 30, 2017, the Town recognized pension expense of approximately \$1,121,000 and \$1,305,000 for the SCRS and PORS, respectively. At September 30, 2017, 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	\$ 35,715	\$ 4,400
Change in Assumptions	468,983	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	223,641	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	757,929	-
Town's Contributions Subsequent to the Measurement Date	118,257	-
Total SCRS	<u>1,604,525</u>	<u>4,400</u>
PORS:		
Differences Between Expected and Actual Experience	66,646	-
Change in Assumptions	709,345	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	266,327	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	1,184,971	-
Town's Contributions Subsequent to the Measurement Date	149,148	-
Total PORS	<u>2,376,437</u>	<u>-</u>
Total SCRS and PORS	<u>\$ 3,980,962</u>	<u>\$ 4,400</u>

Approximately \$118,000 and \$149,000 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 net pension liability in the year ended September 30, 2018. 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
2018	\$ 527,933	687,810	\$ 1,215,743
2019	588,027	798,646	1,386,673
2020	414,612	593,338	1,007,950
2021	(48,704)	147,495	98,791
Total	<u>\$ 1,481,868</u>	<u>2,227,289</u>	<u>\$ 3,709,157</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in 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 total pension liability.

Sensitivity Analysis

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability of the SCRS	\$ 10,325,634	8,011,431	\$ 6,607,254
Town's proportionate share of the net pension liability of the PORS	10,091,231	7,473,933	5,412,322
Total Net Pension Liability	<u>\$ 20,416,865</u>	<u>15,485,364</u>	<u>\$ 12,019,576</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on 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 \$147,000 to the PEBA as of September 30, 2017, representing required employer and employee contributions for the month of September 2017 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in October 2017.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

IV. OTHER INFORMATION (CONTINUED)

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.

D. Deferred Compensation Plan

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$6,019,000 of the Town's approximately \$7,583,000 total payroll (for all Town employees). Employees can contribute a minimum of \$10 of gross salary per paycheck, up to a maximum of \$15,000 per year.

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The Town contributes \$10 per pay period to each employee chosen to participate. Employer and employee contributions were approximately \$29,000 and \$109,000, respectively, for the year ended September 30, 2017. There were no significant changes in plan provisions during the current year.

E. Postemployment Benefits Other Than Pensions

In 2004, GASB issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB #45"). GASB #45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Town implemented GASB #45 in fiscal year 2010. This implementation had no impact as the Town currently does not provide any OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

F. Subsequent Events

In October 2017, the Town purchased two parcels of land for future recreational purposes for approximately \$418,000.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 6,163,000	6,163,000	6,845,132	\$ 682,132
Fines, Fees, Licenses and Permits	5,860,100	5,860,100	6,650,444	790,344
Charges For Services	1,371,500	1,371,500	1,630,627	259,127
Grants	368,580	368,580	774,991	406,411
Intergovernmental	432,392	432,392	484,764	52,372
Miscellaneous	660,902	660,902	1,986,826	1,325,924
Investment Earnings	5,000	5,000	7,514	2,514
TOTAL REVENUES	14,861,474	14,861,474	18,380,298	3,518,824
EXPENDITURES				
Current:				
General Government	3,012,562	3,012,562	2,306,399	706,163
Judicial	190,491	190,491	170,658	19,833
Public Works	2,778,054	2,778,054	2,975,209	(197,155)
Public Safety	7,343,799	7,343,799	6,825,104	518,695
Culture and Recreation	1,237,306	1,237,306	1,184,372	52,934
Capital Outlay	1,542,590	1,542,590	1,574,830	(32,240)
Debt Service:				
Principal Retirement	239,531	239,531	239,531	-
Interest and Fiscal Charges	62,997	62,997	62,997	-
TOTAL EXPENDITURES	16,407,330	16,407,330	15,339,100	1,068,230
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,545,856)	(1,545,856)	3,041,198	4,587,054
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	10,000	10,000	-	(10,000)
Insurance Proceeds from Casualty	23,171	23,171	61,096	37,925
Transfers In	1,522,685	1,522,685	1,405,768	(116,917)
Transfers Out	(10,000)	(10,000)	(3,142,652)	(3,132,652)
TOTAL OTHER FINANCING SOURCES (USES)	1,545,856	1,545,856	(1,675,788)	(3,221,644)
CHANGES IN FUND BALANCES	-	-	1,365,410	1,365,410
FUND BALANCES, Beginning of Year	7,713,169	7,713,169	7,713,169	-
FUND BALANCES, End of Year	\$ 7,713,169	7,713,169	9,078,579	\$ 1,365,410

