

**TOWN OF FORT MILL
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

TOWN OF FORT MILL, SOUTH CAROLINA

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TOWN OF FORT MILL, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED SEPTEMBER 30, 2010

Established

1873

MAYOR

Danny Funderburk

TOWN COUNCIL MEMBERS

Mayor Pro-Tem – Larry Huntley

Tom Adams

Ronald Helms

Kerry Mosher

Gynn Savage

Ken Starnes

TOWN MANAGER

David E. Hudspeth

FINANCE DIRECTOR

Chantay F. Bouler

INDEPENDENT AUDITORS' REPORT

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

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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedule for the General Fund, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and other supplementary information, 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 other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 14, 2011

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

As management of the Town of Fort Mill ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2010. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the basic financial statements, the notes to the basic financial statements, and the supplementary information to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$23,977,000 (*net assets*). Of this amount, approximately \$3,653,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by approximately \$479,000 (an increase of approximately \$206,000 from governmental activities and a decrease of approximately \$685,000 from business-type activities), as total expenses of approximately \$13,392,000 exceeded total revenues of approximately \$12,913,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,391,000, an increase of approximately \$140,000 from the prior year. Of this total amount, 82%, or approximately \$2,778,000, is available for spending at the government's discretion (*unreserved undesignated fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was approximately \$2,669,000, or 35% of total General Fund expenditures for the year ended September 30, 2010.
- The Town's total capital assets decreased by approximately \$683,000 (2%) during the current fiscal year, due to depreciation expense of approximately \$1,303,000 and disposals of approximately \$38,000 exceeding capital additions of approximately \$658,000.
- The Town's long-term obligations decreased by approximately \$595,000 (6%) during the current fiscal year, due to approximately \$1,029,000 in principal payments, partially offset by a new capital lease of approximately \$411,000 and an increase in compensated absences of approximately \$23,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Town. The *government-wide basic 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 assets* presents information on all of the Town's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets 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, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Basic Financial Statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 basic 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. Property taxes, business licenses and permits, and state and federal grant funds finance most of these activities. The business-type activities are water and sewer services that the Town charges customers to provide. The government-wide basic financial statements can be found as listed in the table of contents of this report.

Fund Basic Financial Statements

The fund basic 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 Assets and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund basic financial statements.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund. Data from the other two governmental funds are combined into aggregated presentations. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The governmental fund basic 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 basic financial statements. The Town uses an enterprise fund to account for its Water and Sewer system operations. The proprietary fund basic financial statements can be found as listed in the table of contents of this report.

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

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

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 - Major Features of the Town's Government-Wide and Fund Basic Financial Statements			
	Fund Basic Financial Statements		
	Government-Wide Basic 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 assets. ▪ 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 assets. ▪ Statement of revenues, expenses, and changes in net assets. ▪ 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 asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 assets as of September 30, 2010 and 2009:

Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 3,952,632	3,906,257	3,453,923	3,609,399	7,406,555	\$ 7,515,656
Capital Assets	7,176,725	7,161,981	20,922,950	21,620,595	28,099,675	28,782,576
Total Assets	<u>11,129,357</u>	<u>11,068,238</u>	<u>24,376,873</u>	<u>25,229,994</u>	<u>35,506,230</u>	<u>36,298,232</u>
Long-Term Liabilities	1,484,393	1,557,143	8,624,927	9,146,968	10,109,320	10,704,111
Other Liabilities	465,969	538,201	953,851	600,321	1,419,820	1,138,522
Total Liabilities	<u>1,950,362</u>	<u>2,095,344</u>	<u>9,578,778</u>	<u>9,747,289</u>	<u>11,529,140</u>	<u>11,842,633</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,053,562	5,826,984	12,519,391	12,706,839	18,572,953	18,533,823
Restricted Assets	447,400	278,314	1,304,071	1,301,155	1,751,471	1,579,469
Unrestricted	2,678,033	2,867,596	974,633	1,474,711	3,652,666	4,342,307
Total Net Assets	<u>\$ 9,178,995</u>	<u>8,972,894</u>	<u>14,798,095</u>	<u>15,482,705</u>	<u>23,977,090</u>	<u>\$ 24,455,599</u>

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town's assets decreased by approximately \$792,000, or 2%, over the prior year. This decrease was primarily due to capital asset depreciation expense of approximately \$1,303,000, partially offset by capital asset additions of approximately \$658,000. This decrease in the Town's assets was also due to a decrease in cash and cash equivalents and a decrease in due from state government.

Total liabilities at September 30, 2010 decreased by approximately \$313,000 from the prior year; this is primarily due to a decrease in long-term liabilities. The Town had scheduled principal payments of approximately \$1,029,000 for long-term obligations partially offset by a new capital lease of approximately \$411,000, and an increase in compensated absences of approximately \$23,000. The long-term liability decrease was partially offset by an increase in accounts payable of approximately \$252,000.

The government's net assets decreased by approximately \$479,000 during the current fiscal year, which is the result of current year expenses exceeding current year revenues. Please see discussion following the next table regarding this decrease.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by approximately \$23,977,000 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (approximately \$18,573,000 or 77%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital leases) 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) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (approximately \$1,751,000 or 7%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted primarily for tourism related costs and future debt service payments. The remaining balance is unrestricted net assets of approximately \$3,653,000 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2010 compared to 2009.

Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,253,202	3,346,387	4,991,467	4,619,998	8,244,669	\$ 7,966,385
Operating Grants and Contributions	113,422	67,067	-	-	113,422	67,067
Capital Grants and Contributions	29,754	37,149	26,753	108,921	56,507	146,070
General Revenues:						
Property Taxes	3,955,677	3,547,992	-	-	3,955,677	3,547,992
Hospitality Taxes	172,299	163,573	-	-	172,299	163,573
Intergovernmental Revenue	273,343	308,334	-	-	273,343	308,334
Other Revenue	72,799	52,256	25,064	25,317	97,863	77,573
Total Revenues	7,870,496	7,522,758	5,043,284	4,754,236	12,913,780	12,276,994
Expenses:						
General Government	1,036,257	1,001,167	-	-	1,036,257	1,001,167
Judicial	98,212	95,545	-	-	98,212	95,545
Public Works	2,259,787	1,791,878	-	-	2,259,787	1,791,878
Public Safety	3,670,932	3,363,683	-	-	3,670,932	3,363,683
Culture and Recreation	507,631	264,710	-	-	507,631	264,710
Community Development	-	925	-	-	-	925
Interest and Fiscal Charges	47,546	59,622	-	-	47,546	59,622
Water/Sewer	-	-	5,771,924	5,022,210	5,771,924	5,022,210
Total Expenses	7,620,365	6,577,530	5,771,924	5,022,210	13,392,289	11,599,740
Change in Net Assets Before Transfers	250,131	945,228	(728,640)	(267,974)	(478,509)	677,254
Transfers In (Out)	(44,030)	21,000	44,030	(21,000)	-	-
Change in Net Assets	206,101	966,228	(684,610)	(288,974)	(478,509)	677,254
Net Assets, Beginning of Year	8,972,894	8,006,666	15,482,705	15,771,679	24,455,599	23,778,345
Net Assets, End of Year	<u>\$ 9,178,995</u>	<u>8,972,894</u>	<u>14,798,095</u>	<u>15,482,705</u>	<u>23,977,090</u>	<u>\$ 24,455,599</u>

Governmental Activities: Revenues exceeded expenses by approximately \$250,000 for 2010 for its governmental activities. Revenues increased by approximately \$348,000 (5%) to approximately \$7,870,000 from the prior year, due primarily to an increase in property taxes of approximately \$408,000 (11%). Expenses increased by approximately \$1,043,000 (16%) to approximately \$7,620,000 from the prior year, due primarily to streetscape projects in public works and repairs and maintenance expenditures in public safety and culture and recreation. Overall, governmental activities operations increased the Town's net assets by approximately \$206,000 in 2010.