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

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset)	0.035588%	0.031794%	0.030520%	0.028883%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,011,431	6,791,150	5,788,265	\$ 4,972,695
Town's Covered Payroll	\$ 3,590,592	3,074,149	2,859,756	\$ 2,625,432
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	223.12%	220.91%	202.40%	189.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 433,629	350,962	321,943	\$ 282,776
Contributions in Relation to the Contractually Required Contribution	433,629	350,962	321,943	282,776
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 3,600,233	3,134,263	2,941,829	\$ 2,647,317
Contributions as a Percentage of Covered Payroll	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

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

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset)	0.27282%	0.22559%	0.20109%	0.19145%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,473,933	5,722,084	4,382,727	\$ 3,665,229
Town's Covered Payroll	\$ 3,673,932	2,876,001	2,491,219	\$ 2,301,374
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	203.43%	198.96%	175.93%	159.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	Year Ended September 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 552,991	421,206	342,355	\$ 305,395
Contributions in Relation to the Contractually Required Contribution	552,991	421,206	342,355	305,395
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 3,754,375	3,035,051	2,536,274	\$ 2,350,328
Contributions as a Percentage of Covered Payroll	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 - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current Property Taxes	\$ 5,500,000	5,950,154	\$ 450,154
Current Vehicle Taxes	600,000	833,759	233,759
Delinquent Taxes	1,000	-	(1,000)
Prior Years, Including Penalties and Execution Fees	15,000	21,387	6,387
Housing Authority in Lieu of Taxes	47,000	39,832	(7,168)
Total Taxes	6,163,000	6,845,132	682,132
Fines, Fees, Licenses, and Permits:			
Business Licenses	3,250,000	3,625,992	375,992
Duke Power in Lieu of Taxes	400,000	355,428	(44,572)
York Electric in Lieu of Taxes	400,000	459,310	59,310
Fines and Penalties	85,000	56,690	(28,310)
Permits	1,725,100	2,153,024	427,924
Total Fines, Fees, Licenses, and Permits	5,860,100	6,650,444	790,344
Charges for Services:			
Garbage Revenue	985,000	1,105,981	120,981
Athletics Revenue	337,500	468,320	130,820
Cemetery Lots	-	23	23
Grave Openings	30,000	30,325	325
Assembly Center Fees	19,000	25,978	6,978
Total Charges for Services	1,371,500	1,630,627	259,127
Grant Revenues:			
Federal Grant	361,580	774,991	413,411
State Grant	7,000	-	(7,000)
Total Grant Revenues	368,580	774,991	406,411
Intergovernmental Revenues:			
State Shared Revenue	244,868	290,259	45,391
State Accommodations Taxes	25,000	31,984	6,984
Manufacturer's Depreciation Reimbursement	300	295	(5)
Merchants Inventory Tax	15,469	15,469	-
Parks (York County Government)	146,755	146,757	2
Total Intergovernmental Revenues	432,392	484,764	52,372
Miscellaneous:			
School Resource Officers	245,402	293,278	47,876
York County Fire Protection	30,000	28,231	(1,769)
Spring Festival	210,000	177,516	(32,484)
Credit Card Convenience Fee	50,000	72,267	22,267
Other	125,500	1,415,534	1,290,034
Total Miscellaneous	\$ 660,902	1,986,826	\$ 1,325,924

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 5,000	7,514	\$ 2,514
Total Investment Earnings	5,000	7,514	2,514
TOTAL REVENUES	14,861,474	18,380,298	3,518,824
EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	28,000	28,089	(89)
Operating Expenditures	484,746	277,540	207,206
Community Promotions	6,000	-	6,000
Miscellaneous	1,000	109	891
Total Town Council	519,746	305,738	214,008
Administration:			
Personnel Services	1,815,891	1,472,244	343,647
Operating Expenditures	676,925	528,417	148,508
Capital Outlay	414,300	256,700	157,600
Total Administration	2,907,116	2,257,361	649,755
Total General Government	3,426,862	2,563,099	863,763
Judicial:			
Municipal Court:			
Personnel Services	148,991	141,567	7,424
Operating Expenditures	41,500	29,091	12,409
Total Municipal Court	190,491	170,658	19,833
Total Judicial	190,491	170,658	19,833
Public Works:			
Administration:			
Personnel Services	97,765	98,069	(304)
Operating Expenditures	46,174	33,294	12,880
Total Administration	143,939	131,363	12,576
Sanitation:			
Personnel Services	187,094	153,753	33,341
Operating Expenditures	597,571	580,950	16,621
Capital Outlay	311,000	593,155	(282,155)
Total Sanitation	\$ 1,095,665	1,327,858	\$ (232,193)

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 699,559	600,396	\$ 99,163
Operating Expenditures	162,582	715,790	(553,208)
Capital Outlay	90,500	90,218	282
Total Building and Grounds	<u>952,641</u>	<u>1,406,404</u>	<u>(453,763)</u>
Street Department:			
Personnel Services	258,199	216,012	42,187
Operating Expenditures	545,804	414,006	131,798
Capital Outlay	226,000	134,780	91,220
Total Street Department	<u>1,030,003</u>	<u>764,798</u>	<u>265,205</u>
Garage and Vehicle:			
Personnel Services	127,672	124,998	2,674
Operating Expenditures	55,634	37,941	17,693
Total Garage and Vehicle	<u>183,306</u>	<u>162,939</u>	<u>20,367</u>
Total Public Works	<u>3,405,554</u>	<u>3,793,362</u>	<u>(387,808)</u>
Public Safety:			
Police Department:			
Personnel Services	3,697,504	3,530,051	167,453
Operating Expenditures	793,176	637,065	156,111
Capital Outlay	318,790	322,988	(4,198)
Total Police Department	<u>4,809,470</u>	<u>4,490,104</u>	<u>319,366</u>
Fire Department:			
Personnel Services	2,335,159	2,182,465	152,694
Operating Expenditures	517,960	475,523	42,437
Capital Outlay	65,000	62,109	2,891
Total Fire Department	<u>2,918,119</u>	<u>2,720,097</u>	<u>198,022</u>
Total Public Safety	<u>7,727,589</u>	<u>7,210,201</u>	<u>517,388</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	503,157	492,556	10,601
Operating Expenditures	734,149	691,816	42,333
Capital Outlay	117,000	114,880	2,120
Total Cultural and Recreation	<u>\$ 1,354,306</u>	<u>1,299,252</u>	<u>\$ 55,054</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER BUDGETARY SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 239,531	239,531	\$ -
Interest and Fiscal Charges	62,997	62,997	-
Total Debt Service	<u>302,528</u>	<u>302,528</u>	<u>-</u>
TOTAL EXPENDITURES	<u>16,407,330</u>	<u>15,339,100</u>	<u>1,068,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,545,856)</u>	<u>3,041,198</u>	<u>4,587,054</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Disposal of Capital Assets	10,000	-	(10,000)
Insurance Proceeds from Casualty	23,171	61,096	37,925
Transfers In	1,522,685	1,405,768	(116,917)
Transfers Out	(10,000)	(3,142,652)	(3,132,652)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,545,856</u>	<u>(1,675,788)</u>	<u>(3,221,644)</u>
CHANGES IN FUND BALANCES	<u>-</u>	<u>1,365,410</u>	<u>1,365,410</u>
FUND BALANCES, Beginning of Year	<u>7,713,169</u>	<u>7,713,169</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 7,713,169</u>	<u>9,078,579</u>	<u>\$ 1,365,410</u>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