Business-Type Activities: Expenses exceeded revenue by approximately \$729,000 for 2010 for the business-type activities. Revenues increased by approximately \$289,000 (6%) to approximately \$5,043,000 from the prior year primarily due to an increase in charges for services. Expenses increased by approximately \$750,000 (15%) to approximately \$5,772,000, due primarily to the purchase of water meters to replace existing ones (that were expensed since they were individually under the Town's capitalization policy). Overall, business-type activities decreased the Town's net assets by approximately \$685,000.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

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, unreserved 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 \$3,391,000, an increase of approximately \$140,000 from the prior year. Approximately 82% of this total amount (approximately \$2,778,000) constitutes unreserved, undesignated fund balances, which is available for spending at the government's discretion. The remainder of the fund balances is designated or reserved for either tourism related costs, capital lease purchases, or capital projects.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$2,845,000. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total General Fund expenditures. Total unreserved, undesignated fund balance of the General Fund represents approximately 35% of total General Fund expenditures. The net increase in the fund balance of the General Fund was approximately \$470,000 during the current year. Highlights for the General Fund were as follows:

- General Fund revenues exceeded budgeted expectations by approximately \$130,000 or 2% primarily due to tax revenue exceeding budgeted revenues by approximately \$255,000, partially offset by fines, fees, licenses and permits revenue coming in less than budget by approximately \$42,000 and charges for services coming in less than budget by approximately \$52,000
- General Fund expenditures exceeded budgeted expectations by approximately 1% or \$43,000, primarily due to capital outlay exceeding expectations.
- The most significant other financing sources (uses) transactions for 2010 consisted of a capital lease for approximately \$411,000. The Town is using the proceeds for new vehicles in public works and public safety.

In addition, the fund balances of the remaining Special Revenue and Capital Project Funds decreased by approximately \$330,000. Highlights for all of the remaining Special Revenue and Capital Project Funds were as follows:

- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$564,000 (primarily for construction costs on the mausoleum and streetscape projects).

Proprietary Funds: The Town's proprietary fund provides the same type of information found in the government-wide basic financial statements but in more detail. Net assets of the Town's Gross Revenue Fund (an enterprise fund) at the end of the fiscal year amounted to approximately \$14,798,000. Factors concerning the operation of this fund have already been addressed in the discussion of the Town's business-type activities.

Budgetary Highlights

The Town's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, Capital Projects Fund, and the Gross Revenue Fund (enterprise fund). There were no significant budget amendments made during fiscal year 2010.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

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, 2010, was approximately \$7,177,000 and \$20,923,000, respectively (net of accumulated depreciation). These capital assets include land, construction in progress ("CIP"), land improvements, infrastructure, buildings and improvements, equipment, and vehicles.

The capital assets (net of accumulated depreciation) as of September 30, 2010 and 2009 were as follows:

Town's Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 700,717	700,717	305,505	305,505	1,006,222	\$ 1,006,222
Construction in Progress	164,654	23,161	104,694	213,614	269,348	236,775
Land Improvements	213,158	231,377	-	-	213,158	231,377
Infrastructure	1,541,777	1,584,034	19,988,152	20,583,857	21,529,929	22,167,891
Buildings & Improvements	2,736,642	2,837,453	264,809	274,073	3,001,451	3,111,526
Equipment	678,000	763,977	168,714	202,998	846,714	966,975
Vehicles	1,141,777	1,021,262	91,076	40,548	1,232,853	1,061,810
Total	\$ 7,176,725	7,161,981	20,922,950	21,620,595	28,099,675	\$ 28,782,576

Major capital asset events during the current year include:

- Purchase of vehicles for approximately \$361,000.
- Donated vehicle for approximately \$21,000.
- Purchase of equipment for approximately \$84,000.
- Governmental activities CIP additions for approximately \$165,000.
- Business-Type activities CIP additions for approximately \$27,000.
- Depreciation expense of approximately \$1,303,000.

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

Long-Term Obligations: As of September 30, 2010, the Town had total debt outstanding of approximately \$7,494,000, of which approximately \$464,000 in general obligation debt is backed by the full faith and credit of the Town. The Town had approximately \$2,335,000 in capital leases outstanding at year end.

Town's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 464,065	613,275	-	-	464,065	\$ 613,275
Revenue Bonds/State Revolving Fund	-	-	7,030,041	7,442,453	7,030,041	7,442,453
Capital Leases	778,175	721,724	1,556,805	1,669,863	2,334,980	2,391,587
Compensated Absences	242,153	222,144	38,081	34,652	280,234	256,796
Total	\$ 1,484,393	1,557,143	8,624,927	9,146,968	10,109,320	\$ 10,704,111

The Town's long-term obligations decreased by approximately \$595,000 (6%) during the current fiscal year, due to approximately \$1,029,000 in principal payments, partially offset by a new capital lease of approximately \$411,000 and an increase in compensated absences of approximately \$23,000.

TOWN OF FORT MILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at September 30, 2010 was approximately \$3,629,000. The legal debt margin was approximately \$3,165,000.

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

ECONOMIC FACTORS

The Southeast region of the United States has experienced tremendous growth and prosperity over the past decade, particularly the Charlotte Metropolitan Area. Located within this area, Fort Mill has also experienced significant growth within the period. The growth rate has declined significantly over the last 24-30 months primarily due to the national housing crisis. Town officials expect to experience modest growth over the next few years with the potential for more robust growth as the national economy improves.

Fort Mill has been home to the corporate headquarters of one of the nation's largest textile manufacturers for over a century. Recently, the town began attracting many other corporate headquarters and commercial offices. Fort Mill now enjoys a diverse employment base that has grown with our residential population.

The Town's climate, natural assets, and economic diversity have combined to reinforce its role within this region for both the state of South Carolina and the Southeastern region of the United States. The Town is recognized as one of the Southeast's most progressive local governments and has amassed a notable record of success. It is characterized by active involvement in support of economic development, provision of high quality services, and a pro-business attitude.

NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The adopted FY 2010-11 General Fund operating budget is \$7,595,019. The General Fund budget was balanced with a fund balance appropriation of \$30,000. Rates associated with the Town's franchise and business license fees remained constant. Solid waste fees increased approximately 11% and building permit fees were adjusted upward slightly as the Town adopted a scale more comparable to York County's fee schedule and that of other nearby municipalities.