SEPTEMBER 30, 2017

	SPECIAL REVENUE FUNDS					TOAL NON-MAJOR FUNDS
	NARCOTICS	LOCAL ACCOMMODATIONS TAX	FIRE IMPACT FEES	MUNICIPAL FACILITIES IMPACT FEES	PARKS & RECREATION IMPACT FEES	
ASSETS						
Cash and Cash Equivalents, Restricted	\$ 70,229	412,880	524,910	379,917	1,887,424	\$ 3,275,360
Receivables, Net:						
Other	3,355	88,511	-	-	-	91,866
Other Funds	-	-	760	781	7,682	9,223
TOTAL ASSETS	\$ 73,584	501,391	525,670	380,698	1,895,106	\$ 3,376,449
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds	-	4,828	2,951	153	456	8,388
TOTAL LIABILITIES	\$ -	4,828	2,951	153	456	\$ 8,388
FUND BALANCES						
Restricted	73,584	496,563	522,719	380,545	1,894,650	3,368,061
TOTAL FUND BALANCES	73,584	496,563	522,719	380,545	1,894,650	3,368,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,584	501,391	525,670	380,698	1,895,106	\$ 3,376,449

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, 2017

	SPECIAL REVENUE FUNDS					TOTAL NON-MAJOR FUNDS
	NARCOTICS	LOCAL ACCOMMODATIONS TAX	FIRE IMPACT FEES	MUNICIPAL FACILITIES IMPACT FEES	PARKS & RECREATION IMPACT FEES	
REVENUES						
Taxes	\$ -	350,456	-	-	-	\$ 350,456
Fines, Fees, Licenses and Permits	-	-	339,086	430,596	973,142	1,742,824
Miscellaneous	23,257	-	-	-	-	23,257
Investment Earnings	66	326	416	314	1,596	2,718
TOTAL REVENUES	23,323	350,782	339,502	430,910	974,738	2,119,255
EXPENDITURES						
Current:						
Public Safety	29,456	-	-	-	-	29,456
Community Development	-	41,001	-	-	-	41,001
Capital Outlay	-	-	-	376,265	5,000	381,265
TOTAL EXPENDITURES	29,456	41,001	-	376,265	5,000	451,722
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,133)	309,781	339,502	54,645	969,738	1,667,533
OTHER FINANCING SOURCES (USES)						
Transfers In	5,000	-	-	-	-	5,000
Transfers Out	-	(14,860)	-	-	-	(14,860)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	(14,860)	-	-	-	(9,860)
CHANGES IN FUND BALANCES	(1,133)	294,921	339,502	54,645	969,738	1,657,673
FUND BALANCES, Beginning of Year	74,717	201,642	183,217	325,900	924,912	1,710,388
FUND BALANCES, End of Year	\$ 73,584	496,563	522,719	380,545	1,894,650	\$ 3,368,061