REQUESTS FOR TOWN INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 2,522,741	1,335,300	\$ 3,858,041
Cash and Cash Equivalents, Restricted	592,744	1,417,529	2,010,273
Receivables, Net:			
Property Taxes	319,731	-	319,731
Accounts	74,868	789,981	864,849
Other	99,523	12,889	112,412
Internal Balances	285,063	(285,063)	-
Due From:			
State Government	57,962	-	57,962
Bond Issuance Costs, Net	-	183,287	183,287
Capital Assets:			
Non-Depreciable	865,371	410,199	1,275,570
Depreciable, Net	6,311,354	20,512,751	26,824,105
TOTAL ASSETS	11,129,357	24,376,873	35,506,230
LIABILITIES			
Accounts Payable	193,630	654,131	847,761
Accrued Interest Payable	22,807	113,458	136,265
Accrued Salaries and Fringe Benefits	236,509	57,537	294,046
Unearned Revenues	13,023	128,725	141,748
Non-Current Liabilities:			
Due Within One Year	548,061	588,836	1,136,897
Due in More Than One Year	936,332	8,036,091	8,972,423
TOTAL LIABILITIES	1,950,362	9,578,778	11,529,140
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,053,562	12,519,391	18,572,953
Restricted For:			
Debt Service	-	1,304,071	1,304,071
Tourism Related	371,601	-	371,601
Narcotics	18,818	-	18,818
Fire Cushion Fund	56,981	-	56,981
Unrestricted	2,678,033	974,633	3,652,666
TOTAL NET ASSETS	\$ 9,178,995	14,798,095	\$ 23,977,090

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	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	\$ 1,036,257	2,398,868	-	-	1,362,611		\$ 1,362,611
Judicial	98,212	68,554	-	-	(29,658)		(29,658)
Public Works	2,259,787	476,812	-	-	(1,782,975)		(1,782,975)
Public Safety	3,670,932	161,254	19,959	21,000	(3,468,719)		(3,468,719)
Culture and Recreation	507,631	147,714	93,463	8,754	(257,700)		(257,700)
Interest and Fiscal Charges	47,546	-	-	-	(47,546)		(47,546)
Total Governmental Activities	7,620,365	3,253,202	113,422	29,754	(4,223,987)		(4,223,987)
Business-Type Activities:							
Water/Sewer	5,771,924	4,991,467	-	26,753		(753,704)	(753,704)
Total Business-Type Activities	5,771,924	4,991,467	-	26,753		(753,704)	(753,704)
TOTAL - PRIMARY GOVERNMENT	\$ 13,392,289	8,244,669	113,422	56,507	(4,223,987)	(753,704)	(4,977,691)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,955,677	-	3,955,677
Hospitality Taxes					172,299	-	172,299
Intergovernmental Revenue - Unrestricted					273,343	-	273,343
Investment Income					8,008	5,064	13,072
Miscellaneous					64,791	20,000	84,791
Transfers In (Out)					(44,030)	44,030	-
Total General Revenues and Transfers					4,430,088	69,094	4,499,182
CHANGE IN NET ASSETS					206,101	(684,610)	(478,509)
NET ASSETS, Beginning of Year					8,972,894	15,482,705	24,455,599
NET ASSETS, End of Year					9,178,995	14,798,095	\$ 23,977,090

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

TOWN OF FORT MILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	GENERAL	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,386,307	46,347	90,087	\$ 2,522,741
Cash and Cash Equivalents, Restricted	203,316	371,601	17,827	592,744
Receivables, Net:				
Property Taxes	319,731	-	-	319,731
Garbage	74,868	-	-	74,868
Other	83,500	15,032	991	99,523
Due From:				
Other Funds	456,768	13	-	456,781
State Government	46,772	11,190	-	57,962
TOTAL ASSETS	3,571,262	444,183	108,905	4,124,350
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	186,471	7,157	2	193,630
Accrued Salaries and Fringe Benefits	236,509	-	-	236,509
Due to Other Funds	171,718	-	-	171,718
Deferred and Unearned Revenues	131,692	-	-	131,692
TOTAL LIABILITIES	726,390	7,157	2	733,549
FUND BALANCES				
Reserved For:				
Tourism Related Costs	-	371,601	-	371,601
Capital Lease Purchases	119,077	-	-	119,077
Fire Cushion Fund	56,981	-	-	56,981
Unreserved:				
Designated for Capital Projects	-	65,425	-	65,425
Undesignated, Reported In:				
General Fund	2,668,814	-	-	2,668,814
Special Revenue Funds	-	-	108,903	108,903
TOTAL FUND BALANCES	2,844,872	437,026	108,903	3,390,801
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,571,262	444,183	108,905	\$ 4,124,350

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

TOWN OF FORT MILL, SOUTH CAROLINA

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

SEPTEMBER 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,390,801
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Property taxes in the Statement of Net Assets will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	118,669
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 \$11,091,199, and the accumulated depreciation was \$3,914,474.	7,176,725
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.	(22,807)
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	(1,242,240)
Compensated Absences	(242,153)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 9,178,995</u>

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

TOWN OF FORT MILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2010

	GROSS REVENUE
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Charges for Fees and Services	\$ 4,885,701
Receipts from Other Revenues	113,303
Payments for Personal Services	(1,117,352)
Payments for Goods and Services	(3,082,287)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	799,365
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers To Other Funds	(46,781)
Other Non-Operating Receipts (Payments)	46,753
	<hr/>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(28)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(91,784)
Proceeds Received from the Disposal of Properties	
Bond and Note Payments	(525,470)
Interest Paid on Bonds	(415,081)
	<hr/>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,032,335)
CASH FLOWS FROM INVESTING ACTIVITIES	
Income Received on Investments	5,064
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,064
NET DECREASE IN CASH AND CASH EQUIVALENTS	(227,934)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), Beginning of Year	<hr/> 2,980,763
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), End of Year	\$ 2,752,829
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (357,015)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	789,429
(Increase) Decrease in Current Assets:	
Receivables	(105,841)
Due from State	108,921
Increase (Decrease) in Current Liabilities:	
Accounts Payable	344,707
Accrued Salaries & Fringe Benefits	11,278
Deferred and Unearned Revenues	4,457
Compensated Absences	3,429
	<hr/>
Net Cash Provided by Operating Activities	\$ 799,365

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The basic 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.

All activities, including component units, for which the Town is considered financially accountable, have been incorporated into the basic financial statements to form the reporting entity. The Town’s basic financial statements include the accounts of all operations, including, but not limited to, general operations and support services, capital projects, and special revenue.

The primary criterion for determining inclusion or exclusion of a legally separate entity 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. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

1. Determine its budget without the Town having the authority to approve or modify that budget;
2. Levy taxes or set rates or charges without approval by the Town; and
3. Issue bond debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town’s basic financial statements to be misleading or incomplete.

There were no component units required to be included in the Town’s basic financial statements.

Related Organizations

Fort Mill Housing Authority

The Fort Mill Housing Authority (the “Authority”) is administered by a five member Board of Directors (the “Board”). Members of the Board which are appointed by the Mayor for a five year fixed term are made up of community leaders (who are not Town officials). The Town’s responsibility does not extend beyond the Mayor making these appointments. The Authority does not have a significant operational or financial relationship with the Town.

Major Operations

The Town’s major governmental operations include general government, judicial, public works, public safety (police and fire protection), and culture and recreation. In addition, the Town provides water and sewer services through its enterprise fund (business-type activity).

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

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

Fund basic financial statements report detailed information about the Town. The focus of governmental and enterprise fund basic 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 BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The *General Fund, a major fund*, 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 are not allocated by law or contractual agreement 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. This is a budgeted fund, and any unreserved fund balance is generally considered a resource available for use.

The *Capital Projects Fund, a major fund*, is used to account for financial resources expended for 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. This is a budgeted fund.

The *Special Revenue Funds, non-major funds*, are used to account for the proceeds of designated specific revenue sources (other than major capital projects) that are restricted by law or administrative actions to expenditures for specified purposes. 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.

Narcotics Fund

Community Development

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. The Town applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Town has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Town has one major Enterprise Fund:

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

C. Assets, Liabilities, 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

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

- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.

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

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers. Town management determines the classification of amounts recorded as subsidies or advances. To the extent that certain transactions between funds had not been paid or received as of September 30, 2010, balances of interfund amounts or payables have been recorded. Internal service funds are used to record charges to all Town departments as operating revenue. All Town funds record these payments to the internal service funds as operating expenditures or expenses.

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, sewer, parking, and other fees and charges.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

3. Inventories and Prepaids

Inventories and prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid).

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

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

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

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

5. Compensated Absences

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

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

5. *Compensated Absences (Continued)*

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 basic financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund basic financial statements. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or terminations.