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
OPERATING REVENUES					
Water Revenue and Penalties	\$ 3,206,390	3,466,493	-	3,466,493	\$ 260,103
Sewer Revenues	2,958,920	2,903,298	-	2,903,298	(55,622)
Riverview Water Sales	167,220	207,587	-	207,587	40,367
Tega Cay Water Sales	481,050	495,967	-	495,967	14,917
Water Taps	747,050	1,787,587	-	1,787,587	1,040,537
Sewer Taps	813,600	1,938,400	-	1,938,400	1,124,800
Other Revenues	20,000	35,897	-	35,897	15,897
Fund Balance Appropriation	10,946,675	-	-	-	(10,946,675)
TOTAL OPERATING REVENUES	19,340,905	10,835,229	-	10,835,229	(8,505,676)
OPERATING EXPENSES					
Water:					
Water Purchases	1,138,500	1,651,210	-	1,651,210	(512,710)
Salaries	510,640	399,419	-	399,419	111,221
Fringe Benefits	181,316	143,089	-	143,089	38,227
Pension Expense	-	-	16,912	16,912	-
Material and Supplies	135,650	130,913	-	130,913	4,737
Electricity	4,000	4,369	-	4,369	(369)
Permits	15,550	17,448	-	17,448	(1,898)
Water Meter Replacement	110,000	194,656	-	194,656	(84,656)
Equipment Repairs	15,000	2,151	-	2,151	12,849
Postage	35,000	42,723	-	42,723	(7,723)
Gas, Oil, and Grease	21,000	15,599	-	15,599	5,401
Street Maintenance	100,000	92,368	-	92,368	7,632
Miscellaneous	44,580	1,978	-	1,978	42,602
Auto Repairs	9,500	6,859	-	6,859	2,641
Uniforms	8,975	10,344	-	10,344	(1,369)
Water and Heat	1,800	1,330	-	1,330	470
Telephone	20,390	14,500	-	14,500	5,890
Travel/Training	6,100	5,120	-	5,120	980
Transportation	66,000	47,857	(47,857)	-	18,143
Membership/Dues	21,136	14,969	-	14,969	6,167
Advertising	4,000	1,937	-	1,937	2,063
Professional Services	527,500	657,000	-	657,000	(129,500)
Hydrant Repairs	30,000	28,022	-	28,022	1,978
Pre-Employment Expense	500	430	-	430	70
Contracted Services	48,000	12,264	-	12,264	35,736
Building Maintenance	6,500	6,220	-	6,220	280
Service Contracts	4,428	2,564	-	2,564	1,864
Capital Outlay	174,000	62,961	(33,637)	29,324	111,039
	\$ 3,240,065	3,568,300	(64,582)	3,503,718	\$ (328,235)

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
OPERATING EXPENSES (CONTINUED)					
Sewer:					
Salaries	\$ 539,144	476,107	-	476,107	\$ 63,037
Fringe Benefits	202,325	175,468	-	175,468	26,857
Pension Expense	-	-	20,451	20,451	-
Electricity	92,700	78,160	-	78,160	14,540
Equipment Repairs	61,000	47,139	-	47,139	13,861
Material and Supplies	107,000	105,394	-	105,394	1,606
Electricity Lift Station	90,000	72,136	-	72,136	17,864
Alum	35,000	8,563	-	8,563	26,437
Professional Services	63,000	30,897	-	30,897	32,103
Contracted Services	119,000	75,600	-	75,600	43,400
Chemicals	42,000	33,503	-	33,503	8,497
Lab Supplies	5,000	4,698	-	4,698	302
Gas, Oil, and Grease	26,000	20,784	-	20,784	5,216
Auto Repairs	11,200	7,376	-	7,376	3,824
Telephone	11,040	4,579	-	4,579	6,461
Uniforms	11,400	9,195	-	9,195	2,205
Travel/Training	9,050	3,306	-	3,306	5,744
Transportation	58,000	995	-	995	57,005
Miscellaneous	891,818	733	-	733	891,085
Water and Heat	3,800	661	-	661	3,139
Building/Grounds Maintenance	11,000	1,125	-	1,125	9,875
Lime	22,000	18,408	-	18,408	3,592
Membership/Dues	2,714	590	-	590	2,124
Landfill Fees	100,700	59,037	-	59,037	41,663
Permits	3,500	2,255	-	2,255	1,245
Pump Station Repairs	90,000	137,788	-	137,788	(47,788)
York County Sewer Processing	-	30,877	-	30,877	(30,877)
Capital Outlay	10,946,675	-	-	-	10,946,675
Pump Station Monitoring	21,000	11,417	-	11,417	9,583
	<u>13,576,066</u>	<u>1,416,791</u>	<u>20,451</u>	<u>1,437,242</u>	<u>12,159,275</u>
Other Operating Expenses	42,000	44,644	-	44,644	(2,644)
Depreciation	-	-	1,025,905	1,025,905	-
TOTAL OPERATING EXPENSES	<u>16,858,131</u>	<u>5,029,735</u>	<u>981,774</u>	<u>6,011,509</u>	<u>11,828,396</u>
OPERATING INCOME (LOSS)	\$ 2,482,774	5,805,494	(981,774)	4,823,720	\$ 3,322,720