6. *Accrued Liabilities and Long-Term Obligations*

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic 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 basic financial statements only to the extent that they are due and payable.

In the government-wide basic financial statements long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts (if any), as well as bond issuance costs, 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 discount. Bond issuance costs are amortized over the term of the related debt.

In the fund basic 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, whether or not withheld from the actual debt proceeds received, are reported as debt service premiums.

7. *Fund Balance*

In the fund basic financial statements, the Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations of fund balance represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure. Fund balance reserves can be established for, but not limited to the following: prepaids, inventory, non-current receivables, prior year appropriations, grant projects, debt service, capital projects and special revenue programs. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

8. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets are classified as invested in capital assets net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt/capital leases which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are 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.

9. 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.

10. Accounting Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic 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.

11. 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.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

4. The Town Manager is authorized to administer the budget and may transfer appropriated funds between accounts within and between each department without Town Council's prior approval provided the transfer does not alter the total appropriations for either fund. Town Council must approve any revisions that alter the total appropriations of a fund. Department heads are responsible for managing their respective budgets. Department heads are not allowed to make transfers of appropriated funds. The legal level of budgetary authority is at the departmental level.
5. Legally adopted budgets are employed as a management control device during the year for the General Fund, Capital Projects Fund, and Gross Revenue Fund. Expenditures/expenses may not legally exceed appropriations on the fund level. The remaining Special Revenue Funds are not formally budgeted but effective budgetary control is achieved through the various grant documents and appropriate state law.
6. The budgets for the governmental funds are legally adopted on a basis consistent with GAAP. The proprietary fund (Gross Revenue Fund) is legally adopted on the cash basis (which is not consistent with GAAP).
7. The budgets at the end of the year for these funds represent the budgets adopted and amended by the Town Council plus encumbrances and funds designated for continuing projects carried over from the preceding year.
8. Encumbrances do not lapse but are brought forward to the new year and added to the budget adopted by Town Council for that year. It is Town policy to close out all encumbrances possible before year-end. The Town had no encumbrances at September 30, 2010.
9. All unencumbered appropriations, except those designated as continuing projects by the Town Manager, lapse at year-end.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of September 30, 2010, none of the Town's bank balances of approximately \$4,810,000 (which had a carrying value of approximately \$4,756,000) were exposed to custodial credit risk.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

A. Deposits and Investments (Continued)

Investments

As of September 30, 2010, the Town had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
Treasury Money Market Fund - Open Ended	AAAm, Aaa	\$ 1,112,097	< 1 Year

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

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, 2010, none of the Town's investments were exposed to custodial credit risk. Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

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

Certain cash, cash equivalents, and investments of the Town are legally restricted for specified purposes. The major types of restrictions at September 30, 2010 were related to (a) bond agreements (\$1,536,000), (b) narcotics (\$18,000), (c) hospitality taxes (\$372,000), and (d) other (\$84,000).

B. Property Taxes and Other Receivables

Property Taxes

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, 2010, millage was set at 86.0 mills compared to 81.0 mills in the prior year to cover general Town services and uses.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

B. Property Taxes and Other Receivables (Continued)

Property Taxes (Continued)

Based on information provided by the York County Treasurer’s Office, the Town has recorded uncollected, property taxes at September 30, 2010 of approximately \$320,000 (net of allowance for uncollectible portion of approximately \$9,000) for the General Fund. Delinquent property taxes of approximately \$105,000 have been recognized as revenue at September 30, 2010 because it was collected within 60 days of year end. Approximately \$96,000 has been recognized as revenue as it was collected by the County during September 2010, and remitted to the Town in October. The remaining amount of approximately \$119,000 has been recorded as deferred revenue on the governmental fund basic 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 \$75,000 (net of allowance for uncollectible portion of approximately \$36,000) and \$790,000 (net of allowance for uncollectible portion of approximately \$161,000), 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, 2010 (garbage service receivables are considered available as they are expected to be collected within 60 days of year end).

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

The interfund balances at September 30, 2010, 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	\$ 456,768	\$ 171,718
Gross Revenue Fund	171,705	456,768
Capital Projects Fund	13	-
Totals	<u>\$ 628,486</u>	<u>\$ 628,486</u>

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 21,000	\$ 70,030
Gross Revenue Fund	65,030	21,000
<u>Other Non-Major Funds:</u>		
Special Revenue Fund - Narcotics Fund	5,000	-
Totals	<u>\$ 91,030</u>	<u>\$ 91,030</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers (Continued)

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 \$65,030 from the General Fund to the Gross Revenue Fund for capital lease proceeds used on capital assets purchased. These were unbudgeted transfers that were approved by the Town Council during the year.

D. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 700,717	-	-	-	\$ 700,717
Construction In Progress	23,161	164,654	23,161	-	164,654
Total Capital Assets, Non-Depreciable	723,878	164,654	23,161	-	865,371
Capital Assets, Depreciable:					
Land Improvements	273,285	-	-	-	273,285
Infrastructure	1,690,297	-	-	-	1,690,297
Buildings and Improvements	3,950,737	-	-	-	3,950,737
Equipment	1,534,029	84,199	29,038	-	1,589,190
Vehicles	2,420,169	317,150	15,000	-	2,722,319
Total Capital Assets Depreciable	9,868,517	401,349	44,038	-	10,225,828
Less: Accumulated Depreciation for:					
Land Improvements	41,908	18,219	-	-	60,127
Infrastructure	106,263	42,257	-	-	148,520
Buildings and Improvements	1,113,284	100,811	-	-	1,214,095
Equipment	770,052	158,737	17,599	-	911,190
Vehicles	1,398,907	193,064	11,429	-	1,580,542
Total Accumulated Depreciation	3,430,414	513,088	29,028	-	3,914,474
Total Capital Assets, Depreciable, Net	6,438,103	(111,739)	15,010	-	6,311,354
Governmental Activities Capital Assets, Net	\$ 7,161,981	52,915	38,171	-	\$ 7,176,725

The cost of equipment recorded under capital lease was approximately \$1,831,000. Accumulated amortization was approximately \$1,183,000 at September 30, 2010. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for the Town’s Governmental Activities were charged/allocated to functions/programs for the year ended September 30, 2010 as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
General Government	\$ 19,233	\$ 217,989
Public Safety *	184,846	107,619
Public Works	361,924	91,582
Culture and Recreation	-	95,898
Totals - Governmental Activities	<u>\$ 566,003</u>	<u>\$ 513,088</u>

* Includes a donated vehicle for \$21,000.

Capital asset activity for the Town’s business-type activities for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable					
Land	\$ 305,505	-	-	-	\$ 305,505
Construction in Progress	213,614	26,754	-	(135,674)	104,694
Total Capital Assets, Non-Depreciable	<u>519,119</u>	<u>26,754</u>	<u>-</u>	<u>(135,674)</u>	<u>410,199</u>
Capital Assets, Depreciable					
Infrastructure	29,235,568	-	-	135,674	29,371,242
Buildings and Improvements	370,542	-	-	-	370,542
Equipment	480,795	-	-	-	480,795
Vehicles	162,578	65,030	-	-	227,608
Total Capital Assets, Depreciable	<u>30,249,483</u>	<u>65,030</u>	<u>-</u>	<u>135,674</u>	<u>30,450,187</u>
Less: Accumulated Depreciation for:					
Infrastructure	8,651,711	731,379	-	-	9,383,090
Buildings and Improvements	96,469	9,264	-	-	105,733
Equipment	277,797	34,284	-	-	312,081
Vehicles	122,030	14,502	-	-	136,532
Total Accumulated Depreciation	<u>9,148,007</u>	<u>789,429</u>	<u>-</u>	<u>-</u>	<u>9,937,436</u>
Total Capital Assets, Depreciable, Net	<u>21,101,476</u>	<u>(724,399)</u>	<u>-</u>	<u>135,674</u>	<u>20,512,751</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,620,595</u>	<u>(697,645)</u>	<u>-</u>	<u>-</u>	<u>\$ 20,922,950</u>

The cost of capital assets that was purchased under capital lease was approximately \$3,538,000. Accumulated amortization was approximately \$1,272,000 at September 30, 2010. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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. Capital Lease obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of capital lease obligations nor the interest thereon.

Details on the Town’s governmental activities outstanding debt issues and capital leases as of September 30, 2010 are as follows:

	Principal Outstanding at Year End
General Obligation Bonds	
\$657,300 general obligation serial bond issued in December, 1994 (“Series 1995”), due in annual installments of \$53,837 beginning December 2, 1995 through December 2, 2014 which includes interest at 5.251%. The proceeds of this issue were primarily used to build the Town’s fire station.	\$ 231,607
\$1,000,000 general obligation refunding serial bonds issued in July, 2002 (“Series 2002”), due in annual installments of \$123,230 beginning July 2, 2003 through July 2, 2012 which includes interest at 3.990%. The proceeds from this issue were used to defray the cost of constructing additions and renovations to the Fort Mill Town Hall.	232,458
Total Outstanding General Obligation Bonds	<u>\$ 464,065</u>
Capital Lease Obligations	
\$735,823 capital lease was entered into in June 2003, with annual installments of \$87,764 beginning June 17, 2004 through June 17, 2013 which includes interest at 3.340%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of a ladder truck (“Ladder Truck”).	\$ 246,637
\$235,000 capital lease was entered into in March 2008, with annual installments of \$62,648 beginning March 4, 2009 through March 4, 2012 which includes interest at 2.620%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of portable radios.	120,538
\$411,000 capital lease was entered into in February 2010, with annual installments of \$144,436 beginning February 23, 2011 through February 23, 2013 which includes interest at 2.690%. The proceeds from this capital lease obligation were primarily used to fund the acquisition of equipment/vehicles.	411,000
Total Capital Lease Obligations	<u>\$ 778,175</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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, 2010, for the Town's governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
GOB - Series 1995	\$ 271,235	-	39,628	231,607	\$ 41,709
GOB - Series 2002	342,040	-	109,582	232,458	113,955
Total Debt	613,275	-	149,210	464,065	155,664
Capital Leases:					
Ladder Truck	323,593	-	76,956	246,637	79,527
2006 Equipment Lease	219,622	-	219,622	-	-
2008 Equipment Lease	178,509	-	57,971	120,538	59,490
2010 Equipment Lease	-	411,000	-	411,000	133,380
Total Capital Leases	721,724	411,000	354,549	778,175	272,397
Compensated Absences	222,144	166,868	146,859	242,153	120,000
Total Governmental Activities	\$ 1,557,143	577,868	650,618	1,484,393	\$ 548,061

Resources from the General Fund have been used to liquidate the governmental activities debt, capital lease 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, 2010, the Town had approximately \$464,000 of bonded debt subject to the 8% limit of approximately \$3,629,000 resulting in an unused legal debt margin of approximately \$3,165,000.

Details on the Town's business-type activities outstanding debt issues and capital leases as of September 30, 2010 are as follows:

Revenue Bonds	Principal Outstanding at Year End
\$6,375,000 waterworks and sewer refunding and improvement revenue bonds issued in June, 1998 ("1998 Revenue Bonds"), due in annual installments of \$80,000 to \$360,000 beginning December 1, 1998 through December 1, 2022, plus interest at approximately 4.966% due semi-annually. The proceeds from this issue were used to advance refund the 1988 and 1991 bonds and to provide funding for further expansion and improvement of the water/sewer system.	<u><u>\$ 4,190,000</u></u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

E. Long-Term Obligations (Continued)

	<u>Principal Outstanding at Year End</u>
<i>State Water Pollution Control Revolving Fund Loans ("State Revolving Loan")</i>	
\$490,037 revolving fund loan issued in September, 2001 ("2001 State Revolving Loan"), due in quarterly installments of \$8,695 beginning October 1, 2001 through January 1, 2021 which includes interest at 3.5%. The proceeds from this issue were used to fund an expansion to the wastewater treatment plant.	\$ 304,499
\$568,708 revolving fund loan issued in December, 2004 ("2003 State Revolving Loan"), due in quarterly installments of \$12,101 to \$10,137 beginning March 1, 2004 through December 1, 2023, which includes interest at 3.75%. The proceeds from this issue were used to fund the Tega Cay and Banks Street Water line extensions.	421,856
\$2,625,993 revolving fund loan issued in May, 2004 ("2004 State Revolving Loan"), due in quarterly installments of \$48,526 beginning September 1, 2005 through May 1, 2025, which includes interest at 3.75%. The proceeds from this issue were used to fund an expansion to the wastewater treatment plant.	2,113,686
Total State Water Pollution Control Revolving Fund Loans ("State Revolving Loan")	<u>\$ 2,840,041</u>
<i>Capital Lease Obligations</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 interest at approximately 5.643% due semi-annually. The proceeds from this capital lease obligation were used to fund the purchase of the Rock Hill water line.	<u>\$ 1,556,805</u>

Presented below is a summary of changes in long-term obligations for the year ended September 30, 2010, for the Town's business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
State Revolving Loans:					
2001	\$ 322,278	-	17,779	304,499	\$ 24,440
2003	446,014	-	24,158	421,856	25,077
2004	2,219,161	-	105,475	2,113,686	109,486
Total State Revolving Loans	2,987,453	-	147,412	2,840,041	159,003
1998 Revenue Bonds	4,455,000	-	265,000	4,190,000	280,000
Total Debt	7,442,453	-	412,412	7,030,041	439,003
Capital Lease - Rock Hill Water Line	1,669,863	-	113,058	1,556,805	119,833
Compensated Absences	34,652	28,159	24,730	38,081	30,000
Total Business-Type Activities	\$ 9,146,968	28,159	550,200	8,624,927	\$ 588,836

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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

E. Long-Term Obligations (Continued)

Resources from the Gross Revenue Fund have been used to liquidate business-type activities debt, capital leases, 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 did not initially meet the rate covenant for the year ended September 30, 2010 due to significant expenditures for new water meters being expensed since they did not meet the Towns capitalization policy. This matter was discussed with the lender and the lender felt it was reasonable for debt covenant calculations to treat the water meter purchases as capital expenses for purposes of the rate covenant. When treating the water meter purchases as capital items, the Town met the rate covenant for fiscal year 2010.