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES - GROSS REVENUE FUND

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

YEAR ENDED SEPTEMBER 30, 2017

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
NON-OPERATING REVENUES (EXPENSES)					
Insurance Proceeds from Casualty	\$ 6,620	35,839	-	35,839	\$ 29,219
Investment Earnings	10,000	26,652	-	26,652	16,652
Debt Service - Payments and Fiscal Charges	(1,606,709)	(1,568,406)	913,935	(654,471)	38,303
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,590,089)</u>	<u>(1,505,915)</u>	<u>913,935</u>	<u>(591,980)</u>	<u>84,174</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTION	892,685	4,299,579	(67,839)	4,231,740	3,406,894
Capital Contributions - Donated Infrastructure	-	-	5,592,561	5,592,561	-
Capital Contributions - Cash	-	-	95,951	95,951	-
Transfers Out	(892,685)	(864,884)	-	(864,884)	27,801
CHANGES IN NET POSITIONS	-	3,434,695	5,620,673	9,055,368	3,434,695
NET POSITIONS, Beginning of Year	<u>26,561,074</u>	<u>26,561,074</u>	<u>-</u>	<u>26,561,074</u>	<u>-</u>
NET POSITIONS, End of Year	<u>\$ 26,561,074</u>	<u>29,995,769</u>	<u>5,620,673</u>	<u>35,616,442</u>	<u>\$ 3,434,695</u>

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

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

- Depreciation Expense	\$ (1,025,905)
- Capital Asset Additions	81,494
- Donated Capital Assets (Infrastructure)	5,592,561
- Capital Contributions - Cash	95,951
- Principal Payments on Debt and Capital Leases	913,935
- Pension Expense - Net Change in NPL and Related Items	(37,363)
Total GAAP Adjustments	<u>\$ 5,620,673</u>

TOWN OF FORT MILL, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - OTHER SCHEDULES

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED SEPTEMBER 30, 2017

Court Fines, Assessments, and Surcharges

Court Fines, Assessments, and Surcharges Collected	\$	148,391
Court Fines, Assessments, and Surcharges Retained by the Town		(65,614)
Total Court Fines, Assessments, and Surcharges Remitted to the State Treasurer	\$	82,777

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	-
Court Assessments Allocated to Victim Assistance Fund		9,204
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(9,204)
Funds Available for Carryforward, End of Year	\$	-

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COMPLIANCE SECTION

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Grant / Contract Number</u>	<u>Expenditures</u>
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Pass-through South Carolina Department of Commerce: CDBG Grant	14.218	4-NR-14-002	\$ 444,990
TOTAL US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			444,990
US DEPARTMENT OF HOMELAND SECURITY			
Direct: Fire Department SAFER Grant	97.083	EMW-2015-FH-00595	330,001
TOTAL US DEPARTMENT OF HOMELAND SECURITY			330,001
GRAND TOTALS			\$ 774,991

Note: There were no expenditures to subrecipients for the year ended September 30, 2017.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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 for all federal programs and as expenses 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-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 1, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
March 1, 2018



**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 Town Council Members
Town of Fort Mill
Fort Mill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Fort Mill's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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, LLP
Mauldin, South Carolina
March 1, 2018

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

2016-001: BANK RECONCILIATIONS

Condition: Due to the Town's small financial staff and continued growth, the Town fell behind on bank reconciliations on several accounts during the year. These bank reconciliations were caught up at year end (but were not performed timely).

Criteria: The Town should have appropriate internal controls in place to ensure that bank reconciliations are prepared and reviewed on a timely basis.

Context, Cause and Effect: The Town has grown significantly over the past several years and it appears that the Finance department is under-staffed. As a result, several general ledger accounts had to be adjusted when the bank reconciliations were completed for the Town's FY 2016 financial audit.

Status: The Town has remedied the issue noted above. The position in the Finance Department was filled and bank reconciliations were completed and reviewed in a timely manner in FY 2017.