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, 2010:

Year Ended September 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2011	\$ 155,664	21,439	272,397	22,452	\$ 471,952
2012	162,403	14,701	280,199	14,648	471,951
2013	46,205	7,668	225,579	6,621	286,073
2014	48,631	5,242	-	-	53,873
2015	51,162	2,688	-	-	53,850
Totals	<u>\$ 464,065</u>	<u>51,738</u>	<u>778,175</u>	<u>43,721</u>	<u>\$ 1,337,699</u>
<u>Business-Type Activities</u>					
2011	\$ 439,003	301,175	119,833	83,906	\$ 943,917
2012	454,987	282,078	126,632	76,789	940,486
2013	471,197	262,001	134,117	69,274	936,589
2014	492,640	240,951	141,630	61,342	936,563
2015	519,325	218,744	150,490	53,245	941,804
2016 - 2020	2,676,074	734,577	884,103	128,901	4,423,655
2021 - 2025	1,976,815	165,281	-	-	2,142,096
Totals	<u>\$ 7,030,041</u>	<u>2,204,807</u>	<u>1,556,805</u>	<u>473,457</u>	<u>\$ 11,265,110</u>

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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 obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended September 30, 2010, the Town made premium payments totaling approximately \$145,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2009, totaled approximately \$25,402,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The Town pays an annual premium to SCMIT. In the year ended September 30, 2010, the Town made premium payments totaling approximately \$76,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2009, totaled approximately \$34,484,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Plan

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

B. Contingent Liabilities and Commitments

Grants

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

Construction Commitments

The Town has a commitment related to the completion of the Mausoleum. At September 30, 2010, the total outstanding balance to finish this project was approximately \$107,000.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

IV. OTHER INFORMATION (CONTINUED)

C. Deferred Compensation Plan

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was approximately \$4,257,000 of the Town's approximately \$4,162,000 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 five dollars per week to each employee chosen to participate. Employer and employee contributions were approximately \$19,000 and \$83,000 respectively for the year ended September 30, 2010. There were no significant changes in plan provisions during the current year.

D. Retirement Plans

South Carolina Retirement and Police Officer's Retirement System

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

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

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

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

Both employees and the Town are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

South Carolina Retirement and Police Officer's Retirement System (Continued)

Employees covered under SCPORS are required to contribute 6.5% of salary. Employees covered under SCRS are required to contribute 6.5% of salary as of year end. The Town is required to contribute 11.53% of gross earnings under SCPORS and 9.39% under SCRS as of year end. Employees have the option of not participating in the retirement plans. Current year payrolls covered under both systems are as follows:

	PORS		SCRS
\$	1,830,423	\$	2,232,003

Total payroll for 2010 for all Town employees was approximately \$4,162,000. The Town's contributions equaled the amount required. The retirement contributions made by the Town for the current year and each of the two preceding years are as follows:

Year Ended September 30,	SCRS Contributions		SCPORS Contributions	
	Required	% Contributed	Required	% Contributed
2010	\$ 209,585	100%	\$ 203,411	100%
2009	196,405	100%	187,762	100%
2008	\$ 177,074	100%	\$ 167,051	100%

E. Other Postemployment Benefits

Upon retirement from the Town, employees who meet certain eligibility requirements have the option to retain health and dental insurance through the Town by paying 100% of the premium. To be eligible, an employee must retire and qualify for full retirement with the SCRS or PORS, or a combination of both with a minimum of ten years of service with the Town. The Town's retiree health insurance coverage is established and can only be changed by Town Council. The cost of this benefit is financed on a pay-as-you-go basis. Current expenditures are included in the overall health care costs of the Town and cannot be reasonably separated or estimated. Presently there is one participant.

In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("Statement"). This Statement establishes standards for the measurement, recognition and display of Other Post Employment 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 adopted Statement No. 45 in fiscal year 2010. No liability or expenditure is recorded as of September 30, 2010 due to the fact that the current OPEB plan requires retirees to pay the full cost of an age adjusted retiree rate rather than a blended group rate.

F. Economic Dependency

The Town's Gross Revenue Fund purchases all its water used for resale from the City of Rock Hill, South Carolina. The Town entered into an agreement with the City of Rock Hill whereby the City of Rock Hill will sell the Town water through the year 2014 at the City of Rock Hill's prevailing wholesale rate.

One water customer accounted for approximately 38% of total water sales for the year ended September 30, 2010. In December 1998, the Town entered into a water service agreement with this customer whereby this customer will purchase a minimum of 200,000 gallons of water per day through the year 2014.

TOWN OF FORT MILL, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

IV. OTHER INFORMATION (CONTINUED)

G. Subsequent Events

Debt Issuances

In January 2011, the Town issued the Series 2011 Waterworks and Sewer System Refunding Revenue Bonds in the amount of \$6,152,000 with an interest rate of 3.55% and a final maturity of December 1, 2023. The Town used the proceeds to defease the Series 1998 Waterworks and Sewer System Revenue Bonds and to redeem the Series 2003 and 2004 Waterworks and Sewer System Improvement Revenue Bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT MILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,725,506	3,725,506	3,980,888	\$ 255,382
Fines, Fees, Licenses and Permits:	2,500,200	2,500,200	2,458,256	(41,944)
Charges For Services	685,500	685,500	633,693	(51,807)
Grants	-	-	27,625	27,625
Intergovernmental	245,668	245,668	209,390	(36,278)
Miscellaneous	318,708	318,708	297,662	(21,046)
Investment Earnings	7,000	7,000	5,127	(1,873)
TOTAL REVENUES ALL SOURCES	7,482,582	7,482,582	7,612,641	130,059
EXPENDITURES				
Current:				
General Government	803,614	803,614	784,146	19,468
Judicial	99,765	99,765	95,939	3,826
Public Works	1,829,629	1,829,629	1,763,547	66,082
Public Safety	3,637,225	3,637,225	3,479,453	157,772
Culture and Recreation	394,110	394,110	401,515	(7,405)
Capital Outlay	157,800	157,800	440,081	(282,281)
Debt Service:				
Principal Retirement	503,760	503,760	503,759	1
Interest and Fiscal Charges	51,679	51,679	51,680	(1)
TOTAL EXPENDITURES	7,477,582	7,477,582	7,520,120	(42,538)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,000	5,000	92,521	87,521
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	5,000	5,000	15,533	10,533
Capital Lease	-	-	411,000	411,000
Transfers In	-	-	21,000	21,000
Transfers Out	(10,000)	(10,000)	(70,030)	(60,030)
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(5,000)	377,503	382,503
NET CHANGE IN FUND BALANCE	-	-	470,024	470,024
FUND BALANCE, Beginning of Year	2,374,848	2,374,848	2,374,848	-
FUND BALANCE, End of Year	\$ 2,374,848	2,374,848	2,844,872	\$ 470,024

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.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes:			
Current Property Taxes	\$ 3,291,358	3,600,847	\$ 309,489
Current Vehicle Taxes	398,148	328,633	(69,515)
Delinquent Taxes	2,000	(26,000)	(28,000)
Prior Years, Including Penalties and Execution Fees	5,000	43,041	38,041
Housing Authority in Lieu of Taxes	29,000	34,367	5,367
Total Taxes	<u>3,725,506</u>	<u>3,980,888</u>	<u>255,382</u>
Fines, Fees, Licenses, and Permits:			
Privilege Licenses	2,000,000	2,001,116	1,116
Duke Power in Lieu of Taxes	170,000	184,720	14,720
York Electric in Lieu of Taxes	90,000	118,063	28,063
Fines and Penalties	80,000	68,554	(11,446)
Permits	160,200	85,803	(74,397)
Total Fines, Fees, Licenses, and Permits	<u>2,500,200</u>	<u>2,458,256</u>	<u>(41,944)</u>
Charges for Services:			
Garbage Revenue	490,000	459,772	(30,228)
Athletics Revenue	160,500	147,714	(12,786)
Cemetery Lots	-	(4,516)	(4,516)
Grave Openings	20,000	17,040	(2,960)
Assembly Center Fees	15,000	13,683	(1,317)
Total Charges for Services	<u>685,500</u>	<u>633,693</u>	<u>(51,807)</u>
Grant Revenues:			
Federal Grant	-	27,625	27,625
Total Grant Revenues	<u>-</u>	<u>27,625</u>	<u>27,625</u>
Intergovernmental Revenues:			
State Shared Revenue	230,000	193,738	(36,262)
Manufacturer's Depreciation Reimbursement	200	183	(17)
Merchants Inventory Tax	15,468	15,469	1
Total Intergovernmental Revenues	<u>245,668</u>	<u>209,390</u>	<u>(36,278)</u>
Miscellaneous:			
School Resource Officers	153,000	147,076	(5,924)
York County Fire Protection	19,200	19,959	759
Spring Festival	30,000	65,838	35,838
Other	15,456	64,789	49,333
Fund Balance Appropriation	101,052	-	(101,052)
Total Miscellaneous	<u>\$ 318,708</u>	<u>297,662</u>	<u>\$ (21,046)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
Investment Earnings:			
Investment Earnings	\$ 7,000	5,127	\$ (1,873)
Total Investment Earnings	7,000	5,127	(1,873)
 TOTAL REVENUES ALL SOURCES	 7,482,582	 7,612,641	 130,059
 EXPENDITURES			
General Government:			
Town Council:			
Personnel Services	17,718	17,527	191
Operating Expenditures	90,663	85,225	5,438
Community Promotions	3,850	4,612	(762)
Miscellaneous	350	3,191	(2,841)
Total Town Council	<u>112,581</u>	<u>110,555</u>	<u>2,026</u>
Administration:			
Personnel Services	471,303	483,447	(12,144)
Operating Expenditures	219,730	190,144	29,586
Capital Outlay	13,300	22,053	(8,753)
Total Administration	<u>704,333</u>	<u>695,644</u>	<u>8,689</u>
Total General Government	816,914	806,199	10,715
 Judicial:			
Municipal Court:			
Personnel Services	85,085	84,104	981
Operating Expenditures	14,680	11,835	2,845
Capital Outlay	8,500	2,273	6,227
Total Municipal Court	<u>108,265</u>	<u>98,212</u>	<u>10,053</u>
Total Judicial	108,265	98,212	10,053
 Public Works:			
Administration:			
Personnel Services	59,038	58,982	56
Operating Expenditures	38,725	28,825	9,900
Capital Outlay	2,500	2,820	(320)
Total Administration	<u>100,263</u>	<u>90,627</u>	<u>9,636</u>
Sanitation:			
Personnel Services	245,798	243,975	1,823
Operating Expenditures	229,650	265,613	(35,963)
Total Sanitation	<u>\$ 475,448</u>	<u>509,588</u>	<u>\$ (34,140)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Public Works (Continued):			
Building and Grounds:			
Personnel Services	\$ 517,478	497,246	\$ 20,232
Operating Expenditures	140,000	121,191	18,809
Capital Outlay	34,900	67,239	(32,339)
Total Building and Grounds	<u>692,378</u>	<u>685,676</u>	<u>6,702</u>
Street Department:			
Personnel Services	150,299	149,595	704
Operating Expenditures	327,600	317,229	10,371
Capital Outlay	-	129,192	(129,192)
Total Street Department	<u>477,899</u>	<u>596,016</u>	<u>(118,117)</u>
Garage and Vehicle:			
Personnel Services	53,111	54,421	(1,310)
Operating Expenditures	30,530	26,470	4,060
Total Garage and Vehicle	<u>83,641</u>	<u>80,891</u>	<u>2,750</u>
Total Public Works	<u>1,829,629</u>	<u>1,962,798</u>	<u>(133,169)</u>
Public Safety:			
Police Department:			
Personnel Services	2,303,895	2,229,569	74,326
Operating Expenditures	541,000	467,827	73,173
Capital Outlay	71,000	146,949	(75,949)
Total Police Department	<u>2,915,895</u>	<u>2,844,345</u>	<u>71,550</u>
Fire Department:			
Personnel Services	616,355	607,717	8,638
Operating Expenditures	175,975	174,340	1,635
Capital Outlay	59,500	63,395	(3,895)
Total Fire Department	<u>851,830</u>	<u>845,452</u>	<u>6,378</u>
Total Public Safety	<u>3,767,725</u>	<u>3,689,797</u>	<u>77,928</u>
Cultural and Recreation:			
Recreation:			
Personnel Services	138,621	128,688	9,933
Operating Expenditures	255,489	272,827	(17,338)
Capital Outlay	5,500	6,160	(660)
Total Cultural and Recreation	<u>\$ 399,610</u>	<u>407,675</u>	<u>\$ (8,065)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 503,760	503,759	\$ 1
Interest and Fiscal Charges	51,679	51,680	(1)
Total Debt Service	<u>555,439</u>	<u>555,439</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>7,477,582</u>	 <u>7,520,120</u>	 <u>(42,538)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>5,000</u>	 <u>92,521</u>	 <u>87,521</u>
 OTHER FINANCING SOURCES (USES)			
Proceeds from Disposal of Capital Assets	5,000	15,533	10,533
Capital Lease	-	411,000	411,000
Transfers In	-	21,000	21,000
Transfers Out	(10,000)	(70,030)	(60,030)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>377,503</u>	<u>382,503</u>
 NET CHANGE IN FUND BALANCE	 <u>-</u>	 <u>470,024</u>	 <u>470,024</u>
 FUND BALANCE, Beginning of Year	 <u>2,374,848</u>	 <u>2,374,848</u>	 <u>-</u>
 FUND BALANCE, End of Year	 <u>\$ 2,374,848</u>	 <u>2,844,872</u>	 <u>\$ 470,024</u>

TOWN OF FORT MILL, SOUTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR FUNDS
SEPTEMBER 30, 2010

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOAL</u>
	<u>NARCOTICS</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>NON-MAJOR FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ -	90,087	\$ 90,087
Cash and Cash Equivalents, Restricted	17,827	-	17,827
Receivables, Net:			
Other	991	-	991
TOTAL ASSETS	<u>18,818</u>	<u>90,087</u>	<u>108,905</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	2	2
TOTAL LIABILITIES	<u>-</u>	<u>2</u>	<u>2</u>
FUND BALANCES			
Unreserved - Undesignated	18,818	90,085	108,903
TOTAL FUND BALANCES	<u>18,818</u>	<u>90,085</u>	<u>108,903</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,818</u>	<u>90,087</u>	<u>\$ 108,905</u>

TOWN OF FORT MILL, SOUTH CAROLINA

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

YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS		TOTAL NON-MAJOR FUNDS
	NARCOTICS	COMMUNITY DEVELOPMENT	
REVENUES			
Miscellaneous	\$ 14,179	-	\$ 14,179
Investment Earnings	187	-	187
TOTAL REVENUES ALL SOURCES	14,366	-	14,366
EXPENDITURES			
Current:			
Public Safety	33,344	-	33,344
TOTAL EXPENDITURES	33,344	-	33,344
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,978)	-	(18,978)
OTHER FINANCING SOURCES (USES)			
Transfers In	5,000	-	5,000
TOTAL OTHER FINANCING SOURCES (USES)	5,000	-	5,000
NET CHANGE IN FUND BALANCES	(13,978)	-	(13,978)
FUND BALANCES, Beginning of Year	32,796	90,085	122,881
FUND BALANCES, End of Year	\$ 18,818	90,085	\$ 108,903

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	GROSS REVENUE				
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	VARIANCE (Budgetary Basis)
OPERATING REVENUES					
Water Revenue and Penalties	\$ 1,479,396	1,424,455	-	1,424,455	\$ (54,941)
Sewer Revenues	2,010,038	1,875,940	-	1,875,940	(134,098)
York County Water Sales	875,162	1,066,525	-	1,066,525	191,363
Riverview Water Sales	146,398	128,049	-	128,049	(18,349)
Tega Cay Water Sales	254,394	383,436	-	383,436	129,042
Water Taps	100,000	51,975	-	51,975	(48,025)
Sewer Taps	125,000	59,000	-	59,000	(66,000)
Other Revenues	1,000	2,087	-	2,087	1,087
Fund Balance Appropriation	651,349	-	-	-	(651,349)
TOTAL OPERATING REVENUES	5,642,737	4,991,467	-	4,991,467	(651,270)
OPERATING EXPENSES					
Water:					
Water Purchases	1,450,000	1,572,844	-	1,572,844	(122,844)
Salaries	599,987	580,724	-	580,724	19,263
Fringe Benefits	209,248	195,857	-	195,857	13,391
Material and Supplies	108,700	102,454	-	102,454	6,246
Electricity	5,300	5,233	-	5,233	67
Permits	12,500	11,981	-	11,981	519
Insurance	12,500	12,287	-	12,287	213
Water Meter Replacement	613,525	603,851	-	603,851	9,674
Equipment Repairs	9,000	4,848	-	4,848	4,152
Postage	38,000	34,348	-	34,348	3,652
Gas, Oil, and Grease	18,400	15,368	-	15,368	3,032
Street Maintenance	100,000	91,493	-	91,493	8,507
Miscellaneous	22,400	27,949	-	27,949	(5,549)
Auto Repairs	9,750	9,274	-	9,274	476
Uniforms	8,920	7,649	-	7,649	1,271
Water and Heat	1,600	768	-	768	832
Telephone	19,100	17,360	-	17,360	1,740
Travel/Training	13,410	10,297	-	10,297	3,113
Membership/Dues	4,445	5,105	-	5,105	(660)
Advertising	2,500	1,342	-	1,342	1,158
Professional Services	191,780	207,167	-	207,167	(15,387)
Hydrant Repairs	20,000	15,263	-	15,263	4,737
Pre-Employment Expense	650	-	-	-	650
Contracted Services	25,000	25,534	-	25,534	(534)
Employee Assistance	330	257	-	257	73
Building Maintenance	11,400	8,312	-	8,312	3,088
Capital Outlay	64,100	11,338	-	11,338	52,762
	\$ 3,572,545	3,578,903	-	3,578,903	\$ (6,358)

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
Sewer:					
Salaries	\$ 265,620	261,291	-	261,291	\$ 4,329
Fringe Benefits	96,835	94,187	-	94,187	2,648
Electricity	69,875	69,214	-	69,214	661
Equipment Repairs	31,500	22,511	-	22,511	8,989
Material and Supplies	90,000	49,351	-	49,351	40,649
Electricity Lift Station	40,000	45,612	-	45,612	(5,612)
Alum	28,750	28,482	-	28,482	268
Professional Services	43,200	25,020	-	25,020	18,180
Insurance	16,500	32,081	-	32,081	(15,581)
Contracted Services	5,500	61,396	-	61,396	(55,896)
Chemicals	20,000	12,287	-	12,287	7,713
Lab Supplies	5,000	5,041	-	5,041	(41)
Gas, Oil, and Grease	17,000	14,621	-	14,621	2,379
Service Contracts	5,000	298	-	298	4,702
Natural Gas	10,000	88	-	88	9,912
Auto Repairs	7,000	3,625	-	3,625	3,375
Telephone	5,000	4,236	-	4,236	764
Uniforms	8,200	6,775	-	6,775	1,425
Travel/Training	4,200	2,060	-	2,060	2,140
Miscellaneous	234,142	155,832	(91,784)	64,048	78,310
Water and Heat	3,500	1,215	-	1,215	2,285
Building Maintenance	11,000	7,006	-	7,006	3,994
Lime	19,550	12,523	-	12,523	7,027
Membership/Dues	1,000	290	-	290	710
Landfill Fees	75,000	88,646	-	88,646	(13,646)
Permits	3,500	2,330	-	2,330	1,170
Pump Station Repairs	30,000	48,590	-	48,590	(18,590)
Machinery and Equipment	10,000	5,903	-	5,903	4,097
Capital Outlay	6,000	828	-	828	5,172
Pump Station Monitoring	10,000	10,444	-	10,444	(444)
Employee Assistance	175	151	-	151	24
	<u>1,173,047</u>	<u>1,071,934</u>	<u>(91,784)</u>	<u>980,150</u>	<u>101,113</u>
Depreciation	-	-	789,429	789,429	-
TOTAL OPERATING EXPENSES	<u>4,745,592</u>	<u>4,650,837</u>	<u>697,645</u>	<u>5,348,482</u>	<u>94,755</u>
OPERATING INCOME (LOSS)	<u>\$ 897,145</u>	<u>340,630</u>	<u>(697,645)</u>	<u>(357,015)</u>	<u>\$ (556,515)</u>

(Continued)

TOWN OF FORT MILL, SOUTH CAROLINA

PROPRIETARY FUND

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

YEAR ENDED SEPTEMBER 30, 2010

	GROSS REVENUE				VARIANCE (Budgetary Basis)
	FINAL BUDGET (Budgetary Basis)	ACTUAL (Budgetary Basis)	GAAP Adjustments	ACTUAL (GAAP)	
NON-OPERATING REVENUES (EXPENSES)					
Grants	\$ -	26,753		26,753	\$ 26,753
Investment Earnings	40,000	5,064	-	5,064	(34,936)
Debt Service	(949,145)	(444,442)	21,000	(423,442)	504,703
Tega Cay Water Line Payment	12,000	20,000	-	20,000	8,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(897,145)	(392,625)	21,000	(371,625)	504,520
INCOME (LOSS) BEFORE TRANSFERS	-	(51,995)	(676,645)	(728,640)	(51,995)
Transfers In	-	65,030	-	65,030	65,030
Transfers Out	-	(21,000)	-	(21,000)	(21,000)
CHANGE IN NET ASSETS	-	(7,965)	(676,645)	(684,610)	(7,965)
NET ASSETS, Beginning of Year	15,482,705	15,482,705	-	15,482,705	-
NET ASSETS, End of Year	\$ 15,482,705	15,474,740	(676,645)	14,798,095	\$ (7,965)

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 basic financial statements as follows:

- Depreciation Expense	\$ (789,429)
- Capital Asset Additions	91,784
- Principal Payments on Debt and Capital Leases	21,000
Total GAAP Adjustments	\$ (676,645)

TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED SEPTEMBER 30, 2010

Court Fines and Assessments

Court Fines and Assessments Collected	\$	190,973
Court Fines and Assessments Retained by the City		(80,496)
Total Court Fines and Assessments Remitted to the State Treasurer	\$	110,477

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	-
Court Assessments Allocated to Victim Assistance Fund		12,442
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(12,442)
Funds Available for Carryforward, End of Year	\$	-

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Mill, South Carolina (the "Town") as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of 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 basic 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*.

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, Town Council, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.


Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 14, 2011

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TOWN OF FORT MILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2010

2010-1: INTERNAL CONTROLS OVER THE ANNUAL FINANCIAL REPORTING PROCESS

Condition and Context: The Town does not have adequate internal controls over its annual financial reporting process that would allow for the Town to prevent or detect material misstatements in the basic financial statements. Instead, the Town has chosen to use its external independent auditors as its internal control for the annual financial reporting process, from the recording of various receivables and payables on the modified accrual basis to the conversion to the full accrual basis that is used for the government-wide financial statements.

Criteria: The Town should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements from the day-to-day transactions through to the reporting of those transactions in its annual financial statements.

Cause: There are limited resources available at the Town.

Effect: There is a higher risk that material misstatements in the basic financial statements will go undetected.

Recommendation: The Town should consider the cost/benefit factors related to providing adequate internal controls over its annual financial reporting process.

Response: The Town will continue to evaluate the cost/benefit factors of providing adequate internal controls over its annual financial reporting process. Currently, the Town believes it is most cost beneficial to use its external auditors to perform these functions related to its annual financial reporting process and to prepare the Town's annual financial statements.